

between 1910 and 1913. The *volume* of imports and exports, however, did not mount at the rate indicated by the figures for value. 'But as regards the problem of international payments—the mechanism of international trade—it is the money values that signify.'

The chief feature of trade at this time was the great development of government buying and selling under the pooling system, and the mobilization of Australian resources for the more effective waging of the war.¹ Here we are confronted by phenomena quite outside the range of normal experience. Both borrowing and exports take their place in a vast scheme of war finance in which economic principles and the ordinary canons of business are quite lost from sight. The volume of loans both at home and abroad, the rise of prices, and the increase in exports, assume a far more intimate relation than ever before; but they are so bound up with the larger issues of world financial policy that, in many of their aspects, they almost cease to have purely Australian significance. Under these circumstances the problem defies satisfactory resolution into elements which can be correlated and interpreted as a verification of trade theory.

It is when we come to examine the gold movements of the time in relation to the movement of commodities that the astounding character of the war operations stands revealed. That the disposition of Australian gold became, to a great extent, an Imperial matter during these years is scarcely to be doubted. At least the gold resources of the Commonwealth, like its products,² were mobilized and moved according to a policy of banking expediency that hardly admits of analysis in this essay. Consider the situation presented in the following table. During the early period which is characterized by an excess of imports gold is retained in large quantity when we should expect it to be moving out. Similarly, when the excess of merchandise imports before 1916 changes to an excess of

¹ Copland, *Foreign Banking Systems*, p. 83. 'During the war when free gold movements were impossible, the exchanges were kept remarkably stable despite serious differences between the British and Australian price-levels, and considerable variations in the balance of payments. This was due in part to the special financial measures adopted by the British Government for purchasing Australian produce and assisting the Commonwealth Government.'

² For discussions of war-time control of marketing, especially of wool and wheat, see *Economic Record*, Special Marketing Supplement, February 1928.