is no doubt that a production of £95,000,000 a year is greatly in excess of the amount required on the average to provide for the increased trade of the world at the same prices, to supply the arts with the gold that is required as the raw material of their manufactures, and to provide for hoarding; though it is difficult to say what that amount would be. Suppose we place the sum at some £60,000,000, which many would consider altogether too large; even then there would be no less than £35,000,000 a year which can only find an outlet by raising prices. Whatever the sum may be, until the annual production comes down to it there can be no stop to the rising of prices. Some two years ago the Press reported that an American professor attached to one of the western universities declared that the output of gold would reach £150,000,000 a year, and that prices would increase manifold. Professor Fisher himself expresses definitely the opinion that prices will continue to rise for another generation at least. Neither of these gentlemen appears to take due account of the considerations we have brought forward, and especially of the fact that any great increase in prices must at the present stage react injuriously on the mining of gold. At the other extreme was very recently a suggestion in the *Economist* that as the gold-yield of the Transvaal might begin to diminish in the near future, we might now very soon be confronted once again with an era of falling prices. The writer overlooked here that a diminishing output does not involve in itself, in virtue of its diminishing, falling prices. If I may venture on a personal opinion, unsupported by elaborate argument, I would give it by saying that the probability seems to be that the rise in prices will continue for some ten or fifteen years, and by that time we shall not improbably be near an era—the final era under the present monetary system of falling prices; unless, indeed, a falling birth-rate brings about a comparatively stationary population, leading to small increase in the amount of business transacted. The important point is that, considerable as has been the rise in prices, we certainly have not yet come to the turning-point; we are still in the midst only of an era of rapidly rising prices, although we are already confronted with an increase as great as the whole of that which followed the great Californian and Australasian discoveries of gold."

Extension of credit.

7. There is reason to believe that in nearly every country a great extension of credit has occurred during the last twenty years. In New Zealand the deposits in the banks have more than doubled between 1890 and 1911.

TABLE 27.—DEPOSITS IN THE FIVE BANKS DOING BUSINESS IN THE DOMINION (NOT INCLUDING SAVINGS-BANKS, OR PRIVATE INSTITUTIONS RECEIVING DEPOSITS SUBJECT TO CHEQUE).

	£		£		£
1890	12,368,610	1897	14,290,512	1904	19,074,960
1891	12,796,098	1898	14,143,229	1905	20,545,601
1892	13,587,062	1899	14,591,223	1906	22,422,243
1893	14,433,777	1900	15,570,610	1907	23,517,111
1894	13,927,217	1901	16,034,848	1908	21,821,753
1895	13,544,415	1902	17,231,767	1909	21,996,621
1896	14,490,827	1903	19,011,114	1910	24,968,761

This would seem to show that there has been a great increase in the amount of credit money in circulation, which is drawn against these deposits. An investigation into the variations in the amounts of the factors in the "equation of exchange" as they appear in New Zealand was beyond the powers of your Commission in the limited time available; but it is a work that urgently requires to be done. From an examination of the statistics in existence, however, it appears that New Zealand is developing in the same direction as the United States and other countries: that is to say, not only is the amount of gold money increasing, but the amount of credit money is increasing at a more rapid rate, though this rate, of course, is controlled ultimately by the gold-holdings of the people and banks, and the velocity of circulation of both kinds of money is also increasing. These are all changes that will raise the general level of prices if they are greater than the increase in the volume of trade. That they are greater in the United States is shown clearly by Professor Irving Fisher, whose work in this direction is generally regarded as opening up a way which will ultimately lead to the most valuable practical applications of monetary science. His figures for the United States of America are given here.