

community, and the enhanced importance which Australia assumed in the eyes of British capitalists were undoubtedly the chief circumstances which favoured the commencement of that policy of public borrowing for developmental works which has influenced so profoundly the later history of the continent. It is interesting, and perhaps even profitable, to speculate upon the probable character of Australian development had gold not existed in the country in such large and accessible quantities. That the process of peopling the country would have proved a more lengthy business, that a less hurried national development would have occurred, and that a vastly different complexion would have been given to our industrial and social life is highly probable. But more significant for our purpose is the supposition that public borrowing would have begun later, and would have proceeded on a far less grandiose scale. In the glamour cast upon the name of Australia by the gold discoveries, and in the consequent greater attraction of the country for capitalistic enterprise, is to be found more than the mere groundwork of the economic troubles of later years.

It is not possible after this lapse of time to reconstruct the statistical data of the period with sufficient accuracy to bear critical examination. There are too many missing links in the chain of evidence for the statement of a perfectly satisfactory case. Nevertheless, there is the strongest presumptive evidence that the events of the decade were strictly in accord with orthodox theory. The utmost that can be done with the statistics of the two leading colonies is to place the figures representing the introduction of capital, i. e. gold production, alongside the trade and banking figures, to compare the movement of commodities and of gold, to set out the position of the banks in so far as this can be ascertained, and to note the movements of the exchange over the period. In so doing, the inadequacy of verification which takes no account of other items in the balance of indebtedness than the movement of commodities including gold must be emphasized.

But the connexion between the main phenomena is too plain to be doubted, and it was well recognized by bankers of that day.<sup>1</sup>

<sup>1</sup> The following is a typical comment: 'In the meantime the merchants' drafts against shipments of bullion assumed such magnitude that exchange on London was brought down to 10 or 12 per cent. discount, and the price of gold