

employment will increase, exports will fall off and imports will increase.<sup>1</sup>

It is scarcely open to dispute that in advancing for the sake of his argument the conditions which he does not believe obtained in Britain, Professor Gregory has outlined with almost uncanny precision the exact situation which did exist in the Commonwealth. Nor can it be denied that the phenomena which he associates with this situation have been fully evident in Australia since 1925. No country in the world at the time covered by the events under discussion possessed such a rigid system of wage fixation, nor, on both the side of capital and the side of labour, a more decided quasi-monopolistic organization of industry. It is not, therefore, to be wondered at that real wages rose in the industries sheltered by the tariff, that unemployment has been a pressing problem since the return to gold, that productivity and exports have fallen away, and that imports have tended to increase.

The tests, therefore, which will provide strong presumptive evidence, if it is to be found at all, of the effects of stabilizing the pound at parity with the dollar will have reference to the relative cost of living, to the level of wages, to the volume of unemployment, and to the volume of foreign trade for the period immediately following the restoration of the gold value of the currency.

Let us take first the 'cost of living' test. If the Australian pound had been previously over-valued in terms of the dollar we should expect to find an increase in the cost of living in Australia after the return to gold. Table LII indicates that, whereas the American cost of living rose after the return and then fell within eighteen months to about its original level, the British index number rose in sympathy and then fell sharply. On the contrary, the Australian cost-of-living index rose and continued to rise over the whole period, thus strengthening the suspicion that the favourable situation in April 1925 was due to factors which afterwards ceased to function. Overseas loans and payments on account of Bawra, it will be noted, ceased abruptly in 1925.

From the records of unemployment little that is conclusive

<sup>1</sup> Gregory, *The First Year of the Gold Standard*, p. 17. The italics are mine.