

The first warnings that the tide was near the turn were plainly evident in the exchange difficulties of the banks. Embarrassment in the matter of securing sufficient deposits to keep the flood moving had, in fact, made the lot of the banker a continuous nightmare; and the lull half-way through 1888 was the first sign that the crest had passed. The land companies, too, had to face growing demands on their deposits, and their reserves were so inadequate that they had no option but to seek the help of the banks. This assistance the banks could not deny their foster-children; but the companies were belatedly warned concerning 'the reckless methods that had led them to such an impasse'. By the end of the September quarter the banking structure was showing those surface cracks which were to develop later into great fissures and bring down the whole fabric in ruins. For some time deposits had been almost stationary; and, although the increase in advances for the twelve months amounted to nine millions, it was mostly to be accounted for by overdrafts to speculators upon the security of land purchased.

The banks now commenced to play for safety. Credits were contracted in every direction, and the volume of land sales immediately declined. The first effect of this policy was a startling fall in the shares of the land companies, followed by a frantic search for funds to bolster the tottering structure. The collapse of the land boom definitely began at the moment that the banks started to discriminate between mercantile bills and the paper backed by land and finance companies. Notwithstanding this reversal of bank policy the companies were enabled to hold out for some time longer by the aid of the large sums still being obtained in England as deposits, and from the sale of shares.

The rapid decline in speculation that followed immediately is sufficient indication that the financial community understood the precarious nature of the situation. Owing mainly to overdrafts secured on pastoral or city estate the bankers were saddled with the huge total of £113,000,000¹ in advances. While the companies, on the one hand, were clawing for foothold on the brink of the precipice, the sheep-farmers, on the other, were overburdened with properties acquired at inflated prices.

¹ Summary of *Australian Finance Statistics*, Bulletin No. 13.