

for its various payments, and then used and spread broadcast by the contractors, merchants, manufacturers, farmers, soldiers, into whose hands the "money" flowed. The really significant operations were purely domestic—quite divorced for the time being from international trade.'

But a halt had to be called some time, and a period set to both the abnormal excess of exports and the rise in prices, and this was brought about by the natural death of war-time financial measures.

'The revulsion did not take place immediately. For a few months succeeding the armistice there was a halt, a taking of breath as it were. Then the business world (in Australia as elsewhere) made an endeavour to resume and maintain the mad pace of the war . . . a stage of release and buoyance, and then at last the slow and bitter process of recovery from the lasting effects of the desperate struggle.'¹

In this recovery from the manifold excesses of the years between 1914 and 1920 is to be sought the explanation of the economic difficulties in Australia for the next decade. The historian of the future may tease out from the tangled skein the main threads which still run through the fabric of business, and may indicate unflinchingly the chief controls in what appears, at this distance, little better than a chaotic and depressing tangle defying our best efforts to unravel.

In one important respect the theory presented here quite fails to fit the facts of the post-war situation. The movements of group prices were too disturbed and spasmodic, the distortion of the whole field of prices too great in consequence of the deflation policies being pursued at home and abroad, to enable us to detect those phenomena connected with group prices which were indicated for the more normal pre-war period. Changes in domestic price-levels, due to the reaction from the extraordinary internal inflation that had occurred, were too overwhelming in their effects to enable the relatively fainter trends due to the borrowing cycle to be clearly discerned, although the conviction that these weaker currents were present in the main stream remains. Here again the explanation has to be sought in the fact that the gold standard—the regulator of the relative price-levels for our purpose—had ceased to operate for the

¹ Taussig, *op. cit.*, parenthesis by present writer.