

competition for the limited supplies of available capital. The marked credit stringency which ensued was an additional factor in forcing on economy in the community; and was directly responsible for the movement towards the consolidation of state debts which occupied the attention of treasurers for some years. It was likewise the thin end of the wedge of financial control by the Federal Government. This control became stronger in later years when expanding revenues doubled and redoubled the Federal Government's power to assist financially embarrassed state governments.

The recovery both in Britain and in Australia during 1905 must be regarded as astonishing in its rapidity and completeness. In London the large blocks of securities that had been created since 1900 and had glutted the market ever since were gradually absorbed; and, by the end of 1904, the market was again ready to entertain fresh applications. In the first quarter money rates became distinctly easier, and exchange quotations showed a rising tendency. This state of affairs was immediately reflected in the Australian financial situation; but the real prelude to complete recovery in the Commonwealth came in the form of splendid rains in all states. The wonderfully quick return to prosperous conditions after the dry seasons afforded a remarkable demonstration of the recuperative powers of the country. The end of the year saw the export trade in a flourishing condition, but with imports still on a very moderate scale.

Partly as a consequence of the greatly increased rural productivity, partly as a result of the general rise in world prices which was now becoming marked, and partly, also, as the normal rebound from depression, Australian stocks now found more favour in the eyes of investors than for years past. The slow net increase of population, 1.5 per cent. for the year, the shrunken stream of immigration, and the lack of enterprise attested by the increase in fixed deposits, indicated, however, the lingering effects of the recession period. Nevertheless, the bank and mercantile position was in general quietly sound and moderately prosperous already; and the non-success of the Western Australian loan towards the end of the year was not in any way a reaction, but was probably due to political uncertainty in England, and to the feeling among investors that the prosperity of that state was too uncertainly poised upon