

ACCUMULATION.

THE first century of Australasian history closed on the 26th January, 1888. It is impossible to trace step by step the progress made during that period, as the data for the purpose are for the most part wanting. Sufficient material is, however, available, from which a comparative statement of the wealth of the Colonies at different periods may be deduced. In the following figures the private wealth of the people has alone been considered, the value of the unsold lands of the State, as well as the value of public works, having been omitted. The subjoined table shows the private wealth of the whole of Australasia and the increase thereof at intervals of twenty-five years from the date when this territory was first colonised :—

| January. | Australasia. | |
|----------|---------------------------|-------------------------------|
| | Amount of Private Wealth. | Increase during 25 years. |
| 1788 | £ — | £ Country first colonised. |
| 1813 | 1,000,000 | 1,000,000 |
| 1838 | 26,000,000 | 25,000,000 |
| 1863 | 181,000,000 | 155,000,000 |
| 1890 | 1,169,000,000 | *988,000,000 |

* Increase for twenty-seven years.

The progress exhibited in this table is marvellous, and as regards ratio quite unprecedented. Though Australasia has but the population of a province of one of the great European powers, in the wealth and earnings of its people it stands before most of the secondary States, and as regards wealth and income per head of population far before any other country. The following figures show the average wealth per inhabitant of the principal countries, and have been corrected according to the latest information procurable :—

| | £ | | £ |
|----------------------|-------|-------------------------|-------|
| Australasia..... | 309·0 | Argentine Republic..... | 164·2 |
| United Kingdom | 246·1 | Spain | 142·9 |
| France..... | 235·0 | Germany..... | 132·5 |
| Belgium..... | 226·0 | Sweden and Norway | 122·1 |
| U.S. America..... | 205·2 | Italy | 97·8 |
| Canada | 196·0 | Austria-Hungary | 96·1 |
| Holland | 195·5 | Portugal | 82·7 |
| Denmark..... | 192·4 | Russia | 55·4 |
| Switzerland | 164·7 | | |

Land and the improvements thereon form the great bulk of Australasian wealth, for out of the 1,169 millions at which it is valued, about 821 millions, or 70 per cent., is represented by what is termed real estate. The valuation of lands and buildings presents no difficulty except in the case of Western Australia and New South Wales; as regards the first-mentioned Colony the only data procurable are very meagre, but the area, situation, and use to which the lands are put are known, and from these data an approximation has been formed.

Only a very small part of New South Wales is under municipal government, and until the last Census was taken the valuation of lands outside the municipal area could only be a matter of speculation. The Census Act, however, was so framed that every holder of land was required to make a declaration of the value of his property, and from the return so obtained the present estimate was compiled. The value of lands, buildings, and other improvements thereon has been set down at £303,152,000; of this sum 141 millions represents property subject to municipal taxation, 117 millions country lands outside municipalities, and 45 millions the improvements thereon.

In Victoria the valuation of municipalities is 214 millions. An inspection of the returns, however, will show that this is an under-estimate, as some of the municipalities, notably Melbourne City, have placed the capital value at only ten times the annual value, which is obviously too low a figure. Making a correction on this account, the estimated valuation of property within municipalities may be set down at 233 millions; and to this must be added the value of improvements on pastoral properties which are not reckoned in the municipal valuation. In New South Wales similar improvements, which originally cost 73 millions, were valued by the owners at 45 millions, equal to 11s. 3d. per head of sheep depastured. Reckoning every head of large stock as equal to ten sheep, for Victoria these improvements are taken to be worth 13s. 4d. per sheep, which fixes their value at 23 millions, making the total value of land and improvements in Victoria 256 millions.

For South Australia and New Zealand the valuations adopted are those of the Local Taxation Offices, but slightly increased. For Western Australia the land has been valued at slightly over 5 millions, which sum is liable to correction should there be any evidence of a more exact valuation. For the other Colonies the municipal values have been accepted, with an addition for improvements not valued by the municipalities, according to the carrying capacity of the runs.

The plan adopted in valuing the other forms of wealth is given in a previous issue of this work, and, as it is marked by no features of special interest, need not be repeated on this occasion.

The valuation of each of the principal elements of wealth is as follows :—

| Classification. | £ |
|--|---------------|
| Land, Houses, and Permanent Improvements | 821,280,000 |
| Live Stock..... | 120,205,000 |
| Coin and Bullion | 33,582,000 |
| Merchandise | 51,151,000 |
| Household Furniture and Personal Property | 62,874,000 |
| Shipping owned in Colonies | 7,049,000 |
| Mines and Mining Plant..... | 38,033,000 |
| Plant employed in Agricultural, Manufacturing, and other industries not elsewhere included..... | 35,260,000 |
| Total | 1,169,434,000 |

The distribution amongst the various provinces was as stated below :—

| Colony. | Private Wealth. | Per Inhabitant. |
|-------------------------|-----------------|-----------------|
| | £ | £ |
| New South Wales | 412,484,000 | 368 |
| Victoria | 344,224,000 | 304 |
| Queensland | 118,414,000 | 301 |
| South Australia | 99,141,000 | 310 |
| Western Australia | 10,619,000 | 218 |
| Tasmania | 34,360,000 | 236 |
| New Zealand | 150,192,000 | 240 |
| Australasia | 1,169,434,000 | 309 |

No attempt has been made in the foregoing pages to bring the estimates of private wealth to a date later than 1890, although it cannot be denied that very material changes have since taken place in the value of most descriptions of property. Allusion has been made in another place to the disastrous effects of the collapse of land companies and building societies, to which many thousands had entrusted their savings, and to the still more serious losses entailed by the suspension of payment on the part of many old-established banks. The experience of all the provinces shows that the selling value of property has seriously fallen, but it would be idle to alter the estimates of 1890 to the conditions of June, 1894, seeing that a few months will probably show a material improvement. The conditions of productive industry are still hopeful. The country has been favoured with an unusual succession of good seasons, and though the prices of Australasian produce have tended to lower rates than formerly, there has been an increased production per inhabitant. It is not likely that certain forms of

investment, notably land, will reach their former speculative values, at least for many years, nor is it desirable that they should do so; but there is ample evidence that, with the expansion of population, there will still be ample scope for the remunerative employment of capital.

THE DIFFUSION OF WEALTH.

In former issues of this volume the probate returns of each Colony were made the basis of a calculation of its private wealth. Extended investigation showed that unless the ages of the persons dying were also taken into consideration, estimates based on the probate returns were likely to prove fallacious; and as information in regard to ages was not procurable, this form of estimating was abandoned. The occurrence at irregular intervals of the death of very rich persons, even if the ages had been procurable, would have had a disturbing effect on the calculations, as it can be readily imagined that, where the average number of deaths ranges from only one thousand in Western Australia to sixteen thousand in Victoria, an exceptionally large estate might easily vitiate the average. In support of what is here stated, it may be pointed out that, as estimated by probates, the average wealth per inhabitant in Victoria during five years varied between £325 and £610, and in New South Wales between £300 and £530. That such was the case involves a supposition too ridiculous to be for a moment entertained. The probate returns have some statistical value, as will presently appear; the returns for the latest available year (1892) are, therefore, given:—

| Colony. | Number of Estates. | Total Value of Estates. | Average Value of Estate left by each Deceased Person leaving Property. |
|--------------------------|--------------------|-------------------------|--|
| | | £ | £ |
| New South Wales | 2,117 | 4,542,350 | 2,145 |
| Victoria | 3,208 | 9,669,784 | 3,014 |
| Queensland | 577 | 860,287 | 1,491 |
| South Australia | 742 | 1,137,747 | 1,533 |
| Western Australia | 112 | ..... | ..... |
| Tasmania | 281 | 269,336 | 958 |
| New Zealand | 768 | 1,477,331 | 1,924 |
| Australasia | 7,805 | *17,956,835 | *2,334 |

* Exclusive of Western Australia.

