

more of the price-levels in the two countries, the exports tend to become less valuable in relation to the imports; and the advantage in trade goes to the lending country. These phenomena may be clearly seen in the indices for wholesale and sectional price-levels.

But, despite the careful and patient examination of price statistics and the laborious compilation of index numbers, no more than general trends can be stated with confidence. The work done by Knibbs, in comparing more than twenty index numbers

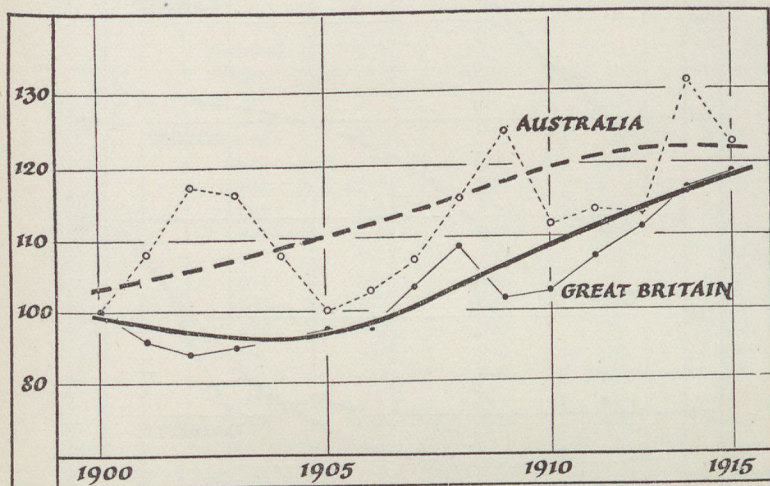


FIG. XI. WHOLESALE PRICES, GREAT BRITAIN AND AUSTRALIA, 1900-14

*Secular trends shown heavy.*

compiled in different countries, goes to show how very sceptically sweeping conclusions based upon them should be received. In the first place the difficulties involved in separating commodities into foreign- and home-trade commodities are almost insuperable, since commodities are constantly changing from one class to the other. Secondly, the exceptions are so numerous and so important, and variations depend so entirely upon the fortuitous circumstances of weather and business conditions in other countries, that the very greatest caution in interpretation is imperative. Argument from particular instances is dangerous; but we may safely illustrate the difficulty from a simple case. No commodity enters more thoroughly into both home and over-