

between the debits and credits in the British international account has only to be compared with the total of foreign loans to afford conclusive evidence of the shrinkage in Britain's power to save.¹ This comparison is set out below.

*Surplus of Income Account and Foreign Loans for
Great Britain*
(In £ Millions)

	1913.	1926.	1927.	1928.
Total income from all sources	339	484	504	508
Less excess of imports	158	475	390	359
Surplus available	181	9	114	149
Overseas loans	160	102	148	105
Surplus available at 1913 prices	181	5	64	100
Overseas loans at 1913 prices	160	50	84	70

It is clear from this analysis that the volume of foreign loan issues in 1928 was only 44 per cent. of the pre-war volume, although it should be noted that the amount retained for domestic investment was greater by about the same proportion. After 1924, since there was no available surplus from production, Britain was actually borrowing to finance her foreign loans, although the rate of borrowing progressively declined thus: 1924, £81 millions; 1925, £60 millions; 1926, £55 millions; 1927, £20 millions. In effect over the four-year period she thus lent £470 millions and borrowed £205 millions. Short-period borrowing, however, if it did not actually cease was almost negligible by 1928, since there was in that year a surplus of £30 millions applied to domestic investment. But the post-war surplus was £100 millions as compared with £180 in 1913; and the volume of loans but £70 millions as compared with the pre-war £160 millions. It would appear, therefore, that Australia cannot rely upon the imminent recovery of Britain's former ability to provide capital for investment abroad. Further, the reorganization of British industry is making heavy demands upon the capital surplus. Over the period 1924-8, inclusive, an annual average, reckoned on the pre-war price basis, of £70 millions was thus absorbed, compared with the annual average of £30 millions for the five-year period immediately prior to the war. Although

¹ See Gregory, *First Year of the Gold Standard*, pp. 75 et seq.