The 1936 Reserve Bank of New Zealand Amendment Bill

In 1936, the First Labour Government put forward legislation to nationalise New Zealand’s central bank (The Reserve Bank of New Zealand). The legislation also enabled The Reserve Bank to issue credit (money) for the construction of housing and public infrastructure without the need to borrow the money at interest from overseas.

In addition, the legislation set up producer boards (The Dairy Board, The Wool Board, The Meat Board etc) to take over the marketing and sale of New Zealand’s produce overseas.

Both initiatives were bold and proved to be highly successful. Thousands of affordable State Houses were built and the unemployed were given work in meaningful jobs. It also led to the foundation of one of New Zealand’s most prosperous businesses – the Fletcher group of companies on the back of the housing construction boom.

The wealth generated for New Zealand allowed for the establishment of a welfare system that became the envy of the world. It also enabled New Zealand to emerge from the great depression sooner and in better economic condition than most countries around the world.

The following pages provide a searchable version of the Hansard record of the parliamentary debate to nationalise the Reserve Bank of New Zealand (from the Hathi trust digital records). The text was copied from the original version and the page numbering refers to the numbers in the original Hansard records, with some slight variations to take into account the different formatting styles.

Note that parliamentarians in the debate use the term “Dominion” to refer to New Zealand. New Zealand gained full independence in 1947 and the term is no longer used.
Speeches of significance

Nash - Minister of Finance introducing the bill for a second reading
The “inevitability” of slumps and depressions
Avoiding slumps, depressions and booms
Government control or “Political interference” in the banking system
The profit motive for private banks vs the best interests of the country
Banks determine where credit will be issued and to whom
Transfer of funds for speculative purposes
Borrowing funds overseas
Creating credit to build houses and other necessary things

Coates - Leader of the opposition – where is the money to come from?

Savage - Prime Minister in support of the legislation
Checks on government control of credit
Who has the last word in our economic wellbeing?
Wealth in abundance
Increase in wages and pensions
Lord Beaverbrook, writing in the London Sunday Express
The money system we currently have - debt in perpetuity
New Zealand government debt outstanding from 1879
Money for public works – use the public credit
Thousands of people in need of homes
We want to work with the bankers

Rushworth A new enemy in human development
New Zealand leading the world in sociological legislation
The Prime Minister will become a great figure in history
Every country in the civilized world is vitally interested in this legislation

Denham Control of money has been in the hands of private enterprise
Protests similar to when the eight-hour day was proposed
Protests similar to when the abolition of slavery was proposed
Austerity measures reduced purchasing power and created poverty
Governments controlled by the masters of money
Balancing the budget - a national disgrace
New pupils underweight and malnourished
Director General of Health Report on 50,000 children
No more starving children, broken spirited people or suicides

Hargest Trotting out the same old terms time and again
The banking system has failed to put money in the hands of people
The banking system collapsed at the start of World War One
Treasury notes were issued that worked well until the bankers …..
The disastrous return to the Gold Standard

Wright Funding for the Napier – Gisborne railway line

Smith Auckland demands more public money than the rest of the country combined

Atmore those who create credit hold the destiny of the people in the hollow of their hands
Every bank loan creates a deposit and every loan repayment destroys deposits
Banks create money simply by writing figures in a book
The Bank of England required five bailouts in its history
The bailout of the Bank of New Zealand in 1894
Prime Minister Seddon looked forward to issuing our own money back in 1890
A citizen’s dividend for every man, woman and child in New Zealand
Mechanisation will reduce employment options

Nash Government ownership where private enterprise has failed
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RESERVE BANK OF NEW ZEALAND AMENDMENT BILL.

On the question. That this Bill be now read a second time,

The Hon. Mr. NASH (Minister of Finance) said,—

Sir, in moving the second reading of this Bill, I desire first to say a word or two with regard to the circumstances that have led up to the need for it.

Every member of the House, and every one resident in New Zealand, who has given any thought to the circumstances of the people of the Dominion during the last five or six years will agree that, if something can be done to prevent a return of those circumstances, that ought to be done. The Government, in its wisdom or otherwise, has been affirming for the period that it has been the Government, and its members for many years before that, that the first essential from a Government policy point of view to prevent a recurrence of the slump and depression that we have been experiencing is that the Government, as a Government, should assume control of the monetary system of the Dominion, not exclusively for the purpose of assuming the control, but because nothing else can be done of real import until that major factor is under the control of the Government.

There are three schools of thought that for a long time have been advocating solutions of the existing difficulties. One school affirms that, if we give it the control of the monetary system, within a comparatively short time — some times a week, sometimes a month, and some times a year — it will solve all the existing problems. I do not think the solution of the economic problem and the production and distribution problem can be achieved through monetary factors alone, but it cannot be achieved until the monetary factor has been properly brought into line. The second school is the school that affirms that we have had these slumps and depressions and crises, during the last century or the last two centuries, in recognized order. There is a period, so this school affirms, when
the people at large find the confidence they have had in the existing economic order, and in the possibility of making profits, is not quite justified. At that point a fear comes into the profit makers in general which is transmitted to the body politic in its completeness, and that fear, destroying in itself the confidence the people had, brings about the very crises they have been afraid of. The people say that we have had these slumps half a dozen times, and that they are inevitable; so they conclude, "Why not just let things go, and we will get back again into prosperous periods before we know where we are." And some of them have the temerity at the present time to affirm that we are through the crisis— that we are on the way now towards ordinary stable conditions, with an ultimate boom. That may be so. There is something to be said for that; but, unless we take the necessary steps to avoid that loss of confidence and the other factors that have created these crises, we will inevitably be, in the next decade—perhaps sooner, perhaps later—suffering another slump like the one we have experienced during the last few years. That is the second school. There is another school—a school the Labour party has been supporting for a long time. Its adherents feel that crises, slumps, booms, and depressions can be avoided, but they also affirm that the avoidance of these troubles is tremendously difficult. They consider that, if there are men and women competent to use their hands and brains who are at present idle, and if there are unused materials available, then the utilization of those hands, brains, and materials is essentially a factor for human capacity to organize in order to bring them together so that assets worthwhile to any community can be brought into being. We affirm that the first imperative step to effect co-ordination between idle labour and unused materials has to be made inside the credit, currency, and monetary system; and that is why we claim that this step must be taken before anything of a worthwhile nature can be achieved. Having dealt with the three schools of thought as I see them, I shall now show, as clearly as I can, the conflict between the various sections of the people who say they are keen to do the right thing from the developmental point of view. One section contends that governmental control— or "political interference," as it is called—of the credit and currency machine tends to such disorder that if carried to its logical conclusion the last stage will be worse than the first. These people suggest that politicians, as they call us, cannot possibly manage so delicate a set of machinery as credit,
The Hon. Mr. NASH. — They have more power over primary
production, importation, and prices either
Parliament, farmer, industrial worker, or merchant.”
That was written twelve years ago, but it is true to-
day. I hope it will not be true to-morrow. I have here
some other quotations, although I do not want to
weary the House with quotations. Mr. Hawtrey, who
was one of the officers of the British Treasury, and,
probably, as able and far-seeing a man as we have
had in the English-speaking world in the matter of
a grasp of trade factors and credit and currency
factors, speaking rather scathingly of the statement
that privately-owned banks are able to do the things
that are necessary, says, — “The chief grounds for
preferring an independent central bank to one under
Government control as an instrument of currency
administration, appears to be its comparative
freedom of criticism and pressure... The central
bank is free to follow the precept: ‘never explain;
never regret; never apologize.’ It need make no
statement of policy. It is remarkable in a democratic
age that this exemption from criticism should be
viewed as an advantage. Technical questions in other
spheres, naval, military, or fiscal, are by no means
excluded from criticism. The public interest in the
broadest sense is profoundly affected by currency
administration.” He also has something to say with
regard to the gold standard. And this is the point: any
standard that is not linked either to labour or to raw
materials or to things that it is necessary to produce,
either by way of commodities or by way of services,
is just as weak as the gold standard. There is only
one absorbing and complete link that can be
permanently used to determine what currency and
credit shall be employed, and that is the commodities
that can be brought into being, by the use of labour,
from the resources of a given country. That is not
easy to determine; but it is the only permanent thing
to which we can tie currency and credit. Hawtrey
says, — “The gold standard once suspended, the
central bank is left without any principle to guide it
except its bounden duty to re-establish the gold
standards as soon as practicable. It devolves upon
the Legislature to give it new marching orders. If the
central bank were able and willing to take a wide
view of the public interest, it could be left to take
measures at its discretion. But it is the business of a
Government to take a wide view of the public
interest; it is not the business of a chartered
company.”
Some of my honourable friends on the other side might remark that we have a Reserve Bank in New Zealand. That is correct. Since it has been established there has been a tendency to bring into being some control worthwhile. If all the control that is necessary to give effect to the principle that I set out is already available, we will not have any objection from the other side of the House, and the Bill will go through at once. But the control is not there. The principles that it is necessary to have in the law of this country are not there at the present time, and that is the reason for the Bill that is before the House to-night. I desire to make one or two points in connection with existing Government control. We have heard talk about Bank of England control. That is largely a fallacy. The Bank of England at times has been good in British policy; at other times bad. At times it has given bad advice; at other times good advice. The powerful agency at Home is the Treasury, although it is often suggested that the Bank of England is in control. The most powerful agency in Britain in regard to currency as associated with overseas exchange is the Treasury, which controls the Exchange Equalization Accounts. In addition, the Governments of Sweden, France, Austria, Belgium, Bulgaria, Chile, Czechoslovakia, Finland, Hungary, Italy, Japan, Latvia, Lithuania, Roumania, South Africa, Spain, the United States of America, and Columbia appoint the governors of their banks. In that connection we will have the criticism expressed in this question: "How is it that they have not got prosperity? " And it is a legitimate criticism, but the answer is easy. It is because there must be another link: it is not sufficient to have power over the appointment of the governor of the bank, but also there must be in office a Government that wants to do the things that have to be done under monetary control. Government ownership is not enough. Government right to appoint directors and governors is not enough. We have got to have a Government that desires to do the thing that ought to be done. At that stage that Government has to get control of the necessary machinery to utilize the monetary factors and the credit and currency in the best way that they can be used for the benefit of all the people. I could give a long list of other Governments that could, if they would, exercise the control in the way I have mentioned. I have here an extract concerning the Exchange Equalization Account, which shows definitely that the British Government is in control. It controls this Equalization Fund through the Treasury. Having stated the factors operating in Sweden and Britain, I affirm that it is imperative, if we are to achieve the amount of progress necessary and justifiable from the resources of this Dominion, that we take absolute control of our monetary system. Might I suggest one or two other things in connection with the necessity for controlling money in its widest sense. Each week I get the Weekly Review of Periodicals, issued by the board of governors of the Federal Reserve System, which contains the financial news published in various newspapers throughout the world, and also important decisions of various banking fraternities and Governments. The issue to hand last week contains the address delivered on the 4th February at Brussels, by Van Vlessingen, president of the International Chamber of Commerce. In referring to the control of capital, Van Vlessingen says that those transfers of huge masses of capital from one country to another are upsetting all possibility of recovery, and those transfers are going forward inside the existing economic order under the control of the private banking agencies. These large capital sums are transferred from one country to another exclusively for speculative purposes. They must be controlled. With him and with others I am affirming that the old form of control and the old form of organization have got to change. Having stated the factors for State control as against private control, may I go one point further? What is the object of taking control of the monetary machine? I have written it out so that there can be no doubt about it. I wrote it out in association with the Labour party some ten years ago. The object is the organization of credit resources so as to ensure the maximum utilization of our natural resources and the distribution of the product in a manner that will ensure the highest standard of living for all who render useful service. That is the objective of the Labour movement to-day, and that is why we feel that if there is some step necessary to achieve that end we must take it, whatever may be the consequences. We want to get central control of the credit and monetary system. We want the control of the transfer of moneys from this to other countries. We want to control in their entirety the credits built up overseas from the exports from this country. We want to ensure that all the exchange that is produced by the sale of commodities from this country for export overseas goes through the Reserve Bank and is under the control of the Governor of that bank once it goes through that bank. Having done that, we
shall make those credits available to the trading banks, in the amounts and volume necessary to enable them to assist in what we have set out to achieve. Having said that by way of dealing with the general principle, may I now deal with the principles of the Bill. The first principle of the Bill is to transfer the bank from every semblance of private control or private interest to complete control by the State and to complete State ownership in every way. We therefore decided — honourable members will find it embodied in the Bill — to purchase the shares. We gave a lot of thought to the principles adopted in connection with the purchase of the shares. We found that a number of people had bought these shares twelve or eighteen months ago for £5 each. It seemed hard to pay them £6 5s. for something they had bought less than two years ago for £5, and yet we felt that we still had to maintain the sanctity of contracts unless the maintaining of that sanctity definitely prejudiced the welfare of other people and prevented them from getting the things essential to life. [Time extended.] Following that principle, therefore, and following the statement made by the Prime Minister immediately after the election, the Government decided that they would pay, as far as it was humanly possible to ascertain it, the amount the shares were worth on the 27th November last — the day of the general election. We have gone into the matter thoroughly. On that date they were quoted generally at £6 5s., but included in that price would be accrued dividends that could justifiably have been taken into account and which would have reduced the sum payable to £6 2s. — £6, 2s, 1d. to be exact. But then, again, we would be entitled to take into consideration the fact that a person having bought the shares would have incurred other expenditure such as stamp duty, brokerage, or commission to the share broker. That might have amounted to 2s. a share. So, to leave no doubt whatever in anybody's mind as to the justice, fairness, and determination of the Government to do that which was right, we decided to pay £6 5s. per share cash to everyone who wanted to surrender his shares for cash. We then had to take into account a number of others who had bought the shares in the early period of the formation of the bank as trustee securities — people who bought, say, £1,000 worth of shares in order to derive an income of £50 a year. We wanted to put such people back into the position they were in then. But on no account, did we wish to establish a 5-per-cent. -interest factor in connection with trustee securities, and so honourable members will see that we decided to give to those who own shares to the face value of £100, stock to the face value of £125 bearing interest at 4 per cent. That stock is redeemable at any time. It is not negotiable. Owners cannot sell it, because it is given to that section of the shareholders who invested their money for trustee and income purposes. They can therefore still get a return of 5s. for every £5 of their present shareholding, and they can get it for ten years, or, if the time comes when they want the money, they can give fourteen days' notice to the Treasury and they will receive the full value of the stock they have received in exchange for their shares. I do not know any course the Government could have followed to give greater justice, and, possibly, something more than justice to many; because we did give some thought to those who depressed the market value of the shares knowing that we had given an undertaking that we would pay the price ruling on the 27th November. We did consider that aspect, and we would have liked to say to such holders, "You shall have the price you paid for them." But that would have meant discrimination, and in any event, it would have been difficult to calculate in all cases. So, we decided to make an offer all round of £0 5s. cash, or £6 5s. worth of stock at 4 per cent. — an offer available to all holders of the shares.

The Hon. Mr. LANGSTONE. — The Government was generous.

The Hon. Mr. NASH. — Yes, I think we were generous. That was the first step—to acquire the shares — and we have taken every care that could reasonably be taken to ensure that complete justice was done to all. The next step was to ensure that the control of the bank came under the control of the Government in a real sense — not the shadow of control, but real control. The only way in which that could be achieved was by assuring that every director carrying out the policy of the bank, in so far as that policy was being interpreted through administration, should be under the control of the Government. We want to take advantage of the experience of the men who have been there for the last twelve or eighteen months, and we are asking them to stay on and continue to act as directors. They are there to-day at the pleasure of the Government. That means that they originally had appointments — some for two years, some for three and four years, and some for five years. They will remain for the appointed periods so long as they are giving the benefit of their help and advice to the Government. We
are hoping that the men in charge will stay on to the end, and that they will co-operate with the Government to ensure that the policy of the Government is given effect to. The next point is the question of powers. That is the most profound section of the Bill, and I should read it. The provision is contained in clause 10, and is as follows: —"It shall be the general function of the Reserve Bank, within the limits of its powers, to give effect as far as may be to the monetary policy of the Government, as communicated to it from time to time by the Minister of Finance. For this purpose, and to the end that the economic and social welfare of New Zealand may be promoted and maintained, the Bank shall regulate and control credit and currency in New Zealand, the transfer of moneys to or from New Zealand, and the disposal of moneys that are derived from the sale of any New Zealand products and for the time being are held overseas." That provision gives the Government complete and absolute control, and it has alongside it powers that are set out in the next sub clause, which empowers the Government to make regulations to give effect in their entirety to all the powers that are conferred upon it. Certain penalties are provided to be imposed upon those who positively refuse to co-operate with the Government in carrying out the powers that this House is giving it. Now I want to refer for a moment or two to the powers of the bank. The Act now on the statute book provides that the Government can discount Treasury bills with the bank to the extent of one-half of its anticipated revenue. That would mean that in the current year £12,500,000 can be obtained from the Reserve Bank by the Treasury under Treasury bills. That amount is altered by the Bill to the whole of the estimated revenue. That means that Treasury bills could be discounted to the extent of £25,000,000 if the necessity arose. That is in accordance with the British procedure. The next important point is the power of the Government to obtain overdrafts from the bank for any Departments or Boards that are handling primary products for marketing, mainly overseas. The Government has the power to determine what price is to be paid to primary producers for the products they dispose of. That sum may be obtained from the Reserve Bank, whatever the sum may be. The Reserve Bank, having paid out that sum, may be willing that the trading banks shall be its agents luring the process, and the Reserve Bank will ultimately be reimbursed by the proceeds of the sale of the products overseas. The Hon. Mr. HAMILTON. — Supposing there were a shortage?

The Hon. Mr. NASH. — If there is a short age, then the position will be the same as if the honourable member had an account with the bank and was not able to pay it off; there will be an overdraft against the Government at that point, but that cannot be avoided. There may, however, be a surplus, and if so we will find ways and means of utilizing it for the benefit of the Dominion. But the guaranteed-price idea is positively based on the fact that the farmer in this country, who does the work necessary to supply the goods that are exported — and without those goods being exported we cannot get a balanced economy in the country — is entitled to a reasonable payment for the work he does. The whole guaranteed-price procedure is centred around that — the payment of a legitimate sum, so far as can be ascertained, to the farmer for the work he does.

The Hon. Mr. HAMILTON. — There may be a surplus.

The Hon. Mr. NASH. — If there is a surplus, it will remain in the account; and, if it remains in the account for some time, it will be splendid, for then we might have something we could use to help the farmer a little more.

The Hon. Mr. HAMILTON. — The guaranteed price must be fixed.

The Hon. Mr. NASH. — It will be fixed for one year, and after that we will find out the price that should be paid in accordance with the principles I have just mentioned. The price for the first year will be based on the promise made by the Prime Minister of the average price for the past eight or ten years.

The Hon. Mr. HAMILTON. — That is not a guaranteed price at all.

The Hon. Mr. NASH. — He is guaranteed that price this year, and it will be interesting to see what he will do when he sees a chance of getting it.

The Right Hon. Mr. COATES. — It means he guarantees his own price.

The Hon. Mr. NASH. — Oh, no; the only price he can guarantee to-day is 9d., 10d., or perhaps 10 ½ d. He will not be guaranteed that, but something better. He cannot guarantee himself something better than that, but the Government can, and he will get it. The next point in connection with the powers of the bank is the right to buy and sell Government securities. It means that the bank has the right to take up, from the Government, securities to enable the Government to carry out its policy in connection with development - works. The amount the Government should get from the Reserve Bank will be limited only by two
things. If we find unused labour and unused raw material, and alongside those two factors there are lacking things necessary for the well-being of the people of the Dominion, then it is our work to see that the necessary stimulus of credit is given to the labour and the materials to enable the asset to be produced, and the asset, when produced, is the security given against the loan made by the Reserve Bank to the Government. In addition, it is proposed to save a good deal of money in connection with the underwriting of Government loans. I do not want to worry the House with the cost incurred by the Government in raising loans overseas or in New Zealand. In connection with money obtained from Government Departments, the cost, of course, is practically nil; but, in regard to the raising of money overseas, it has been a heavy load on the community, and we want to get rid of that load at the earliest possible moment. The next main factor of importance is that all exchange will go through the Reserve Bank. Then there is the question of the control of the exchange. It might reasonably be said that exchange cannot be controlled under the existing provisions of the Act, because the Act provides that the Reserve Bank must give sterling to any one presenting £1,000 in Reserve Bank notes. The Reserve Bank, of course, can determine how much sterling it will give, but there is under its present powers a definite undertaking to give sterling in exchange for New Zealand currency.

Mr. DICKIE.—At the current rate of exchange.

The Hon. Mr. NASH.—The Reserve Bank can determine the rate of exchange. At present it would be £80 sterling for £100 New Zealand currency. It could, if it liked, give £50 sterling for £100 New Zealand currency. That power is there. We propose to achieve complete control of sterling credits overseas and to give power to the Government to suspend the right of any one to get sterling. That is in clause 16 of the Bill. We propose to give the bank the power to suspend the transfer of New Zealand currency into sterling, because of the fact that other people might want to utilize the reserves we have in London and other places overseas for their own benefit and not for the benefit of New Zealand. All that we are trying to do is this: if the resources of this country are utilized to bring commodities into being, then the credits from the sale of those commodities overseas shall only be made available to someone who wants to utilize them for the benefit of New Zealand. When any agency that is properly entitled to them wants to get them for such a purpose they will be made available to it by the bank on it making good its right. But, if any one wants to get hold of New Zealand credits to utilize them other than for the benefit of New Zealand, he will have to make good his case to the governor of the bank, and to the Government, before he can get hold of those credits. Under the existing Act provision is made for the trading banks to lodge balances with the Reserve Bank to the extent of 3 per cent. of their time liabilities and 7 per cent. of their demand liabilities. The purpose of that is to give the Governor of the Reserve Bank the actual control, as far as possible, over the monetary credit and currency system within the Dominion. That control might not be possible within the percentages set out in the present Act, and the trading banks might seek to expand their lending and bring into being an inflationary period, or they might decide to restrict their lending and bring a deflationary period into being. These proceedings are quite possible; and power is now being taken by the Government, through the governor of the bank, to vary the percentages that the trading banks may be required to lodge with the Reserve Bank. The principle is quite clearly set out in the procedure of the Federal Reserve Bank of the United States of America.

The Federal reserve system, under the Bill passed in August of last year, provides that the Central Reserve City Banks shall lodge with the Federal Reserve Bank 3 per cent. of their time liabilities and 13 per cent. of their demand liabilities, and the new Bill provides power for the Controller of the Federal Reserve Bank to double those percentages, thus making them 6 per cent. on time deposits and 26 per cent. on demand deposits. Again, in the reserve city banks 3 per cent. of their time liabilities and 10 per cent. of their demand liabilities must be lodged with the Federal Reserve Bank, the controller having power to double these percentages, making them 6 per cent. On time deposits and 20 per cent. on demand deposits. Further, in banks not in reserve cities or in central reserve cities, not less than 3 per cent. of time liabilities and 7 per cent. of demand liabilities—which may similarly be increased to 6 per cent. And 14 per cent. respectively — must be lodged with the Federal Reserve Bank. Control of sterling exchange and variation of trading bank balances are the main powers provided in the new Bill which are not provided for in the present Act. But, in addition, the discussion of banking procedure is not sacrosanct now. There is to be a report.
from the Reserve Bank, with its accounts, presented to this House, which will have the right to discuss and criticize them, but not to criticize the management of the bank. The Government will be responsible on that point, not the management itself, though the management, in turn, will be responsible to the Government. We are not suggesting that the management of the bank should be responsible to Parliament. The Government that has control of the monetary policy must inevitably be responsible to this House. It will be so responsible; and we will submit to the House every year a report of the activities of the Reserve Bank. That, in the main, covers the principles that are new in the Bill now before honourable members. Might I, then, say one or two words with regard to other factors associated with banking? The suggestion has been made and circulated by evil-minded people that the activities of the Government of this country are tending to destroy confidence in the Dominion itself. That is unfair. That is malicious. I say it is unfair and malicious because of the two latest factors that have come to my mind — I refer to the Customs revenue and the Post Office Savings-bank deposits. The increase in Customs revenue for the year is £765,000. No one would claim that the whole of that increase is due to the actions or policy of the present Government. But no one can deny that for March of this year — four months after the Government came into power — the Customs revenue was £237,000 in excess of what it was for that month in the previous year. Again, I should like to qualify that.

The Right Hon. Mr. COATES.— May I ask if that was ahead of the estimate?

The Hon. Mr. NASH.— Far ahead.

The Right Hon. Mr. COATES.— Was it £250,000 ahead of the estimate?

The Hon. Mr. NASH.— The figures for last year were exceeded.

The Right Hon. Mr. COATES.— No, the estimate.

The Hon. Mr. NASH.— It is of no use the right honourable gentleman trying to switch ideas across.

I am talking about this year compared with last year.

The Right Hon. Mr. COATES.— That is not fair.

The Hon. Mr. NASH.— The right honourable gentleman knows well what I am talking about. The suggestion is that there is no confidence in the existing Government — no confidence in its policy. None of the goods from which the Customs revenue for March was built up were despatched prior to this Government coming into office. They were all sent from overseas after the Government had come into office. The figures are £593,000 for March of last year and £828,000 for March, 1936. In addition, there is a certain proportion of Post Office revenue.

The Right Hon. Mr. COATES.— Give us the estimate. That is the point.

The Hon. Mr. NASH.— The right honourable gentleman is particularly anxious to know what the estimate was. The revenue for this year exceeds the estimate by £284,000. Does that satisfy the right honourable gentleman?

The Right Hon. Mr. COATES.— That must show careful budgeting on my part.

The Hon. Mr. NASH.— No, not necessarily. Let us take the previous year. In the previous year the revenue was £181,000 less than the estimate. Does not that prove that there was no confidence in the then Government? And there must be some confidence in the existing Government or the revenue could not have gone up to the extent it has.

Again, no body of men in this Dominion has affirmed more than the members of the National Government that the Post Office Savings-bank was a magnificent index to the prosperity of this country. Last year the honourable gentleman went so far as to remove the restrictions upon deposits in that institution so that they could lift the figures up, to prove to the country that we were on a rising wave. Taking again their own index, the deposits for February of this year exceeded the withdrawals by £310,000 — in one month. Does the ex-Minister suggest that there is real justification for loss of confidence? He knows that there is no justification for losing any confidence in this Government.

Everyone who has thought out the circumstances of this Dominion knows that during the past four months there has been more confidence in the possibilities of progress than there has been in the previous ten years. He knows also that evil people, who were friends of the late Government, put into circulation a rumour that tended to destroy its credit. They tried all they could, even to the extent of saying that there was not a safe and profitable investment left in the country. They are not friends of the Dominion.

Mr. DICKIE.— Why is the Government taking such precautions to prevent money from going out of the country?

The Hon. Mr. NASH.— No precautions have been taken just now. I have talked with all the managers of the trading banks, and I have talked with the governor of the Reserve Bank to-day, and we decided to leave things as they were. We have to control, and we are going to use the control when it is necessary. We are taking complete power, but we have in general such
confidence in the men who are worthwhile in the Dominion that we do not think they will take any money away, and if the evil people want to take away some of the money that could be profitably used in the Dominion, we will not let them take it to our disadvantage, but ultimately, we will let them take it, and we hope they will keep it away. I am saying this just to destroy the idea that there was some suggestion of loss of confidence. I want to say a word or two with regard to two different things in connection with money, because there is the question of the difference between issuing money and lending money. I am saying this because I want to put into the minds of the people that the Government knows a fair amount that is worthwhile knowing with regard to credit and currency and factors that determine the progress of the country. We propose, when circumstances justify, to utilize all the powers we might have for the purpose of obtaining the necessary credit, shall we say, to build houses and other things that are necessary. There is a difference between the procedure we propose to follow and the raising of money by way of loan. It does not matter whether we pay interest on the money or not, because, to the extent that we are paying interest to our own institution, the interest that will be paid on that money will be ours when the balance-sheet is made out at the end of the year. But, to the extent that there is a difference, I want to indicate that difference. If we issue money in any compact area, we tend to bring added purchasing-power into the pool for static quantities of goods — that is, unless there are stocks that are not exchangeable owing to the lack of demand. If there are stocks that are not exchangeable owing to the lack of demand, then the new money will keep the structure on an even keel. If we left in the pool the ordinary money that could be raised by way of loan, and issued money and put it beside the loan-money, there would be an added sum there, and the tendency under the existing practice would be for the price-level to rise in response to the added demand. That is the fear that comes into the minds of people when the suggestion of creating credit or issuing money is raised. There is an element of justification in that, but if the issue of money in the way I have just suggested results in new consumable assets coming into being, those new assets are added to the pool from a demand point of view. If we use the production facilities in the best way that they can be used, at that point we have a greater production and greater well-being. In the ultimate it is not the money that matters, but what matters is that we bring more goods into being. We live on goods, not money. It is only when the money brought into being results in new goods, new homes, new foodstuffs, and new clothes to be distributed amongst those who need them; and only when we so organize distribution so that the people who need these goods can buy them, that it will be helpful for money to be issued in the way I have suggested. At that point it will be for the general good. We will have to determine the right type of commodities to be created, and in what fashion, and we will continue that policy so long as it is humanly possible. So long as there is idle labour and material we will inject the necessary life-blood, called credit or currency, into the economic bloodstream of this country so that life will come into the head, arms, and legs; and just as lifeblood is regulated in the physical body, so also will credit and currency be regulated into the economic body. There must be a fair proportion, not too much and too little, or we will encounter the same difficulties that are encountered in the human body when there is too much blood — there will be symptoms of blood-pressure. It is not beyond the capacity of the human mind to determine how much life-blood is required — there may be elements of mistake as we go along — and, if we see symptoms indicating that the body is becoming too cold or too hot, then we can take corrective action to bring the economic body to an even temperature so that life will be worthwhile. In this way we shall have a more healthy economic body than we have had in the past. I should like to say a word or two about the national and international aspect of the question. This country cannot go ahead half so well by itself as it could if it were linked to the maximum degree to the Old Country. Everyone who has studied the question knows that we have got to bring new economics to this country and utilize the resources inside the country to a greater degree than before. That is forced on us, whether we like it or not, by the circumstances of Great Britain, where the people are producing more of the commodities that we have sent to them in the past. The inevitability of their policy forces us to find creative outlets for our own labour in ways that we might not otherwise be willing to do; but, to the extent that we can utilize the currency, credit, and monetary system to promote our national welfare, we shall do it, and we shall do everything possible to link up with international welfare, and the credits that come from our resources sold overseas will be utilized not only for the benefit of ourselves, but also for the benefit of every section of the Commonwealth.
Finally, I would like to mention the banks. I have had some discussions with the governor of the Reserve Bank and the managers of the trading banks, and on two occasions I have met the directors of the Reserve Bank. I am happy to say that they have shown every co-operation—not that they agree with what I have advocated here to-night, but they have co-operated to the extent of assisting me to write into the various clauses of this Bill words they think will be more beneficial, perhaps, than some of the words I or the Government wanted to write into the measure. In short, I received every co-operation in framing a workable measure and in writing into the measure principles that we wanted to write into law. Although they have not agreed, they have given their co-operation to this extent. We have passed through many years of money disorganization; I do not think anyone can defend what we have experienced during the last five years. We believe that the steps we are now taking will tend to remove some of the evils and make life in the Dominion more worthwhile than it has been before. I shall conclude with the words of the Right Hon. Reginald McKenna, in the last speech he made to the Midland Bank at its annual meeting this year. He said:—

"The long striving after safe and efficient money raises the question whether the problem is yet finally solved for all time. I do not think so. For one thing, the indices which must serve as guides to monetary management by credit control are complicated, and perhaps not all of them are yet apprehended by even the acutest economist. Again, new conditions both national and international will arise which will call for further adaptation and development of our monetary system. The old problem of metallic money debasement by clipping was solved well over two hundred years ago by a Frenchman’s ingenious device of the milled edge; the succeeding century was occupied with the task of regulating paper money; the progress of the last hundred years has developed a nation-wide machine, centrally operated, for regulating a still newer form of money—bank deposits. We cannot tell what the future may bring, but our immediate task is to use this machine in such a way as to assist the steady upward trend in the standard of living which the immense advance in productivity has happily brought within our grasp." I believe that the Bill before the House will be the first step along the right road to better times for this Dominion and its people.

The Right Hon. Mr. COATES (Kaipara).—Sir, I want to say at once that the Minister of Finance and the present Government have gone to a great deal of trouble in studying and making out a case such as I think the Minister must make before the proposals that are now before the House can be accepted as being calculated to fulfil all that he claims for them. I listened to the honourable gentleman very carefully, and I heard him express his pleasure at the increase in the public revenue this year as compared with last year, and noted that he took credit for the position that exists this year as compared with the position twelve months ago, and even years before that; but I think he will find he owes part of that improvement in the public finance to the Government that preceded his, and to the Minister of Finance who preceded him, for undoubtedly the very satisfactory result and the sound position in which he finds himself is due in part to them.

The Hon. Mr. NASH. —The people knew what was coming, at the election.

The Right Hon. Mr. COATES.—I say the increase in revenue that the honourable gentleman is able to show—the increase in the Customs revenue—is quite possibly due to orders that were placed before that date. There was a feeling of confidence returning to this country. I find no fault, nor have I any complaint to make, because the country has decided that the Dominion has recovered, and that decision is responsible in a great measure—in fact, entirely—for the position shown by the present Minister. There are those who say—though I do not agree with this spirit at all—that it is a great pity the Labour party did not occupy the Treasury benches three or four years ago.

Hon. MEMBERS. —Hear, hear.

The Right Hon. Mr. COATES.—Clearly history has shown that in crises a Labour party has not been able to handle the situation. That has been clear over and over again. Each one has fallen when put to the test of having to face up to realities.

The Hon. Mr. NASH.—Is not this the first one we have had here?

The Right Hon. Mr. COATES.—Yes; and this Government assumed office in a very different set of circumstances from that which faced the Coalition Government when it assumed office—an entirely different set of circumstances. But I need not go into that. It must be sufficiently clear to everybody who has even a slight knowledge of the country’s economic and financial position. Why I mention the matter is that the Minister carefully took to himself the whole credit for the present satisfactory position.
The Hon. Mr. JONES.— That is not fair.
The Right Hon. Mr. COATES.— Well, I thought the honourable gentleman said that this year was better as compared with last year, and that this month was better than the corresponding month of last year, and so on.
Mr. LEE. — I am not going to admit that the right honourable gentleman is entitled to any credit.

The Right Hon. Mr. COATES.— I would not expect that from the honourable gentleman, because I do not believe he is capable of taking the broad-minded view that is essential if we are to have, at any rate, some state of happiness in this country.

The Hon. Mr. FRASER.— Did not the Minister of Finance just quote those figures to show that there was no lack of confidence at present ?

The Right Hon. Mr. COATES.— We will deal with that in a moment. That was not the point altogether. The real point is that the Minister has claimed for his Government a position that was met to a great measure before he assumed office.

The Hon. Mr. NASH.— The right honourable gentleman knows that is not correct.

The Right Hon. Mr. COATES.— I do not know it. I am delighted to know that the actual figures exceed the estimate of revenue; but they would need to. Last year the upward trend made it possible for the country to have a surplus. However, be that as it may, I desire to address myself to the measure before the House. The members of the Government, during the election campaign, claimed that if they assumed office it was their intention to make the Reserve Bank wholly a State bank, and that by doing so they would be able to control the country’s credit, currency, and monetary affairs. I argue — and I think I can argue it quite logically — that that control is now in the Government’s hands, without an amendment to the existing Act.

Mr. RICHARDS.— Why was it not used?

The Right Hon. Mr. COATES. —The honourable gentleman must have forgotten. It has already been used. We need not go into detail at this stage, because it is ancient history. I do think we can at least point out two or three factors that play an important part on the three schools of thought that the honourable gentleman discussed early in his speech to-night. The question whether the bank should be private or State indicates two clear schools of thought. It is believed by a great section of our community that, under a private system of banking, we are likely to get more permanency, greater confidence, and better results. By others it is argued that we get better results by having a purely State institution, controlled and directed by the State.

The Hon. Mr. SEMPLE.— That was the opinion of the majority of the people on the 27th November.

The Right Hon. Mr. COATES.— Whether the whole of the people of this country are the best judges as to the currency or credit system to be followed is another point altogether. It does not come into the discussion at the moment. If that were the right answer — that the people have decided it — that would end it. I say that that is not the answer, but that the members of this House are entitled to make up their minds from their own summary of the situation as to what they believe is the best course to adopt for the future. I say unhesitatingly that there is a better system than complete State control — that there is an amalgamation of private and State interests that can reach a point that cannot be reached by complete State control and direction. The ideal must be the coordination of the interests of the State and the private interests. That, surely, must be the potent factor in achieving success. It was the basis of the legislation that was agreed to by a majority of the House when the Reserve Bank of New Zealand Bill was passed. There are those who contend that because the State now proposes to take over the share capital it is altering the principle of reserve banking. I submit that they are wrong. It certainly alters the personnel, and possibly the administration to the extent that the State may take a direct part in guiding the bank’s operations, but, as far as central banking is concerned, it does not and cannot in any way interfere with the principles with which a reserve bank has to comply. What concerns the country more than anything else is what the Government has in mind. We have the Reserve Bank firmly established to-day. The State, through that bank, now controls its credit and currency. For the first time in our history this country is master of its own credit, currency, and monetary situation. There are those who argue differently. They created suspicion in the minds of many people, who voted against the last Government because they believed that through some mysterious source a few men were controlling New Zealand currency. Such a suspicion was entirely groundless, as, I think, the Minister of Finance will agree. He will concede that the Reserve Bank as it exists to-day, without this amending legislation, is not dictated to by any outside influence, but is here for the
purpose of devoting itself to the country's best interests — economic, financial, and social.

Mr. LEE.—Who dictated the exchange rate?
The Right Hon. Mr. COATES.—There was no Reserve Bank in existence when the exchange-rate was raised.

Mr. LEE.—But it has to maintain it, according to the right honourable gentleman.
The Right Hon. Mr. COATES.—That clearly indicates the power that the State has. If, for instance, the Government objected to the rate of exchange being altered, it would have a voice in the matter. The bank and the Government together decide what shall be done. In the last resort, as the law stands to-day, there is no question that the matter is in the hands of the Government to say whether the exchange-rate shall be moved. The proposal of the Government to purchase the private capital, amounting to £500,000, and part of the capital of the bank is not vital to the principles that are involved in the conduct of a reserve bank. The existence of the private capital subscribed by a number of small shareholders widened the sphere of the bank's activities and interests, but in no way limited the capacity of that institution to meet the requirements of the State and the country.

The Hon. Mr. LANGSTONE.—Can we have anything wider than the nation itself? It means all the people.
The Right Hon. Mr. COATES.—I understand that quite well. It means all the people, and not merely a section of the people. It is a matter of opinion whether the change will be for the better or not, and I am asking the Government to be cautious before it steps too far. I suggest that, after all, the bank as it is to-day is wider nationally than it will be if controlled entirely by the State. I notice the Minister of Finance said, when he introduced the Bill, that the majority of the directors were representatives of the shareholders. That is not correct. Including the governor and the deputy governor, the majority are State-appointed. That is the position at the moment.

The Hon. Mr. NASH.—As matters are at present, is it not necessary for the governor and the deputy governor to be recommended by the directors?
The Right Hon. Mr. COATES.—No.

The Right Hon. Mr. COATES.—No. But that will be the position in seven years. Under the existing legislation it is provided that at the end of seven years the directors

at a meeting shall decide whether the governor shall be reappointed or not; but the governor has been appointed for seven years. And, as matters stand now, it is a State appointment. It is true that at the end of the seven years the appointment would not be a State appointment, although the Act provides that any appointment must be agreed to and confirmed by the Government in office at the time. So, I think the main consideration for this House is whether or not the bank as it is constituted at present can or cannot fulfil all the functions required of it, including any requests the Minister of Finance may make. I have an open mind on the subject, and it may be merely a matter of opinion as to which is the better system to follow. Personally, I am not prepared to be dogmatic about these things, but I would ask the Government to tell us just what power it is taking to direct the bank to do this or that. It seems to me that in this Bill the Government is taking complete power to direct the bank to take any course it may require it to take.

The Hon. Mr. SEMPLE.—The Government should be masters of the situation.
The Right Hon. Mr. COATES.—Then we come to this position, and it is a very important one: from speeches made by the Prime Minister and by the Minister of Finance it has been clearly stated that it is the Government's intention to go ahead with public works, housing facilities, higher wages, increased pensions

The Hon. Mr. NASH.—The right honourable gentleman has no right to say I said those things. I did not say a word about higher wages or increased pensions. I did not mention them.

The Right Hon. Mr. COATES.—Not in the speech this evening; I covered myself by saying the Prime Minister said those things in his speeches—that he intends to go onward and upward; to go ahead with public works, housing, guaranteed prices, higher wages, increased pensions, and other benefits.

"Where is the money to come from?" is the constant cry of honourable members, and here we reach the stage where somebody must decide how the money is to be raised. I take it that the legislation we have now before us has some bearing on that question.

The Hon. Mr. SEMPLE.—Would the right honourable gentleman deny that if we can create wealth we can create money?
The Right Hon. Mr. COATES.—The position is this: it is proposed to mobilize all the credit of the country. That is to say, to mobilize not only the exchanges and revenues from private sources, but also, through the
medium of the Reserve Bank, the credits of the trading banks. Then, who is to decide how far it is safe to extend that credit or to use that credit for the purpose stated by the Prime Minister and other Ministers? Is it to be decided by the judgment of the Cabinet? Is it to be by the direction of the Minister, as stated in the Bill? Or is it, on the other hand, to have also the consideration of the directors, the governor, and the deputy governor? This, I think, ought to be carefully considered. Does it mean that the directors are to become pawns of the Government, and that political control is to be the order of the day? Or, on the other hand, has the Minister in mind those proposals that are being considered by the bank or the Government, as the case may be—that, if the bank directors object to carry into effect 100 per cent, of the Government’s direction, then by Order in Council they may be removed from the directorate.

Mr. LEE.—Wait and see.

The Right Hon. Mr. COATES.—I doubt whether that is a fair answer. I think the country wants to know, but I do not want for a moment to create any feeling of lack of confidence in the capacity of this country to look after its own affairs.

Mr. RICHARDS.—The right honourable gentleman could not if he wanted to.

The Right Hon. Mr. COATES.—I do not know much about the honourable member’s opinion; and I am not very concerned about what he thinks. I want to ask the Minister this question: Is it intended at that stage to say that the directors are no longer able? It is intended, as I understand—and I believe it is correct—that the assets of the Reserve Bank will be provided to some extent at the expense of the trading banks, and, of course, by placing behind it the whole credit of the State—that is, the wealth that is held by individuals who have credits in the banks and institutions. The Government will then proceed to borrow from them, or to mobilize them, as it may be called, on the security of specified produce, projects, and securities—for example, the various products that have been discussed by the Minister of Public Works, such as housing and guaranteed prices for products exported overseas. These are being financed at the moment by existing institutions, and, in the case of exports, by subsidizing prices of products produced for export, in order to give the farmer a price that will pay him. Is it intended to ask the directors what is a safe margin or a safe point at which to advance money for this purpose or for constructing public works? I think it can be argued that the trading banks often lend against the creation of an asset, but I think there is no answer to this: that the bank authorities first test the value of the asset. That is the point I would like the Minister of Finance to elucidate when he replies—who is to test the value, and what check is there to be on the Government? Is there to be none at all, or will the directors be used for the purpose of testing out the asset prior to an advance being made, and what will happen if the directors of the Reserve Bank say that in their opinion the asset is insufficient to meet the amount proposed to be advanced, either for construction work or to meet the amount of the guaranteed price?

The Hon. Mr. PARRY.—What check has there been on the directors in the past?

The Right Hon. Mr. COATES—The very check I am speaking of; they use their judgment as to the value of the asset to be advanced against.

The Hon. Mr. PARRY—What check is there on their judgment?

The Right Hon. Mr. COATES.—If the directors exercise due care and refuse to lend, there is no need for us to be concerned; but if on the other hand their advice as to the value of the asset and the amount to be advanced is to be ignored, then there is every reason to be concerned as to the value and the safety we should look for from the institution as reorganized. [Time extended.] I would say that under its former constitution the Reserve Bank has played a very important part in acting as a check on, shall I say, quick activities, conceived perhaps with the best of good intentions, and we may live to regret the change. For that reason, I believe it would be wise for the Minister to reconsider that aspect, or at least make it clear to the country that the directors will have ample opportunity to express their opinion. That, I have no doubt, they will do in any case. On the other hand, if that is not intended and the bank is to become purely a party machine, which, it has been stated, it will, then I would say we are moving on to rather dangerous ground—ground that is new; and I do not believe the results the honourable gentlemen are looking for can ever be achieved.

The Hon. Mr. LANGSTONE.—The wish is father to the thought.

The Right Hon. Mr. COATES.—I sincerely trust that party politics will never lead me to the extent of wishing this country any harm at the expense of myself or the party I may be associated with trying to assume the Treasury benches. That I refute completely and definitely. One can easily illustrate a number of consequences that will follow if the proposal is that the Reserve Bank is to become part of the political machine and is there for the purpose of.
carrying out the party policy. That, I claim, is dangerous. It is easy to recall that in every country where anything of the kind has been attempted the result has been disastrous. There has been no control, and inflation must inevitably follow where the Government desires to use the financial machine for the purpose of remaining in office. That may not be the intention of the present Government; I do not think for a moment that it is, nor do I suggest that the Government has anything of the kind in mind. I take it that Ministers have nothing but the most sincere desire to serve this country well.

The Hon. Mr. SEMPLE. — The right honourable gentleman will surely recognize that the House will be able to discuss these matters from every aspect. The Right Hon. Mr. COATES. — It will be possible to discuss them again. For my part, I am prepared to agree that the credit of the people belongs to the people; and I concede that within proper limits it can be used for the benefit of all the citizens. But I must issue a warning and ask the Labour Government to give consideration to the alternative course, which formed part of the programme of the former Government. I have pointed out again and again that what is wanted is co-operation rather than coercion and control on the part of the State. Honourable members opposite must know that things were getting better before the present Government came into power. In his remarks the Minister of Finance admitted that the country was on the up-grade. All he omitted to say was, "thanks to the previous Government." It is not only a question of co-operation between the trading banks and the Reserve Bank, though I sincerely say that is the proper course. But there is another field for co-operation. All our problems are not banking and monetary problems — not by any means. There are other factors which play an important part in the life of the country. Not for a moment do I believe that monetary credit and finance is the sole factor; and the Minister of Finance agrees with me in that. But I ask, if it is right that we should direct banking in this country and control currency and credit and the whole monetary position, is it wrong that we should direct also the industry of the country? Is the Government going to say now that, though it can direct currency and credit, it is unable to direct industry in all its ramifications? That must be taken into consideration; and, again, I say that the previous Government made for co-operation not only in banking, currency, and credit, but also in industry; and that its position in doing so was stronger than anything else could be, unless it be the complete socialization of banking, industry, and everything else. If the Government will look up the records it will see that under the previous Government leaders in private enterprise, Government officials, and bankers met again and again to endeavour to get a move on by bringing about some system of Government cooperation in industry either by the provision of capital by the State or by means of guaranteeing a proposition of the required capital, sufficient at any rate to create an incentive for industry to develop, to move, whereas previously it had been stagnant or almost standing still. Those records are to be found on the departmental files. I would say that the same principle applies, in this case. I can see very little difference, and there is a direct analogy. Where the State has complete control, and socializes the banks of the country it follows that ultimately it must socialize all production; and I say that that is unwise. I would suggest to the Government and to this House — and I may be talking to honourable members who do not agree with me at all — that they should reconsider this matter; and I say that there definitely is a great opportunity for the association of the State with private enterprise. There are a few further points in connection with the Bill I want to make, and the first is this: I think the Minister has made it clear that if a farmer or exporter — if I, for instance, decide to send ten bales of wool to England and sell it, that exchange in England becomes the property of the Reserve Bank.

The Hon. Mr. NASH. — The right honourable gentleman gets his money.

The Right Hon. Mr. COATES. — I get my money in New Zealand, but not in London. It clears up the point — all exchange is to be controlled through the Reserve Bank. That is the position. It is taking a monopoly of the exchange not only so far as the Government is concerned, but of the trading banks and other institutions which formerly have had a certain amount of freedom. I think that is made clear. The honourable gentleman went on to speak about the shares, and he said that it was the proposal of the Government to purchase the shares at £6 5s. Then the shareholders are to have the choice of 4-per-cent. bonds. Why 4 per cent.?

