

## CHAPTER IV

### THE QUEENSLAND INCIDENT OF 1866, AND THE CRISIS OF 1878

'The Colony of New South Wales has been getting gradually worse these last seven years, chiefly owing to the great amount of immigration and the fall off in the gold-fields, and more so through the great amount of importation of every article we left our homes to come here to manufacture.'—Letter from Sydney unions to London workers, published in *London Star*, 20/1/1867.

'The Overend-Gurney crisis closed the period of isolated, incoherent, and disunited finance. The tendency is now towards a greater differentiation and complexity of movement, and is simultaneous with a realized unity of interest—a dawning consciousness of capacity, an exclusion of excessive, superfluous, wantonly competitive and consequently mischievous heterogeneity.'—BAGEHOT, *Lombard Street*.

'The rise in the price of wool, the great demand for meat, the higher prices of copper, tallow, oil, and other articles of export have put the people who were formerly embarrassed at their ease.'—*Sydney Morning Herald*, 12/4/1872.

'Orthodox theory would say that a depressed rate of exchange encourages importation, and thus overstocks the market and lowers prices of imports. But the conclusion is not applicable to Australia, to which, on account of distance and isolation, no merchant would be induced to export by the rate of exchange.'—*Report of Royal Mint, Sydney*, 1860.

In its formative aspect the next phase is to be regarded as the 'key' period of Australian economic development. The primary industries were by then firmly established, settlement was pushing out in all directions, a process of trial and error was demonstrating the best uses to which the land could be put, the characteristic relations between labour and capital were being evolved, and the main arteries of commerce and communication defined. The dreams of Eldorado and the glamour of the gold-rush had been replaced by a realization of the special aptitudes of the country; and more natural industrial conditions were taking shape. In all respects, save that of Federation, the main outlines of Australian national development had been sketched, and the colour of our international relations was beginning to appear in the picture.

The progress of settlement is shown by the area held at this date, and this has an important bearing upon the object of our inquiry. Eleven and a quarter million acres had been alienated in the six colonies, but of this barely one-eighth was under cultivation. The proportions, however, varied amazingly in the different states; and serve to show how seriously the business