

PART III
THE BOOM OF 1890 AND ITS ECONOMIC
CONSEQUENCES

CHAPTER V

THE PRELUDE TO THE COLLAPSE OF 1893

‘It is difficult to reduce to their just proportions the various elements in the financial outlook, but it is impossible to ignore an impression that it is overshadowed by the gigantic speculation in land that is now in progress.’—*Insurance and Banking Record*, April, 1888.

‘The land banks were material factors in the growth of extravagant expenditure . . . fungoid growths . . . which enabled men of the smallest means to buy a few shares and so participate in the largest dividends which were too often the produce of specious book-entries and not legitimate earnings.’—H. GYLES TURNER, *History of Victoria*.

‘What Bacon called the “heroic work of colonization” has been thrust aside in Australasia in favour of a more showy development, which has crowded people into cities and piled up a mountain of debt, a bigger one than ever before burdened a population of four millions. It is time the position was reviewed, the borrowing checked, and more earnest attention given to the creation of actual wealth.’—EDWARD PULSFORD in the *Sydney Morning Herald*, 1892.

‘As regards the amount of wealth per inhabitant the United Kingdom stands second only to Australia; and when we consider that most of Australia is mortgaged to British capitalists, we may say that in reality the United Kingdom has most wealth per head.’—MULHALL, *Dictionary of Statistics*, 1891.

FOR the economist as for the historian the years from 1880 to 1890 form a period of extraordinary interest.¹ No other decade in Australian history focuses within itself so many tendencies in our national development, nor throws upon the screen quite such an abrupt alternation of prosperity and poverty. Along with the social forces which were working to shape our national consciousness were the factors giving form and character to our financial and industrial organization. It is in this period that

¹ The following are the best general sources for the financial history of this period: VICTORIA. H. Gyles Turner, *History of Victoria*, pp. 297 *et seq.*; Memorandum prepared for the British Treasury by A. G. V. Peel, and the reply by Sir Geo. Gibbs; the appendix to the Victorian Year Book, 1894; and Coghlan’s *Statistical Account of the Seven Colonies of Australasia*, 1894. NEW SOUTH WALES. For a critical examination of the period the paper, *Financial Crisis of 1893 in New South Wales*, given before the Australian History Society by H. L. Harris is invaluable; Coghlan, *Wealth and Progress of New South Wales*, is the official year-book of the colony, and indispensable.