The Hon. Mr. NASH. — To give them the same return as they would get on a £5 share at 5 per cent.

The Right Hon. Mr. COATES. — There is something more, surely. Why give the
option? Does not the honourable gentleman see that the natural result of his offering people stock at 4 per cent. will be to raise the rate of interest on investments of the kind? I should say that that is not wise at all. There may be an answer to it.

An Hon. MEMBER. — Does the right honourable gentleman think it should be reduced?

The Right Hon. Mr. C GATES. — Pay out in cash. The effect of this, as I see it at the moment, must be to raise the rate of interest on Government securities. For instance, taking the market reports to-day, I should say that the price runs about £3 ls. upwards. The honourable gentleman is now offering 4 per cent. straight out. Lenders will immediately say that that ought to be the market rate.

An Hon. MEMBER. — Be generous.

The Right Hon. Mr. COATES. — I do not think it is a case of being generous.

The Hon. Mr. NASH. — Does the right honourable gentleman think the price is too high?

The Right Hon. Mr. COATES. — As a matter of general policy I should say it is wrong. The interpretation that will be placed upon the action of the Government in offering stock at 4 per cent. must have the effect of hardening the rate of interest.

The Hon. Mr. FRASER. — What would the right honourable gentleman suggest?

The Right Hon. Mr. COATES. — It is not for me to suggest. I only say that the interpretation must be that the Government believes that 4 per cent. is a reasonable price for stock? I do not think it is. The honourable gentleman's action in establishing that rate is difficult to explain. Will the Minister say whether the bank will still remain a reserve bank, or whether it will become a Government bank? There is a difference. A reserve bank is worked on certain principles, but a Government bank does not necessarily have those principles. It may have very much wider activities than a reserve bank.

The Hon. Mr. PARRY. — Should not there be a combination?

The Right Hon. Mr. COATES. — That is my point. There should be a combination.

Mr. POLSON. — Are the bank's functions a central bank's functions or a State bank's functions?

The Right Hon. Mr. COATES. — Yes, that is the point. Clause 10 gives extremely wide powers — powers that are wide enough to be dangerous. What do the words, "for the time being," at the end of sub clause (i) mean? Is it the intention that sterling now held by the trading banks in London shall continue to be held by the trading banks, or is it to be transferred to the Reserve Bank? Clause 15 seems to contain very wide lending - powers in that money can now be lent up to 100 per cent. of the estimated revenue of the country, and not up to 50 per cent., as originally. Clause 16 removes possibly one of the most useful of the Reserve Bank's powers. With regard to clause 18, sub clause (2), would the Minister say what the words, "permanently incapable of performing the duties of his office," mean?

The Hon. Mr. NASH. — Just what they say.

The Right Hon. Mr. COATES. — Supposing a director disagreed with the Minister, would he be deemed to be permanently incapable of performing the duties of his office, and would he be removed from office?

The Hon. Mr. NASH. — No. Surely the honourable member knows, because he put that term in the original measure. It is taken out of his own Bill.

The Right Hon. Mr. COATES. — This is an entirely different Bill. By Order in Council any or the whole of the directors, or the governor, or anyone else can be removed from office.

The Hon. Mr. NASH. — And in the right honourable gentleman's own Bill that is now an Act there is a provision that any member of the Board becoming permanently incapable of carrying out his duties can be removed from office.

The Right Hon. Mr. COATES. — Yes.

The Hon. Mr. NASH. — Well, this Bill says the same thing.

The Right Hon. Mr. COATES. — But it says more than that. If there is noncompliance on the part of a member of the Board.

The Hon. Mr. NASH. — There was just the same power in the Bill introduced and passed by the right honourable gentleman two years ago.

The Right Hon. Mr. COATES. — That is not correct. What would be the factors to lead the Minister to remove a member of the Board from office?

The Hon. Mr. NASH. — The right honourable gentleman can answer the question himself, because he first put the provision there.

The Right Hon. Mr. COATES. — The positions are entirely reversed now.

The Hon. Mr. NASH. — I am very pleased that they are reversed.

The Right Hon. Mr. COATES. — The honourable gentleman can be pleased about it if he wishes. I can assure him that I, too, am pleased. We need not fall out about that. Apparently the Minister is not prepared to answer my question.
The Hon. Mr. NASH.—Yes, he is. The right honourable gentleman will get the answer in good time.

The Right Hon. Mr. COATES.—That is not an answer. If a member of the Reserve Bank Board refuses to do what he is told, does it mean that the honourable gentleman will dismiss him from office by Order in Council?

The Hon. Mr. FRASER.—The right honourable gentleman must possess his soul in patience.

The Right Hon. Mr. COATES.—Then I am to have an answer.

The Hon. Mr. NASH.—Yes, indeed. We will define it for the right honourable gentleman. I will not forget it.

The Right Hon. Mr. COATES.—Neither will I when we get into Committee. The honourable gentleman is becoming obliging. Under clause 19 another person may be placed on the Board. It is worth considering whether this is wise. The Hon. the Minister has been talking about confidence. Our job is to see that we will have confidence, and, if someone is brought in who does not know the policies of the banks and the factors that affect banking, that will not create confidence. Clause 23 deals with compulsory deposits. What is the object of this? The amount of balances maintained by trading banks is, I think, 7 per cent. This means that more credit may be obtained for the institution. But, on the other hand, is that likely to assist the enterprises that depend upon the amount of advances available from trading banks? Supposing the deposits amount to £1,000,000 now, and that is increased to £2,000,000, surely that will limit the amount available for private enterprise — for developments taking place apart from Government enterprise. In paragraph (hh) of clause 24, trading-bank returns must disclose the aggregate of the unexercised overdraft authorities of its customers. If overdrafts amount to £2,000,000, and £200,000 of that amount has not been drawn, the banks must show that in their returns furnished monthly. What is the reason for that? I doubt whether it is very important, but I would like to know the reason for these returns being sent in. May I ask the honourable gentleman, also, whether it is the intention of the Government that the Reserve Bank shall take over the exchanges held in London as at the 1st April, or will they be taken over as at some date subsequent to the 1st April. If not, will the honourable gentleman explain to the House why it is proposed in the Bill to take over the holdings as at the 1st April. I think these questions are capable of being answered, though the points raised do not materially affect the Bill as it is drafted. Now, the honourable gentleman quoted the Right Hon. Reginald McKenna, but I do not know why he did not quote his later statement, given in the "Banking Record" of the 2nd February.

The Hon. Mr. NASH.—I preferred to quote the other statement.

The Right Hon. Mr. COATES. —I propose to quote this statement to the honourable gentleman, or I will be glad to lend him my copy. Referring to the position in England to-day, the Right Hon. Reginald McKenna said, — "Thus the nineteenth century, which brought into general use a means of payment hitherto scarcely known outside London, brought also the machinery whereby it could be subjected to intelligent control. With the development of the great consolidated banks, of which our own is an example, and with the steadily growing authority and power of the Bank of England, the framework for a comprehensive system of sound money has come into being. The system is comprehensive in the sense that each part of the money supply — coin, notes, and bank credit — is made subject to a single control. The ultimate control rests with the Government of the day, acting upon principles publicly declared or defined by Parliament in statute." Then later he goes on to say, — "How well their task has been accomplished in the last four years is shown by the steady recovery of trade and industry throughout the sterling area in a world which is still economically disorganized and depressed." We find the Right Hon. Reginald McKenna upholding the system which exists in Great Britain to-day, where there is no statutory authority. He advocates the present system under which the great commercial banks of England work. One could quote passage after passage from bank reports, and I have them here, too, but I doubt whether it is necessary. All of them point to the extraordinarily settled position that exists in the United Kingdom at the present time. The Westminster Bank, Limited, is one in point. Its report points out that there have been as many as fifteen or sixteen variations in other countries, whereas in England, due to the confidence brought about by the associations created there, only four or five fluctuations have taken place. Then there are Lloyd's Bank and the National Provincial Bank: all these banks make reference to the very satisfactory position in the United Kingdom. There has been a return of a measure of prosperity.
that a few years ago looked anything but likely. I wonder whether in our own country we are likely to get a greater measure of co-operation by taking the power to dictate, through the Reserve Bank, to our other banking institutions. As I have already pointed out, I would have thought that a greater measure of satisfaction could have been attained if the present system had been allowed to continue. After all, it is essential to have confidence on the part of our community, both private and public, if we are to reach the objective. In my opinion, the control of the use of credit and currency can be achieved by the legislation as it exists on the statute-book to-day. There is much more one could say, but I want to conclude by asking the Prime Minister, the Minister of Finance, and the Government generally to consider, first of all, my request that the measure be not rushed through, and, secondly, the other points I have raised to-night.

The Hon. Mr. SAVAGE (Prime Minister). — Sir, the right honourable gentleman who has just resumed his seat struck me as being afraid that the people's representatives are not capable of thinking rationally or of representing the true interests of the people. It is a curious attitude to take. He wished to know what check there would be on the Government. Someone very aptly wanted to know what check we had on the private bank directors, and the right honourable gentleman retorted that they simply use their judgment. Presumably, he thinks that Ministers of the Crown are incapable of using their judgment. That seems to be curious reasoning. Ministers of the Crown have come here with responsibility. I happen to be one of their number. I have been through the country and have met the people on the public platform, in their homes, and, indeed, everywhere. I pledged myself to them. I gave them my word as a man and as leader of a party. The result is well known to my right honourable friend opposite. Now I am almost accused of being untrustworthy. It is true that we are taking increased powers under this legislation, but it is also true that we have given our word of honour that those extra powers are to be used with greater care than ever. The responsibility we are assuming is greater than any Minister of the Crown has carried hitherto. Surely the right honourable gentleman is not accusing us of being untrustworthy or of having failed to consider the problems that face New Zealand. We claim to have burned the midnight oil for the greater part of a lifetime with the object of understanding the principles underlying this Bill. What are they? We claim that the state of the world to-day is mainly due to inequitable distribution of the world's production, and that it is not due to any breakdown in production. We claim that it is largely due to monetary factors. The people are not able to buy the things they are bringing into existence in the way of goods and services. That problem faces New Zealand to-day in common with the rest of the world. Of course, I shall be told later that I agree that the problem is a world problem, and it will then be argued that as it is a world problem New Zealand can do nothing towards its solution. Such an argument is sheer nonsense. All we require in New Zealand is the good will of the people behind a Government that has the wisdom and determination to go forward. I think that we have that good will and that Government. We certainly have the good will of the people. Time alone will tell whether the Government of to-day has the wisdom to go forward towards the solution of the problem I have indicated. We need not worry much about improved methods of production, although I do not suggest that production, as we know it to-day, is the last word. I am not saying any such thing, but I do say, without fear of contradiction, that if the people of New Zealand could only get access to the things they are capable of producing, or to the value of those things, and if there were equitable distribution, they would be living in a comparative paradise. I do not think there is any reply to that at all, and thinking people the world over are realizing it. I have before me the report of the Director of the International Labour Office at Geneva, and this is one of the things he says,—"It might appear obvious enough that people cannot buy unless they have the necessary money, and that unless they can buy, the manufacturer will not find it worthwhile to produce. After all, no cause is more likely to provoke a falling-off in one's sales more effectively than an all-round reduction in the income of the bulk of one's customers." Who will dare to deny that? Yet we have an Opposition that is prepared to say we are going too far. It is true we are going on to see that there is increased purchasing-power for the people of this country. I am not going to hide my light under a bushel. As I have said, I have been all over the country telling the people as clearly as one man can tell another that banking is not my job—that my job, in common with my colleagues', will be to
lay down a policy, and that it will be the job of the banker to make it possible for that policy to be carried out. Now I am told by the Opposition that we are not to be trusted with the powers that have been given to us by the people. If it is not our duty to lay down a policy, who is to be trusted? Are we to believe that a set of private individuals — in this case men representing private interests in the Reserve Bank of New Zealand — are to have the last word in the economic and social life of our people? Are they to have the last word? I say "No." We have come here with a definite mandate; we have only one mission, and that is to make the lives of the people worth living. To-day we have a condition existing where tens of thousands of our people are on the brink of absolute destitution while wealth is all around them. Why, one would imagine that we were living in a vast mental institution when we recollect that we have no limit so far as production is concerned; yet people are compelled to live in slums, and go without the necessities of life, and wear left-off clothing, while at the same time we have the wool, and the men, and women capable of weaving it, and men and women capable of providing decent homes. Honourable members on the opposite benches want to know where the money is to come from. What an astonishing question when we have wealth in abundance — wealth which we say should be the foundation of the money system. We do not advocate a money system harnessed to something that may have no relation to the requirements of industry and the people. But the time has come for the establishment of a money system that will provide purchasing-power sufficient to equate the value of our people's power to produce. What is the use of producing unless the people have the power to buy? Our job is to see to it that the people are buyers as well as producers. I know my friends on the other side of the House will say that the people of New Zealand do not matter much, after all, because we sell our goods in London. They said that during the election campaign. The honourable member for Pahiatua went a long way out of his way to emphasize that. But I want to remind the honourable gentleman that, although we sell our goods in London we get paid for them in London goods which must be bought and paid for by the people in New Zealand. So, we can turn it over in any way, and try to sidestep it in various methods, but there is no getting away from it. If we produce £100,000,000 worth of wealth, we ought to have, £100,000,000 worth of power to buy. Who else is going to buy if we do not?

The foundation of our trade, internal and abroad, is based here in New Zealand on the power of the people to buy, and here - we have a Bill, that has been capably explained by the Minister of Finance, with that object in view. We say that the time has come for the people's representatives not only to have the power to direct the legislation so as to enable people to get access to the means of producing wealth, but also to shape the power of the people to get access to wealth when it has been produced. What is the use of it unless that can be done? I was accused by the previous speaker of saying, during the election campaign, that we were going to increase wages, pensions, and the like. I plead guilty, and I want to know from the right honourable gentleman what else is worth living for. How are we going to make available to the people of this country our increasing production unless we increase their power to buy to the same extent? Will some honourable gentleman tell me that? I want to assure my friends opposite that we are not going to run the banking system of New Zealand. I am not a banker. I have said that all over the country. My job is to outline a policy that will solve the problems facing New Zealand to-day, and the job of the banker is to provide credit and currency sufficient to give effect to the will of Parliament. Unless that is true, the banker is master and not the representative of the people. However, let me quote from a respectable authority. This is Lord Beaverbrook, writing in the London Sunday Express. It has been quoted many times, but it will bear quoting again. His Lordship says, — "I am opposed to the present banking system in Great Britain. I want to help in the reformation of it. I want to deprive the Bank of England of its power to regulate money and the price of it, to determine credit and the amount of it. I want to place that power and the responsibility for the use of it in the hands of the Government, subject to the scrutiny of Parliament." That is the policy of the present Government, and it is unassailable. Lord Beaverbrook goes on to say, — "The powers of the bankers must be wiped out. They have used their powers so badly that they have shown they are not safe custodians of the money and credit of the country."

The Right Hon. Mr. COATES.— Is Lord Beaverbrook an authority?
The Hon. Mr. SAVAGE.— Well, I would say that he would compare favourably with my right honourable friend. Just let us
have a look at the money system we are asked to subscribe to. This is the Australasian Business Conditions Bulletin. It has come from the well-known office of the Hemingway and Robertson Proprietary, Limited, it says, referring to debt in perpetuity, and most of my friend’s opposite are subscribing to it in perpetuity. Here is Britain to-day still paying interest on the money it took to defeat Napoleon at Water loo, and she will go on paying interest on it as long as this system lasts. Listen to what this firm has to say about it:— "The absurdity of the position becomes clear if we take the case of Australia. Since 1843, close on £600,000,000 has been raised on Commonwealth, State, and municipal account overseas. We know that at the present time there is still about this amount outstanding. During that time Australia has paid in interest nearly £800,000,000, with the outstanding principal still to be paid off. Even assuming it were possible to pay this sum off within the next fifty years, the fact would still remain that interest payments during that time would approach close on £800,000,000 again."

Boiled down it would come to this: that, if Australia could pay her debt within the next fifty years — although it is a million-to-one chance that it will be bigger than now — it would mean that for the use of £600,000,000 she will have paid £1,600,000,000 in interest. If anyone can show me a madder thing than that, I want to see it. One would think we were living in a mental institution instead of in an age when men and women are beginning to think about these things.

Mr. DICKIE. — Is that what the Government is offering shareholders in the Reserve Bank — Government bonds?

The Hon. Mr. SAVAGE. — My honourable friend will begin to understand presently. I wonder if, when the Bill is in Committee, my right honourable friend the member for Kaipara will move for the reduction of the amount to be paid to the shareholders from £6 5s. to, say, £5 ls., or something like that?

Mr. POLSON. — He has never said that.

The Hon. Mr. SAVAGE. — He said we were treating them too generously; and the right honourable gentleman is not alone in that. Only to-day a shareholder in the bank telephoned to tell me he thought the Government was acting too generously; and that is the second shareholder who has told me the same thing.

The Right Hon. Mr. COATES. — I am a shareholder, but what I said was that the Government had not considered the reaction of offering a 4per-cent.stock.

The Hon. Mr. SAVAGE. — It is all right; but let us look at what we are doing in New Zealand. Away back in 1879 we raised cash in New Zealand to the extent of £4,364,000, and at the end of 1929 — fifty years later — we were owing £5,599,000-odd. We owed 28 per cent. more in principal than we did when we got the money in the first place, and we had no new money. We had been paying interest on the original sum for over half a century, and we owed more at the end than at the beginning.

The Right Hon. Mr. COATES. — How does the honourable gentleman propose to overcome that?

The Hon. Mr. SAVAGE. — I propose, when we want money for public works, to use the public credit for that purpose, and this Parliament and Parliaments succeeding this will say what public works are to be carried out; they will also say what financial authorities are to be granted to the representatives of the people for public purposes. They will always have that right, and the banker will always have the responsibility of making available the credit for the carrying-out of public works. We have thousands of people to-day in need of homes; we have thousands of men and women capable of providing the things that go to make up decent homes. Why cannot we have the homes? The men and women are here to do the work, and we have the right to legislate, financially and every other way. All we have to do is to make it possible for the people of New Zealand to serve each other — to exchange goods and services with each other; and, whether the goods come from abroad or are produced here, the position is the same. Everything sold in New Zealand has to be bought by New Zealand citizens.

The Hon. Mr. NASH. — And with New Zealand money.

The Hon. Mr. SAVAGE. — Yes; and, as my honourable friend states, with New Zealand money. We do not get money from abroad. The things that come from abroad are paid for with frozen lamb, frozen beef, wool, butter, and other things produced in New Zealand. We do not give anything away. If we have anything to give away, let us give it away in New Zealand. However, let me deal with this question of banking. There seems to be some fear in regard to it in the minds of honourable gentlemen opposite, and I am afraid that they are trying to create fear in the minds of the people outside. But the people have got past that. The people have got past that, I repeat. They have sent us here with an unquestionable mandate to carry out a programme that was told to
them in the simplest fashion that man could tell it—I do not think there can be any two opinions about that. Then we are told that confidence is not too good. The figures quoted by the Minister of Finance to-night were a sufficient reply to that. I have had men in my room since election day—people who did not vote for us; but they are glad we are here all the same. They are glad of the change. And here we are, and we have business looking up everywhere. I have assurances from commercial men that things are beginning to fly—business is going ahead.

Mr. FOLSON.— Not running, but flying?

The Hon. Mr. SAVAGE.— Yes; and the honourable gentleman was close to flying on election day. My right honourable friend spoke about different clauses in the Bill and said that the powers taken were wide enough to be dangerous. What a curious philosophy: We are afraid to trust ourselves; we have got to have ropes and ties on us; we must have half a dozen men to keep us from doing things—to keep us from developing our own country. But the time has come when half a dozen men will not be allowed to stand between the people of New Zealand and their power to produce. That is quite definite. The right honourable gentleman thinks, of course, that we should look very carefully before we take the next step. I have said that myself a dozen times. We are looking very carefully all the time before we take the next step; but we are going to take the next step. We are not going to stand still. We cannot stand still. We must go onward or backwards; and we are not going back. All the people have to decide about in regard to this Bill is whether their representatives or the representatives of private interests shall have the right to say what industries are to be developed, and to what extent. All we want to do is to use the public credit to develop New Zealand; and it does not matter whether we borrow money or issue money through our own banking institution, the same thing applies. The public credit is pledged, and the productive power of the people must be the foundation of it in the long-run. It is only a question, in the finish, whether we are going to have any brake on. I say the brake has got to come off. We admit that it is an uphill job that has been left us by our predecessors. We have inherited many of their sins, but we are not afraid of them. We will take them all right. We are going onward and upward with the brake off.

The Right Hon. Mr. COATES.— I move, Sir, that the honourable gentleman's time be extended.
for power, and incompetence in high places all playing their part. In recent years we have become very conscious, however, that another and more imminent danger to our corporate existence has arisen, and that is in the money-power — so much so that it almost obscures every other problem of our existence; so much so that, in my opinion, it is not too much to say a new enemy of human development has gradually pervaded our existence. It is a systematic tyranny, impersonal, and a-national, to which all policies are pawnsed, by which all politicians are intimidated, and its goal is the blind fate of exterminative war. The cancer of civilization, the monopoly of credit, is, I believe, the constitutional disease of our society. This eagerly awaited Bill will be something of a disappointment to those who expected a detailed description of the reconstructed monetary system that the Government proposes to institute. I personally am not surprised, and therefore not disappointed. I realize that there are great dangers ahead. I think; however, the Bill does provide a platform upon which a sane and scientific monetary system could be constructed. The Government, in my opinion, is hastening slowly. The Bill is entirely orthodox in structure. It provides for a continuance of an orthodox system of money. I shall have more to say about the matter in a few minutes. But it is a pity, although it is probably designedly so, that the Reserve Bank was ever called a bank at all. The use of the term "bank" serves to throw dust into the eyes of the people to make their confusion worse confounded and to delude them into imagining that this Reserve Bank performs those functions that are popularly supposed to be performed by ordinary trading banks. But in fact, the Reserve Bank does not perform any of the duties that any ordinary bank can legitimately claim to perform. The Reserve Bank is in reality, I suggest, nothing more or less than the modern equivalent of the Royal Mint. It is the fount of money: that is where money is manufactured. The word "manufacture" was actually used in the principal Act. The Government, in setting out upon the course that it has chosen, is embarking upon an uncharted sea. It does not know what is in front of it — nobody does. As a matter of fact there is no country in the world that has set out yet upon the course the Government is embarking upon. It is not the first time that New Zealand has led the world in sociological legislation. I believe that New Zealand is so constituted that it is possible for this country to indulge in experiments that would not be safe in other countries. It is ideally situated for the purpose, and sooner or later some country has to make the plunge. It is vital, in my opinion, that some country should lead the way by putting its own house in order, and the Prime Minister, his Cabinet, and his party are to-day tackling a problem that has baffled the statesmen of the world. If they fail they will pass into oblivion — and rightly so. If they succeed, in my opinion, the Prime Minister will become a great figure in history. It is not only New Zealand that is looking to the Labour party and to the Prime Minister to-day; the whole British Commonwealth of Nations is looking to him; and, in fact, it is wider than that. It is not too much to say that practically every country in the civilized world is vitally interested in the valuable experiment about to be made here. If the Government succeeds, members of the party will bask in the reflected glory of their leader. I shall be sorry that I cannot claim membership of the party if they succeed.

An Hon. MEMBER. — Why not join us now? Captain RUSHWORTH. — The only temptation to join the party would be if they failed. I have stated that there is no change proposed in the general structure of the money system. The Bill provides for the continuance of orthodox finance — that is to say, the Reserve Bank is to conduct open - market operations. When more money is needed the Reserve Bank will manufacture the money required, and with that money it will purchase Government securities, inscribed stock, or bonds, and, similarly, if there is too much money in circulation the Government will, by taxation, pay back through that bank the money loaned on those securities. In other words, it will purchase them back again. That procedure is entirely familiar to the bankers of the world. The Bank of England has been operating on that system for some years past, buying and selling securities, and so feeding the money-market, manufacturing money for the purpose of purchasing or cancelling it after recovering it by selling Government securities. That is entirely orthodox. Naturally the question of interest and sinking fund payable on money that costs nothing to produce is interesting and important, but I am not going to traverse that to-night. Of the two, I think the sinking fund is the more important, because, in the years that have passed, we found that the retirement of money in nearly every case has been premature, and the premature retirement causes deflationary tendencies involving a great dislocation and suffering, particularly in the poorer ranks.
of society. Under the principal Act the Reserve Bank here was limited in the amount of money that it could manufacture and make available to the Government by the purchase of its securities. That limit was imposed by statute —by the Reserve Bank of New Zealand Act. Previously there was no statutory obligation on the associated banks to limit their advances to any multiple of their sterling balances, but, by custom, they imposed that sterling limit on themselves. The Reserve Bank of New Zealand Act makes it a statutory obligation for the Reserve Bank to limit the amount of money it may manufacture, to a multiple of the gold or sterling balances that it holds. The amount of money the Reserve Bank could put into operation was limited by Act, and this Bill removed that limit. The objection to having that particular limit was this: we had no knowledge as to who was controlling sterling, but we had more than a strong suspicion that sterling monetary policy was not being controlled by the British Parliament — in fact, that the sterling policy imposed upon the people was diametrically opposed to their best interests. Now, the Bill cuts New Zealand adrift from that form of control, and vests the control in the Minister of Finance, who is to translate the wishes of the Government to the Reserve Bank. There is no limit provided in this Bill to the amount of money the Reserve Bank may manufacture and place at the disposal of the Government. That places the onus upon the Government to design and implement the monetary policy the country is to enjoy. The Minister, in my opinion, in New Zealand will be placed in the same position that Mr. Montagu Norman and President Roosevelt occupy in their respective spheres. The Minister of Finance, as the spokesman of the Government on this matter, will be the sole arbiter as to what money shall be put into circulation, and how and when it shall be withdrawn from circulation. If the Minister were to operate upon his own responsibility, that responsibility would be very great, but under the Bill the Minister of Finance is to be merely the vehicle through which the wishes of the Government are to be conveyed to the Reserve Bank. The change from private control is not very important, from my point of view. I have not so much to complain about in regard to the private shareholding interest in the bank as I have in regard to the inefficiency of the monetary policy imposed upon us by the bank. It is this inefficiency that has caused attention to be directed to the whole question. If private control had been efficient, I doubt whether the matter would have developed as it has done. The main fact is that, in the future, under the provisions of this Bill —as has been the practice in the past — the necessary money for Government purposes is to be provided on loan; by increasing the national debt. It is all very well to talk about using the nation's credit, but the proposal here is more properly described as using and increasing the nation's debt. There are two ways in which the Government can obtain finance —one being by taxation and its corollary, Treasury bills, and the other being by loans. That has been the practice in the past. That has been the orthodox practice. We have seen a gradual and progressive increase in the national debt, and the proposal in this Bill is to continue that practice. The increase in the national debt will have to be dealt with, some time and somehow, and unless some special and unorthodox methods are used the payment of interest and sinking fund must mean increased taxation. That increased taxation can be staved off for a time by means of conversion loans.

Mr. POLSON. — It will also mean decreased credit. Captain RUSHWORTH. — No; decreased credit is not provided for. The sky is the limit, using the term "credit" as it is used in the Bill.

Mr. POLSON. — But, surely, the more we increase the debt the more we encroach on the credit.

Captain RUSHWORTH H. — That is a point that does not arise. The amount of credit available is unlimited under the Bill. It does not matter, under the Bill, how much the debt may grow. President Roosevelt has been in that enviable, or unenviable, position: he has had the sky as the limit; and the result of his experiment has been the rapid growth of the debt of the United States of America, to astronomical proportions. I do not know how many millions of dollars. His efforts are gigantic, and follow the efforts of President Hoover in his time. President Hoover endeavoured, as he termed it, to "prime the pump" and for thirty weeks he distributed the equivalent of £50,000,000 sterling a week in an endeavour to prime the pump. He utterly failed; and I am afraid that President Roosevelt has failed to solve the problem, because he has to deal with the terrific increase in the debt.

The Hon. Mr. LANGSTONE.— President Roosevelt does not own the reserve bank of the United States of America.

Captain R U S H W O R T H. — No; he borrowed the money.

The Hon. Mr. PARRY. — From private people?
Captain RUSHWORTH.— From the Federal Reserve Bank.
The Hon. Mr. LANGSTONE.— But if the reserve bank were the State bank, it would not owe a debt to itself.

Captain RUSHWORTH.— The Bill provides that. That is the point. The Bill provides that the Government shall borrow from the Reserve Bank. If it borrows from the Reserve Bank, presumably it will owe to the Reserve Bank a sum which it will be called upon to repay.

Mr. LEE.— Take it out of one pocket and put in into another?
Captain RUSHWORTH.— That is all right. There is the crux of the matter. When the Reserve Bank manufactures money and puts it into circulation, there is more money in circulation equating with the goods awaiting purchase. But when the money is repaid the bank cancels it out of existence, producing a state of deflation. That is the matter with which I am concerned particularly. I am anxious that the Government should avoid the two horns of a dilemma— inflation on the one side, and deflation on the other.

The Hon. Mr. LANGSTONE.— But the honourable gentleman has just said that the Government could issue as much as it likes.

Captain RUSHWORTH.— Under the Bill.
The Hon. Mr. LANGSTONE.— If so, where is the deflation?

Captain RUSHWORTH H.— We might have, first, inflation by issue, and then have deflation by repayment. The necessity here is to define one’s terms, and I have sought from the experts a definition of the terms "inflation" and "deflation". The Monetary Committee was unable to obtain these definitions from any witness. When I use the terms I use them in the sense given by Foster and Catching—that is to say, a state of inflation exists when there is a general rise in the price-level, and a state of deflation when there is a general fall in the price-level.

Mr. LEE.— We are starting out to guarantee prices, also, within the scope of this bank.

Captain RUSHWORTH.— The Government is not going to guarantee all prices. There are the two horns of the dilemma—the possibility of inflation when the money is put into circulation, and of deflation when it is taken out of circulation. Those, in my opinion, are the two dangers to guard against. I want to proceed to ask a question, because the Prime Minister and the leader of the Opposition both drew attention to the urgent necessity for public works, and, speaking from memory, the leader of the Opposition I think asked, "What are you going to do when you want no further public works? What are you going to do with the surplus labour?" There was the inference, at least, that the time might come when New Zealand would not require to undertake further capital expenditure on such works as roads, bridges, railways, and other public works.

Mr. LEE.— That will be the millennium.

Captain RUSHWORTH.— That is all very well. But what are we going to do with the surplus men?

Mr. LEE.— Feed them.

Captain RUSHWORTH.— Now we are getting near it. I suggest to the Prime Minister and the Government that the necessity for engaging in public works is in order to distribute purchasing-power. That is one of the prime urges—to distribute purchasing-power to enable the consumable goods on the market to be purchased. The roads and bridges are not available for sale, but the money specially manufactured, loaned, and so distributed is required to enable people to pay the cost price of consumable goods.

Mr. LEE.— We still want more houses.

Captain RUSHWORTH.— I admit that. But the principal urge at the present time is to find work, and it is not work that is wanted.

The Hon. Mr. ARMSTRONG.— We want leisure.

Captain RUSHWORTH.— It is money that is wanted, and the money is required in order that consumable goods may be purchased. The only means we have of meeting the position so far is by borrowing money from those who manufacture it, and then by spending it on public works that are not for sale. That is how we make up the deficiency.

An Hon. MEMBER.— Public works develop the country.

Captain RUSHWORTH.— I agree. But in recent years we have had men engaged in chipping grass off the footpaths. On one occasion I was criticizing men for wheeling barrow-loads of earth a distance of about 300 yards. I asked why they did not get a scoop. They replied, "Do not say anything about it. If you do they will make us use salt-spoons." I repeat that the urgent necessity is to distribute purchasing power to enable consumable goods to be purchased. I suggest that to the Government.

Mr. LEE.— But we are improving the social amenities of our community.

Captain RUSHWORTH.— I admit that but the driving force at the present time has been the urgent necessity for putting money into circulation for the purchasing of goods that are awaiting purchase.
There is not a single industry working to capacity, because not one of them can get rid of the whole of its output. It is suggested that there is a gap between the cost of those things and the amount available to purchase them. I suggest that it is worth looking into to see whether industries do in fact generate sufficient purchasing-power to purchase the whole of their output. If they do not generate sufficient, then the necessity for the expenditure of additional money on public works naturally arises, and with the present monetary system the urgent necessity for those public works means an ever-progressive debt, involving an increase in taxation. That is the dilemma that has puzzled the statesmen of the world, and that is the problem that the Prime Minister and the Government have set out to solve. For what it is worth, I suggest to them that it is well to examine that particular phase of the situation.

Mr. O'BRIEN.— It has been our lifetime study, and it is solved already.

Captain RUSHWORTH.— I pray that it is so. I am sure that all people of good will will support the Government in every honest endeavour made to solve the problem. May I suggest, for the information of those members of the Government who have not read it, that there is a most interesting book in the Library, written by Sir John Hirsch. In it he describes all that occurred in the litigation between the Bank of Portugal and Waterlow Limited. The writer is a recognized authority and apologist for the orthodox bankers. He describes how the bank made good its alleged losses and complied with the Portuguese law, presenting the usual balance-sheet in spite of the £1,000,000 fraud perpetrated upon it. The Bank of Portugal was able to make good this alleged loss of about £1,000,000 sterling by the Portuguese Parliament authorizing its Minister of Finance to issue to the Bank of Portugal a special credit instrument for the required sum. That credit instrument was not negotiable, non-interest bearing, and non-repayable. I do not suggest that such a clumsy method should be used by our Government to repay the loans from the Reserve Bank, but it might provide a hint as to how it could be done. There is one other matter I would like to refer to. Paragraph (c) of section 13 of the principal Act permits the Reserve Bank to acquire shares in the Bank for International Settlements. The Bill now before us makes no reference to that. I would like to ask the Minister of Finance to inform the House and the country whether the Reserve Bank has in fact acquired any shares in the Bank for International Settlements, and, if so, how the purchase-money was paid and in what currency; whether any dividends have been paid, and, if so, in what currency; and whether there are any obligations attached to the shareholding in that particular institution. For the rest, I must leave it to another stage of the Bill. There are other things to be said. I would like, however, to submit with the utmost deference to the Government, and to members of the Opposition, if they would bear it in mind, a maxim that I came across some years ago, and which I have borne in mind constantly — a maxim enunciated by Dr. Paly in his "Evidences of Christianity." There he says, — "There is a principle that is a bar to all information, that is proof against all argument, and that cannot fail to keep a man in everlasting ignorance. That principle is contempt prior to examination."

The Hon. Mr. HAMILTON (Wallace). — Sir, the honourable member for Bay of Islands who has just resumed his seat, made one suggestion which I think is apt — he said New Zealand was venturing on an experiment in which the whole world was interested. Certainly, New Zealand is interested in the experiment embodied in the Bill now before the House, and if by the amendments proposed in this Bill the Government can improve the social and economic life of the people, we shall all wish them well. But it is a matter of opinion whether the Bill will do all that is claimed. In his speech this evening the Prime Minister did not say very much about the Bill itself. He gave us a general speech touching on world affairs, and made quotations from various authorities — authorities from whom, if we had the time, we could probably make quotations showing views opposed to those put forward by the honourable gentleman, because, after all, it is possible to make extracts from authorities which, torn from their context, may be made to support almost any view. The Prime Minister referred to the state of the world to-day. The Labour party has for a long time been making suggestions for improving the world. Very much of those honourable members' talk would lead one to suppose that they were thinking they were governing the world to-day. We are a Parliament endeavouring to govern New Zealand, which is a very small speck in the world, though we are very important from our own point of view. We have to adjust ourselves to world conditions — conditions over which we have no control. I will admit that there are many problems to-day. The world has passed through a very difficult period, and I think the members of the present Government party are sometimes a little ungenerous in not recognizing that
New Zealand has passed through a very difficult period, and yet that she is to-day on sounder ground than almost any other country in the world. We have attained to that because of wise and careful administration during that period, and to-day the credit of our country is on the soundest lines. It has been very carefully handled, and many things are possible because of that sound financial position that would not be possible if the new provisions of this Bill had been in operation during the depression. The Bill proposes a new line of action that will be very interesting to witness in operation as the days go by.

The Prime Minister said that he is not a banker. I am not a banker, and I presume that the Minister of Finance is not a banker. The Prime Minister has read well, and knows the problem before us. But under this Bill the Prime Minister and the Minister of Finance are going to dictate the policy of the Reserve Bank. The Prime Minister has said so.

The Hon. Mr. ARMSTRONG.— Should we allow the Reserve Bank to dictate the policy?

The Hon. Mr. HAMILTON.— No. The Prime Minister has been asking for some time for the cooperation and good will of the people of New Zealand. He is going to propose a new line of action that will be interesting to witness in operation as the days go by. The Prime Minister said that he is not a banker. I am not a banker, and I presume that the Minister of Finance is not a banker. The Prime Minister has read well, and knows the problem before us. But under this Bill the Prime Minister and the Minister of Finance are going to dictate the policy of the Reserve Bank. The Prime Minister has said so.

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The Hon. Mr. SEMPLE. — The honourable gentleman will have it in gradual doses.
The Hon. Mr. HAMILTON. — Very gradual indeed. Coming to the Bill, it is confessing very great powers — powers as great, I believe, as any this House has been asked to confer for some time. It is an important measure, and very far reaching for good or ill. Maybe it is for good. We will hope so, but there are also a lot of possibilities in it for ill. During the years of depression many organizations have grown up in our midst, all with different cures for periods of depression. The Minister of Finance to-day mentioned that there are three schools of thought, and we have had many suggestions as to how best to put the world right. Some have religious ideas and others have economic cures, and here we have a monetary one. The monetary question has certainly loomed large for some time past. Some people seem to think that our monetary system is the cause of our depressions and our booms. That may be so or it may not. But the proposals put forward here by the Government are in the nature of an experiment. The Government, however, has the power to carry them into effect; and probably we shall have to sit here and wait until it has tried out its policy. It has ample power to do so, and we can only wish the Government luck with it. Those who suggest that reform of the monetary system will bring about the cure of depressions and booms are very numerous to-day throughout the world, and very numerous in New Zealand; and I believe that that idea had some effect at the general election. People think that by means of monetary reform it will be possible to get away from that shortage of purchasing-power which it is stated has been so much in evidence of late. Mr. JORDAN. — Does not the honourable gentleman think it will?

The Hon. Mr. HAMILTON. — No; I do not. So far as I have been able to follow the matter the advocates of these monetary theories have not yet inspired full confidence in any competent people that the schemes they advocate are sound. But we on this side of the House have open minds. If there is a better system than the one we have we will all be delighted to adopt it. But before embarking on it we want to be sure that the system advocated in this Bill is going to be better than the present system. I admit that the present system has its defects. All systems have defects. But we should not change it until we are sure that the scheme which is proposed to be substituted for it is a better one.

Mr. JORDAN. — How can we be sure until we try it?
think we are justified in protesting against the haste with which this important legislation is being rushed through. What is the urgency for it? That Bill makes very important changes. Those who object to it have had no time to make a protest. It is not going to a Committee. The Minister of Finance said the Act which this Bill amends did not go to a Committee. That measure was floating around here for about two years. Everyone was reading it. This one came out of the incubator yesterday. Here it is going through tonight. I think the objectors have a right to be heard. The Hon. Mr. PARRY.— They heard the honourable gentleman during the election.

The Hon. Mr. HAMILTON.— We did not have this Bill then. I venture to state that if the Prime Minister had come out with this Bill as it is drafted to-day it would have had an effect upon the election. The honourable gentlemen are in office now. There will be another election someday.

The Hon. Mr. LANGSTONE.— Does the honourable gentleman think he will be missing?

The Hon. Mr. HAMILTON.— I have been missing before, and so has the honourable gentleman. He may be missing again. The honourable gentlemen say they want the co-operation and the good will of the people and the co-operation of the Opposition, which they can get. If they want the co-operation and good will of the banking people, at least the latter should be heard before the big stick is put over them and they are told to obey.

The Hon. Mr. SEMPLE.— How many times did the National Government use the big stick?

the Hon. Mr. HAMILTON.— We were told about it very often. The present Ministers objected then, but now they are going to do the same thing evidently. Certainly, this Bill breaks a lot of new ground. New Zealand is travelling fairly rapidly. It was only in 1933 we established our New Zealand Reserve Bank Bill. It is not yet three years since the legislation came into full force. We took central banking out of the hands of the trading banks and vested it in a national institution — wisely constituted, I believe — to conduct central banking. It was a well-constituted bank. The Reserve Bank was constituted as being half-way between a commercial bank and a political bank. We said that commercial banking for profitmaking was not wise from a central banking point of view. We considered also that it was not wise to put the Reserve Bank under political control. Both systems have defects.

We decided to put control into the hands of a national institution removed from profitmaking, and also removed from political influence. I believe the bank was wisely constituted. It was a national body of specially selected men — experts selected for the job — and we considered that that was the wisest course to follow. I consider that it is a wiser constitution than that provided in this Bill. The Minister of Finance did not like the innuendoes to the effect that politicians were not as trust worthy as commercial men. His party have been continuously indicting the commercial men. Yesterday the Government was indicting commercial men on another Board, saying that they could not perform a national service without private interests creeping in. This evening the Hon. the Minister resents the suggestion that the Government, in taking control of the Reserve Bank, cannot disassociate itself from political influence. It is just as easy for the Government to use the powers of the bank for political purposes as it is for the commercial men sitting on Government Boards to use their positions for their own benefit.

The Hon. Mr. PARRY.— That is not the point. Is it not a question of having the right to use public credit as against private individuals using public credit in their own interests?

The Hon. Mr. HAMILTON. — That is entirely different. The Minister of Finance resented the suggestion that politicians were not always honourable. I resent that as well as he does, because I think members of Parliament are as honourable as anyone else. I believe, also, that the members of the Board of the Reserve Bank, selected to control central banking not for profitmaking, but for the State, are just as capable of serving the nation as those who are sitting here are capable of serving the nation; they are just as honourable, and I think it was wise that they should have been specially selected, as the Prime Minister said, because these men are bankers.

The Hon. Mr. NASH.— Not one of them.

The Hon. Mr. HAMILTON.— Yes.

The Hon. Mr. NASH.— There is not a single man on the Board who is a banker.

The Hon. Mr. HAMILTON. — The governor and the deputy governor are bankers.

The Hon. Mr. NASH. — And no others.

The Hon. Mr. HAMILTON.— The other men are commercial men associated with this type of work. The governor and deputy governor are bankers.

The Hon. Mr. NASH.— And they remain on the Board.
The Hon. Mr. HAMILTON.— It is wise that they should remain. These men are just as capable of serving the nation on a National Board as the honourable gentleman is in the political field. Mr. LEE.—But they are not the only people capable of serving the nation.

The Hon. Mr. HAMILTON.— That is so. But why condemn and override them? Why change them? The Hon. Mr. NASH.— They are still there — there is no change.

The Hon. Mr. HAMILTON.— Well, what is the Bill about, then?

The Hon. Mr. PARRY.— The honourable gentleman had better read it.

The Hon. Mr. HAMILTON.— I have read it carefully. The Bill itself tends to put New Zealand into a financial strait-jacket. Now, the Minister is going to plan, but the moment he starts to close one door he will find there are twenty other doors he has to close. Those people who start to plan and regulate do not always realize the end of the course they have begun. They may think that they are throwing off shackles, whereas they are actually putting on more. This Bill is putting New Zealand into a strait-jacket financially. The possibilities are there; the powers are there — very great powers indeed. If a man sends his wool to London and wants to get money in London he may not be able to do so. If the public of New Zealand are prepared to put up with that, that is all right; but I want to tell them that that is the nature of the power in the Bill. The Minister of Finance is taking power to control London credit absolutely, and the Government has the power under the Bill to do it. That may be in the national interest, but it is unwarranted at this juncture. There are many people who are very hopeful as to what is going to be done, but there are many others who are uneasy in regard to what might happen. I was pleased to have the Prime Minister’s assurance that the powers in the Bill will be very carefully guarded; but those powers are very extensive, and if we were on the Treasury benches and were taking power as great as that we would be kept here till after Easter. There are clauses in the Bill whereby a clash might come between the Government and the directors of the bank. Now, the Minister of Finance has not said what is going to happen if he gets to that point where the governor and the directors will not carry out his directions. The people want to know. The Minister of Finance has not said what is going to happen if the directors of the bank do not his directions.

Mr. LEE.— The Government will be master.

The Hon. Mr. HAMILTON.— The Bill does not say what is going to happen in that event, though it makes partial provision for what may happen. I say that a clash might easily come. I will reserve my further remarks for the Committee stage. I say that this Bill would hardly be possible to-day if the Government of the type that is in office now had been in office for the last three or four years. It is only possible because the country’s credit is good. It would appear from the Bill that our good credit may be dissipated. However, I do not want to discount the intentions of the Government. We hope for the best, but many of us fear that things will not turn out as predicted.

