

we see the growth and maturity of those seeds sown in the previous decade which were now to ripen to the catastrophe of 1893. So important were the issues involved, and so well do the developments of the period illustrate and verify the teachings of economic theory, that it is proposed to examine the circumstances of the time in greater detail. The first phase of this examination merely constitutes a survey of the financial machinery by which the community was served, and by the breakdown of which so much dislocation and distress was caused.

As the period progressed the apparently inexhaustible supplies of capital, the splendid seasons, and the growing sense of productive power, brought about an appearance of bounding prosperity which was fatally deceptive. The ease with which money was borrowed overseas, or rather, the eagerness with which the British investor poured his savings into Australian financial institutions, induced in the eastern states an orgy of speculation which was indulged in by every class in the community. It is quite impossible to comprehend the causes, or, more precisely, the accompaniments of the crisis of 1893, without some study of the banking developments of the period.

By this time there were more than a score of banks, twenty-five to be exact, engaged in the transaction of ordinary banking business in the Australian colonies. Of these some, such as the veteran Bank of New South Wales, were domiciled in Australia; while others, such as the Union Bank of Australia, had their head-quarters in London. The characteristic feature of Australian banking was the practice of making advances against land and farm stock. Hard experience had taught English bankers the dangers of this type of business, and their traditional views of the difference between bills and mortgages compelled them to leave it to land companies. Some precedent for this and other features of the Australian practice is to be found in the 'cash-credit' system of the Scotch banks, a method designed to attract and accumulate the small blocks of uninvested capital in the community. It is only fair to say that the Australian bankers recognized the danger of the procedure, and were accustomed to hold a greater ratio of gold than that regarded as necessary in Britain. It should be noted, too, as a fundamental circumstance, that very different methods of treating