

Although the major requirements for our armed forces must be obtained from abroad, it is nevertheless essential that the maximum effort should be made in New Zealand to help supply the needs both of our own forces and those of other Commonwealth countries. My Advisers are now considering what help can best be given by New Zealand industry, upon whose full co-operation they know they can rely.

In the Trust Territory of Western Samoa the Samoans are taking increasing responsibility in the management of their own affairs. During the year a Mission from the Trusteeship Council of the United Nations visited the Territory, and in their report they commended the administration by New Zealand for the advances being made. In the Cook Islands and Niue progress has also been satisfactory despite the considerable inconvenience caused in all the Islands under New Zealand administration by the interruption of shipping services due to the industrial trouble in New Zealand.

The position of the public finances is sound, and my Ministers will continue to follow a policy of careful and prudent management of the financial affairs of the country. They are greatly encouraged by the evidence of public confidence as reflected in the substantial over-subscription of the latest National Development Loan.

In their efforts to combat the effects of inflation arising from overseas conditions, and particularly from rearmament, my Government has received full co-operation from the woolgrowers. The wool proceeds retention scheme will result in some £50 million being kept out of circulation at a time when inflationary pressures, mainly generated overseas, are threatening to have serious effects on price-levels in New Zealand. This wise and prudent action by the woolgrowers and the co-operation of others associated with the scheme have encouraged my Ministers to proceed with the preparation of other policies to meet the threat of inflation.

While such high prices continue, income-tax and other items of revenue will be augmented substantially, and the Government proposes to reserve in a War Emergency Account as much as possible of this temporary accretion to the public revenues. It is proposed to build up a fund of £100 million from current revenues, to which £5,250,000 of last year's surplus will be transferred this financial year as an initial contribution. The moneys in this fund will be available to meet the costs of any war in the preparatory and initial stages, and should we be spared such a disaster they will be applied towards cushioning the effect on the national economy of a return to more normal price-levels. Moreover, while any amount is held in the account or is expended overseas, it will assist materially in checking the inflationary movement within New Zealand.

As it is not practicable, in existing circumstances, here and overseas, to arrest these inflationary pressures completely, my Advisers are anxious to facilitate adjustment of wages, salaries, and other incomes in similar proportions to protect the living standards of the people. For the same purpose a bonus was paid to social security beneficiaries, and more recently a similar bonus has been granted to assist families.

Within the limits of man-power and materials available, my Government proposes to proceed with necessary public works such as hydro-electric schemes included in the capital works programme. It was in continuation of the policy of financing these works out of savings, and thereby avoiding further aggravation of inflationary pressures, that subscriptions were invited for the very successful £10,000,000 National Development Loan.

As was done last year, attention has been given to the early preparation of the legislation to be laid before you. This procedure gives you and members of the public opportunity for early consideration of their significance.

In addition to those measures to which reference is made elsewhere, legislation will be introduced validating the increases in social security benefits made in February of this year and the special bonus payments which were made to certain other classes of beneficiaries. You will