

by increasing domestic consumption. (iv) Finally, over the long period, the relative changes in the import and export price-levels which have been indicated as a normal function of the borrowing cycle pile further disadvantages on the export as compared with the import trade. How serious this effect may be at the end of the cycle is indicated by the analysis of the terms of trade in the two previous periods examined.

Arising partly from the operation of tariff amendments after 1920, and partly from altered conditions in Australia's overseas markets, certain remarkable changes in the direction of trade have now to be noticed. The most important of these changes has reference to the diminished proportion of total imports and exports that is represented by the trade with Great Britain and Germany, as compared with pre-war years. No less significant is the increased proportion of Australian trade with non-British countries, especially with the United States, Japan, and France. These changes are best represented by setting side by side the percentages of import and export trade with each country for the pre-war and post-war years. The decline in the share of the United Kingdom and the increase in that of the United States are of the utmost significance in regard to the effect of capital movements on commodities, and to the manner and form in which capital imports reach this country.<sup>1</sup>

*Direction of Australian Overseas Trade*

*Shares of various countries as percentages of total trade.*

	<i>Imports.</i>		<i>Exports.</i>	
	<i>1908</i>	<i>1928</i>	<i>1908</i>	<i>1928</i>
U. Kingdom . . . .	60.10	42.65	45.83	37.90
Brit. Possessions . . . .	12.83	13.06	14.39	10.63
Total, Brit. Countries . . . .	72.93	55.71	60.22	48.53
France . . . . .	0.97	2.65	8.01	10.59
Germany . . . . .	7.05	3.12	14.32	8.39
Italy . . . . .	0.46	0.92	0.53	3.59
Japan . . . . .	1.09	2.90	1.97	8.78
United States . . . . .	12.13	23.66	3.73	6.25

<sup>1</sup> An *Economist* editorial (9th March, 1929) makes the following comment: 'Tracing the various stages of the effect of an investment abroad is as difficult a task as tracing the course of a drop of sea-water that rolls around the oceans of the world.' To vary the explanation of the *Statist* (21st Oct. 1905), Australia borrows money in London to finance rural development; and with this capital Australian farmers purchase American tractors, motor-cars, and agricultural machinery, so