pay, or sudden enough to endanger our solvency over short periods, was the *rate* at which capital was introduced.

This long-period obligation—the difference between the debits and credits in our national account-current with other countries —is the equilibrating factor in the Australian balance of international indebtedness; and, over the long period a continued debit difference affects both our purchasing power and our national credit. But there are 'settlement days', as it were, when the balance of immediate obligations to pay—the 'balance of payments'—becomes of urgent importance. This debit difference of payments represents the *immediate* liability faced by the country in respect of services rendered by other countries; and it is usually not until such times as the difference is particularly to our disadvantage, that is to say when the financial shoe begins really to pinch, that the community can be induced to take an interest in national economics.

Now one great factor in the Australian balance of international indebtedness and so, ultimately, in the balance of payments is the amount of capital invested in Australia by Great Britain, or, to be more precise, the amount of interest due and capital repayable at any moment. Furthermore, in the transition between youth and maturity as a borrower, a country moves from a position in which the interest is much less than the new debt to a position where the annual interest charge first equals and then exceeds the amount of new loan raised in each year. The net result may be stated very simply. We can distinguish, (i) a *constant* annual interest charge which has to be met from a fluctuating national income, and (ii) a *variable* annual residue of national income which is left to the community for domestic expenses after interest and repayment charges have been met, and which has been called the 'living fund' by Dr. F. C. Benham.

It will be clear that fluctuations in productivity, and so in national income, will operate to vary, not the constant liability, but the variable residue; and that any factor, from capital indebtedness to seasonal shortages in production, which tends to diminish the residue available for 'running expenses' will affect, in a more than proportionate degree, the prosperity of the community through its effects upon the distribution of income and upon the standard of living. And, since these factors