As already pointed out, the value of estates is liable to vary greatly from year to year. For the past twelve years the average value of property left by persons who have died and left property was:—For New South Wales, £2,558; Victoria, £2,714; Queensland, £1,584; South Australia, £1,290; and Tasmania, £1,253. For New Zealand,

returns are only available for seven years, and they show an average of £2,432; while the values have not been ascertained in the case of Western Australia.

Although the probate returns have little value as indicating the total wealth of the community, in the absence of the exact figures which property returns disclose, they form the only means of estimating the diffusion of wealth. The following table shows the proportion of persons out of every 100 dying who left estates sufficiently large to be the objects of specific bequest. The figures cover twelve years:—

| Colony. | Proportion of Estates per 100 deaths of total population. | | |
|-------------------------|---|-----------|-----------|
| | 1890-94. | 1885-89. | 1890-92. |
| | per cent. | per cent. | per cent. |
| New South Wales | 11·0 | 11·5 | 12·5 |
| Victoria | 12·7 | 13·1 | 17·2 |
| Queensland | 6·6 | 8·2 | 10·4 |
| South Australia | 12·3 | 15·3 | 18·3 |
| Western Australia | 10·8 | 10·7 | 12·0 |
| Tasmania | 9·6 | 11·5 | 12·9 |
| New Zealand..... | ..... | ..... | 10·2 |
| Australasia | *11·1 | *12·0 | 14·0 |

* Exclusive of New Zealand.

These figures show a distribution of wealth not to be paralleled in any other country in the world. In South Australia is found the widest diffusion of the individual Colonies; and in a country where so much is said about the poor growing poorer and the rich richer, it is pleasing to find one out of every four adult males and females the possessor of property. Victoria comes next to South Australia, then New South Wales, and Queensland and New Zealand stand last on the list. Too much stress may be laid on the apparently wider distribution of wealth in one Colony than another, for it is obvious that a Colony with a stationary or decreasing population will naturally come out of a comparison of this kind more favourably than another with a rapidly increasing population. However, taking all things into consideration, the table as a whole is highly satisfactory, and should be additionally pleasing from the circumstance that the ratio of distribution has been increasing in every province of the group.

In the United Kingdom, during the three years 1890-92, the number of estates on which legacy duty was paid was 153,448. Making the liberal allowance of one-fourth for successions, of which the number is not given in the Statistical Abstract, the total estates would be 191,800, as compared with 2,209,248 deaths, or not quite 8·7 per cent.,

as against 14·0 per cent. in Australasia during the same period. To show still more clearly the wide distribution of property in these Colonies, the following statement is even more useful than the figures just given. The comparison is made as for every hundred deaths of adult males, and for the same number of deaths of adult males and females. This latter method is undoubtedly the proper basis of comparison, as large numbers of females are possessors of a substantial amount of property :—

| Colony. | Proportion of Estates per 100 deaths of adult males. | | | Proportion of Estates per 100 deaths of adult males and females. | | |
|-------------------------|--|-----------|-----------|--|-----------|-----------|
| | 1880-84. | 1885-89. | 1890-92. | 1880-84. | 1885-89. | 1890-92. |
| | per cent. | per cent. | per cent. | per cent. | per cent. | per cent. |
| New South Wales | 34·8 | 36·9 | 38·3 | 22·4 | 23·8 | 24·2 |
| Victoria | 38·8 | 39·6 | 49·5 | 23·4 | 24·2 | 30·1 |
| Queensland | 18·2 | 23·4 | 29·1 | 13·7 | 16·1 | 20·6 |
| South Australia | 50·0 | 53·3 | 60·4 | 29·4 | 30·8 | 33·5 |
| Western Australia | 23·7 | 24·2 | 27·0 | 19·3 | 19·3 | 21·2 |
| Tasmania | 26·0 | 31·7 | 34·6 | 16·0 | 19·4 | 21·2 |
| New Zealand ..... | ..... | ..... | 29·6 | ..... | ..... | 18·1 |
| Australasia | *34·6 | *36·7 | 41·2 | *22·0 | *23·1 | 25·7 |

* Exclusive of New Zealand.

IMPORTATION OF CAPITAL.

Australasia ranks among the debtor nations. At the close of 1892 its people owed to persons outside its boundaries, or, more correctly speaking, there was invested in it by non-residents, and owing by its various governments, a sum approximating to £328,500,000, or £82 per inhabitant. Of this large sum, £121,850,000 represents the private investments, and £206,650,000 the outstanding liabilities of the States and local governing bodies. More important in some respects than the corpus of the debt are the annual payments made in respect thereof. These can be stated with some exactitude. The yearly interest paid on account of State and local government debts, to other than Australasian creditors, amounts to £8,265,000 ; while the income from private investments may be stated at £6,455,000 ; in all, £14,720,000. The return on private investments represents an annual interest of about 5½ per cent. ; and considering that much of the money invested in these Colonies obtains a much higher return than what has just been quoted, it is evident that a considerable sum, variously estimated at

from eleven to fifteen millions sterling, has been sunk in unproductive investments. In considering the question of the annual payment made by Australasia to Great Britain—which is its sole creditor—it is important to have distinctly in view the fact that part of this income is payable irrespective of production, and part only arises when there has been antecedent production. In the first of these categories is the charge on State and municipal borrowings to the amount already stated (£8,265,000), and probably half the income from private investments, or, in round figures, £3,100,000—the two taken together making a sum of £11,365,000, or a little less than £3 per inhabitant, which must be exported entirely irrespective of the condition of productive industry. It may here be remarked that there is another source of drainage from these Colonies to be considered in estimating the tributary stream flowing from Australasia to England; that is the income of absentee colonists, which for 1892 probably reached £810,000. The total payments to outside creditors or investors during 1892 may be summarised as follow :—

| | £ |
|---|------------|
| Payments on account of State or municipal borrowings, and on account of private investments on which interest must be paid irrespective of the condition of production | 11,365,000 |
| Return dependent on antecedent production | 3,389,000 |
| Absentee incomes (usually so called) | 810,000 |
| Total | 15,564,000 |

It has been stated above that the gross amount of investments by non-residents was £328,500,000. This sum may be divided into what was received prior to 1871, and what was received subsequent to that date, for the year 1871 may be conveniently taken as the opening year of latter-day Australasian finance. At the opening of 1871 these Colonies stood indebted to Great Britain thus :—

| | £ |
|--|------------|
| On account of State and municipal borrowings | 37,000,000 |
| Private investments | 44,700,000 |
| Total | 81,700,000 |

From 1871 to 1892 the increase of indebtedness was :—

| | £ |
|--|-------------|
| On account of State and municipal borrowings | 169,650,000 |
| Private investments | 77,150,000 |
| Total | 246,800,000 |

The figures just given are irrespective of the money brought to the Colonies by persons taking up their abode therein; the amount of such money is very considerable, as will presently appear.

