

time, when there is no export or import of gold, is simple, and does not mean more than a book entry, plus the exercise of capable and competent judgment as far as trade relations are concerned. It is only a book entry; that is all the service that a bank gives.

It is more than that. London is the one centre in the world where all money that is available for liquid and short-dated investment is accumulated?—Yes.

All banks have agencies in London. All those moneys are placed there and kept there for short-dated investment. The result is that they can only make a very small rate, because there is such competition for short-dated investments. The result is that a bank forced to get its money in London is getting a smaller investment than if it had its funds in the Dominion. That is why the bank is compelled to charge you a higher rate of exchange?—That is right. They have cut off from the balance of trade sufficient to finance the primary producers and others here who want money. Before that crisis came in 1920 there was £18,000,000 of accumulated credits there. That was only by exchanges. That was enormous.

You hear the farmers complaining that the exchange is against them, but the exchange was in favour of the farmers until 1921, when the market was so much against the importer. The farmer got the full benefit of that, so that it cuts both ways?—But our condition is a serious one, and we have to consider it, and I say it would be a national service if you could secure that benefit to the country without injuring the profits made by the banks. We know that during the war and up to the present time their dividends have been very high—up to 17½ per cent.—and I think if Mr. Hunt examined their balance-sheets he could see where they could double that in the reduction of their assets.

*Mr. Shurtleffe.*] On that question of exchange, of course in pre-war times, when we were able to export gold, exchange rates were very largely stabilized both ways?—Yes.

The difference between remitting money to London and drawing money on London was not so great; we did not have the same violent fluctuations as we have had since?—Yes.

But owing, no doubt, to the impossibility of transferring gold to equalize balances, the banks are necessarily forced to alter their exchange rates according to the fluctuations in the balance of trade?—That is quite right.

So that on the round trip they probably do not get more than they did in pre-war days?—

*Mr. Hunt:* Oh, yes.

*Mr. Shurtleffe:* You may have the figures.

*Mr. Hunt:* I have worked them out quite recently and can give them to you.

*Mr. Shurtleffe.*] You get a discount from the bank to-day if you want to remit money. The fluctuation of the exchange rates must depend upon the balance of trade?—(Witness) Yes, sir. But therefore I say that our prosperity secured by increased exports militates against the primary producers. The more we get for our stuff the bigger is the rate of exchange.

Except that, taking the national point of view, the loss that is made in drawing on London is to a large extent compensated by the low rate of transmitting to London?—Yes; but they do not affect the same individuals.

Yes, but I said, “taking the national viewpoint.” The loss that is made by exporters owing to the operation of the exchange is compensated very largely by the extra saving to importers through the lower cost of remitting money to London?—Yes.

To come to your written evidence, are you right in saying that farmers do not get any allowance for their registered mortgages?—On the graduated tax they do not get any allowance.

But there is an allowance up to £4,000 on mortgages which disappears at £8,000?—Yes.

Are you right, Mr. Bates, when you compare the stock of 1912 with that of 1922? You have a decreased number of sheep of 1,000,000 and a surplus of 1,300,000 cattle. Would not the increased number of cattle compensate for the reduced number of sheep?—No, because the cattle have been reduced in value very considerably. You can cut that in two. The value of the cattle has been reduced very considerably.

*Mr. Begg.*] You would not say you could cut it in half?—No, but they have decreased very considerably.

Then you say, “Further, owing to the high interest charges and taxes a number of owners have left their farms or the farms are in the hands of the mortgagees and practically idle awaiting purchasers.” As regards the last year or two, do you think that is mainly attributable not to the high interest charges, but to the high prices which the farmers paid for the land?—Yes.

You would qualify that statement to that extent?—Yes; it is the aggregate of interest they have to pay which is driving them out of their farms.

It is the aggregate of interest in each individual case?—Yes.

Then, again, in your schedule of bankruptcies it is not possible to say what the percentage of bankruptcies is in each industry, but apparently one would judge that the percentage of farmers becoming bankrupt in 1922 is no higher than the percentage of commercial or industrial houses. Taking the percentage of the total, the percentage of farmers would probably be less?—I suppose I am not wrong in saying that there is at least as many more who have liquidated privately.

But the same thing would probably apply to private business undertakings?—Yes.

At any rate, you do not attribute the increase in the number of bankruptcies so much to the operation of the land-tax as to the losses that have been made in trading by commercial and industrial houses and the losses that have been made by farmers in paying excessive prices for their lands?—The tax they pay is an incident of their increased expenditure.

But you would not attribute this increased number of bankruptcies, except to a negligible extent, to the income-tax?—You could not do that. It is one of the causes, but I could not go further than that.