

the situation does lend some colour to the belief that the banks were largely responsible for undue expansion of credit in connexion with land transactions; and this is to be observed in the excessive advances. The Australian practice in the matter of granting overdrafts, and the customary use of cheques, readily lent themselves to an inflation of this type. The relatively low level of the ratio of reserves to deposits is a reliable indication that the superstructure of credit was expanding at a faster rate than the growth of the gold basis warranted.

The effect of excessive capital importation upon gold movements has also a particular bearing upon the matter under discussion. Theory would predict that the normal flow of gold from Australia to Britain, which was a consequence of Australia's

TABLE XVII

*Stocks, Production and Movement of Gold*¹

(In Millions of Pounds Sterling)

<i>Year.</i>	<i>Stocks.</i>	<i>Production.</i>	<i>Export.</i>	<i>Gold retained.</i>
1886 . .	81.53	4.5	2.020	2.568
1887 . .	86.09	4.8	1.367	3.568
1888 . .	94.89	4.8	4.507	0.411
1889 . .	97.60	5.9	4.456	1.436
1890 . .	102.92	5.3	3.730	1.474
1891 . .	103.16	5.3	5.108	0.295
1892 . .	103.37	6.0	3.696	2.628
1893 . .	100.13	6.2	1.955	4.632
1894 . .	89.99	7.5	4.161	3.006
1895 . .	89.39	7.6	4.407	2.516
1896 . .	91.90	7.8	5.091	2.017

position as a gold producer, would be retarded; and that an abnormal proportion of the gold yield would be retained in the country. Not all of the capital introduced into Australia could come in the form of commodities; part took the form of an increase in reserves, since some of the gold that would normally have been exported was retained. In addition, a very large proportion of the loans was diverted to Australia from other fields of investment, and for no other purpose than that of speculation in land. We can expect, therefore, to trace the effect of capital importation in retarded gold movement, as well as in a tendency for the ratio of imports to exports to increase; and the figures

¹ Coghlan, *Statistical Account of Australia and New Zealand*, Reports of the Royal Mint, and Commonwealth Bureau of Census and Statistics, Finance Bulletin No. 11.