

The New Zealand Government will continue, by all means within its power, to strengthen still further the bonds of goodwill and kinship between this outpost of Empire and the Motherland. We rejoice in the steady recovery which the United Kingdom is making from the waste and ravages of war, and in her widening influence for good in world affairs. Britain's destiny is ours; her anxieties are ours; we share in her prosperity and also in her determination to play a worthy part in promoting the best interests and peace of our Empire, the Commonwealth, and the world generally.

Developments in the sphere of international relations continue to cause grave concern. The menaces to international freedom, to which I drew attention when I last addressed you, have not diminished, and the urgent need for the democratic nations to proceed with their rearmament remains one of the most pressing preoccupations of my Advisers.

We are still engaged in action to defeat Communist aggression in Korea, and I take this opportunity of paying tribute to the steadfast courage of the men of Kay Force and the members of the Royal New Zealand Navy who are participating in the United Nations operations, and to those members of the Royal New Zealand Air Force who have rendered such valuable service in Malaya. Though the negotiations for a cease-fire in Korea are not by any means as promising as could be desired, it is the earnest hope of my Ministers that these may yet be fruitful.

The defence problems in the international sphere were discussed in some detail by my Minister of Defence, who attended the recent meeting of Commonwealth Ministers in London. These discussions have emphasized the urgency and importance of defence and the need for strong and trained forces to secure the peace and our free order of society. A full report on the general situation will be brought before you in the course of the session.

The expanded defence programmes throughout the world have caused dislocation in the national economies of many countries. Existing shortages of raw materials have been aggravated. Inflationary pressures have been increased still further. This has posed problems for Governments of all shades of political opinion.

While not professing to have any sovereign remedy for lifting the burden of increased living costs which results from this world-wide inflation, and which presses most heavily on those in the lower income groups, the Government will take all reasonable measures to reduce inflationary pressures. The prices of imported goods have an important bearing on living costs, and these prices are determined outside New Zealand. The prices of locally-produced goods, however, are influenced by local conditions, and it is the Government's constant aim to hold local costs as far as is practicable.

My Advisers recognize the influence of capital expenditure on inflationary pressures, in that excessive capital expenditure accentuates the deficiency of consumer goods in relation to the volume of money in circulation. The Government intends therefore to keep capital expenditure under careful review.

Some time will necessarily elapse before remedial measures of this nature produce any appreciable effect, and in the meantime action to reduce the prices of certain commodities in daily use has already been taken. Provision whereby wages can move more frequently in conformity with the needs of this changing situation will be made during the current session, and both wage-earners and employers will be given the right to bring applications for wage adjustments before the Court of Arbitration twice a year instead of annually as in the past.

Great prosperity has come to New Zealand, mainly because of the prices received for our exports of primary produce, especially wool. My Government has endeavoured to spread this prosperity amongst all sections of the community—some through higher social security, some through higher wages and salaries, and others through lower commodity prices and reduced taxation.