

It had been hoped that an increased supply of goods after the war would enable purchasing-power accumulated during the war to be expended without undue economic upset. The very length of the war, however, has impeded this process by causing a large accumulation of spending-power, while at the same time it has retarded our own production by delays in maintenance and in capital expansion. Added to this, the economic disorder of the rest of the world has imposed upon us shortages of many essential commodities, while the high prices of imported goods has resulted in drawings on our accumulation of overseas funds without satisfying our postponed needs.

It will be evident, therefore, that the stabilization and price-control policy is clearly justified and should be continued, but that other measures will also be necessary.

The most desirable way of restoring a due balance between supply and demand would be to increase supply, which must, as I have already pointed out, come in the future either directly or indirectly from increased production within New Zealand. While every endeavour of the Government will be directed towards this end, there are necessarily such shortages as the supply of labour which cannot be made good at once, and attention will therefore have to be directed to still other corrective processes.

The Government's credit-control policy administered by the Reserve Bank is another of the methods used towards attaining equilibrium. Bank overdraft accommodation is an essential part of normal trading activity, and it would be most unwise to bring about any sudden or drastic curtailment of this source of finance. The main principle of the credit-control policy is that bank advances are not to be used under present conditions for the acquisition of permanent assets.

Development Requirements

This year it is proposed to undertake a programme aimed at the maximum practicable extension of productive works such as hydro-electric, land-settlement, coal-mining, and housing.

In framing this programme close regard has been given to the availability of man-power and materials, which has shown some improvement during the past year. It has also been necessary to provide that the rate of progress on many urgent national and local-body projects will ensure completion within the most efficient and economical construction period. For this reason submissions made by Government Departments and local authorities for inclusion in the 1948-49 programme of State and State-subsidized works have been subjected to a very thorough examination and have been considerably reduced.