

almost at once in the poor support given to Australian government loans. The 'considerable creditor' had concluded 'that the present earning capacity of the debtor no longer warranted the capital upon which his collateral was appraised', and the liquidation was not long in beginning.¹

The Baring episode calls for some further application to Australian conditions. The 'banking hierarchy', as Powell calls them, had, by carrying out an agreed course of action in England, saved a great house from collapse and had given a demonstration of the virtues of unified financial control such as the world had never seen.² But its value was not appreciated by Australian bankers. The wonderful lesson, that, under the threat of a great financial collapse, the banks must act together instantly and with concentrated energy was not assimilated. The failure of the banks to support one another and the mercantile community, until half Australia had been plunged in financial ruin, is paralleled by the inability of the government of the colony chiefly concerned to rise to the emergency.

The criticism voiced in England with reference to Australian finance met with immediate response in Victoria. On all sides the cry for a full and immediate examination of financial affairs was raised. In anticipation of such a development institutions of all kinds undertook feverish preparations to stave off disaster. But both government and private credit were now thoroughly undermined, the public finances were in a hopeless condition, and the exchange position was so full of menace that large shipments of gold to Britain became necessary, thus proportionately weakening the domestic situation.

With the stream of British deposits already dry and every Australian depositor anxious to withdraw, the position of the land and building companies was thoroughly desperate. After the middle of the year a procession of failures, affecting twenty companies with 13½ millions of liabilities, took place. Business of all kinds was soon in the depths of depression.³ Building

¹ The bank clearances indicate the inflated nature of business and the lack of restraint even yet in bank advances. These totalled £310,000,000 for the year. If normal clearances are taken at £200,000,000 a fairly correct idea of the extent of the inflation will be obtained.

² Powell, *Evolution of the Money Market*, p. 639.

³ Bank clearances were £129,000,000 for the first six months, a decline of £35,000,000 on the corresponding period for 1890.