

PART II
PROSPERITY AND CRISIS AFTER THE GOLD
DISCOVERIES

CHAPTER III

THE GOLD DISCOVERIES AND THE CRISIS OF 1853

'I have always regarded the commercial results of the Australian and Californian discoveries as one of the most striking experimental verifications which a purely abstract theory has ever received.'—CAIRNES, *Leading Principles of Political Economy*, p. 312.

'The commercial history of Melbourne from the occurrence of the first decided effects arising out of the Gold Discoveries to the gradual recovery of the Colony of the settled condition which prevailed in 1851 is probably one of the most complete and interesting examples to be anywhere found of the mode in which a vast sudden influx of real wealth first disorganizes and then reconstructs a community.'—TOOKE and NEWMARCH, *History of Prices*, vol. vi, Appendix XXX, p. 802.

'The splendour of a digger's wedding is something startling to ordinary people. Young Irish orphan girls, who scarcely knew the luxury of a shoe till they landed here, lavish money in white satin for their bridal dresses at twelve shillings a yard, and disdainfully decline to purchase a shawl because the poor shopkeepers do not happen to have got an article worth ten guineas.'—Extract from a letter quoted by JAMES FENTON, *History of Tasmania*.

OUR study of the course of business in Australia now brings us to the days following the great gold discoveries, a period that, in its economic ensemble, appears strikingly different from any other in our history. Before attempting to reconcile the onset of this boom and crisis with the general theory here advanced, however, a brief review of the decade following 1851, in order to stress certain features, appears to be necessary. The event that is said to have 'precipitated Australia into nationhood' had first to dispel the stagnation that was the heritage of 1843. Social, industrial, and financial relations underwent a revolution: after depression of the worst kind from which a painful recovery had been made, a reaction took place that developed into an intoxication—an orgy of prosperity that begins our next great business cycle. It is difficult to believe that, in the same communities where unemployment had lately been so rife, labour should become in a few short months an unobtainable commodity, but all states soon felt the shortage very