

Upon these estates they had borrowed heavily for development, only to be struck by continued drought and low prices for wool. The more cautious institutions, both banks and companies, began furtively to set their houses in order, the banks by strengthening their local position and reducing commitments abroad, the sounder companies by closing down on speculative enterprise.<sup>1</sup> But events were moving to the inevitable end, and no efforts on the part of either banks or companies could now avert the disaster they had invoked.

In December 1889, one of the new building societies—the Premier Permanent—demonstrated its lack of permanence by suspending, and well over half a million was lost to depositors. As this was one of the most imposing institutions of the time, with large offices and a string of prominent men as directors, the blow to public confidence coming at such a moment was almost shattering; and the effect on London opinion was disastrous. Quite apart from this added embarrassment the position of the banks, owing to the inactivity of trade and to the demands of the government for accommodation, was difficult in the extreme. Notwithstanding the difficult circumstances the government had prepared a fresh series of surprises for the jaded financiers. This was connected with an extensive railway programme which provided for the construction of over 700 miles of line at an estimated cost of over eight millions. This programme, moreover, was merely a supplement to the construction, already approved, of fifty-four country and seven suburban lines at a cost of six millions. The total commitments under this heading, therefore, were in the neighbourhood of fifteen millions; and never in the history of the country was a programme of expansion so badly timed.

The suspension of building and the maritime strike of August 1890<sup>2</sup> led to extensive unemployment; and the rapid absorption of industrial savings added further to banking difficulties. Then, in October, the government budget disclosed a deficit which was creeping towards a round million. The railways already constructed were failing to pay interest and running-

<sup>1</sup> The first serious strictures passed on the boom in Australia were contained in the *Insurance and Banking Record*, 16 Apr. 1889.

<sup>2</sup> For the serious effect of the maritime strike on the financial position see Coghlan, p. 1667. The banks' chief clients, the pastoralists, could not get the sheep shorn, nor, where shearing was completed, could they get the wool to market.