

a very broad fashion, is very difficult to come by.¹ That we must look to the importation of capital, both public and private, for the major dynamic behind these economic changes is now certain; but the main difficulty here concerns the computation of the amount of private capital which has been invested in Australia during recent years. A further attempt must be made, therefore, to reckon the balance of indebtedness over the period as a logical conclusion to the survey respecting the terms of trade.

I. *The Commodity Balance of Trade.*

The importance of the commodity balance of trade as an item in the total balance of indebtedness has already been discussed at some length. The argument may now be taken forward another stage by indicating some of the more obscure effects of borrowing upon the movement of commodities. Viner has demonstrated conclusively that when a disturbing factor of substantial proportions and long-continued duration, such as the Australian overseas borrowings, 'breaks the even balance of debit and credit international obligations, an even balance of payments is re-established, and is maintained in spite of the debit balance of indebtedness, mainly through compensatory variations in the commodity balance of trade, exclusive of gold'. It is important to realize, first, how this compensatory variation takes effect, and, secondly, the relatively greater part played in the process of equilibration by imports as compared with exports.

In the article from which a quotation has been selected to introduce this chapter, A. C. Whitaker has shown that, with the exception of the commodity balance and overseas borrowings, all the other items in the balance of indebtedness are relatively constant. They are of the nature of fixed charges, and our previous examination of the Australian balance has shown within how narrow a margin interest, freight, tourist expenditure, insurance, and the rest, fluctuate from year to year. The tension is sustained by the inflow and outflow of commodities;

¹ For the best and most exhaustive discussion of the post-war exchange position, as well as for a clear exposition of the principles governing Anglo-Australian exchange, reference should be made to the section entitled 'The Banking System of Australia', by Professor D. B. Copland, in *Foreign Banking Systems*, 1929 (Henry Holt & Co.).