motion was the adverse state of the exchange with Europe due to the excessive imports. The banking companies had long realized the power that possession of large gold supplies had over the rate of exchange, but the fierce competition in gold-buying had, by now, forced on the extension of banking branches and facilities beyond all reason. The wonderful opportunities for banking profits formerly existing had now vanished. But through this very competition the miner was at last able to get full value for his gold. Storekeepers, contrary to their earlier experience, now found that the miner could call the tune and name the dance. Dealers everywhere were compelled to lower prices; and also, since a drought was beginning to affect washing operations, they were now forced to extend credit. These events compelled a corresponding change of attitude on the part of the merchant and banker. The high-handed and cavalier methods of banking and finance of the 'gold rush' were now gone for good.[1]

Other causes, too, were working to call the bankers to account. The excessive imports of the last few years had generated suspicion in the minds of the English merchants, who were now becoming concerned over the fate of their speculative shipments. Pressure was brought to bear by both the London and 'Colonial' banks in Australia upon the speculators to whom they had been willing to lend such a short time ago.[2] Many of these so-called merchants were but financial adventurers devoid of capital; and, when the pressure was applied, bankruptcies followed one another in quick succession. The usual phases of business depression then occurred in rapid sequence—stagnation in building and engineering, restriction of bank credit, contracted trade, falling prices, particularly of imported commodities, and widespread

admitted of being imported; and, what is especially to be noted, among the things thus imported were many which she could have produced herself at far less cost.'—*Leading Principles*, p. 312.

[1] Gains made by the banks in buying gold, issuing notes, and ordinary banking tempted others into the field and three new companies began business as bankers at this time, i.e. Australian Joint Stock, London Chartered, and the English, Scottish and Australian. The effect of the competition thus engendered was most marked. Accommodation was more readily obtained, discount rates on local bills reduced, interest was paid on deposits, and mortgages increased rapidly. (Coghlan, p. 855.)

[2] By 1855 there were five joint-stock banks with head-quarters in London, i.e. Australasia, E. S. & A., London Chartered, South Australian Banking Co., and the Union.