

supplies, and amounts, in effect, to a depression of the will to save on the part of the borrowing community.<sup>1</sup>

Intimately associated with the consequences upon foresight and the 'telescopic faculty' as applied to public business is another of the utmost importance in its bearing upon national efficiency, i.e. the effect of long-continued loans in depressing the national capacity for saving. This shrinkage in the power to save, as distinct from the will to save, has its origin in the effect of a period of rising prices upon business efficiency, and particularly upon the efficiency of management in industry. Upward price movements, long continued, free business men from watching the most precarious factor in costings; and the result is an insidious tendency to slackness which permeates all business, both public and private. This damping-down of the incentive to efficiency in times of prosperity, and its stimulation in times of depression is, however, so well recognized that no further comment is necessary.

Another consequence upon which much emphasis is placed by Viner, and the justice of which is upheld by the Australian instances examined, is the variation in price-levels throughout the course of the borrowing cycle. The alteration, as we have seen, is not only in the relative levels of prices in the borrowing and lending countries; but there is also that characteristic change in the price-levels for import, export, and domestic commodities. The relative changes in sectional price-levels has most to do with turning the advantage in overseas trade against the borrowing country in the later phases of the borrowing cycle.<sup>2</sup> And this is bound to happen quite independently of internal developments, which could not produce changes in the level of prices of that kind and degree. The measurement of the terms of trade, especially of the gross terms, has demonstrated with a fair degree of accuracy the effects of this change

<sup>1</sup> See Copland, *Trade Depression in Australia*, paper before Section 'G', A.A.A.S. 1923. Proc., pp. 561 *et seq.*, and Appendix to Report on *Unemployment, Development and Migration Commission*, 1928.

<sup>2</sup> Cf. Copland, D. and M. Commission Report cited above. 'Every major crisis in Australia emphasizes the fact that fluctuations in the prices of exports may be of more consequence in their effect on prosperity than variations in the volume of exports. The price-level for exports vitally affects the balance of banking funds in London, and this has an important influence upon banking and credit conditions in Australia.'