equal, is unsound, because I say that as the volume of purchasing power increases the volume of consumption increases and the unit price falls unless manipulated upwards. And that has been the story of the fall in the price level since 1810. It fell from a high level to a low level of to-day while your volume of credit purchasing power has risen to its highest level in 1929, and to-day to a higher level than outside of that particular time.

Q. I am glad to have that admission expressed because that is what I think you meant, and because I think it is erroneous. It may interest you to know that the bankers here expressed precisely the same view. They say, if prices rise, production increases, and with that some of us disagree. I think you said, as a part of your contention, that the price for wheat was fixed during the war. Are you aware that the price of wheat was fixed to prevent it from going too high rather than to raise it to a certain standard?—A. No, I do not agree with that.

Q. I think you will find that is a fact. May I ask you, if prices are arbitrarily fixed, who fixes them when they go down?—A. Well, I would say that over-production and want of distribution of wages would have something to do with that.

Q. The want of distribution of wages would be due to the lack of purchasing power?—A. Yes.

Q. So that the lack of purchasing power has something to do with falling prices?—A. Certainly.

Q. Therefore your contention would not be true that the volume of money in circulation had anything to do with prices?—A. I did not say the volume of money in circulation, I said the volume of money in issue. They are different things. But my contention has been throughout, if you have followed me, that it does not matter how much money you have in issue, how much banknotes, or silver coins, or gold coins, or banking credit transferable by cheques you have, unless the circulation of it is distributed through the channel of wages it cannot affect the price level. If it fails to go out in wages, the people are unable to buy and naturally you will have a temporary fall in prices, and after a while, if your volume of consumption reduces to too low a level and your costs of production increase then the ultimate end of that will be a rise in prices. If you will persist in confusing circulation with volume of issue then, of course, we are talking about two different things.

Q. I am not confusing two different things; if there was confusion you confused it. I am pointing out that you said that volume had nothing to do with the prices?—A. The volume of money in issue.

Q. I think I recall that you said that velocity of money was one of the theories of the bankers that had no meaning and was a fallacy?—A. I never said any such thing as that.

Q. Is there such a thing as the velocity of money?—A. The velocity of circulation?

Q. Yes?—A. Of course there is.

Q. What did you have to say about that in your evidence?—A. I said that in the matter of velocity of turn-over, where people spend their own money they are acting independent of the banker, and that is not a thing that can control by purely monetary management. If I go out and buy real estate or stocks and turn over my purchasing power at prices which are unsound, I, as an individual owner of banking credit can, quite independent of the banker, create a rise in prices. The banker and monetary management has no control over it, and, as I pointed out to the committee, that could only be controlled by a department of economy empowered to fix and regulate prices.

Q. Then you stand for an arbitrary fixation of prices apart from the monetary medium?—A. I not only stand for it, but I say if you are going to have a normal activity in an age of plenty you must exercise that control I think I pointed out, that economic control must be used in trade and commerce