Mr. DEN HAM (Invercargill).— Sir, honourable members of this House show their sympathy for a new member making his maiden speech in this Chamber. It is a strange environment for new members, and I quite appreciate the fact that perhaps they do not express their views as they might in different circumstances. This Bill, Sir, to my mind sets out to achieve the realization of an ideal, one of the Labour party’s ideals. We have championed this principle of a State bank for a number of years. The vital principle aimed at, as stated by the Minister of Finance, is simply this: For the purpose and to the end that the economic and social welfare of New Zealand may be promoted and maintained, the bank shall regulate and control credit and currency in New Zealand. That seems to me to be the fundamental principle involved; and it is a question as to whether the political machine will have its rights and take its rightful place, or whether we will continue the private control of that great power that was so wonderfully illustrated by the Minister of Finance. He said that, just as the heart in a human being was the seat of life, pulsating, throbbing, and sending the life-blood into every part of the human system, so money is the economic blood of the life and the affairs of men. Listening carefully and with great interest to the discussion on the depoliticization of the control of railways versus Ministerial control, I was impressed with the many illustrations of the Board control of the railways, and I must say that if that is a fair sample of Board control we do not want that sort of control. For many long years the control of money has been in the hands of private enterprise, and I say unhesitatingly that to-day that system stands condemned as a hopeless failure. We have ample evidence of what it has done. As one honourable
member has said, we can see that it has caused wreckage on every hand in this country and every other country. Some change is imperative. We have come to the stage in the development of this country, and, indeed, the whole world, when that important change must be made; and this is but a first step. I agree with the honourable gentleman on my right when he says that the whole world is looking with interest to this little country, with its one million and a half of population—a mere handful of people, as it were—in connection with this very important step that will be taken within the next day or so. I have here a clipping quoting a comment in a newspaper published in England on the 31st March—only a couple of days ago. I refer to the Manchester Guardian, in which I read that "Interest centres in the nationalization of the Reserve Bank, and, if Mr. Savage uses national credit for public works to obviate unemployment, developments will be watched with great interest." There is not the slightest doubt that the eyes of the world are looking on this matter with interest; and I am prepared to say that, if the step fails, it will not fail because it is not right in principle, but it will fail only because the enemies of this great step—this wonderful reform—will mar in some way its progress or defeat the ends which we have in view. I do not propose to talk about the machinery provisions of the Bill, simply because I have not had sufficient parliamentary experience to express an opinion in that direction; but I do claim to know something of the fundamental principles controlling the world's finance to-day. There has been a suggestion that the Labour Government lacks stability and capacity, but I suggest that its first action in pooling the Ministerial emoluments and in co-opting members to assist the various Ministers is an earnest of its ability and determination to achieve its high ideals. Its action is one that must commend itself not only to this country, but to others. Only recently our Prime Minister occupied a seat on the Opposition side of the House, and he had but a handful of loyal supporters, but he and his party stood four-square on the principle of State control of credit and of the financial machine. Those in power refused to listen, and it remained for the people of the Dominion to endorse the policy Labour had so long propounded. The Bill we are discussing to-night is giving effect to the Prime Minister's promise to the electors. Our opponents object to State control of our currency and credit. Until now there has been no State control, and the present chaos is the result. It is more than time that the State took charge. The honourable member for Wallace raised the old cry about experimenting. The same argument was raised when first the eight-hours day was advocated. Critics declared that the proposal was unworkable. Time has proved them to be quite wrong. To-day the Labour Government declares that State control of our currency and credit is an urgent necessity. The Opposition protests that such control will not work. We know that it will; and before very long the public will realize that State control should have been introduced years ago. When William Pitt advocated the abolition of slavery he was told in the House of Commons that the idea was preposterous—that it meant ruin. But slavery was abolished, and to-day we wonder how any civilized people could have tolerated the slave traffic for one moment. Time and again we are asked where we are to get the money required for the carrying out of Labour's programme. One eminent authority said that 2 per cent. of all the deposits constitutes actual money, while 98 per cent. represents bank credit-money emanating from the security of the people. The point is that in the past we have allowed the credit to be controlled by private interests. Now we are going to take control in the interests of the community and issue our own credit for our own purposes. There is nothing fundamentally wrong with that. I do not claim to be an expert in the technical side of banking, but I am certain the Minister of Finance understands the business thoroughly, and I am satisfied that in the not-far-distant future the course we are now adopting will prove to be the right one. The leader of the Opposition, in the course of his speech, said the new Government had had the good will of the press. But I am not at all convinced that the conversion of the press is a genuine one, and in that connection I am reminded of the story of the old lady who went to church and heard the choir boys, in their nice white surplices, singing the sacred melodies. As she left the church at the end of the service she said of the choir boys, "They looks like angels, and they sings like angels, but I knows 'em." Well, I think I know the press. Prior to the election they smote the Labour hip and thigh, and used all their influence to keep them off the Treasury benches. Since election day they appear to have changed. I hope their conversion is genuine; but, whether we meet with their favour or not, I am confident the Government will be successful in this great reform. The proposed legislation is quite in harmony with economic laws. There are natural laws, like the
law of gravitation, and if one opposes a natural law one will suffer. There is an economic law, and those who fly in the face of it will also suffer. But in proposing to take over the control of credit the Government is not acting in opposition to the economic law—it is working in harmony with it. If we increase the people's purchasing-power to equate production, we are keeping within economic laws. If, on the other hand, we increase production and reduce the purchasing-power, we shall be acting in opposition to the economic laws. That, in fact, is what the previous Government did during the last four or five years, and we know the result. During that period our farmers increased production enormously, and the Government reduced the purchasing-power of the people. The poverty, misery, and human degradation which follow as a result demonstrated the futility and folly of such a policy. We are now suffering as the result. We have poverty stalking in our midst. We have our people workless; we have on every hand old-age pensioners living in poverty, with only a few shillings a week to help them. We have work to be done — bridges to be built, and roads to be constructed — and our only trouble is the lack of the economic life-blood, the thing called "money." Is it not worthwhile to get control of that money? We are here to-night to say the Labour Government must undertake this great problem. It has been said that the late Government had to regulate its finance. I appreciate that point. It did regulate its finances, and the regulation was a very painful process to the people of New Zealand. Those Ministers were not stonehearted men. They had sympathy for the working-people, and they were not regulating their finances at all. Someone else was regulating their finance for them. They had not control of this country. Someone else controlled them, and I am satisfied that if the Labour party has to submit to the same control it can do no better. I am satisfied that if the members of the present Opposition could have seen the wreckage in every department of our State affairs they would have tried to avoid it. But they were in the hands of a mightier power than themselves. An eminent authority has said: — "Can the signature of a private person who, on his own showing, is promising to pay ten times the quantity of legal tender money in his possession, be of a greater worth than the signature of a Government possessed of the taxable income of the nation? The conclusion is unavoidable that the world's Governments, though elected by popular vote, are controlled by

the masters of money, either through ignorance or through the cowardice of the leaders of these Governments. The Government reigns but does not govern." To my mind the late Government's method of regulating finances and balancing the Budget was a national crime. One great author has said: — "Not a tear nor a sigh escapes the eyes of eternal justice. This we may believe, this we must believe, else God himself would be a demon and this world His hell." A good many tears have been registered, and a good many sighs, for which past Governments have been responsible. The report of the Director-General of Health reveals a very disquieting state of affairs. We also find in the headlines of Wellington newspapers something like this: "Boys' physique —Poor development discovered." This is a report from the Wellington College headmaster, Mr. W. A. Armour, to the board of governors of Wellington College. He said that as a result of examination of new pupils it was found there were many instances of underweight, undergradure, and malnutrition. This was the position in about 50 per cent. of the cases, and general posture was defective, and so on. That is a report not due to political bias, but a simple statement of fact by a man in authority who should know, and whose statement can be taken as authentic. On every hand we see abundant evidence of the terrible effects of this shortage of money. We have the old-age pensioners, as I have already mentioned, practically in poverty. These were the pioneers of our country—the men who carved their homes out of the bushmen who put up with all difficulties the pioneers had to put up with; men who have suffered in years gone by; and we take off our hats to them, and say they have done a great work for this country—yet, in their declining years, when the sun of their life is sinking to the west, they have not sufficient money to keep them in proper food and clothing. Then, too, we find the widows and the blind suffering. Turning to our schools we find that, in connection with those at Invercargill, teachers are trying to instruct classes of between seventy and eighty children. The duty of the Labour Government is to see that our children's lives should not suffer like that. The child of to-day is the citizen of to-morrow, and we find from the report of the Director-General of Health that from something like fifty thousand examinations made a tremendous percentage of the children were found to be weaklings. In a few years this crop of weaklings will have grown up, and in their turn will bring children into the world, and it is time that we looked seriously
into this aspect of our national life. The Minister of Public Works has pointed out that railways have been started and then stopped and left to rust and rot, the excuse being that we have not sufficient money. Then there is the question of agriculture, with men steeped in mortgages and trying to retain their holdings until the Labour party comes forward with a proposal to guarantee their income. Yet, still we have the Opposition saying that it cannot be done. I think time will prove that it can be done, and I am confident that in the near future, if we have a chance at all, New Zealand will be a country where the child shall no longer be half-starved; where the old-age pensioner will not suffer want; where our people will not be workless and depressed and broken in spirit; where our business men will not be driven to insanity and suicide trying to make their businesses successful and progressive. All these things must be banished. They must vanish if we have a proper method of financing the country, if we can instil the life-blood of finance into trade and industry, and if we can control finance and make it work in sympathy with our people so that they may have their rights and our country may be the country it should be.

Debate adjourned.
House adjourned at four minutes to twelve o'clock p.m.

HOUSE OF REPRESENTATIVES.
Monday, 6th April, 1936.
Mr. O. A. Nelson's Return to Samoa: Urgent Question —
Business of the House — Reserve Bank of New Zealand Amendment Bill.

Mr. SPEAKER took the chair at half past two o'clock.

PRAYERS.
MR. O. A. NELSON'S RETURN TO SAMOA: URGENT QUESTION.
Mr. BROADFOOT (Waitomo). —I desire to ask the Prime Minister whether he has assured Mr. O. A. Nelson that he would be allowed to return to Samoa unconditionally; and, if so, does he not think it necessary to insist on the condition that Mr. Nelson refrain from any agitation to stir up the Mau section of the Natives to obstruct the Administration and the loyal Natives sup porting it in its endeavour to maintain law and order in the territory?

The Hon. Mr. SAVAGE (Prime Minister). —It is the intention of the Government to give effect to its election pledges to do justice to the Samoan people. Mr. Nelson will return to Samoa on the same terms as would govern the return of a New Zealand citizen to the Dominion.

BUSINESS OF THE HOUSE.
The Hon. Mr. SAVAGE (Prime Minister) moved, That urgency be accorded the passing of the Reserve Bank of New Zealand Amendment Bill. Motion agreed to.
RESERVE BANK OF NEW ZEALAND AMENDMENT BILL.
Adjourned debate on the question, That this Bill be now read a second time.
The Right Hon. Mr. FORBES (Leader of the Opposition). —Sir, there seems to be undue haste in putting through an important measure such as this. I do not think any member of the House can recall an instance in which an important Bill, practically handing over the monetary system of the country to the uncontrolled power of the Government, has ever been put through in the time suggested for this Bill. At one time it was thought that Parliament was a place in which measures would be threshed out, and the fact that it was a slow-moving institution was all to the benefit of the country in that citizens would have a full opportunity of knowing what was being done. There has never been an instance in the history of this country of a Bill completely changing the monetary system of the country and giving the Government uncontrolled power in regard to it being rushed through in practically two days. We opened the debate on the second reading on Friday evening, and we have to-day the announcement that it is going through all its stages before the House rises. One can remember the protests which came from the then Opposition during the previous Parliament against what they called hasty legislation. Honourable members opposite then complained that business was being shovelled through; but no Bill has ever been bullocked through in the way proposed in regard to this one. I can only put in a protest. I think it is treating Parliament with a good deal of contempt. This Bill ends the Reserve Bank as far as it exists in the minds of the public. That bank was brought into being following upon a report submitted to the Government by one of the leading experts on reserve banks in the Old Country, Sir Otto Niemeyer. Government members Mr. Denkam...
laugh. We hear a good deal of laughter from them when men looked upon in the world as of outstanding ability and experience are mentioned. Such men are laughed to scorn by the gentlemen occupying the Government benches, who, of course, are out to make a law for themselves and disregard all the experience and knowledge of the past. Sir Otto Niemeyer said, and I think his statement will stand even against the laughter from the Government benches, that a reserve bank should be free from both the actual fact and the fear of political influence. He laid that down as a principle with which every reasonable man would agree; and we in this country will yet see its wisdom. But, unfortunately, we will have to wait until the mistakes are made and the evil effects of political influence make themselves felt in our banking system. The country will have to pay for its experience, and I hope the cost will not be too great. This Bill is introduced to give the Government control of the currency and credit of the country. That in itself may not mean that there is anything revolutionary in regard to it; but the measure gives the power to any Government to do what it likes with the credit and currency of the Dominion. Honourable gentlemen opposite say that it is in accord with the policy announced by the Labour party at the election. I know that the members of that party talked about controlling the currency and credit of the country, but they did not explain how it would be done, nor did they mention the dangers that had to be avoided. According to them everything was going to be very successful, and the power was going to be administered very wisely. Those connected with finance and the banking business know how delicate the machinery is. The Prime Minister and the Minister of Finance both say they are not bankers, but under this Bill they will determine what the policy of the Reserve Bank is to be. They will tell the governor and the directors of the bank that they have to carry out what the Government requires; and their experience, their knowledge, goes for nought. They will not admit the wisdom and the advice given by those who have had experience and whose concern is for the good of the country. The Prime Minister says he is not a banker. The Minister of Finance says he is not a banker. Yet without being bankers, without having a knowledge of the principles guiding banking, they are there to tell men who know the business of banking thoroughly what they are to do. They put themselves in the position of being super bankers—not ordinary bankers. They are going to say to the directors and the governor, "You have got to do so and so," and the latter will have to do it; otherwise, as the Minister of Public Works says, they will get the sack. These are men who have had considerable experience and are looked up to by the community. Their position in the control of the Reserve Bank has given confidence. These men are to be turned into mere automatons. They are to be told, "If you do not register just exactly what the Government says, you will get the sack."

The Rev. Mr. CARR.—Does the honourable gentleman believe in government by experts? The Right Hon. Mr. FORBES.—I believe in taking the advice of experts in matters which they are very much better equipped than the ordinary man to deal with. I do not say we should have government by experts; but in matters in which they have had a special training and have special knowledge, one has to give a great deal of weight to what they say. Instead, of having in control of the Reserve Bank men whose sole desire is to make that institution of real use to the country and to see that it maintains a position of helpfulness with respect to the finances of the country—instead of having those men in control, men who are able to look at the thing in an impartial way, men whose whole desire is to see that the bank fulfils its objects—we are to have the political banker. I should like to quote a passage from a work on banking that "I have been reading. It reads,—A political banker—that is, the Minister at the head of a nationalized banking system—would owe his position to the fact that he was a politician, and to retain his position he must necessarily be a politician first and a banker secondly. Now, politics and banking do not mix, for the basis of all banking is confidence, and confidence is apt to wilt away very quickly under the blight of political expediency."

The Hon. Mr. SEMPLE.—Who said that? The Right Hon. Mr. FORBES.—That is taken from a work which I have read on banking. I think that puts the position very correctly; and I think that even the Minister of Public Works will admit that political expediency and confidence in banking will not mix. That is what we have to-day. We have the confidence of the people shaken on account of this Bill. We have that confidence shaken by the fact that instead of being run on ordinary banking lines, giving security to the people, the institution is going to be run by a political head, who, as a politician, will look to the matter of political expediency first. There is a considerable body of people, in this
country and in many other countries, who consider that the depression was due entirely to the faults of the monetary system. As a result of that belief we have many schemes advanced for the remodelling of the monetary system, by which we can overcome all our difficulties. A great many people believe that implicitly, but they must realize that any mistake made with regard to the monetary system is very serious indeed. The monetary machine cannot be used lightly; mistakes are very costly. The Government cannot point to any country in which the theories it advances have been given a trial, and I may say in passing that the need for improvement in many other countries is far more pressing than it is in New Zealand. The authorities in other countries cannot be persuaded to make the experiment that this Government is proposing to do with the Reserve Bank. While dissatisfaction is expressed with respect to the monetary system in Great Britain, yet the financial structure of Great Britain is the envy of the wide world. Other nations would be very delighted indeed to know that their financial institutions were in the solid position that the financial institutions of Great Britain are in, yet we are asked to discard that which has stood up to the storm and to introduce something that is absolutely untried. We should always remember what happened to a certain country that set out on the path of inflation. When a policy of inflation was adopted in Germany the authorities did not believe that it would get out of hand. They thought that they would be able to control it, and I daresay that their Minister of Finance made a similar statement to that that was made by our Minister in his speech last night— that the utmost caution would be used and that nothing untoward would happen. But the question is whether, when the pressure is applied, the Minister will stand up against it, and the position will not get out of hand. I would just like to quote a statement made in the report of a Royal Commission on banking and currency set up in Canada in 1933.

I have no doubt that the Minister of Finance will agree that the utmost caution must be exercised in trying out any of these financial experiments. If we can produce the results that the Prime Minister and the Minister of Finance hope will result from the change, there can be no objection. If I could be convinced that the statements of the Government would be borne out by results, and that we could rely on those results, then I would say, “Go ahead.” My opinion is that we are likely to reap disaster. We are embarking on a great experiment; the stage is set, and the Government has the power under the Bill to set out on a policy of uncontrolled expenditure and inflation. One wonders where that is going to land us. If that is the intention underlying this legislation then we are in for a worse time than we had during the depression. That is the reason why I ask the Government to consult representative opinion before going ahead, to consider not only their own opinions, but also those of the people who have had long experience in the control of our banking institutions. These men have made a study of this matter, and it should not be asking too much to take their views into consideration. The advice they are able to give should carry some weight with the Government. I do not say that the Government should put its policy entirely on one side; it has been elected to improve the conditions of the people in this country. Its members stated the lines along which they intended to proceed, if elected, and I am certain that the people, whilst agreeing with the results promised, did not have any details as to how these results would be obtained. They agreed that an improvement was desirable and they were told that an improvement could be effected by certain general principles being adopted. The people responded to the rosy picture painted before the election. As I listened to the Minister of Finance when moving the second reading of the Bill I could not help feeling that the picture was being well painted. I thought that if the other part of the scheme were only up to the attractive picture, then we would have very little to say. But one realizes that when one has a very attractive proposition put before him it is wise to look for a nigger in the woodpile, because in going through life I have always found that when especially attractive proposals have been offered that is the time when one should scrutinize them most carefully. Even when the persons advocating such propositions genuinely believe that the sun shines out of them it is just as well to examine the details and the possible results even more closely. When asked whether he was sufficiently equipped.
to dictate to the Board controlling the Reserve Bank the Prime Minister said that he had made a lifelong study of banking and monetary questions. One would like to know the class of literature he studied. One can read for a lifetime examining always literature presenting the one side and at the end of that time one might claim to be an expert in the principles of banking and monetary questions without being able to justify that claim. A student might be very much wanting even after a lifetime of one-sided study. It appears to me that the Prime Minister has studied this question from one angle only. Whether he has taken a proper course in banking and monetary matters I am very doubtful. I would prefer to take the views of the man who had taken a course in banking in conjunction with his course in economics. Such a man would have read both sides of the question.

Mr. LEE.—Have we not heard the other side for forty years?

The Right Hon. Mr. FORBES.—Well, honourable members know that in the case of a specialized study such as banking an authority on the subject cannot afford to give his major time and thought to some other study, and I venture to say that the study of politics has received more attention from the Prime Minister and the Minister of Finance than the study of banking or monetary reform. We all know that if one wishes to be regarded as an authority on one subject he cannot afford to have his thoughts dissipated in another direction. When a man trained in the legal profession enters politics he realizes that he must sacrifice a good deal of his professional study. The legal members of this House, I am sure, will agree that the law is a jealous mistress, and that to reach any position of eminence in the profession one must devote the greater part of his time and thought to legal study. The same principle holds good in regard to banking, and yet there are those who say they have made a comprehensive study of banking and claim they know all about it, while we know that the major part of their time has been devoted to a study of politics. Their study of banking was only such as would enable them to fit it in with their political speeches. Under these circumstances the public cannot accept as sound their statements on banking questions. Yet these same people claim that they are able to instruct the governor and the deputy governor of the Reserve Bank as to the policy that the bank should carry out. A further attitude that has been adopted by the Prime Minister and the Minister of Finance is that if men express a feeling of alarm in regard to the effect of their proposed legislation they say they are evil persons. People who in their alarm endeavour to make secure their savings by sending their money out of the country are called evil persons by the honourable gentleman. The Hon. Mr. NASH.—I said they were evil-minded persons who spread all these rumours damaging to the credit of this country.

The Right Hon. Mr. FORBES.—If the persons were spreading false rumours I would agree with the honourable gentleman, but in this case, they were merely voicing their genuine fears. I do not think a man can fairly be called an evil-minded person if he merely expresses his anxiety and fear in regard to the future of the country. If it were so we could have applied that term to every member of the present Government, when the Labour party was in opposition. They frequently prophesied that disaster would befall the country as the result of measures of the then Government; we had such statements made very often, but we did not call the honourable gentlemen evil minded persons. When the people of the Dominion feel anxious in regard to the safety of their investments they are only being actuated by the ordinary feelings which disturb a person who has something of value which is in danger. If a person expresses that, I do not think it is right to say that that person is evil-minded. The Minister says that he refers only to those people that are spreading false rumours, and I quite agree that one is justified in taking that attitude against false rumours. But let us put the position this way: I may be asked, as I have been asked, “What would you advise me to do? Is my money safe in this country? Would you advise me to take my money out of this country?” That is a question I have been asked repeatedly. I would like the Minister of Finance to say what answer I should give.

An Hon. Member.—“Yes.”

The Right Hon. Mr. FORBES.—Well, the answer I give is this: “I do not know what the future has in store. I have no money to send out. What I have is in this country and has had the benefit of the good Governments in the past. I sink or swim with the country.” That is the attitude that appeals to me. I would say to those people, “You have had the benefit of good Governments. You are now doubtful of this Government’s wisdom, but I think you ought to stand by the country. We will have to take the ups with the downs.” [Time extended.] There is no
looks round this Chamber the number of Government supporters here lends colour to the idea. But when we consider the strength of the voting at the general election we find the position is slightly different. Labour's total vote was only 392,000 out of a total vote of 852,000; so that the Government's mandate was endorsed by approximately 45 per cent. of the electors, and Labour made sure that every possible vote in its favour was recorded.

An Hon. Member. — What about the Independents? The Right Hon. Mr. FORBES. — I do not know whether Labour can claim all the Independents. Does the Government consider that the honourable member for Wellington Suburbs is one of its supporters?

The Hon. Mr. PARRY. — He is described as an Independent.

The Right Hon. Mr. FORBES. — I do not know that he terms himself an Independent with Labour leanings. He certainly had a Labour candidate against him. Before the end of the debate the Government will find out, doubtless, where he stands. The honourable member for Egmont, another Independent, also had a Labour opponent. But even if the Government has the endorsement of 50 per cent. of the electors, we have 50 per cent. of the electors in opposition to the Labour programme. My point is this: When we are told that the Government has a mandate from the people we are entitled to mention the fact that the Labour vote was only about 45 per cent. of the total vote. I do not suggest that that will deter the Government in the course it has under taken to pursue, for it has the voting strength in the House to carry out its programme; but, at any rate, the matter is worth pondering before the claim is made that Labour is carrying out the will of the great majority of the electors.

The Hon. Mr. HAMILTON. — What percentage voted against Labour?

The Right Hon. Mr. FORBES. — Candidates other than Labour candidates received 55 per cent. of the votes. The Democrats complained about the last Government's socialistic tendencies. So one could not say the Democrat party were going Labour.

The Hon. Mr. FRASER. — They did not go anywhere.

The Right Hon. Mr. FORBES. — Well, their votes were included in the total. As a matter of fact, what is chiefly exercising the minds of the people at the present time is how the Government is going to raise all the money which it will be necessary for them to raise if they are to carry out all their promises. Is the money to be derived Right Hon. Mr. Forbes from additional taxation? Taxation is heavy even
now; but if all the Government’s promises are fulfilled it will be ruinous. Recently I received a letter from a farmer asking if I could tell him what increased taxation was likely to be imposed. He was contemplating spending money on the development of his farm, which would necessitate his arranging an overdraft with his bankers. He wanted to know whether if he increased his revenue from the farm it would be taken from him in the shape of increased taxation. I told him that if I asked the Minister of Finance he probably would not tell me, and that the only thing he the farmer, could do would be what other citizens would have to do—risk it if he thought it worthwhile. As I understand the matter from the Minister of Finance, the power to obtain this easy money will be used only to obtain funds for public works or the produce to be taken over from the farmers. It would seem, therefore, that the money required for those purposes will have to be obtained from taxation; so I do not envy the Government when the promises they have made come home, like chickens, to roost. But not only are the farmers wondering how the money is to be obtained. Business people, who are quite capable of ascertaining what the income-tax and the Customs revenue are likely to yield, are very much perturbed at the prospects. They cannot help feeling that if the Government attempts to carry out all its promises taxation is likely to be doubled or even trebled. And that fact causes many of them to hesitate before putting in hand projects for expanding their businesses. One cannot give people any information whatever in that respect. If the Government intends to take by taxation all the extra money it requires it will be a great discouragement to any to embark in any enterprise or any extension of his business. The whole thing resolves itself into the question of the fitness of the men who will have control of the machine—their ability to carry out a policy which requires them to carry it out with a firm determination not to allow that machine to get out of hand. I have had perhaps more opportunity than the general public of listening to the men who are now in charge when they were in opposition. When they were on the benches that we now occupy they seemed to be lacking in any sense of responsibility. One has only to look at the record of their speeches during that period and ask whether they showed any sense of responsibility in regard to the affairs of the country. There was never a time when expenditure was suggested they demanded it to be increased. The question was always, “Why do you not do more?” We have wondered whether they had any prudence in their make-up; yet now they are in charge of affairs. We are at their mercy in that they have the power to say what is to be done. I would like to have better credentials for the men placed in that position. The Labour party, more than any other political party, is influenced by outside organizations—powerful unions seem to be able to dictate to Labour members. We know that there is soon to be a conference of the Labour party in this city, and that that conference will determine what the Government will do. It was freely admitted by the members of the Government when they were in opposition that it was the conference of the Labour party that decided all policy questions. We shall have to see what effect its decisions will have upon the Government now in office. I would say that if the Minister of Finance were left to himself I would have a greater feeling of assurance. The honourable gentleman has had a business training. But one knows that if the conference of the Labour party says that the financial powers of the Government should be used for every form of finance and not be confined to the items mentioned by the Minister, the Minister will have to carry out its decision. We have a Government in office, but a great deal of the power is outside this House. It confuses the public more than ever when they see this divided control. It is commonly stated that the Prime Minister and the Minister of Finance are very decent chaps, and they might not do the things that they said they would; the hope is that they will see the harm that will be done if they do, and will not go to extremes. I think that those people will get a rude awakening. The present Bill and its extreme powers will give them a shock. All my interests are in this country and I want to see it prosper and the condition of my fellow-citizens improved, but one can see in the proposition before us and the powers that are being taken by the Government a danger that the condition of the very people it is desirous of helping will be made worse. We know what occurred in Germany. Honourable members opposite may laugh, but that is the usual thing one hears when the experience of other countries that have tried inflation is quoted. When a start is made on the slippery slope and we point to disaster then it is treated merely as a joke. Those gentlemen who have charge of the Treasury benches to-day seem so certain that any knowledge gained as a result of past experience must be
disregarded as belonging to a bygone age. They think that a system can be brought into operation that will make New Zealand a paradise. I cannot share that belief. It might perhaps be easier if one could assimilate the enthusiasm of the Prime Minister and the Minister of Finance, but my experience has been that a thing painted in rosy colours is no indication of it giving satisfaction. The Prime Minister and the Minister of Finance know perfectly well that by taking this uncontrolled power they will subject themselves to the greatest pressure ever brought upon a Government; they know that if the results anticipated do not materialize the powerful organizations behind them will demand that the powers be used still further. That has been the experience wherever a system of inflation has been entered upon. I certainly would not like to be in the shoes of those honourable gentlemen in taking the uncontrolled powers they have. It would have been much wiser to have had some safeguard that would have enabled them to withstand the pressure that will undoubtedly be brought to bear upon them. Then if it were found that the safeguards provided were hampering their operations they could perhaps have gone further with some degree of assurance. But to remove the safe guards entirely, as is done in this Bill, and leave the full control to untried men, men who have not had time to get the confidence of the people in regard to the handling of these affairs, is, I say, a mistake even from their own point of view. It would commend itself far more to the prudent people of this country if the Government said, "We want a greater measure of freedom, but we still have certain safeguards and we are going to maintain them until we find out whether the policy which we believe is going to be a good one is the right policy or not." They could then say later on, perhaps, "Our policy has been tried. It has been a success, we have gained the confidence of the country, and we can now be trusted with greater powers."

The Hon. Mr. SEMPLE.— Is the right honourable gentleman in a position to talk about the confidence of the country? Surely not.

The Right Hon. Mr. FORBES.— I am not on my trial. I am not proposing to take control of the Reserve Bank. If I were I should certainly expect my credentials to be closely scrutinized by the public; and I would feel that before asking for the whole of these powers I should have the people as a whole behind me. But, as a matter of fact, only some 45 per cent, of the people of New Zealand can be claimed as supporting this policy. I am speaking for all those opposed to it. As leader of the Opposition my duty is to place before the House the views of those who are not included amongst the followers of the Government. I have nothing more to say in regard to this Bill. I can only protest against the fact that it is being rushed through and that Parliament, as a machine, is being reduced to a state of almost entire helplessness. I do not remember in the whole of my time in this House anything of this sort being done. What would it matter if we adjourned till after Easter, or did not go home till after Easter, so as to give a Committee of this House an opportunity of considering this Bill and hearing the opinions of those who might wish to give evidence for or against it?

The Hon. Mr. SEMPLE.— Why object to a dose of the right honourable gentleman's own medicine.

The Right Hon. Mr. FORBES.— The memory of the honourable gentleman is a very short one. I would challenge him to show any case in which a measure of this sort was bullocked through in this way? I recognize that a large majority is a temptation to a Government to act in this manner and that the idea is to get the Bill through; but the people of this country who do not see eye to eye with the Government on this matter would feel better assured if some of the safeguards I have referred to were retained and they had time to gain more confidence in the Government.

Mr. BROADFOOT (Waitomo).— Sir, it is somewhat surprising to those of us who are members of the present Opposition to find that there can be silence on the Government side of the House. I expected that the younger members of the Government team, who have come here as exponents of cost less credit, would have spoken and that we would have heard a full exposition of this type of credit. But I am afraid the party whip has been cracking, and for once in the history of Parliament in the last fifteen or twenty years there will be silence from the Labour benches.

Mr. RICHARDS.— Guessing again.

Mr. BROADFOOT.— I am not guessing. I can see clearly that there is a new danger to the Government members. Instead of blood-pressure, they will be suffering from lung - pressure. Some of those gentlemen will eventually burst. It is surprising to me that this socialistic Government should be so continuously appealing to the people of this country for co-operation and good will. In my opinion the honourable gentle men are seeking to lull the people to sleep with soft words, while far-reaching and
most important legislation is going through this Chamber. Success in life is the hardest thing to bear, and I am afraid that success has gone to the heads of the members of the Government. In my opinion, judging by the way they are sledge-hammering this legislation through, they are drunk with power. It is a hard thing to accuse the Minister of Education of, but one can get drunk on other things than spirituous liquor; and the tactics adopted by the Government are proof positive of what I say. The honourable gentlemen charge the late Government with jamming important legislation through just as quickly as this Bill is being forced through. Let us go back and see what happened. The Reserve Bank of New Zealand Bill of 1933 was first mooted in the previous year. It came down and was circulated on the 8th December, 1932. It was read a first time on the 19th October, 1933. The second reading was moved on the 24th October, and the third reading on the 31st October—just about eleven months after it was first circulated. That was the right course to adopt. Every section of the community was vitally interested. Every section was given the opportunity to express its views. Let us examine the process that is going on in Parliament to-day. The Bill before us was brought in on the 2nd April. The second reading was moved on the 3rd April; and the Bill is to be smashed through to-night. If that is not reducing Parliament to an absurdity I do not know what is. What is the necessity for the rush tactics? The Prime Minister tells us that there is no fear in the country, that there is no nervousness about the results that might flow from this legislation. Then why not trust the people? Why not give them the opportunity of examining this amendment, just as we gave them the opportunity of examining the main Bill? This measure might well have been sent to a Select Committee. Failing that, a great deal more time should have been given the community to examine the provisions of the Bill. It looks as though the Government has no other measures ready to place before the House and keep us occupied while the people were giving the Bill a good scrutiny. I am confident that these battering-ram tactics are unwarranted and indecent, and they are against the best interests of the people.

The Hon. Mr. FRASER (Minister of Education).—A point of order, Mr. Speaker, I would ask you whether that expression is parliamentary.

Mr. SPEAKER.—The honourable gentleman used the word "indecent." I do not know quite what meaning the honourable gentleman had in mind or intended, but I suggest that he withdraw the word.

Mr. BROADFOOT.—Yes, Sir, I will withdraw the word and I will say that there is undue haste.

The Hon. Mr. ARMSTRONG.—Tell us something about the Bill.

Mr. BROADFOOT.—I would suggest to the Minister of Labour that he go to a doctor and get his lungs examined.

Mr. SPEAKER.—Order.

Mr. BROADFOOT.—The Minister has yet to learn that there is a certain amount of dignity attaching to the position which he is occupying. I believe that this Bill is the first move towards the socialism that members of the Opposition have been preaching for many years past, but about which they have been very silent in recent times. This is the first step towards controlling the means of production, distribution, and exchange. There has been a deadly silence about this matter, but here and there one gets evidence to prove my contention correct. Now, I understand there was a project in the Nelson District to harness the water-power and generate electricity. Outside capital was available for the immediate carrying-out of the work; in fact, I believe those concerned had been granted a license to go on with the work. However, in the newspapers recently there was a statement to the effect that the Minister of Public Works had said that the work must not go on, and that the position must be scrutinized to see whether the State would carry out the work.

Mr. SPEAKER.—Would the honourable gentleman link up his argument with the Bill?

Mr. BROADFOOT.—I will link it up in this way: that this Bill is the first means to obtain the power to do all the development of this country by State enterprise. Notwithstanding the assertions made by various Ministers that they were anxious to introduce overseas capital into the country, I am afraid that statements such as those concerning the Nelson project will have the effect of keeping capital away. I notice that the Minister of Mines openly says he wants to see the coal mines of the Dominion nationalized, and I repeat that this legislation is the first step towards enabling the Government to carry out its State-enterprise policy. Practically all the development to date has been done by overseas capital, and if we are to wait until our natural resources are developed by the State there is a sorry future for the country. The powers contained in this Bill are unlimited. Indeed, they put the Minister in the position of being the virtual
dictator of this country. Similar dictatorial methods have been applied in Russia, and in Italy, and in Germany, and now they are to be applied in our fair Dominion. All I can say is that I think New Zealand will recognize very shortly that in the present Minister of Finance we have the Stalin of New Zealand.

Hon. Members.—Ha, ha.

Mr. BROADFOOT.—Honourable members on the Government benches may laugh, but notwithstanding all the soft words they have been using for the last twelve months, the people will eventually realize the fact that there is something sinister behind this Bill. When one examines the Bill one finds that people who produce and export goods are to be deprived of their credits overseas. The man who exports and looks to handling his own credits overseas is to be denied the opportunity to do so in this age of freedom. After examining the Bill closely, I have come to the conclusion that the freedom we value so much, and for which our forebears fought so hard, is going to be taken away from us—not whittled away but just pulled away—and that we will find ourselves regulated and regimented from every direction. Take the question of the importers. It naturally follows that, at the direction of the Minister of Finance, control will be exercised as to what goods will be imported, when they will be imported, and who will import them. There will be no freedom of action at all, notwithstanding what particular demand is made from the public. We will have to take the indicated goods or leave them. There is a great deal of uneasiness in the country—expectation on the one hand and nervousness on the other. There is expectation from those who want something for nothing, and nervousness on the part of those who will have to pay. Suppose the new Government is faced with a situation similar to that which faced this country in 1931 when there was a sudden and precipitous drop in our income, both internal and external. Will the Government meet a similar situation by making costs approximate prices, or inflate to cover such drop in income? The general public is nervous on this point. They may well be nervous, because the Government is rushing head long into trade in an extensive way. There may easily be a loss on the butter to be commandeered and sold overseas. If there are losses the loss will have to be paid out of taxation. That is where the Government will get the money from.

The Hon. Mr. ARMSTRONG.—Who told the honourable gentleman?

Mr. BROADFOOT.—Not the Minister of Employment, because I do not think he knows enough about it. There may be losses from all sorts of sources, and whether they like it or not the people will have to pay. The powers conferred in this Bill almost savour of a national emergency. In times of emergency in the past Parliament has always been asked to consider the emergency causes and the way to circumvent them, but not in this case. We had the example with the old Bank of New Zealand when a financial crash was threatened and Parliament assembled and legislation was put through instantaneously. I consider that some of the outstanding powers to be granted in this Bill might well be held over for consideration if, and when, an emergency arises. The House could be called together, if not then sitting, and emergency legislation of a desirable nature introduced to meet the situation. The people should have been given more time to consider the Bill. It was introduced one day—the most important measure that has been before the House for the last thirty years—and yet we are supposed to examine and discuss it intelligently within twenty-four hours. I cannot agree with these rush tactics. The Government members, when in opposition, accused us of hammering things through, but, as the Prime Minister said, there has been nothing hammered through of such a far-reaching character as this. The Hon. Mr. SULLIVAN.—The honourable member is quoting the ex Prime Minister, not the Prime Minister.

Mr. BROADFOOT.—It is just a question of "coming events cast their shadows before."

The Hon. Mr. ARMSTRONG.—Shadows in the valley. Ha, ha!

Mr. BROADFOOT.—Honourable members opposite may well laugh. We simply have to accept their dictates to-day. They have sufficient numbers to do as they like—or rather as Cabinet tells them. I want to record my protest against the undue haste with which it is proposed to pass this measure. I know it is useless for me to occupy the time of the House any longer, but I will most certainly exercise my vote in the direction of trying to prevent the passage of a Bill of this description.

Colonel HARGEST (Awarua).—Sir, I rise to speak against this iniquitous Bill which proposes to deal with the finances of the country. Despite the fact that the Minister claims that the Government has the people of this country behind it, and the verbiage he used to disguise its real
intention, this measure brought down by the Government represents the very unwise step in taking the control of the Reserve Bank out of the hands of tried and experienced men and placing it in the hands of the political machine—in the hands of the dominant party in power. I know that the Prime Minister will say that is no evil. He said on a recent evening that he believed that politicians are as honest as the bankers, but bankers are not subjected to political control and pressure the same as he, and all of us in this House have been. It is true to say that any man representing a constituency in Parliament at a time like this is subject to political pressure, and I do not think that the men on that side of the House are any stronger, or more capable of resisting that pressure, than anybody has been in the past. I believe that no one realizes that better than the Prime Minister and the Minister of Finance. If I may leave the Bill for one moment I would remind members of this House that there is not a member here who has been for one term a member of Parliament who has not at some time been compelled to go to the State Advances Office and ask for money on behalf of a constituent, and if the pressure was strong enough he went more than once, and I am very sure that very strong pressure will be brought to bear upon the Minister and the Government in the future as a result of this Bill.

Mr. HOWARD. —I have never had to go.

Colonel HARGEST. —I accept the honourable gentleman's statement. This Bill gives the power to take from the people the right to sell and buy where they will. It places that power in the hands of the dominant political party, in the hands of the Minister. Now, whatever else we believe, we will all agree that our trade in this Dominion has been built on a sound foundation, that the men who have done that work have been capable men, and to hand that power over to an authority in political power is fraught with the greatest danger. Trade in this and every other country is in a state of continually exploring new markets, and that is not within the region of Ministers or of people who run Government Departments. This does come under the Bill. May I just relate what has happened of my own knowledge in my own part of the country? We have a seed called Chewing's fescue, discovered by a man thirty-odd years ago. He thought it would be an excellent thing for lawns and golf links, and sent it to the markets of the world. There is, and has been for years, a prosperous trade in Chewing's fescue. This man gave a great deal of time and money in bringing the product before the market; and to-day the fescue is sent to nineteen countries by traders in quantities of from a few hundred weight to many tons. There is in Southland a very big area of land that seems to be suited for the growing of fescue, and that district derives its prosperity— and it is a good prosperity—from the action of that trader of thirty years ago. If the Prime Minister can assure me that a Government Department is capable of thrusting in and furthering the avenues of trade, I shall be interested, but I have yet to be convinced. A worse feature will be that people will be prevented largely from handling their own money. The Prime Minister speaks a great deal about the public credit, and I will ask him to give this House a straight-out definition, without any humbug in it, of what he means by public credit. I have my own views, but I have not heard anyone on the opposite side giving his definition, and I give any honourable member an invitation now to state his opinion as to what is public credit and how it can be used.

The Hon. Mr. PARRY. —What is the honourable gentleman's definition of it?

Colonel HARGEST. —My definition of it would be this: It is the factors that would actuate a prudent business man in his dealings with the Government, based on the Government's good faith and the country's taxable capacity. If the Government has good faith, it may not have the taxable capacity to carry out its contract. On the other hand it may have the taxable capacity and not the good faith. I can think of no better definition than that; and now I leave it to the honourable gentleman to rise and state his definition. As I have stated, what is proposed will prevent people from handling their own money. The Prime Minister and the Minister of Finance speak about evil-minded people in this country who are concerned about the safety of their money, and surely it is unfair to make a statement like that. It is very unfair to talk about "Ned Kellys."

The Hon. Mr. SAVAGE. —Yes, unfair to Ned Kelly.

Colonel HARGEST. —Ned Kelly belonged to one of the greatest gangs of murderers.

The Hon. Mr. SAVAGE. —And never robbed a poor man in his life.

Colonel HARGEST. —Perhaps not. I am not here to speak of the virtues or otherwise of Ned Kelly, but I say that the Prime Minister was unworthy in his analogy between Australia's worst body of murderers and some people in this country. I do not know those people in this country to whom he refers. They are not death-adders,
either, as referred to by the Minister of Public Works. If they are, it is a reflection on the lot of us. The Hon. Mr. SAVAGE.— What has this to do with the Bill?

Colonel HARGEST. — The Prime Minister has used this in connection with the money affairs of this country, and I am justified in mentioning it in connection with the Bill.

Mr. JORDAN. — The honourable gentleman is making heavy weather of it.

Colonel HARGEST. — No, I am not making heavy weather of it. There are one or two thoughts that come to me in regard to the interfering with traders. How is the Prime Minister going to differentiate between people that he classes as "Ned Kellys" and those men who are prudent enough to put, say, several thousand pounds into insurance? Those people were prudent enough to provide for their children, and to-day their children, having fallen heirs to those legacies, are capitalists.

An Hon. Member. — Who said that?

Colonel HARGEST. — How can one differentiate between a person with £2,000, £3,000, or £5,000 and a person controlling trade? Both belong to the capitalist system. What right has the Prime Minister to question their integrity? New Zealand has been built up by the savings of the people, big and small. Why is it that we find rates of interest being lowered? The reason is that people have been prudent enough to save and provide money for investment. If we take away the right to save, if we destroy the so-called "death adders" and the "Ned Kellys," we shall have a debtor country and a debtor people. Money will be scarce and hard to get.

Mr. RICHARDS — Where is that in the Bill?

Colonel HARGEST. — The honourable gentleman invites me to speak about the Bill, but I have been doing it all the while. Clause 2 deals with the abolition of private capital in the bank, but as it is only part of the machinery of the measure I have nothing more to say about it. Clause 9 deals with consequential amendments of the existing Act. One of those amendments is to section 36 of the Act, which begins, "After such provision as the Board thinks proper has been made for bad and doubtful debts." The words "as the Board thinks proper has been made" are to be struck out, and there are to be substituted these words, "has been made as the Board, with the approval of the Minister of Finance, thinks proper." So the Minister is to be the judge of what are bad debts. If we have an honest Minister— and I take our Minister of Finance to be honest— well and good, but if we have a Minister designing to put a better face on the accounts of the bank than might otherwise be the case it is open to him to determine what shall be considered bad or doubtful debts. The placing of that authority in the hands of a Minister is unheard of in the banking legislation of any country.

The Hon. Mr. LANGSTONE. — That is all to the good.

Colonel HARGEST. — From the honourable gentleman's point of view it may be. The object of this Bill is to give the Government the right to create credit to carry out its purpose. Its purpose is

The Hon. Mr. LANGSTONE. — The economic and social welfare of the Dominion.

Colonel HARGEST. — We have heard that platitude for the past twenty years, and we shall hear it for the next twenty years. It is the platitude that Lenin used, and he went about the business in the way that the Minister of Finance is going to-day. He debauched the currency of his country first. If members opposite have any doubt about the matter, I can quote from J. M. Keynes's book "Economic Consequences of the Peace" — the book that made Keynes's reputation throughout the world. There we read: — "Lenin declared that the best way to destroy the capitalist system was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate arbitrarily; and, while the process impoverishes many, it actually enriches some. The sight of this arbitrary rearrangement of riches strikes not only at security, but at confidence in the equity of the existing distribution of wealth. Those to whom the system brings windfalls, beyond their desserts and even beyond their expectations or desires, become 'profliteers,' who are the object of the hatred of the bourgeoisie, whom the inflationism has impoverished, not less than of the proletariat. As the inflation proceeds and the real value of the currency fluctuates wildly from month to month, all permanent relations between debtors and creditors, which form the ultimate foundation of capitalism, become so utterly disordered as to be almost meaningless; and the process of wealth-getting degenerates into a gamble and a lottery."

The Hon. Mr. NASH. — Would the honourable gentleman say that Keynes was an authority?
Colonel HARGEST.—Yes, one of the best authorities we have in the world to-day. And Lenin was right when he said:—"There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose." I am not suggesting that the Minister of Finance is following Lenin, but I do suggest that by taking the powers to debauch the currency he is forging a weapon the results from the use of which we cannot foresee. Keynes himself said no one could diagnose the process as it proceeds along the road, and I am sure the Minister of Lands, who I see is smiling at me, is no better judge than Keynes. The Prime Minister speaks a good deal of the public credit, which to him, apparently, is something which he, as the head of the Government, can utilize in any manner he thinks fit. It is to be a pumping machine to pump out notes at the will of the Government; which means the will of the Labour party. In case he has forgotten them I would remit him of some words he used recently. He said:—"It means that hit or miss methods are not going to obtain any longer. We will have to have some sort of control of our external trade. New Zealand, speaking through Parliament, must say what it needs from abroad; and not leave it to the traders, whose first and main concern is themselves and not New Zealand." And, speaking at Timaru, and on subsequent occasions, he has stated that he was going to use the public credit for the erection of State enterprises. He cited an instance at Timaru as showing the difference between the methods he would use and the methods that we, as the past Government, used. His statement was as follows:—"The money is the big problem, and this was what was worrying the newspapers. Supposing they wanted to build a railway out from Timaru, at a cost of £1,000,000. The present Government would have to have some sort of control of our external trade. New Zealand, speaking through Parliament, must say what it needs from abroad; and not leave it to the traders, whose first and main concern is themselves and not New Zealand." And, speaking at Timaru, and on subsequent occasions, he has stated that he was going to use the public credit for the erection of State enterprises. He cited an instance at Timaru as showing the difference between the methods he would use and the methods that we, as the past Government, used. His statement was as follows:—"The money is the big problem, and this was what was worrying the newspapers. Supposing they wanted to build a railway out from Timaru, at a cost of £1,000,000. The present Government would borrow the money. A vote would be put on the public works estimates, the work started, Government cheques paid, the job would be finished, and they would go on paying the £1,000,000 forever. There were three ways of doing work: by borrowing, taxation, or by the intelligent use of credit. They could not borrow because the other fellow would not lend anymore; they could not tax any further, so they would have to use public credit. If Labour was in power, and the railway was required, the process in the early stages would be the same; the bankers would make available the instruments of exchange, and there would be no difference excepting that the railway would be completed and there would be no public debt. Some would say, would you have to pay off the principal?" If the Prime Minister himself does not speak in reply, I would like the Minister of Finance to explain the Prime Minister's meaning by that statement. Even supposing the public credit of this country was sufficient to pay for the labour, what about the material which must come from the other end of the world? What about the sleepers? The Hon. Mr. SAVAGE.—That is not a matter of New Zealand currency.

Colonel HARGEST.—But that currency must have some relation to what is paid on the other side of the world. Neither will steel sleepers or engines come in without payment.

The Hon. Mr. SEMPLE.—An innocent abroad.

Colonel HARGEST.—I am an innocent abroad; but if the Prime Minister can inform us what he means I am sure that the House will be pleased.

The Hon. Mr. SAVAGE.—My words meant that the only debt that could possibly exist in New Zealand to-day would be the people owing millions to themselves.

Colonel HARGEST.—Will the honourable gentleman tell us how that is going to pay the debt at Home? We shall owe some debts to someone overseas.

The Hon. Mr. SAVAGE.—We shall pay them in frozen meat, butter, and cheese.

Colonel HARGEST.—That brings in the other point of the honourable gentleman's meaning. The public credit that he speaks of, and says it arises because of the New Zealand wool, meat, butter, and cheese. That is not the product of the labours of the Government. It belongs to the public—to the individuals who produce it. If I send £2,000 worth of meat overseas, the credit belongs to me.

The Hon. Mr. SAVAGE.—We will pay it here, not in London.

Colonel HARGEST.—That does not exist in New Zealand.
it is going to deprive people of the freedom which they have enjoyed for generations. I do not subscribe to the idea that the State can deprive the individual of something that he has created—that that credit belongs to the public, and not to himself. That, I suppose, is where the Prime Minister and I disagree. Today there is a fear in the minds of the people as to what is to happen to their belongings. That fear on the part of the farmers is obvious, and on the part of many others also. These people want to know what is going to happen to them. If Parliament interferes with them they will want a return of their freedom. I believe that the people of our country are opposed to regimentation or compulsion on the part of any Government. I will admit that the past Government regimented the people under the stress of necessity, and they will surely demand the return of their privileges. People should be encouraged to be enterprising, and should retain the liberties they have enjoyed for hundreds of years. I do not believe that the public will tolerate all this regimentation. They will not consent to be put under restrictions.

Mr. LEE.—Are increased wages restrictions?

Colonel HARGEST.—I repeat that despite all the increase in wages the liberties of the people are being restricted.

Mr. LEE.—Is a three-years’ Parliament a restriction over four years?

Colonel HARGEST.—The honourable gentleman can have an election to-morrow so far as I am concerned. If the honourable gentleman will contain himself for two minutes I will be done. I believe the people of New Zealand will not tolerate the increasing number of restrictions which are being continually placed upon them. They want liberty and freedom to carve out their own destiny, and they are not going to get it under this Government, especially when it brings down Bills of this nature.

