

past was the plea for further supplies of capital for developmental purposes. This amounted to a wish to perpetuate those very conditions of expanding debt which constituted the chief cause of this and every other major Australian crisis; and to an admission that the serious effects of the uneconomic use of borrowed capital were not realized. Nor was there any great measure of agreement to be found among economists or business men. Even so keen an observer as Copland appears to minimize the significance of this great dominating factor in Australian finance; or, rather, to over-emphasize the effects of internal inflation as compared with those of the foreign borrowing which in part made this inflation possible.

'Too much has been made', he says, 'of abnormal war conditions and not enough of this inherent weakness (optimistic speculation during the boom) in business management. Yet it is a factor of overwhelming importance in explaining industrial conditions just prior to the crisis, and our present depression is, to a large extent, the result of an ordinary commercial crisis intensified by the extraordinary financial conditions (i. e. inflation) of recent years.'¹

The pertinent inquiry here, of course, concerns the interpretation he put on the phrase 'ordinary commercial crisis'. Of the reiterated connexion between crises and capital imports the reader will by now be wellnigh weary. But there seems little doubt that the 'extraordinary financial conditions' were intimately connected with the adjustments of credit consequent upon the flow and ebb of capital from Britain; and it is difficult to avoid the conclusion that internal and external movements towards credit expansion were supplementary.

It will be worth while at this stage to review briefly the onset of a crisis which was the prelude to a depression that has lasted, with brief interludes, until 1929. The first signs of recession in world business conditions came early in 1920, when an abrupt break in prices successively involved countries so widely separated and so differently organized as Japan, the United States, and Great Britain. The collapse was not long delayed in Australia. The last phase of the boom had reached its climax in August 1920, some months after the first check had been experienced

¹ *Ibid.*, p. 563.