and exports tend to exceed imports as a regular condition of trade.

As a matter of fact, however, the stages of youth, adolescence, and maturity in national borrowing never exhibit this ideal regularity. 'On the contrary they usually take place with marked irregularities. And not only are they irregular: they are subject to abrupt stoppages. They frequently entail spasmodic changes in international payments and in the movements of goods.'[1] It is in this irregularity, rather than in the economic effects of borrowing as such, that the chief mischief of the situation lies. To a steady and economically justifiable increase in the national debt most new countries can adapt themselves easily; but intermittent and uncertain supplies of capital may strangle legitimate development, just as easily as a too copious supply may drown it in a flood of credit with the help of the mill-stone of over-capitalization.

The life-history of most countries in relation to capital movements may be likened with some effect to that of a river. In the early stages the youthful borrower resembles the stream in its mountain tract—vigorous, plunging, and liable to sudden falls and freshets; but easily capable of carrying off the new accessions to its volume from the tributary streams. In the second stage our borrower enters the valley that lies between youth and maturity, where the stream fluctuates between the riches of winter and the poverty of summer, a phase where great accessions to volume may easily choke the channel, cause disastrous flood, and hold up production. Here, too, are to be found those rapids that impede the even flow of the stream, always to be feared but always looming in view when least expected. Lastly, our stream meanders over the plain as the broad and placid river, easily able to assimilate the sudden floods which spell such trouble in the higher reaches, but which here merely hold the promise of greater productivity on the plains fertilized by the overflow.

This irregularity in the flow of capital and the consequences of intermittent supply in all borrowing countries merits some further consideration.

'*If*', says Taussig, 'loans on capital account were continued regularly at the same amount year after year, the accumulating interest

[1] Taussig, *op. cit.*, p. 129.