

MINORITY REPORTS.

RESERVATION No 1., BY MR. TREGEAR.

I disagree with the statement in Chapter XI, page lxxxv (paragraph 6), that 90 per cent. of the population are subject to awards of the Arbitration Court without representation, since the Judge and members of the Court who deliver the award represent the whole people of the Dominion.

EDWARD TREGEAR.

RESERVATION No. 2, BY MR. FAIRBAIRN, ON RECOMMENDATION No. 2 (p. lxxxviii).

Re question 10: "What influence, if any, has the value of gold had on the cost of living?" I do not agree with the finding that the increased output of gold is the *principal* cause for the increased cost of living; it is my opinion that the most important influencing factor is the enormous increase of the world's population. The world's production of gold since 1883 compared with Jevons and Sauerbeck's index numbers of prices for the United Kingdom is as follows, viz.,—

	1883.	1884.	1885.	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.
Gold-output (tons) ...	148	155	155	160	157	164	175	177	182	197	224	270	290	300
Index number of prices	109	101	96	92	91	93	96	96	96	91	91	84	81	80

	1897.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.	1908.	1909.	1910.
Gold-output (tons) ...	350	425	454	377	390	425	481	500	577	618	631	666	702	712
Index number of prices	81	85	91	100	93	92	92	93	96	103	107	97	90	104

This comparison shows that gold, with the exception of four years, has steadily increased in production over the whole period of twenty-eight years, and that prices in the United Kingdom have not yet reached the same level as 1883, although in the interim variations of 25 per cent. have taken place. The estimated gold-circulation in the United Kingdom in 1910 was £113,000,000, and has only varied 11d. per capita since 1892, while the bankers' clearances in London was £13,525,000,000 in 1909, as against £5,794,000,000 in 1880, a clear indication of the replacement of international credit transfers for gold.

I prefer to answer the question in the following terms: Prosperity in New Zealand is indicated by the increased value of its exportable products. This condition of trade is beneficial to the community as a whole, as it induces increased production, employment for labour, and higher wages, but people with fixed annuities are met with a reduced purchasing-power for their incomes and a consequent increase in the cost of their living. In times of depression, the purchasing-power of money increases in volume so that people with fixed incomes live cheaper than in times of prosperity.

Gold is subject to the same laws of supply and demand as other commodities (at present one sovereign will purchase 2 cwt. of potatoes, six months ago it would purchase 5 cwt.), and its purchasing-power is constantly changing in sympathy with the rise and fall in the market values of all commodities. In itself, gold is the universal standard of value, and it is necessary for banking institutions to maintain a sufficient reserve of bullion, in proportion to their liabilities, in order to give stability to the country's finances, and avert the possibility of a financial panic, which chiefly arises from unfavourable seasons or overproduction and glutted markets.

In primitive civilization metallic tokens were found necessary as mediums of exchange, and within the last century it was not unusual to find merchants trading in foreign countries using coined money exclusively to transact business. As the world is now constituted with overlapping international interests in ownership, investments, and highly developed commerce, a system of wide-world credits has been established, eliminating the use of coined money for the purpose of foreign exchange. Modern banking provides rapid facilities for the exchange of international credits, and all large transactions involving payments for our exports, imports, and internal trade are handled without the use of either metallic coinage or bank notes of issue, and so long as banking institutions are