

bank advances doubled within seven years, but deposits more than kept pace, and the banks were forced to seek fields for their investment. As will be seen in a later chapter, one such field was found in Victoria, and in the 1870-80 period the banks were already drawing overseas capital into that state.

The financial history of the period shows very clearly the great dangers of prosperity. The classic crisis of 1893 was, in sober fact, bred by the piping times from 1872 onwards. The world setting was, indeed, fitted to produce such a cataclysm. The period was everywhere one of great business expansion and inflation of credit, as well as of great price fluctuations. Such conditions always tend to produce economic excesses, and the times were replete with examples of over-speculation. Expensive and injudicious railway construction, particularly in North America and Europe, expansive ship-building, the digging of costly canals, and the production of all forms of heavy and expensive machinery, were some of the characteristic forms that capital expenditure of the day assumed. The rise in prices for processed materials was most marked in the case of the metals, and the mining developments to which reference has already been made were a world-wide response to the call of the speculator, for whom mining has always been such an attractive field.

There was no lack of employment anywhere. The cost of living, too, in sympathy with price movements of most food-stuffs fell steadily; and this had the double effect of raising wages and increasing the speculative power of the community. These effects in Australia were materially strengthened by the large sums of borrowed capital spent by all the governments, a feat made possible by the extraordinary fondness now evinced by the British capitalist for Australian investments. In Victoria this was chiefly evidenced in the land and mortgage business, in which, even before 1880, over £10 millions of British capital had been sunk in that state alone. Melbourne as the financial centre, it is worthy of note, held at this time half of the total deposits of all the Australian banks. Nor was New South Wales any less active after a different fashion. Within five years after 1872 the revenue from land-sales increased more than sevenfold. This had the effect of increasing government deposits in the banks, who were thus provided with the means for making