secure the most effective use of the resources available to the sterling area. This should be combined with an expansion of sales in dollar markets with special attention to prices, selling methods, and market requirements and more intensive efforts to increase dollar earnings from services of all kinds including tourist services. With its natural attractions New Zealand should be able to earn more from the tourist trade and this matter is being fully explored.

Organization and co-operation and the assistance of capital can be powerful aids but in the long run every country must earn its own standard of living by greater and more efficient production. All our efforts should be bent in this direction.

To summarize the dollar difficulties

The Government is satisfied that recessions in trade cannot be avoided by purchasing less from any given country. The objective should be to sell more.

Price adjustment can best be achieved by increasing efficiency rather than by curtailing costs by wage reductions.

The permanent solution of the present problem can be achieved only by expanding demand and increasing multilateral international trade.

Raising of loans in the surplus countries for productive purposes is the best method of overcoming the immediate difficulty.

Loans should be made available on reasonable terms to the buying countries by the surplus countries.

The Government has instituted inquiries as to the availability on reasonable terms and conditions of loans from Canada and the United States.

The immediate and long term solution is the expansion of production and of exports to Canada, to the United States, and to other dollar countries, and the raising of loans to meet the present deficit between exports to and imports from those countries.

Production and Trade

I now come to the position of New Zealand in the important sphere of production and trade.

The latest figures of the volume of production in New Zealand show a continued rising tendency. The level of total production has never been higher. The total volume of production for the year ended 30th June, 1948, is 20 per cent. above 1938–39 and 29 per cent. above