

deposits were usual in the two communities. Deposits in English banks were mainly at short call; whereas in Australia the custom had grown up of accepting these mostly for fixed periods.

Another important feature of the situation which must be stressed was the change in the position of the banks during the period with regard to imported capital. In 1880 only a small part of the deposits of Australian banks consisted of British capital; but, after that date, the position altered very rapidly. The financing of land transactions, around which the whole financial history of the time revolves, was made possible only by these deposits; and the banks were practically forced to engage in the business by the fierce competition which arose between the different financial institutions.

The immediate causes of the land boom, therefore, are to be found in the policy of the banks and in the over-anxiety of the British speculative investor. There is a traditional difficulty in distinguishing between speculation and investment; but, broadly considered, the capital which came to Australia during the period was for both purposes. The capital *borrowed publicly* was at least sunk in some constructive work in the hope that it would be reproductive, and reached the country largely as capital goods. The invested or *speculative* capital was contributed wholly from private sources, and could come in no other way than as consumers' goods, largely of the luxury type, since the volume of the capital flow was so great that it could not possibly be used in productive ways. Its diversion to speculation was inevitable, even if that were not the original intention; and the 'boom' was, in effect, a period during which the eastern colonies were living upon English capital. We shall see that, as the industries of the country declined in relative productiveness, the country found it increasingly difficult either to pay the interest or to repay the principal.

Another remarkable feature which calls for mention was the origin and growth of the building societies. The Friendly Societies Act in Victoria helped the promotion of these institutions, and under its shelter many companies were formed which were simply organizations for land speculation. The friendly societies had found that land dealings were an exceedingly profitable business, and very soon companies were appear-