sale of land to such an extent that, of the £3,000,000 which represented the total assets of the New South Wales banks in 1841, no less than £2,610,000 was composed of discounted bills.

English capital had all the while been pouring in to all sorts of ventures,[1] the investors being eager for the ten per cent. which was regarded as normal in the colonies at this time. London merchants, anticipating the demand, sent out large speculative consignments that very soon outran the needs of the community. This introduction of capital also had the effect of raising the price of stock beyond the wildest dreams of the grazier of that day, sheep changing hands at £2, cattle at £12, and horses at £70 a head. As would be expected, prices of all other commodities rose in sympathy; and prosperity bred new factors to menace the industrial health of the community. Such recklessness was displayed in speculation of all sorts, that a crash, even without the intervention of any external factor, was inevitable. It was, in effect, setting a course for the rocks with the wheel lashed.

But it was not long before the serious happenings in the English banking world provided the external factor. The years from 1836 to 1839 had been critical in the history of English banking. The Bank Charter Act of 1833 had led to an enormous increase in the number of joint-stock banks, and to a consequent over-issue of paper money, largely associated with the speculation in railways. The intention of the Act, i.e. to provide a means for regulating the note-issue of the Bank of England in accordance with the size of the reserves, was not fulfilled; and it was to the general failure to observe the Act that the pressure of 1836 and the crisis of 1839 in Britain were due.[2] The stringency consequent upon that crisis caused a withdrawal of money from private enterprises, and the flow of capital to Australia was abruptly checked, a circumstance which immediately produced a marked contraction in the revenue from land sales.

[1] One aspect of the investment of capital was the establishment in Australia of banks working on English capital, i.e. 1825, Australia; 1832, Australasia; 1837, Union.

[2] 'In the last resort the difficulties of the Bank (of England) sprang from the movements of the trade cycle in Great Britain and the United States, the boom culminating in both countries in 1836–7, and being followed by the inevitable depression.'—T. E. Gregory, *Introduction to Documents relating to British Banking*, p. 18. See also Silberling, *British Prices and Business Cycles*, p. 242.