

CHAPTER VI
THE COURSE OF THE CRISIS OF 1893

'To bring on a sudden crisis it but needs that some considerable creditor should conclude that the present earning capacity of the debtor no longer warrants the capitalization upon which his collateral is appraised. When this happens liquidation begins and the depression arrives.'—WESLEY MITCHELL, *Business Cycles*.

'Foreign loans are, with few exceptions, an unmitigated curse. Usually they arrive in Victoria in the very class of commodities that excite to waste and extravagance, negating the likelihood of profitable investment.'—*Insurance and Banking Record*, 20 Nov. 1893.

'The banking crisis was not a sudden crash, but an agony, lasting in its acute stage about sixteen weeks; and the economic sickness which preceded it extended over several years.'—COGHLAN, *Labour and Industry in Australia*.

'This dramatic reaction from the prosperity and inflation of the previous years brought in its train a long catalogue of frauds, embezzlements, and breaches of trust, not to speak of damage to reputations.'—*Insurance and Banking Record*, 16 Apr. 1893.

AND now we enter upon that period of recession and final crisis that was to shake the Australian economic organization to its foundations; and, by the lessons burnt into the minds of bankers and business men, of traders and tradesmen, to shape the financial policy of the continent till the outbreak of the Great War.¹ It marks in a definite and drastic fashion the end of a phase of riotous living and unsound banking, a phase made possible by the great productiveness of British factories during the century and induced by those conditions of Australian development which seemed to offer a tempting field for the investment of surplus capital.² The social and economic effects of the disaster reacted upon every phase of Australian life and industry; and, while the results upon welfare and development were most serious, it brought a very valuable and steadying influence to Australian affairs. More especially is this true for Victoria, the colony around which the greatest fury of the financial storm raged; but, although the following pages are devoted almost wholly to the course of events in the Victorian theatre, the economic life of every Australian community was similarly affected. So outstandingly is this the classic instance of business crisis for Australia that a sketch of the final stages of the collapse cannot be omitted.

¹ For a good summary of the causes of the crisis see Turner, p. 292.

² Paper by Nathaniel Cork, Council of Inst. of Bankers, 1893.