

was, moreover, accompanied by a realignment of all industries, and by developments in land and water transport that have a very definite bearing upon the organization of trade.

For the study of business cycles, in particular, this period presents certain features which are not projected with quite the same clearness during any other phase of our history. In the first place, two interruptions in prosperity occurred of sufficient severity to be classed as major crises, viz. those of 1903 and 1907; and both of them coincide in a remarkable manner with world business crises. This fact has a very definite bearing upon the task of exposing the relative force of foreign and domestic factors in influencing the Australian business situation. The link between the external and internal conditions of Australian business is, of course, that of capital borrowing; and over the period under review there were phases during which the importation of capital was alternately accelerated and retarded in a manner most satisfying to the mind of the experimental economist.

Further, the activities connected with settlement and development were not disturbed during this period by any abnormal external or internal complications other than those connected with the credit cycle; and a laboratory atmosphere is thus given to the experiment which is again eminently satisfying. Finally, the whole period is marked by a clearly defined rise in world price-levels; and this rise has been the subject of careful measurement and analysis. The improved statistical data for trade, currency, and production, in both the foreign and domestic spheres, gives to the years following 1900 an accuracy for analysis that cannot be approached by earlier periods.

Most inauspiciously for the new Commonwealth, the years immediately following Federation were marked by a reaction from the prosperity which had characterized the close of the century in Australia. Severe drought, which affected Queensland and New South Wales most seriously, resulted in a diminished volume of production at a time of falling prices for most Australian staples. The lowest recorded wool prices accompanied a fall in metal values, the export of dairy products declined by 50 per cent., and the record harvests of the southern states had to be marketed under conditions of high freights and