measure to defer the actual exchange operations until 'the compensatory imports begin to come into the market'. When this becomes difficult, as it did on at least one occasion between 1900 and 1913 and more than once since 1920, critical disturbances of the exchange are the outcome. But the outstanding advantage of a gold exchange standard is the virtual elimination of this risk, and the facilities which it offers in the financing of seasonal exports. Any temporary discrepancy between imports and exports can be quite well taken up by the creation of credit instruments to bridge the interval between paying the producer in Australia and selling the exports abroad, and this is what normally happens.

It must be understood, too, that for Australia, as a primary producer, the seasonal disturbance of the exchange is accompanied by a parallel disturbance of the currency due to the purely domestic business of paying for the products. At shearing and harvest times the producers have to make exceptionally heavy payments in cash to their workmen, and the producers themselves or their local bank branches are compelled to hold a supply of coin and notes much larger than usual as 'pocket-money'. Wheat merchants, wool agencies, and fruit firms are also drawing more actively upon their current accounts to pay the farmers; and the gross effect is a big seasonal increase in the circulation of currency. Under such circumstances the credit system must be flexible in a marked degree, as the events of 1923–4 taught us. The disturbance of the currency as between urban and rural areas at these times is a somewhat similar phenomenon to the disturbance in the exchange between Britain and Australia as the exports are marketed.

With the consideration of capital movements, the second non-monetary cause of disturbance to the balance of payments, we enter upon the discussion of the predominant factor as far as Australia is concerned. Capital which is assigned for investment in Australia accumulates in London, and the real problem is constituted by the remoteness of the area of investment from the investing country. Hawtrey rightly puts the emphasis upon fluctuations in the volume of capital awaiting investment.[1]

[1] See Hawtrey, *Trade and Credit*: 'The stream, however, is far from continuous. Capital projects are frequently very large. And only large issues are suitable for dealings in the investment market, and more especially for international dealings.'