The successful full-employment policy of the Government, a policy now recognized as essential to maximum international trade, has been based on the maintenance of an adequate supply of purchasing-power equitably distributed among the community so as to constitute a high effective demand for goods and services. The maintenance of such a level of demand in relation to available goods and services will continue to be a dominant feature of Government policy; but it must be noted that what is the desirable level of demand at any time is determined by the supply of goods and services available or likely to become available. In New Zealand at the present time there is no unemployment, and thus any increase in demand (through an increase in wages, in profits, or by drawing on past savings, or cessation of present savings) cannot result in increased employment.

No country can participate in war without a substantial expansion of purchasing-power beyond the availability of consumer goods usually in demand. New Zealand is no exception, having been affected not only by reduced local production of consumer goods when our resources were diverted to war, but also by the scarcity and high price of imported commodities. This reduced supply of goods on the one hand and the total of incomes swollen by overtime payments and the employment of an expanded labour force on war work on the other has upset the balance between supply and demand and is exercising distinct inflationary pressure.

The war finance policy of the Government drew off a considerable portion of this excess purchasing-power, and in this respect war loans, national savings, and wartime taxation all played an important part. In counteracting the effect on prices and wages of the excess purchasing-power still in circulation, and in preventing increased cost of essential imported commodities from exercising an undue effect on costs of production, the policies of stabilization and price-control have been as successful in New Zealand as in any other country of the world.

As indicated previously substantial increases have recently been negotiated in the bulk-purchase contract prices paid by the United Kingdom for butter, cheese, meat, and tallow exports. These increases will be credited to the dairy and meat industry stabilization accounts. The local payouts to dairy and meat producers, however, will shortly come under consideration, and the fixation of appropriate prices will be of major importance to economic stability. In the case of the dairy industry, the determination of the guaranteed price is a matter for the Dairy Products Marketing Commission. In the case of meat, the fixation of the opening schedules for meat exports is a matter for discussion between the Government and the meat industry. In both cases prices will be based on the cost of production in accordance with the established practice.