We are now at the stage when we have more than full employment—that is, there are more vacancies in industry and commerce than there are applicants to fill those vacancies.

Looking at our position from the financial viewpoint, therefore, it is clear that, though monetary expansion can give a stimulus to employment and to prosperity when a state of under-employment exists, it cannot do so now. Increasing the money supply in New Zealand could not under present conditions cause our standard of living to rise ; it could only increase the problem of restraining prices.

But even though the standard of living in New Zealand is good, we want not only to maintain it, but to improve it. This, as already indicated, can best be achieved by an increase in the volume and efficiency of production.

So far as monetary policy is concerned, our best course from a long-term point of view is to keep careful and watchful guard over the purposes for which new money is issued, whether such new money comes from the central bank or from the trading banks. Keeping always a clear sense of proportion, no opportunity should be lost to reduce central bank credit by reasonable amounts ; to the extent that this is done, the central bank will be all the stronger to help should the need again arise to use credit expansion to stimulate employment and the demand for goods and services.

STAFF

The Board of Directors desires to place on record its appreciation of the efficient manner in which the staff has discharged its duties during the past year. The standard of work performed in the Bank has remained at a consistently high level.

For and on behalf of the Board of Directors :

E. C. Fussell, Governor.
A. Ross, Deputy Governor.

30th June, 1949.