

reproduced, almost exactly although on a smaller scale, many of the features of the great collapse in 1893.

But the Australian situation in 1903 has to be examined more carefully in the light of world credit. The British financial system had for some time been labouring rather heavily under the strain imposed by the war in South Africa. In particular the non-productive absorption of capital consequent upon that unfortunate episode necessitated a pause for reconstruction, especially as it was becoming increasingly evident that all was not well with the British export trade. In September, as a result of the overcharged condition of the stock market, a serious fall took place in British consols; and, as the demand for capital became more insistent, the Bank rate was raised rather abruptly. By all these happenings, Australia, as a borrower in the London market, was seriously affected; and the situation was succinctly put by *The Times*:

'It has for some time been evident that the constant succession of new colonial and municipal issues was having a very bad effect on the market for all investment stocks. This is only another way of saying that there have been too many of these demands for money. In view of these facts the leading underwriting firms have to-day (July 22) decided that they will not for some time to come underwrite any colonial or corporation loans.'

It is no exaggeration to say that this slamming of the door in the faces of importunate state treasurers caused a sensation in government and business circles. The sober comment of financial writers at a moment when neither the states nor the chief cities knew where to turn for money was cold comfort but it, nevertheless, stated the position exactly:

'The recent fall in the market quotations for Australian government stocks', asserted an editorial, 'should be regarded as a warning not merely that British investors are not disposed to take out new Australian loans, but that supplies of floating capital are not as large as usual. According to some authorities the fixing of floating capital has gone on at too rapid a pace throughout the world for several years past. However this may be, it is certain that the fall in Australian government stocks is by no means singular.'¹

The remarkable feature of this crisis was the onset of the depression so hard upon the heels of the decisive action on

¹ *Insurance and Banking Record*, Sept. 1903.