

The old custom of the natives at Mangaia and some other islands, was to have a rude native building, which they call the Market-house and in which only any buying and selling could be done. The object was to avoid the establishment of white men on the island as permanent traders. Mr. Pearse was, however, allowed to open a store some eighteen months ago. He hired a building, and was further, some months later, allowed to rent a section of the adjacent land to build for himself upon it. This building, a house and store of considerable size, now stands unused and not quite finished. The native authorities also dispute the title of the man who leased the section to Mr. Pearse. They will not allow the buildings to be completed, nor even painted for preservation.

With reference to the Market-house, I may add that \$3 per ton are levied on all produce or goods taken there, as a charge for shipping or landing them through the surf. The authorities perform the service, which is thus a Government monopoly. They also charge \$3 per day to each trader by whom the Market-house is used. These charges, and the Court fines before referred to, form all the public revenue. One part of the fines and fees goes, at Mangaia, to the Arikis, another to the Mataiapos (or chiefs), and a third to the policemen. A similar division takes place in the other islands.

Pearse's arrival at Mangaia caused no difficulty. Ward's subsequent appearance alarmed the natives, who began to think that their island was being overrun and would be demoralised by a rush of Europeans. Mangaia is only twenty-five miles in circuit, with much useless land, no anchorage nor harbour of any kind, and with two thousand people now inhabiting it. The fear of being overrun was evidently groundless. The landing, only practicable by canoes through heavy breakers, is in itself a sufficient protection.

Laws, however, were promptly made to meet the supposed emergency. All trade was again prohibited except at the Market-house, and then only on the rare arrival of a trading-vessel. The enforcement of this law was the proximate cause of the existing difficulty, though minor causes and personal interests among the natives themselves are not unlikely to be discovered on investigation. The suspension of church-membership, imposed upon natives siding with the traders, produced additional bitterness. Very little would have caused this to find vent in bloodshed, for many of the chiefs of Mangaia, especially those at Iverua, resent the Market-house law as grievous and unjust. They offered to bring three hundred men to Oneroa, the seat of the difficulty, and restore the traders to their old position; but the latter very rightly declined, preferring to wait patiently the visit of a man-of-war. I indulge the hope, from what I have seen, that such a visit will not be found necessary.

The position of the missionary, the Rev. Mr. Harris, placed between contending sections of his own people, is obviously delicate. He does not, therefore, wish to take part in any of the proceedings, but acceded to my request to act, in case of need, as interpreter at the meeting which I propose to hold on my return to Mangaia. It is difficult to get a trustworthy interpreter unconnected in any way with the parties concerned.

On the 8th September last Mr. Exham, Acting British Consul, called the natives together at Mangaia to make inquiry into Pearse's case. Feeling ran so high, and the opposition to chiefs who had been deprived of church-membership taking any part in the proceedings was so strong, that the meeting broke up in violent confusion. The feeling has now cooled, and the natives see more clearly the gravity of the act of expulsion. This, and their cordial welcome, lead me to believe that no similar difficulty need be now anticipated. All possible precautions shall, however, be taken.

Mr. Exham will go with me, in the "Torea," through the group, and be able to give valuable help from his long experience and local knowledge. I find also that the report current in New Zealand that Pearse was acting for him in some official capacity is entirely without foundation.

The work with which your Excellency has been pleased to intrust me will evidently be more difficult and complicated than was expected. The best means of promoting the general improvement of the islands will require careful consideration, and it will be necessary to secure the confidence of the native chiefs. This confidence will be readily given when they are convinced that Her Majesty's Government desire only their good, and, once given, will not be readily shaken. Their devotion to the missionaries is sufficient proof of this. Rivalries among themselves, and business jealousies and intrigue among the Europeans, may occasionally do harm, but the existence of so many independent Arikis—there are three in Rarotonga alone—will be the chief difficulty in carrying out measures for the general good of the group. A General Council may be created by the natives for the government of the group, but that will be a work of time. If representatives of the foreign residents could be admitted to such a Council it would be a powerful means of cementing interests, educating the natives politically, and creating a permanent good feeling between the races. That feeling is now excellent, and of the three Arikis in this island my impressions are most favourable. They expressed the greatest pleasure at the arrival of a British Resident, and promised readily to work together for the good of their people.

Queen Makea has invited the other two Arikis and the chiefs to meet me at her residence tomorrow, and has agreed to dispense with the terrible waste of the usual tribal feast at that meeting. As these ladies and their chiefs are extremely jealous of the reputation for hospitality of their respective tribes, the concession is more important as a precedent than may at first appear. These feasts are also serious obstacles to any real business being done.

There is no attempt at system in the government, nor any public finance. The officials must have a more definite position, and be largely reduced in number. The judges and other officers should be placed in receipt of regular pay, and not be dependent on the fines which they levy in administering the law.

A Customs revenue of the usual elaborate kind is impracticable, owing to the small returns and necessarily great cost of collection. Some other means of raising a revenue must be devised. If, meanwhile, a few hundred pounds per annum were, for four or five years, placed at the disposal