Mr. SEXTON (Franklin).—Sir, the honourable member for Awarua is apparently considerably disturbed because he does not know where the money is coming from to buy engines, steel, sleepers, and so on from overseas. Just let me refer him to the return published by the Reserve Bank of New Zealand last week. That return shows among its assets £24,830,181 sterling exchange in London. When this Bill is passed and the shares have been bought, that sterling exchange will belong to a State corporation which itself belongs to the people of New Zealand, who will then own that £24,830,181 sterling exchange in London. The first liability which has to be set against the assets is the State £8,788,905.

Now, when we owe money to ourselves we do not need to take it into account. Then the banks have a claim for £8,991,691, and that claim can be met either by the payment of notes or by the handing-over of a portion of this sterling reserve in London. If the latter course is adopted, we still have left a very considerable sum which will allow us to buy all the things we need, probably for years to come, in connection with our public-works operations. That sum represents primary produce which has been sold in London. The owners of the produce in New Zealand have already been paid for it in New Zealand money, so that the proceeds belong to the State corporation. There is no need, therefore, for us to consider the people who originally supplied that produce; their financial claims have been met. That sterling reserve represents goods which we might have had, had we so desired and had we given orders for them. The fact that we have not given those orders has hit us in three ways. In the first place we have not had the benefit of the goods, and in the second place the people of Great Britain have not had the work they should have had in connection with the making of those goods. If they have not had that work, they are in a correspondingly worse position when it comes to buying our primary products, so we are really hit in three ways by our failure to take advantage of the sterling exchange which we have in London. We need fear no shortage of funds in London for a considerable time, and of course our primary produce is being shipped there week by week and month by month, adding to those funds. While members of the Opposition were speaking I could not help pinching myself to see whether I was really awake, because they kept trotting out the same old terms we have heard time and time again—"Look at Germany"; "You must not destroy people's confidence"; "Leave it to the experts"; "Sound finance"; "The old, well-tried system." It has been well tried and found wanting.

Mr. RICHARDS.—Found guilty.

Mr. SEXTON. —Yes, found guilty, and it is about to be executed in New Zealand. What are these men experts in? They are experts in running a banking system so that they and their associates may benefit from it. They cannot claim that their operations, and the way they have run the banking system, have been beneficial to the people of this country, nor to the world at large, nor to the industrial community. As a matter of fact, we have had for upwards of five years now what they describe in their own terms as "an economic blizzard." Why should we have had an
economic blizzard such as this? Have our people failed in production; have our farmers fallen down on their job; cannot our manufacturers produce the articles their factories are equipped to manufacture; cannot the workers do their job? Of course they can. We all know that. But the system has failed because the people have never had the money in their hands to buy the goods they produce. The banking system has failed to put the money in their hands. The bankers may say, "It is not our business to do that." But, if so, it is time we had a system properly designed to enable the people to consume the goods they produce. These experts have made some egregious blunders during the past twenty years or so. When the Great War broke out their system collapsed; the banks' doors had to be closed, and the British Government and every other Government involved in the war had to come to their rescue. The British Government began to finance its war operations by means of Treasury notes, and that system worked very well for a time. But the bankers woke up to the fact that if that was allowed to go on their system was doomed. So they went to the British Government and said, "This system is unsound. What you should do is to go in for war loans, and we will see you through." The British Government fell for it and a system was adopted which left Britain with a debt of £8,000,000,000 when the war ended. That was the first blunder. The next blunder was made when the Cunliffe Commission advised the British Government to put into force a policy of deflation which was absolutely disastrous to British industry. A similar policy so disastrous in the United States of America that the people insisted upon a change being made, and it was made for a time. But in Britain the financial interests were too strong for the Government. The next blunder was going back to the gold standard in 1925. This was done while Mr. Winston Churchill was Chancellor of the Exchequer. Mr. J. M. Keynes, who has already been quoted in the course of this debate, wrote a book called "The Economic Consequences of Mr. Churchill," and in that book he pointed out the inevitable effects of going back to the gold standard—that British industry would be still further depressed and in some cases destroyed. He showed that going back to the gold standard meant an addition of 1o per cent, to the value of sterling, and that meant that £1,000,000,000 was taken out of the pockets of the British people as a whole and put into the pockets of the rentier class. That more than wiped out the whole of the £750,000,000 which Britain had so laboriously accumulated in her sinking funds since the war. The financial interests made a further blunder when they altered their silver policy and started to sell silver. That destroyed the purchasing-power of the East. They decided that they had better send a mission out to the East to find out what was wrong with British trade—why the people in the East were not buying. That Commission need never have left London. Anyone who had watched the trend of affairs could have told them that the people in the East could not buy because their purchasing-power had been destroyed by those silver transactions. Those "are the experts to whom we have been referred; and if we were foolish enough to continue to take their advice we would deserve all that was coming to us. In regard to the provisions of the Bill, the first thing it sets out to do is what we all expected. It provides that those shares which are now in private hands shall be taken over and for the whole institution to become the property of the people of New Zealand. That is as it should have been originally. Those shares should never have been sold to private individuals. That is the first step to take—provide national control of the machine which will control our credit and our currency. The further provisions of the Bill are not quite so definite, nor, from my point of view, quite so satisfactory. Clause 12 confers power on the Reserve Bank to grant accommodation by way of overdraft to the Government or to any authority having statutory powers in relation to the marketing of any New Zealand produce, for the purpose of financing the purchasing and marketing of any such produce. It is probable that in the present circumstances the clause had to be framed in that way; but I do not like it very much. It will be asked, "What does it matter if we owe money to ourselves?" It may matter under certain conditions. If that money has to be paid back, it can only be paid back by way of taxation; and if that course is followed it means that guaranteed prices will be made up, partly at least, by way of taxation; and I believe that such a course will be disastrous. If it is not intended to pay back that overdraft, assuming that it remains there, then why call it a loan? It may be that it is perhaps the most expedient way of meeting the difficulty in the meantime. I hope that that is so. Clause 10 has been referred to by the Minister of Finance as being the most important clause in the Bill. It is really the very heart of the Bill. It provides that it shall be the general function of the
Reserve Bank of New Zealand within the limits of its powers, to give effect as far as may be to the monetary policy of the Government as communicated to it from time to time by the Minister of Finance. That is a tremendously wide power, a tremendously sweeping power; and the success or failure of subsequent operations will depend upon how that power is exercised. The clause does not specify the principles upon which the Government's monetary policy is to be determined. One of the twelve points mentioned by the Prime Minister in his pre-election addresses had relation to this provision. It was that money would be created by the Reserve Bank according to the needs of the Government. Those were approximately the words, though I am quoting from memory.

Mr. RICHARDS—Substitute the word "people" for the word "Government."

Mr. SEXTON.—The needs of the people. Yes, I will substitute that word. But that will not affect the validity of my point. My point is that it is not the desires nor the needs of our people that should determine our monetary policy, or rather, determine what amount of money is to be created. I put it to honourable members most strongly that the principle that should determine the amount of money that is to be created should be the ability and willingness of our people to manufacture consumable goods. It does not matter what we need, we cannot have our needs fulfilled unless we manufacture consumable goods to satisfy the money that is put into circulation. Public works are an excellent proposition. There are many most desirable works which could be put in hand very profitably at once. Dental clinics are a good thing, health services are a good thing; improvements in education are a good thing; but danger will arise if money is created for those purposes in greater amount than the consumable goods available to our people. We will then get inflation. We will have too large a number of people concentrating on producing capital goods and too few people devoting their attention to creating consumable goods, because, we may be sure, all the people who are working at and are being paid for producing capital goods will use their money to buy those things they want to eat and wear. As far as I can see the best course is for the Government to set up a body of competent statisticians to find out, in the first place, what goods we have available for consumption in New Zealand now, and what goods we are capable of producing with our present plant, and further, what purchasing power we have available in New Zealand to-day. There is undoubtedly a wide gap between those two, and, of course, in making up such an account we will take into reckoning the sterling reserves we hold in London, to which I have previously referred. Now then, from those figures we will have found the gap between our present purchasing power and our production, and I put it to honourable members that that sum is the amount which we have available for social and public purposes generally, and it is on such an account as this that we must rely to give us the amount of money that we can safely create, and not just the actual needs or desires of our people, however pressing those needs may be. The Prime Minister's speeches have given us every reason to believe that some such course will be followed, because he has referred consistently to the necessity for balancing our purchasing - power with our production. That is the keynote to the whole situation. It is most heartening for those who have been battling for the reform of the monetary system for a number of years to really feel that we are about to take control of our credit and currency, and that that control is about to be used to enable our people to get the maximum benefit from their ability to produce.

Mr. WRIGHT (Wellington Suburbs).—Sir, the honourable gentleman who has just resumed his seat has, from his point of view, made a very good speech. I am not going to criticize the honourable gentleman's speech, because obviously, as an old member, it would be bad taste on my part so to do. There are, however, one or two things that the honourable gentleman said which I think I should notice in fairness to him. He, said that the banking system has failed, and that the banking system is responsible for the economic crisis which exists in the world to-day. The honourable member said in effect that the banking system never issued sufficient money to enable the people to buy the goods they produced. Now, I hold no brief for the bankers or the banking institutions, but I ask, How can reasonable men claim that the bankers were responsible for not issuing sufficient currency? The bankers do not exist for the purpose of sending men into the streets to give money away—they are not philanthropists. They are simply companies of men and women who subscribed capital, complied with the law, and began their businesses of banking, lending money to people who gave security for a given rate of interest, and generally transacting commercial business. Whatever may be wrong it is unfair to say that the banking system is responsible for the lack of money in circulation. The banks will circulate all the money the people want, if...
the people have the security to offer. I do not think there is an honourable member present who would lend £100 to a man in the street who had no security to offer and no prospect of repaying that amount. I do not think the kindest-hearted member of Parliament would do that. If a man earns £100 by his own efforts it is not usual for him to give it away. In the best Socialist party in the world it is not done. Therefore, returning to my original point, I do not think it is fair to blame the banks for not issuing sufficient money. The banking system in the British Empire has withstood the greatest economic crises the civilized world has ever known. In the United States of America eight thousand banks failed within a short time.

An Hon. Member. —What about Great Britain going off the gold standard? It should never have gone back to the gold standard.

Mr. WRIGHT —I admit that a mistake was made there, but that is not the point I am arguing I am stating that no one can show that the banks were to blame for not issuing currency sufficient to enable the people to buy the goods they produced. Only recently I argued with a man on this point, and I said to him, Do you think the banks would send a man into the streets to give a five-pound note to any one that came along?" He replied, "No, that would be lunacy." I replied, "Exactly; and therefore you cannot contend that the banks are to blame for the dearth of money." I do not blame the banks for what has happened.

An Hon. Member. —What did they do?

Mr. WRIGHT —The honourable member is not going to side track me. He is quite justified in trying to do so, but he cannot catch an old bird with chaff. I agree that a mistake was made in going on the gold standard. That was done when the Right Hon. Lloyd George was Prime Minister of England, and he was a man who was anxious to do what was right. He was an advanced Liberal, but he accepted the advice given him, and no doubt that was the last straw that brought about the tremendous suffering that everybody has since been called upon to bear. The honourable gentleman then referred to what the Reserve Bank would do under the provisions of the Bill, and I think he then said something with which the Prime Minister will not agree. He said that the loans to be negotiated with the Reserve Bank should be repaid out of taxation.

Mr. SEXTON.—No.

Mr. WRIGHT.—Well, then the honourable gentleman considered that there should be some limit to the creation of this new money. Well, that is hopeful. But I have listened carefully to this debate and have formed the conclusion that there is to be an absolutely unlimited issue of paper money, and, of course, I am cheered with the thought that the honourable member for Franklin agrees that there must be a limit to such a policy. The Prime Minister has said he would give the people the wherewithal to buy what they produce. The honourable gentleman proposes to use the funded credit when public works are necessary. I would like to ask the Prime Minister, just by way of a question, whether he has in his mind any idea of the amount of this paper money that is to be issued—borrowed from the Reserve Bank without interest —and is it to be repayable? To my mind a very great deal depends upon the answer to that question. I am going to give the Prime Minister credit for being sincere. I realize he firmly believes in the doctrine he is preaching. He firmly believes in his policy, but may I venture to say that the very ablest men in the world have been mistaken; they have been enthusiastic and yet mistaken. I have known people holding certain fanatical views on religious matters who were absolutely honest in holding those views, and yet those views were held generally to be wild, visionary, and impossible. I am using that only as an illustration. The fact that a man is honest, sincere, and conscientious in his views does not necessarily make his views sound. A man can be quite sincere, and yet his judgment can be defective. The Prime Minister and his Government are leading New Zealand into one of the most important experiments that has ever been tried in this country or, as far as I know, in any part of the British Empire. I do not know of any part of the Empire in which this scheme has been carried to a successful conclusion.

Something of the kind, I know, is being tried in one of the provinces of Canada.

Hon. Members.—No, no.

Mr. WRIGHT.—I am merely referring to that. So that if my argument is sound we are embarking upon one of the greatest experiments ever tried in the British Empire. The experiment is being tried by honourable gentlemen sincerely believing and having faith in their ideals, and yet without any practical experience of their own or of others to guide them. I do think that those of us who are not prepared to follow them are justified in pointing out that they are sailing on an unchartered sea with a captain at the helm who has to manufacture his own chart and compass to reach the destination he seeks. I have already indicated that I know of no country
that has tried this scheme successfully. While I am on that point, might I remark that the Labour party was in power in England two or three times. Mr. ANDERTON. —Never in power.

Mr. WRIGHT. —Mr. Ramsay MacDonald was in power on one occasion. However, I will take the case of Australia. Mr. Scullin was in power in the Commonwealth Government of Australia in the beginning of the depression. The Hon. Mr. FRASER. —Will the honourable gentleman permit me to point out that the Senate was opposed to him, and he had no power. It rejected his schemes.

Mr. WRIGHT. —However, he had a scheme and carried it through. Let me also refer to Mr. Theodore. He had a currency scheme. I do not know whether it was exactly the same as the present Government's, but it was something of the same nature. He asked the governor of the Commonwealth Bank of Australia to assist him, but the latter absolutely refused to do it. Unfortunately for Mr. Theodore an election was approaching. The Government here is in power after an election and has nothing to fear in that connection. However, as I have said, the governor of the Commonwealth Bank of Australia stood out against Mr. Theodore, who was Minister of Finance at that time. I am citing that to show that the scheme has never been tried before. It may have been attempted, but no more. Surely the Prime Minister can readily see that there are a number of us who are very doubtful about the course he is pursuing. The Minister of Finance, however, has been careful not to disclose the details of his policy. I do not blame him for that. We shall get the information in due course, but its absence is some justification for the fear of timid people that the country may have trouble, perhaps not immediately. The Minister is to have immense powers under the Bill. If, however, it could be shown that there is to be a limit to the creation of credit or currency, the situation would be brighter for those of us who are nervous. The honourable member for Awarua wished to know how the Government intended to carry out its scheme. I have read the speeches made by the Prime Minister prior to and after the election, and I have reached certain conclusions as to how various schemes will be carried out. Let me take as an illustration the completion of the Napier-Gisborne line. Some £3,000,000 have been lost on the partial construction of that line. If the line is not proceeded with, the money is still lost and is a charge on the Consolidated Fund. Let us assume that it will cost £1,500,000 to complete the line. I take it that the idea of the Minister of Finance is to issue through the Reserve Bank paper money to that value for the purpose of financing the work. The completed line will then start operations free of capital cost or charges. The income and expenditure will be kept apart from other railway accounts, and whatever profit is made will be used to redeem the paper money that was issued. I think possibly that may be the course to be adopted, but I am not a financier, and, moreover, I have no official information on the point. At any rate, if that is the course to be followed there are many people who will be surprised. The only point that arises, assuming I have correctly outlined the plan favoured by the Minister, is whether there will be any profits available for the redemption of the notes. I admit that if the notes were redeemed the position would be more satisfactory, but there is the possibility of the line being run at a loss. The experience in other parts of the country is that the public, and the farmers especially, show a preference for road transport as being more convenient, more expeditious, and cheaper. If the line did not pay, what would become of the note issue? It could not be redeemed except by taxation. I confess that I am just putting out a feeler into the hope that the Minister may be drawn. Might I refer to an illustration used by him. He was speaking of experts, and he said that the Minister of Health was in charge of something greater than credit and currency. I think he also said the Government is as well able to control finance as are the bankers. Now the Minister of Health, it is true, is in charge of a very important Department, but, unless I greatly misunderstand him, he would not visit a hospital and issue instructions as to the manner in which the doctors were to conduct a serious operation. Is not the position precisely the same in regard to banking? If the Minister of Finance has equal knowledge with the banker, then, of course, he is able to dictate to the banker: but if the banker, who has studied the questions of finance, currency, and credit all his life, has greater knowledge of the subject than the Minister surely it is only common-sense to say that the Minister should be guided by the banking expert. If the banker, after hearing the views of the Minister, says, "Your scheme is not workable: it is unsound," then I think the Minister should pause before he proceeds further. By the way, may I remind the Prime Minister that the Labour party in Great Britain did examine closely one currency reform proposed to them.
but decided that it was unsound. I do not know, of course, that the proposal was analogous to the proposal now before us. To revert to my other point. I suggest that in a matter like this the Government would be justified in obtaining the views of the banking experts of New Zealand, and if they advise that the proposals are not sound and, if pursued, will end in serious trouble, the Government should then take steps to amend their legislation. I applaud the Government for its humanitarian views. I believe it is anxious to do what it considers to be right in order to remedy the present state of affairs. All I ask is that it will not put on too much sail and run the ship on the rocks.

The Hon. Mr. SAVAGE.— Just now we are trying to get it off the rocks.

Mr. WRIGHT.— Yes; but all I ask is that care should be exercised to see that no extreme element is able to persuade the Government to embark on a highly inflationary policy which must in the end lead to a worse state of affairs than we have already passed through. Nobody wants that. We have had more than enough of it. The Prime Minister has stated on more than one occasion that the Government was not out to injure any one. The danger I fear is that Ministers are creating a machine that they will not be able to control.

Mr. SMITH (New Plymouth). — Sir, the honourable member for Wellington Suburbs said he believed that the Government had humanitarian principles at heart which it was anxious to carry into effect. I believe that also. Nevertheless I suggest to the Prime Minister and the Minister of Finance that they are forcing upon the people something that even members of their party are unable to get up in this House and defend. Honourable members may laugh, but laughter is no argument. What will the people of the great City of Auckland say when they know that here is a Bill being bludgeoned through by sheer weight of numbers? Not a single Auckland member, with the exception of the Prime Minister, has said one word to justify it. I do not say they are not capable of saying something. During the election campaign there were columns and columns of their speeches published, telling the public things that could be contradicted, but now, in the House, there is a dead silence on the part of the Government supporters. What will the people of Hawke's Bay say in regard to their members, who are similarly silent? And there is not a single word from Government supporters from the South Island. This Bill came up for discussion last Friday evening, and was debated from half past seven to half past nine o'clock, and from ten o'clock to midnight—four hours in all. To-day we were told by the Prime Minister that the Bill must go through before the House rises, and urgency was granted in respect of it. Hansard teems with protests from the former Opposition party, now the Government, against not sending quite minor Bills to Select Committees for consideration. As I have shown, we had on Friday four hours' debate by three or four speakers, and on Saturday morning a decorated tram-car went through the streets of the city with the description "Happier Days—Definitely closes today." That sign board referred to a gamble. I say that this Bill is a gamble, and the chances are that that sign may have indicated to us what is to be the consequence of this Bill. Neither the Prime Minister nor the Minister of Finance will allow the Bill to go to a Select Committee. Apparently, too, they will not allow their supporters to defend it in the House. Evidently the new members are not permitted to say a word for the Bill, lest they might spoil the argument the Minister of Finance has put forward. They do not repeat in this House the declaration made from the hustings that in spite of being a member of the party they intended to show an independent spirit. Here is an important Bill which transfers the Reserve Bank from a bank with private capital into one controlled by the Minister of Finance, and what is going to happen is evidenced by what we see in this House to-day; the Minister of Finance is going to be the big gun with the rank and file sitting down and doing nothing but laugh. The honourable member for Grey Lynn laughs, but when he was on the Opposition benches he loved to talk; to-day he is gagged, and I would like to hear him defending this Bill. Not a single word is contributed by the honourable gentleman who was so fond of getting on his feet when on this side of the House. I want to hear the rank and file of the Labour party discuss this Bill. What is going to happen to the people of this country who are responsible by their work for the primary products we send overseas?

Captain RUSHWORTH.— They are bankrupt now.

Mr. SMITH. — Some of them are bankrupt in ideas, and I am surprised at the honourable member for the Bay of Islands and the honourable member for Franklin at the attitude they take up in accepting this Bill. The honourable member for Bay of Islands went through this country preaching a definite doctrine, and his doctrines are not in this Bill, yet he is supporting it. He
represents a constituency that is going to produce butter and cheese, and we wonder which Minister is going to sell it? We have already been told that this Bill is to provide funds for a guaranteed price. We were also told when this Government came into power that it had the idea of handing over so many thousand tons of butter and cheese to a certain organization in the Old Country. What would be the effect of that? These were the ideas of amateurs in marketing our produce, and they have already been warned from London that the effect would be disastrous to the producers of this country, and yet the producers are to have no opportunity of having a say as to what is to become of their produce. The result of the particular clause giving the Government power to raise paper money to give a guaranteed price to the producers of this country may ultimately result in the wrecking of our markets, and what is the Minister of Finance going to do then? He says there is no need to hold this Bill over for a few days, send it to a Committee, and let the people vitally interested have an opportunity of studying it. I ask any new member of the House to take the Bill and examine it clause by clause. Are they sure of what is in the Bill?

Mr. SMITH. —Then why do they not say something about it? The right honourable the leader of the Opposition referred to the difficulties of the Minister of Finance at the forthcoming conference when the policy dictated last May is under discussion. Not all of it is yet in operation, but this Bill is the beginning of what may be dangerous to New Zealand because of the operations of the machine that controls the party. We know that in New South Wales the leader of the Labour party was destroyed by the machine; and that may happen in New Zealand in connection with this Bill. It has been dictated to the Government from outside this House, and Ministers are in duty bound to the organization which has put them here to put through this Bill, which may prove disastrous to New Zealand. The clause giving the Minister power to raise an overdraft to the extent of the estimated revenue may bring disaster to New Zealand; and I give way neither to the Prime Minister nor to the Minister of Finance in the desire to see the people of this country happier and better off than they have ever been before under any Administration. I want, as much as anybody else, to see them get more food and more of the other good things of life. But I must protest against this Bill, outlining proposals such as were never heard of before in this Dominion, being rushed through this House by weight of numbers only. It reminds me of a meeting called to assist strikers, at which one of the brainy people present got up and suggested that, as a beginning, they should raise funds to take the wives and children of the strikers to the pictures; when they were short of food. This Bill may be just to take the people to the pictures to cheer them up for the moment. But, ultimately, what is going to be the result? Is the farmer going to use any money he may get under it in increasing his production? If so, we are going to have a glut in the market; and what is that going to cost New Zealand through this Bill? As has been pointed out, any balance that has to be made up has to be made up by means of taxation, and this country cannot stand any more taxation. I agree with that and I urge that there is no need for this Bill to be hurried through in this form by sheer weight of numbers. Surely the honourable member for Franklin does not believe that this Bill would be approved by the organization which sent him here and which was set up to urge monetary reform — the Douglas credit movement. He knows he has been sold a political pup; and yet he is prepared to give support to a Bill which will not give the slightest satisfaction to the organization which sent him here.

Mr. SMITH.—Surely the honourable member for Franklin said that the banking system had failed. It is not popular to say a word in support of the banks to-day; but the fact remains that under the present system production has gone ahead by leaps and bounds in spite of under consumption —the failure of consumption to equal production. Under the very system the honourable gentleman condemned so roundly wealth has increased enormously.

Mr. CHRISTIE.—But the rank and file cannot get any of it.

Mr. SMITH.—I am speaking to the honourable member for Franklin, not to the honourable member for Waipawa, who is not allowed to speak, except by way of interjection. The honourable member for Wellington Suburbs has said, on the great continent of America scores and scores of citizens have said...
that if they had in the United States of America a banking system like that of Great Britain the depression would not have had the effect there that it has had. That is a fact the honourable member for Franklin cannot argue against. I say that American citizens by the score, men of eminence, said that if America had had the same system of banking that Great Britain had she would not have suffered as a result of the world-wide depression as she has. The honourable member said that eight thousand banks there closed their doors. There were fifteen thousand so called banks that closed their doors during the depression. I hold no brief for the banks, but I think that both sides of the question should be stated. It is all very well not to do so on the public platform, where only a foolish person interrupts a speaker. The latter generally has hold of the audience.

An Hon. Member. —Does the honourable gentleman not interrupt at all?
Mr. SMITH. —Only when I am provoked.
Mr. LEE. —According to the honourable gentleman his interruptions are intelligent.
Mr. SMITH. —I was speaking of the public platform. I concede the honourable gentleman a very high standard of intelligence, but there are times when he is provoked.

Mr. SPEAKER. —Order. Will the honourable member get back to the Bill?
Mr. SMITH. —I am anxious to obey the Chair. The honourable member said that this Bill is going to control credit and currency. The Act already on the statute book does that. A great step forward was made when the main Act was passed and the control of currency was taken from the six trading banks in this country and placed under one central authority.

Mr. SEXTON. —Private enterprise.
Mr. SMITH. —Private enterprise! The honourable gentleman does not know the effect of that Act, surely. I suppose he could not recite the personnel of the board of directors. He probably knows the name of the governor. The setting-up of that bank under existing legislation has already had a very beneficial effect upon New Zealand. Now we are going to take control away from men who are vested in banking and hand it over to the Minister of Finance. I say that that is a danger not because of the Minister of Finance, but because of the principle behind it.

Mr. ANDERTON. —Show us how it is a danger.
Mr. SMITH. —Take the great City of Auckland. In no part of New Zealand is there a greater demand for public funds than in the Provincial District of Auckland.

The people there demand more expenditure of public money than the whole of the rest of the people in the Dominion. With their number of members in this House they are going to press the Minister of Finance and the Prime Minister to provide millions of money to buy popularity for the members from that centre. They are going to apply pressure. We cannot build any more Auckland railway stations. They may demand a bridge over Auckland Harbour, because they want to follow the example of Sydney. They will apply pressure on the Minister of Finance, and he will never be able to withstand the pressure of Auckland, because the Auckland members are sufficient in numbers to form a party of their own and put this Government out and start a Government that will yield to a pressure. We shall have the spectacle of the Auckland District pushing the Minister of Finance under this Bill to find more and more money for expenditure in that district. Then the Christchurch people will come along. They are not so strong numerically as the Auckland people, but they will want an equal share with Auckland. They may want an inner harbour or a tunnel through the hill. Under the provisions of this Bill we shall have this pressure applied from all the centres of New Zealand.

Mr. ANDERTON. —New Plymouth?
Mr. SMITH. —New Plymouth can look after its own works. Taranaki never did ask for more than its fair share. Taranaki never yet asked the Minister of Finance to do a thing for Taranaki that it would not ask him to do for other parts of New Zealand. That stands to our credit. The honourable member for Eden asked me to indicate where the danger is. The danger is political pressure, especially from outside. Some of the unemployed saw by the advent of the Labour party no more work and standard rates of pay on sustenance. Pressure may be exerted under the provisions of this Bill to find more millions of money, and if the pressure is strong enough the Minister will succumb. No Minister that I know of will be able to withstand the pressure that will be applied if this Bill becomes law.

The Hon. Mr. LANGSTONE. —Did the honourable gentleman experience pressure when he was a Minister?
Mr. SMITH. —I resisted it. I had the ability to say “No” on occasions. I had to say “No” to the honourable gentleman when he tried to exert pressure. I think I succumbed to pressure on one occasion only, and the matter was not an important one.

The Hon. Mr. LANGSTONE. —Was it a weak Minister who succumbed?
Mr. SMITH.—Yes, for the moment. I want the Minister of Lands to be given every chance to develop the lands of the Dominion, and I will not exert political pressure on him.

The Hon. Mr. MARTIN.—What about telling us something about the Bill?

Mr. SMITH.—It would do the honourable gentleman good, because he is not prepared to get up and discuss the measure. Clause 1 of the Bill transfers to the Minister the power to regulate and control credit and currency in New Zealand. The reference in the clause to “the economic and social welfare of New Zealand” is only a platitude, because it means nothing. It does not guarantee to anybody — any old - age pensioner, any one on sustenance, or anyone else—anything at all. It is merely a pleasant-sounding platitude. The clause merely transfers power from the bank to the Minister. I wonder how long the bank’s directors will suffer to be instructed by the Minister, under the terms of this clause, to issue paper money.

The Hon. Mr. LANGSTONE.—It is in the principal Act.

Mr. SMITH.—Not in these terms.

The Hon. Mr. LANGSTONE.—Yes, it is.

Mr. SMITH.—No, not in these terms. Under the principal Act there is no Government control. The purpose of this clause is to transfer power from the bank to the Minister. The Minister of Lands should read the clause again, for he will find that what I have said is absolutely correct. The Bill also seeks to buy out private share holder capital in the bank.

The Hon. Mr. LANGSTONE.—Will the honourable gentleman read section 12 of the principal Act?

Mr. SMITH.—Section 12 of the Reserve Bank of New Zealand Act reads as follows: — “It shall be the primary duty of the Reserve Bank to exercise control, within the limits of the powers conferred on it by this Act, over monetary circulation and credit in New Zealand, to the end that the economic welfare of the Dominion may be promoted and maintained.” Clause 1 of the Bill reads, in part, as follows: — ”It shall be the general function of the Reserve Bank, within the limits of its powers, to give effect as far as may be to the monetary policy of the Government, as communicated to it from time to time by the Minister of Finance.” That provision is not contained in the principal Act. The word “social” is not in the Act. So the honourable gentleman cannot get away with the idea that the clause in the Bill is the same as the section in the Act. Here we have a Minister of Cabinet who does not know what is in the Bill. Clauses 2, 3, and 4 of the Bill deal with the cancellation of share capital. Share capital was arranged so that the public could have some representation through their directors. If that is eliminated it is possible that public confidence in the Reserve Bank may be destroyed. Clauses 5, 6, 7, and 8 deal with the reconstitution of the board of directors. I am wondering how long men of experience in the banking world and elsewhere will be content to follow directions and be hamstrung as provided for in this Bill.

The Hon. Mr. COBBE.—Mr. Speaker, I move that the honourable member’s time be extended.

Mr. SPEAKER.—Is it the pleasure of the House that the honourable member’s time be extended?

Mr. McDougall.—No.

Mr. SPEAKER.—There is objection.

Mr. SMITH.—I do not mind the objection from the honourable member for Mataura, for we know him.

Mr. SPEAKER.—Order.

Mr. SMITH.—I notice that the courtesies in this House are being gradually whittled away. It has always been the custom for a Minister to follow the leader of the Opposition, but that did not happen on this occasion. I do not mind the objection.

Mr. SPEAKER.—Order. The honourable gentleman must resume his speech.

Mr. SMITH.—In the three minutes at my disposal I want to appeal to the Prime Minister to hold over this Bill. There are approximately eighty-five thousand farmers in this country, of whom about sixty thousand are dairy-farmers, all vitally interested in the proposals in this Bill. Surely they ought to be heard. Many of them are in my district; they have been farming for years, and some have unencumbered farms, they have worked hard and earned a good living, but now they are to be required to hand over their produce to be marketed by amateurs. I appeal not from the party standpoint, but from the national viewpoint, to hold over the Bill. Fancy the honourable member for Oamaru and the honourable member for Timaru remaining silent on this measure. Fancy the honourable member for Roskill not taking the opportunity to say a few words. We have many honourable members opposite representing constituencies containing many small sheep-farmers and dairy-farmers, and yet not a word is said on their behalf. I appeal to those honourable members not to be dumb dogs in this show.
members representing almost entirely farming districts have not a word to say. Then there is Wairau, a beautiful farming district, but not one single word has been said by the honourable member for Wairau in support or condemnation of this Bill. Not a word is being said when no one in this country realizes what is being done. This is the first step taken to tie the farmers to the Government, but it will take them a long time to get free of the shackles that this Government is going to fasten round them. I know the fight which the farmers have put up to make their farms free, and I make an appeal on their behalf that they should be given an opportunity of considering this Bill clause by clause and line by line. They should be given a chance to understand what it means.

Mr. ATMORE (Nelson).—Sir, the speech just made by the honourable member for New Plymouth was a typical Opposition speech. He said there were sixty thousand dairy-farmers in New Zealand, and they were all in a parlous state.

Mr. SMITH.—I did not say that.

Mr. ATMORE.—Very well, the honourable member said that many of them were in a parlous state. The right honourable the ex Minister of Finance told us last session that 50 per cent, of the dairy farmers were insolvent. The right honourable gentleman did not see the implication of his words—that this deplorable state had been reached after four years of government by an Administration whose policy was dictated by the financiers who had prospered under it. That is the position. In reference to the remark of the ex Minister of Finance when, looking across at me, he said, "the honourable member for Nelson is fond of quoting Mr. Reginald McKenna," I shall again quote Mr. Reginald McKenna, as the chairman of directors of the greatest trading bank in the world, the Midland Bank of Britain, for I accept him as a great banking authority. I am glad that he was referred to by the ex Minister of Finance. This Bill will not realize the aspirations of the Prime Minister, who gave us a very frank speech and nailed himself down to certain principles, with which we all agree. The Bill will not take him the full distance. There are defects in it, but it is a challenge to the power that dominates the whole world, "the invisible government of finance," which is referred to by Mr. McKenna in these words: "They who control the credit of a nation direct the policy of its government and hold in the hollow of their hands the destiny of the people." During the last four years the unseen hand of finance was directing the policy of the Government of this Dominion. The fight is not between those on this side of the House and those on the other side, but it is on behalf of 95 per cent, of the people of the country who gave an unmistakable mandate for monetary reform. The main desire in the minds of the people was to get rid of the Government. The main plank on which the Labour party fought was that of the reform of the monetary system. Let me again quote Mr. Reginald McKenna in "Post-war Banking," where he said, "They who control the credit of a country direct the policy of its government and hold in the hollow of their hands the destiny of the people." I propose also to quote from an address which Sir Otto Niemeyer gave when he and that other distinguished Britisher, with a typical English name, Professor Guggenhein, came here. I shall quote one of his speeches to show that he practically gave the orders for the legislation which the late Government then passed. Let me give a further quotation from Mr. Reginald McKenna: — "Under the system which prevails in this country there is only one method by which we can add to or diminish the aggregate amount of our money. The amount of money in existence varies only with the actions of the banks in increasing or diminishing deposits. We know how this is effected. Every bank loan and every bank purchase of securities creates a deposit, and every repayment of a bank loan and every bank sale destroys one." Some honourable members talk of the "flight of capital." Does anyone believe that capital can fly away since we got rid of that old, ancient fetish or superstition, gold? People know that there is no money going away and no foreign money coming in. When the gold standard is not in use, money is incapable of migration, so that is another bogey laid low.

Mr. KYLIE.—Cannot one take a letter of credit to Australia?

Mr. ATMORE.—The actual money does not go. Let me give this further statement, because I want to show—and I still quote from McKenna's book the "Post-war Banking"—how banks create money simply by writing figures in a book. Real money must be based on real things. Paper does not give value to real wealth, but money and book entries in bank ledgers are made against that which the people produce, without which there can be no value. On page 6 of his book, he says, — "Let us look now at the increase of bank deposits since 1914, and see to what extent this increase is due respectively to payments in of additional currency and to bank loans. In June, 1914, the banks held £75,000,000
of currency. Last month—in 1925—this figure stood at £191,000,000. The banks therefore held more currency to the amount of £116,000,000, and to this extent the increase in the aggregate of bank deposits is accounted for by payments in of currency. But it is estimated that, since June, 1914, bank deposits have risen by £1,230,000,000. If £16,000,000 of this amount are accounted for by payments of currency into the bank, there remain £1,114,000,000, which, if the previous analysis be accepted as correct, we must attribute to bank loans.”

Mr. McKenna goes on to say that it is not generally known that “banks destroy money.” I give those illustrations to show that the money power is the real Government. Parliaments throughout the world have come into disrepute and contempt very largely because they have failed to legislate for the people, whom they nominally represent, but have legislated, as our own Government did in the last four years, for the big financial interests. If any honourable members doubts that statement, let him consider what happened at the last election. We witnessed the representatives of the large oil companies motoring Government candidates round the electorates. Similarly, there was the active support from the brewers, who had been given £112,000 per annum by way of a remission of 3d. per gallon of beer in excise—£112,000 given by the late Government at a time when it was taking 2s. 6d. a week off the beggarly pittance of 17s. 6d. a week to the old-age pensioners. We ought to be ashamed of that miserable pittance of 17s. 6d. a week; and yet, when the Government claimed that it could not afford 17s. 6d. a week for the old people, it was able to give this remission of £112,000—and that at a short time before election day—to the brewers. The Government also abolished the graduated land-tax, which I hope this Government will reimpose—abolished that tax for the benefit of the big banks and other holders of large properties. The chairman of directors of the Bank of New Zealand congratulated the shareholders on their being saved £16,000 per annum by the abolition of the graduated land-tax. It was not the farmers that benefited, because very few of them were paying it. And yet those honourable members responsible for the past legislation are objecting to this Bill. It is almost suggested that a man has all the necessary ability and probity if he is called a banker, or a member of a Board, Whereas if he is the people’s representative he is a suspect and cannot be trusted by honourable members of the Opposition. That is their only argument. There is no other. We had the leader of the Opposition talking about this question being one for life-long study and that we must be governed by experts. He has not yet learnt the sound principle that experts should not govern the country, but should advise the people’s representatives, and that many a man who has not expert knowledge of the subject but who understands true democratic principles can be a better Minister and a better member of Parliament than if he rides his particular hobby as an expert to the detriment of the people. We should not have government by experts. Let the experts be the advisers. If I had my way I would clear out all the so-called “financial experts” who advised the last Government if they are responsible for its failure. After four years of their control we had the deplorable state of affairs which they admitted. We condemn them out of their own mouths. They spoke of the pitiable state of the farmer, whom they rightly called the "backbone of the country." He suffered from their ridiculous legislation. They did not know the difference between the shadow and the substance. We have a country which, on a per capita basis, has the greatest production of real wealth in the world. Is there a shred of truth in the suggestion that we have under production? No. The right honourable gentlemen who went to the Old Country implored the British Government to allow us to send more food out of this country, otherwise we could not pay our way. Sir John Orr, president of the Malnutrition Commission in Great Britain, stated that twenty million people in that country were suffering from underfeeding and malnutrition, and yet they talk of prosperity in Britain. The ex Minister of Finance talked of prosperity in Great Britain. Let me give him his own figures, which he read out in the Town Hall on his return from Britain. Quoting from a governmental report, he gave the following facts: — "Four million and a half of the population, with an income of 4s. per week per head, spend 1od. per week per head on meat and 2d. on butter. Nine million of the population, with an income of 5s. 9d. per head per week, spend 1s. 5d. per head per week on meat and 5d. on butter. Nine million of the population, with an income of 8s. per head per week, spend 2s. 5d. per head per week on meat and 4-2d. on butter. Nine million of the population, with an income of 1os. per head per week, spend 2s. 4d. on meat and 7-1d. on butter. Seventy per cent, of the people covered in the investigation, or say thirty-one million out of a population of forty-five million, spend on the average
1s. 9d. per week on meat and 5-2d. on butter. On the other hand, those with incomes of over 14s. per head, or about four million and a half people, spend 4s. 3d. on meat per week and 1o-2d. on butter.”

Mr. RICHARDS. —Who gave those figures?

Mr. ATMORE —The right honourable the ex Minister of Finance gave them in the Town Hall. I am quoting from the Evening Post. The right honourable gentleman did not see the significance of his own figures. He said the problem was how to increase the consumption of foodstuffs, and that the Government would give sympathetic support to any practicable methods suggested for that purpose in New Zealand. He did not assert that there was any shortage of food here. If it is a matter of clothes, we have twenty-eight million sheep in this country and each sheep is capable of producing sufficient wool to make two suits. If it is a matter of foodstuffs, we send overseas millions of pounds worth, but we are not selling our own people. If anyone from one of the planets, say Mars, visited us, he would think that he had strayed into a huge mental asylum. He would find people starving, but yet would be assured that there is plenty of food for everybody. He would find that people are asked to wear second-hand clothing although we have weaving-machines that can do the work of two million hand-weavers. The right honourable the ex Minister of Finance and the honourable member for Pahiatua, ex Minister of Public Works, came to Nelson to preach their gospel of they can buy two suits. Mr. ATMORE. —Their what?

Mr. ATMORE. —Their alleged gospel, and after the electors heard them they gave me the record majority for Nelson District. If the honourable member for New Plymouth objects to what he calls “hasty legislation,” let me tell him that this subject of monetary reform, minus the details, was fought out on every platform throughout New Zealand, after which, let me remind him, his party came back with only twenty-one members, their big majority gone. In 1931 his party gave no information to the people, but simply asked for a blank cheque. This is not a blank cheque. The main principles have already been enunciated. The leader of the Opposition declared that there was no case in New Zealand history where an important Bill of this kind had been rushed through. I sent out and obtained the Hansard report of the debate on the Bank of New Zealand Bill of 1894. I want honourable members to note this point particularly. There has never been a money crisis in the world's history in which the bankers have not asked for support from the national credit, which this Government should use for the good of the people. The Bank of England closed its doors five times in its history, and on each occasion the directors went to the Government — the people — to save it; and I put it to honourable members that bankers are in effect giving a certificate of stability and sufficiency to the national credit when they rush for the Government financial lifeboat in a financial storm. Let me give an instance of a similar happening in New Zealand and remind honourable members of what happened when the late Right Hon. Sir Joseph Ward was introducing the Bank of New Zealand Share Guarantee Bill in 1894. I was living in Wellington at the time, and I remember it well.

Mr. KYLIE. —Was the honourable gentleman with Labour then.

Mr. ATMORE. —No, nor was the honourable member for Riccarton; I was a boy at the time. There was stagnation in the city, which then had a population of only forty thousand. Ward, Seddon, and other Ministers were approached by the directors of the Bank of New Zealand late one afternoon and were told that unless they put the national credit — the credit of the people — behind the bank it would have to shut its doors in the morning, and that a large number of big business houses would be involved in the fall. Hurriedly a Committee was called together, legislation was prepared and hurried through that same night. This is what the late Sir Joseph Ward — then Mr. Ward — said in moving the second reading of the Bill, — “I feel sure that I need hardly say that, in making this important Bill a matter of urgency, honourable gentlemen on both sides of the House will realize that the grave responsibility which has been placed upon the Government in this matter — which I feel very much myself, I may inform the House — is a responsibility that would not be taken were it not that the necessities of the position demanded it. I need hardly inform the House that the proposal now before them is one of a most important character, dealing with the banking concerns of an important financial institution in this colony.” Later on he read a letter from a gentleman who was the confidential representative and financial adviser of the bank at the time. The letter written to the Government was as follows: — “I have the honour to hand you a copy of the balance-sheet of the Bank of New Zealand. Since that balance-sheet was
issued the position has become impaired, and, indeed, seriously compromised, by causes set out in my letter to you of the 25th instant. But this does not imply that any heavy losses in the bank's business have been made. To the best of my knowledge and belief, no such losses have been made. The difficulty arises rather out of the circumstances stated in my letter. As a banker of forty-five years' standing — thirty years of which have been spent in New Zealand — and having occupied a prominent position during most of that time, I wish to be permitted to give my honourable assurance — (1) that the occasion is one of the gravest public urgency; (2) that by the measure proposed I am absolutely convinced that the State will not lose one penny, but will, on the contrary, avert great loss to itself, as well as to the community; (3) that by this measure the banking affairs of the colony will be placed on a greatly improved footing for the future; (4) and that, if the Government finally determine to go on with the measure, it should be put through to-day. Let me give another parallel. When the Great War broke out in 1914 every bank in Britain immediately closed its door. They had promised to pay in gold £200,000,000 more than they had. Where did they go for succour and relief? On the 4th August they went to the Government, which hurriedly set up a Committee, included in which was Mr. Bradbury. That Committee reported in favour of the Government issuing its own pieces of paper instead of borrowing paper and using it against the same security. They proposed to issue their notes on the security of the industry, honesty, and integrity of forty-five million people. And that is all any Government or any bank can do. And on the 8th August, immediately the Committee had resolved to issue the State notes, the banks reopened their doors. They were absolved from the necessity of paying in gold. Gold — that fetish of which it has been well said that so long as we worship the golden calf we shall never be able to observe the golden rule. Coming back now to New Zealand. Compared with any other part of the world, we have a record production per capita. Recently in the United States of America a statement was made to the effect that if there were sufficient purchasing-power issued to enable the total production of the United States of America to be purchased in one year it would require 10,000 dollars for each family of four — that is £500 a year of our money, or approximately £10 a week for each of the 123,000,000 people there. All goods are produced for consumption,

and what is left after local requirements are satisfied is available for export. We have more production per head than the United States of America, and yet we have four suicides per week in New Zealand, while Great Britain has one every threequarters of an hour; and poverty is the main cause. Is that prosperity? Yet Britain is considering borrowing £300,000,000 for preparation for war. There is no possibility of peace between the nations until we get rid of the most prolific cause of war, the present monetary system of the world. War is the inevitable outcome of the present system, although it provides a temporary prosperity, especially for munition-makers. Vickers, in Britain, paid 106 per cent, dividend in the first year of the war. The men who fell at Gallipoli, the flower of the youth of Australia and New Zealand, and the men of the British 29th Division who died at Anzac Cove, Cape Helles, and Suvla Bay, were mown down by rifles of British make and British 18-pounders that had been sold to Turkey six months before the war. The forts they had to attack had been reported upon as impregnable by a British General. I am dealing with the effects of monetary control under the Bill which our friends in opposition have asked should be referred to a Committee. I say that this Bill does not go far enough. It will not do all that the Government wishes to do. I do not want to criticize it. I support the main principle of the Bill, which cannot be passed too soon as a small but first step to overcome the misery that exists throughout New Zealand to-day. Our trade overseas depends upon the purchasing-power within New Zealand. A very great authority, Lord Bledisloe, laid it down in unmistakable terms that, "We must see to it that at any given moment the purchasing-power of the people is equal to the aggregate value of the goods on the market." The leader of the Opposition and the honourable member for Pahiatua have said we must be guided by our experts. What did the Government do a few years ago? It took away £25,000,000 from the incomes of the people, on the advice of its financial advisers, by reducing the salaries of Civil servants, and at the same time asking private employers to reduce the salaries and wages of their employees. They then asked the farmers to increase their production. An enterprising who had one thousand seats to fill would issue one thousand tickets, not more or less. But in this case the Government put more seats in the theatre, and took away some of the tickets. In this case the tickets are costless. Some honour
able members laugh about costless credit. It is the credit of the people of the country. No Government or bank should issue paper money or make book entries unless it is issued against real things, and neither Governments nor banks make the real things of life. The people alone produce these. The Right Hon. Mr. Seddon, in 1890, said, "I am looking forward to the time when we shall get rid of all this circumlocution and issue our own money against our own production." Honourable members in opposition talk about the necessity for delay. Think of the suicides through poverty and misery in New Zealand, the wealthiest country in the world in those things for which men are suiciding themselves out of a life which has become too stressful for them. The right honourable the leader of the Opposition gave us that time-honoured nonsense about German inflation. I have a report here issued by the Imperial Bank of Germany. Everyone knows that the German mark was, roughly, worth 1s. when all countries were on the pre-war gold standard. In 1923 the Germans were not working to any extent, but they began to issue paper marks without any backing with goods; money to get rid of their own internal debt. They had borrowed the greater part of it when the mark was, roughly, 1s., and when they paid it back 5,000,000 marks were not worth a halfpenny; they paid back their own nationals from whom they had borrowed when the mark was 1s. or something less in marks that were not worth one-millionth part of 1s., and yet the honourable gentlemen cannot see the difference between equation and unrestrained inflation. At the beginning of 1923—in January—the marks in circulation were 1,336,500,000,000. They were equivalent to a note-circulation in the United States of America of 153,697,000 dollars, which means it took 8,695 marks to equal an American dollar.

Captain RUSHWORTH. — I move that the honourable gentleman's time be extended.

An Hon. Member. — No.

Mr. SPEAKER.—There is an objection.

