Nothing has happened to that particular farm I mentioned as an illustration. If anything it has improved in real value ?—What do you mean by "real value."

That it supports human life. It has increased in its capacity to support human life ?—Has it increased the exchange value of that output ?

You are now bringing money in ?—Is the product of that farm exchangeable for a greater quantity or a lesser quantity of goods from overseas ? I submit that the product of that farm is exchangeable for a lesser quantity of goods from overseas.

Why exchangeable for lesser quantity of goods from overseas ?—Because those who have goods overseas are not willing to exchange the same quantity of goods as previously for the same quantity of produce from the farm.

Has not the price of goods overseas fallen correspondingly ?—The price of goods has fallen to a considerable extent.

Is it not that they have fallen to at least as much ?—I would not say that.

Cotton has fallen much more than either butter or cheese or wool here. On the average you will find that the general fall in the price-level has been fairly even, so that if it were only a case of exchange you would be just about the same. If that is the case, there would be no difference ?—In that case how is it that although we are producing more we are getting less.

I suggest that a large increased volume is required to meet the debt charges. Is that not a material fact ?—The debt charges are a material fact.

Surely there is a fall in price because of the increased volume required to meet the debt charges ?—That is correct.

This is applicable not only to the nations, but to the individual farmers. The individual farmer has his debt charges to meet and he cannot exchange the whole of his products. He first of all has to set aside an increased volume of his products to meet his debt charges ?—That is so.

Leaving a less volume exchangeable for overseas products ?—Yes.

So that the money question comes in very largely ?—The money question certainly does come in.

There is a group of picture-shows here in New Zealand. The valuation a year or two ago was £1,500,000. They had an overdraft at the bank and the bank is now realizing. The bank is acting as mortgagees in possession. The sum advanced in overdraft by the bank was substantially less than the million and a half at which the properties were valued. Can you tell us what has happened to the money in that case ?—You are discussing the customers of some particular bank, are you not ?

Yes. For obvious reasons I cannot mention names. But I suggest, Mr. Fussell, that this is just another case where a large sum of money has been cancelled out of existence ?—When money is cancelled out of existence it releases a debt to the same extent.

True ?—You are not referring to any loss the banks might make ?

No. All I am thinking of are the poor fellows that have lost their money—the people who paid the cost of those picture-shows and now have nothing. Their money has been taken from them. Where has it gone to ? Is it not true that it has been cancelled out of existence ?—When the money was paid over by them they did not have the money, and the property for which they paid has decreased in value.

What have they lost ?—They have lost material.

They have lost the control of the property ?—If they paid money for certain materials or certain buildings and then that building ceased to have the value they paid for it, they lost the material or the building. Is that equitable and just do you think ?—It is a very difficult question to ask me. It is not due to monetary causes.

There are many cases throughout the Dominion like that, you will agree ?—Yes, quite likely.

People who have lost what they previously owned because of what is called the policy of deflation, which is operating all round the world ?—You are looking at this as from the monetary side.

Yes ?—Last night Mr. Harle read something which indicated that the conditions existing at the present time are not due to monetary causes, and to clarify the position I will read a little more.

First of all I want this point dealt with—that there are a large number of people in this Dominion who have lost through this policy of deflation—they have lost their homes, their farms, their properties ?—I may say that that is not the result of monetary matters, and therefore it is not a matter on which I can speak on behalf of the banks.

Is it not that they have lost those properties because they have no money ?—Certainly not. If you paid £100 for a building and that building lost its value, would you say you lost the value of that building because you had no money ? You cannot spend money and still have it.

Why did the bank, referring to this group of picture-shows, take over possession ?—As to the precise reason why the bank took over possession I cannot say. But if a bank takes possession it is a fact that the bank gave the people who borrowed money claims on the bank to a certain amount, and those claims must be met some time. Where claims are given and not met you have a most involved condition resulting in hardship.

The control of the whole premises and ownership are transferred from the original owner to the bank ?—In that particular case in settlement of a debt.

I suggest that that in essence has been operating all over the Dominion ?—No. I should say it has not been in operation to a great extent at all.

What about the indirect actions of the bank—the State Advances Office, the Public Trustee—who obtain their moneys from the banks, and who eject people from their houses because they cannot pay the mortgagee's interest ?—That is a matter for the Government Departments.

But the Government Departments obtain their money from the banks, do they not ?—Yes. They can obtain evidence of purchasing-power from the banks. But to indicate that the present