

to produce commercial crises of the type just examined. The analysis of Tooke and Newmarch might, in fact, stand as a model for the examination of later crises.

But, despite the fact that the economic consequences of the gold discoveries bear a strong family resemblance to those to be noticed later in connexion with the borrowing cycle, certain remarkable contrasts must also be indicated. The first of these goes far to explain some of those features which give the period its peculiar and characteristic significance. 'In general terms the first effect of the gold discoveries was to confer upon the labourers the full benefit of what, in effect, amounted to a quadrupled demand for labour at quadrupled wages.' But the most dynamic change is to be found in the origin of the demand, not so much for labour, as for both foreign and home-trade commodities. The greatly increased wages 'did not arise from the production for sale, after more or less delay, of some artificial commodity; but in the extraction by the labourers themselves of a universal instrument of exchange of intrinsic value, the process of distribution proceeding *from the Labourers to the Capitalists and not from the Capitalists to the Labourers*'. Here again, to digress for a moment, it is possible that in this circumstance may be detected the source of the Australian tradition which has tended ever since to place an excessive and illusory value upon the function in production of labour as compared with capital, a tradition which is responsible for much of the industrial trouble of later years.

A further contrast has reference to the behaviour of prices consequent upon the changes in demand and supply which occurred. The patient accumulation of Tooke and Newmarch of lists of current Australian prices¹ during the period of this cycle makes possible the statement of some of those broad tendencies which can be compared with later price movements. By an application of Cairnes's theory of 'non-competing' groups the commodities examined fall, roughly, into three classes, in each of which the price reactions exhibit characteristic differences. These groups are, (i) *Foreign Trade Commodities* the supply of which could be readily increased by importing, especially from the United Kingdom. Prices in this group rose

¹ These exhaustive lists will be found in Appendix XXX to the *History of Prices*, pp. 830-44. They form a tribute to the soundness of the authors' statistical method.