the price of securities accompanied by an increase in the charges for issuing and underwriting gives very plain warning to investors. An extreme example of this method of defence will be remembered from the last chapter. The periodical congestion or over-lending which is typical of the investment market is merely another form of credit inflation which has advanced to the breaking-point. There ensues a contraction of credit accompanied by a rise in the bank rate which discourages both borrower and underwriter. Dear money will persist until the credit position recovers; and the 'unwillingness of the investment market to hold securities' is the first authoritative indication that further borrowing is not expedient. The disastrous attempts made at different times by Australian states to persist in attempts to float loans despite the frowns of the market will illustrate the point. 'If', as Hawtrey puts the matter, 'borrowers are very insistent there may be a very heavy depreciation of securities. In an extreme case there may be a crisis and a panic, in which the flotations of new issues become temporarily impossible.'

It now remains to establish as definitely as may be the link between borrowing and banking; and to indicate how fluctuations in the rate of capital injection are followed by corresponding oscillations in prosperity as marked by available bank credit. The connexion to be made is, of course, through the movement of gold; and to test the connexion the accompanying graph was constructed. In this graph the imports of capital are shown year by year in relation to the retention of gold in Australia, i.e. the excess of production plus import over export of the metal. It is obvious that capital, whether in the form of goods or gold, does not move immediately after the market has completed the flotation of a loan. Months may elapse before definite government orders for capital goods, or rather the payment for these, begins to affect the London balances which now represent the loan; or before a government commences to draw upon its London credits in order to defray labour and other expenses upon constructional work in Australia. Many instances could be quoted, indeed, of loans which appear among the flotation figures for one year being carried over in London intact to the following year. As a rough corrective, the plottings representing gold retention in the graph were moved back one year.