

conservation of all financial resources and, in particular, a sudden constriction in capital loans. A rapid shrinkage in the value of all investment stocks and particularly of government securities culminated in a third crisis in New York in September, and the Bank of England rate was raised from  $4\frac{1}{2}$  to 7 per cent. between September 12 and November 14.

It is unnecessary for our purpose to follow the course of the crisis abroad any further, but the effects on Australia of the disturbance to world credit are, of course, of the greatest interest. The shock was immediate and serious. The financial and trade dependence upon Great Britain, the break in prices, and the collapse of the American metal market and the European wool market, would alone have produced severe effects. The seriousness of the decline in trade is indicated by the recorded figures. In 1908 exports from the Commonwealth fell  $\text{£}8\frac{1}{2}$  millions below the value of the previous year, and that despite an increase of  $\text{£}3\frac{1}{2}$  millions in the export of gold. Total overseas trade of all commodities declined, therefore, by  $\text{£}14$  millions, since imports also fell by  $\text{£}2$  millions. The excess of exports over imports has a remarkable bearing on the Australian position at all times; and the general trend during this decade is of special interest and will be discussed more fully at a later stage. It will be sufficient here to mention that the total recorded excess of exports over imports reached the peak of  $\text{£}24.9$  millions in 1906, but rapidly declined to  $\text{£}0.9$  million in 1912. The influence of borrowing upon this situation is also reserved for later consideration.

But the whole of this decline after 1908 is not to be attributed to world conditions. Yet again at this juncture outrageous fortune decreed that a world credit shortage should coincide with unfavourable seasons and falling prices. The occurrence of drought over wide areas in Australia resulted in small harvests and a diminished wool clip. The translation of these adverse factors into terms of monetary strain induced a depression

few millions imported might suffice to restore confidence in the United States it was worth while to devise ways and means for providing them. But now that the many millions shipped have been swallowed up without any improvement in the position on the other side it becomes clear that the only attitude for European finance to adopt and to maintain is one of the most vigilant self-defence, no facilities of any kind being granted to New York and no gold being sent thither except such as it can command by sale of produce or securities.'