Mr. ATMORE. — By November of the same year the marks in circulation were 4,002,267,640,291,750,000,000. That meant that it took 6,660,666,666,667 marks to represent an American dollar of 4s. 2d., and the right honourable gentleman talks about the danger of inflation. I repeat that these honourable gentlemen in opposition seem to think that a man can go hopelessly wrong and is untrustworthy if he happens to be a representative in Parliament, which should be the most honourable position in the gift of the people, but if one calls him a banker or member of a Government Board then his impeccability and his integrity cannot be questioned. The only argument apparently is that the banker knows his subject. The bankers certainly did know their subject and knew the late Ministry too well for the good of the people of New Zealand. That was the trouble. Now we have this Bill before us for a first step in monetary reform. The Government will buy out the private shareholders of the Reserve Bank at the proper market value, for there must be no suggestion of confiscation. The bank should then be turned into a National Credit Board with instructions to get in touch with the Government Statistician and ascertain the total value of all production. This Board should then find how much purchasing-power is being distributed in salaries, wages, dividends, interest, and so on. The gap between the two aggregates can only be bridged by the distribution of a national dividend to every man, woman, and child in New Zealand. The last Government tried to bridge the gap by demoralizing methods—by charitable aid, doles, pensions, and so on—instead of recognizing the full inherent rights of every person in this Dominion. Less and less of employment will be possible or desirable as mechanization proceeds, and I am pleased to see that the Minister of Public Works has decided to do away with barrows on public works; the machine must displace manual labour—it is a sign of progress. If we had no machinery, as in some countries, we should have full-time work for all.

Mr. RICHARDS.—Where is that?

Mr. ATMORE.—In some parts of China. If that is to be the most desirable aim in life we should have crucified every inventor as he came along—that is, if we are to regard work as the end and not only as the means. Let us look back to the golden age of the Greeks with their wonderful development in the arts and in the physique of the nation; all made possible through leisure based on forty slaves per household. Their wonderful games developed the beautiful bodies of which they were so proud; the wonderful age of Demosthenes, Phidias, and Euripides. Their achievements showed what men and women can attain to when leisure is given them. To-day the mental development of man is being expressed in the mechanization of industry, which will progressively decrease manual labour, and this increased power of production must be given to the people in leisure for the development of the God-given talents that every boy and girl and every man and woman in New Zealand has in some degree.
In other words, let us fully realize that living in the fullest sense of the word is the real aim of life and not work which is only a means to that greater end. Mr. SPEAKER.—The honourable gentle man's time is up.

Mr. ENDEAN (Parnell).—Sir, I agree with the honourable member for Wellington Suburbs when he said that he thought the Government was sincere in its belief that its policy is calculated to bring New Zealand into a position of greater happiness and greater financial stability. I think the Government is sincere; but I think the Bill before the House will undoubtedly lead to a very violent inflation before this policy is many months old. The Prime Minister says he is going to lead the world, but in my opinion he is going to lead New Zealand into bankruptcy.

Mr. JORDAN—Where is New Zealand now?

Mr. ENDEAN.—The Prime Minister said that the ship of State was on the rocks; but it is far from that. The ship of State was in a thoroughly sound and seaworthy condition when it was handed over to the Prime Minister by the late Government. Its Budget was balanced, and there were signs of improvement all round. The Prime Minister said, or other speakers have said, that the ship of State is now embarking on uncharted waters. But I beg to differ from that. I say that the economic history of the world shows that they are charted right enough. We know that the rocks of inflation are shown on the chart in these alleged uncharted waters. I will not cite the case of Germany, for that has already been dealt with. Take the case of France, where, after the French Revolution, there was a great financial upheaval. The State borrowed until it could not borrow anymore; it taxed until it could not tax anymore; and then it issued assignats and they fell to some 75 per cent, of their face value within a few months. Surely there is history to show that inflation is the ruin of any country. Take Sweden. The honourable member for Central Otago stated last session that the case of Sweden was the same as that of New Zealand; that for a year the Government of Sweden refused to take the advice of the economists and adopt the plan of the economists, to inflate the price of their primary produce by raising the exchange-rate and deflating their costs by reducing the cost of production. That is precisely what Sweden did and what we did. Sweden refused to carry out the instructions of the economists for some considerable time and got into difficulties, but ultimately she adopted the plan that we followed in New Zealand.

With respect to the State bank in Sweden, though there was a Socialist Government, it refused to depart from banking principles that were in keeping with those laid down by the Bank of England. That was under Professor Gustav Cassel's direction. I had the pleasure of reading in the Economist recently that Sweden has come through the depression, that she has balanced her Budget, and is repaying loans raised during the depression. Surely there is a good precedent. I say that if this little country will look to the experience of the past and be guided by it she will get out of her troubles better than by adopting the Bill before the House. Let me state what, in my opinion, will be the effect of the Bill. The Government of the day is not concerned whether we get 6d. a pound for our butterfat or 4d. a pound for our wool, and it is going to use the proceeds abroad. It does not matter to the Government what happens outside. It is what happens internally. That money will come back after paying for our commitments. And then the Government is going to have the right under the Bill to issue notes to the extent of £25,000,000. Then the bubble will burst. We cannot separate ourselves economically from the rest of the world. We are bound up with the economy of Britain. There is our chief market. It seems to me that we shall have to consider seriously what will be the effect on the marketing of our produce in Britain if we pursue the policy laid down in this Bill. Is what was stated by the last speaker correct? Let us get a view of New Zealand as people who have been here recently see it. We must have regard to the opinions of people who journey to these shores. Let me quote a Mr. A. Leopold, a German. On the 17th January, 1936, he gave an interview to the press, in which he said that we in New Zealand were fortunate people. The newspaper states,—"Mr. Leopold said he had been amazed to see crowds of young people in New Zealand going into shops for ice creams, to the pictures, and to supper afterwards. 'That would be quite impossible in Europe,' he added. 'There are we quite satisfied if we can earn enough for one decent meal in a day and one other small meal. Some months ago there was a strike in Wellington because the men thought they did not have enough at £4 8s. a week. I wondered at that, because in Germany a professional man, a doctor or a lawyer, works for that amount with pleasure. Our standard of life is much lower. New Zealanders are very well off, and they don't know it. They growl all the time and without any reason.'
I had a conversation with a lady from Germany two weeks ago, and she confirmed what that man said. So it does not seem as if we ourselves have a real appreciation of the standard of life that we have in this country. Let me now quote an American gentleman, Mr. W. O. Jeffery. As reported in a newspaper he said, — "Owing to your isolated position, which is possibly your greatest asset—if you only realize it and use it to advantage—you can do both things without difficulty. As to the first, I understand that about 90 per cent, of your population is of British descent. Keep it so. For your own sakes, keep it so. Don't let foreigners in. As soon as the foreigners get strong enough they will start to shoot you, as they did us in America. Look at our gangsters. Hardly a one has a British name; such as have are practically all cross-breeds with a large admixture of foreign blood. Stick to British stock and you'll be safe; admit the rest of the European breeds and as soon as they are strong enough, well, God help you. You'll need Him." The newspaper then went on to say, — "In its isolated position New Zealand was extremely fortunate, Mr. Jeffery considered. The Dominion could keep clear of most of 'the mess,' as he described world conditions. New Zealanders should, he thought, keep a close watch on activities overseas, in political, sociological, and industrial spheres, and learn thereby to avoid the mistakes that others have made, while at the same time copying whatever was successful." That is sound advice from the United States of America. That gentleman knows what they have been through in the United States of America, and I say it is a shame that this splendid little Dominion of ours is to be made the laboratory for trials in the social world. It is a thousand pities that we did not keep our heads. Think of the position when the Great War broke out. New Zealand was a young and powerful nation, and the young fellows went out to fight for liberty and to help the Old Country. What are we doing in connection with the economic war? To use a sporting term, we have thrown the sponge into the ring. New Zealand to-day has given up the ghost. Recently Major General Duncan said, "You New Zealanders are too serious, and you are always thinking far too much about "

Mr. SPEAKER. — Will the honourable gentleman try and relate these quotations to the Bill?

Mr. ENDEAN.—I have brought out enough, I think, and I will go on with the Bill. Unfortunately we are so small in numbers that all we can do is to point out Mr. POLSON.—But great in mind.

Mr. ENDEAN. —Yes, and in ability, too, I hope. As I was going to say, all we can do is to point out any part of the legislation of the Government that does not appear to be in the interests of New Zealand as a whole. As to clause 2 of the Bill, as the Government has decided to abolish private capital ownership in the bank, the clause is necessary. I am not complaining about that clause because it carries out the Government's policy, although I think that the rate of interest mentioned in sub clause (4) is too high in view of the fact that the last Government converted £8,000,000 of stock at 3 1/2 per cent, at £98. It seems to me that this rate of interest is too high, and is against the policy laid down at Ottawa, which considered that cheap money was one of the means of getting back to a state of economic equilibrium. In debating clause 1o of the Bill this afternoon the honourable member for New Plymouth referred to section 12 of the principal Act, which states, — "It shall be the primary duty of the Reserve Bank to exercise control, within the limits of the powers conferred on it by this Act, over monetary circulation and credit in New Zealand, to the end that the economic welfare of the Dominion may be promoted and maintained." When one examines clause 1o of the Bill one finds that there have crept into the clause the words, — "For this purpose, and to the end that the economic and social welfare of New Zealand may be promoted and maintained, the bank shall regulate and control credit and currency in New Zealand." The word "social" there appears to indicate the mind of the Government. It is not concerned—as was the last Government when it drew up the original Act—with the economic welfare of the Dominion, but it has introduced the word "social," and that indicated that inflation will be the hard-and fast policy of the Government when it brings its policy into operation under the Reserve Bank. What will be the next move of the Government? Is it going to socialize everything? This legislation seems to sound the death-knell of the trading banks of New Zealand, whose functions apparently will be limited to granting overdrafts to traders, farmers, and others on security. We know the policy of the Labour party is to abolish the legal profession, and I am wondering where it is going to stop. As the honourable member for Awarua said to-day, is it not time that this regimentation, which is
absolutely opposed to the genius of the British people, was stopped, and is it not time that we allowed the sinews of business to operate freely, unshackled and unhampered? A good deal has been said about the "Kelly Gang." I have been wondering whether the Prime Minister, in referring to the "Kelly Gang," was referring to the capitalists. Was he referring to the investors in the banks—the widows with a £100 and other small investors collectively known as the capitalists—or was he referring to others? I think that the capitalist was referred to in the statement of the Prime Minister. However, I propose to discuss the Bill clause by clause when in Committee, and meantime I will content myself by stating that I do not think it is in the best interests of New Zealand to pass this measure, and I intend to oppose it as far as I can.

Mr. McDougall (Matara).—Mr. Speaker, I did not intend to speak on this Bill had it not been for the wild statements of the honourable member for New Plymouth, who seemed to think it was not fair for me to stop him after his time was up and yet allow the member alongside me to have an extension of time. I am prepared at all times to listen to any member when he talks a little common-sense, but when I see an honourable member start to knock pieces off the desk with his fist, with splinters flying about, then I think it is time to stop him. That is why I stopped the honourable member. We have heard a lot about banking and we have heard allegations of rush tactics, but I want to remind the Opposition members that the Bank of New Zealand Bill was rushed through in 1894 in one sitting of nine hours. The leader of the Opposition ought to remember that because he was more than a chicken then. At that time the Bill was rushed through because the House was told that the Bank of New Zealand would not otherwise be able to open its doors in the morning, so what is the use of saying that this Bill has been rushed through? The Opposition talks about blank cheques, but its members went to the country on a blank cheque, and when the people found out what was to be filled in they said "Get thee behind me, Satan" and they pushed out the Government in a heap. Then we are told that the Government should take expert advice. The last Government did not take the advice of Sir Henry Buckleton and Mr. Gibbs. I do not consider that the Reserve Bank of New Zealand should have been created at all. We have in the Bank of New Zealand a well-established and profitable bank that could easily have been made a State bank. Let me quote what these two gentlemen I have mentioned had to say on this subject, — "It has also to be borne in mind the proprietary interest of the State in the Bank of New Zealand. Of the Bank's paid-up capital of £6,328,125, the State own one-third—viz., £2,109,375. Since it became a shareholder the State has received dividends from the Bank aggregating £3,515,878, equal to 10 3/4 per cent, per annum. No institution under Government control can show that result. Based on the latest dividend, and valuing gilt-edged security on a 4-per cent. basis, the market value of the State's interest in the Bank may be set down at £4,687,475—a goodwill of no less than £2,578,100. It is obvious from these figures that anything which might detrimentally affect the Bank of New Zealand is an important factor which should be taken into consideration when enacting legislation affecting the existing banking system." Further, the Government appoints four of the six Directors of the Bank, thus ensuring that the policy of the Bank is on what its Board believes to be the best interests of the country. Sir Otto Niemeyer came out here from England and put his arms round the ex Minister of Finance and the ex-Prime Minister and persuaded them to pass the necessary legislation providing for the setting-up of the Reserve Bank of New Zealand, and that is how we got it. So there is the position; but, as I say, we did not require the bank at all. This afternoon the leader of the Opposition referred to the number of votes cast for each party at the last election. Now, I have here a table which shows that of the total of 852,579 votes cast, there were 572,427 voters who did not want the Nationalist party. They called themselves the Nationalist party, but I do not believe they were united. They change their name every time they go to the country. As a matter of fact, they have changed their name many times. First of all, they were Liberals and Reformers, then the Liberals became the United party, and when the Reformers joined them they formed the Coalition party, and then when they went to the country they were the Nationalist party. Mr. Speaker.—Order. I am afraid the honourable gentleman is getting very far from the subject-matter of the Bill.

Mr. McDougall.—Well, Sir, I am just giving the history of the gentlemen who form the present Opposition. Every time they have anything to do which is wrong.
they change their name. They remind me of the man who got into trouble and was sent to gaol for five years, and when he came out his name was Forbes. Then he got into trouble again and they sent him back to gaol for another five years, and when he came out the second time his name was Coates.

Mr. SPEAKER.—Order. It is not parliamentary for the honourable gentleman to refer to his fellow-members as he has just done. I know he is merely giving an illustration, but it is not in the best of taste, and I hope he will not continue doing so.

Mr. McDougall.—Very well, Sir. The leader of the Opposition wants to know where are we going to get the money. I have every confidence in the Minister of Finance and feel sure he will be able to get the necessary money for his proposals. I have every confidence that the Government will be able to carry out every promise they have given. I am going to vote for them and give them every opportunity to put their policy into operation. In the past we had promises from the Coalition party, but what were their promises? Nothing at all. We do not require this Reserve Bank at all. The Government could have turned the Bank of New Zealand into a State bank, and allowed those gentlemen now on the directorate of the Bank of New Zealand to go away in peace. I made a remark in 1929, when a Joseph took over the reins and forgave the Right Hon. Mr. Coates for all his political wrongdoings. Now we have another Joseph, and he will save the country; and I hope that when he takes over all the iniquity created by members of the previous Government, they will go away and sin no more.

The Hon. Mr. COBBE (Oroua).—Sir, I would take this opportunity of congratulating the Prime Minister upon the obedience and docility of his followers this evening. It must be exceedingly hard on those honourable gentlemen, many of whom represent country districts, to be not allowed to express an opinion on this important Bill. It is a Bill which affects this House and affects the constituents of members, and some of them will have a good deal of difficulty in explaining their reason for having nothing to say upon a matter of very great importance. Of course, they have one advantage in not being allowed to speak. Later on, when this unfortunate measure is consigned to the limbo of exploded theories and discarded failures, they will be able to say, when they go before their constituents, that they did not say a word about the Bill. I would direct attention to the fact that on last Friday night the Prime Minister seemed to have an idea that somebody had reflected in some way upon his integrity and the integrity of the Minister of Finance. Let me say at once that no member on this side of the House would for one moment question the undoubted integrity of the Prime Minister and the Minister of Finance. Certainly, members of this side of the House would at once defend them if there were any suggestion of the kind. But we do regard them as having made a very grave blunder in connection with this Bill which they are fathering and endeavouring to force upon the House and the country. We cannot help having a feeling that, somehow or other, they do not fully understand what will be the result of the Bill. They possibly have not carefully considered the possible repercussions of the Bill. I should also like to say that I think it was hardly fair on the part of the Prime Minister to refer to those people who had made some remarks about the proposed legislation of the Government on financial matters as being "evil-minded people." Of course, people are naturally interested and very considerably concerned in legislation which might affect them financially, and I do not think that any one has a right to suggest that they are not entitled to express their opinion. It must be remembered by the Prime Minister that he has not the same influence over those people outside as he has over members of the House who are so silent to-night. Many of those people who may be concerned have worked hard to save sufficient money to provide for their old age, and naturally they are concerned in legislation affecting banks in which they hold a few shares or in which some of their money may be deposited, especially when the legislation is being forced through at a break-neck speed. I want to take this opportunity of protesting in the strongest possible manner against the way in which this measure is being forced through the House. It is one of the most important measures ever introduced into a New Zealand Parliament. I have been seven years in this House, and in that time certainly nothing approaching its importance has been introduced. I consider that a Bill of such importance should not be forced through the House without giving those concerned ample opportunity of considering its provisions. Bills of very minor importance are referred to a parliamentary Committee. All those concerned are asked to come along and give evidence, and then the Chairman of that Committee reports to the House. I repeat that this Bill should have been referred to a Committee—the Public Accounts Committee—and that representatives of the banks, the insurance companies, the chambers of commerce, farmers'
unions, and the business men should have been asked to give evidence for or against the measure. Then, when the recommendation was brought down by the Committee, the House would have had something reasonable to go on. The fact of the matter seems to be that the Government is really afraid to face a Committee because there is little doubt that, if it reported as the evidence would lead it to report, it would report against quite a number of the provisions in the Bill. I have no hesitation in saying that this measure is a first step along the dangerous road to socialism. Further, it is a Bill that will lead to inflation, and inflation of the currency always leads to a higher cost of living. It astonishes me that honourable members on the Government side of the House advocate a measure that must increase the cost of living. Moreover, if banking be nationalized, banking policy will be a main plank on every political platform, and parliamentary candidates, some of them possibly knowing very little about the principles of banking, will make wild promises to electors. If those candidates are returned they will try to honour those promises. The result will be that banking policy will become the plaything of politics and little else than an instrument of bribery. The provisions of this Bill plainly indicate that it is the intention of the Government to issue whatever notes are required to finance the guaranteed prices for produce. It is a well-established fact that the issue of an excessive number of notes—no matter what they may be needed for, or how good the credit of the Government may be, or what the notes are intended to represent—will result in depreciation of the currency, with all its attendant evils. The honourable member for Parnell referred to the effect of inflation in France. He could have given quite a number of other instances, because, as far as my information goes, in every other country where this sort of legislation has been introduced and where inflation has resulted, the final result has been disastrous to the country. As long ago as eight hundred years they tried it in China, and the result was that the whole of the metallic money was driven out of the country. I am not going to refer to Germany, as the facts are known to everybody. The honourable member for Waitomo to-night said that there is no attempt to imitate Lenin. This Bill is a remarkable imitation of what took place in Russia. When Lenin took charge there the amount of money in circulation—taking the rouble at a value of 2s.—was £224,000,000. Lenin drove out the capitalists, took all the financial affairs into the hands of the Government, with the result that in four years’ time the amount of money in circulation had risen to £23,421,000,000, or 104 times as much as there was four years previously. And what happened as a consequence? Productivity in Russia practically ceased. Nobody would produce anything for sale because the notes in circulation were practically worthless. We have it on competent authority that at that time there was more money in circulation in Russia than there had been at any previous time in her history, yet there never was so much hardship, starvation, and misery. The Russian Government were so hard pressed that they were compelled to invite the capitalists back, and allow the trading banks and the savings-banks to be reopened. They even went to the United States of America and negotiated a loan, for which accommodation they had to pay more than twice as much as New Zealand could borrow for. I wonder if the Minister of Finance realizes how much currency will be required to finance all these guaranteed prices. It must be remembered that the value of our primary exports last year amounted to something over £40,000,000. This year they may reach a value of £50,000,000. If prices at Home are low one can easily imagine that it will require a stupendous amount of currency to meet the guaranteed prices here. And we have it on the authority of one of the Ministers of the Crown that these guaranteed prices will apply to every exportable commodity. Of course, the dangerous aspect of these proposals consists in putting our finances under political control. I do not wish to reflect on the Minister of Finance or the Prime Minister, but the time may come—if this measure does not disappear, as it probably will in a few years’ time because the people will be sick of it—when somebody may be handling affairs in the future and they may not be of the same high integrity as the present Ministers, in which event the results would be disastrous. I would like honourable members to carefully consider sub clause (1) of clause 1o of the Bill, which reads as follows:— "It shall be the general function of the Reserve Bank, within the limits of its powers, to give effect as far as may be to the monetary policy of the Government, as communicated to it from time to time by the Minister of Finance. For this purpose, and to the end that the economic and social welfare of New Zealand may be promoted and maintained, the Bank shall regulate and control credit and currency in New Zealand, the transfer of moneys to or from New Zealand, and the disposal of moneys that are derived from the sale of any New Zealand products and for the time being are held overseas. "
I sincerely hope that when the Minister of Finance replies he will explain exactly what is meant by that. Many honourable members of this House are in the habit of exporting meat or wool or other primary produce and they are a little concerned as to what the clause means. I note that when the Prime Minister was speaking on Friday last he said the Government would lay down the policy and leave it to the bankers to carry it out. Later on he said the Government would be masters of the situation, just as it would be master of every public service. That means that the Government will absolutely control the banking policy of New Zealand. It has control of exchanges, it is controlling the sending of money overseas, and the transfer of money from overseas to New Zealand. That, of course, takes away from the banks the business they have carried out to the satisfaction of their clients. As a business man I have had a certain amount of experience in that matter, and I know that the work of the banks has been done to the satisfaction of everybody concerned. The Government, of course, can simply dictate what is to be done. I am sorry that honourable members who represent country districts have not the opportunity of expressing their real opinions on the question of the possible embargo upon speaking.

Mr. SPEAKER.—I think I shall presently have to rule out as tedious repetition any reference to the silence of honourable members in this debate. It has been dealt with by previous speakers, and I think the point has been clearly made.

The Hon. Mr. COBBE.—Well, Sir, I will ask why this attempt is being made to shake the banks. Have the banks failed to carry out their legitimate business? I say that it has been done to the general satisfaction of those who have extensive transactions and who understand banking practice. We have been told that the banking system has failed, and the members who said so seemed to think that the banks have a certain amount of responsibility for the slump. They seem to forget that the slump was an aftermath of the Great War. My experience is that the banks are anxious to do business, but not unless they believe their proposed client is a man of good character, and likely to make good use of the money for which he applies, and unless he has good security to offer. A man of that class can get all the accommodation within reason that he wants. The honourable member for Wellington Suburbs spoke of the splendid work that has been done by the banks of the Old World, and how they have re-established conditions there. I hold no brief for the banks, but I do think that fair play should be given to them. They have done their share in helping to build up New Zealand, but I am afraid that the result of this legislation will be a certain loss of confidence in our country. At present people who have money to invest are almost afraid to invest it, because they do not know what is going to happen in the future. The doses of soothing syrup that have been administered to the public by the Prime Minister are all very pleasant, but we want more than that. One important matter is the effect upon insurances. Practically everyone in New Zealand insures in one form and another, but if we have inflation of currency, general inflation will follow as night follows day. If we have inflation, people who have paid their premiums in good money will find that when their policies mature, they, or whoever is entitled to receive payment under the policies, will be paid in inflated currency. There is another matter to bear in mind in connection with giving the control of a central bank to a Government. We have it on record that during the Great War quite a number of banks in Europe and in America failed. A certain number of those banks were central reserve banks, and in every case where a central bank failed, as far as I can ascertain, it was entirely due to the fact that the Government of that country had some influence over the directors of the bank and insisted upon the issue of an excessive number of notes. I should like now to draw attention to one or two statements by honourable members. We had it from the Minister of Finance that there is no sounder security in the world than the security of the country. That is all right to a certain extent, but he must remember that the security of the country is not a negotiable security and in time of crisis would be a broken reed. Another Minister said, "Use the State's own credit; operate in the State's own interest; create our own money." I would like to know what that money would be worth after a while. Further, another Minister who came up to Feilding to tell the people something of my shortcomings was asked by a member of the audience that old question, Where will the money come from? And the reply of the Minister was: We will mint it; we will print it. I think the Minister of Finance when replying should give us some information about this minting of money and whether they intend minting their own money here in New Zealand or not. I am afraid this road upon which the Government is embarking is a dark and dangerous road and we begin to wonder where New Zealand is being led. New Zealand is a very fine country considering the bad times we have passed through,
although I believe it has not been so bad here as in other parts of the world, and I do not see the slightest necessity for the legislation now before the House. I believe it must lead to inflation and I know inflation has proved disastrous wherever it has been adopted. Mr. KYLE (Riccarton). — Sir, I wish to preface my remarks by referring to one or two statements made by the honourable member for Nelson. He made a rash statement, just another of his usual rash statements, that he would clear out all the financial experts of the last Government. Would he clear out all the medical experts? I put it that way, because I look upon the profession of banking much as I do on the profession of medicine or of law. Then he went on to say that the late Government had wiped out the beer duty when at the same time people in the Dominion were starving. I want to ask the honourable gentleman, did he vote for the reduction of the beer duty? He knows as well as does every other member in the House that the reduction was brought about at the wish of the honourable member for Nelson and the honourable member for Motueka to help the hop-growers in the districts of Nelson and Motueka. On top of that we find from the Customs returns for the last twelve months an increase in the beer excise duty of £3,620, and yet he would make out to this House and to the people of the country that a lesser amount was being collected from the beer duty on account of the concession granted. The Prime Minister and the Minister of Finance have made such statements, though I will admit that the Minister of Finance has been very quiet since the election. He has not made many rash statements, just as we have quietness to-night from the whole of the Government benches.

Mr. SPEAKER.—Order.

Mr. KYLE.—I bow to your ruling, Mr. Speaker, but I have never before heard frequent repetition questioned on a second reading debate in this House. I must say that most of the malicious statements we have seen in the newspapers have come from members on the Government benches themselves. I know of no malicious statements in the newspapers which have come from any other source. The Prime Minister himself has warned the people of this Dominion about the "Kelly Gang" going about the country seeking whom it may devour. I know what happened in Australia when the Kelly Gang was operating there. They put on black trackers to try and run them to earth. But the "Kelly Gang" apparently is ambling about the cities of this Dominion and no efforts are being made to bring them to book. Here are two statements which recently appeared in a Christchurch newspaper, two statements by the honourable member for Christchurch South. "In a speech at a railway soiree, he said, You are going to be called upon to stand together more than ever in the past. The same thing that happened to Lang in New South Wales in the past will happen here, and then we want to know who are our friends." No wonder the people are concerned and are losing confidence in the Administration." Stating on another occasion that in some respects the present Cabinet is the most remarkable ever assembled in New Zealand, the honourable gentleman said, "One of the characteristics that makes it so is the fact that one-third of the Cabinet have been in gaol, but there is not one criminal amongst them." I know of no malicious statements that have come from any member of the Opposition, nor from anybody else except the occupants of the Government benches. The Hon. Mr. SAVAGE.—The honourable gentleman is suggesting them now.

Mr. KYLE.—I am simply quoting from the newspaper.

The Hon. Mr. SAVAGE.—The honourable gentleman is doing it for a purpose.

Mr. KYLE. — Very well, the Prime Minister can look after his own business, and I will look after mine.

The Hon. Mr. SAVAGE.—I will do it, too.

Mr. KYLE. — The Minister of Finance has been claiming that the improvement in the Customs revenue shows a return to prosperity due to the Labour party being in power. But why did he not quote the whole of the figures, not only the returns since his party got into power? I have not got the Customs returns for the whole of the main ports. But those for the Port of Wellington are typical of the whole, and a comparison of the Customs revenue, month by month, for the last two years, is as follows:

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<th>Month</th>
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<td>April</td>
<td>£2,810,608</td>
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<td>May</td>
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<td>March</td>
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It is no good quoting one month, April, only of the period since the Labour party came into power. I think it would have...
been more creditable to him if the Minister of Finance had quoted the figures for the whole period.
The Hon. Mr. NASH.—The honourable gentleman's figures are hopelessly astray.
Mr. KYLE.—They were published in the Dominion.
The Hon. Mr. NASH.—The honourable gentleman is quoting the figures of one town only.
Mr. KYLE.—I stated that. They are the figures for the Port of Wellington. I am quoting Wellington, and I think the City of Wellington affords a fair index to the general trade of the country and the Customs revenue. I should say that the Wellington figures are higher than those of any other town. But if there has been an increase over the whole Dominion it corresponds with the experience in Wellington. Now let me take the Reserve Bank. The shares in that institution were, at election time, quoted at some £6 5s., and I understand that that is the price the present Government is going to pay to the shareholders when it buys out the share holders' capital. Last week the shares were down to £5 17s.
The Hon. Mr. MARTIN. —What are they to-day? Mr. KYLE.—I do not know. I suppose they are lower. I do not know whether the Minister of Agriculture has a few shares. Last week they were down to £5 17s. We have to remember that they were up to £6 1os. Indeed, at one period, some twelve or fifteen months ago, they were at £6 15s. That is a sign of the confidence of the country at that period, and what the people thought of the last Government. If we compare the price of twelve months ago with that of last week we see that there is a drop of practically £1. I give that to the Minister of Finance as an indication that there is not the confidence in the country that Ministers would lead one to believe. During the last four or five years we have gone through the most severe economic blizzard this country has ever known. But any one listening to Labour members would think that New Zealand was the only country that had experienced the blizzard. Why do they not quote Australia and tell us that the same economic doctor that operated in New Zealand operated also in Australia? We knew we had a vile economic disease in our midst; and we sent for the best physician. Professor Copland came and advised us, as he had advised Australia. I hear an honourable gentleman mention the Bank of New South Wales. It is a pity we have not got a few like Mr. Davidson in New Zealand at the present time. Mr. Davidson is the strong man of Australia today, in my opinion, not only in banking but in commercial affairs. We in New Zealand called in the same economic doctor that Australia had consulted. Professor Copland prescribed for the Australian people exactly the same dose of medicine as he prescribed for us, irrespective of whether it was a National Government in office or a Labour Government. Nearly all the States of Australia have had changes of Government during the last six or seven years. Victoria has had a change. New South Wales has had a change—a very acceptable one. Queensland is under a Labour Government and has been for the last ten or eleven years; yet Queensland worked to the Premiers' plan and took the same medicine that was administered in the other States and also in New Zealand —worked under the Premiers' plan as devised by Professor Copland. I compare that gentleman to a physician. Who would not call in the best physician? I have a profession, but I am not going to dictate to a plumber or a carpenter when I want plumbing or carpentering done. Yet when it comes to a question of banking and the monetary system of this country it looks to me as if any political humbug can stand up on a public platform or come into this House and deride the very men whom they should laud and be proud to have in the country, men who have stood by the country in the past five or six years. I refer to the bankers. It is all very well when we see great commercial structures falling. We have heard from the honourable member for Nelson of the crisis in 1894, when a Bill was put through in nine hours. Why was that Bill put through? To save the financial structure of New Zealand. The Colonial Bank had gone and the Bank of New Zealand had practically gone, and the Bill had to be put through immediately as the Government of the day had to come to the rescue. Now we are told that this Bill has to be put through to-night. It has to be bullocked through, as the saying goes, in order to save New Zealand. I say New Zealand has been saved. New Zealand has had the medicine; like the patient, it has come through, and its more than convalescent to-day. Indeed, it has recovered, but this Bill is to be bullocked through and put on the statute book to-night. Opposition members have said we do not know where the measure is going to lead us to. I would like Government members to rise in their places and indicate their financial platform as they did on the hustings. Now, I was going to
deal with the honourable member for Mid
Canterbury, but as I do not see him in his seat I will
refrain. I have here one of the Queensland
newspapers which comments on the close relation
between the Douglas credit system in New Zealand
and the Labour party, and the newspaper has set out
the whole of the names of the members of the
Labour party who signed the questionnaire that was
sent out through the Douglas social credit movement
in New Zealand. The newspaper says that social
credit is to be brought into New Zealand in six
months, and the members on the Labour benches
have signed up with the party. I see the names of W.
E. Parry, Auckland Central; H. G. R. Mason,
Auckland Suburbs; C. R. Petrie, Hauraki; W. L.
Martin, Raglan.
The Hon. Mr. MARTIN.—Never.
Mr. KYLE.—Also the name of C. A. Barrell,
Hamilton. I want to hear what the honourable
member for Hamilton has to say. I want to hear his
repudiation. I see also the names of R. Coulter,
Waikato; B. Roberts, Wairarapa; R. Semple,
Wellington East; R. McKeen, Wellington South; and
D. G. Sullivan, Avon. I see a smile on the face of the
Minister of Railways, but I would point out to him
that what I am reading out of the newspaper was
published on the 28th November, 1935, one day
after the general election. The paper in question is
the Brisbane Telegraph, and it reads, — "The
Douglas social credit movement of New Zealand did
not contest the election, officially having arrived at
an agreement with the New Zealand Labour party
under which no Douglas credit candidates should go
to the polls as such and that the Labour party, if
returned as Government, with or without Douglas
credit support, would immediately institute the
National Credit Authority. Twenty-six Douglas
credit candidates stood as Labour, Country party, or
Independents, and of these twelve were elected, ten
were defeated, and three are still doubtful." I think
some of the doubtful ones retained their seats. I think
that the truth is only coming out now. The Minister
of Agriculture disclaims this statement and I should
like to hear him speak on it. I shall be pleased to
show him this statement afterwards. His name is on
the published list of Douglas social credit supporters.
The Hon. Mr. SAVAGE.—Perhaps the honourable
gentleman had better put my name amongst them,
too?
Mr. KYLE.—I think the Prime Minister was shrewd
enough to keep out of it. He knew that if he had a
fair following of members supporting the Douglas
social credit scheme he could count on the backing of the
supporters of that movement, and that he would be
in for a fair win.
The Hon. Mr. SAVAGE.—I have pledged myself to
use the public credit, and the honourable gentleman
can call that anything he likes.
Mr. KYLE.—Very well. I would remind the
Minister of Finance and the Prime Minister of
statements made on the morning after the election.
One can understand the excitement the honourable
gentlemen would be in. The Prime Minister stated
that the exchange and the sales-tax would come off
immediately. Neither have come off yet. The
exchange was raised from 110 to 125 by Order in
Council and can be reduced in the same manner.
Why is it not done? A fortnight ago a deputation
waited on the Minister of Finance and the Prime
Minister in regard to land-taxation and, in replying,
the Minister of Finance said in regard to the sales-
tax, that before the Government could properly
throw off one form of taxation it would have to see
that the necessary revenue was available from other
sources. That is the statement that is made to-day.
The sales-tax still remains. and I do not think the
Minister of Finance will be able to take it off when
he brings down the Budget. The people of this
country have been sold a pup. Why all this haste
in considering this Bill? If the Bill is of such
importance it is worth considering properly. Usually,
when Government Bills are being put through, the
head of the appropriate Department is sitting on the
right-hand side of the Speaker available for
consultation by the Minister in charge of the Bill.
The General Manager of Railways is always present
when a Railways Bill is before the House so that the
Minister can consult him. I want to know where is
the governor of the Reserve Bank? Is he in
agreement with the Minister of Finance on this
proposal? In any case I do not think it matters so
much what is in the Bill so long as it is administered
properly. I wonder how far the bankers will allow
the inflationary policy of the Government to go. I am
not sufficiently versed in banking to say how far it
should go, but I believe at the present time, with
improved conditions generally, with higher prices
for wool, mutton, and lamb, that a certain amount of
inflation could go on without detriment to the
financial structure of the Dominion. Why do not the
Prime Minister and the Minister of Finance give the
House and the country an assurance that they are
working in co-operation with the directors of the
Reserve Bank, and that any legislation the
Government places on the statute-book will
be administered carefully by the directors and the governor of the bank, and in the best interests of the Dominion? If I have to summarily dismiss a farm hand or a domestic servant I have to give him or her a week's or a month's payment in lieu of dismissal, but under this Bill the Minister of Finance can call up the directors and officials of the bank and say, "If you are not prepared to put our inflationary policy into operation, take your running-shoes."

Mr. J. O. R. D. A. N.—The Government is governing.

Mr. KYLE. —Well, I have known other Labour Governments to be governing and failed dismally. Why, the members of the present Government are repudiating the fact that the Labour party was ever in power in Great Britain. Was the Labour party in power in New South Wales under Lang? Was the Labour party in power in Australia under Scullin? The Hon. Mr. ARMSTRONG.—Of course they were.

Mr. KYLE.—I thought I would get a bite. The Labour party has been in power in Queensland, but they would not put this class of legislation on the statute-book there.

An Hon. Member.—Mr. Forgan Smith has done so.

Mr. KYLE. —No. Mr. Forgan Smith played the game with the people of Queensland. But here we have the Labour demagogues telling the people of New Zealand that what the members of the Labour Government say is right, and many unthinking people are listening to them, and I believe that is what happened at election time. But I obtained as good a majority as the honourable member for Nelson, and I did so as a result of my exposure of the fallacies of the Labour party, and despite the presence in my electorate of the present Minister of Labour and the present Minister of Mines.

Mr. SMITH.—That is how the honourable gentleman got back.

Mr. KYLE. —Yes, that is how I got back. When I learned that these gentlemen were coming into my electorate to support my opponent, I said to my friends, "Do not mind; I will be home on the pig's back."

Mr. BROADFOOT—Mr. Speaker, I move that the honourable member's time be extended.

Mr. SPEAKER.—Is it the pleasure of the House that the honourable member's time be extended?

Mr. JORDAN.—No.

Mr. SPEAKER.—There appears to be objection.

Mr. KYLE.—I did not expect an extension. I have not touched on the Bill to any great extent, I know. Why do our opponents talk of economic nationalism in this country? If we take our breakfast table, how much of the food we find there is produced in this country? I do not suppose many honourable members eat porridge these days, and if one takes the linen, the crockery, the tea, the pepper, and the mustard, how much of it is produced in New Zealand? I do not want to administer mustard to my friends opposite, because I know it is somewhat of an emetic, but it is good to rub it in sometimes. But why talk about economic nationalism in New Zealand? We are dependent not upon ourselves, but upon other countries of the world for so many things. It is all very well to say that we can live to ourselves, but we would soon find ourselves living on shell-fish and mussels, as the Maoris were doing before the advent of the white men in New Zealand. We are living entirely upon our products that we send abroad.

Mr. SPEAKER.—Will the honourable gentleman connect his remarks with the Bill, just a little?

Mr. KYLE.—Yes, Sir. I want to show that the Bill is taking away the whole of the farmers' wealth. Instead of farmers being able to send their produce away, the system is to be regimented. Goods in exchanges are to be brought here in the same way. The importer will not be able to cable away for things that he desires to bring in. He will have to go to the Minister of Industries and Commerce to ask whether he may indent half a dozen china plates, and so on. I say definitely that this is the first step towards putting into operation the plan of the Labour party's socialization scheme. The party has tempted the farmers with land socialization, and now it is tackling the monetary and credit system and the exchange. I believe that if this measure is put on the statute-book we will have next session a land nationalization proposal. Bills for this purpose will be brought down, and, in view of the Government's majority, will no doubt be passed, and we will not be able to transfer land from one to another otherwise than through the State.

Mr. LEE.—Hear, hear.

Mr. KYLE.—I am glad to hear the honourable member for Grey Lynn say “Hear, hear.” He has been somnambulistic to-night, but apparently is still awake. I believe we will yet hear from the honourable gentleman, because we always do hear words of wisdom from him, and I hope that he will tell us in the strongest of language, that it is possible for Labour under this Bill to bring into operation the nationalization of the means of production, distribution, and exchange.
Mr. ATMORE (Nelson). —Mr. Speaker, I have been misrepresented by the honourable gentleman who has just resumed his seat. He told the House that I voted for the reduction of the excise duty on beer. As a teller he knows that that is not true.

Mr. SPEAKER. — Order. The honourable gentleman must withdraw that remark.

Mr. ATMORE. — It is a most incorrect statement.

Mr. SPEAKER. — Does the honourable gentleman withdraw that statement?

Mr. ATMORE. — Yes, Sir, of course.

Mr. KYLE (Riccarton). — Sir

Mr. SPEAKER. — Has the honourable gentleman been misrepresented?

Mr. KYLE. — Yes, Sir. I did not say that the honourable gentleman voted for it.

Mr. ATMORE. — Yes, the honourable gentleman did.

Mr. KYLE. — If I did, I will have to resume my seat. I asked the question, "Did the honourable gentleman vote for it?"

Mr. POLSON (Stratford). —Sir, this is a Bill upon which I cannot give a silent vote, because I am one of the few members on this side of the House that believe in the State control of a central bank. I regard it as a safe principle that the State should control its own central bank. In fact, it is a principle that is generally recognized not only in Australia and New Zealand, but also in most other parts of the world where modern central banks have been established; and, whenever I have had the opportunity of exercising my vote in this House, I have voted in favour of State control and the elimination of shareholder control of central banks. To-night I will be compelled, because I believe in the principle, to support that principle with my vote at the right moment and when the right opportunity comes. But I am bound to say that the speech which we have had from the Minister of Finance makes me more uneasy as to the effect of this Bill. There is a great difference between political control and State control; and this Bill undoubtedly, definitely, absolutely, and wholly provides for putting into the hands of the Minister, whoever he may be — whether the honourable gentleman who sits opposite just now or someone else later on — the absolute control and use of the banking system of this country, so that he can do what he likes with it, subject, of course, to the decisions of his own Cabinet. The Minister of Finance told us that the Reserve Bank would be used to further policies and projects in favour with the Government of the day. I am using his own words, but I do not know what they mean or whether they mean anything. His statement may mean that the funds and credit of the country can be utilized for any party purpose or for any political purpose. I am not for one moment suggesting that the Minister would lend himself to that sort of thing. I do not wish it to be supposed that I am suggesting anything of the kind. The Hon. Mr. NASH. — There is no power under the Bill to do that.

Mr. POLSON. — I am not suggesting that the members of the Ministry are men who are unworthy of the respect of the House, but I do say that, immediately this Bill is passed, the position will arise as I have described it. We shall not always have perfect Governments. We have not a perfect Government now, and possibly we may be worse off in the future. We may have Governments that are prepared to make such misuse of the credit of the country as I have indicated. The Minister of Finance and the Prime Minister, too, have so far refrained from answering the inquiry made over and over again from these benches whether the Reserve Bank would remain a central bank or become purely a Government bank. There is a vast difference between a central bank and a bank that is a Government institution for the use of the Government of the day. I do not know why the Government refrains from answering that question. If it would enlighten us it would remove a great deal of uneasiness not only from the minds of members who, like myself, are genuinely out for the best for the country and who are not using the Bill for party purposes at all, but

The Hon. Mr. SAVAGE. — What does the honourable gentleman mean by a central bank?

Mr. POLSON. — I think the honourable gentleman knows quite well.

The Hon. Mr. SAVAGE. — I know, but I am wondering whether the honourable gentleman knows.

Mr. POLSON. — I think so. I do not think the honourable gentleman is entitled to say that. He must give me credit for having made some study of this question. Since the election he has talked a good deal about co-operation and good will, and it does not do for him to impute motives any more than it would do for me to do so.

The Hon. Mr. SAVAGE. — The honourable gentleman has been doing it. He need not give lectures.

Mr. POLSON. — I have not imputed any motives to the honourable gentleman, and I am not giving him a lecture. I am repelling a suggestion cast across the floor of the House.
Mr. SPEAKER.—Order. I have followed the honourable gentleman very closely, and also the Prime Minister, and I want to say that the Prime Minister did not impute any motives to the honourable gentleman. I understood him to ask a question only.

Mr. POLSON.—I did not say, Mr. Speaker, that he imputed motives, but I do say that I am repelling the suggestion that I do not know anything about central banking, which came direct from the honourable gentleman. I do not know that sort of thing is going to get us anywhere. The Prime Minister has asked the cooperation of the country, and I suggest that it should be mutual. It would be on the lines of cooperation if the Government would enlighten us as to its intentions, which, as I say, may be anything under this Bill. The Prime Minister has asked the country to trust to his honesty. I say here and now that I recognize the honourable gentleman as a man whose word can be taken. I have always taken his word, and I am prepared to do so again. But if he does not intend a radical departure from orthodox methods, why this Bill?

The Hon. Mr. SAVAGE.—We are making a change all right. That is the reason for the Bill.

Mr. POLSON.—Under the provisions of this Bill a corrupt Government could use this central bank, or political bank, or whatever it is to be, for the purposes of bribery and party graft. I say that definitely. I say that under this Bill it is possible for a Government corrupt enough to do so to hand out to its own party in the form of emoluments the funds of the bank. That could be done for party purposes. I would go further.

The Hon. Mr. ARMSTRONG.—A corrupt Government could do that without this Bill.

Mr. POLSON.—No. It could not be done under the original Act. The proposals contained in this Bill would enable the Government to discriminate in their handing out of credit. Whatever the Prime Minister or the Minister of Finance may say, I think that is perfectly clear. Further, I believe that the members of the Labour party believe that.

Mr. BROADFOOT. — But has the honourable gentleman any proof of it?

Mr. POLSON. — Yes. I have absolute proof that the members of the Labour party not only think so, but say so. I have, for instance, before me a copy of the Standard, the official organ of the Labour party. It contains articles contributed by practically all the Ministers, and I note particularly one by the honourable member for Timaru, in which he says, "The next best thing to

State enterprise is State control of private enterprise, and that will come naturally immediately, by the establishment of a real State bank," and he goes on to explain what he means by a real State bank. He says: — "The first thing our State Bank will do is to make currency immediately available to State Departments for restoring the "cuts' and maintaining wages, salaries and pensions at a decent level, 'relief' wages included till the unemployed are re-absorbed in industry. By increasing spending-power in these quarters, sales will be immediately stimulated. This will create demands for additional credit, which will be provided by our State Bank to approved clients (who themselves agree to pay decent wages and salaries) at the bare cost of providing it." Not to those who will pay interest. Credit will be issued, without interest, to those people of whom the Labour party approve who will also carry out its policy and pay high wages to their employees. Here is another statement by the same tried, trusty, and old member of the Labour party:—The other banks will have to fall into line or get out. The same thing will apply to other lending institutions, and bang goes the iniquitous usury system! "Could one have anything plainer than that?

The Hon. Mr. SAVAGE.—Is the honourable gentleman going to vote for the Bill?

Mr. POLSON.—I am not going to vote for that—I make that perfectly clear. I shall not support that sort of thing, and I am asking the Prime Minister or the Minister of Finance to tell the House in plain, unequivocal language, as I hope they will, that that is not the intention of the Labour party, and that they will not allow anything to go into the Bill which will even enable them to follow such a course. Surely we are entitled to that. I would point out that the Government is taking power in this Bill to control the whole wealth of the country—not only the exports but the imports—and if they are going to allow that power to be used in the manner indicated in the article from which I have quoted then I think disaster lies ahead. I am asking for an answer whether that is the intention.

The Hon. Mr. NASH.—The honourable gentleman will get his answer in due course.

Mr. POLSON.—I am entitled to it, but in view of the fact that neither the Prime Minister nor the Minister of Finance is pre-pared to deny that that is the intention of the Government, I think I am entitled to say to the country, "Beware of this Bill."
The effect of this Bill is to hand over the undisputed power of control to a party some of whose members, at any rate, are prepared to make use of it in that way.

The Hon. Mr. SAVAGE.—Does the honourable gentleman think he is going to get one member of this party attacking others? If he does, he has another think coming.

