Two considerations arise here with reference to capital loans. It is widely assumed that such loans enter the borrowing country mainly as capital goods. Viner found in the Canadian investigation that it was impossible to determine what proportion of the imports was properly to be classed as capital and what proportion as consumers' goods. The problem is closely allied to the old controversy as to the distinction between necessities and luxuries. No hard and fast line can be drawn in either case. But, after an attempt to group Canadian imports into capital and consumption goods, he is forced to the conclusion that, while capital goods did enter to some extent as direct purchases by the borrowing from the lending country, the loans entered predominantly in the form of consumption goods. Pursuing the same plan for the investigation of Australian imports it is possible to summarize the inquiry in the form of a statistical comparison.

Australian Imports

GROUP I. *Capital Goods.*

	1908 £ *m.*	*1919–20* £ *m.*	*1925–6* £ *m.*
Metals and Machinery . . .	11·5	21·2	30·4
Vehicles and ships . . .	1·5	4·1	15·1
	13·0	25·3	45·5
Index	100·0	195·0	350·0

Increase, for Capital Goods, per cent. of 1908, 250.

GROUP II. *Consumption Goods.*

	1908 £ *m.*	*1919–20* £ *m.*	*1925–6* £ *m.*
All commodities	29·9	69·7	95·8
Index	100·0	233·0	320·0

Increase, for Consumption Goods, per cent. of 1908, 220.

that the borrowings arrive partly in this form. Britain has then to settle with the United States, herself a capital exporter. Now the U.S.A. requires very little of Britain's manufactures, but she does need wool, silk, and rubber. The export of the first from Australia and of the second from Malaya partly satisfies the creditor. The silk is purchased from Japan, and this is paid for in raw cotton from India. India takes payment for the raw cotton in cotton manufactures and heavy goods of all kinds. In this way British capital may be exported to Australia in the form of cotton piece-goods or motor-cars exported to Bombay.