this, palpably, would be no difficult matter.

The case of borrowing locally to pay off loans that fall due in London is a different matter altogether, and would undoubtedly mean, if carried to any great extent, a disturbance of the colony's financial position, for it would start with depleting the actual cash resources of the banks—the purse of the colony. But even local borrowing for this purpose on a modified scale could be done in periods of trade activity, when our exports are swelling in value. It is a dictum in economics that when the export trade of a country increases, so also does the import trade, evidencing increased spending power. If most of the increased imports take the form of luxuries, it would be an advantageous opportunity for the colony to borrow locally to pay loans falling due in London, thereby keeping in check such luxurious imports. That this colony is at the present time enjoying the results of increased exports by increasing its imports can be shown by the following figures. The year 1896 is taken for comparison with 1902, because it can fairly be regarded as a year of normal prosperity :

	1896	1902
Exports	£9,299,907	£13,635,459
Imports	7,035,379	10,958,038

While the exports increased in six years by £4,335,552, the imports increased by £3,922,659. Now, naturally a large part of the increase in the imports would be caused by trade activity, and would consist of machinery, iron, etc., to be used for still further increasing our exports and internal trade ; but again, many of the articles, which show an increase in 1902 as compared with 1896, must be deemed as luxuries, pure and simple. On apparel, drapery, boots, haberdashery, hosiery, linen, millinery, silks and woollens, the increase was £714,000 ; on hardware, £152,000 ; on spirits, £75,000 ; on fancy goods, £59,000 ; and on pianos, £45,000. As an index to the increased luxurious spending power of the people, it may be worth mentioning that silks increased from £70,000 to £140,000, and pianos from £40,000 to £85,000. The total increase in the foregoing articles comes to £1,045,000, which, after 13 per cent. allowance for increase in population is deducted, makes the amount £965,000, and this must truly be regarded as luxuries which could go towards paying off foreign loans if it were so desired.

The question now arises : If the Government wanted to pay off yearly £1,000,000 of loan money owing to the London holder of new Zealand stock, how could the beforementioned £965,000 be staved off as imports so as to go towards the payment of the £1,000,000, thereby saving any drain on the cash resources of the banks. Perhaps the best way of illustrating the manner in which it could be effected, would be by placing the colony in the position of a private trader. Suppose the trader exports to Britain £20,000 worth of goods, for which, in return, he imports also £20,000 worth of goods. His cash on hand to carry on business in the colony and to adjust balance of foreign trade which may be against him is, say £3,000. The trader owes £5,000 to a London money-lender, and he is anxious to pay off £2,000 of this sum. We will suppose that he at once remits the £2,000 by cash to London, but after doing so, he recognises that the £1,000 left will not suffice for his trading purposes, so he at once curtails his imports by £2,000, which sum he will get by remittance from London, thereby regaining his financial equilibrium. So would it be with the colony. If, say £1,000,000 were remitted in cash to London to pay a loan off. the money market here would get light, the banks, anxious to keep their reserves equable, would curtail credit, merchants and tra-