Mr. POLSON.—I assume that the whole party thinks alike. I do not think the Labour party has any independent opinion. I believe it is a machine. I believe its opinions are manufactured in caucus, and that no member of the party would put forward an article of this kind unless it was the common opinion. Wherever the opinion of the party is manufactured, here is the opinion stated by the honourable member for Timaru, because no member of the party dare express any other opinion than the opinion of his party. There is the view of the Labour party in its official organ, by one of its members, and the Prime Minister refuses to say that it is not accurate. What other assumption can I take than that it is correct? And this Bill goes as far as that. If it does, then I say, "God help New Zealand." If the intention of the Government is to carry out such a policy as that, then a very serious state of affairs has arisen in the Dominion, and it is time that the people realized that their wealth—the whole result of their exertions, whether in primary industry or in secondary industry, is at stake. Whether in primary industry or in secondary industry, whether in exports or in imports, whatever comes in or whatever goes out of the country goes out or comes in entirely under the control of the Government, and the producer has to dance to the tune that the Government will play. When the people of New Zealand wake up and realize that there will be a change of political opinion all over the country. When they realize what it means, public opinion will rapidly let the Government know what the people think. In any case, it is quite clear that the Bill means inflation. I am not one of those who are afraid of managed inflation. I believe that deflation is worse than inflation. The evils of deflation are manifest. I would not object to a reasonable amount of inflation along proper lines, controlled by those who are capable of controlling the machine—controlled by men who know their job, and who; are not subject to party influence, and who wish only to serve the State. If this Bill did not do more than that I would not object to it. I would say that it was a better Bill than the Act that we have already passed. But this Bill goes much further than that, and the danger that I have described is present in it. The Prime Minister has said, and has reiterated in the course of this debate, that his job is to provide the currency and credit necessary to give effect to the will of Parliament. Under this measure the whole of the wealth of the country, obtained in exchange for the goods we sell, is mobilized. Is there anything else than that in it? If we are to get further credit than the value of those goods, is not that definitely and clearly inflation? Is it not the beginning of inflation? The Prime Minister shakes his head, but I say that that is the beginning of a programme of inflation, and that will probably bring disaster to the country. We had Labour Governments in parts of Australia. We had a strong Labour Government in the Commonwealth of Australia, with Mr. Theodore as its Minister of Finance, one of the strong men of the Labour movement, probably one of the strongest in the Labour movement in the southern seas. He thought of a fiduciary issue of £12,000,000 sterling as a form of inflation to tide the Government over, but when he found on examination that the effect of it would be serious as a measure of inflation, when his experts showed him what the effect would be, Mr. Theodore, although a Labour leader, had the common-sense to say that it would not do and he dropped the proposal. He had the power and his party had an absolute majority in the Federal House, but he said, "No, I have listened to the advice of men who know what they are talking about," and consequently he dropped it.

The Hon. Mr. SAVAGE.—Mr. Theodore never said anything like that in his life.

Mr. POLSON.—I am not using the exact words Mr. Theodore used, but he dropped his proposal on the advice of his financial advisers, there is no doubt about that.

The Hon. Mr. ARMSTRONG.—And the people dropped him.

Mr. POLSON.—Not until long afterwards. They did the right thing in dropping him, as they will the present Government in New Zealand. The people of New Zealand will get the shock of their lives when they discover what is in this Bill.

Mr. L E E.—The honourable gentleman had a shock.

Mr. POLSON.—Not so great. Quite a lot of the Labour members had a much closer call than I had. It is quite clear that this Government intends to brook no interference by the directors of the Reserve Bank because it is taking power to dispose of the governor or deputy governor of the bank if they become permanently incapable. I suppose that can be read as permanently
incapable of changing their minds in the right direction. Under the present Act the directors had to recommend the dismissal of an officer permanently incapable.

The Hon. Mr. NASH. — And under this Bill, also.

Mr. POLSON. — I admit they have to recommend it, but under the present Act some of the directors are appointed by the shareholders and some by the State, but under this Bill they are all to be appointed by the State. Another clause—clause 23—varying the trading banks' balances, is equally dangerous. The suggestion in the Minister's speech was that, in imitation of the United States of America, 20 per cent, might be required to be lodged by the trading banks. He quoted American figures to show that up to 20 per cent, might be required under certain conditions.

The Hon. Mr. NASH. — No, 26 per cent.

Mr. POLSON. — That is still worse. Just imagine what will happen to the trading banks in this country if they are required to lodge 26 per cent, of their deposits, either time or free, with the Reserve Bank. It would be fatal to good banking. I think the Minister should realize that what he would be doing would be robbing Peter to pay Paul, or rather robbing Peter without paying Paul, if he intends to control expansion by that means; the remedy surely is as bad as the disease: it would paralyse the trading banks, it would dislocate credit, and I am satisfied would stagnate business in this country.

Mr. LEE. — The honourable gentleman started off by saying he was going to vote for the Bill and he has been climbing down the stairs ever since.

Mr. POLSON. — I am prepared to support State control, but I am not prepared to support the principle of trade-union control. I am not prepared to hand over the Reserve Bank of this country to any political party to play political football with. I want to make that perfectly clear. At the right point and at the right moment I will vote for State control, but I am not going to give an open cheque to the Labour party or to any other party to carry on along the lines of this Bill.

The Hon. Mr. SULLIVAN. — What alterations would the honourable gentleman make in it?

Mr. POLSON. — We will come to the alterations when we move the amendments in Committee; and I would suggest that the Minister of Railways should ask his question then. I was surprised at the speech made by the honourable member for Nelson tonight. He railed at the late Government for making the cuts in the salaries of the public servants and in wages generally. But, surely, he had forgotten that he was a member of the Cabinet which brought the cuts into being; and, with the other members in that Cabinet, he must take his share of the responsibility for the cuts. If he disagreed with that policy, he should have resigned from the Government there and then. If he had done so, he would have stood high in the opinion of the people of this country, and would have been listened to with deep attention wherever he spoke on monetary reform.

Colonel HARGEST. — To whom is the honourable gentleman referring?

Mr. POLSON. — To the honourable member for Nelson. He was a member of the Government which made the cuts, yet he now condemns the late Government for making the cuts. His speech, like those of some of the members of the Government, left us somewhat in the air. He tried to tell us that we could both keep our cake and eat it; and I would like the Government to elucidate that point. I cannot understand it.

Hon. Members. — Hear, hear.

Mr. POLSON. — Possibly I am thick in the head.

Hon. Members. — Hear, hear.

Mr. POLSON. — But I ask the Government to explain the matter. The opinion of the honourable member for Nelson and that of the Government is that we can build railways, erect public buildings, and carry on great plans of development by the use of the country's credit, and at the same time still use that credit to purchase commodities overseas.

Mr. BROADFOOT. — Sir, I move that the honourable gentleman's time be extended.

Hon. Members. — No, no.

Mr. POLSON. — I thank the honourable gentleman for his courtesy. I expected there would be objection. The point I was making was that the Government's policy, like the speech of the honourable member for Nelson, is one I am unable to understand, because it proposes that one should have one's cake and eat it too. I would like to understand, and I would like the House and the country to understand, how the Government's policy to use the credit of the country to build railways, and erect public buildings, and carry on this great development work inside New Zealand can be given effect to and yet the Government can still use that credit to purchase goods overseas in exchange for the goods we send out of the country. The Government and the honourable member for Nelson have suggested clearing out the financial experts who advised the late Government. But one of
the curious things in the situation is the fact that the Government has not cleared out the experts, but has made use of them. The Dairy Industry Commission, for example, condemned guaranteed prices, and the Minister of Finance has asked a Committee, largely recruited from the members who comprised the Dairy Industry Commission, to formulate a plan for putting guaranteed prices into operation, and it has been sitting in Wellington for some weeks to devise such a plan. The Minister published a pamphlet, "Guaranteed Prices: How and Why." Obviously he did not know how, because he had to get a Committee of experts, who in their report had already condemned guaranteed prices, to pull him out of the hole and tell him how to put guaranteed prices into operation. It says a good deal for those gentlemen that they had the courage to face the situation and endeavour to assist the Government in bringing that policy to some reasonable form.

The Hon. Mr. NASH.—Was that after they said it could not be done?

Mr. POLSON.—They said it could not be done, and I expect they would still say it could not be done; but they are prepared to supply the Minister with all the information it is possible to give him to try to help him over the stile. I hope that the figures and the facts they have given him will enable him to tell us how. Apparently he did not know how. I do not want to be misunderstood in my reference to the Honourable member for Nelson or anybody else. I have very great sympathy with monetary reform and monetary reformers. But so far no successful plan of monetary reform has emerged or has been tried in any country of the world. This is not monetary reform in this Bill. This is monetary manipulation. This is something quite different from monetary reform. I think this Government will go down in history as the leap-before-you-look Government, a Government which has proposed something which means undoubtedly an immediate stimulation, a debauch overnight but a headache in the morning; and I expect that this country will wake up and find it has got the headache before this party has been in power very long.

Mr. DICKIE (Patea).—Sir, I intend to oppose this measure. I will not do so because I happen to be a shareholder in the Reserve Bank. But I want to ask the Minister of Finance a few questions before I resume my seat. We are told that this is to provide costless credit. What is to happen to the hundreds of thousands of depositors in the Post Office Savings-bank? Are we to continue to pay them 3 percent.

on their deposits when we can get money for nothing? I should like the Prime Minister or the Minister in charge of the Bill to answer that question.

The Hon. Mr. SAVAGE.—What is happening to them now?

Mr. DICKIE.—That is not an answer to my question. There is a great haste being shown in the passing of this measure. Why the urgency? The Prime Minister has informed us, and we have been told all over the country, that he is going onwards and upwards with the brakes off. But guaranteed prices are not to operate until next August or September, and so the money is not to be required for guaranteed prices. This is a measure of great urgency, and I want to know, and naturally the people in the country want to know, what is to happen to the Savings-bank depositors under a Bill of this character. The Prime Minister recently threw out the innuendo that certain people had attempted to persuade the depositors in that institution that their money was unsafe and they should take it out; in other words, that members—I think he insinuated that it was members of this party—had endeavoured to manufacture a run on the Post Office Savings-bank. I do not think that was fair. I know that the day after the general election three different people—and I think they were supporters of the Labour party—came to me and asked me what I thought about their Post Office Savings-bank accounts. I said, "Leave your money where it is. It does not matter if you take it out and plant it in a jam-tin in the garden; if the Government depreciates the currency of this country you will lose, wherever you have got your money. Leave it there, and in the meantime you will get 3 per cent, interest." We are told that this measure has to go through to-night. There is a catch in this, and the Minister of Finance knows it as well as I do. The reason for the hurry is that the Government wants to put into effect the clause in the Bill which enables it to grab the private credits of the exporters of New Zealand. The Minister of Finance knows as well as I know, and as well as anybody who has made a study of this question knows, that if the sterling assets in London become depleted the backing for the note-issue has gone, and inflation must be the result. There is not the slightest doubt that that is the reason for this smash-and-grab policy of taking the private credits of the Dominion. We are told that it is mobilizing the public credit, but it is not: it is grabbing the private credits. If a man produces ten bales of wool and wishes to ship it to the Old Country
under a free bill he is not allowed to do so. What is to happen to British deposits in New Zealand? Is the Minister of Finance going to prevent British people, who hold deposits in banks in New Zealand, from remitting those balances overseas? He should give an answer to that. We live to a large extent on the good will of our customers, and they are jolly fine customers and have played the game. We are departing from the system of banking that has stood the test of time in Great Britain as well as in New Zealand. Anyone who has had to lean on a bank during bad times knows very well that the bank will see its clients through a difficult period.

Mr. CHRISTIE.—Close their overdrafts.

Mr. DICKIE.—Oh, no. I can speak from experience. A bank will probably tell a person that it cannot grant him further accommodation, but if he has been a reliable customer and has played the game it will not interfere with him. Numerous Commissions on banking have been set up in the United States of America, and everyone has reported that the British banking system is the best in the world. I was rather amused to hear the honourable member for Nelson speak about the German inflation this evening. I was not in the Chamber this afternoon, but I understand the House heard a lot about the German inflation. The honourable member for Nelson said that Germany had deliberately inflated her currency in order to wipe out her internal debt. The French people did that, but the Germans did not. As a public man the honourable member ought to know that in 1923 the McKenna duties had to be applied to stop Germany from dumping goods into England during the inflation period. The duties were imposed on German motor-cars, clocks, watches, organs, gramophones, and goods of that nature, which were being made in Germany and for which the manufacturers in Germany were being paid in bad money. That is what is likely to happen in New Zealand —producers are likely to be paid in bad money. When the Labour party came into power in Britain in 1924 it removed the McKenna duties. I was in England at the time, and I can tell honourable members that it was amazing to see the amount of German goods that were being dumped in England. As we all know, the Labour party had to reinstate the McKenna duties within the space of a few months in order to give the British manufacturer a chance to pay a living wage to his employees and to manufacture goods. I know, and every thoughtful person knows, that this legislation is being rushed through the House to-night so as to enable the Minister of Finance to grab the people's credits before they awaken to the situation. In regard to guaranteed prices, in Egypt the Government gave a guaranteed price for cotton. The Egyptian cotton-growers went to the Government and said they wanted a guaranteed price for their cotton, and the Egyptian Government printed notes against the cotton. It paid a minimum guaranteed price, and not a maximum guaranteed price, but the price of cotton slumped to such an extent that the stores became overflowing. The Government had issued so many paper notes against the cotton that when the cotton was sold on the British market and brought such a poor price the Egyptian currency dropped from parity with sterling to 1os. in the pound. That is what comes of paying for goods with paper money that cannot hold its value. The Minister of Finance and the Prime Minister know that unless they can keep up their sterling assets in London, they have no backing for their currency, except the £3,000,000 in gold and the State securities. They are going to embark on a printing-press career which will land this country into serious difficulties. That is undoubted, unless they can keep up the sterling assets. We have to spend £9,000,000 in sterling on interest on the national debt irrespective of outside debts held in England by local bodies. It will be seen, therefore, that there is a fairly heavy demand for sterling in London. Further, we are to be rationed as to imports. If a man wants to go abroad he will have to go to the Minister of Finance and get a letter of credit, and when he gets it he will not be sure whether his draft will be honoured or not. This is the pass that we will arrive at in New Zealand —in a free country. I think that the Bill should be postponed until after Easter to allow the people to examine it, and it should be referred to a Committee. This Bill is being introduced to implement guaranteed prices, not that there is anything extravagant about the price to be guaranteed for butter.

The Right Hon. Mr. FORBES.—What is it?

Mr. DICKIE.—It is to be 1s. 1 1/2d. per pound butterfat. That includes the exchange. Dealing with this Bill the Prime Minister flapped his arms about and said that he had a mandate from the people to put the Bill through —to put everything through. One of the biggest carrots held out to the donkeys who voted for the Labour party was the removal of the exchange. It was also stated that the sales tax would be abolished. I understand the wool-buyers went to the Prime Minister before the wool sales and asked for a definite assurance regarding the exchange.
The Hon. Mr. SAVAGE. — No wool buyers came near me.

Mr. DICKIE.—I understood they did. I understood that they said they could not bid until they knew where they were. There is no need to pass an Order in Council to reduce the exchange. What happened when the last increase was made to the exchange-rate was that on a Thursday night here in Wellington bankers met the Cabinet and the next morning when the banks opened for business at ten o'clock the rate was up from 11o to 125. The new Government could have reduced the rate of exchange the day after the election if it wished. That was their promise. I was at Home quite recently and I worked under a letter of credit which cost me £125 los. 4d. for every £100 I got in Great Britain. That disability was a great talking-point at the last election. We know that some British merchants were rather sore because they had deposits here and they could not get them back to London at a satisfactory rate. This carrot was dangled in front of the electors at the election time by both Labour candidates and Democrat candidates. What about the promise of the Prime Minister? We have been used to pie-crust promises in the past, but not the type of promises of the Prime Minister—"I am not as other people" and "We have a mandate from the people; we are going skywards with the brakes off." But the brakes are fairly tight on the exchange rate and the sales-tax. Now, I want to know why these promises have not been kept. Four months have passed since the election. The Hon. Mr. SAVAGE.—What has this got to do with the Reserve Bank of New Zealand Amendment Bill?

Mr. DICKIE.—Certainly it is all wrapped up with currency and credit. I thought we were discussing the Government's proposal to take over the socialization of the means of production and exchange. Now, this is only a prelude to what is going to take place later. After the taking of the produce off the land there will be the taking of the land itself. A man can go into the backblocks, clear a section and produce his goods for export, and when he wants his bill of lading he is to be told that he cannot have it. He may want to lift the money at any time, but he is to be told that his bill must go into the Reserve Bank. Is that mobilizing the public credit? The public credit is money that can be obtained through the means of taxation. This is a mere smash-and-grab policy. Our people are to be fobbed off with the promise of guaranteed prices and probably paid with bad money, and yet the Government puts a clause in the Bill giving the Minister of Finance the right to seize all bills and put them through the Reserve Bank. Now, as far as the private shareholders are concerned, I am one of them myself. I have always regarded the Minister as a fair man and have always had an admiration for some of his ideas, even on the currency question, but the honourable gentleman is in a new role to-day. I do not know who is pushing him, but there is some power behind him, and it must go against the grain for him to have to act as a dictator, to decide what shall be done with people's private money. As far as the private shareholders are concerned, I would like to say that, although the shares went up to £6 13s. and were at £6 1os. for a time, I think the Government's proposal is quite fair. The position of the private shareholders was one in which I took a great deal of interest at the time the original Bill went through the House. I went to the ex Minister of Finance and asked him whether he would consent to my moving an amendment reducing the number of shares in the Reserve Bank to be held by one person because I realized that if we wanted to make the bank a representative one the more shareholders we had the better, for in times of crises a position may arise where a big volume of public opinion is a valuable thing to have in the country.

The Rev. Mr. NORDMEYER.—Did he let the honourable gentleman get his amendment through?

Mr. DICKIE.—No; I will tell the honourable gentleman what happened. At that time the ex Minister of Finance said that it was somewhat doubtful, owing to the amount of opposition to the Bill, whether he would get the capital. I had no misgivings in my mind at the time, but he said that he would guarantee that the small applications would be dealt with first, and if there were any shares left the bigger men could come in then.

The Hon. Mr. ARMSTRONG.—Why did not the honourable gentleman move the amendment?

Mr. DICKIE.—That has nothing to do with it. That was the arrangement made, and I will tell the honourable gentleman how it worked out. As far as the Minister of Labour is concerned, he knows nothing about the subject. He said on a recent evening that credits were stopped.

Mr. SPEAKER.—Was that during the debate on this Bill?

Mr. DICKIE.—Yes, Sir, on this Bill. When the Minister of Finance was speaking I asked whether he was going to seize letters of credit and the Minister of Labour
said, "You cannot get a draft through now." Probably he has never sent a draft, and we will put it down to that. However, I was answering another honourable gentleman's question. As a matter of fact, no one got more than £75 worth in one lot by way of shares in the Reserve Bank. That surely is proof that the small shareholders were satisfied first. I applied for £1,000 worth of shares and got £75 worth. A lady down south from me applied for £100 worth and got £75 worth. That is all I am going on. I advised a number of women who were looking for a safe and sound investment, and they were allotted £75 worth in every case. A number of small investors were looking for a trustee investment in one of our national institutions. And it makes for strength. We know that if a Government gets into a mess or flies in the face of public opinion it is in for a rocky time. One has but to recall what happened recently when the Cabinet in Great Britain decided on a certain course of action in connection with Abyssinia. Sir Samuel Hoare went across and made a compact with the President of France, and when it was found that public opinion was so strong against Sir Samuel Hoare he had to resign and Mr. Baldwin had to say that a mistake had been made. I think that before very long public opinion in this country will rise against this raid on the people's savings and on their credit. The hurried manner in which the Bill is being rushed through the House is no credit to any Government.

Mr. LEE.—The honourable gentleman has been saying that too much credit is being given to the Labour Government.

Mr. DICKIE.—If the honourable member for Grey Lynn wants to make a pun we cannot help that, because he is given to that sort of thing; but I am talking about a more serious matter. I have never heard him give any sound explanation of credit or currency in this House. It is all very fine talking, but we have to keep one eye on the people who buy our goods. Let us consider some of the recommendations of the British Economic Fiscal Union. As honourable gentlemen know, there is an Import Duties Advisory Committee in Great Britain which advises on all matters in connection with duties and so on. Shortly we shall be facing the position of the termination of the Ottawa Agreement and the bringing into effect of a fresh trade agreement. Thirteen trade agreements between Great Britain and other countries expire this year, and our Ottawa Agreement will expire next year. There is not the slightest doubt that the British people are going to have specific duties or levies, as against the old ad valorem duties. Any action taken even by an Empire country must react if that country is not playing the game with Great Britain. It has been suggested that the Import Duties Advisory Committee be authorized to make recommendations with respect to duties on subsidized goods, dumped goods, and goods coming from countries with depreciated currencies.

Therefore, if we deprecate our currency, the arrival of our goods in Great Britain will be looked upon as dumping, and we will have to stand the chance of having a levy put on them — something that we all should endeavour to avoid. There is also the recommendation, in connection with the Ottawa Agreement, that in its revision steps be taken to ensure that British agriculture and British industries shall be safeguarded against undue competition from Empire countries. So there we have it. If we are going to inflate our currency and charge more in New Zealand than the price at which we are dumping on the British market, we know what to expect, because this system of levy or specific duties will be given effect to in Great Britain. It is most important that we should be on sound ground when we come to make this arrangement. The honourable member for Nelson quoted Reginald McKenna as saying that they who control the credit of the country hold the people in the hollow of the hand. I dare say that the honourable member has quoted more people than anybody else in the House. He rarely gives expression to his own opinions. He should really go about in quotation marks. When in the Old Country I met Reginald McKenna and Sir Josiah Stamp. The Hon. Mr. LANGSTONE.—Are they well? Mr. DICKIE.—I dare say the honourable gentleman considers himself astute enough to be rubbing shoulders with those gentlemen. He is the big man on currency and credit in New Zealand, and, of course, would be rather friendly with the big men over there. I mentioned to one of those gentlemen that he had been frequently quoted in this House, and he replied that no doubt the object would be to try to embarrass the Government. We hear all sorts of statements without the context, and meanings are read into them that were never intended. The same applies to the writings of Gustav Cassel. That authority advocated a sterling block at the last Economic Conference in London. He said that everybody should endeavour to get on parity with sterling. I understood from the election speeches of the Prime Minister that our pound was to look the British pound in the face, if I may use the expression, but we have heard
nothing about the matter since the election. I am wondering whether the exchange-rate business is taboo. I hope that in Committee we shall be given the Government policy on that subject and also on the sales tax. I view this measure with considerable misgivings. Some years ago, just after Sir Joseph Ward died, we had no sterling credits in London at a time when we were badly in need of £4,000,000 there. The banks here stipulated that they must have first call on our overseas credits before they would find the money. There was an outcry from the North Cape to the Bluff about the action of the banks. The commandeering of our credits took place, but only lasted for six months. Subsequently we were able to raise £5,000,000 in London and so put the matter right. Clause 10 gives the Government the right to seize the credits of our primary producers for all time. That is most unfair. I do not think that the people are aware of what is being done. The Bill is being rushed through. No evidence has been taken on it, and I think the procedure is the most high handed that we have ever witnessed in this Chamber. The Hon. Mr. NASH (Minister of Finance). —Sir, may I make some reference first to the remarks of the honourable member for Patea. He mentioned the Post Office Savings-bank depositors and asked whether the procedure to pay at the rate of 3 per cent, on deposits up to £500 and 2 per cent, on deposits between £500 and £2,000 was to be continued. The answer is, "Yes." In spite of the propaganda issued by the party to which he belongs during the election campaign, in spite of the most malicious and vicious electioneering advertisements ever sent out — advertisements that were sent out by the party to which the honourable gentleman belongs — Post Office Savings-bank depositors will get their money and they will get their interest, and they apparently think so, because the total deposits in the month of February were the highest for a very long time. During that month the deposits amounted to £2,200,000, and, in addition, as I mentioned on a recent evening, the deposits exceeded withdrawals by £310,000. The honourable member also referred to the possibility of grabbing private credits. He knows perfectly well that the inference he is endeavouring to convey to the public is not a just one. There is not a man in this Dominion who produces anything for export who will not get the full price for his product here in New Zealand for everything he exports. And he will be paid in good, sound New Zealand currency.

Mr. DICKIE. — And will he be allowed to get goods in return?

The Hon. Mr. NASH. — It is not a question of goods, and it is no use the honourable member trying to run away. The procedure to be followed is that the man who produces goods for export will be paid here in New Zealand currency and will be able to use his money in New Zealand. The sterling exchange built up from the sale of the products in London will be under the control of the Reserve Bank. If any person in New Zealand shows legitimate claims to those credits in London he will be able to obtain the sterling exchange that he legitimately requires. An Hon. Member. — Who will be the judge?

The Hon. Mr. NASH. — The Reserve Bank will be the judge. It is no use honourable members on the other side interjecting. They have been talking for five hours or six hours and they do not like the answers to the misleading statements they have made. There is not a single word in the Bill which says other than that everyone who produces anything in New Zealand for export will be paid in New Zealand and any one desiring credits under the control of the Reserve Bank in the form of sterling, for utilization in Great Britain or elsewhere, if legitimately entitled to it, will be able to obtain that credit in London on every occasion. Then the honourable member for Patea referred to British deposits in New Zealand. To the extent that there are any in New Zealand, if they are required by British people in London they will be able to obtain the credits.

An Hon. Member. — To-day?

The Hon. Mr. NASH. — To-day, tomorrow, next month, or next year. Any one showing a legitimate title to any New Zealand sterling exchange in London will be able to obtain it.

The Right Hon. Mr. COATES. — What does the Minister mean by "legitimate"?

The Hon. Mr. NASH. — If the goods have been paid for in New Zealand and the commodity is sold in London, the Reserve Bank will have the monopoly of the exchange. Any one requiring credits for the purpose of importing goods into New Zealand will be able to obtain the credits for those imports.

Mr. DICKIE. — For all imports?

The Hon. Mr. NASH. — I am answering the honourable member for Kaipara at the moment, and I say that any one requiring credits in London for imports into New Zealand will be able to obtain those credits. The next point I will deal with is the reference by the honourable member for Stratford
to corrupt Governments. He says a corrupt Government could do anything. Of course it could. A corrupt Government could do anything whether this legislation was on the statute-book or not. But we are not legislating for corruption—we are legislating for Governments of integrity. There has been a great deal of humbug talked about the possibilities of corruption. And then members of the Opposition endeavour to counteract the insinuation by saying that, of course, they are not referring to the present Government. Corrupt Governments can come into this country at any time if the people are corrupt enough to put them into power. I do not think they are likely to do so. Whether this Bill is on the statute-book or not, if Governments want to be corrupt they can be corrupt. I suggest that we have people in this country like those of other countries. The honourable member for Stratford said that he was in favour of setting up State control.

Mr. POLSON.—No, political control.

The Hon. Mr. NASH.—There is no other control than political control when one gets political government. The honourable member for Kaipara shakes his head, but there is no difference between State control and political control. Why is there no difference? The State can only be controlled by a political party when the political party becomes the Government; it is then automatically in charge of the State, and if the State is in control, then obviously the party in control of the State is itself in control.

The other point raised by the honourable member for Stratford was: How can we have credit, and still use it, for the purchase of goods overseas? Well, we would utilize the credit we have for the goods we send overseas, firstly, to pay the interest on the debt we owe; and then any sum over and above the amount we require to pay for our commitments will automatic ally be made available for carrying out the reciprocal trade agreement that we make with Great Britain for the importation of goods we cannot manufacture. If we export goods to build up credits in the United Kingdom, the first charge on those credits will be the service of our debt. The money over and above that, as far as it is possible to assess it, will be made available for the purchase of goods that we require and cannot manufacture ourselves. There is no other way in which we can be paid for our exports than by the importing of commodities. We shall endeavour to see that those goods which can be manufactured here are manufactured here, and those that cannot will be purchased from the Old Country with the credits that are obtained from the sale of our exports.

Mr. DICKIE.—Why this tremendous hurry?

The Hon. Mr. NASH.—We want to do it very quickly. We have had four years of the old system, and the sooner it is changed the better. The honourable member for Kaipara asked whether it is intended that the directors of the bank are to be ordered by the Government to carry out the Government's policy, and that failing that they will be removed from office. The procedure it is proposed to follow is set out in the Bill, in that the present directors are to remain for the same period as was provided for in the Act now on the statute-book. When the Government desires its policy to be set out to the Reserve Bank it will give it notice of what it desires to do. It will then go to the bank directors, which generally will mean the governor, and set out what it requires to do. If the directors give sound and legitimate reasons why this cannot be done, it will not be done. If they at the same time give reasons why it would be harmful, it will not be done. If they, however, having received the policy of the Government according to the wisdom or otherwise that Cabinet may have, and are asked to do that and then say it cannot be done and we are of opinion that it ought to be done, at that point we ask them to give us their co-operation to carry out what we have been asked to do by the electors and which we consider will be of benefit to the people of the Dominion. After having threshed a matter out some one ultimately has to decide. Does the honourable member for Kaipara say the Reserve Bank ought always to decide, or the Government? I think the honourable member understands the procedure we propose to follow and cannot do other than agree with it. It is not a case of coercion.

The Right Hon. Mr. COATES.—I think my question was wrapped up with something else; it is just a matter of valuing the assets.

The Hon. Mr. NASH.—I am coming to that. The next point the right honourable gentleman raised was testing the value of assets. Every one of the projects which the Government will ask the Reserve Bank to find the money for, whether at interest or not, will first have to be ratified by this House. The procedure will be in the ordinary way in regard to the estimates; they will come before the House and the Government will ask it to authorize the utilization of credit for the specific purpose of building houses, if one likes, constructing a railway, or, if circumstances so warrant and there are idle hands and raw material unused, the construction of schools, and also
to remove the frightful disgrace afflicting the Dominion at the present time in connection with our mental hospitals. The overcrowding prevailing in those hospitals at the moment is such that we should not lose a day longer than it takes to find the necessary labour and material. On each occasion we will come to the House and ask it to authorize what we propose to do.

The Hon. Mr. HAMILTON. — Will nothing be done before the Government places the matter before the House?

The Hon. Mr. NASH. — In connection with the credit we are proposing in this direction and may want from the Reserve Bank we propose to lay before the House the proposals we have, and if the House ratifies them, all right. That does not mean, however, that we will wait before we do anything until the House has ratified it.

Mr. BROADFOOT. — Will that apply to the construction of the Napier-Gisborne Railway and the South Island Main Trunk line?

The Hon. Mr. NASH. — I am doubtful whether it would apply to them because the Government has decided that those lines are to be constructed.

Mr. SMITH. — The House will not be consulted?

The Hon. Mr. NASH. — The House can vote against the Government Railways Amendment Bill if it so desires, but to the extent that we are of opinion a railway ought to be constructed, and after getting all the evidence worthwhile, the Government will decide whether it shall be constructed and will provide the necessary credit to enable that work to be done. The next question of the right honourable gentleman was, Is the Reserve Bank to be subject to the political machine? No. But I would like to know how he defines the political machine. It will be subject to the Cabinet of this House, which is subject to the House, and the House can turn it out at any time it wants to. The honourable member also said that Government ownership always failed. Look through the ages and one will find that when a private enterprise has failed Government ownership has always had to come in. Every succeeding year during the past decade has the Government had to come in more and more to the rescue and do those things for the people which private enterprise has failed in doing. Now, the honourable member objected also to the price of securities at 4 per cent. He said that we were tending to lift the rate of interest by issuing at that price. That price, of course, would not have been necessary had the Minister in charge not given a 5-per cent, guarantee.

The Hon. Mr. HAMILTON. — That was about the ruling rate at the time.

The Hon. Mr. NASH. — No. From every corner of the House there were objections to the 5-per-cent. rate of interest that was being guaranteed. I will be glad to discuss with the honourable member for Wallace the rates that were ruling at the time the shares were issued. I may be wrong, though I do not think so; but I affirm here, subject to that correction, that the rate offered for the Reserve Bank shares was at least 1 per cent, better than New Zealand securities were costing at the time. The other alternative to meet the point raised by the right honourable gentleman is to issue a larger sum at a lower rate of interest. Surely he would not suggest that.

The Right Hon. Mr. COATES. — I did not say that. The Hon. Mr. NASH. — The honourable member objected to our issuing securities at 4 per cent., because that rate of interest would be tending to lift the ordinary rate of interest on our security market, and would be harmful in general. The only way to give the people that which they were legitimately entitled to, so that they would have something of an earning capacity equal to that which they had, was to give them even a larger sum, and I do not think even the right honourable gentleman wanted to do that.

The Right Hon. Mr. COATES. — I did not say that. The Hon. Mr. NASH. — If the right honourable gentleman thinks we paid too much he can.

The Right Hon. Mr. COATES. — What I said was that the reaction on the market with lenders would tend to raise the rate.

The Hon. Mr. NASH. — The securities which are to be issued cannot be negotiated on the market. The holders may have the value of the securities at any time by making application to the Treasury, but they cannot place them on the market.

The Right Hon. Mr. COATES. — There is not a 4-per-cent. security on the market.

The Hon. Mr. NASH. — I can quote eight issues. One for 1942, one for 1946, two for 1949, two for 1955, and two others.

The Right Hon. Mr. COATES. — At what return? The Hon. Mr. NASH. — It is not a case of return. I am quoting the securities, which are 4-per-cent. debentures and stock.

The Right Hon. Mr. COATES. — What has that to do with it? I was quoting the return.

The Hon. Mr. NASH. — The right honourable gentleman said there was no such thing as a 4-per-cent. security on the market.
The Right Hon. Mr. COATES.—Not a 4-per-cent. return.
The Hon. Mr. NASH.—He said there was not a 4-per-cent. security on the market, and I have quoted eight of them. The question of return is another thing altogether.
Mr. POLSON.—Was not the right honourable gentleman talking of the rate of interest, and does not that mean the return?
The Hon. Mr. NASH.—He was talking of the rate of interest on stock and debentures issued.
Mr. POLSON.—That is an entirely different thing.
The Hon. Mr. NASH.—The right honourable gentleman said there was no such thing on the market as a security bearing interest at 4 per cent. That is not correct. It might be that there are no New Zealand securities on the market returning interest at 4 per cent. That is a different thing entirely.
Mr. POLSON.—That is what was under stood.
The Hon. Mr. NASH.—The right honourable gentleman asked what “permanently incapable” in reference to the bank’s directors meant. Well, it means just what it says.
The Right Hon. Mr. COATES.—The provision in the Bill is very different from that in the original Act.
The Hon. Mr. NASH.—No. If the right honourable gentleman is keen on the wording of the original Act I would not mind, with the consent of my colleagues, meeting him by inserting the old wording in the Bill—the wording that he himself wrote into his Bill. If he is so keen on the wording in the Act we will strike out the clause in the Bill and reinsert that which we are proposing to strike out from the original Act. I was asked what does the variation in the balances required to be deposited by the trading banks with the Reserve Bank mean. Well, I tried to make that clear in my previous speech. It is part of the policy of controlling the credit and currency of this Dominion by the Reserve Bank, in accordance with the policy of the Government. The Reserve Bank will be owned and controlled by the people of this Dominion; and the trading banks will fit into the credit and currency policy of the Reserve Bank, which is to serve the interests of the whole Dominion. The powers referred to will not he exercised unless there are ill signs suggesting that we are increasing our credit to danger-point. In that case, the increased balances required to be lodged in the Reserve Bank will stay the inflationary tendency.
Mr. POLSON.—That is the intention; but the effect will be disastrous.
The Hon. Mr. NASH.—The intention will be carried out; but I do not see that disaster will follow. The right honourable member for Kaipara has asked a number of questions that require an answer, and I will answer most of them in Committee. One, however, I will deal with now. He asked why is power taken to ascertain the overdraft facilities available at any given time. What we wish to know is what is the amount that the trading banks in the Dominion, through the whole of their branches, have issued in the way of overdraft authorities which have not been exercised.
The Right Hon. Mr. COATES.—The honourable gentleman will understand that the banks would be somewhat concerned if they had promised clients advances and prior to their being made use of they were suddenly cut off.
The Hon. Mr. NASH.—We are not concerned in any way with individual advances. The information we are asking for is as to the sums the banks have already authorized but which have not been exercised.
The Right Hon. Mr. COATES.—That is all right; but I think that, as the Bill reads—as I read it, at any rate—the Reserve Bank is to know the difference between the amount authorized and the amount actually advanced.
The Hon. Mr. N A S H.—No; the Bill reads that the banks are to notify the Reserve Bank as to the total sum of unexercised overdraft authorization.
The Right Hon. Mr. COATES.—That is the same thing.
The Hon. Mr. NASH.—If the banks have authorized advances up to £10,000,000 and have issued up to £8,000,000, then the amount of the non-exercised advances is £2,000,000. That is the information we want. There will be no private information, no information as to individual advances asked for.
The Right Hon. Mr. COATES.—Does not the honourable gentleman consider that information unnecessary?
The Hon. Mr. NASH.—No; I think it is very useful information to have — very useful to know exactly what advances have been authorized but not exercised.
The Right Hon. Mr. COATES.—Although commitments have been made? Does the honourable gentleman consider that right?
The Hon. Mr. NASH.—A bank at any time, failing the exercise of an authority, can reduce it.
The Right Hon. Mr. COATES.—If one were granted an overdraft of £1,000 and drew
up to £800 and then suddenly the £200 remaining were to be cut off, that would create a rather awkward situation as between the bank and its client. The Hon. Mr. NASH. — The £200 mentioned by the right honourable gentleman will be part of the sum supplied by the trading banks to the Reserve Bank as unexercised overdraft. I have also been asked what is to happen in connection with the existing London exchange held by trading banks in London. We do not propose to do anything whatever regarding London exchanges held by the trading banks. [Time extended.] We are not worrying about London exchanges other than those in the Reserve Bank, but ultimately it will be legitimate for us to control in their entirety all sterling exchange coming from the sale of New Zealand products overseas, and if we are in control of that sterling exchange it will be made available to the trading banks for any legitimate purpose connected with New Zealand.

The Hon. Mr. HAMILTON. — There is no urgency about that?

The Hon. Mr. NASH. — No. I will tell the House later what procedure will be followed in connection with the Bill. The honourable member for Bay of Islands asked what procedure would be followed in connection with the requirements of credits by the Government. We propose to come to this House for credits in connection with public works and the other assets we hope to produce by expenditure of money of that type. In connection with overdrafts for guaranteed prices we hope to be able to go to the Reserve Bank and obtain necessary credits to enable us to finance guaranteed prices, and the bank will be recouped by the sum obtained by the sale of the products in London.

The Hon. Mr. HAMILTON. — Perhaps.

The Hon. Mr. NASH. — We will take the word "perhaps" in the same sense that the honourable gentleman, as a prudent business man, may not always be able to meet an overdraft immediately when due, and there is this difference: that there is no more risk, and the Government is behind it and not an individual. The honourable member for Bay of Islands also asked what shares the Reserve Bank held in the Bank for International Settlements. The answer is "None". A lot of nonsense has been talked about the Bank for International Settlements and the Reserve Bank. I am hoping that someday there will be a bank for international settlements properly and completely organized and available for every country to lodge its overseas deposits in under their own control. With regard to the proposed supervision of access to sterling assets, this is important, although it is not likely to be exercised unless emergency circumstances arise. It is necessary to have power at any time to prevent anyone having access to sterling until we have all the money we require to meet our own commitments in London. We have had one experience when New Zealand in 1930 was unable at the moment to meet from sterling assets an amount of £4,000,000 that had fallen due in London, and the then Government had to find someone to come to its assistance. That type of thing is not going to happen again if the present Government can avoid it. The only way of so avoiding it is to have complete and absolute control of all exchange overseas. Someone suggested that this is an extraordinary power we are taking. It is not comparable with the power not only taken but exercised by the British Government when it suspended the gold standard in 1931. That meant that large sums of money lodged in London by France and other countries were depreciated in value. I am not suggesting anything of that type. I am simply saying that if a situation arises under which it is necessary for the Reserve Bank to take complete control of the credits that have been built up by the New Zealand Government we shall take that control as provided for in the Bill. Then the honourable member for Wallace also referred to the importance of selecting men of experience for the Reserve Bank. That is what we have done. We have selected the same men as the previous Government selected: we are leaving them there.

The Hon. Mr. HAMILTON. — But the Government is taking power to override them.

The Hon. Mr. NASH. — Yes; but the honourable member for Wallace surely does not presume for one moment that the Government should be in charge while somebody else should be in charge in another direction. Does he say that it should be the other party that should be in charge, or should it be the Government? We will decide those things which we think of importance and let the directors of the Reserve Bank decide the other matters. I do not know whether it was fair to compare politicians with directors of private banks. I think that politicians compare very favourably with men in all other walks of life—perhaps they are no better and perhaps they are no worse.

The Hon. Mr. HAMILTON. — I said that.

The Hon. Mr. NASH. — Then why object to their having supreme power?
The Hon. Mr. HAMILTON.— We had a taste of that before, that is why.
The Hon. Mr. NASH.—Well, I say that the power we are proposing to take is the correct power to take. There is nothing underhand in it. There is nothing but what is clean and open in every word of the Bill. There is not a question which has been asked by any member that I will not answer, as far as it is in my power to answer. There is nothing to hide. I will tell honourable members the procedure we followed in drafting the Bill. There is no word in the Bill that was not said during the election campaign. Indeed, the election propaganda was over-riding in its fullest sense, and not only in the daily newspapers but every member of the party opposing the Labour party warned the electors that we were going to do this, and in spite of that warning the electors sent us here to do it because they thought it was in the interests of the country to have it done. Then there is another point: the governor of the Reserve Bank has helped me on several points. In moving the second reading of the Bill I mentioned that he could not agree to the principles in the Bill, but that, subsequent to making his protest, in general he has done what he could to help to put into words that which we desired to have put into the Bill to make the legislation workable. His willingness to cooperate is not open to question, but at the same time I am not suggesting that he is in favour of the Bill. The point is that we are setting out in the Bill the powers we propose to take, and we will take the powers as far as possible after members have voted on the Bill, and when those powers have been taken they will be used in accord with the prudence and care that are necessary to see that everything humanly possible that can be got out of the resources of the country for the benefit of the people will be got out of the country. I cannot understand the leader of the Opposition and the honourable member for Waitomo. One says that the Minister of Finance is a dictator; the other says that he is dictated to. They cannot both be right. The leader of the Opposition says that the Trades Hall writes the laws that the Labour members have to give effect to.

The Right Hon. Mr. FORBES.— Is that not so?
The Hon. Mr. NASH.— No.
The Right Hon. Mr. FORBES.— That is new.
The Hon. Mr. NASH.— That is not new. I was going to say that the right honourable gentleman knows that is not correct.

Mr. POLSON.— We have the assurance of a member in this House who was secretary of the Labour party that it was so—in a speech made in my own electorate.
The Hon. Mr. NASH.— I was secretary of the Labour party for ten years, and the successor to myself is a very very wise man; and I have never heard him say that the policy of the members of the Labour party in Parliament

The Hon. Sir ALFRED RANSOM.— Did the secretary of the Labour party not sign the manifesto of the Labour party?
The Hon. Mr. NASH.— Who signed that manifesto? The leader of the party, Mr. M. J. Savage; I signed as president; Mr. Thorn as secretary. I do not remember any other signatures. They were not required. I will explain when I come to the points that have been raised by the honourable member for New Plymouth. I wanted to make one other reference to the suggestion that the late Government party had nothing to do with vicious propaganda. Here is the manifesto of the party, signed by G. W. Forbes, Prime Minister; and by J. G. Coates, Minister of Finance. On the back of the leaflet is a picture of people not being able to get money out of the Post Office Savings-bank. Will the right honourable gentlemen now deny that they told the electors that they would lose their money if we became the Government?

The Right Hon. Mr. FORBES.— Allow me to say that what we did tell them was that if the Labour party's policy of inflation was put into operation in this country there would be a danger.

The Hon. Mr. NASH.— I will pass this on for the right honourable gentleman to see.

The Right Hon. Mr. FORBES.— I said no more.
The Hon. Mr. NASH.— The right honourable gentleman cannot get out of it like that. He can read his own leaflet when I am finished with it. It is one of the worst pieces of misleading propaganda that I have seen, and he knew it was.

The Right Hon. Mr. FORBES.— I have not seen it yet. Let me have a look at it.
The Hon. Mr. NASH.— Yes, I will. However, people saw through it.

Mr. ATMORE.— Will the Minister note that it was sent to women only?
The Hon. Mr. NASH.— Yes. I have one other point, and that is in connection with securities and the possible danger of their fall. Weekly returns of New Zealand Government stocks in London since this Government came into power show 'that, outside the first fortnight, when they tended to fall, they have successively risen, and they are higher to-day than for the last two years. The last quotation received.
that of the 2nd April—only a few days ago—shows that the 1935 stock is now quoted at a premium of 17s. 6d.

Mr. BROADFOOT.—When is the interest due?
The Hon. Mr. NASH.—I could give accrued interest, if members want it. There is not the feeling in Great Britain that the honourable members on the Opposition benches are trying to create in this Dominion. They are doing all in their power to instil into the people of this country a lack of confidence. It is unfair and misleading.

The Right Hon. Mr. FORBES.—The English people know the honourable gentleman's party.
The Hon. Mr. NASH.—Yes, they know us, and not a single fraction have our securities fallen. They know the people in charge of the Government. I say emphatically that there has not been a speech from the other side of the House that has not been quiet insinuation and innuendo intended to introduce into the country a lack of confidence in the Government.

The Hon. Mr. HAMILTON.—The people are continually asking us for information.
The Hon. Mr. NASH.—I am referring to the tone of the speeches delivered to-night. I concede that there were exceptions.

Mr. SMITH.—The honourable gentleman has done that for years.
The Hon. Mr. NASH.—It does not make it right.
The honourable member for Awarua asked for a definition of "public credit." He gave his own definition, and it may possibly be a correct one. I submit that public credit consists of unused labour and materials which could be turned into assets; the money or credit required to do this should reflect their value to the community. It is this sum that the Government calls public credit. It brings unused labour and material into use to make them available to the people for consumption or service.

The Right Hon. Mr. FORBES.—That is vague.
The Hon. Mr. NASH.—There is nothing vague about it. I can write it out for the right honourable gentleman. The next point is the alteration of power to dispose of the profits of the bank. That was objected to by the honourable member for Awarua. It is simply a power to see that the bank's profit is made available to the Government for its own use and to enable the Government, in consultation with the directors and the governor, to determine what is the sum that ought to be set aside for certain purposes, and further to ensure that the balance automatically goes to the

Government funds. The honourable member for Awarua quoted John Maynard Keynes as an authority. I asked the honourable gentleman whether he considered that writer an authority and he answered, "Yes" He went further and declared that there is no better judge, apparently, of monetary theory and economics in the English-speaking world than Keynes. I agree with that. In his last book Keynes makes this statement, — "Interest to-day requires no genuine sacrifice any more than does the rent of land. The owner of capital can obtain interest because capital is scarce, just as the owner of land can obtain rent because land is scarce. But while there may be intrinsic reasons for the scarcity of land, there are no intrinsic reasons for the scarcity of capital." Does the honourable member for Awarua agree with that statement made by the man he has described as the best authority in the world.

The Hon. Mr. HAMILTON.—What does it prove?
The Hon. Mr. N A S H.—The extract is from the "General Theory of Employment, Interest and Money," and it appears in a review taken from the London Financial News of the 4th February, 1936, page 7. The honourable member can obtain a copy of the Financial News, or, if he desires another comment, he can obtain the Weekly Review of Periodicals issued by the board of governors of the Federal Reserve System.

The Hon. Mr. HAMILTON.—What does it prove?
The Hon. Mr. NASH.—I am giving what Keynes says.

Mr. DICKIE.—Does the honourable gentleman believe that?
The Hon. Mr. NASH.—Yes.

Mr. DICKIE.—Is that why the Government is not paying interest on bank deposits?
The Hon. Mr. NASH.—That is the same type of malicious interjection.

Mr. DICKIE.—No.
The Hon. Mr. NASH.—Yes, it is the same type. I had not said a word about non-payment of interest. I said that we would pay interest. I have merely cited an authority quoted by the honourable member for Awarua and described by him as the best judge in the world.

Mr. DICKIE.—The honourable gentleman said he believed

The Hon. Mr. N A S H.—I said that interest was a factor determined by the security or otherwise of capital.
Colonel HARGEST.—The Minister will agree that I quoted Keynes on a totally different subject? The Hon. Mr. NASH.—Yes, but I asked the honourable gentleman whether he considered him an authority and his answer was "Yes" I also say that he is an authority, and the latest authority.

Colonel HARGEST.—An authority on a totally different subject. The Minister is speaking on interest.

The Hon. Mr. NASH.—Keynes is an authority on finance and monetary matters.

Mr. SPEAKER.—Order. This is developing into a dialogue between the Minister and the honourable member for Awarua.

