

Under these circumstances, combined with a greater measure of stability in the position and the improved outlook for our external trade, the exchange pool was no longer required, and, as honourable members are aware, it was abolished as from the 1st July last. The exchange pool was purely an emergency measure, taken in a time of crisis when it was impossible to forecast the trend of events. Under such circumstances, it was deemed advisable in the national interest to have the means of controlling the country's overseas finance.

In the past twelve months Great Britain's financial recovery has earned the admiration of the world, and, as, directly and indirectly, this recovery cannot fail to react to the benefit of this Dominion, our interest in the matter is not detached. The latest evidence of the financial strength of London is the successful conversion of £2,000 millions of 5 per cent. War Loan into $3\frac{1}{2}$ per cent. stock. The announcement of this gigantic financial operation caused the price of our 5 per cent. stock to increase from about £98 to £110. The price has since declined to about £105, but has remained substantially above what it was prior to the announcement of the conversion. Influenced, no doubt, by the outstanding British success, many suggestions have been made that New Zealand should attempt to obtain some relief from loan charges in the same way. In our case, however, the conditions are by no means parallel. In the first instance, the British Government had the right to repay the War Loan, and, concurrently with the offer of conversion, gave notice of intention to do so at a time when the current rate of interest was very low. Only about £500,000 of our London debt falls due within the next two years, and the only option of repayment exercisable at present is in connection with the £5,000,000 short-term bonds issued last year.

British conversion loan.

In so far as our internal debt is concerned, it may be pointed out that the amount held by the public is approximately £60,000,000, of which nearly half consists of free-of-income-tax securities. Further, as pointed out in the preliminary Budget delivered last session, the average rate of interest on the debt held by the public is only $4\frac{7}{8}$ per cent. The present market price of securities indicates that the effective borrowing rate is substantially above this level. Finally, relatively little of this debt falls due within the next year or so. Under these circumstances, it will be realized that the scope for reducing debt charges by means of conversion operations is very limited.

In addition to the financial recovery of London, the situation abroad has been materially improved by the achievement at Lausanne, where the matter of war reparations was, it is confidently hoped, finally disposed of. As reparations and war debts are generally considered to be one of the principal causes of the depression and one of the most difficult obstacles to surmount, the settlement at Lausanne is an important milestone on the road to economic recovery.

Lausanne Conference.

The Imperial Economic Conference at Ottawa constituted another such milestone.

Imperial Economic Conference.

At this Conference agreements of a far-reaching nature were concluded between the various parts of the Empire. The actual details of the results achieved will be submitted later by my colleague, the Right Hon. Mr. Coates, but in the meantime I may say that, generally speaking, the purpose of the agreements is to promote inter-Empire trade on a reciprocal basis. Provision has been made to ensure for New Zealand tariff preferences in the United Kingdom market for a further term of five years, and in many instances the existing preferences have been increased. In return for these concessions New Zealand has undertaken, subject to ratification by Parliament, to consider certain revisions in her Customs tariff and has also agreed that United Kingdom goods will in future be exempt from the present surtax, and that as soon as financial circumstances permit the primage duty on United Kingdom goods will also be abolished.

Monetary policy and banking questions were prominent matters in the deliberations at Ottawa. The other Governments represented at the Conference recorded their intention, insofar as it lay in their power, to co-operate with Great Britain in a monetary policy designed as far as possible to bring about

Central Bank.