

'This is not the place', he says, 'to criticize the general tariff policy of Australia, but the great increases in duties imposed in 1920 would, no doubt, encourage the expansion of establishments and the investment of capital in factories. It would be difficult to find an exact statistical measure of this; but it appears certain, however, that it was a factor contributing to the boom.'<sup>1</sup>

Assuredly it was; and, in so far as the tariff stimulated private capital imports it was, for the generation of boom conditions, only less important than the imports of public capital. The main causes of the post-war depression are to be found not so much in the outstanding events of the war years, as in the more normal operation of the factors which produce *borrowing* cycles. That 'High money values and the enormous expenditure of loan money created conditions indicative of increasing wealth' is surely attributable in the main to one factor, i.e. that capital was still flowing in faster than interest was flowing out. But as the burden of interest more and more nearly approached the volume of new capital, without any corresponding expansion of the value of production, the financial pinch was felt once again; and the prosperity of the post-war boom period stands revealed in its true light. The experience of 1893, 1903, and 1913 had apparently all gone for naught, the hectic pleasures of the spendthrift were more enticing than the satisfaction from an expansion justified by earnings; and it was inevitable that the reaction would be severe in proportion to the excesses of spending.

That the severe contraction of loans from Britain in 1919 and 1920 was a far more potent factor than the internal banking situation in hurrying on the crisis which was already preparing appears highly probable. That the chief factor controlling the situation in Australia was realized in some measure by successive Prime Ministers is indicated by the natural transition from the slogan of 'Produce!' adopted by Mr. Hughes to that of 'Men, Money, and Markets' which epitomized the policy of Mr. Bruce. That greater consuming power was desirable at home in order to diminish Australian dependence upon overseas markets, and that there was urgent need for greater productivity in order to sustain the growing weight of debt, were almost self-evident facts. What received far less sanction from the lessons of the

<sup>1</sup> Copland, A.A.A.S. paper cited above, p. 561.