

effected by the deliberate adoption of policies aimed at stimulation of primary industries, by public retrenchment and private economy, and by such a reorganization of national industry as would intensify the effort to discover and exploit new resources. If secondary industry remained static, such a change would entail a reversal of the movement of population towards the capital ports such as took place after the 1893 crisis in Victoria. This rearrangement of the factors in national production would necessarily accentuate unemployment during the adjustment, and would entail some sacrifice upon almost every section of urban population—the sections, that is, which stand to gain most by the expansionist tendencies associated with periods of heavy borrowing. The process, when complete, would realine national production in accordance with Australia's existing comparative advantage in overseas trade; would, by the consequent changes in relative price-levels, intensify any advantage in trade that formerly existed; and would tend to increase both the volume and the value of export commodities.

This is not to assert that the existing secondary industries would necessarily disappear or be left relatively weaker. Those which are based more upon natural economic foundations than upon tariff buttresses would, at the most, be in no worse position; but it is not to be supposed that the uneconomic diversion of large blocks of productive power to inefficient industries could be maintained in the face of the circumstances that we have assumed are likely to arise. It may be that the increased efficiency induced by hard necessity, and the relative fall in labour costs, would enable most of the existing manufacturing plants to continue. The elimination of the economically inefficient would, at the worst, merely mean the postponement of that ideal self-sufficiency in industry to which no modern community has yet attained.

The transition period now being contemplated would bring its own difficulties connected with the operation of the foreign exchange. The probable maladjustment of domestic credit owing to tapering capital imports would need careful management of bank credit; and, in the international sphere, the oppressive factor of adverse exchanges would call for counter-measures. All the conditions of expanding credit and favourable exchanges associated with vigorous overseas borrowing would,