IMPORTATION OF CAPITAL, 1871 TO 1892.

The movement of capital to Australasia prior to 1871 presented no features of unusual importance, for the total sum received, though large, representing as it did rather more than £40 per inhabitant, was not larger than might reasonably have been expected to be introduced into a country so rapidly adding to its population and so fertile in resources. In the twenty-two years that followed, the introduction of capital by the various Governments far outstripped private investments, and at the close of 1892 the Colonies stood indebted to their outside creditors to the extent of £82 per inhabitant, or more than twice the average of 1870. But this was not all, for besides the investments which may be termed foreign, there was a sum of £58,105,000, reduced by transfer from one Colony to another to £45,605,000, introduced by persons taking up their abode permanently in Australasia; so that there was actually received £292,405,000 in twenty-two years. The following table shows how each Colony participated in the golden stream. In only one instance, that of South Australia, has the withdrawal of capital from investment by non-residents, or the amount sent away by residents for investment, exceeded the import of capital. One other explanation is needed before the table is considered. The capital introduced comprised some £34,825,000 of private investments withdrawn from one Colony to another, and £12,500,000 transferred with their residence by intercolonial emigrants. The actual capital introduced from abroad was thus £77,150,000, and by immigrants from abroad £45,605,000:—

| Colony. | Capital introduced by State and Local Government Bodies. | Private Capital introduced or withdrawn from investment outside the Colony. | Capital introduced by persons taking up their abode in the Colony. | Total Capital introduced. | Capital withdrawn from investment by non-residents, or sent away by residents for investment, chiefly in other Colonies. | Net amount of Capital introduced. |
|---------------------|--|---|--|---------------------------|--|-----------------------------------|
| | £ | £ | £ | £ | £ | £ |
| New South Wales.. | 42,744,000 | 26,052,000 | 23,406,000 | 92,202,000 | 7,138,000 | 85,064,000 |
| Victoria | 40,730,000 | 49,106,000 | 12,082,000 | 101,918,000 | 8,589,000 | 93,329,000 |
| Queensland | 22,818,000 | 14,927,000 | 11,525,000 | 49,270,000 | 8,169,000 | 41,101,000 |
| South Australia .. | 19,598,000 | 2,989,000 | 960,000 | 23,547,000 | 15,941,900 | 7,606,000 |
| Western Australia.. | 2,644,000 | 1,300,000 | 920,000 | 4,864,000 | 700,000 | 4,164,000 |
| Tasmania | 5,011,000 | 2,867,000 | 1,275,000 | 9,153,000 | 268,000 | 8,885,000 |
| New Zealand..... | 36,103,000 | 14,734,000 | 7,937,000 | 58,774,000 | 6,518,000 | 52,256,000 |
| Total | 169,648,000 | 111,975,000 | 58,105,000 | 339,728,000 | 47,323,000 | 292,405,000 |

Figures so immense and interesting deserve more than a passing reference. Dividing, then, the years which have elapsed since 1870 into quinquennial periods, the following results are obtained :—

| Five-year Periods. | Capital introduced by State and Local Government bodies. | Private Capital introduced or withdrawn from investment outside the Colony. | Capital introduced by persons taking up their abode in the Colony. | Total Capital introduced. | Capital withdrawn from investment by non-residents or sent away by residents for investment, chiefly to other Colonies. | Net amount of Capital introduced. |
|---------------------|--|---|--|---------------------------|---|-----------------------------------|
| | £ | £ | £ | £ | £ | £ |
| 1871-75 | 20,310,000 | 4,757,000 | 10,315,000 | 35,332,000 | 12,442,000 | 22,940,000 |
| 1876-80 | 31,902,000 | 15,018,000 | 12,755,000 | 50,675,000 | 10,077,000 | 48,698,000 |
| 1881-85 | 46,064,000 | 32,773,000 | 17,309,000 | 96,236,000 | 6,176,000 | 90,060,000 |
| 1886-90 | 52,586,000 | 40,051,000 | 14,196,000 | 115,833,000 | 10,200,000 | 105,624,000 |
| 1891-92 (two years) | 18,786,000 | 10,376,000 | 3,440,000 | 32,602,000 | 7,519,000 | 25,083,000 |
| Total | 169,648,000 | 111,975,000 | 58,105,000 | 339,728,000 | 47,323,000 | 292,405,000 |

It will be seen that the net introduction of capital during the first period was £22,940,000, and of this New Zealand received £10,707,000, or nearly one half, principally the proceeds of Governmental borrowings, the withdrawals of private capital being nearly as large as the amount introduced. Queensland and New South Wales had, during the period, an accession of capital to the extent of £4,329,000 and £4,321,000 respectively; in the one case the sum obtained by the State was £1,604,000, and by the public, £2,725,000; while, in the other case, the sum introduced by the State was £2,861,000, and by private persons something less than £1,500,000. The net sum introduced into Victoria was £2,982,000, the State having imported £3,352,000, while the export of private capital was some £370,000. Tasmania received in all £1,210,000, of which £220,000 was introduced by the State, and nearly one million by private persons, which must be reckoned a very considerable sum in view of the smallness of the population of the island. Nearly the whole sum introduced into Western Australia, £400,000, was by the local or the Imperial Government. South Australia, even so far back as 1871-75, was in a very different position to the other Colonies in regard to private investments. During the five years the State introduced £1,722,000, but £2,731,000 was withdrawn by lenders or sent out of the Colony for investment.

Speaking generally, the period 1871 to 1875 was marked by large public borrowing, with a very moderate influx of private capital. During the period the importation by the various governments amounted

to £2 per inhabitant yearly, the private investments being not more than 5s. per inhabitant.

The period from 1876 to 1880 showed a net importation of capital to the amount of £48,698,000, or more than twice the sum received during the preceding five years. Of the sum named, New Zealand received £15,396,000, or slightly less than one-third, although its population was only one-eighth of the whole of Australasia. The larger portion of the money brought to New Zealand was in the shape of Government loans, which amounted to £10,884,000, the net amount received on account of private investment being £4,500,000. New South Wales stood next as regards the amount of capital received, but the borrowing by the State and local bodies only amounted to £5,456,000, or half the sum raised by New Zealand, while the private investments amounted to about £8,170,000, the bulk of which was received with immigrants taking up their permanent abode in the Colony. The total capital imported into New South Wales during the five years was £13,626,000. Queensland received £8,028,000 during the period,—an enormous sum considering that the population was not more than 150,000. The money imported by the Government of that Colony was £4,195,000, and that invested by private persons, £3,383,000. The Victorian Government imported £5,229,000, while the sum sent to the Colony by private investors, over and above the amount withdrawn, was £1,949,000. South Australia borrowed largely during the five years, the sum raised being £5,217,000, but, as in the previous period, the sum withdrawn by investors or sent to other Colonies for investment exceeded the capital introduced, by £1,905,000. Both Tasmania and Western Australia received less capital from abroad from 1876 to 1880 than in the previous five years, the amounts being £954,000 and £204,000 respectively. The Government borrowings were £454,000 in the one case and £465,000 in the other; but in Tasmania there was an investment of £500,000 by private persons, and a withdrawal of £241,000 in the case of Western Australia.

