

these days to defend the latter have been used, very lightly disguised, in the last fifty years to justify the former policy. These arguments will be quite familiar; but it will at least crystallize the discussion if they are restated here. In relation to state borrowing the justification takes the following forms:

(i) That there is a vast difference to be observed between the character of the public debt of a mature community like that of Great Britain where the debt represents unproductive expenditure 'incurred mainly for war purposes and leaving assets that are of comparatively small value', and that of countries like Australia and Canada which has resulted in the creation of assets 'worth to the developing country (and presumably to the creditors) at least as much as the amount of the public debt, omitting only the war-loans'.<sup>1</sup>

(ii) That in a new country like Australia 'the scope of general government—owing to the peculiar conditions of lands thinly peopled, with vast undeveloped areas—embraces many functions which, in the earlier stages of development, would be impossible to resign either to local bodies or to private enterprise'.<sup>2</sup>

(iii) That the proportion of the Australian debt to the national wealth, even under the urgency of development, is not greater than that of older countries whose financial stability is unquestioned. In particular that a comparison of the proportion of the public debt not covered by assets, £153 per head in the case of Great Britain, £43 per head in that of Australia, demonstrates the essential soundness of the Australian position; and that while 'the interest on the public debt of Great Britain in relation to total income was as 8·1 to 100, the interest bill of Australia bore to total income the ratio of 7·1 to 100, although the Australian public debt to the extent of about one-half is held externally, while the outside public debt of Great Britain amounts to only one-eighth of the whole'.<sup>3</sup>

(iv) That it is impossible in any other way than by resort to overseas loans to procure the necessary permanent equipment necessary for an expanding population; and that the policy of entering into partnership with foreign capitalists, instead of

<sup>1</sup> J. R. Collins, *The Public Debts of Australia*, p. 6.

<sup>2</sup> R. M. Johnston, *State Borrowing*, p. 4.

<sup>3</sup> Collins, *op. cit.*, pp. 9 *et seq.*