

indicated in Chapter VIII which the theory of international trade would lead us to expect are again to be found here. The exact measurement of the tendencies in sectional price-levels cannot be claimed, but the accompanying figures confirm the observations made by Viner.

TABLE XXIV

Domestic, Export, and Import Price-level. Australia, 1900-13

<i>Year.</i>	<i>Domestic.</i> ¹	<i>Export.</i> ²	<i>Import.</i> ³
1901 . . .	1,000	1,000	1,000
1902 . . .	1,097	1,072	1,008
1903 . . .	1,073	1,118	993
1904 . . .	977	1,123	1,001
1905 . . .	1,050	1,192	988
1906 . . .	1,046	1,249	1,032
1907 . . .	1,037	1,309	1,091
1908 . . .	1,103	1,177	1,024
1909 . . .	1,107	1,212	1,016
1910 . . .	1,114	1,243	1,099
1911 . . .	1,154	1,161	1,101
1912 . . .	1,328	1,263	1,123
1913 . . .	1,371	1,290	1,117
Increase per cent. .	37.1	29.0	11.7

All this has an important and specific bearing upon the terms of trade over the period, which are now to be examined. The rise affecting domestic prices and the consequent increased demand for imports has little compensation for the Australian producer. With the exception of wool, albeit an important exception, the volume of Australian production could have had little effect on world production and world prices. Those Australian commodities, therefore, which entered into world trade did so at world prices. But, because of the effect of capital loans upon price-levels in the lending and borrowing countries, Australia in the early stages of borrowing cycles procures a relatively greater physical volume of imports for her exports. But towards the end of the period the swelling interest payments operate in the other direction, and with the approximation once

¹ Adjusted to 1901 as base year from Sydney and Hobart retail prices as computed by Knibbs from State data for forty-six commodities with rent, 'Prices, Price Indexes and Cost of Living', Labour and Industrial Branch, Report No. 1, issued by the Commonwealth Bureau of Census and Statistics, 1912.

² and ³ Compiled from data given by Knibbs, Section IV, *ibid.*, and adjusted to 1901 as base.