Taking Australasia as a whole, the public borrowings during 1876–80 were large, amounting to £31,902,000, or a yearly sum of about £2 11s. per inhabitant. The import of private money continued on a more extended scale, the sum received in excess of withdrawals being £16,796,000, but a large portion of this sum was brought in by immigrants.

The facility with which New Zealand had been able to raise money on loan during the five years 1876–80 was an object lesson not lost on the other Colonies, for during the five years from 1881 to 1885 the sum of £46,064,000 was raised by the various Governments and local bodies; while private investors, banks, and financial institutions poured in money at an almost equal rate, the net sum received on private account being, in round figures, £44,000,000. These sums represent yearly amounts of £3 1s. 6d. and £2 18s. 6d., or together £6, per inhabitant—a rate of increase in indebtedness quite unparalleled in any country

except in the next succeeding five years of Australasian history. Of the large sum of £90,060,000 received by these Colonies, the share of New South Wales was £30,473,000. In the light of this statement it is easy to understand how, during this same period, though one of drought and restricted production, the industrial life of the Colony was marked by increasing wages, shorter hours, and full employment. The importation by the State amounted to £16,066,000, and by private investors to £14,407,000, but at least half the sum last quoted represented the money brought by immigrants and entailed no burthen on the Colony for future interest to be exported. This period was, so far as New South Wales is concerned, the one marked by the most lavish borrowing by the State, though it yields to the subsequent quinquennium in regard to the importation of private capital. Queensland was the Colony next after New South Wales in receipt of most money during the period under review, the Government of that Colony having obtained £6,309,000, while private investments amounted to £13,291,000—enormous sums for a population of a quarter of a million. Included in the private investments, however, is the sum of £4,430,000, introduced by immigrants taking up their abode permanently in the Colony. The imports of capital into New Zealand during the quinquennium were still very heavy, amounting to £7,442,000 by the State and £10,475,000 on private account, or £17,917,000 in all. Of the private importation, £1,013,000 accompanied the owners who settled in the Colony. The capital received by Victoria, which in the two preceding periods amounted to very moderate sums, now rose to £13,002,000, viz., £8,519,000 on account of the Government, and £4,483,000 by private investors. The South Australian Government in 1881–85 was still a large borrower, £5,900,000 being raised and expended during that time, while, contrary to the experiences of previous periods, there was an importation on private account of £550,000. Tasmania, also, considerably increased its borrowings, the State raising £1,165,000 in the five years, while £725,000 was sent to the Colony for investment or was received with the owners. The borrowing of the Western Australian Government for 1881–85 amounted to £663,000, but not more than £65,000 was received for private investment, or in all £728,000.

The next period, 1886–90, was marked by very extraordinary features. The average population of the seven Colonies was 3,540,000, yet during the short space of five years the various States governing these people raised and expended £52,586,000, while an additional sum of £53,038,000 was received for investment on private account, or was introduced into the country by persons who made it their abode. But even more astonishment will be evinced on considering the detailed figures for each Colony. Of the large total received by the seven Colonies, considerably more than one-half—£54,790,000—was obtained by Victoria, and, as the population of this Colony during the five years under review was

1,070,000, the inflow of capital amounted to over £51 per inhabitant. The State and local bodies borrowed and disbursed £17,087,000, which was the largest expenditure from the proceeds of loans that any Colony contrived to crowd into the short space of five years. The private capital introduced was £31,641,000, and the sum brought by persons taking up their abode in the country was £6,062,000. These figures afford a sufficient explanation of the astounding impetus which trade received during these years, and the corresponding rise in land values. New South Wales, though not the recipient of so much money as its southern neighbour, nevertheless contrived to obtain £28,105,000,—a far larger sum than could be conveniently absorbed in five years, especially as in the like preceding period £30,000,000 was absorbed. The capital introduced represented £11,571,000 of Government borrowings, £12,183,000 of private investments, and £4,391,000 brought by persons making New South Wales their home. The Queensland Government was also a large borrower, its loan expenditure during the five years, 1886–90, being not less than £8,793,000. The private capital introduced, however, fell off largely. The sum received, allowing for withdrawals to the amount of £3,360,000, was £2,362,000. The flow of private money to New Zealand practically ceased during the period now under consideration, amounting only to £632,000, as compared with £10,500,000 in the preceding five years; but Government borrowings still continued, and a sum of £6,560,000 was raised and expended. South Australia occupied an exceptional position, for though the Government introduced some £5,693,000, there was a large withdrawal of private capital, or, as it may be, an export of capital for investment in other Colonies, so that the net withdrawals from the Colony amounted to £219,000. Tasmania, with its population of 150,000, was well in the struggle for British investments, the State loan expenditure being £2,257,000, and the investment by private persons, £870,000; of this last sum about half was introduced by persons taking up their abode in the Colony. It was about this period, too, that Western Australia began to attract attention as a field for investment, for over and above the sum of £625,000 introduced by the Government, about £810,000 was invested by private persons, perhaps half the amount being accompanied by the investors themselves.

The recitation of borrowing just given brings the financial history of the Australias down to the close of 1890. Two years more of credit and investment remain to be traced, after which came the collapse of credit, and the events of May, 1893, still so fresh in the public memory. That two years elapsed after the close of 1890 before Australasian public credit in London finally collapsed, is true only of Victoria, and in a modified sense of New South Wales, Western Australia, and Tasmania. Withdrawals of private capital continued from South Australia, but to a less extent than in the preceding period, the total amounting to £1,944,000. New Zealand ceased to receive any private

money, while Queensland, for the first time in its history, showed a net withdrawal of capital, the amount of which was £2,011,000, but as the State had introduced £1,917,000, there was an actual withdrawal of £3,928,000. During the two years 1891 and 1892 the total capital imported into the seven Colonies was £25,083,000, and of this £18,786,000 was introduced by the various Governments and local bodies, the share of each Colony being:—

| | |
|-------------------------|-------------|
| New South Wales | £6,788,000 |
| Victoria | 6,543,000 |
| Queensland | 1,917,000 |
| South Australia | 1,066,000 |
| Western Australia | 446,000 |
| Tasmania | 915,000 |
| New Zealand | 1,111,000 |
| Total | £18,786,000 |

As already pointed out, the private borrowings were—excepting in the case of Victoria—on a minor scale. Victoria received fresh capital to the extent of £8,834,000, of which amount only £464,000 was brought in by immigrants. New South Wales received from private investments over £3,000,000, but the withdrawals were also extensive, so that the net amount of capital invested was only £1,711,000. Western Australia received £952,000, of which £408,000 was accompanied by the owners. Tasmania received £792,000, and of this about £271,000 was introduced by permanent residents.

