

statistical measurement, he specifically excepts it from consideration in his analysis. But the fundamental condition by means of which foreign trade should exercise its influence over price-levels, i.e. through the gold-exchange standard, was now missing. The peculiarity of the war-period as a phase in which the gold standard in both Britain and Australia was temporarily abandoned, and the consequent effects of this step upon domestic finance and foreign exchange, will be noticed later. An aspect of greater importance at the moment is the general relation of this change to overseas borrowing.

From Copland's exhaustive survey of the war-period it would appear that the greater increase in the British price-level, relative to the Australian level, indicates that the latter was much more subject to local factors than at times when the foreign exchanges were controlled by the gold standard.¹ This is unquestionably true; but when he declares that, even in normal times, the Australian price-level is influenced only partly by external factors because foreign trade is less important than home trade, he is on much more debatable ground. The analysis of barter terms of trade made for earlier borrowing cycles reveals a connexion of very great significance between the volume of external loans, and changes both in the relative levels of the borrowing and lending countries, and in the sectional price-levels of the borrowing country. But the fact that the export-import price-level increased during the war by 53 per cent., while wholesale prices rose by 70 and retail prices by only 40 per cent., certainly appears to support his conclusion, that local factors were operating in addition to the external factor of loans, and operating to an extent so much greater than they would normally do under a gold-exchange standard as to completely overshadow

¹ Commonwealth Labour Report, No. 13, p. 150.

Wholesale Price Index Numbers

Year.	<i>Gt. Britain.</i> (Board of Trade.)	<i>Australia.</i> (Commonwealth Statistician.)
1911	1,000	1,000
1913	1,065	1,088
1918	2,443	1,934
1920	3,343	2,480
1922	1,691	1,758