

arguments already put forward relating to the depression of saving power, the lowering of productivity, and the decline in managerial efficiency owing to continuous loans.

Criticisms of Australian public indebtedness usually measure the weight of the burden by reference to its effect on national solvency. While that extreme standpoint may be justified, it is to be observed that there are many degrees between buoyant prosperity and utter bankruptcy. The question for the economist is not whether Australia can afford the annual interest charge; but, rather, whether her economic organization would operate more effectively by utilizing a little more or a little less of capital in combination with her labour and resources. It is conceivable, indeed highly probable, that the decision to fore-swear foreign borrowing entirely, if that were a practicable policy, might ultimately be compensated to some extent by a stimulation of national enterprise, by an increase in efficiency and productivity, by avoiding the economic dislocations consequent upon interruptions in the flow of foreign capital, and by consequently increased stability in business. But the charge upon the capital already invested in the country would have to be met in perpetuity, or until such time as the debt was repaid. A discussion of borrowing policy can therefore have meaning only in regard to the most expedient policy for the future.

The present situation has been very clearly presented by Mr. E. C. Dyason,¹ by means of a comparison of the public debt, and in particular the external debt, with the other factors in the national economy; and his conclusions form an important contribution to the study of the national debt. His first comparison is based upon the public debt in relation to the wealth of Australia; and his summary table, brought up to the year 1928, is given on p. 235.

Dyason takes the view that the most weighty consideration for the purpose of estimating the soundness of the financial position concerns the proportion of the external debt to the total of public and private wealth. Admittedly this would be a weighty consideration in direct proportion to the degree of accuracy with which the total wealth could be computed. But it is to be thought that, despite the advance made in statistical technique in the interim, Bastable's dictum is still substantially

¹ E. C. Dyason, 'The Australian Public Debt', *The Economic Record*, Nov. 1927.