The record is not extended beyond 1892, as the following year was one of utter financial confusion, which baffles any attempts that can at present be made to trace the movements of private capital.

The figures dealing with the introduction of private capital into Australasia from 1871 to 1892 are not complete without a reference to a question closely associated with the subject—that is, the sums paid by the Colonies in the way of interest on loans, and earnings of private investments.

The relation borne to the outside investor is by no means the same for each Colony. In some Colonies the income of foreign investors is derived mainly from interest on loans, and is drawn irrespective of the condition of the country as regards production and trade; in other Colonies the income is chiefly from investments, and cannot be drawn unless there have been antecedent production and profit sufficient to yield an income; while in the case of others both forms of investment exist side by side to about an equal extent. So far as Victoria and South Australia are concerned, there have also to be considered the earnings derived by local residents from their own outside investments. In the case of Victoria the earnings of investments of non-residents and income of absentees were less than the income derived by residents in the Colony from investments abroad until the year 1888, and in South

Australia the income from abroad exceeded the income derived from the Colony by non-residents in 1886 and all subsequent years. This explanation must be borne in mind in considering the following table:—

| Colony. | Interest paid on State and Municipal Loans. | Earnings of investments of non-residents and incomes of absentees in excess of incomes derived by residents in the Colony from investments abroad. | Total Interest and Earnings of Investments. |
|-------------------------|---|--|---|
| | £ | £ | £ |
| New South Wales | 23,053,000 | 39,562,000 | 62,615,000 |
| Victoria | 25,552,000 | 4,157,000* | 21,395,000 |
| Queensland | 13,453,000 | 38,444,000 | 51,897,000 |
| South Australia | 10,561,000 | 1,324,000 | 11,885,000 |
| Western Australia | 739,000 | 1,807,000 | 2,546,000 |
| Tasmania | 3,012,000 | 2,504,000 | 5,516,000 |
| New Zealand | 29,910,000 | 19,750,000 | 49,660,000 |
| Total | £ 106,280,000 | 99,234,000 | 205,514,000 |

* Incomes of residents from investments abroad in excess of incomes of absentees, &c.

The table given on a previous page shows that the borrowings of the seven Colonies and the investments therein made by absentees during the same period was £292,405,000, so that the actual money or its equivalent reaching these shores was £86,891,000, thus distributed:—

| Colony. | Excess of Money introduced over Interest on Public Loans and Earnings of Investments of non-residents, &c. |
|-------------------------|--|
| | £ |
| New South Wales | 22,449,000 |
| Victoria | 71,934,000 |
| Queensland | 10,796,000* |
| South Australia | 4,279,000* |
| Western Australia | 1,618,000 |
| Tasmania | 3,369,000 |
| New Zealand | 2,596,000 |
| Total | £ 86,891,000 |

* Excess of interest, &c., over money introduced.

If from this £86,891,000 just ascertained, there be deducted £23,000,000, representing the amount of money brought in by British immigrants included in the capital stated to be introduced by persons taking up their residence in the Colonies, and not already deducted, there would remain £63,000,000 as the actual sum that came to Australasia

in twenty-two years, during which the indebtedness of the Colonies rose from £81,700,000 to £328,500,000. Such is the operation of interest affecting a debtor country.

Before quitting this subject it may be well to remark that the sum of £47,323,000, withdrawn from investment by non-residents or sent out of the country for investment, includes the sum transferred from one Colony to another by persons changing their abode; what the sum so transferred actually amounts to cannot be stated with any pretence to exactitude. In the foregoing paragraph it has been assumed to be £35,000,000, leaving the sum introduced by immigrants from abroad £23,000,000, or thereabouts; but these figures are not given with any degree of confidence, as the data on which to base an estimate are not procurable. The other figures in this chapter are based on authentic information, and the computation of Australasia's foreign indebtedness herein made agrees with remarkable closeness with the figures of the "Banking and Insurance Record"—a very competent authority.

The following is a statement of the sums payable by each Colony to its outside creditors. In the case of private investments the sums payable are the excess of the earnings of these investments over any income derived by residents from outside investments:—

| Colony. | Payable by the State or Local Bodies. | Earnings of Invest- ments by non- residents and Incomes of Absentees, in excess of Incomes derived by residents in Aus- tralasia from Investments abroad. | Total. |
|-------------------------|--|--|------------|
| | £ | £ | £ |
| New South Wales | 1,850,000 | 3,250,000 | 5,100,000 |
| Victoria | 1,950,000 | 1,442,000 | 3,392,000 |
| Queensland | 1,156,000 | 1,854,000 | 3,010,000 |
| South Australia | 860,000 | 840,000* | 20,000 |
| Western Australia | 98,000 | 117,000 | 215,000 |
| Tasmania | 308,000 | 182,000 | 490,000 |
| New Zealand..... | 2,077,000 | 1,260,000 | 3,337,000 |
| Australasia£ | 8,299,000 | 7,265,000 | 15,564,000 |

* Incomes of residents from investments abroad, in excess of incomes of absentees, &c.

The total income derived by absentees or investors from Victoria is probably over £3,250,000 in addition to the interest payable on State and local borrowings, but Victorian investors abroad claim an income of about £1,800,000, the difference being the sum stated in the foregoing table. As regards South Australia, the income payable to foreign investors other than the holders of Government or Municipal stock, is so small as to be practically a negligible quantity.

THE BANKING CRISIS OF 1893.

To accurately describe the banking crisis of 1893, it would be necessary to have access to sources of information not open to persons outside banking circles. A volume of this kind would not be complete, however, without some details of an occurrence which so disastrously affected Australian credit and finances. The following pages have, therefore, been prepared ; and the figures given have all been independently compiled, and, where possible, checked with such trustworthy authorities as were available.

In considering the facts and figures in this sub-chapter, it would be desirable to have in view the general conditions under which banks work in these Colonies. Unlike the institutions operating in the United Kingdom, Australasian banks do not lend the bulk of their money on bills and convertible securities ; on the contrary, a large bulk of their lendings is secured on real estate, and cannot be called up at short notice without entailing grave trouble. The opportunity for loans on bills and convertible securities does not exist to any large extent in Australia, and however anxious a bank may be to touch only this class of business, it cannot do so. Several banks have large holdings of the stock and debentures of the local Government, but these have not proved of much service in cases of emergency, the only sale for such securities being in London.

