PART I

CHARACTERISTIC FEATURES OF AUSTRALIAN BUSINESS AND AN ACCOUNT OF THE EARLY YEARS

CHAPTER I

CHARACTERISTIC FEATURES OF AUSTRALIAN ECONOMIC HISTORY

'The inward movement of capital dominated all other factors in Canada's foreign trade during the period of heavy borrowings, and the variations in the inward flow of foreign capital were marked enough to effect sharp correlated variations in other elements in the situation. As a consequence an inductive study of Canada's international trade during this period becomes largely a study of the adjustment of Canada's trade balance, currency and banking system, price levels, and industry in general to a heavy import of foreign capital.'—Professor JACOB VINER, *Canada's Balance of International Indebtedness*.

'Panics do not destroy capital: they merely reveal the extent to which it has previously been destroyed by its betrayal into hopelessly unproductive works.'— J. S. MILL, Address to Manchester Statistical Society, delivered 11th December, 1867.

'Economic History is not catastrophic.'—F. W. MAITLAND.

A CLOSELY-LINKED series of economic phenomena quite remarkable in their similarity is associated with each of the major Australian crises. Commencing, apparently, in some loss of confidence in colonial affairs manifested in Britain a marked check to a buoyant prosperous period was usually the first sign. The flow of trade and the related revenue received the first shock, and the impact was carried on to show itself in government deficits. On the other hand, depressed world conditions often resulted in diminished prices for primary products and thus affected both purchasing power and banking policy in Australia. Constructional and developmental work came to a standstill, taxation burdens increased at the worst possible time, and the flow of immigration always slackened. These are, of course, not features peculiar to the depression stage of the Australian cycle; but they stand out more prominently from related phenomena than is the case in older and larger communities.

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