

## CHAPTER XIV

### THE BOOM OF 1919 AND THE SUBSEQUENT DEPRESSION IN RELATION TO PUBLIC BORROWING

'Statistics are, indeed, often powerful in the destruction of error. They seldom show precisely what share of any event is to be attributed to each of the many influences bearing upon the time and in preceding years. But they often prove that a result which has been attributed to a certain cause cannot have been produced by it, and such destructive work is a considerable factor in scientific progress.'—ALFRED MARSHALL, *Money, Credit, and Commerce*.

'It was a common error to mistake these factors for the real causes of the crisis. They were results only, and arose through the inevitable delay in readjusting the varied elements of costs and expenditure to a new situation forced upon the economic system by the dramatic fall in wholesale prices. But they have led men to conclusions regarding the regulation of wages and industrial conditions, the functions of trade unions and labour organization, and the problems of public finance which might materially affect the future of government and industry.'—Prof. D. B. CORLAND, *The Trade Depression in Australia*.

THE vicissitudes of business in Australia since 1918 have been commonly ascribed to the 'aftermath of war' and 'war-time inflation'; and this current belief has found a certain measure of support in the utterances of economists and business leaders. This belief, with its implication that the exigencies of national crisis excuse all economic sins, has been responsible for a somewhat fatalistic attitude in the face of serious difficulties, and for an apathetic state of mind which regards the situation as an inescapable reaction from the excesses of the war years, with particular emphasis on inflation. The close correspondence between economic conditions in Australia and in Europe has fostered this too-ready acceptance of a theory concerning the economic consequences of war. Such a comfortable shelving of the responsibility for our present economic disabilities, however, finds little support in the evidence so far adduced as to the effects of excessive borrowing abroad. It is, in fact, an attitude to be vigorously resisted rather than complacently condoned; and it is believed that the present examination will place the years of depression since 1921 in rather a different light.

The joint effect of inflation and heavy borrowing had, after 1916, been plainly evident, and the outcome had been an era of