

value of the declaration concerning the advantage to be gained from mutual support was now tested. The failure of the Federal Building Society had seriously endangered the stability of the parent Federal Bank, and an appeal for assistance was made to the 'associated' banks. As this appeal coincided with a further spasm of withdrawals and at a time, moreover, when the clash between British and Australian interests was at its most bitter phase, the banks could not do otherwise than refuse to shoulder the liabilities of a bank which was conspicuously under the ban of popular disapproval for its connexion with the defaulting building society. The Federal, therefore, was forced to suspend at the end of January, 1893. This suspension marks a further phase in the crisis.

As far as the older banks were concerned their position was now most precarious. Security had depreciated everywhere. Advances had been made on a capital value that was established on returns which there never had been the remotest hope of realizing. A continuous run on all the banks now set in. In a belated attempt to secure some measure of concerted action the Premier now conferred with the bankers; but their nerveless condition and mutual suspicion made the attempt quite futile. The motive underlying this move on the part of the government, and well understood by the associated banks, was the desire to save the most important bank of the colony, the Commercial of Australia which, as a counsel of desperation, had made an appeal for help to the government. Following the refusal of the associated banks to lend their aid the Commercial suspended in April. The credit of every bank in Australia was shaken by this crash;¹ and, if the blow staggered Victorian financial interests, it incensed to the point of frenzy those in London.

The Commercial Bank of Australia reconstruction scheme was so successful that the conviction grew among the other banks that they must seek salvation along the same road. An

¹ See *Commonwealth Parliamentary Paper*, Banks Trading in the Commonwealth, 1885-1911, for the effect of the collapse upon the rate of dividends paid by the banks:

	<i>Per cent.</i>		<i>Per cent.</i>
1885 . . .	13-71	1890 . . .	12-37
1886 . . .	13-51	1891 . . .	12-75
1887 . . .	12-91	1892 . . .	12-09
1888 . . .	12-11	1893 . . .	7-20
1889 . . .	12-02	1900 . . .	4-05