The occurrences of April and May, 1893, were not altogether unexpected ; but it was not anticipated that the disorganisation of financial affairs that ensued would be of such a widespread character. As early as the year 1890 it was apparent that the stability of some institutions was about to be subjected to a severe test. The first to feel the effect of the awakening of public distrust were the building societies and land companies ; and a number of these institutions were unable, from the loose manner in which their business had been conducted, to resist the drain upon their resources ; and their fall undermined the position of kindred societies, which otherwise would have been perfectly safe. The growth of the feelings of distrust and alarm thus promoted unfortunately received an impetus from the failure of the Mercantile Bank of Australia, at Melbourne, in March, 1892. Four weeks later, the Bank of South Australia and the New Oriental Bank suspended payment. The business of the former institution was ultimately taken over by the Union Bank of Australia ; and though the failure of the New Oriental Bank came within the period of the crisis, it was not in any sense due to the Australian business of the bank. No further failures occurred during the year ; but the feeling of uneasiness gathered strength, heavy withdrawals of deposits were made, and it was evident that, unless something should dispel the feeling of insecurity, it was only a question of time before other institutions, even those undoubtedly

sound, would have to close their doors. All efforts in this direction failed. On the 29th January, 1893, the Federal Bank of Australia suspended payment; the Commercial Bank of Australia followed on the 5th April; and by the 17th May no fewer than 13 out of 25 Banks of Issue had temporarily closed. The following are the dates when the suspensions took place, the time each bank was under suspension, and the date of opening after reconstruction, the institutions being entered under their original names in the table :—

| Bank. (Original name.) | Head office. | Date of suspension. | Date of opening after reconstruction. | Length of suspension. |
|---|-----------------|------------------------|---|--------------------------|
| Commercial Bank of Australia | Melbourne | 5 April, 1893.. | 6 May, 1893.. | 31 days. |
| English, Scottish, and Australian Chartered Bank | London | 13 " " .. | 19 Aug., " .. | 128 " |
| Australian Joint Stock Bank | Sydney | 16 " " .. | 19 June, " .. | 64 " |
| London Chartered Bank of Australia | London | 26 " " .. | 10 Aug., " .. | 106 " |
| National Bank of Australasia | Melbourne | 1 May, " .. | 26 June, " .. | 56 " |
| Colonial Bank of Australasia | " | 6 " " .. | 10 July, " .. | 65 " |
| Bank of Victoria | " | 10 " " .. | 19 June, " .. | 40 " |
| Queensland National Bank | Brisbane | 15 " " .. | 2 Aug., " .. | 79 " |
| Bank of North Queensland | " | 15 " " .. | 19 July, " .. | 65 " |
| Commercial Banking Co. of Sydney | Sydney | 16 " " .. | 18 June, " .. | 33 " |
| City of Melbourne Bank | Melbourne | 17 " " .. | 19 June, " .. | 33 " |
| Royal Bank of Queensland | Brisbane | 17 " " .. | 7 Aug., " .. | 82 " |

LIABILITIES OF SUSPENDED BANKS.

The shock given to the trade of Australia by the failure of the banks was very severe, as may be judged from the fact that their united liabilities to the public were £89,845,428, and to their shareholders £13,469,786, as detailed below :—

| Bank. (Original name.) | Date of Balance-sheet. | Liabilities. | | |
|--|---------------------------|--------------------------|---------------|--------------|
| | | To Share- holders. | To Public. | Total. |
| Commercial Bank of Australia | 31st Dec., 1892 | £ 2,058,990 | £ 12,635,066 | £ 14,694,056 |
| English, Scottish, and Australian Chartered Bank | 30th Sept., 1892 | 1,239,670 | 7,028,679 | 8,268,349 |
| Australian Joint Stock Bank | 31st Dec., 1892 | 1,305,647 | 11,772,847 | 13,078,494 |
| London Chartered Bank of Australia | 31st Dec., 1892 | 1,367,958 | 7,384,600 | 8,752,558 |
| National Bank of Australasia | 31st March, 1893 | 1,730,488 | 11,155,499 | 12,885,987 |
| Colonial Bank of Australasia | 31st March, 1893 | 573,822 | 3,820,458 | 4,394,280 |
| Bank of Victoria | 31st March, 1893 | 880,380 | 7,857,405 | 8,746,785 |
| Queensland National Bank | 31st Dec., 1892 | 1,343,626 | 9,279,344 | 10,622,970 |
| Bank of North Queensland | 31st Dec., 1892 | 260,023 | 391,281 | 651,304 |
| Commercial Banking Company of Sydney | 31st Dec., 1892 | 1,535,902 | 12,439,140 | 14,025,042 |
| City of Melbourne Bank | 31st March, 1893 | 732,231 | 5,103,553 | 5,835,784 |
| Royal Bank of Queensland | 31st Dec., 1892 | 432,040 | 927,556 | 1,359,605 |
| Total ..... | ..... | 13,469,786 | 89,845,428 | 103,315,214 |

These figures are from the most recent balance-sheets before suspension; no statement has yet been published of the actual condition of business on the day of suspension. The list leaves out of consideration the Federal

Bank and the so-called banks which failed in 1892, as these institutions would probably have closed under any circumstances, and their breakdown forms no part of the banking crisis here being dealt with. Exclusive of Government money, the deposits in the twelve banks amounted to about 68 millions, of which $10\frac{3}{4}$ millions were on current account, and $57\frac{1}{4}$ millions on fixed deposit. Of the latter, about 35 millions were Australian money, and the remainder British. All the banks suspending payment put forward schemes of reconstruction, which involved the locking-up of the fixed deposits for terms of various lengths, ranging from seven to fourteen years, in some instances the acceptance of inscribed stock, and, monstrous to relate, in one case of preference shares. These proposals were, with certain modifications, adopted by the creditors in meeting, and sanctioned by the Supreme Court, to whose jurisdiction the schemes of reconstruction were required to be submitted. The deposits transferred to capital account amounted to £3,323,390; a further sum of £3,485,464 was converted into inscribed stock, that is to say, perpetual deposits; while on the balance of the deposits during the period of detention, with one exception, a uniform rate of $4\frac{1}{2}$ per cent. interest is payable, the right being reserved to the banks of paying in full before the deposits mature if they should desire to do so. The bulk of the current accounts was paid off by the end of 1893, the Commercial Banking Company of Sydney, it may be stated, having paid these in full on July 3, forty-eight days after suspension. The following table shows the amount of deposits due in each year according to the reconstruction schemes adopted. Allowance will have to be made for the deposits converted into preferential capital, the amount of which is shown:—

| Year when due. | Amount. |
|-------------------------------------|--------------|
| | £ |
| 1896 | 61,500 |
| 1897 | 1,684,124 |
| 1898 | 11,264,709 |
| 1899 | 10,964,042 |
| 1900 | 12,339,609 |
| 1901 | 8,513,109 |
| 1902 | 1,832,269 |
| 1903 | 2,732,269 |
| 1904 | 1,832,268 |
| 1905 | 1,498,935 |
| 1906 | 515,602 |
| 1907 | 515,602 |
| Interminable (Inscribed Stock)..... | 3,485,464 |
| Total | 57,239,502 |
| Less Preferential Shares..... | 3,323,390 |
| Deposits locked up | £ 53,916,112 |

ALTERATION IN CAPITAL OF BANKS.

