

CHAPTER II

THE EARLY YEARS AND THE CRISIS OF 1840-3

'The arrival of capitalists has raised the price of stock to an unprecedented degree.'
—*Port Phillip Gazette*, 14/5/1839.

'As is usual in such stages of fictitious prosperity extravagance in social life followed upon the fancied attainment of riches, the manufactures of England were largely introduced, and a great variety of articles of consumption which might have been produced in the country with common industry and patience were flowingly imported, and made use of on liberal credit.'—BRAIM, *History of New South Wales*.

'The failure of the model colony of South Australia in 1840 injuriously affected the credit of Australia. Information had been full and interest keen concerning South Australia; and its bankrupt condition, and the untoward position of English investors in South Australian land, caused grave misgivings concerning the safety of land investments in other parts of Australia.'—T. A. COGHLAN, *Labour and Industry in Australia*, vol. i.

SOME surprise may be felt at the decision to carry an investigation concerning the importation of capital into Australia so far back into our economic history. The chief justification for such a course is to be found in the microcosm presented by the early community in which many of the conditions affecting the Commonwealth nearly a century later are anticipated, as well as in the clearer correlations made possible by the smaller scale and simpler circumstances. Before 1830 financial disturbances in Australia were due rather to the unusual difficulties of exchange in a primitively organized community, to the slowness of communication with the mother country, and to the deficiency of sure and equitable means of transferring capital—all factors which seriously interfere with the conduct of the experiment under contemplation. By previous derangements of business in the community, however, attention had been called to the necessity for providing against the undue expansion of credit,¹ and between 1830 and 1843 business conditions were sufficiently stabilized to enable the conditions to be strictly comparable with those of later periods.

Yet, even before 1830, events can be seen forming a sequence common to later periods in our history, a sequence directly dependent upon the uncontrolled and unwise injection of capital which was, in its turn, due in large measure to the buoyancy

¹ Commissioner J. T. Bigge's investigation, in 1823, of the affairs of the Bank of New South Wales revealed a great deal of speculation which he blamed the bank for encouraging. Bills discounted by the bank rose from £12,793 in 1817 to £107,256 in 1819.