

ment of the national standard of living to its economic maximum. The final form of the test to be applied, therefore, becomes a comparison between indebtedness as measured by the annual interest charge, and productivity as measured by the value of the disposable national income per head; and Dyason would seem to be guilty of a false economic emphasis when he regards the proportion between external debt and total wealth as the critical test to be applied to the public debt. This is the more remarkable since he does proceed to an excellent comparison of productivity, national dividend, and annual interest payments.

The disposable income which is capable of application in discharging external indebtedness consists of those products which have been called in an earlier chapter foreign-trade commodities. The Commonwealth Statistician's estimate of the value of Australian production is arranged in six divisions, viz. agricultural, pastoral, dairy, forestry and fisheries, mining, and manufacturing. Of these it is safe to assume that not more than 10 per cent. of divisions IV and VI enter into foreign trade; indeed from the calculation by Wickens noted previously this would appear to be a liberal estimate. The remainder of total production can therefore be accepted as a fair estimate, comparable from year to year, of disposable income. The second table with this alteration, and brought up to 1927, is given on p. 238.

From this analysis some very important results are to be obtained for the purpose of estimating the relative marginal productivity of the debt from year to year, and hence of Australia's capacity to borrow. These may now be summarized:

- (i) The ratio of total debt to production rose from 10·8 to 13·3 per cent. in the nine years. That is to say, the percentage of that part of the national income used for paying for overseas debt increased by 23 per cent.
- (ii) The ratio of the external interest to production, i. e. the ratio of annual overseas interest to that part of the national income available for that purpose increased by 22·5 per cent.
- (iii) The ratio of the external debt to the whole national dividend rose from 3·5 to 4·6, an increase of 31 per cent.