One of the immediate effects of the reconstruction schemes was a revision of the capital, stock, and reserved profits of the banks. Five of the suspending banks wrote off a considerable portion of their original capital; but the English, Scottish, and Australian Bank, while writing down £450,000, called up £320,650; and the London Bank of Australia wrote off £250,000, and received £521,060 increased capital. The reserved profits in all the reconstructed banks, except the Commercial of Sydney, the Queensland National, and the Bank of North Queensland, have been largely reduced. In most instances the reserves have been entirely wiped out, being held in suspense against depreciation of assets. The following is a statement of the position of the banks in regard to capital and reserves on the 31st March, 1893, that is, just before the crisis, and on the 31st March, 1894. For the sake of convenience the twelve banks which weathered the storm are given, as well as the twelve that succumbed. It will be seen that two of the New South Wales banks unaffected by the crisis have added to their share capital:—

| Bank. | Head Office. | Before the Crisis (31st March, 1893). | | After the Crisis (31st March, 1894). | |
|---|------------------|--|----------------------|---|----------------------|
| | | Paid-up Capital. | Reserved Profits. | Paid-up Capital. | Reserved Profits. |
| Not Suspending Payment. | | | | | |
| Bank of New South Wales | Sydney | £ 1,250,000 | £ 1,000,000 | £ 1,683,500 | £ 1,030,864 |
| City Bank of Sydney | " | 315,550 | 187,845 | 337,866 | 227,564 |
| Royal Bank of Australia (Limited) | Melbourne | 300,000 | 7,651 | 300,000 | 7,071 |
| Bank of Adelaide | Adelaide | 400,000 | 157,149 | 400,000 | 178,752 |
| Western Australian Bank | Perth | 80,000 | 116,485 | 80,000 | 118,889 |
| Commercial Bank of Tasmania (Limited) | Hobart | 141,493 | 193,037 | 141,493 | 190,533 |
| National Bank of Tasmania (Limited) | Launceston | 152,040 | 39,074 | 152,040 | 23,794 |
| Colonial Bank of New Zealand | Dunedin | 400,000 | 77,423 | 400,000 | 84,791 |
| Bank of Australasia | London | 1,600,000 | 809,641 | 1,600,000 | 811,330 |
| Union Bank of Australia (Limited) | " | 1,500,000 | 1,095,708 | 1,500,000 | 1,015,612 |
| Bank of New Zealand | " | 900,000 | 75,831 | 900,000 | 80,061 |
| National Bank of New Zealand (Limited) | " | 250,000 | 6,834 | 250,000 | 10,073 |
| Reconstructed. | | | | | |
| Commercial Bank of Australia (Limited) | Melbourne | 1,200,000 | 783,990 | 3,496,522 | 2,145 |
| English, Scottish, and Australian Bank (Limited) | London | 900,000 | 321,670 | 770,650 |* |
| Australian Joint Stock Bank (Limited) | Sydney | 704,709 | 529,493 | 930,215 | 40,309 |
| London Bank of Australia (Limited) | London | 1,000,000 | 377,251 | 1,271,060 | 2,083 |
| National Bank of Australasia (Limited) | Melbourne | 1,000,000 | 679,032 | 1,560,642 | 108,950 |
| Colonial Bank of Australasia (Limited) | " | 406,250 | 303,136 | 742,031 | 2,370 |
| Bank of Victoria (Limited) | " | 600,000 | 259,380 | 1,144,175 | 4,980 |
| Queensland National Bank (Limited) | Brisbane | 800,000 | 501,811 | 559,246 | 501,811 |
| Bank of North Queensland (Limited) | " | 249,554 | 4,454 | 200,000 | 4,996 |
| Commercial Banking Company of Sydney (Limited) | Sydney | 600,000 | 849,489 | 850,555 | 1,032,674 |
| City of Melbourne Bank (Limited) | Melbourne | 500,000 | 422,117 | 597,325 | 51,694 |
| Royal Bank of Queensland (Limited) | Brisbane | 375,000 | 47,674 | 300,000 | 33,650 |

* Not established.

With one exception, viz., the Bank of North Queensland, all the reconstructed banks are adding to their working capital, either by calling up on the subscribed shares or by fresh issues. The five Victorian banks and one London bank are, in addition, creating preferential share capital by capitalising a portion of the fixed deposits; but only in the case of the Commercial of Australia have the terms of reconstruction made it compulsory for the holders of deposits to accept shares. The New South Wales and Queensland Banks, and the other London institution, have relied entirely on the ordinary method of raising additional capital, unless exception be taken to the inscription of £385,464 of the fixed deposits of the Australian Joint Stock Bank. It will be interesting to compare the results obtained by the banks conducting business under ordinary capital, with those obtained by the institutions adopting ordinary and preferential share capital. Apparently the shareholders of the former are in the happier position as regards the division of profits; while the increased stability claimed for the latter system is yet an open question. It must be mentioned, however, that the preference, as applying to both capital and interest, will cease in a certain number of years. One thing is pretty certain—the day of heavy dividends will not come again for some time.

Allusion has been made to the fact that the interest payable on deposits under the various schemes of reconstruction was fixed at $4\frac{1}{2}$ per cent. in every instance but one, the English, Scottish, and Australian Bank having obtained a more favourable rate (4 per cent.). In fixing $4\frac{1}{2}$ per cent., the managers and directors of the banks seemed to have been of opinion that they would be able to transact business on the same lines, and make equally large profits, as before the crisis. In this expectation most of the reconstructed institutions have been disappointed, and the payment of interest at the rate agreed upon has become very burthensome, especially as the current rate for fixed deposits has fallen to 2 per cent. for six months, and $3\frac{1}{2}$ per cent. for twelve months; and at these rates money is freely offering. It is evident from this that the banks that have undergone reconstruction are under a disadvantage as compared with the other banks, and will remain so until the rates rise to their old level or the fixed depositors are paid off.

The system of issuing perpetual inscribed stock deposits, formerly followed only by the Union Bank of Australia, has been adopted by the English, Scottish, and Australian Bank and the Australian Joint Stock Bank, the former having, early in 1894, inscribed £3,100,000 of the deposits held, and the latter, as already stated, £385,464. The holders of the Inscribed Stock of the English, Scottish, and Australian Bank have the power to appoint two directors so long as the amount outstanding shall exceed one half of the total originally issued; the stockholders of the other bank are placed on the same footing as ordinary shareholders as regards the election of directors.

