

way that was to have momentous consequences thirty years later. So far the banks, while not forgetting the experiences of 1843, had taken the view that their function was to assist primary industries as the mainstay of the country; but, in the unusual circumstances of the time, the emphasis in their activities had been laid rather upon mercantile transactions. From the end of the crisis onwards a very much closer connexion between banking and rural industry developed that will call for more attention at a later stage.¹

That the banking situation was far from satisfactory is to be gathered from the comments of the bankers themselves. The chief difficulty of the time was the lack of coin for buying gold on the fields or through merchants' drafts as the bullion was shipped. One writer says:

'The energies of the printers and the hands of the bank officials were pretty well taxed in the preparation of bank-notes the circulation of which was multiplied with astounding rapidity; but this only mitigated the public inconvenience without supplying the want of coin, and it was not long before the banks found it necessary to purchase gold on their own account and to hold it as a metallic though not as a legal tender basis for the notes they issued.'²

The economic consequences following the sudden introduction of such huge supplies of gold into the community are of such an extraordinary character, and bear so closely upon our general theme, that a more accurate statement of the course of events is necessary. In all its essential features the expansion of the gold supply after 1851 amounted to nothing less than a sudden

¹ Edwin Brett, *History and Development of Banking in Australasia*. Paper before the Bankers' Institute, 1882.

² The comment in Tooke and Newmarch, *History of Prices*, is of interest here. Statistics for N. S. Wales, Victoria, and South Australia:

Year.	Population.	Note Circulation.	Cash Reserves.
		£	£
1850	220,000	450,000	930,000
1856	695,000	4,300,000	7,720,000

Population *three times*, Note Circulation *nine times*, Specie Reserves *eight times* as great as in 1850. 'We arrive at the startling conclusion that, in the space of five years, the transactions of about 700,000 inhabitants in Australia have become so large as to require a currency of not less than about *14 millions sterling*. These figures will enable us to understand why the 12 millions of gold coin exported from Great Britain to Australia in 1852-3 have almost wholly remained there.' (Vol. vi, Appendix XXX, p. 773.)