

take effect by way of a contraction of credit, the volume of the public debt and the rate of continued borrowing in their influence upon credit are to be regarded as the main credit controls.

In addition to the variation in the rate of capital imports, special factors are to be detected in the national economy which fluctuate just as widely and even more suddenly than the rate at which capital is being injected into the economic organization, and both the boom and depression phases of the cycle are liable to intensification because of their operation. Australia is a country that has been in the past, and still is to a lesser degree, peculiarly subject to wide fluctuations in production due to the effect of adverse seasons. And such seasons of deficient production appear themselves to follow a cyclical movement which results in a series of lean years rather than an isolated year of scarcity. Such a sudden and protracted lowering of productivity accentuates the variability in that residue of national income available for the community, and intensifies the difficulty of meeting overseas liabilities at the very moment when it throws upon the community the necessity for increased production. Aggravate the position still further by a fall in prices, such as was a frequent concomitant of the depression stage of the cycle, and the imperative necessity for increased production to avoid temporary insolvency is easily appreciated.

One phenomenon always associated in an unusually intimate degree with the bursts of prosperity in Australia has been speculation in land. This feature requires some explanation and perhaps, too, some reconciliation with the general theory here developed. Borrowing in its complete sense comprises far more than the mere introduction through public authorities of capital from overseas sources. The economic effects of the introduction of private capital due to the attractiveness of the country for the overseas investor are in no way different from the effects of public borrowing. And, further, capital may be forced upon a community by the eagerness of the foreign investor to share in the opportunities for profit offered by a new country. This 'willy-nilly' form of borrowing was a marked characteristic of several periods in our history, and more particularly of the period between 1880 and 1890 when, as will be seen later, capital was poured into the country at such a rate that the ordinary channels of finance became choked, and