

sharply in the first phase; but, later, as the supply overtook the demand, fell disastrously. The trade advantage in the first stage thus moves against Australia, a reaction exactly the opposite of that which occurs in the first phases of borrowing. (ii) *Home Trade Commodities* capable of being produced within Australia, the supply of which could be rapidly increased, e.g. farm and garden produce. Prices in this group also exhibit a great rise and fall; but the changes are not so marked as in the first group. (iii) *Other Home Trade Commodities*, i.e. not capable of great expansion in supplies. Prices for this group rose higher, and the rise was maintained longer, than for all other commodities.

Although, in the main, this increase was transitory, it can safely be said that the whole range of prices was left at a higher level after the crisis than it had occupied before the gold discoveries. Of greater interest and importance than the measurement of this general lift in the price level, however, are the conclusions at which Tooke and Newmarch arrive from a study of the effects of the great increase in gold supplies, not only upon trade and wages in Australia, but also in Great Britain. The expansion of manufacturing in response to the stimulus of increased demand in Australia was sufficiently marked to cause a rise in both prices and wages in Great Britain. This was, of course, no more than was to be expected because of the increased demand for labour in all industries, on the one hand, and the increased supply of gold on the other, changes that were consequent, of course, upon the withdrawal from Australia of the accumulated quantities of new gold in payment for the importation of goods and services. In short, the total effects, as stated broadly by Tooke and Newmarch, are scarcely to be distinguished from the effects of great capital loans in that 'there was set in motion a train of causes which has led rapidly to the diffusion of new gold and to the production of commodities supposed to be required in Australia'.¹

The production, in particular, of one commodity demanded in Australia is worthy of special notice, viz. the capital goods required for the construction of railways. The rapid increase of population, the great expansion of purchasing power in the

¹ For the effect of the increased gold supply after 1850 upon world prices and industry see Tooke and Newmarch, *History of Prices*, pp. 188-236.