

But the foregoing argument concerns the merely positive aspect of fluctuations in the commodity balance. The negative aspect concerns the definite restrictive effect of overseas loans upon exports, that is to say that borrowing not merely accelerates the rate of import movements, but also definitely retards the rate at which exports leave the country. Presumptive evidence of this effect is contained in the following figures for the earlier and later phases of the latest Australian borrowing cycle. The statistics quoted hereunder show that, despite an expansion in total production, the proportion of production which has been exported has tended to diminish.

Commodity Production and Exports

<i>6-year period.</i>	<i>I. Production.</i> £ m.	<i>II. Exports.</i> £ m.	<i>Percentage</i> <i>II on I.</i>
1914 to 1919-20	1,606	579	36.0
1922-3 to 1927-8	2,566	836	32.6

This restrictive effect of borrowings upon exports needs careful examination, especially as we may, to some extent, be undoing with one hand, foreign loans, what we are attempting to do with the other, the tariff. Stated briefly, the diminishing proportion of total production which figures in the export trade is a result of four factors, all of which are closely connected with capital importation. (i) Australian raw materials are being increasingly manufactured for the home market, largely as a result of the tariff policy, but also because of the growing investment of foreign capital in Australian industries. This may also be partly an inevitable result of the world-wide tendency to manufacture raw materials as near as possible to the point of production. (ii) The expansion of secondary industry tends to draw labour and capital away from primary industries, i. e. to throw the emphasis on production for the domestic rather than for the foreign market. The greater concentration of industries at the seaboard, the evidence of rural depopulation, and the very small proportion of the product of Australian secondary industry which is exported are all noticeable features of recent development. (iii) Expansive immigration policies, coincident with the carrying out of great developmental works and closer settlement, both tend to lower the exportable surplus