The Hon. Mr. NASH.—I will quote a little more from Mr. Keynes, who is of the opinion that he would like to see an increased degree of State intervention. He says, "The State will have to exercise a guiding influence on the propensity to consume, partly by its scheme of taxation, partly by fixing the rate of interest, and partly, perhaps, in other ways." That is from one of the greatest authorities, on the evidence of the honourable member for Awarua. And Keynes says what is embodied in this Bill — that there must be some State intervention. Then again, the solution which he favours lies in the securing of full employment by means of increasing the volume of capital and lowering interest rates. In this connection he delivers an onslaught upon the pre-war system, through which fixed exchange parities were maintained with the aid of a high bank-rate. This meant, said Mr. Keynes, "that the objective of maintaining a domestic rate of interest consistent with full employment was wholly ruled out." That means that the people who had the control of the money factor were not utilizing it for the purpose of bringing about employment, which would give work to those who needed it. Finding employment was ruled out. And when honourable members talk about the magnificence of the British banking policy, whilst it has some validity so far as mechanical methods are concerned, it is no answer to the fact that there are still two million unemployed in the Old Country who do not know where to get food. There are still depressed areas where tens of thousands of people literally scrape the garbage-tins in the hope of finding some food. I would not be proud of a banking system which had anything to do with that. And I will give credit to the suggestion that the best banking system from a mechanical and safety point of view is that located and worked out in Great Britain. And I am not subscribing to the idea that there are evil people in charge of it.

Colonel HARGEST.—The Minister knows that the banking interests are not responsible entirely for the two million unemployed.

The Hon. Mr. NASH.—I say that the position in the Old Country with regard to the availability of credit for the utilization of idle labour and raw materials is largely due to the banks in general and to banking philosophy there in particular. I have no doubt about it. But I am not charging individuals in connection with it.

Mr. SMITH.—What about other countries?

The Hon. Mr. NASH.—They may be worse. An Hon. Member. — Does the Minister argue that the monetary system is responsible for that unemployment?

The Hon. Mr. NASH.—What I am arguing, and what I have argued since the introduction of this Bill, is that in order to get rid of the circumstances to which I have referred it is imperative that our first step should be to take complete control of the monetary credit of the State. I am not saying that monetary solutions are the only solutions to our difficulties. But I say they are the first step along the road. I could quote further from Keynes.

An Hon. Member. — Does the Minister agree with the quotation used by the honourable member for Awarua?

The Hon. Mr. NASH.—I did not take particular note of the quotation — I only made a note of the fact that the honourable member said he regarded Keynes as an authority. I think he was talking about the "Economic Consequences of the Peace." I would probably agree entirely with what Keynes wrote at the time, but it was not possible to take a full note. Just a word about the right honourable the leader of the Opposition. He also made some reference to the difference between politicians and bankers — it was a repetition of what a number of honourable members have said. I wonder if the right honourable gentleman does acknowledge any degree of importance as attaching to Ministers of Finance compared with bankers. One of the honourable members of the House has been good enough to bring me to-night a volume of Hansard containing a speech delivered by the right honourable the leader of the Opposition — it is recorded in Volume 211, page 350. The right honourable gentleman was speaking of the importance of the Minister of Finance compared with bank directors. This is what he said: — "From the point of view of the country the Minister of Finance occupies a far more important position than the chairman of directors of the Bank of New Zealand"
The Right Hon. Mr. FORBES.—I did not say he does not occupy a more important position.
The Hon. Mr. NASH.—Will the right honourable gentleman let me finish? The Hansard record continues, "because the Minister has to see that the directors keep within bounds." That was Mr. G. W. Forbes, then in opposition, and member for Hurunui.

Mr. SMITH.—Just an ordinary private member then.
The Hon. Mr. NASH.—Yes, and a very fine type of gentleman. That was in 1926, ten years ago. Now the right honourable gentleman objects. Then he wanted the Minister of Finance to have power to keep the directors of the Bank of New Zealand within bounds. That is what we are asking for in regard to the Reserve Bank.

The Right Hon. Mr. FORBES.—There are no bounds.
The Hon. Mr. NASH.—We will keep them within bounds. Now, I come again to the reference to "evil-minded people." He said that my reference to that was unfair. I do not think so. Let me read some headings from the New Zealand Herald—

"Investors Uneasy.—Flight of Capital.—Result of New Policy.—No Safe Field Left.—Investment Weakness." The maliciousness of that consists in the fact that it was not correct. That was why I said that they were evil-minded. Those statements have had the effect of depressing shares. To that extent they have depressed the price of shares in the Reserve Bank, knowing that we have a man as Prime Minister who is above that sort of thing. They knew that if they could buy at lower prices they would be able to sell at higher prices. Is not that evil-minded? People who use words to destroy the credit of the country are evil people. They endeavoured to show that there is no safe field for investment left.

An Hon. Member.—That is the opinion of investors.
The Hon. Mr. NASH.—No; it is the New Zealand Herald, in its headings. The leader of the Opposition asked how much money we propose to raise. The proposals with regard to the raising of money will automatically, as I said before, come before the House. The honourable member for Oroua talked about the issue of notes. There is not a single word in the Bill about the issue of notes.

The Hon. Mr. COBBE.—There is authority for them.
The Hon. Mr. NASH.—No; there is no authority to issue notes. There is authority to finance guaranteed prices.
The Hon. Mr. COBBE.—That means notes.
there was some danger in our having that power; and I am saying that the late Government issued £28,900,000 at one time, and there was not much danger at that time except that it tied up funds in London that would have been much more beneficial in New Zealand. There is then the question of regimentation. I do not know what the honourable member for Parnell meant by that. I do know that we have been regimenting the unemployed for the past five years, regimenting the old-age pensioners to live on 15s. 9d. per week, regimenting mortgagors to go to the Adjustment Commissions to get some relief. It is that type of regimentation that we are going to get rid of, and instead we will have infinitely more liberty than in the past. The honourable member for New Plymouth says the power in the principal Act is not with the Government. I will ask him to argue that with the right honourable member for Kaipara, who says it is. I think members on the opposite benches want to listen for a while to what each other says, and then they will achieve something like consistency. He also said there was dictation from outside the House. That assertion has been made in connection with the conference of the Labour party. That statement has been made so many times that although the hour is late I think it is worthwhile stating the procedure and philosophy in connection with the policy of the Labour party of this Dominion that to-day is the Government. The procedure is that all organizations affiliated with the party have the right to send in remits to a conference. These remits come up for consideration by the delegates, who are elected to attend the conference. After they are considered and agreed to, they are written into what is called the policy of the party. The policy of the party, when once approved in general, is automatically submitted to the electors in the form of a manifesto; and every candidate who stands in the electors in the form of the manifesto of the party; and he was trying to help clear up an estate, and he was trying to help clear it up by putting some of his money into it. I said to him, "Mr. Ross, the man is honest enough." He said, "Yes, but I have lost more money through honest men than through men who were not honest." I believe there is something more than sincerity behind the members on these benches, and that there is something in this Bill to take the people of this country forward to brighter and better times. The honourable member for Wellington Suburbs also mentioned something about embarking on uncharted seas. If it had not been for someone embarking on uncharted seas, perhaps we would not have been here to-night. If Captain Cook had not decided that he would cruise in uncharted seas and look around for something better than he had experienced before, none of us would be here to-night, because there would not have been a New Zealand Parliament. I believe that it was to the good that Captain Cook sailed uncharted seas and found New Zealand, and that it was to the good that the New Zealand Parliament was established. An Hon. Member. — But he felt his way.
The Hon. Mr. NASH.—He was a fairly good navigator, and he found rich lands in the uncharted seas—similarly there are some splendid navigators on this side of the House, and we are going to steer the good ship of State to a better land than we have ever known before.

Mr. SMITH.—Experts in blind flying.

The Hon. Mr. NASH—No. The honourable gentleman is mixing his metaphors. This is a sailing ship I am talking about — it is a ship sailing on an ocean of good will, and we are going to guide it to a decent port where we have promise of better things than we have had before—where we will do better things than we have done before.

Mr. DICKIE.—It will be a hardship

The Hon. Mr. NASH—No. We are leaving the hardships that we experienced during the last five years—some of them we will lose sight of immediately, and all of them within a given time.

The House divided on the question, That the Bill be read a second time.

Ayes, 51.

Anderton
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Majority for, 35

Bill read for a second time

IN COMMITTEE
Clause 1.—Short title.
The committee divided on the question, “That the clause stand part of the bill

Ayes, 50.

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Majority for, 34

Clause agreed to

Clause 2.—Cancellation of shares in Reserve Bank and provision for payment to shareholders of value of shares and accrued dividends.
The committee divided on the question, “That the clause stand part of the bill

Ayes, 51.

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Majority for, 34

Clause agreed to

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The committee divided on the question, “That the clause stand part of the bill

Ayes, 51.
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Amendment negatived, and clause agreed to.

Clause 6.—Provisions for reconstitution of Board of Directors.

Subclause (1).—"The ordinary members of the Board of Directors in office on the commencement of this Act shall continue to be members of that Board, and shall there after hold office during the pleasure of the Governor-General in Council: Provided that, unless they sooner vacate their respective offices, they shall retire in accordance with the following provisions, namely:"

(a) Two shall retire on the thirty-first day of July, nineteen hundred and thirty-six;
(b) One shall retire on the thirty-first day of July, nineteen hundred and thirty-seven;
(c) Two shall retire on the thirty-first day of July, nineteen hundred and thirty-eight;
(d) One shall retire on the thirty-first day of July, nineteen hundred and thirty-nine; and
(e) One shall retire on the thirty-first day of July, nineteen hundred and forty."

The Hon. Mr. HAMILTON (Wallace) moved to strike out the words "and shall thereafter hold office during the pleasure of the Governor-General in Council." The Committee divided on the question, "That the words proposed to be struck out stand part of the clause."

Ayes, 48.

Anderton  Chapman  Hultquist
The Committee divided on the question. "That the words proposed to be struck out stand part of the clause."

Ayes, 48.

Anderton Hunter Ratana
Armstrong Jones Richards
Barclay Langstone Roberts
Barnes Lee Robertson
Barrell Lowry Rushworth
Burnett, C. H. Lyon Savage
Campbell McCombs Semple
Carr Martin Sexton
Chapman Mason Sullivan
Christie Meachen Thorn
Coulter Moncur Tirikatene
Cullen Nash Webb
Denham Neilson Wilson
Fraser Nordmeyer
Herring Parry Jordan
Hodgens Petrie McKeen.
Hultquis

Noes, 15.

Burnett, T. D Hargest Smith
Coates Holland Wright
Dickie Polson
Endean Ransom Broadfoot
Forbes Roy Kyle
Hamilton

For

Against

O'Brien

Majority for, 33

Amendment negatived

Mr. WRIGHT (Wellington Suburbs) moved, in subclause (1), after the words "Minister of Finance ", to add the following words "if the Directors agree thereto".

The Committee divided on the question, "That the words proposed to be added be"

Ayes, 15.

Burnett, T. D Hargest Smith
Coates Holland Wright
Dickie Kyle
Endean Polson Broadfoot
Forbes Ransom Wright
Hamilton

Noes, 15.

Burnett, T. D Hargest Smith
Coates Holland Wright
Dickie Polson
Endean Ransom Broadfoot
Forbes Roy Kyle
Hamilton

For

Against

O'Brien

Majority for, 33

Amendment negatived

The Hon. Mr. NASH (Minister of Finance) moved to add the following new sub clause:—

(2A) All regulations made under authority of this section shall be laid before Parliament within twenty-eight days after the making thereof if Parliament is then in session, and, if not, then within twenty-eight days after the commencement of the next

Ayes, 48.

Burnett, C. H. Hultquiv
Campbell Hunter Meachen
Carr Hunter Moncur
Chapman Jones Nash
Christie Langstone Neilson
Nordmeyer Rushworth Tirikatene
Parry Savage Webb
Petrie Semple Wilson
Ratana Sexton
Richards Sullivan Jordan
Roberts Thorn
Robertson

Tellers

Pairs

For

Against

O'Brien

Majority for, 33

Amendment negatived
Majority for, 33
Clause as amended agreed to

Clause 12.—"Section thirteen of the principal Act is hereby further amended by inserting, after paragraph (g) of subsection one, the following new paragraph:

"(gg) Grant accommodation by way of overdraft to the Government of New Zealand or to any Board or other authority having statutory powers in relation to the marketing of any New Zealand produce, for the purpose of financing the purchase and marketing of any such produce."

Mr. POLSON (Stratford) moved to insert after the word "accommodation" the words "not exceeding the value of the exports of the Dominion for the preceding year."

The Committee divided on the question,"That the words proposed to be inserted be so inserted."

Ayes, 15.
Burnett, T. D  
Coates  
Dickie  
Endean  
Forbes  
Hamilton
Hargest  
Holland  
Polson  
Ransom  
Roy  
Tellers
Smith  
Wright  
Broadfoot  
Kyle

Noes, 46.
Anderton  
Armstrong  
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Barrell  
Burnett, C. H.  
Campbell  
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Wilson  
Jordan  
McKeen.

Pairs.
Cobbe  
O’Brien

Majority Against, 33
Amendment negatived.

The Right Hon. Mr. COATES (Kaipara) moved to add the following new paragraph:

"(ggg) The Minister of Finance shall present a statement to Parliament of the above account at the 31st July (end of each produce year)."

Amendment negatived.

The Committee divided on the question, “That the clause stand part of the bill.”

Ayes, 45.
Anderton  
Armstrong  
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Burnett, C. H.  
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Noes, 15.
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Tirikatene  
Webb  
Wilson  
Wilson  
Jordan  
McKeen.

Marority for, 30
Clause agreed to.
Mr. SMITH (New Plymouth) moved, "That the Chairman report progress and ask for leave to sit again." The Committee divided on the question, “That progress be reported.”

Ayes, 15.
Burnett, T. D  
Coates  
Dickie  
Endean  
Forbes  
Hamilton
Hargest  
Holland  
Polson  
Ransom  
Roy  
Tellers
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Noes, 46.
Anderton  
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Burnett, C. H.  
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Jordan  
McKeen.

Pairs.
Cobbe  
O’Brien

Majority Against, 33
Amendment negatived.
Majority against, 31. Motion negatived

Clause 15.—“(1) Section fourteen of the principal Act is hereby amended by omitting from paragraph (i) thereof the words ‘one half of’ before the words ‘the revenue or estimated revenue.’

“(2) In computing the total amount that may be granted by the Bank by way of accommodation to the Treasury, as fixed by paragraph (i) of section fourteen of the principal Act, no account shall be taken of any securities acquired by the Bank under paragraph (h) of section thirteen of that Act or of any accommodation by way of overdraft granted by the Bank pursuant to paragraph (gg) of the said section thirteen (as enacted in section twelve of this Act).”

The Committee divided on the question "That the clause stand part of the Bill."

Ayes, 45.

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Majority for, 31 Clause agreed to

Clause 21.—"(1) The Governor-General in Council may from time to time appoint one or more qualified persons to be the Auditor or the Auditors of the Bank. Every such appointment shall be for a term not exceeding two years, but any person appointed as Auditor may be reappointed on the expiry of any term of appointment. The Auditor or Auditors so appointed shall be entitled to receive from the funds of the Bank such fees as the Governor-General in Council from time to time prescribes.

“(2) The persons in office as the Auditors of the Bank on the commencement of this Act shall thereafter hold office as if they were appointed under this section.”

(3) Section forty-one of the principal Act is hereby repealed

The Committee divided on the question "That the clause stand part of the Bill."

Ayes, 46.

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Majority for, 31 Clause agreed to

Clause 23.—"Section forty-five of the principal Act is hereby amended by adding to subsection two the following proviso :—"Provided that the requirements of this subsection as to the maintenance of balances in the Reserve Bank may from time to time, by notice published in the Gazette, be varied by the Governor of the Bank acting with the authority of the Minister of Finance, but so that the balance required to be maintained by any bank shall not at any time be less than the balance required by this subsection to be maintained."

The Hon. Mr. SAVAGE (Prime Minister) moved, "That the question be now put."

Ayes, 47.

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Reserve Bank of New Zealand [HOUSE.] Amendment Bill.

**APR 6**

Denham  Moncur  Wilson  
Fraser  Nash  Jordan  
Herring  Neilson  McKeen.
Hodgens  Nordmeyer  Nees, 15.
Burnett, T. D  Hargest  Smith  
Coates  Holland  Wright  
Dickie  Polson  Tellers  
Endean  Ransom  Broadfoot  
Forbes  Roy  Kyle  
Hamilton  

Majority for, 32 Motion agreed to.

Mr. WRIGHT (Wellington Suburbs). moved "That the Chairman report progress and ask for leave to sit again " The Committee divided on the question,

"That progress be reported"

Ayes, 15.

Burnett, T. D  Hargest  Smith  
Coates  Holland  Wright  
Dickie  Polson  Tellers  
Endean  Ransom  Broadfoot  
Forbes  Roy  Kyle  
Hamilton  

Noes, 48,

Anderton  Hunter  Parry  
Armstrong  Jones  Petrie  
Barclay  Langstone  Ratana  
Barnes  Lee  Richards  
Barrell  Lowry  Roberton  
Burnett, C. H.  Lyon  Robertson  
Campbell  McCombs  Savage  
Carr  McDougall  Semple  
Christie  McMillan  Sullivan  
Coulter  Mason  Tirikatene  
Cullen  Meachen  Webb  
Denham  Moncur  Wilson  
Fraser  Nash  Tellers  
Herring  Neilson  Jordan  
Hodgens  Nordmeyer  McKeen.  
Hultquist  

Majority Against, 33 Motion negatived

The Committee divided on the question "That the clause stand part of the Bill."

Ayes, 48.

Anderton  Hunter  Parry  
Armstrong  Jones  Petrie  
Barclay  Langstone  Ratana  
Barnes  Lee  Richards  
Barrell  Lowry  Roberton  
Burnett, C. H.  Lyon  Robertson  
Campbell  McCombs  Savage  
Carr  McDougall  Semple  
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Coulter  Mason  Tirikatene  
Cullen  Meachen  Webb  
Denham  Moncur  Wilson  
Fraser  Nash  Tellers  
Herring  Neilson  Jordan  
Hodgens  Nordmeyer  McKeen.  
Hultquist  

Noes, 16.

Anderton  Hunter  Petrie  
Armstrong  Jones  Ratana  
Barclay  Langstone  Richards  
Barnes  Lee  Roberts  
Barrell  Lowry  Robertson  
Burnett, C. H.  Lyon  Savage  
Campbell  McCombs  Semple  
Carr  McDougall  Sullivan  
Christie  McMillan  Thorn  
Coulter  Mason  Tirikatene  
Cullen  Meachen  Williams  
Denham  Moncur  Wilson  
Fraser  Nash  Tellers  
Herring  Neilson  Jordan  
Hodgens  Nordmeyer  McKeen.  
Hultquist  Parry  

Majority for, 33 Motion agreed to

Clause 24.—" Section forty-six of the principal Act is hereby amended by repealing paragraph 
'(h) of subsection one thereof, and substituting the following paragraphs :—

"'(h) The amounts, separately, of its aggregate advances and its aggregate discounts in New Zealand :

(hh) The aggregate of the unexercised overdraft authorities of its customers

The Hon. Mr. SAVAGE (Prime Minister) moved, "That the question be now put."

Ayes, 49.

Anderton  Hunter  Petrie  
Armstrong  Jones  Ratana  
Barclay  Langstone  Richards  
Barnes  Lee  Roberts  
Barrell  Lowry  Robertson  
Burnett, C. H.  Lyon  Savage  
Campbell  McCombs  Semple  
Carr  McDougall  Sullivan  
Christie  McMillan  Thorn  
Coulter  Mason  Tirikatene  
Cullen  Meachen  Williams  
Denham  Moncur  Wilson  
Fraser  Nash  Tellers  
Herring  Neilson  Jordan  
Hodgens  Nordmeyer  McKeen.  
Hultquist  Parry  

Noes, 16.

Burnett, T. D  Hargest  Smith  
Coates  Holland  Wright  
Dickie  Polson  Tellers  
Endean  Ransom  Broadfoot  
Forbes  Roy  Kyle  
Hamilton  

Majority for, 33 Motion agreed to

Clause agreed to

Bill reported with amendment
On the question, That the Bill be now read a third time,
The Right Hon. Mr. COATES (Kaipara) said, —Sir, we are now proceeding to the third reading of the so-called "New Zealand Reserve Bank Amendment Bill." It is that in name, but I am sure this Parliament has never experienced an incident such as we have passed through in the past two days. True, reference has been made to the passing of the Bank of New Zealand Act away back in the "nineties," but the circumstances were entirely different on that occasion. That institution was threatened with closed doors. Preparatory work and complete information led to the decision that the Government should stand behind the Bank of New Zealand. On this occasion most far-reaching, drastic, and important amendments have been prepared by the Government, and three short days after its introduction this House is asked to pass the Bill in its entirety. I can only suggest that there is a sign of nervousness on the part of the Government. Some Government members are absent this morning and those present are looking uncomfortable and are no doubt wondering whether or not they have done the right thing. They may feel that if this legislation is passed they will have a machine which will enable them, if they so wish, to go to lengths never before contemplated. My main point, however, is: Why this haste, why this rush? Is it feared by the Government that if sufficient time were allowed the country itself would have some say about it and demand that the Bill should be referred to a Select Committee of the House? It would not be unreasonable to ask that this Bill be allowed to go before a Committee of this House that members of Parliament might hear what other interests had to say concerning the effect of the measure now being rushed through with almost indecent haste. I do not think that term too strong, because I doubt very much whether it has been shown that the emergency is so great that the measure should be speeded on its way at the rate it has been. The Prime Minister shows signs of ruffled feathers, and when we adjourned he was undoubtedly nervous and concerned and not prepared to allow members even reasonable time to have breakfast and a general "brush-up," so necessary for calm deliberation. Again was he in haste. Only an hour and a quarter would he allow when we not unreasonably asked for at least an hour and a half. It is a sign of a troubled breast and a somewhat flurried mind demanding that no time be lost, but that we must rush this measure through and get it on the statute book. And before Easter. That was most essential.
An Hon. Member. —An Easter egg.

The Right Hon. Mr. COATES. —Let us hope that there is more in it than in an Easter egg. But the tactics and the process hardly lead to that bold confidence which it is necessary to create in everybody's mind in present circumstances. In my opinion, more consideration should have been given to this Bill, which is now being submitted for a third reading and which entirely alters the whole basis upon which a reserve bank rests. This is not now a reserve bank; it does not even approach the orthodox and accepted form of a reserve bank. It is a Government bank. The principles of a reserve bank and the precautions which are taken in nine instances out of ten in connection with such a bank are ignored; and in the place of a reserve bank, in the real sense of the term, there is created a machine which can be termed a Government machine. I do not wish to be unfair, but if the Bill goes through as it is everything depends upon the action of the Government and the wise administration of the new machine. It can be fairly said, I think, that it is a Government machine, and for this reason: that the governor, the deputy governor, and every director of the bank can be summarily deposed by direction of the Government.
The Hon. Mr. NASH. —That is not in the Bill. The Right Hon. Mr. COATES. —I have made no such suggestion. What I suggested to the Prime Minister was that he was flurried. Nor did I attribute any malice. But I say it would be possible for the Government to dismiss the governor, the deputy governor, and every director.
The Hon. Mr. NASH. —That is not in the Bill. The Right Hon. Mr. COATES. —Yes, it is clearly in the Bill. Take clause 5, which reads, — "In the provisions of this Act, relating to the Board of Directors, the expression 'ordinary members of the Board' means the Directors of the Bank other than the Governor, the Deputy Governor, and the Secretary to the Treasury." And sub clause (1) of clause 6, "Provisions for reconstitution of Board of Directors," provides, " — The ordinary members of the Board of Directors in office on the commencement of this Act shall continue to be members of that Board, and shall thereafter hold office during the pleasure of the Governor-General in Council." I see I was wrong when I said the governor and the deputy governor.
The Hon. Mr. NASH —The right honourable gentleman admits he was wrong once.
The Right Hon. Mr. COATES. —I am wrong as to the governor and the deputy
experience is that main features that have been—Council, dismissed by the Government, and even dates of retirement mature will all be directors been put forward suggestion has not been appoint the directors of the bank. The Government by Order in Council shareholders, but by ta share capital I should kind. Once the Government decided and its co approach of the Government to monetary which is frankly think that it Government machine. I think that central bank directors should be free from the suspicion of political control. It is clear, however, with respect to the more modern reserve banks that have been brought into existence, that the Government in the last resort must control a situation. But this measure goes further than that. It brings into being the possibility—I do not say the certainty—of the bank becoming a purely Government machine. I think that is a mistake. I frankly think that it will not tend to that confidence which is essential. But much depends upon the approach of the Government to monetary matters and its co-operation with the new institution. The purchase of the share capital is a new feature. It is well understood that the members of the present Government have all along maintained that share capital should not be maintained — that there should be no private capital associated with an institution of this kind. That is a matter of opinion. I believe that a reserve bank is more national in its real essentials if there is share capital, that share capital being widely spread. I believe that it is desirable thus more firmly and deeply to plant the roots of an institution of the kind. Once the Government decided to take over the share capital I should have thought that the end could have been accomplished not by buying out the shareholders, but by taking power into the hands of the Government by Order in Council wholly to appoint the directors of the bank. However, that suggestion has not been acceptable, though it has been put forward from several quarters. Since the directors can be dismissed, and after the present dates of retirement mature will all be appointed by the Government, and even after appointment can be dismissed by order of the Governor-General in Council, the point I am making is again emphasized — that there is no security of tenure. Yet one of the main features that have been established by practical experience is that there should be some permanency of tenure. I fail to see why in this case special power should be taken. The directors of the Bank of New Zealand have a tenure of office, and always have had; and I take it that that system will not be altered. I think it is wise, and it gives the directors the feeling that they are placed there not as agents for the Government or anything of the kind, but to keep in close association with Government policy and to express, and as far as possible to explain, Government policy to those with whom they are associated. There is no guillotine with which their heads can be cut off. But it is possible under the provisions of this Bill for the Government to dismiss the directors summarily. The bank is now a Government bank, and in no sense does it conform with the orthodox principles of a reserve bank. The measure does not bring about that co-operation so essential to mobilize credit, which is the objective that the Government had in mind, and which indeed is the acknowledged function of a reserve bank.

The Hon. Mr. LANGSTONE.— It is not the same Government now.

The Right Hon. Mr. COATES.— It makes little difference. The honourable gentleman's Government may not be the Government a little later on. It would be wise to establish some system to ensure that there will be careful examination of all proposals. I am not suggesting that the Government will not make a careful examination, but experience has shown beyond question that the most valued and dependable institutions are based on lines similar to those of the existing Reserve Bank. The power contained in the Bill to take over sterling assets in London and also the whole of the sterling exchange in London may be necessary in the case of emergency, but my point is that the commercial banks should have a clear insight into what the Government proposes to do, and to that end definite provisions should be contained in the legislation. As it is now the legislation is not clear on the point. In fact nothing has been said, other than the statement by the Minister of Finance—which, of course, one accepts, but he may not be Minister of Finance always —that the Government does not propose to interfere with the normal activities of the bank except in the case of emergency; but the legislation declares an emergency before it arises. I say definitely that the emergency can be dealt with when it arises. The whole of the credits in London are being taken over by the new bank. As it is at present the sterling assets in London are purchased by the Reserve Bank from the commercial
banks, and the banks regulate the amount of sterling they require for their purposes. They use their own judgment as to the amount they require, and that gives them a permanency of tenure. It is most important that they should know exactly where they stand for, I think, quite obvious reasons—reasons that the Minister of Finance recognizes. The main reason is that thousands and thousands of individuals depend upon the credit of our trading banks. There are other institutions concerned, although they do not carry out the functions of a bank; they have a credit system, in that credits are accepted and advances are made against produce and also material of various kinds. If, for instance, the commercial banks are unable to gauge their future, it naturally follows that there is hesitancy on their part to make advances for production or improvements. It is of far-reaching importance that the commercial banks should know what limitations are to be placed on their credits both in London and in this country, for the reason that there are thousands of people in this country dependent on accommodation provided in the normal way from the trading banks. A clear statement is required from the Minister in this connection. The power taken to increase the deposits by the trading banks definitely limits their activities. In regard to the purchase by the Government of the shares, I have been informed that several deserving citizens, believing that these shares were not to be disturbed, bought at £6 12s. 3d., at £6 14s., and at £6 15s. 6d.

The Hon. Mr. NASH.—The right honourable gentleman could have moved to increase the amount when the Bill was in Committee.

The Right Hon. Mr. COATES.—We asked the Minister, and anyhow it is an appropriation, and if the Opposition had moved such an amendment it would not have been allowed. I understand that at least two hundred shares are affected. I trust the Minister will look into this.

The Hon. Mr. NASH.—The price was too high for the right honourable member on the second reading, and it is too low on the third reading.

The Right Hon. Mr. COATES.—Nothing of the kind. Why not be correct? The honourable gentleman is in the habit of sliding about. I complained about giving 4 per cent, on bonds and this would have a tendency to raise the bond-market rate. High interest rates should be avoided. It is essential that in the process of recovery we should maintain interest rates at as low a level as possible. We should let the market decide the rate, but if the Government raises the rate they will inevitably be responsible for a rise in interest rates. They know that the market rate now is from £3 1os. upwards. [Time extended.] I would earnestly suggest that the bond rate should be looked into. I doubt the wisdom of offering the proposed rate because I know how sensitive the bond and stock market is. I think the Minister has been badly advised. There are two other important points to which I wish to refer. I am not going to pretend to cover the whole Bill, but I am trying to draw attention to one or two important points in the measure which have emerged from the second-reading debate and the Committee stage. During the latter stage the clauses were closely examined, but there was no undue delay. It is true that the Prime Minister ruthlessly moved the closure in order to end the discussion, the weight of the Government's numbers extinguishing the efforts of the Opposition to place before the country the weakness and importance of the proposals.

Mr. HOLYOEAK.—Yes, and I was on my feet for the first time.

The Right Hon. Mr. COATES.—One honourable member tells me he has arrived by the boat only within the last few minutes. There are just two more points I wish to raise; one is a new feature that arises in that under the Bill the Reserve Bank will provide credit to purchase primary products in view of the Government's proposal that guaranteed prices, or fixed prices, for all exportable primary produce are to be initiated. In this connection the greatest care will be necessary since the Government proposes to find the money by way of overdraft from the new bank. Power to mobilize credit for this purpose is in the hands of the Reserve Bank. Just what liabilities are likely to be incurred only time will show. My other point is that the Reserve Bank will be called upon to provide means for the carrying-out of certain projects such as the development of land, the building of houses, and the construction of public works of various kinds. Here again I feel the greatest caution must be used. We know that the interest charges on much of the money which has been borrowed for development of certain public works have not been met. Apart from the interest saving aspect, it must be remembered that in some instances the revenue received has not been sufficient to pay recurring expenses. I believe that in the development of electricity it will definitely be shown by experience to have been a wise investment. But in the construction of houses and the carrying-out of public works—and here I have not land in mind so much, because land goes on producing for ever, and is
Generally looked after—we must admit that the new phases that have come into transport will have an important bearing on the financial side of such works and be a definite factor in determining their success or failure. Therefore, the greatest care has to be exercised. My point here is this: So long as the directors, the governor, and the deputy governor are called in for the purpose of giving a cross-check on the investment and as to the possible asset, such consultation in itself will be of great benefit. On the other hand, if the Government goes wildly forward, saying it will do a certain thing without calculating the cost and without revealing in their entirety in plain, simple language the facts which determine their decisions, it will incur liabilities which it will be beyond the capacity of posterity to meet. On the passing of this Bill the country will be travelling on new and untried ground; much of it will be experimental, and if the Government creates liabilities in the process it cannot be gain said that the liability will fall on every citizen in the country, and the one it will hit the hardest is the one lowest on the ladder. That is an aspect that cannot be ignored. Now, the stored resources of this country are not great; they are limited. The main resources are our annual production. We are not in a position similar to that of older countries; and another thing we must remember in the administration of any credits established for the purpose of raising prices is that New Zealand is different from other countries in that her exports far exceed per head of population those of any other country. In that respect New Zealand is very different from countries which have to import and in which it is possible to fix a range of prices. Any fixing of prices in this country has been unsatisfactory in the past, and by reason of the fact that this is such a heavy exporting country difficulties will be multiplied. We depend tremendously on our exports for our standard of living, and if prices are fixed internally higher than the volume will return for us from sales overseas we will find, I think, that the result will be anything but helpful. It will only create a load, and if the new institution is not careful and the Government is not careful it will be possible to get to the point at which we will start on an inflationary ramp; and once such a course is embarked upon there will be the greatest difficulty in steadying up again. A subsidy is involved to the extent that prices in the world's markets are insufficient to meet liabilities as a result of prices being fixed higher than the price received for sale overseas. This proposal is new and therefore untried. It is idle to say that there are guaranteed prices in other directions, as, for example, guaranteed wages. Such prices are not really guaranteed; they fluctuate. The difficulty will be to meet the fluctuation downward, for where there are heavy losses the Government must fall back on the country's credit, and should there be in sufficient credit the creation of new credit may become a necessity. It is at this stage that we will reach an inflationary period, and the only choice is between borrowing and the issue of credit. Whichever course is followed, the liability thus created has to be met. I know of nothing that can be created from nothing. For the reasons expressed by this side of the House during the second-reading debate and in the Committee stage the greatest caution should be exercised at every step. Before resuming my seat I would like to say that the Minister of Finance made the best of his case. This is his first Bill, and I should like to compliment him upon his exposition of the measure. Whatever our political views, we cannot but admire a man who grasps the essentials of his Bill and is able to expound clearly its objectives. We may not agree as to the best means of reaching those objectives, but that circumstances does not preclude one from stating that the honourable gentleman presented his case in a way that must be satisfactory to the country and is certainly a credit to himself.

The Right Hon. Mr. FORBES (Leader of the Opposition).—Mr. Speaker, for a prolonged period extending practically from the commencement of this sitting at half past two o'clock p.m. yesterday until breakfast-time to-day we have sought to improve the Bill before the House. The Hon. Mr. ARMSTRONG.—The Opposition did not make a single suggestion. The Right Hon. Mr. FORBES.—Suggestions have fallen on deaf ears. I am afraid the Minister was dreaming during a good deal of the time, and even had we made a great deal of noise in addressing our arguments to him he would not have heard them. He was out of the picture as far as taking a watchful interest in the Bill. We called for a number of divisions not with the idea that we could win any one of them, but to place on record our protest and to dissociate ourselves from a measure that, in our view, contains many dangerous tendencies. After dividing the Committee on the Short Title, we had a long discussion on the proposal to eliminate the private shareholders, for we consider that that is something that will affect the status of the Reserve Bank, because it can no longer function as a
Reserve Bank in the real sense. The motive in allowing the public to subscribe a portion of the capital when the bank was founded was to create confidence in it among the public and at the same time to free it entirely from political control and influence. It is true that it was understood that the bank would co-operate with the Government in carrying out the latter's policy, but it was certainly not to be a creature of the Government. There is a marked distinction between co-operation and blind obedience. When this legislation becomes operative the bank will find that it has no initiative left to it—the Minister of Finance, on behalf of the Government, will simply tell the governor and directors that they must do certain things. How can the public have complete confidence in an institution that is without any independence, when, even if the directors are of opinion that the things they are asked by the Government to do are unsound in accordance with well-understood banking principles, nevertheless they must either submit to the dictates of the Government or make room for others who will? There is no doubt that if the executive and directors were free from political influence and bias the Hon. Mr. PARRY.—What does the right honourable gentleman mean by that? The Right Hon. Mr. FORBES.—I mean a bias towards the policy of a particular party, and in the present instance it would be a bias towards the policy of the Labour party—that is, when the present directors have been replaced by Labour nominees. Personally, I think the directors are to be complimented on their public spirit which allows them to continue in their position under the present circumstances. They were appointed directors of the bank because they had made their mark in industry. Mr. LEE.—In politics.

The Right Hon. Mr. FORBES.—No, not in politics. They were men who had made their mark in industry, and it was felt that a Board composed of men of such standing, associated with the deputy governor who had put in years of banking service and gone right through the banking system of New Zealand until he arrived at the position of general manager, would still further strengthen the stability of the bank. Then we had in the governor of the bank a man who had held an outstanding position in the banking circles of the Old Land. Together they made a combination that gave one the feeling that the bank was going to be of great strength to the financial structure of this country. If it had been allowed to continue it would gradually have become of the greatest influence. It is not being allowed to get beyond its initial stages. We all know that it took a long time before the Commonwealth Bank of Australia attained to a commanding position. Similarly, it would have taken some time before our Reserve Bank could get properly into its stride. Before it had a chance to prove itself the present Government came along, and said, "We are going to destroy all that. We will eliminate the shareholding element." That shareholding element was put into the constitution of the bank not from any financial advantage that it would bring, but because it gave a feature of stability and of representation of the community. The Government tells us that the bank is to have no opinion of its own. It is to be just a means of registering the will of the Prime Minister, the Minister of Finance, and the other members of the Cabinet just as if it was a penny-in-the-slot machine. The Minister of Finance will put the instructions into the slot and draw out whatever he wants. The bank had been started on sound lines and was beginning to be recognized by the reserve banks throughout the Empire. It has now got into a position of a machine that simply registers what may be put into it. If it runs counter to the formed opinions of the Minister of Finance and other members of the Government, who claim that they have made a long study of the banking question, it will have to give place to other, and perhaps more pliable, gentlemen. That means a great falling away in the standing of the institution.

We had a division on clause 6 with regard to the appointment of the directors, with which I have already dealt. The directors now lie under the shadow of the guillotine. If they show the slightest independence, down will come the knife, and that will be the end of them. Under such conditions the directors must feel very uncomfortable. The Hon. Mr. PARRY.—What about the thousands who are starving? The Right Hon. Mr. FORBES.—The honourable gentleman has yet to prove that there will not be just as many or more starving than at present. We are launching a new ship, beautifully painted, the sails are new, and it is expected to put up a great performance; but I am certain that when we look back in after years it will not have shown as good results as the old staunch ship that it displaced. We have been told that people are starving under the old system. Well, if under this Bill there is to be no starvation, everyone is to live in plenty, well clothed and well fed, with all the recreation they want, then we will all have good cause to be pleased.
Mr. ANDERTON. — That is how it is going to turn out.

The Right Hon. Mr. FORBES. — It is all very well to hear such optimism, and if optimism can make it a success it would no doubt be one; but it will require something more than optimism: it will require some sound principles on which to work. No country on earth has been able to perform the miracles promised by Ministers and believed in implicitly by the honourable member who interjected. Is it not wonderful that New Zealand has been able to solve this problem, that we have discovered a formula that is to bring happiness to everyone, that we have discovered the key that will unlock the problem that all nations have been struggling to solve? We here in New Zealand have on the Government benches men who make those people whom we have looked upon as giants of intellect and business acumen look like mere pigmies. We have here a Government with a very large following, every member of which is quite certain that a solution to all our difficulties has been found, and that the result of their measures are as sure as day follows night. That belief, I think, is one of the wonders of the age, and all we can hope for is that their faith will be rewarded, but I have very grave doubts about it. If that doubt was resolved, it would be very pleasant indeed. But I cannot help feeling that we in New Zealand cannot hope to escape the troubles which have been experienced in other countries as the result of a policy of this kind, particularly in view of the light-hearted manner in which the members of the Government have always looked upon the expenditure of money right from the time when they sat in opposition. At that time the piling-up of expense and the expenditure of money was to them one of the lightest things they could talk about.

When they advocated huge expenditures, we asked, "Where is the money to come from?" That was claimed as one of the choicest jokes of the honourable member for Grey Lynn.

The Hon. Mr. JONES. — Now the right honourable gentleman knows where it is to come from.

Mr. SPEAKER. — The right honourable gentleman must get on to the Bill.

The Right Hon. Mr. FORBES. — It is a question of bringing in a new system, and I may have got a little off the scope of the debate. But I am trying to show that the success of this new system depends upon its prudent administration; and when the members of the Government were in opposition and revealing their opinions and attitude on monetary questions they showed very little in the nature of responsibility in regard to matters of expenditure.

Oh wad some power the giftie gie us To see ourselves as others see us!

So we, as the Opposition, looking over at the Government and remembering the light-hearted way in which its members tossed millions about when on this side of the House, wonder whether, now it is on the Treasury benches, we can have confidence in its administering wisely the great powers it is taking under this Bill.

Mr. JORDAN. — Absolutely.

The Right Hon. Mr. FORBES. — I am glad the honourable gentleman says we can have that confidence. But his assurance does not remove our doubts in regard to the administration of this Bill.

The Government may rise to the occasion. I have hopes of the Minister of Finance. I believe he is a man with a business training, and I think he will at least try to stand up against the pressure that will be brought to bear upon him. In view of the great power he possesses of influencing the provision of money, the pressure upon him to satisfy the demands of the people will be very heavy indeed. I hope he will be successful in standing up to it; but whether he will is another matter. If he realized the pressure that will be brought to bear, he would have buttressed himself by safe guards to a greater degree than he has. When all safeguards are taken off, as the Prime Minister puts it, "the brakes are off." Brakes give a safe journey downhill, and when one takes them off it is a case of "Let her go, Gallagher," and there may be a smash at the bottom. If we accept the Prime Minister's illustration, one feels that the country is in for a rather exciting ride, and there is some reason to fear that it will not reach the end of the journey.

The Hon. Mr. SAVAGE. — Do not worry.

The Right Hon. Mr. FORBES. — One cannot help worrying to a certain extent if he has any interest in his country. I do not want to see the position made worse. I want to see it improved. As the Government has come in at a time when revenue is buoyant and things are on the up-grade, it cannot help being carried along on the wave as far as it will go, but I am afraid that it will not carry the Government the length that they have set out to go. That is in the honourable gentlemen's favour. We do not want to see a setback owing to this legislation being brought forward and the taking-away of all safeguards. They are increasing the limit of Government overdraft from 50 per cent, up to the full
100 per cent. of the revenue of the country. Then we took a division in Committee on the question of the balance to be maintained in the Reserve Bank from the trading banks. All limits have been taken off. The limit has been taken off the over draft. The limit has been taken off the balances to be maintained in the bank. All the powers of the directors have been taken away. Every safeguard has been done away with. All we have to depend upon is the good sense and wisdom of the men who will have the direction of the machine. That is all that New Zealand will have to depend upon; and one cannot wonder if anxiety is expressed about their ability to lead the country along a safe and prosperous path and not into an extravagant orgy of expenditure. It all depends upon how the men who will administer this institution act. People are anxious and they keep asking me, "What sort of man is the Minister of Finance?" They realize that everything depends upon his prudence. I am also asked, "What sort of man is the Prime Minister?" and the same with respect to other Ministers—simply because the people are absolutely in the grip of those men, and it will depend upon their judgment.

The Hon. Mr. FRASER. — There would have been light also, and that has been missing.

Mr. WRIGHT. — That is not our fault. We asked for light while we were burning the midnight oil, but the light turned into darkness as far as obtaining information about the Bill is concerned. I am not complaining about that. The Minister of Finance has a perfect right to pilot his Bill through the House as he pleases, but the fact does remain that we tried to induce him to enlighten us upon some of the crucial clauses. However, the Minister sat like a sphinx. Not a single word would he utter, although we came to him like a Chinaman to his joss god. He simply would not give us the information we sought. It is not too late even now for us to be given information upon the various clauses referred to. I moved an amendment which sought to limit the power of the Government respecting the control of the Reserve Bank. The clause in question was clause 1o, which provides, "It shall be the general function of the Reserve Bank, within the limits of its powers, to give effect as far as may be to the monetary policy of the Government, as communicated to it from time to time by the Minister of Finance." I endeavoured to add, after the word "Finance," the words "if the directors agree thereto." That is to say, that the policy of the Government being handed over to the Reserve Bank shall be accepted only if the directors agree with it. That amendment, of course, was rejected by the Chairman of Committees. Clause 1o gives the Government, as has already been pointed out, immense power. In fact, the Reserve Bank will be under the entire control of the Government, and will have neither a body nor a soul of its own. That is a fact. I may say that ever since I have been in the House I have always been against granting too much power to a Minister or giving him dictatorial powers. I do not care who the Minister is. I have the greatest respect for the Minister of Finance, and if there was one member in this House that I thought was the only member that I could trust as a benevolent despot I would select the honourable gentleman. But I have lived long enough to know that the man is not born—at least I have never met him, although he may be in the House—who, if he is given anything like absolute power, will not ultimately become intoxicated with his power and misuse it. Ultimately a man may arise who will view things in a different light. This Bill which is about to become law contains clauses which are

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dangerous, but we can only make the best of it. I say again that I have criticized this Bill as severely as I possibly can, but when the measure becomes law I will do what I can to assist its administration. When a Bill becomes law it is not fair to attempt to injure it. If it becomes a failure the Government will go down and we will also go down. I do not mind the Government going down, but I do not want to go down with it. If I thought that this Bill was to be the panacea of all economic ills I would get right in front of the Minister of Finance and beat the big drum.

The Hon. Mr. ARMSTRONG. — The honourable gentleman would look all right in kilts.

Mr. WRIGHT. — The Hon. the Minister is quite right—I would not look amiss in kilts. Good-looking fellows always look well in anything. Clause 23 deals with the maintenance of balances by the trading banks in the Reserve Bank. The Minister may claim that this extra security is necessary.

Subsection (2) of section 45 of the original Act provides that, — "The balance so to be maintained in the Reserve Bank by any bank as aforesaid during any period shall be not less than the aggregate of seven per centum of its demand liabilities in New Zealand, other than bank notes, and three per centum of its time liabilities in New Zealand, as shown in the last preceding monthly return furnished by that bank in accordance with the next succeeding section." Surely that is ample security to provide deposits for the protection of trading banks. In clause 23 of the Bill the Minister takes almost extreme power, as follows: — "Provided that the requirements of this subsection as to the maintenance of balances in the Reserve Bank may from time to time, by notice published in the Gazette, be varied by the Governor of the Bank acting with the authority of the Minister of Finance, but so that the balance required to be maintained by any bank shall not at any time be less than the balance required by this subsection to be maintained." The original Act provided that the trading banks should deposit 10 per cent, of securities with the Reserve Bank, but this Bill proposes to give the Minister supreme power to call upon the banks to provide anything he demands. He may not abuse that power, but I am not in favour of giving such power to any man. Why are the trading banks being punished in this way? Is there a vendetta against them? Is it possible that honourable members had overdrafts that were called up at an awkward time? The clause will cause hardship. It will limit their powers and their finance and handicap them in many ways. Speaking of the Bill as a whole, I say again, with all due deference to the Minister of Finance and the Prime Minister, that this measure is a leap in the dark. It is a gamble with the dice loaded against the Government. I say that the Government is creating a Frankenstein monster which will devour them, and, unfortunately, it may devour most of us as well.

The Hon. Mr. ARMSTRONG. — But suppose we have a double-headed penny.

Mr. WRIGHT. — What I fear most in regard to the Bill is that when wholesale millions are borrowed from the Reserve Bank the expenditure will cause a boom, but as far as I have read history such a system of finance reaches a certain point when the authors of the system cannot control it. Then money becomes depreciated and the cost of living increases. I know that the reply of the Minister will be that there are various reasons why such things have happened in other countries but that they will not happen in New Zealand. I hope they will not. I have already said that the members of the Government are undoubtedly sincere. The Prime Minister, the Minister of Finance, the Minister of Education, and their colleagues are absolutely sincere in regard to this Bill, and they believe it will do exactly what the Minister of Finance has suggested. I hope it will, but I cannot believe it, because a system such as is proposed under the Bill cannot be sound. If such a system were sound the country could continue utilizing Reserve Bank paper money for all time. We could make ourselves rich, buy Rolls-Royce motor-cars and everything we desire. That is where I fail to agree with the Minister of Finance. I have given the Minister credit for sincerity, but a sincere man can miss the mark. If I thought the Minister were a humbug there would be hope, because we would be able to persuade him to alter his views; but a sincere man will pursue his course regardless of consequences. The Minister of Finance, with his eloquence, ability, and hypnotic power, has made a strong case for his Bill, but if he is wrong he is riding for a fall; if he is right he will lead the people into the promised land. I have already used the illustration of the Government launching its barque on an uncharted sea, with no compass, no chart, and not even stars to steer by. The Minister of Finance replied to that, and alluded to the visit of Captain Cook to New Zealand. It is quite correct that Captain Cook discovered New Zealand, but he had both compass and chart. He also had the stars to guide him. I submit
that this Government has nothing of that kind. It has no precedent. It may be that the Government will call in experts. I say that there is not an expert in New Zealand or elsewhere that will help to carry the Government’s scheme through, because the experts do not know any more than the Minister. They are groping in the dark. They are sailing in an uncharted sea, and when it is a case of an uncharted sea I am in favour of going very steady, not "full steam ahead" or "all sail," in the hope that we will safely reach land. I believe the experts will do their best to help the Government. In the few moments that I have to speak I will refer again to another matter already dealt with. I mentioned that this experiment had not been tried by any Labour Government anywhere else as far as I knew. I omit Alberta, because the experiment is being tried there and we do not yet know what will be the result. In connection with my reference to Labour Governments I was challenged by some honourable members who said that such Governments were in office but not in power. That is true in some cases, but not in the case of Mr. Theodore. He had a scheme, and it was resisted successfully by the governor of the Commonwealth Bank of Australia. I wish now to refer to the Lang Government of New South Wales. In that case the Labour party had a substantial majority, and it was a straight-out Radical Government. Mr. Lang was trying a series of experiments until he got to that stage when all the money had disappeared and he could not pay one interest bill. Repudiation resulted. The Commonwealth Government could not allow the fair name of Australia to be besmirched, and it met the liability. Then it proceeded to collect the debt from the State of New South Wales.

