The year 1908 has been chosen as a base year on account of the normal character of its trade, and also because it was representative of the era before the import of motor vehicles began to figure largely in overseas trade. In that year the capital imports were £13 millions out of a total of £50 millions, or 26 per cent. Further, borrowings for 1907 and 1908 amounted to about £2·5 millions a year, while the average for the decade was about £6 millions. It will be seen, therefore, that the heavy subsequent borrowing did not increase the import of capital goods out of proportion to that of consumption goods, measured by the statistics of 1908. But this balance between the two is maintained by including with capital goods the import of motor vehicles. If these were removed from one class to the other, a procedure for which there would be doubtful justification, the respective percentage increase for each group would become 164 and 226. In any case the evidence fails to show an increase in capital as compared with consumption goods in any way commensurate with the borrowings for the period. Nor does the analysis of imports year by year, correlated with new loans, make the case for capital goods any stronger.[1]

The second consideration bears upon the changes in the direction of trade to which reference has already been made; and has particular application to the relation between British capital loans and British exports to Australia. The belief that loans from a country necessarily imply a corresponding increase in the exports from that country has recently been called into question by Mr. J. M. Keynes; and the facts drawn from the history of Australian trade by no means support the traditional view. While it is certain that in the early days of the development of the country, capital loans entered largely as capital goods in the form of railway and constructional material, in the later period no such definite correlation can be traced. Neither an increased British proportion of imports into Australia nor a predominance of capital goods among the incoming commodities can be discerned. What can be detected is rather a tendency for borrowing to increase the predominance of consumption goods in the imports, and to facilitate the purchase of both capital and consumption goods from other than British countries.

[1] Commonwealth Year Book, No. 21, Chapter VI, Section 14.