

advances for land purchases, a reversion to the old idols which had served them so badly in the *débâcle* of 1843. In Queensland the progress of mining and the favourable position of the cattle industry had attracted considerable capital from Great Britain, so that the northern state shared fully in the prosperous times upon which the other colonies had entered, and which occasional droughts did not seriously affect.

These were the conditions from which arose the crisis of 1878 in the Australian colonies, and its main interest is in the clear demonstration which, in common with the Queensland crisis of 1866, it affords of the increasingly intimate connexion between the British and Australian financial systems. In 1873 an international crisis, mainly German-American in its origin,¹ had spread over the industrial world of two continents. Yet Great Britain, in the very heart of the storm, escaped its worst effects. In her case, inconvenience rather than injury was the main effect, the worst feature of which was a bad financial scare with some loss to investors who were well able to bear it. But if she escaped the worst miseries of the moment she was not to go unscathed. Shrinking prices, stagnation, glutted markets, and unemployment slowly altered the picture until the accumulated effects of the 1873 crisis and the natural reaction from protracted prosperity culminated in the City of Glasgow Bank smash in 1877. This course of events in Great Britain found a striking parallel in Australia, which escaped with Britain the worst effects of '73 only to suffer five years later.

Here again was proof, if further proof were needed, of the effects of a sudden stoppage of loans upon the prosperity of the colonies. There was no apparent reason, other than inability or unwillingness on the part of Britain to maintain the stream of exported capital at its accustomed volume, why Australia should have shared in the discomforts of the depression following 1878.² Indeed the productive capacity of Australia in relation to the overseas debt had never been more sound; and the real prosperity of this time was not again approached until the years

¹ The crisis which arose in September was known in U.S.A. as the Jay Cooke panic from the financier whose failure invoked the storm. It 'had its origin in fervid over-trading and speculation in U.S.A., and although England had no panic her best customers were crippled'. (Wesley Mitchell.)

² For an excellent statistical review of the whole Australasian situation in 1880 see the remarkable paper by Sir F. Dillon Bell before the Royal Colonial Institute,