in Victoria, there would have been no land boom and no de-

vastating catastrophe in 1893.1

The developments we have outlined effected peculiar changes in the status and policy of the banking institutions, changes that had an unusual significance in their relation to overseas trade. Melbourne and Sydney merchants, whose overseas transactions had exceeded their individual resources, became more and more dependent on the banks for working capital. Australian bankers, whatever be the justification for the development, 'thus assumed in addition to the ordinary business of banking that of trading in wool and other merchandise. In the circumstances this was their legitimate business, but when some of the banks later on, having more money than they needed, sent out millions for investment, and especially when they lent it to speculators, the business was, to say the least, hazardous.'²

Public finance, too, was unsatisfactory and troublesome from 1860 onwards. The old, old difficulty of scaling down the inflated expenditure of boom times to accord more comfortably with diminished revenues was the stumbling-block. It is not to be wondered at, therefore, that borrowing for public works assumed larger and larger proportions as the period progressed. After the recovery from 1857 the English capitalist was still anxious to invest, but a series of unhappy shocks at the worst moment made him very shy of the Australian colonies as a receptacle for his savings. The first of these was the uneasy banking situation in general, and the second the inopportune 'action of the United States in repudiating its liability to repay its loans in specie' with its implication that the same course was open to Australia. Climatic adversity and poor seasons, a blight to which Australia for some years seemed peculiarly liable, constituted a third reason for hesitation. As a further deterrent no state had yet produced a man of outstanding capacity in finance despite the obvious needs of the case.

The incident of 1866 concerns Queensland more nearly than any of the other colonies.³ The northern settlement had become

³ For a full history of the Queensland trouble see Coghlan, Labour and Industry, pp. 1170 et seq.

¹ The best general summary of Australian development in this period is contained in Coghlan's Statistical Account of Australia, section on Industrial Progress, pp. 460 et seg.

² Coghlan, op. cit.