CHAPTER VIII. AUSTRALIA'S RELATIVE DISADVANTAGE IN OVERSEAS TRADE AFTER 1890

Preliminary examination of the terms of trade—the distinction between gross and net barter terms of trade—the meaning to be attached to 'favourable' and 'unfavourable balance of trade'—phases of the borrowing cycle—the theory of the borrowing cycle in its application to Australia between 1880 and 1896—the statistics of banking and borrowing—effects of borrowing upon sectional price levels and wages—measurement of the community effort needed for recovery.

PART IV

THE COMMONWEALTH, 1900-14

CHAPTER IX. THE COURSE OF BUSINESS FROM 1900 TO 1914 . 104 Economic effects of Federation—characteristic features of the period—depression after 1900—rationing of loan issues in London—minor crisis of 1903—rapid recovery after 1905—Australia in relation to the world crisis of 1907—credit reactions and price movements—the Commonwealth Government and banking policy—the threat of crisis in 1913.

CHAPTER X. ANGLO-AUSTRALIAN EXCHANGE IN RELATION TO CAPITAL MOVEMENTS AND TRADE, 1900 TO 1913 116

Financial relations between Australia and Great Britain—gold movements and their causes—effects of credit contraction in London—credit dislocation in Australia consequent upon capital importation—effects upon group prices—seasonal exchange disturbances—control of capital movements—the mechanism of adjustment in Australia and Britain—the relations between borrowing and banking under the gold standard.

Connexion between stoppage of loan issues and restriction of bank credit in Australia—domination of bank policy by capital loans—the parallels to be noted between U.S.A. after 1870 and Australia after 1890—correlation between new loans and excess of imports—the banking situation after 1900—changes in sectional price levels and in wages—the terms of trade over the period.

The balance of indebtedness examined—the commodity balance of trade—the 'service' balance—the problem of freight charges—capital investments and interest payments—capital movements connected with migration—comparison of net indebtedness with imports of capital.

PART V

AUSTRALIA DURING AND AFTER THE GREAT WAR

The great inflation—price movements—developments in Commonwealth banking policy—the new borrowing cycle—British and Australian price levels compared—the widening margin between interest payable overseas and disposable income.

CHAPTER XIV. THE BOOM OF 1919 AND THE SUBSEQUENT DEPRESSION IN RELATION TO PUBLIC BORROWING . . . 172

The relative effects of inflation and borrowing upon the price level—effects of the capital shortage after 1919—the course of events outlined—causes of crisis—differential effects of borrowing upon the rewards to the factors of production.