

## PART V

# AUSTRALIA DURING AND AFTER THE GREAT WAR

## CHAPTER XIII

### BANKING AND BORROWING POLICIES IN AUSTRALIA DURING THE WAR

'It is not enough to say that the abnormal events of the war and post-war periods are responsible for the bad times entered upon in the middle of 1921. The general effect of these events was to impoverish us, but for many years there was a great outward show of increasing wealth.'—Prof. D. B. COPLAND, *The Trade Depression in Australia*. Paper before Section G of A.A.A.S. 1923.

'In ascending periods Britain exports largely on credit. Her area is so small relatively to her capital—it is, so to speak, so nearly saturated with capital—as to allow scope for any new enterprise that holds out prospects of high return. Consequently the activity of her industries depends in an exceptional degree on the confidence and strength of business enterprises in other countries, and especially in new countries. That confidence is sometimes misplaced. But so long as it lasts capital flows from her for investment abroad and especially in new countries; and the only way in which this flow can be effected is by a net increase of exports, visible and invisible; that is by making aggregate exports larger, relatively to imports, than they would otherwise have been. Of course there is no necessary connexion between increased investment of British capital in any particular country and an increase of her exports to that country.'—ALFRED MARSHALL, *Money, Credit, and Commerce*.

It is not proposed to examine the period between 1914 and 1919 at any great length, paradoxically enough because of its extraordinary character. While it is doubtless true that it is quite unjustifiable to wrench that period from our analysis, and to disregard the momentous developments in every phase of our national life that occurred within those years, it is equally true that the conditions of the time were too abnormal to bear examination, in an economic sense, except as a period of great national emergency which justified as expedient in practice so much that was unsound in theory. Our purpose would be served, therefore, if the chief threads were gathered together, and an endeavour made to weave some picture of the war years which would serve to fill a gap in the ambitious panorama we are attempting to portray. But, actually, no specific survey of the period is believed to be necessary. It can be demonstrated for