

implications of some of the wartime controls. The system of controls which is referred to compendiously as "man-power" is particularly suspect; and to the fear of "man-power" can be attributed the widespread and significant protests against the school vocational guidance cards. Promises of an immediate relaxation of controls are, I think, likely to figure largely in the first post-war election.

Nevertheless, irrespective of what Governments may desire to do, there are many reasons why it will be impossible to celebrate the peace by packing the controllers off home and repealing the War Emergency Regulations.

### **Money and Stabilization**

In order of immediacy, the first of these reasons is the monetary situation. In the Reserve Bank statistical summary for March-April you will find a survey of recent changes in the volume of money in circulation in New Zealand which considerably illuminates our economic future. Between the end of 1938 and the end of last year the volume of money in circulation in New Zealand in the form of coin, notes, and bank demand deposits increased from £51.7 millions to £137.1 millions. The reason why this accumulation of money has not sent prices rocketing is stabilization, or the system of controls comprehended by that name. Whether the ending of the war will appreciably diminish the volume of money in circulation in New Zealand may be doubted. Soldiers will be receiving deferred pay and demobilization grants in various forms; there will be extensive rehabilitation schemes to be financed; and, unfortunately, there will be repayment of war savings and war loans, most of which are relatively short term. Since no one will want to see rehabilitation handicapped at the outset by inflated and unsteady prices, it is a safe guess that controls designed to preserve price stability will continue after the war.

### **Deterioration of Capital Equipment**

There is, however, another aspect of the monetary situation which is equally important. For five years now New

Zealand has been allowing her stocks of most consumable commodities to diminish and her capital equipment to deteriorate. She has had no option but to do so, because before the war imports bulked more largely in her economy than in any other economy in the world. When the war ends, New Zealand's demands for imports to replenish her depleted stocks and bring her capital equipment back to full efficiency will be enormous. Moreover, the rehabilitation schemes will create a demand for new capital equipment. A demand for imports is a demand for London funds—and at present these amount to about £40 millions. There was a time when £40 millions in London seemed a lot. Balanced against our need for commodities and equipment at the war's end, it is seriously inadequate—and that inadequacy means a continuance of exchange rationing and import control.

You can, if you like, reach the same conclusion by a different road. After the war the demand for capital goods is certain to exceed the available supply. For a few years, at any rate, New Zealand will not be able to buy overseas all she needs. It is hardly likely that what New Zealand does buy will be decided in a free-for-all scramble. If our post-war development is to be orderly and rational, urgent needs will have to be satisfied first—and that means import control.

### **War Economy and Peace Economy**

There are, however, more fundamental reasons why some of our wartime controls are likely to carry over into the peace. One is that we are no longer conscious, as we were in the last war, of a sharp difference between the principles of a war economy and the principles of a peace economy. The war economy is governed by the simple device of requisition. What the State needs it requires producers to produce. In the free capitalist economy, producers produce what will return them a profit in the open market. He would be a bold man who would predict what sort of modification of the free capitalist economy will emerge from this war.