

a cessation of loans would have upon industry and prosperity in Australia.

Movements of capital have assumed an enhanced significance in the world economy during the post-war years. Immense changes in the amount of international indebtedness, and in the character of a great portion of the mass of debt, have occurred. Economically, we are now realizing that the war years cannot be regarded otherwise than as a temporary ascension of the forces making for capital consumption over the forces making for capital accumulation; and the cost of this temporary dominance is to be measured by the increase in net indebtedness. Australia, in common with Britain, enormously increased her external obligations during the war and after; and because of the peculiarly close economic and financial nexus between the two countries, it is inevitable that world conditions which affect Britain's economic stability will not be without commensurate reactions upon the prosperity of Australia.

The conclusions to be drawn from the general theory of international indebtedness must, therefore, have a particular interest for Australia in the years immediately ahead. The development of the Commonwealth, like that of all other debtor countries, must be profoundly influenced by the conditions governing the world supply of capital in the future. If, and in proportion as, the stream of capital loans from Britain diminishes in volume, Australia will be compelled either to have resort to other sources and at increased cost, or to maintain development and expansion out of domestic savings, i. e. by internal loans, at the same time that the old debt is being renewed or redeemed. There is no necessity to enlarge upon the effects of merely exchanging one creditor for another. Our immediate interest lies in an examination of the probable economic effects of a cessation or diminution in the supply of new capital over a term of years.

That the resultant situation would be difficult in the extreme needs no emphasis. The decision to renounce the traditional policy of borrowing abroad, either through conviction of its attendant disadvantages or because of inability to obtain accommodation, would reverse the operation of most of the factors which have co-operated to produce an extremely complex situation. To a greater or lesser extent, determined mainly by the volume of internal savings, Australia would be faced by the