

## APPENDIX

THE preceding chapters left my hands towards the end of 1929. Since that time a conjunction of evil circumstances—not unknown in earlier days—has afflicted the Australian Commonwealth. Falling world prices, unresponsive loan markets, declining production due to unfavourable seasons in some states, and adverse exchanges have been marked features of the more recent period. The impact upon the Australian financial and industrial system has caused such grave dislocation as to menace the established standards of living of the entire population of the continent. Preoccupation with the economic problem has become an obsession which leaves little room for the consideration of the many important social and political difficulties associated with Australian development.

The whole problem is essentially one which is conditioned by fluctuations in national income, and every analysis made by economists and business men emphasizes this aspect. The adversity of the moment is, admittedly, due only in part to conditions that have their origin in the Commonwealth; but some interest remains in the task which I have attempted of tracing those effects which are merely the normal accompaniments of the borrowing cycle. The immediate decline in national income is due in the main to three causes: (a) the fall in world prices for primary products; (b) the contraction in the volume of loans; and (c) the decline in productivity due partly to unfavourable seasons, and partly to those more obscure causes associated with 'easy money' to which reference has been made in an earlier chapter. It must be emphasized that no fall in national income of a marked character occurred until the early months of 1930; or, rather, that the downward movements of national income before that time were compensated by the volume of capital flowing in from overseas.

The monetary problems arising from the fall in prices of Australian export commodities have affected all countries possessing a similar economy. The decline in national income from this cause is not due to any marked decrease in the volume of national production; nor does the present financial situation have its origin in any fundamental unsoundness in business such as the excessive speculation which has prevailed in some oversea countries in recent years. An important fact calling for attention, however, is the persistently high level of Australian wholesale prices in relation to those of Great Britain and the United States. Still more significant is the fact that, since 1920, the general trend of Australian retail prices has been *upward*, whilst