Take all loans issued for financing farms and so forth. They come originally from the banks; it does not matter about the subsidiary channels. That being the case, the farms and factories producing products must of necessity sell for money, because they have to meet the demands of banks for money. That is so, is it not ?—To a certain extent.

Can a farmer or a manufacturer, operating on loan-moneys, effect an exchange by barter ?—It all depends on the arrangement made. If he had promised not to do so, he would not. In certain circumstances that may be possible. Supposing you had a farm and had an overdraft and yet you wanted to exchange a horse for a couple of cows. You could exchange them by the system of barter, but if you had already charged the horse, spent part of that horse by borrowing money on him, you could not expect to be able to do so. You cannot eat your cake and have it.

That is just the point I have put in. In the present circumstances it cannot be done. Any one operating on debt money cannot go in for barter because some part of his product must be used to obtain money to repay his debt ?—I would not make that general statement, because the only circumstance I refer to is that he could not use or get something else for some part of his property for which he already had got something.

Do you agree, if a producer is operating on loan-moneys, he must of necessity sell part at least or his product for money, because the banks are not willing to accept wheat or chairs or boots in repayment for debts. That being the case—being under the necessity of selling part at least of his property for money—he cannot go in for barter ?—The net result of it is barter. The net result is that he wants goods and things to live with, house, clothing, &c., and he produces goods.

The point I make is that he must use part of his product to obtain money with which to meet his obligations to the bank. The amount of goods, the volume of goods, he has to give to get a certain quantum of money depends very largely on the monetary policy of the issuing authority.

Mr. Fussell: What do you mean; as it changes the price-levels ?

Captain Rushworth.] Yes; if the monetary policy of the issuing authority is to cause an increase in the price-level, quite obviously he has to give less product for a set sum of money. If the monetary policy of the issuing authority is in a contrary direction, he has to give a greater volume of goods for the same amount of money ?—Yes.

So that the monetary policy of the issuing authority determines the volume of product that he must give to obtain the money with which to meet his obligations to the issuing authority ?—Do you mean for the price-levels, taking from the time he got the loan until he repaid it ?

Yes, when he got the loan ?—We will say that if the monetary policy should have been such as to alter the price-level in the meantime, it would have the effect of benefiting some people.

Who would it benefit ?—If the price-level rises, I should say it would benefit people who have obligations fixed in terms of money.

And if it fell ?—It would be to the detriment of people who had obligations fixed in terms of money, because they had supplied a certain amount of money as purchasing-power.

A rise in the price-level benefits debtors, and a fall in the price-level benefits creditors ?—That is an economic fact.

THURSDAY, 8TH MARCH, 1934.

Captain Rushworth.] Have you seen this cable from London which appears in the *Dominion* this morning—will you read that [paper passed to Mr. Fussell].

> "The *Daily Herald's* city editor says that, 'despite official denials, the city believes that, although it is possibly only temporary, a stabilization agreement between the pound and dollar has been reached after discussions between the Bank of England, the Bank of France, and the Federal Reserve Bank of New York.' There has been no direct participation by the Governments. It was suggested that the stabilization was made at a level entailing a heavy sacrifice by British industry and one completely unjustified by economic considerations."

Mr. Fussell: That report contains a conjecture as to the position.

Captain Rushworth: The statement is that this arrangement has been made—that is one statement, the next statement is that the Governments have not participated, and the third is "entailing a great sacrifice to British industry."

Mr. Fussell: Is your statement that the Government has not participated a complete statement of what is in the cable ?

Captain Rushworth.] I am merely asking you to answer if you had seen the cable ?—The Government has not participated directly.

Mr. Clinkard: Can we discuss the assumptions in Great Britain at the present time ?

The Chairman: I think Captain Rushworth is entitled to put the question and get an answer.

Mr. Langstone: Yes, with a statement made in a reputable newspaper like the *Dominion.*

Mr. Fussell: All I can say in the first place is, it is a statement of what the *Daily Herald* says, "the city thinks"; in the second place what is reported by the *Daily Herald* is officially denied; and in the third place, although that report says that the Government does not participate directly, the implication is that the Governments are participating but indirectly, and it is not said that the agreement has been made. It is suggested that the stabilization was made at a level entailing heavy sacrifice to British industry, so at the present time this thing is too incomplete for me to make a statement thereon.

Captain Rushworth.] Your comments are useful; I was not inviting comments. History will decide, of course, what the result will be, if any result. I was merely asking whether you had seen the cable ?—The answer is in the affirmative.

The reason I asked the question was because of the world-wide impression that the power of sovereignty has passed from Governments to banks. You do not admit that, I think ?—I do not admit that in that form.