those of the other two countries mentioned have been *downward.* This may be interpreted as the normal movement to be expected in a country that has resorted to overseas borrowing as freely as Australia has done during the last decade. It will be anticipated that the introduction of capital into Australia would be regarded by me as the chief factor maintaining this relatively higher price level; but this does not prevent me from conceding considerable weight to the joint effects of tariff and wage fixation policies.

The compulsory contraction in the volume of overseas loans is due in great measure to the disturbance of the world money markets by the events of 1929. Uneasy conditions, especially in Britain following the Hatry crisis, the steady draining away of British gold occasioned by French financial policy, the break in the speculative boom in the United States, and the general failure of the central banks of the world to 'keep in step', occasioned the reluctant response to the demands for loan issues, a reluctance which finally hardened into positive denial. These causes tending towards a shortage of world credit have intensified Britain's difficulties in the matter of overseas loans, difficulties that were already troublesome on account of the demands for domestic issues for the rehabilitation of British industries. For Australia, accustomed to the annual receipt of from £25 to £30 millions of fresh capital, this meant a second sudden contraction in national income. Crippled in both feet, productivity and fresh capital, her financial system hobbled painfully through a period of grave crisis; and the restoration of equilibrium became the great obsession of her people. The effect of these world changes has been such seriously dislocated exchanges that the most adverse rates within living memory were experienced.

The third circumstance affecting national prosperity concerns the comparison of earning power, or borrowing capacity, with the felt burden of overseas indebtedness. This is the economic criterion already indicated as the final economic test, and a recent computation made by the Commonwealth Statistician makes possible the most exact application yet made to the Australian situation. From a comparison of total output from all industries with the number of workers engaged, adjusted to the 1911 price level, he reaches the index of productive efficiency which is here reproduced. In the final analysis the burden of overseas debt must be sustained by the workers in all industries. After computing this indebtedness per worker it is then possible to reach a figure for the 'felt' burden by adjusting the interest figure for each year to the price level for exports by means of which the interest is payable. The construction of an index for this felt burden gives an immediate comparison of the rate of productivity increase as compared with the rate of increase in the