Mr. SPEAKER.—May I suggest to the honourable gentleman that he is rather stretching the limits of a third-reading speech?

Mr. WRIGHT. — Very well, Sir. Mr. Lang, in his dire emergency, did not resort to the scheme such as is proposed in this Bill. I should have thought that he would have tried any scheme that would carry his Government through.

The Hon. Mr. FRASER.—Does not the honourable member know that the State Parliament had no power to pass legislation like this—that the power is confined to the Commonwealth?

Mr. WRIGHT. — I am not sure on that point. I do not know whether the Minister is correct. The State Parliament of New South Wales at that time did some very extraordinary things.

Mr. SPEAKER.—If the honourable gentleman will permit me, may I say that I rule this out as irrelevant at the present stage of the debate.

Mr. WRIGHT.—Very well, Sir. In conclusion, the Bill will be carried by a large majority. The members supporting it are enthusiastic and will do all they can to make the measure a success. Other members, who feel bound to oppose the Bill, do not intend to become destructive critics after the Bill has passed. Speaking for myself, I assure the Government that I shall not obstruct it when it is carrying out the policy that has been submitted to the House. I must simply make the best of it, and hope that its effect will be to benefit the people of New Zealand.

Mr. BROADFOOT (Waitomo). — Sir, the manner in which this Bill has been handled should be a lesson to the people of the Dominion. Innumerable appeals have been made by the Prime Minister, his followers, and his satellites for co-operation and good will, but it has been shown quickly in this Chamber that neither the Prime Minister nor his supporters are prepared to extend to others, especially honourable members of the Opposition, those principles which they seek for themselves. Three times I moved for an extension of time for members of the Opposition, and three times it was refused, but that courtesy was extended to the honourable member for Nelson, presumably because he is a supporter of the Labour party.

Mr. JORDAN.—It was extended to the leader of the Opposition.

Mr. BROADFOOT.—To have refused it to the right honourable gentleman would have been unpardonable.

Mr. SPEAKER.—Order. Is the honourable gentleman referring to what happened during the Committee stage?

Mr. BROADFOOT.—I am referring to what took place during the second reading debate.

Mr. SPEAKER.—I think that the honourable gentleman should confine himself to the general principles of the Bill and to what happened in the Committee stage.

The Hon. Mr. FRASER.—The honourable member is wrong, anyhow.

Mr. BROADFOOT.—The Minister of Education cannot bluff us like that.

Mr. SPEAKER.—Order. Will the honourable gentleman proceed with his speech?

Mr. BROADFOOT.—Yes, Mr. Speaker, but I object to being heckled.

Mr. SPEAKER.—I must ask the honourable member to proceed with his speech or resume his seat.
Mr. BROADFOOT—I shall proceed with my speech, Mr. Speaker. We have been engaged for twenty hours on this Bill and I am still of opinion that its principles are extremely dangerous. The honourable member for the Bay of Islands examined the measure thoroughly. Although a strong supporter of costless credit, he took exception to the principles in the Bill and described them as entirely wrong. Despite his views, however, we saw him voting in support of the Bill. He stated that the Bill does not touch the root of the problem—that it does not deal with the overloading of debt—and possibly he is right. The control of the directors is a very pernicious principle. That control is entirely in the hands of the Minister of Finance, who also has control over the deputy governor and the governor—not directly, I admit, but he can so load the directorate with people holding his views that the directors can be used for the removal of either the governor or the deputy governor, leaving the way open for the Minister to finish the job. I close my remarks by reiterating that I think the Bill has been smashed through in a way that is no credit to the House.

Colonel HARGEST (Awarua).—Sir, I desire at this stage to enter a final and emphatic protest against the unnecessarily hasty passage of this Bill through the House. During the six sessions I have been a member of the House I have seen nothing approaching the unseemly haste with which this measure has been foisted on the country. I think the Prime Minister will agree that there was no real necessity for this unseemly haste. We are not in a crisis—we came out of that last year and have been getting along better and better every day. But now to-day, without any warning, without being afforded any opportunity of defending his interests, the private banker finds himself cut off from many of his legitimate channels of business, and he is deprived of the credit which, until now, has rightly been his recompense for financing imports and exports. Worse than that, our farmers, manufacturers, and exporters find themselves deprived of the right to handle their goods, because from the moment they are railed or shipped they belong to the Government and are entirely under the jurisdiction of the Minister of Finance. With all due respect to that honourable gentleman, he is not sufficiently trained in business methods, neither are the members of the Public Service who will be associated with him, to take the place of men who have spent a life time in the actual work of financing and handling and dealing with the vast trade of this country. I hold no brief for the bankers—

—I am one of those who believe they are well able to look after themselves—but I must say that the bankers and the business men have seen us safely through a long period of stress. We have experienced no major failures and we have come through the slump better than most countries. Although I enter my protest against this legislation, I hope, for the sake of our country, that the experiment will prove successful; but I fear that in depriving so many of our people of the right to conduct their own business in their own way the Government is doing something it has no right to do, especially when they have given these who are most concerned no opportunity of expressing their views on the legislation.

Mr. POLSON (Stratford).—Sir, in conformity with the statement I made during the second reading of this measure, I voted with the Government during the Committee stage on the second clause of the Bill providing for the elimination of the private share capital. My reason for doing so was that I agreed with the Government that in a central bank there is no room for private share capital. For that reason I voted with the Government on the question. Had the Bill provided merely for putting right those points, and had it not gone to such extraordinary lengths, I would have had very little quarrel with it. I agree that it is desirable to stimulate the importation of goods. I believe that in the hands of a Labour Government the Reserve Bank might have assisted the trading banks and the importers of this country to stimulate those imports and to assist generally in the restoration of trade. I was prepared to support a measure to that end. But this is a banking Bill purely to render a political service—not a service to the State, but a service to a political party. During the long night's sitting we have endeavoured to obtain from the sphinx who sat at the table in charge of the Bill an explanation of questions that might throw light on the many clauses that needed elucidation, but we failed to get from him any reply. We tried to get from him some information about a statement which had been made publicly by the honourable member for Timaru as to the purpose for which this bank is to be employed—that whether that statement was correct or not. We signally failed to extract any information either from the Minister of Finance or the Prime Minister. That is an unprecedented thing in my experience as a member of this House. I have never before heard of a Minister refusing information to members earnestly trying to gather information—
members who had had a Bill of a revolutionary character put into their hands and who had no time to digest it, and no time to consult their electors or any interest in their constituencies, as to what the views of the people they represent might be. These members are naturally deeply anxious for the welfare of this country—just as anxious as any member of the Labour party; just as deeply interested that every Act put upon the statute-book shall be of service to the community—just as deeply anxious that our banking system shall be a sound system, which will stand up to all tests. Those men were entitled to some replies. However, they failed to get any. I want to put that fact on record. The suspicions expressed early in these proceedings have deepened as to what the purpose of this Bill is. I say that this Bill is full of pitfalls and dangers and will be a temptation to the Government in power. The Minister of Finance must approve even of the form in which the balance-sheet is presented by the directors. The ordinary precautions and the ordinary methods employed in finance by the directors of a company may not suit the Minister of Finance. The ordinary methods that any sound banking concern or business concern should employ may be departed from, in spite of the view of the directors, because the Minister of Finance wants the balance sheet presented differently. At every point there is this dictation by the politician over the experts who should be, as they are appointed to be, men who know their job, men who have been appointed to look after the affairs of the State solely in the interests of the State. Those men, if they know their job, should be left to do their job. But they are not going to be so left. They are going to be dictated to. Not only are they going to be dictated to, but they are going to be told that if they do not carry out the wishes of the Government they may be instantly dismissed. Here is a Bill which says that no matter how wise and far seeing and well intentioned a body of directors appointed to look after affairs of State may be, if they do not carry out the wishes of the Government, if they do not swallow their principles at the bidding of the Minister, they will get what one representative of the Cabinet has elegantly described as running-shoes; they will be turned out of their positions. But the worst feature, in my opinion, is the admission made by the Minister to the Committee that the governor of the bank did not approve of what the Government is doing and did not approve of the principles of the Bill. Here is an officer, a qualified and skilled man, who has come from the headquarters of banking in the world; a man who is paid a fabulous salary because of his skill and knowledge and experience; a man who is a wholetime servant of the State and whose only job is to run the Reserve Bank in the interests of New Zealand. He has said that he does not approve of what the Government proposes to do. He is to be retained in the bank. He is to be subjected to the dictation of the politician who is not a banker, who has no more experience of banking than any other member of this House has—and possibly less than a good many. But he is to be in the position of telling the governor of the bank what he is to do. If the governor of the bank submits to that, what sort of position will he be in? What sort of position will this country be in if a highly qualified man who is a servant of the State has to swallow his beliefs and his principles? I say he should not be put in that position. I go so far as to say that the man who allows himself to be put in that position is endangering his reputation as a banking authority; and very probably in the future the governor of the bank will find that he will be unable to continue to serve this country. Then we shall probably have a governor of a more compliant type, a man who is prepared to do the business that the Government asks him to do, whether he approves of it or not. But, even worse than that, the Minister of Finance does not control the policy after all. The policy is controlled still higher up. It is controlled by the trades and labour councils of this Dominion. I am glad to see the late secretary—I do not know whether he is still organizer—of the Labour party in his seat, because, in a statement which he gave to the press in the Town of Stratford, he made a definite statement as to how the policy of the Labour party is controlled. He gives this report to the press; I do not propose to inflict it upon the House, except to quote one paragraph. He expresses pleasure in being able to meet a Stratford audience and discuss with it some of the principles of the Labour party’s policy. He said, “It was the political expression of nearly four hundred trades - unions and branches that were affiliated with it.” Could there be any thing plainer than that? That the policy of the Labour party was the expression of opinion of four hundred trade-unions.

An Hon. Member. — And branches and farmers, too.

Mr. P O L S O N. — It is interesting to discover that any farmers are trade unionists. If the farmers realized that the policy of the bank was controlled by the
trades hall then they would come to a quick conclusion as to what to do next election day. This trade-union Government has mesmerized itself into believing that it can do all sorts of things by creating money from the air. The Bill contains extraordinary powers for the raising of money, firstly by overdraft—and the sky is the limit in that connection. Then there is the right to sell an unlimited number of Government securities, and there is another provision for granting accommodation to the Treasury to the whole of the value of the exports, probably £25,000,000 per year. What extraordinary powers to place in the hands of any Government. These things can be done with a stroke of the pen at the dictation of one man—the Minister of Finance. This bubble will burst. We are living in a fool's paradise if we think that we can borrow or inflate our way back to prosperity by such juggling and manipulation of the public finances. I am sorry the Minister has refused to enlighten the House on these far-reaching proposals. Another feature of this measure, and an equally unsatisfactory feature which I think will create additional alarm, if that is possible, and additional consternation in business circles, is the provision which gives to the Minister of Finance power at any time to call upon the trading banks to lodge an additional proportion of their deposits with the Reserve Bank. I can imagine the stagnation in business that will take place when the banks, which will probably already have lent to the limit of their resources—for it is always at such times that this occurs—are asked to hand over to the Reserve Bank a further part of their deposits. I can also imagine some of the banks which have their headquarters in Australia taking very decided exception to such action as that. They will find it impossible to carry on business in this country if such drastic action is taken, and we may have a reduction in our banking services. Unfortunately for them, the New Zealand banks are not able to escape. They would have to reduce business, and we would have a boomerang. I know that the intention of the Minister is to safeguard against inflation; I know that is the objective of the provisions inserted in this Bill. But there may be another effect, and a serious effect—a boomerang effect as I have mentioned—in that it may seriously prejudice New Zealand's credit abroad. That, I think, would be fatal. It would have such repercussions upon the trade and credit of this country as is little appreciated or understood by those Solomons of finance that sit opposite us—men who have given study to the literature of the trades hall; men who have looked at this business from a purely theoretical point of view; men who have never bothered about the practical side; men who have never studied in other than an academic way and depend on what they have read in the very advanced radical journals and books available to them. They will wake up from that dream, but, unfortunately, the country's awakening will be sadder than theirs. In conclusion, I would say that the Opposition has nothing to reproach itself with regard to this debate. Its attitude has been reasonable; its action has not been a "stonewall" in any sense.—Mr. SPEAKER.—Order, order. Mr. POLSON.—I withdraw that word "stonewall," which is unparliamentary. Mr. WRIGHT.—Say "obstruction." Mr. POLSON.—Let me substitute the word "obstruction," as the honourable member for Wellington Suburbs happily prompts. No obstruction was offered. Many clauses were allowed to go through without a division or without anything being said. It was only in regard to some of the important proposals and the import ant clauses that any discussion arose, and I venture to say that, had we wished, we could have moved a very great number of amendments and could have obstructed the House. But we were not obstructionists: we did not obstruct in anyway; and the members sitting opposite know that that is so. They know that if they had been in our position they would have, or could have, held up the Bill for a week. They know that in the past they have, with no greater numbers, held up the passage of Bills for days. We did not attempt that. We sought information. We sought to convince ourselves by reasonable criticism that there was something in the Bill that might be helpful to the country. Unfortunately, we received no help from the Government benches. We have received none of that co-operation we have heard so much about from the Prime Minister. I regret to say it, but his attitude at the end of the debate was ill natured and petulant. It was an attitude that was unbecoming in the head of any Government of a country like ours. I had never before experienced a Prime Minister making use of his power in that way. It was a bad start with the new programme, and I am sorry that it took place. I am sorry, because I am one who tries, although I may not be successful, to put my country first and to eliminate my own personal feelings, doing what I think is the right thing for New Zealand. I hope I am big enough not to indulge in personal recriminations in this House. I have never done so, and I have no intention of doing so.
The egg might go bad.

Mr. HOLYOAKE.—Like the fabled "curate's egg," it may be good in parts. I agree with the last speaker in regard to the State having control of the appointment of the directors, but I also endorse his objections to some other powers that are given under the Bill. I am quite at a loss to understand the reason for the unseemly haste with which the Government is rushing this Bill through—a Bill which must of necessity have very far-reaching effects. This measure is the very foundation of the whole policy of the Government, and the country should be informed of that policy in detail before this legislation, with its wide and all-embracing powers, is agreed to by this House. So far we have only had generalities, and it is a very risky business to place in the hands of any Government what amounts to practically unlimited powers unless we know what is to be done with those powers. So far the Government has declined to give any explicit indication in that direction. One Minister, when interjecting, said that if Government member had spoken the Opposition would have seen the light. Well, we want to see the light. So far we have merely had a glimpse—like the view of the fast disappearing tail-light of a motor-car—very dim, and also very red.

An Hon. Member.—Or a bicycle.

Mr. HOLYOAKE.—No, not a bicycle, because that only has a reflector, while the motor-car has the red light.

Mr. SCHRAMM.—The honourable gentleman may be colour-blind.

Mr. HOLYOAKE.—No, I think not.

Mr. LEE.—But the honourable gentleman has only just got off the boat—he has not found his land legs yet.

Mr. SPEAKER.—Order. There is too much interruption.

Mr. HOLYOAKE.—Well, I submit that there has been no light displayed. While the Government takes absolute control over the bank it abolishes all restraints on itself. Possibly these powers will not be abused. As a matter of fact I believe the present Government is sincere and conscientious in its avowed intention to use them only in what they consider to be the best interests of the country. But, unfortunately, they are taking complete powers to do almost everything—the sky will be the limit. Most gambles have some kind of limit, and I think this gambling with the destinies and future of the people should definitely have some statutory limits placed upon it. I do not know whether the abolition of all limits will mean uncontrolled inflation. That is probably not the intention, but the experiences of other countries show that uncontrolled inflation develops by itself. This Bill confers unlimited power. The Minister of Finance took as an analogy for his experiment the discovery of New Zealand by Captain Cook. When he set out upon his voyage to discover these Islands Captain Cook is supposed to have said "I'll discover New Zealand by hook or by crook, or I'll bust my boilers." Although I would not for a moment suggest that the method proposed in the first part of the sentence will be adopted by the Government, there is just a possibility that the latter part of that old saw may come to pass, for it is just possible that "the boilers will bust." I do not think we should follow the risky voyage of Captain Cook in looking for...
islands in uncharted seas. We should rather try to get something more concrete than that. Although the Bill provides for the financing of guaranteed prices, we are not told even now what the price is to be. As the Bill provides for the financing of guaranteed prices, and

Mr. SPEAKER.—There is nothing in the Bill to that effect. I must rule that an honourable member is confined to the contents of a Bill in a third-reading speech.

Mr. SMITH (New Plymouth).—You have just given a ruling, Sir, which may restrict debate in the future. Clause 12 of the Bill deals with the granting of accommodation by way of overdraft for purchase and marketing of New Zealand produce. In the course of his speech the Minister of Finance referred to guaranteed prices. The Government is not only going to guarantee price of dairy-produce, but it is also going to take over the produce. Mr. Speaker O'Rourke, in 1881, said that, in discussing large financial questions, it is usual to allow considerable latitude. In this case I venture to suggest that the honourable member for Motueka was discussing something that had been discussed under this Bill. Mr. LEE.—How does he know?

Mr. SMITH.—Whether he knows or not, he was discussing something that had been discussed under this Bill; and I want to protect my right and also the right of the honourable member for Motueka. Guaranteed prices are wrapped up in this Bill, and the guaranteed-prices policy of the Government is wrapped up in the finances. If the Government cannot get the finance, it cannot guarantee the prices. Surely the Minister of Finance has made that clear. I am asking that we may have the same latitude that was laid down in 1881 and has never been challenged since.

The Hon. Mr. NASH (Minister of Finance).—Sir, speaking to the point of order, there is not a word in the Bill about guaranteed prices or about housing or about public works. Not only that, but in the Committee stage the same question was raised, and the Chairman of Committees ruled discussion out of order because there was no reference in the Bill to guaranteed prices. At that point it was mentioned that a Bill dealing with guaranteed prices was to be brought down, when the policy would be fully explained by the Minister.

Mr. SPEAKER. — With regard to the point raised by the honourable member for New Plymouth, I have no hesitation in ruling that a discussion on guaranteed prices at this stage—the third reading of this Bill—is out of order. It is not a question of limiting discussion. As has been pointed out, there is really no reference to guaranteed prices in the Bill. However, I do not rely upon that ground alone. I prefer to rely upon the rulings of previous Speakers and upon the general understanding through long practice of what constitutes the contents of a third-reading speech. The honourable member for New Plymouth has referred to a ruling of Mr. Speaker O'Rorke. I want to refer to a ruling of the same Speaker in actual connection with a third-reading debate. Mr. Speaker O'Rorke, in Hansard, Volume 91, page 409, held that a member must not go through a Bill clause by clause in debating the third reading; he must confine himself to the general principles of the Bill. Again, Mr. Speaker Guinness, in Hansard, Volume 131, page 377, held that on the third reading of a Bill a member cannot speak on any question not included in the clauses of the Bill. I think these two rulings are fairly conclusive; but I might garnish off my argument by a reference to one of the latest authorities on the procedure of the House of Commons. Under the heading of "Third Reading," on page 198 of Campion's "Introduction to the Procedure of the House of Commons," I find this: "Debate on third reading is more restricted than on second reading and is limited to the contents of the Bill." There is no reference to guaranteed prices in the Bill before the House, and accordingly I rule that any discussion of guaranteed prices is out of order at this stage.

Mr. HOLYOAKE (Motueka).—Thank you, Mr. Speaker. I regret Mr. ROBERTSON. — It is a pity the honourable gentleman had not read the Bill earlier.

Mr. HOLYOAKE. —I have studied the Bill very carefully. However, it is very pleasant to have advice from round the Chamber, but I feel sure that Mr. Speaker is capable of giving his own opinion.

Mr. SPEAKER. — Order. Will the honourable gentleman please proceed.

Mr. HOLYOAKE.—I did not intend to transgress, and I did think I was sticking closely to the Bill, except for a trip or two round the world with Captain Cook. May I say that in clause 12 we find that the Government is seeking for power to provide moneys for the financing of the purchase and marketing of primary produce. I know that that has been discussed at great length and that a Committee has been set up by the Minister of Finance in connection with this very matter, and one would expect that some definite conclusions had been come to by this time and that we should have some indication as to what a provision of that kind should cost. It may be that a very large figure is involved and that we are being asked to grant very wide powers
Indeed. The granting of the powers asked for in clause 23 will tend to create stereotyped banking methods so far as the trading banks are concerned. If the whole of the banking system were to be handed over to the State we would know what to expect, but everyone who has studied banking knows that elasticity is the essence of banking practice. If that were not so the banks would not have been able to meet the crises that have occurred from time to time within recent years. Further, we know from experience that when the State enters into anything red-tape methods permeate the concerns which leads to stereotyped methods which stultify results. We have heard much about the so-called “banking monopoly” of recent years, but we must remember that during the last one hundred years great strides have been made in our social and economic lives. Now, if one agrees that the banking system plays so large a part in our lives, then one must also agree that it must have brought some beneficial results. The system of the past has been described as a monopoly, but it has been a competitive system. Under the Bill it will tend to become a monopoly in the hands of the State judicially handled, no doubt, the proposals will be of benefit to the Dominion, but I would like to see more safeguards against prejudicial handling. For the first time we are to have a banking monopoly controlled by any party that happens to be the Government for the time being. Under clause 24 it appears that unnecessary inquisitorial powers are being taken. Yesterday I had occasion to telephone my own bank to find out how my account stood. Like that of so many farmers of this country, it was in such a condition that the clerk said he preferred not to give the details over the telephone. The clerk felt that it was a private matter. This appears to be the thin end of the wedge for State ownership of all enterprise. The Bill asks for absolute power with no indication as to how that power is to be used. The Prime Minister has asked for co-operation, but with all the good will in the world we have no idea in what way we are to cooperate. We are merely asked to agree to granting dictatorial powers to the Government. Again I say that I know they are earnest men and actuated by the highest motives, but one is afraid that their hearts may run away with their heads, and I feel, with other speakers, that some more definite legislative safeguards should be taken to ensure that their hearts do not run away so completely with their heads that irreparable damage would be done to this Dominion.

Mr. SMITH (New Plymouth).—Sir, I am aware that the Prime Minister is anxious to get this Bill to another place, and I know the details necessary. However, I want, in a few words, to register my protest against the manner in which the Bill is being rushed through the House. In all my experience I have never known of a Bill of such a revolutionary character getting such good treatment as far as the Opposition is concerned. No member on this side of the House exhausted his right to speak; and had the Minister given the Committee the details asked for the Bill would have been in another place hours ago. But no details could be wrung from the Minister—no details of any value. It is true that on the second reading the Minister made a most eloquent and academic speech; but he gave no details and set no limits as to how far he proposed to go. The Prime Minister was appealed to. He made two speeches during the night, and, in the course of those speeches, said the same thing: he moved, “That the question be now put.” I have never known the Opposition to be treated by the leader of the House or the Minister in charge of a Bill as the Opposition was treated during the early hours, and I do want to register my protest. It is a revolutionary Bill. Under its provisions the Government of the day is seeking authority to handle millions of money. Not content with the right to obtain an overdraft to the extent of millions of pounds, it seeks the power to raise loans through the Reserve Bank; it seeks power for the bank to buy and sell Government securities; and, furthermore, it is taking power to compel the bank to increase the accommodation to the Treasury. Under this Bill the Government can raise £100,000,000; and yet the Minister in charge of the Bill and the Prime Minister are dumb as to details and the extent to which they propose to go. The provisions in regard to the board of directors are such that if members of the Board do not do what they are told, out they go. If the board of directors conscientiously feel that in the public interest it should resist, out the members go. Now, what is the urgency for this Bill? It has been suggested that this conference that was talked about during the Committee stages is the reason. The party has been in power for nearly five months. What has it done? When asked about the restoration of the cuts, about the forty-hours week, about the abolition of unemployment Mr. SPEAKER.—Order. Mr. SMITH.—These matters came up frequently during the Committee stage. They say that the idea is to take something
to this conference. The machine will want something definite.
The Hon. Mr. SAVAGE.—This was never mentioned at any stage.
Mr. SMITH.—The conference?
The Hon. Mr. FRASER.—What the honourable gentleman said there.
Mr. SMITH.—I say it has been mentioned to me not publicly, but privately, that the reason is that it is desired to have something to take
The Hon. Mr. FRASER.—I challenge the honourable gentleman to prove that statement or admit that it is not true.
Mr. SMITH.—It is true enough.
The Hon. Mr. FRASER.—I challenge the honourable member to prove the truth of that statement.
Mr. SPEAKER.—What has this to do with the Bill?
Mr. SMITH.—I shall not labour the point.
Mr. SPEAKER.—The honourable member knows that he should confine himself mainly to what was said in Committee or comes within the general scope of the Bill. He should not deal with what may have been said privately.
Mr. SMITH.—The only point was that privately
Mr. SPEAKER.—I do not think the honourable gentleman need deal with that.
Mr. SMITH.—We have been seeking the reason for the undue haste displayed by the Government in reference to this Bill, but we cannot ascertain that reason. We have asked for information, but have been unable to get any. If this measure is carried into full effect the future of this country may be jeopardized to such an extent that it will take years to recover from the effects. Yet we cannot get details of the extent to which the Prime Minister and the Minister of Finance intend to go with this proposal to handle all those millions of money. This Bill is not going through on the logic of their claim, but because of the numbers behind the Government. Not one member of the rank and file on the Government benches has contributed to this debate. The rank and file are dumb while there is being placed on the statute-book a measure of the most revolutionary character that may bring disaster to the people who win the wealth of this country. I have no desire to hold up the Bill, but I must express surprise at the attitude adopted by the Prime Minister. In all the years I have known him I have never found him so unreasonable as in the early hours of this morning. The members of his party were petering out one by one and the Chairman of Committees was on the point of exhaustion. The Prime Minister's only contribution to the Committee proceedings was, "I move that the question be now put." He moved that motion on two occasions. I leave it at that.
Mr. McDougall (Mataura).—Sir, I beg to move, That the question be now put.
Mr. SPEAKER.—I cannot accept the honourable gentleman's motion.
Mr. KYLE (Riccarton).—Sir, I would not have taken part in this third-reading debate but for the action of the honourable member, for Mataura in moving the closure.
Mr. SPEAKER.—I did not agree to the request of the honourable member.
Mr. KYLE.—I realize that, Mr. Speaker, but I resented the expressed desire that we should be guillotined again. We have been guillotined all night. Hon. Members.—Oh, oh!
Mr. KYLE.—That is the position. I do not think that more than three members spoke on clause 23 before the closure was applied. It was due to the Opposition that the Government should traverse fully such far-reaching legislation and allow the measure to be fully analysed. As I said in my second reading speech, I realize that this is an attempt to introduce into New Zealand the whole plan of the socialization of the means of production, distribution, and exchange. Last Sunday the honourable member for Kaiapoi addressed a meeting in Latimer Square, Christchurch. He told his hearers that the first step of the Labour party was to put through this Bill, after which it would bring in its socialistic legislation for the finding of employment for men out of work. When questioned about the Government's promise to clean up the unemployment problem he said that he knew it was a difficult matter and that the Minister of Employment had said that he could not carry out that promise until legislation of the sort now before the House had been passed.
The Hon. Mr. PARRY.—That was a substantial reason for this Bill.
Mr. KYLE.—Yes. I know that the unemployed have had a hard time during the last four years, but I would tell the Minister of Internal Affairs that I know of men on sustenance who are better off to-day than they have ever been before.
Mr. SPEAKER.—I must bring the honourable gentleman back to the Bill. There is nothing about unemployment or sustenance in this Bill.
Mr. KYLE.—I was merely saying that the honourable member for Kaiapoi had made that statement. I do not wish to belabour the Bill, because it has been fully discussed during the Committee stage; I only wish to say that I have never known a "measure bullocked through the
House in the manner this Bill has been bullocked through.
Mr. JORDAN. — The honourable gentleman has just said it has been fully discussed.
Mr. KYLE. — Yes, by honourable members from this side of the House, but not by Government members.
Mr. JORDAN. — We do not have to discuss it—we are quite satisfied with it.
Mr. KYLE. — Yes, I think the Prime Minister and the Minister of Finance must have kept their members quiet for fear they might give the show away. But we on this side have been fighting the Bill in order to protect the public and the commercial financial institutions of this Dominion. I do not believe there is any part of the British Empire where the banks have stood to the country as our banks have stuck to this country.
Mr. SCHRAMM. — They have stuck to them all right. And stung them, too.
Mr. KYLE. — The honourable member might be glad for them to stick to him.
Mr. SCHRAMM. — There will be no necessity — I have never had any necessity.
Mr. KYLE. — I am glad to hear it. At any rate, this legislation is a straight-out attack on the banking system of the country, and I imagine that the Australian friends of the Labour party here will be jubilant when they hear of the passage of this legislation because it will probably spur them on to emulate their brothers in this Dominion. All I wish to say in conclusion is that we on this side of the House have carefully analysed and criticized the Bill in the interests of the whole of the people of this Dominion, and we can do no more. I do not believe it will benefit the people; in fact, I think it will act as a boomerang and recoil on the heads of the Government before eighteen months have passed. I sincerely hope it will not bring New Zealand down to the depths of perdition.
The Hon. Mr. NASH (Minister of Finance). — Sir, there are one or two matters touched on by various members to which I wish to refer, but first I would like to say a few words to and about the honourable member for Motueka. He did not come into this Chamber until about three-quarters of an hour prior to the adjournment this morning for breakfast, when he almost immediately got on his feet to speak, but unfortunately the closure was being applied at that moment. In connection with his speech made a few minutes ago my comment is that he evidently did not know the contents and had not read the Bill, because there is nothing at all inquisitorial about clause 24. The whole position had been explained to honourable members when the honourable member for Motueka was not present—that the proposal in connection with the information to be obtained from the trading banks for the benefit of the Reserve Bank with regard to their total overdrafts unexercised had nothing whatever to do with overdrafts granted to individual persons, but were exclusively confined to a *globo* sum, which information was to be sent to the Reserve Bank. The honourable member for Wellington Suburbs said there was a vendetta against the trading banks. I have never said a word against the trading banks in this House except that I was of opinion that they had made undue profits. I do not believe that there is any conspiracy among the bankers to exploit the community other than for the purpose of getting larger profits than they are legitimately entitled to for the service they render in the organization of credit. The leader of the Opposition mentioned that the success of the Bill was dependent upon the men in charge of the machine. We have said that from the beginning. That is the case of the Government, and if the people of the Dominion are not in favour of the men whom the leader of the Opposition refers to as those "running the machine," things will not go well. The men in charge are men of competence, who will carry out the policy they pledged to the electors to write into the statute-book. The application of the closure would not have been possible had it not been for the present Opposition. It was not in the Standing Orders until the honourable members who are now talking about its use wrote it into the law of Parliament.
The Right Hon. Mr. COATES. — I was not in opposition then. It was the United party that wrote that in.
The Hon. Mr. NASH. — Once again the right honourable gentleman is slipping. Day after day and night after night for eight long days we fought against that provision. The two right honourable gentle men were linked together then. It is easy to find that in the columns of Hansard. If the right honourable member, before I finish this speech, will find that record of the division list, I will undertake to read it to the House. It may have been before the day of the Coalition Government. If that is so I will apologize. If the right honourable member for Kaipara says so I will accept it.
The Right Hon. Mr. FORBES. — It was before the Coalition was formed.
The Hon. Mr. NASH. — Well, I will look it up and make sure of the facts. The
honourable member for Kaipara also mentioned the case of the directors. I have said before on two occasions, but it is worth repeating, that whatever advice is available from the experience of those men whom we have asked to stay will be given full weight by the Government. It will not be brushed aside, as the right honourable gentleman suggested. We want their advice. That is why we have asked them to stay where they are. I liked the reference of the right honourable gentleman to this matter. I think he was correct—that they have such high mindedness that though they have some doubts of the wisdom of the policy of the Government, yet they have stayed, as they see that it is in the interests of the country to have the benefit of their experience. I think that is all to the good. It should be of tremendous benefit.

The Right Hon. Mr. COATES—Provided that it does not come to a clash.

The Hon. Mr. NASH—No, we will not have any coercive action, such as has been suggested from Opposition benches, but we have to carry out the policy determined upon by this House. This House is the supreme authority for the Dominion. We are only the executive officers. If this House has determined that it wants something done in connection with its policy, then obviously we will go and discuss that with the governor and the other directors of the bank; and if they can prove that it would be harmful and not helpful, then we will not carry out that particular policy. But if we are satisfied, after getting the approval of this House, that the thing that it desires done is the thing that ought to be done in the interests of the progress and development of the Dominion, then we will say that it is to be done. At that point it is a case of saying either that Parliament rules or that the directors of the Reserve Bank rule. When that choice has to be made Parliament will rule. There is no question of coercion in the ordinary sense. Now I come to the question of the trading banks' balances. I explained very clearly in Committee, on the occasion when members refer to me as having been silent, every clause that had not been previously explained. Had I spoken again on the occasions when they were speaking in order to keep the debate going, all that I would have been doing would have been to repeat what I had already said. There is not a single question that has been raised by any member that has not been answered during the proceedings.

The Right Hon. Mr. FORBES.—Sometimes some members were out of the House and did not hear the honourable gentleman.

The Hon. Mr. NASH.—That means that whenever a question is asked again the Minister in charge of the Bill has got to reply again—to each member as he comes into the Chamber.

The Right Hon. Mr. FORBES.—That is often done. The Hon. Mr. NASH.—I accept the explanation of the right honourable gentleman there. But this is the point: certain honourable members have been saying that we were dumb, that we never spoke at all. Now the leader of the Opposition says that answers were given, but members were not in the House when they were given.

The Right Hon. Mr. FORBES.—I was not in the House when the honourable gentleman explained about the trading banks' balances.

The Hon. Mr. NASH.—All right. Somebody else was in. I will give the answer again for the benefit of the leader of the Opposition with regard to trading banks' balances and the sum that the trading banks have to keep, under existing circumstances, on deposit with the Reserve Bank, and the proposal to vary the sum if the circumstances of the Dominion so warrant. That is provided, as was suggested, I think, by the honourable member for Kaipara, to avoid the dangers and possibilities of inflation. The question of the exercise of the power depends again on the Government, and the Government is responsible to this House. Members who were in the previous Government will have heard the leader of the Opposition say how, when he was Prime Minister, he was tied and made to do things by the bankers that he did not want to do and that he would not have done had it not been for the coercive power they had.

The Right Hon. Mr. FORBES.—Not when I was in the Government.

The Hon. Mr. NASH.—Oh, yes. I have known the leader of the Opposition, when he was Prime Minister, saying in his own room that he had got to do something to safeguard the interests of the Dominion, something that he was compelled to do, at a price, charged by others, which he thought was unjust and unfair; and there is not a member of the late Government who will say otherwise. On occasions, when they had dealings with the trading banks, they were compelled to agree to conditions that they thought were unjust and unfair. They will not deny that. I am not blaming the trading banks in general. The trading banks, under the necessity of the economic order, have been using the powers they had and the capital under their control to make the maximum profit they could for their shareholders.
They have certainly reduced their overdraft rates, and during recent years they have not made too much profit as represented by percentage on the purchase price of shares.

The Right Hon. Mr. COATES.—I do not think there has been much of that since the establishment of the Reserve Bank.

The Hon. Mr. NASH.—There was before, though. The honourable member for Kaipara knows that it has not been so bad since the Reserve Bank was established; but prior to that relations were not so happy as between the Government and the trading banks.

The Right Hon. Mr. COATES.—It is much better now.

The Hon. Mr. NASH.—Yes, because of the Reserve Bank. It will probably be better still, later. The trading banks' balances have been subject to that supervision for that purpose. If there is a tendency to inflation in this Dominion, the governor' of the Reserve Bank, understanding the power he has for that purpose, can so use that power that inflation will not result, because he has this extra power to prevent such an occurrence. The honourable member for Kaipara referred to the 4-per-cent. bonds being exchanged for share capital. I think that criticism was reasonable from his viewpoint, but I would point out that the 4-per-cent. security now offered is a totally different security from those recorded in Stock Exchange transactions. The 4-per-cent. security is not negotiable, it will not be rated with the other stocks, and in any case it would not have been necessary to give 4 per cent, if the former Government had not agreed to give 5 per cent. That is the cause of the trouble. That is the reason why shares went up from £5 par to £6 12s. at one point—because they were to be paid 5 per cent, when money was only worth about 3 per cent. The honourable member also referred to a case where someone wrote to him about an investment in Reserve Bank shares at £6 1 os. in the belief that the value would remain constant, and so on. I admit that there appeared to be an element of injustice in the matter of trust investments, and that is the exclusive reason why we decided to issue 4-per-cent. bonds in lieu of shares bought, so that the bonds would pay 4 per cent, for ten years—which provides income at the same rate as they would have received had they retained their shares in the Reserve Bank. The only remote possibility in which they would not have received it would have been had the Reserve Bank not made a sufficient profit from which to pay. I submit that the whole of the evidence I have given to the House on the second reading, in Committee and now, proves that the Government's case in connection with the acquisition of these shares is complete so far as it is humanly possible to make it, in justice and equity. I have not heard any honourable member opposite say otherwise. The honourable member for Kaipara said that the bond rate was high, but he would not have moved to change it had he been given the opportunity to do so. He knows that every step proposed to be taken by the Government is a fair and reasonable one, and so also does the honourable member for Wallace, who took a prominent part in the debate in Committee. I should like to run sketchily through other points raised. The directors are remaining because we want their help, advice, and experience. They will remain, I hope, for the period they would automatically have stayed as members of the directorate before the alteration. The Reserve Bank's powers are extended so as to ensure that the Government controls, in its completeness, the credit and currency system of this country not for the purpose of just saying that we control these things, or to give effect to election pledges, but because nothing can be done, so far as the progress of this Dominion is concerned, if the life-blood of the community is in the control of someone else. We are not taking this power because we want to do this or that specifically, but because nothing can be done inside the existing economic order in this or any other country unless the Government has control of the credit and currency system of the country—a control more vital and powerful than any other in our social and economic life. We have provided that annual reports of the Reserve Bank Board shall be laid before Parliament. During the Committee proceedings the honourable member for Kaipara suggested that one of the clauses which provides for the granting of accommodation by way of overdraft should be extended by another paragraph to provide that the balance-sheet of that particular procedure should be made available to the House. I suggested, and I say again, it is intended that that will be covered by the report on the operations of the bank; but, in any case, if it is not covered there, I will endeavour to arrange that the matter is provided for under the Guaranteed Prices Bill. That is something slightly different, because that Bill might not cover everything in regard to accommodation, but I shall arrange that the report shall cover everything. Then there is another important point in regard to sterling. That is a
safeguarding clause, unlikely to be exercised — safeguarding because of the fact that the Government desires to ensure that the credits that are built up by our exports shall be under its control, through the Reserve Bank, so that it will at that point not only exercise general control over the sterling credits there, but see also that such sum as is required to meet our debts and pay the interest due overseas to maintain the good name of the Dominion shall be made available. Thus, there will be no danger of a recurrence of what happened in 1930 or 1932, when the Government had some difficulty in finding the money necessary to meet its commitments in London. That is the main idea of the provision—to make sure that, when the money is required for rightful purposes, it shall be available. That does not alter the position whereby any person, exporter or otherwise, who has a legitimate claim to sterling in London will be able to get that claim satisfied in its completeness on application to the Reserve Bank If, however, there are certain circumstances in which people want it for purposes that are detrimental or harmful to the Dominion, it is not proposed to allow them to have it immediately they want it. The next point is in connection with bank balances to be maintained with the Reserve Bank, previously fixed at 3 per cent, on time deposits and 7 per cent, on demand deposits held by the trading banks. It is likely that the position will remain unaltered, but the power is there to vary these rates should circumstances so demand. We are asking for further information. The further information is to enable competent persons to obtain a clearer picture of the Dominion from the financial point of view—what credits are available, and so on. Associated with the figures we are adding to the list are other figures which, to those who have given study to the matter, will give a complete picture of the trading and Reserve Bank position in the Dominion. Then we provide for regulations to ensure that the powers given in the Bill shall be carried out by the Government. There was one amendment inserted in the Bill during the Committee stages. That provides that the regulations made are to be laid on the table of the House within twenty-eight days of the assembling of Parliament. I think that covers the main points that have been raised in connection with the Bill. The measure is the first step along the road which the Government is pledged to follow. It is not so much a machine, as referred to, I think, by the right honourable the member for Kaipara or the leader of the Opposition, but it is a Government activity. There is no running away from that: the Bill that has now practically passed through this House means that the Government as a Government has control. It now depends upon wise administration. It is going to be difficult; it is not going to be simple and easy to determine how that machine, as it is called, is to be worked. I know it will be difficult, but I also know that through the organization of the available labour and material we can, by providing the necessary credit, go right ahead with the development of the Dominion. What must we do? So long as we employ labour economically and use our materials advantageously to bring into being assets or goods that are required for the economic and community life of the Dominion we will go forward. The complete power is in the hands of the Government. There was a suggestion about confidence. We heard about confidence in the trading banks and confidence in the Reserve Bank, but, after all, the supreme form of confidence in any country must be confidence in its Government. If the Government of a country were not good and true, if it were corrupt in the way described by the honourable member for Stratford, then at that point the tendency would be for this corruption to permeate the body politic in general, and the same sort of thing would spread also to the ordinary social, political, and business life of the community.

The Hon. Mr. HAMILTON. — The Government might be incapable without being corrupt

The Hon. Mr. NASH.—It is not merely a question of incapacity. It is a matter of the confidence of the people in the sincerity of the Government. The attractiveness of the Government’s policy, referred to by the leader of the Opposition, is not enough. Behind the attribute of sincerity, which, I admit, is just as evident on the other side of the House as on this, there are years of experience, of study, and of work, and that experience is such that those who have obtained it can take the Dominion forward to something better, for they have something more than the confidence of the people—they have confidence in themselves, and that is worthwhile having. And that confidence is not merely born of optimism in general; it is not created because of any super ideal of egotism, but it is the quiet confidence that comes to men who know that what they try to do can be done. May I say something about co-operation? I feel that this ought to be said. There were no words more pleasing to me than those used by the honourable member for Wellington Suburbs. He is an ardent opponent of the movement to
which I belong. He has fought through every stage of this Bill with all the arts he knows so well. He was most subtle in his attacks on the Bill in the Committee stage.

The Right Hon. Mr. FORBES.— He is very innocent.

The Hon. Mr. NASH.— I know what he does all the time, and I am afraid that I cannot say that he is without guile. We all know the honourable gentleman fairly well. But what I liked and accepted with genuine pleasure was his concluding statement. In effect he said this: "The Bill is through. I love this Dominion so much that I shall help the Government to make the measure successful." A statement like that is worthwhile. [Time extended.] I want to thank the honourable member for Kaipara for his generous references to me. I felt uncomfortable as I listened to his words, and, after the leader of the Opposition had spoken, I was thinking I must watch myself very carefully, but all the time I was feeling that we would get the co-operation of all the members on the other side when the Bill is through.

Hon. Members. — Yes.

The Hon. Mr. NASH.— That is all right. I know they fought us and applied all the arts they knew in order to prevent the passing of the Bill, but I believe that even the members on the other side of the House have some thought for the well-being of the Dominion, and, whilst there was one exception that I was rather hurt about, I do not think there was much said during the debate that would tend to affect the confidence of people overseas. Those people know us. I repeat that I do not think much was said to affect the confidence of those people. The evidence from overseas suggests that the reaction to the provisions of this legislation are not harmful in the slightest degree. I want to pay a tribute to the governor of the Reserve Bank. In the last three months I have had many discussions with him. In general he is opposed to the principles of the Bill, as I have stated on two occasions. His banking education and experiences are related to the Bank of England philosophy — sound, solid, and, shall we say, safe. It is a philosophy that is not developmental; that does not look too far ahead. It is a philosophy of watching the ground around one, but a philosophy that contains in its orbit some of the finest experience in orthodox banking to be found in the world and probably the finest cross-section of experience in banking that has ever been recorded in banking history in England. Mr. Lefaeux is closely associated with that tradition. But I have this from him: that, whilst he disagreed with the general principles of the Bill, when he saw that they set out the definite policy of the Government he started to help us write into the Bill some phrases which he considered would be more helpful in working out our policy and which might be more beneficial from the Dominion's point of view. I hope he stays with us and assists us to carry out the intention expressed in the measure. He understands what we desire and how we propose to achieve our object. I say again I hope he stays with us, because he has a particularly wide experience, which would prove of inestimable value, particularly in connection with overseas transactions. I also desire to pay a tribute to the Treasury officials. We have often heard those officers criticized in this House, but it gives me great pleasure in testifying to the fact that the Secretary, the Assistant Secretary, and other officers with whom I have come into contact have done everything humanly possible to help me embody in this Bill my thoughts and the thoughts of my colleagues and also the policy of the party, and I hope after the legislation is actually passed we shall have the co-operation of everybody. With regard to the leader of the Opposition, I would like to say how much I appreciate the tribute he paid—a tribute he generally pays in the old political fashion to those whom he is opposing. It was worth while saying what he did say in the closing part of his speech. My last request for co-operation is addressed to the trading banks. It has been suggested that they would be unlikely to agree with the provisions of this Bill. That is correct, but in a letter I have received from Mr. Dawson, the manager of the Bank of New Zealand and chairman of the Associated Banks, he writes, "If the Bill goes through you can depend on the banks cooperating with you and helping you in every way even though we do not like some of the clauses that are in it." I think I have covered everything I need say about the Bill itself. In conclusion, I might refer to the fact that during the various stages through which the Bill has passed—during the second-reading stage and the Committee stage—I have been called many things. I have been called a benevolent tyrant. The honourable member for Wellington Suburbs said I have some strange hypnotic power. I have been called Stalin. I have been called a Lenin. I have been called a sphinx. One honourable member said I was a Chinese joss god. I do not know whether I am any of these things or not. I do know that I
am one member of a Cabinet of men who are endeavouring to take this country forward to something like the times we experienced when Seddon was at the helm. There is a tremendous likeness in the legislation we propose enacting and the legislation Seddon embarked upon. There was a strange feature about the debate of last night and this morning which conjured up a link with the past—a link with the days of Seddon. Honourable members will know that when he sat on the Government benches—not in this particular Chamber, however—the old-time Tories fought him for eighty hours in an endeavour to prevent the passage of the Old-age Pensions Bill. Many of us thought of that episode last night not because we felt any bitterness towards our opponents, but because we felt and still feel that they have neither faith nor vision—they are always keeping their feet in the centre of the ground and they are so fearful of what the future may bring that they are even afraid to hold up their heads and look forward. If they would only look forward this country would be a better place. I know that even after this legislation is passed the road will be difficult and the path rocky. But if there are holes in the legislation they will be filled in. The rocks that are in the way will be pushed out of the way, and we shall still go forward even though the road is uphill. Even when we reach the top the way may still be uncertain, but whatever we do we shall not turn back—we shall go forward to better and happier days.

The House divided on the question, That the Bill be read a third time.

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Majority for, 38.

Bill read a third time.

The House adjourned at fifteen minutes past twelve o’clock p.m. (Tuesday) until half past seven o’clock p.m.