

borrowing. The readiness with which British investors have co-operated with Australian governments in the past, in order to obtain the mutual advantages to be gained from the partnership has been sufficiently obvious. So, also, has been the distressing dislocation caused in the business of this country whenever the dominant partner has temporarily lost faith in the articles of the borrowing creed, or has lacked the financial ability to implement it. For this reason alone the British demand for an 'orderly marketing' of loan issues should find a ready response in the Commonwealth.

But far more than regulative action on the part of the lender seems to be indicated by the necessities of the case as here presented; and much of the plausible argument comparing the constitution of the British and the Australian national debt quite begs the main question. For the real economic criterion, and the chief test which may be legitimately applied to the justification of Australian loan policy, has reference to the effect on the balance between the cost of indebtedness and national income. The comparison of productivity with indebtedness per head is the true economic criterion; and economic opinion would be inflexible on this, that the safety-point in borrowing has been passed when the increase in productivity is less than sufficient to provide a surplus adequate to sustain the annual charge at a normal rate of taxation.

Before, however, proceeding to investigate this phase of the problem, the very important effects upon a community of continuous supplies of cheap loan money must be considered. For the nation, as for the individual, it is still a truism, despite our twentieth-century technique in disguising the true inwardness of the case, that 'borrowing dulls the edge of husbandry'; and the effects of unrestricted lending must be discussed, therefore, in its psychological, political, and economic bearings.<sup>1</sup>

Every episode we have examined confirms the fact that cheap loan money has inevitably led to over-expansive schemes of national development, to that national attitude of mind which we can only describe as the abandonment of the prin-

<sup>1</sup> Cf. Bastable, *op. cit.*, p. 657: 'One general fact is discernible in the course of the modern history of debts, viz. the universal tendency to increase, and in some cases to press dangerously on the limits of national solvency.'