

Parliamentary debates., v.244 1936.

Reserve Bank of New Zealand Amendment Bill

The Hon. Mr NASH

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.

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.

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.

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."

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.

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 a Government Department [The Reserve Bank], 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.