

of a certain type from one end of the country to the other. Ordinary canons of business went by the board, prices were gauged by no economic standards, and the trade practices of the time left ample scope for the unscrupulous. Coin shortage was a common feature of the finance of the day, and during the first few years banks in all the colonies had to go to the expense of importing coin in large quantities. Much unhealthy competition for deposits was excited by the large profits made by the older banks which had established agencies on every gold-field, an evidence of that competition which has more than once manifested itself in different forms in our banking history.

In 1853 the scarcity of merchandise in Victoria was relieved with some suddenness by the arrival of large consignments which had been sent out on speculation by English merchants. Prices, however, rose with monotonous regularity for every service or commodity, although the large importations of coin had the effect of making trading transactions cheaper and more regular. Still, there were no signs that the boom was even then near its crest. Gold still threw its spell over every one, and the glamour of gold digging affected detrimentally both industry and methods of finance.

Never was there a prettier example of crisis-breeding prosperity in the whole course of our history. The rise of prices, the spread of extravagance, the rush of imports, and the evils of inflation went on unchecked month after month; but, by the middle of 1854, there were many indications that the peak of prosperity had been passed. Never before had extravagance, wages, or prices risen to such heights in the country, but the inevitable reaction and collapse were near at hand. The *débâcle* began in June; and, as would be expected, the gravest effects were felt in Victoria, where a crisis of the first magnitude, precipitated upon an unsuspecting community, raged for nearly two years.<sup>1</sup> The critical factor that set the avalanche in

<sup>1</sup> In the quotation which heads this chapter Cairnes passes judgement after an exhaustive survey of what he calls in the *Essays* 'The Australian Experiment'. 'It followed that the comparative cost of gold in relation to these things produced at home and to other things produced abroad had changed; and so a situation was brought about under which, according to Ricardo, "an immense change ought to take place in the external trade of the colony", and this is precisely what happened. From this time until the conditions of trade were modified, partly through the exhaustion of the richer deposits and partly through the advance of prices in foreign markets, Australia became an importer of everything that from its nature