

It is necessary to point out, however, that the war did adversely affect New Zealand in a variety of ways; and that those effects have not even yet been entirely overcome. The payment of interest on the public debt incurred during the 1939-45 war must continue. Shortages, mainly in the sphere of capital goods, still affect progress to some extent. Within our own economy, and in all overseas countries, the wastage of production in war inevitably engendered inflationary pressures.

It is clear that, while some difficulties remain, New Zealand has now progressed, especially in terms of goods available, beyond the levels of pre-war years.

It can be said, too, that the inflationary pressures consequent on the war have receded to some extent, both at home and overseas. By its policy of stabilization of costs and by price and other essential controls, the Government has achieved the highest practicable degree of economic equilibrium. It has not been possible to avoid all effects of external conditions in view of the fact that approximately one half of our production and consumption is involved in overseas trade. However, on the evidence of the success of the stabilization policy, it is obvious that New Zealand is not inevitably bound to follow completely all economic fluctuations in the rest of the world.

It should be stressed, however, that a contributory factor in the present conditions of prosperity has been our ability to sell overseas, at profitable prices, a large proportion of our production. A sense of security, and faith in the continuance of the present satisfactory conditions can be justified only by careful forethought, collective endeavour, and the will to work.

Developments overseas, particularly during the past few months, indicate that the principal countries of the world are now moving from the post-war era of inflation into a period of re-adjustment. The needs of war and the deferred demands after the war had built up what seemed to be an insatiable market for production. Consequently, the seller remained in a superior position until a few months ago. Prices had risen and employment remained at extraordinary levels. With the satisfaction of deferred demand and the return of millions of war-workers into civilian employment it was inevitable that the markets should change in favour of the buyer, that prices should recede and that employment should to some extent decline.

There is every reason for believing that wise financial administration by the Governments concerned will ensure that the readjustment is beneficial, and that they will not allow the position to grow into a major recession.