

this as for more normal periods, that borrowing was again a potent factor in the national economy, and that, in this respect at least, the period was normal in its abnormality.

Financially, the dominant characteristic of the war period for Australia as for most other countries was the great currency inflation that took place. More or less deliberately planned as a war finance measure, this inflation brought in its train a whole series of economic effects of the first importance; and of these the chief was undoubtedly the great and rapid rise in the price-level. But that is not to admit that the sole cause of price movements during the period was currency inflation. Other factors of relatively smaller importance, but far from negligible in their total effect, must be taken into account. The interruption or abrupt stoppage in the supply of almost every commodity from overseas in the early phases, and the heavy borrowings as the war proceeded, to mention only two other causes, were extremely important in their effect on prices.

There is not any intention here of belittling the overwhelming importance of the war-time inflation upon prices. This has been the subject of a masterly analysis by Professor Copland<sup>1</sup>; and further examination of that aspect does not fall within the scope of this essay. Price movements, moreover, will be considered from another angle in a later chapter when the terms of trade come under discussion. We have seen already that a general upswing in prices had been in progress since 1900. Wholesale prices rose, during the years between 1901 and 1914, by 18 per cent., while the cost of living rose by 26 per cent., mainly because of the great increase in house-rents. The average annual increase was very slight in the last decade before the war. Between 1914 and 1918 wholesale prices rose by 115 per cent., retail prices by 56 per cent., and the cost of living by 70 per cent.; and although these increases did not approach the extent of similar movements in other countries, they 'must be considered as quite abnormal in a country like Australia with abundant supplies of the necessaries of life'.<sup>2</sup> The relation

<sup>1</sup> See in this connexion (i) Article, 'Currency, Inflation, and Price Movements in Australia', *Economic Journal*, Dec. 1920; (ii) a more extended treatment in the Joseph Fisher Lecture, *Currency and Prices in Australia*, University of Adelaide, 1921; and (iii) Paper, *The Trade Depression in Australia in Relation to Economic Thought*, Proceedings of Section 'G' of the A.A.A.S., Auckland, 1923.

<sup>2</sup> Article cited above, *Economic Journal*, Dec. 1920.