

trade between the United Kingdom and New Zealand could be materially expanded; and it will be our aim, not merely to stabilize the existing trading relations, but to expand them. This procedure will be mutually beneficial.

Reciprocal Trade Agreements with the United Kingdom and other countries do not conflict with the natural development of the Dominion and the right of our youth to creative work.

**Internal trade
and
manufacturing
development.**

This development and right renders it imperative that we should extend our manufacturing and other industries.

The Government realizes the difficulties of the task in establishing new industries, but sees no other immediate way of extending the production of commodities that could improve our living standards.

The procedure for the rehabilitation of the farmer by removing the burden of over-mortgaged land has been drafted and will be introduced shortly after the debate on this Statement. Its main provisions will conserve to the mortgagee the values which are now sustained by his security, whilst allowing the working farmer to devote his time to production freed from the menace of possible foreclosure or eviction.

**Readjustment
of mortgages.**

Competent farmers will in future be assured of a reasonable income for the work they do on their farms and, so far as the dairy industry is concerned, the guaranteed price is inextricably linked up with the adjustment of the dairy-farmer's debts. The mortgage legislation will provide that his liabilities will be adjusted so that he may receive a decent standard of living for himself and his wife and family. With stability of farm income will come an assessment of charges against that income, and the mortgage legislation will ensure to every reasonably efficient farmer that the charges will be so adjusted as to give sufficient return to maintain the standard of living referred to.

A procedure has also been worked out for the adjustment of urban mortgages.

The atmosphere of Europe and international politics is giving the Government much concern. As has been wisely said, "Nations do not necessarily go to war, war now comes to the nation."

Defence.

The Government is taking such steps as will provide for the effective defence of the Dominion, and is investigating procedure to this end. The estimates which will be submitted will show a substantial increase in Naval expenditure. This is to meet commitments that have already been made to the United Kingdom.

The ordinary Defence estimates show a slight increase over last year, and it is proposed to overhaul completely the expenditure to ensure the most effective utilization of the money provided.

Whilst making provision for the defence of the Dominion and the maximum co-operation with the British Commonwealth in its policy for this purpose, the Government is of opinion that the progress of the world can only be achieved through a properly organized League of Nations.

If conflict comes it can end only in domination by powerful nations for a time or (if progressive development is to continue) in the constitution of another League of Nations. If a League of Nations is essential to the development of the human race, then our choice is between the present League to work out the possibilities of avoiding war before war comes, or another League after war with its destruction of all that is worth while in material and human values. As suggested by the Prime Minister of Great Britain, if those who died could come again, with the knowledge of experience, their presence would prevent the conflict which may come unless the League of Nations is reconstituted now. The Government affirms its faith in the League, and has sent delegations to the International Labour Conference held in June last and to the League Assembly, which is scheduled to open on 21st September next. By agreement with the other countries, the Government will do its part to maintain the peace of the world.

**League of
Nations.**