Question 9: Are the retailers paying more for Westport coal than they were previously?—I do not know how it is with outside places, but in Dunedin the price is 20 per cent. less retail than it was ten years ago. That has been accomplished by distributing the coal ourselves and taking the profit which used to go to the middleman and giving it to the consumer.

Indeed, one may go further and state that the necessity to preserve profits threatened by the conditions imposed by labour legislation generally has been a factor in stimulating the introduction of up-to-date machinery and improved methods, and has thus tended directly for efficiency.

Mr. G. T. Booth, iron-merchant and manufacturer (page 211, questions 39 and 40), was emphatic on this point:—

Question 39: Has the increase in wages been counterbalanced by the introduction of improved methods?—Oh, yes; we have been forced to that.

Question 40: What has been the relation between the two—has the improved method been stimulated by the increase in the cost of labour?—Oh, undoubtedly; it would have come by ordinary pressure of competition, but more gradually. There is no doubt that high wages stimulate the development of labour-saving machinery, as has been the case in America.

This legislation has on the whole encouraged, on the one hand, the formation of workers' unions, whose operations, by securing higher wages and better conditions, have added to the cost of production except where increased efficiency has followed. On the other hand, it has been met by combinations of masters and employers bent on meeting increased cost of production by increased prices. As a general rule it may be said that price is determined by the relation of supply and demand. There is also another factor, under modern conditions, that has a great share in determining prices: "It is that in many cases the producers do not wait on demand to declare itself, but tempt demand" (Smart, "Studies in Economics," p. 46). "The merchant comes in close contact with demand. His function is threefold—(*a*) to follow the expressed wish of consumers as given in orders; (*b*) to interpret and anticipate the wish of customers by ordering and holding stocks; (*c*) and to tempt the wish of consumers" (ibid. p. 266).

Now, this tendency to tempt demand by lowering prices may have been checked by the trade combinations referred to; but, except as dealt with under Chapter IX of the report, there is no evidence before your Commissioners to show that pressure is exerted by them to prevent any attempt being made to challenge their position, and consequently it is reasonable to assume that prices generally have not been arbitrarily inflated as the result of labour legislation.

Our staple products.

4. It is difficult indeed to see how labour legislation can affect the prices of our staple products which are fixed in the world's market in competition with those of other countries. This phase of the question has been elaborated in Chapter VII of the report.

The relation of prices to the production of gold must not be overlooked in considering this question, and the conclusions arrived at in Chapter IV of the report must be remembered here.

It is a matter of some difficulty to decide whether the increase in prices preceded or followed the increase in wages. The experience of the coal trade supports the latter, the experience of the boot trade the former, view.

No indefinite rise in wages and prices possible.

5. It seems to your Commissioners, however, that the original upward impetus was due to the development of the freezer and the bridging of the distance between New Zealand and the world's market by more rapid communication. But it is of great importance to decide whether the rise in prices and of wages can go on indefinitely. The problem is discussed at some length by Layton ("An Introduction to the Study of Prices," Appendix C):—

It is often asserted that a rise in wages is only a move round a vicious circle, the argument being put thus: starting with a rise of wages achieved, let us say, as the result of a strike, the increased wages-bill will add to the cost of production, and so raise prices; if the rise becomes general the cost of living will increase and diminish the purchasing-power of wages; this will produce a renewal of the discontent among the working-classes, and result, perhaps, in a further demand, culminating in a strike for still higher wages. This view is apparently supported by the result of the recent advance in wages in the transport trades, for many of the shipping companies have announced their intention