

purpose of being wound up'. It was, for banks and other institutions, a period of isolated, incoherent, and chaotic finance that very quickly brought about its own remedy by eliminating the unfit in drastic fashion.

Warnings of a coming storm had already been noticed, but the shock came with dramatic suddenness in the failure of Overend, Gurney & Co. for ten millions.¹ It was a mercantile rather than a banking disaster, although bank reserves diminished with alarming speed. Failure followed quickly upon failure, and only the most soundly based institutions came safely through. This catastrophe was in many ways a prototype of that of 1893 in Australia. English bankers learnt in 1866 the lesson that their Australian confrères failed to assimilate for another thirty years, i. e. that safe banking depends upon a unity of interest among the banks, and on the exclusion of excessive and adventurous competition with its mischievous industrial reactions. Co-operation, absorption, and amalgamation was the note of the new period in English banking; but the experience of 1893 was necessary to harmonize the Australian financial orchestra.

The Overend-Gurney crash had an immediate reverberation in Australia. Although quite solvent, the Agra and Masterman's Bank was forced to close its doors.² News of this failure and of the disastrous drop of 3*d.* a pound in the price of wool reached Australia on the same day; and a period of the most acute distress for Queensland in particular began immediately. It will not serve any useful purpose at the moment to trace the history of the crisis further, but the impaired government credit, following upon the heels of somewhat similar happenings in the other colonies, caused an immediate check to the flow of capital that landed almost every colonial government in difficulties. New South Wales was in such urgent need that a 5 per cent. loan could not be placed at a figure higher than 70, redeemable at par, which made the rate of interest equivalent to 7½ per cent. per annum—a very distressing figure indeed. So

¹ The firm of Overend, Gurney & Co. were bill brokers handling £60 to £70 millions of commercial bills per annum; and their failure ended, at least for a time, the 'fatal facility of credit' which was responsible for the collapse.

² Agra and Masterman's was quite solvent, and in the panic paid £3,000,000 across the counter. The actual suspension was due to a run on its Indian branches caused by false telegrams advising that the bank had closed its doors.