

induced by the grant of self-government. Shortly after Governor Darling took charge of the administration in 1826 a group of British capitalists formed the Australian Agricultural Company<sup>1</sup> with the object of engaging in agricultural and pastoral operations in the colony. Plans were made for wheat-growing, stock-breeding, and coal-mining on a very ambitious scale; and these were based on a large grant of 1,600,000 acres of land at Port Stephens, on the Liverpool Plains, and on the banks of the Peel River. The nominal capital was stated to be one million pounds, and was mainly contributed from Great Britain.

The introduction of this amount of capital into a community of fifty thousand people was the real origin of the crisis which followed. Huge purchases of cattle and sheep were made which had the effect of driving prices for stock up to unprecedented heights, and commenced a very fever of speculation. 'Many who had been content before to earn a modest livelihood on the farm now mortgaged their lands to buy stock, those who had stock bought more, while many who saw the progressive value created from day to day bought and sold on speculation.'<sup>2</sup> So general was the confidence felt in these transactions that credit was expanded in all directions; and both settlers and speculators purchased far beyond their capacity, finding themselves ultimately unable to repay either principal or interest. Attention was chiefly centred on the raising of sheep to the neglect of almost every other branch of rural industry.

The results of such a relatively large importation of capital are directly traceable in the figures for overseas trade. Imports commenced to mount rapidly, and a situation of the ugliest complexion quickly developed. How large was the discrepancy between inward and outward trade can be seen by the statistics for the years concerned.<sup>3</sup>

<sup>1</sup> Vide *Records of the Australian Colonies*, Parliament of the Commonwealth.

<sup>2</sup> Braim, *History of New South Wales*, pp. 100 *et seq.*

<sup>3</sup>

IMPORTS AND EXPORTS OF NEW SOUTH WALES

Year.	Imports.	Exports.	Deficiency.
	£	£	£
1827	362,324	70,314	292,010
1828	570,000	90,050	479,950
1829	601,004	161,716	439,288