

made wide swings which had very marked effects on Australian prosperity. Between 1846 and 1871, to review the fluctuations briefly, prices had risen by 28 per cent.; but the cheapening of ocean transport towards the end of this period assisted a definite downward swing which, by 1896, marked a decline of about 30 per cent. below the 1871 level. After this a steady upward movement developed which by the year 1912, as estimated by the *Economist*, represented an increase of about 34 per cent. upon the 1896 level. The search for reasons for this increase hardly lies within our province; but it is undoubtedly connected with the expansion of credit and enlargement of currency made possible by the great increase in world gold production.

Unalloyed prosperity marked the whole of 1910 as the expansive government programmes, based chiefly upon swelling customs revenue, the large capital borrowings, and increased productivity consequent upon bountiful seasons, took effect in industrial activity and increased purchasing power. By the middle of 1911, however, the critics were again stressing the dangers inherent in the business situation, and the possibility of a sudden check being experienced. Extravagant public and private expenditure, the stimulation of city industries and the resultant rural depopulation, an indulgent bank policy, and the machinations of company promoters were all castigated. In that year, also, several remarkable developments tended to unsettle business and to promote uncertainty. Not the least of these was the establishment of the Commonwealth Bank and the passing of the Commonwealth Notes Act. While the Australian banking system was not greatly affected as the result of these changes, a great deal of uneasiness accompanied these adjustments. Rural industry was also much disturbed by the new Federal policy of 'bursting up large estates' by means of land taxation. While none of these innovations were revolutionary in themselves, the general suspicion which was engendered introduced an unfavourable factor at an inconvenient moment, since the export of specie was now exceeding the production and bank reserves were thus being depleted. The situation held the germs of a contraction of credit which was to develop into something more serious.

The cycle had, in fact, again come full circle. After years of