

the part of the London market. Business, in the eastern states especially, was almost brought to a standstill by the sudden constriction of credit which developed; although even harassed state treasurers were able to appreciate the salutary nature of the check.¹ That the drying of the stream of loans was due to a loss of confidence in Australia as a field of investment, as well as to inability on the part of the British investor to lend, is indicated by the fall in Australian government stocks at this time.² Nor were the difficulties eased by the disfavour with which advanced Australian legislation was being viewed in Britain.

Hardening money rates, dullness in trade, stationary bank figures, stagnation in industry, diminished customs revenue and imports, declining immigration and a crop of business failures were the outstanding characteristics of 1904, a year which exhibited all the features of the recession stage of the cycle. The increased strain thrown upon the productive activities of the country is reflected in an expansion of exports by nearly £9½ millions, while economy is indicated by the decline of nearly £2 millions in imports. The excess of exports over imports increased from nearly £11 millions in 1903 to nearly £20½ millions in 1904, a feature that indicates the strength of the community effort made under steady financial pressure. The year is distinguished, too, by the decline in loan issues, in fact for the five years from 1903 to 1907, inclusive, only 14¼ millions were raised in loans compared with 20 millions borrowed in the previous three-year period. The natural consequence, however, was that governments and corporations in Australia were increasingly compelled to approach the domestic money market for help in their financial difficulties; and the rising money rates were a direct outcome of the increased

¹ 'We must be satisfied that even the closing of the London money market is a blessing in disguise, for it means that not only our administration but also our public works for which we require to borrow money will be put on a business basis.'—Treasurer of Western Australia in a Budget speech, 16 Oct.

² EXCHANGE QUOTATIONS OF AUSTRALIAN GOVERNMENT STOCKS

<i>Government Stocks.</i>	<i>Sept. 1901.</i>	<i>Oct. 1903.</i>	<i>Fall.</i>
Victoria, 3½ per cent.	106	95½	10½
Victoria, 3 per cent.	96¼	85	11¼
New South Wales, 3½ per cent.	102½	96	6¼
New South Wales, 3 per cent.	94½	85	9½