

while land mortgages increased enormously. Exports for the same period, despite the fall in the price of wool, increased to £950,000, but imports rose to nearly £2,250,000, for which luxuries of different kinds were largely responsible.

The earlier menace of drought was now fully realized, and the failure of two successive harvests left the colony almost destitute of supplies. This disaster, it might easily be supposed, would have effectively checked the speculation in land. On the contrary, the fever ran its course quite unchecked. Around Sydney the average price per acre had advanced to £69 by 1840, while the revenue from land sales reached £313,000. This is only a slight indication of the inflation which had taken place, since far higher prices were paid by immigrants impatient for cleared blocks.

At Port Phillip, where the restrictions on the sale of land were greater, speculation reached even greater heights.¹ The price of land soared from £138 to £488 per acre, town blocks changed hands at more than eighty times the original price, and suburban land rose in value correspondingly. Profits of two to three hundred per cent. were not uncommon, and the process was largely sustained by the long terms of credit that were allowed to the purchasers. In the light of after events one is struck by the prophetic features of this outburst at Port Phillip. Fifty years later the wheel came round again full circle to what is probably the most amazing land gamble of modern times.

This inflation of land values had an enormous effect on general prices; and in this way the whole community was affected. Those who were mainly responsible for the boom, however, were the business men of Sydney, where the bulk of the imported capital was domiciled—in fact too great a bulk to be employed with advantage. The connexion between banking policy and speculation in land is indicated by the banks' reserves, which for five banks owning a paid-up capital of £1,300,000 shrunk to £398,000. They were flooded, too, with bills for the

¹ 'The attractions of Port Phillip caused a prodigious influx of British capital which was rapidly, and in most cases ruinously, invested in the purchase of land.'—*Braim, op. cit.* City land in Sydney was selling at the rate of £28,000 an acre as early as 1834. In 1840 one small block sold for £40,000 an acre. In June, 1840, 29,000 acres of the best land in the vicinity of Melbourne was put up for sale at 12s. per acre, but no bid was received.