Money is worth only what can be purchased with it, and the problem of the war is organizing our man-power and economic resources to produce to the maximum the goods and services required for the war effort here and overseas and by our civilian population. Part of our requirements is met directly from our production and the balance by an exchange of goods with other countries, mostly with Great Britain. We must think in terms of goods and services and not in terms of money.

In the light of these principles the Government's policy for financing the national effort on the war front and the "home front" may be concisely stated as tax to the economic limit for war purposes and borrow for essential productive works and for any balance of war requirements.

War expenditure.

Honourable members will readily appreciate that it is quite impossible to make firm estimates of war expenditure up to the close of the financial year, for we cannot foresee what our forces will be called upon to do during that period. Three months ago the best estimate that could be made was a total of £33,000,000. The figure is now £37,500,000 made up as follows:—

	£
Army—	
New Zealand Expeditionary Force—	
Overseas	18,000,000
In New Zealand	7,000,000
Home Defence	5,000,000
Navy	1,500,000
Air Force—	
Overseas	1,750,000
In New Zealand	4,250,000
	£37,500,000

Overseas war costs financed by United Kingdom Government.

Honourable members are already aware that arrangements have been made for the cost of New Zealand's forces overseas to be financed by the United Kingdom Government on a loan basis, New Zealand being charged the same rate of interest on such loans as the United Kingdom herself is paying in respect of her war loans. To the extent that this arrangement is utilized we will be piling up dead-weight overseas debt that will be a heavy burden on us for many years after the war, when our ability to pay may be less than it is now. We have therefore every incentive to strain every nerve to meet from New Zealand the costs of maintaining our forces overseas as such costs accrue. In New Zealand these costs may be met by taxation or by borrowing. Even if it is necessary to finance by local borrowing it is a debt we owe to ourselves and not a dead-weight burden on the Dominion after the war.

Reduction in imports.

Any part of our overseas war costs which we do pay from our own resources means providing it out of the proceeds of our exports. In other words, we must reduce our imports to do it. The necessary sacrifice must be made by consuming less goods. By doing so we not only help ourselves, but directly assist the hard-pressed Mother-country. Every million pounds worth of goods needed by our troops overseas and not found through curtailing our consumption of goods here in New Zealand can be provided only by that much additional curtailment by the people of the United Kingdom. It must come out of our production or out of theirs, and I feel sure our people will want to avoid increasing the already enormous war burden being carried by the people of the United Kingdom.

Empire air training scheme.

Including £1,750,000 on account of the Empire air training scheme, the total overseas costs of our forces have been tentatively estimated at £19,750,000, and expenditure in New Zealand at £17,750,000. We must find the latter as and when required, and then organize a Dominion-wide sustained economy drive with a view to meeting, out of our overseas funds, as much as possible of the amount which otherwise would come as a loan from the United Kingdom.