countries at once causes a monetary disturbance of the balance of payments. The corrective, quite obviously, is a corresponding regulation of credit; although a drastic reduction in Britain tends to have on the Australian system a more than commensurate effect. The wider the swing from expansion to contraction in Britain, the more serious is the inevitable dislocation of credit in Australia. For an adequate explanation of the majority of Australian business crises we need scarcely look further than to the fluctuations in available bank credit which are consequent upon sudden changes in credit conditions in London.

It is, however, more strictly to what Hawtrey calls with doubtful accuracy the 'non-monetary' causes of such disturbances that our examination should be directed, since the phenomena are not nearly so definite nor so clearly expressed in terms of the trade balance. Non-monetary disturbances may have their origins in a change in the demand for, or the supply of, foreign commodities in Australia. More important still, they may arise in borrowing; or, to be more explicit, in changes in the *rate* at which British capital is injected into the Australian economic system.

Consider for a moment the position created when exports of primary products from Australia are stimulated either through increased production due to good seasons, or through an increase in the overseas demand for these commodities. The farmers and export merchants will now become entitled to increased sums of foreign currency which, by the operation of bills, will bank up in London under normal conditions, and there await transfer to Australia as opportunity offers. But the preliminary stages leading to this result are the immediate payment by the banks in Australia to the merchants by discounting their bills, and the settlement by merchants with the producers. The seasonal situation which thus develops is that in which the Australian banks in London hold large amounts of Australian bills which, other things being equal, would tend to upset the equilibrium of the exchange. But nothing of the sort normally happens. For, meanwhile, the producer will be expending his income partly on investment, and partly on consumption goods which may be either foreign-trade goods such as American motor-cars, home-trade goods such as boots, or either foreign- or home-