

of the British investor, and had thus effectually pricked the bubble of speculation in the eastern colonies. Further, it was also the area where the distress consequent upon the stoppage of capital supplies was felt most keenly. When, in May 1841, Grey superseded Gawler in the government of the province, he carried instructions from the Colonial Office 'to economize the revenue in every possible manner in order to obtain some surplus which might be available as interest on the debt'—a paltry sum, by the way, of less than £200,000. For the stern régime of retrenchment which ensued Grey proved himself an efficient instrument. As he represented the direct control of the Colonial Office, he was bound by none of the promises of the previous administration; and he felt free to repudiate his predecessor's debts in a wholesale fashion. The Wakefield theory was entirely abandoned, and a sweeping reduction made in every government service. Expenditure was decreased from £170,000 in 1840 to £32,000 in 1843, and the revenue was increased very considerably. A sudden fall in imports and a sharp decline in prices helped this policy of retrenchment; but the immediate result was 'a sudden and violent crisis affecting all classes of the community'. Grey noted in his dispatches that 'the cessation of government expenditure was as if a capital of £1,500,000 had been suddenly withdrawn from the province, and that every one who lived on the profits made from the employment of this capital was thrown out of his ordinary pursuits and occupations'.¹ Merchants found themselves stranded, contractors were unable to carry on; some, indeed, filled the role of creditors to the bankrupt colony. The blow fell hardest upon the working classes concentrated in Adelaide. Grey dismissed 215 out of the 385 persons employed by the state, and by the end of 1841 the unemployed numbered 2,427, or one-sixth of the whole population. Including their dependants it was estimated that 60 per

¹ Price, *op. cit.*, quotes some interesting facts concerning this crisis. In Adelaide 642 out of the 1,915 houses in the town were empty; and 216 were abandoned entirely and falling into ruin. Public houses were reduced from 63 to 38, but there are no figures representing their re-establishment elsewhere. Municipal government shared in the general disaster; and the furniture of the corporation offices was seized for debt. Wages fell from 25 to 50 per cent., and the cost of construction fell even more than this. A second crisis was induced by Grey's decision to pay off the remaining claims on the government, totalling £14,000, by means of bills; but his action was repudiated by the home authorities, with some biting references to his instructions and his failure to observe them.