

was at an absolute standstill, land was unsaleable, purchasers were forfeiting their blocks on all sides, and in every street stood dozens of empty houses. Then the situation took a new and more serious turn. In one month the failure of the Bank of Van Diemen's Land had caused the suspension of the British Bank of Australia, and that involved the failure of an allied land-bank, the Anglo-Australian.¹ The failures and their consequences did not have any great effect upon Australian investment; but the effect upon the London market was a very different story. The *Economist* of September 1891 had scourged in no measured terms the land-banks of Victoria; and had warned the public against 'those cancerous growths on the otherwise sound business of Victoria'. The revelations of the Anglo-Australian Bank inquiry provided food for this flame of criticism, and promoted such an immediate demand for withdrawals that another batch of similar institutions was also forced to suspend.²

No help could be looked for from London. Trade there was declining, crops were poor and prices low and uncertain. In the words of Wesley Mitchell, 1892 was 'a year of undigested securities'.³ A vast mass of stocks and bonds, which European investors had bought from promoters and had underwritten at home and abroad, weighed heavily on the market for long

¹ After an appeal to the other banks, and a fruitless endeavour by the government to preserve its solvency, the Bank of Van Diemen's Land failed, with losses equal to the whole of the capital and reserves, in October 1891. Coghlan comments, 'Public works were stopped, there was a lack of confidence everywhere, government finance was hopeless, and absolute gloom prevailed with trade at its lowest ebb.' *Labour and Industry*, p. 1829.

² In the criminal inquiry which followed the Anglo-Australian Bank failure it was revealed that the share capital of £110,000 was represented by a sum of £37 10s., the remainder being an overdraft on the British Bank of Australasia.

³ For the world situation see paper by Carl Pinschof (1892), *Our Financial Organization and the Present Crisis*, before the Bankers' Institute. 'In other parts of the world we have witnessed the collapse of a reckless gold-mining bubble in South Africa, while in Asia the coffee and sugar plantations have suffered severe losses causing widespread ruin in Java, Ceylon, and also in Mauritius. The depreciation of the rupee threatened India with a monetary crisis of a most dangerous character. France suffered through the phylloxera to an extent estimated at £540 millions. In addition to this the Panama Canal Co. failed with £64,000,000 of liabilities, and the copper ring collapsed and took with it the Société de Métaux and the Comptoir d'Escompte de Paris, which was followed by the liquidation of one of the oldest financial houses in France, the Société des Dépôts et des Comptes Courants. There were also serious financial complications in Italy, Spain, and Greece, the insolvency of Portugal and the Famine in Russia.'