

in the ratio between reserves and deposits of the banks. The decline from 34 to 19 per cent. over the whole period, a shrinkage of 45 per cent. in the margin of safety, is too significant to be misunderstood; and the drain of gold for export to restore the equilibrium of the exchange retarded the recovery towards the end. The connexion between borrowings and bank credit, and, hence, the decline in prosperity, may be regarded as conclusively demonstrated.

To revert to the main topic again, it now becomes necessary to examine a little more closely the extent of Great Britain's financial interest in Australia as represented by public and private securities.¹ In 1887 the *Economist* published an estimate of Australia's indebtedness to Britain at that date, and of the increase in the debt since 1883. This covers almost exactly the period of greatest loan activity, and the statistics covering both public and private debt are shown in concise form in the following table.

TABLE IX
British Investments in Australia
(In Millions Sterling)

	1883.	1887.	INCREASE.	
			Total.	Per cent.
	£	£	£	
Victoria	50	67	17	34
New South Wales	48	77	29	60.4
South Australia	22	30	8	36
Queensland	23	36	13	56
Tasmania	6.3	9.5	3.2	50
Western Australia	1.5	2.7	1.2	80
TOTAL	150.8	222.2	71.4	47.6

It will be seen that, during the five years, the burden of indebtedness had increased by approximately 50 per cent.; and it is also of interest to note that, during this period in which Britain

¹ Hobson, *Export of Capital*, p. 42. 'About 1874 a series of defaults in foreign countries made intra-imperial investments appear much more attractive. About that time a number of American railroads defaulted' (for about £40 millions). 'This, and the fact that the prevailing price of wool made the future of the pastoral industry seem full of promise, turned the flow of capital in this direction.'—Harris, *op. cit.*, p. 6.