

a separate colony in 1859, really before it was ready to stand on its own feet. The leader of the first government found himself with an empty treasury, and saddled with a debt of nearly £40,000 to British creditors. This in itself was not very serious, but neglect of the ordinary canons of sound government finance made it so. The revenue of the day was not nearly sufficient for a comprehensive system of public works, and borrowing was resorted to for the purpose. A loan of £700,000 was floated in London, and so easy did the process prove that a request was made for another million in the following year.

The ease with which the money was obtained was due partly to the fact that in that year no less than twenty-eight new banks had been established in Britain with a total capital of £34 millions, of which a proportion was ear-marked for colonial investment. The young community was intoxicated with this 'easy money', and the government expenditure jumped at a bound from half a million to one and a quarter million pounds. Nor does this comprise the full tale of unwise financial methods. The common device of charging revenue expenditure to loan account was employed, and the position thus camouflaged.

The amount borrowed was even yet not sufficient to cover the ambitious schemes of the government; and a new loan bill for a million sterling, mainly for railway construction, was passed.¹ By this time the Union Bank authorities had taken alarm at the frequent recourse to the money-lender, and they refused to advance any further on such security as the colony could offer. In this difficulty the government accepted the offer of the Agra and Masterman's Bank to float a loan and grant accommodation up to £500,000.

The increasing dependence of Australian finance upon the British market is vividly illustrated by the events which followed. The few years prior to this had been marked in Britain by the number of new companies formed under the provisions of the Joint-Stock Companies Act of 1862,² when for the three years following an excess of new issues was thrown on the London market by no less than 3,480 companies, many of them, as the Master of the Rolls scathingly observed, 'started for the

¹ In 1862, 368 miles of railway were open for traffic in Australia.

² The yearly issues under this Act were as follows: 1863, £100 millions; 1864, £154 millions; 1865, £107 millions.