to what Taussig calls 'dislocated exchanges', we should not, indeed could not, expect to observe that correlation between gold and capital movements previously discerned. But, if it is found that, while net barter terms of trade vary little as between the beginning and the end of the period, gross terms rise considerably at first but finish with a sharp decline, we may confidently regard these changes as the customary manifestations of the borrowing cycle, even though they are masked and overlain by the effects of the serious inflation which occurred, and by the price movements of which inflation was the chief cause.

Notwithstanding the revolutionary changes in the mode of marketing Australian products, the dislocation of carrying and insurance services, and the abolition of the gold standard, the mechanism of trade as between Great Britain and Australia was not greatly altered.[1] More especially the financial nexus, that reliance by the Commonwealth on the financial support afforded by Great Britain, was strengthened. The dependence upon the Mother Country in the matter of capital loans was increased rather than diminished. These, then, are the chief grounds for including the Australian experiences between 1914 and 1928 in this survey. Indeed they form an integral part of that picture which is being completed in the post-war period.

In 1915 and the following years there developed a great demand for Australian products. The wool, foodstuffs, minerals, and many other items which the Commonwealth was able to contribute towards the civil and military prosecution of the war assumed an enhanced importance. Year by year, too, exports mounted under the stimulus of higher prices and the government encouragement of increased production. Imports also increased, but at a slower rate owing to difficulties in getting orders fulfilled in Britain. For the same reason remarkable changes took place in the direction of the import trade, from which Japan and the United States mainly benefited. An excess of exports developed, averaging £25 millions a year in the 1916–19 period compared with an annual excess of £13 millions

[1] This comparative stability was due to the long-established relations between British and Australian banking and the traditional view that the two currency units were identical. Even without the common basis of gold, and in spite of the abnormal conditions imposed by war finance, the expansion and contraction of credit proceeded as in pre-war days.'—Copland, *Foreign Banking Systems*, p. 84.