

small part of the public works. By the autumn of 1855, therefore, the colony had arrived at a point—the first time since 1851—‘when the supply of labour became temporarily in excess of the demand and the *question of a reduced Rate of Wages had to be considered in its most urgent form*’—the First Period of Lower Wages.

VI. The *Period of Recovery and Return to Normal*, when trade and industry became stabilized at the lower level of costs, the Second Period of Lower Wages.

The interpretation placed upon this succession of events by Tooke and Newmarch also has a peculiar significance in the light of later social and industrial tendencies.

‘It is clear beyond all doubt that the whole train of commercial and social phenomena in Victoria subsequent to August 1851, resolve themselves into consequences flowing from the sudden increase in the proportion of about four to one of the wages of all kinds of Labour, but especially in the wages of the most numerous class of Labour, namely those possessing no peculiar kind of skill.’¹

They proceed to show that the efficient cause of the situation which arose is to be found in the vast expansion in the purchasing power of the community, which was translated so rapidly into an enormously increased demand for imported commodities.² Further :

‘the appearance in the market of these amounts of capital in the hands of persons anxious to become buyers produced its full and natural influence in raising prices, notwithstanding the difficulties connected with the command of a circulating medium of coin and bank-notes. We may, indeed, go a step further and say that the greatly extended quantity of coin and bank-notes ultimately employed in Victoria was a *consequence* and not a *cause* of the high prices.’

It will be shown that in later periods, which were marked by huge and over-rapid capital borrowings, effects very similar to those here described have followed, and that the more or less sudden cessation of fresh supplies of capital has always tended

¹ Tooke and Newmarch, p. 805.

² ‘The demand for all those articles which constitute necessities, comforts, and luxuries for a vigorous population was increased fourfold, or, to state the same result in probably the more effective mode, for every article for which there had been but *one* buyer there suddenly appeared *four* buyers.’—Tooke and Newmarch, *ibid.*