The ordinary and preferential share capital called up and the reserved profits to March, 1894, were as follow :—

| | £ | £ | £ |
|---|------------------|-------------|------------|
| Paid-up Capital, March, 1893 | 15,624,596 | | |
| <i>Less—</i> | | | |
| Capital written off to Contingent Fund— | | | |
| English, Scottish, and Australian Bank ... | 450,000 | | |
| London Bank of Australia | 250,000 | | |
| Queensland National Bank..... | 320,000 | | |
| Royal Bank of Queensland..... | 75,000 | | |
| Bank of North Queensland..... | 50,000 | | |
| | <u>1,145,000</u> | | |
| <i>Add—</i> | | | 14,479,596 |
| Calls paid on account of Reconstructed Banks | | | |
| during 12 months, 31st March, 1894— | | | |
| Ordinary Capital | 1,978,038 | | |
| Preference Share Capital..... | 3,303,870 | | |
| | <u>5,281,908</u> | | |
| <i>Further Issue—</i> | | | |
| Bank of New South Wales..... | 433,500 | | |
| City Bank of Sydney | 72,316 | | |
| | <u>505,816</u> | | |
| | | | 5,787,724 |
| Total Paid-up Capital of all Banks, March, 1894 | | £20,267,320 | |
| Total Reserved Profits of all Banks, March, 1894..... | | 5,572,201 | |

The above table would be incomplete without a supplementary statement giving the amount of calls to be made during the next few years, which, if they be met, will give, with the capital already called up, a total working capital of £30,357,846, or £14,733,250 in excess of the working capital before the crisis. The total capital is made up as follows :—

| | £ | £ |
|--|------------------|-------------|
| Paid-up Capital to March, 1894 | 20,267,320 | |
| Amount of Calls to be met by ordinary Shareholders of | | |
| Reconstructed Banks | 4,256,908 | |
| Balance of Additional Capital— | | |
| Bank of New South Wales..... | 316,500 | |
| City Bank of Sydney | 12,134 | |
| | <u>328,634</u> | |
| Preferential Capital to be created..... | 19,520 | |
| Perpetual Inscribed and Debenture Stock Deposits— | | |
| English, Scottish, and Australian Bank, Limited... 3,100,000 | | |
| Australian Joint Stock Bank, Limited | 385,464 | |
| | <u>3,485,464</u> | |
| Bank of New Zealand—Guaranteed Share Capital | 2,000,000 | |
| Total Actual and Prospective Working Capital..... | | £30,357,846 |

The Bank of New Zealand, from causes which were chiefly local and had but slight connection with the banking crisis of the sister Colonies, became seriously embarrassed during the middle of 1894. The Govern-

ment of the Colony promptly took action, and, at the end of June, passed the "Bank of New Zealand Share Guarantee Act of 1894." The Act authorises the issue of preferential shares to the extent of £2,000,000 under State guarantee, £1,000,000 of which will be used for ordinary banking purposes, and the remainder as the Government may direct. The necessary capital was subscribed in July, on the same day on which the share list was opened. Permission is also given to call up £500,000 of the £1,500,000 reserved liability on the ordinary share capital, and to suspend the dividends on ordinary capital; and the Act also provides for the removal of the head office of the bank from London to Wellington within three months after issue of shares. This bank, therefore, has become, to all intents and purposes, a State institution, and as such is the first of its kind in the Colonies.

BANKING RETURNS.

The laws relating to banks and banking at present in force are susceptible of great improvement; and the recent failure of many monetary institutions posing as banks has directed attention to the strong necessity for entirely revising the conditions under which deposits may be taken from the general public. All institutions transacting the business of banking are required by law to furnish quarterly statements of their assets and liabilities in a specified form, and from these statements and the periodic balance-sheets the tables in this chapter have been compiled. The returns furnished by the banks, though in compliance with the laws of the Colonies, are by no means satisfactory, being quite unsuited to the modern methods of transacting banking business, nor can they be taken without question as indicating the stability or otherwise of the banks. As a rule nothing can be elicited beyond what is shown in the balance-sheets. These are published half-yearly, with the exception of those of three banks which are issued annually. No uniformity is observed as regards the dates of closing the balance-sheets, and the modes of presentation are equally diverse. Important items which should be specifically stated are lumped with accounts of minor import, and, as a rule, current accounts are blended with other accounts instead of being separately shown. The value of the information vouchsafed to the public is illustrated by the fact that it was impossible to obtain from the publications of several institutions suspending payment the amount of their liabilities either to the public or the State, and these particulars are still unknown.

The liabilities and assets of each bank, according to balance-sheets published at the end of 1893 or early in 1894, are shown in the following table. Under the head of deposits are included in some cases small items which should be classed as other liabilities, but which cannot be distinguished in the balance-sheets:—

BANKS OF ISSUE—AUSTRALASIA.

| Bank. | Date of Balance Sheet. | Liabilities to Public. | | | | Assets. | | | |
|--|------------------------|------------------------|------------|--------------------|------------|-------------------|------------|---------------|------------|
| | | Notes in circulation. | Deposits. | Other liabilities. | Total. | Coin and bullion. | Advances. | Other assets. | Total. |
| | | £ | £ | £ | £ | £ | £ | £ | £ |
| Bank of New South Wales | 31 Mar., '04 | 851,652 | 17,421,081 | 2,857,006 | 21,129,829 | 4,093,603 | 13,136,476 | 1,795,941 | 24,031,020 |
| City Bank of Sydney | 31 Dec., '93 | 126,830 | 1,077,525 | 412 | 1,204,767 | 260,674 | 1,410,079 | 130,783 | 1,801,536 |
| Royal Bank of Australia (Limited) | 31 Mar., '04 | 4,263 | 279,060 | 21,070 | 304,402 | 114,893 | 466,438 | 33,304 | 614,730 |
| Bank of Adelaide | 26 „ '94 | 86,391 | 1,723,938 | 108,069 | 1,923,898 | 232,841 | 1,238,755 | 927,542 | 2,499,133 |
| Western Australian Bank | 31 Dec., '93 | 33,338 | 453,881 | 21,131 | 508,400 | 100,032 | 551,470 | 62,788 | 714,290 |
| Commercial Bank of Tasmania (Limited) .. | 31 „ '93 | 40,797 | 1,437,867 | ..... | 1,478,664 | 242,333 | 1,393,407 | 177,290 | 1,813,030 |
| National Bank of Tasmania (Limited) | 31 May, '04 | 25,395 | 314,005 | 24,296 | 363,876 | 96,671 | 414,017 | 33,754 | 544,442 |
| Colonial Bank of New Zealand | 28 Feb., '04 | 116,793 | 2,024,313 | 787,836 | 2,923,942 | 362,098 | 2,613,839 | 1,037,797 | 3,413,734 |
| Bank of Australasia | 16 Oct., '93 | 480,134 | 13,060,845 | 1,804,366 | 15,345,345 | 3,405,917 | 13,029,815 | 1,330,949 | 17,816,631 |
| Union Bank of Australia (Limited) | 31 Aug., '93 | 512,415 | 16,913,319 | 2,892,807 | 20,318,541 | 3,995,721 | 17,239,879 | 1,658,553 | 22,894,153 |
| Bank of New Zealand | 31 Mar., '03 | 530,323 | 8,071,783 | 1,343,699 | 9,935,805 | 1,484,457 | 7,127,655 | 2,310,354 | 10,922,466 |
| National Bank of New Zealand (Limited) .. | 31 „ '04 | 110,513 | 1,434,366 | 470,596 | 2,015,475 | 304,075 | 1,854,643 | 126,330 | 2,285,048 |
| Commercial Bank of Australia (Limited) .. | 31 Dec., '93 | 163,824 | 8,461,636 | 191,694 | 8,817,204 | 1,292,491 | 9,866,571 | 1,062,517 | 12,221,579 |
| English, Scottish, & Australian Bank (Ld.) | | * | * | * | * | * | * | * | * |
| Australian Joint Stock Bank (Limited) .. | 31 Dec., '93 | 211,430 | 9,470,129 | 153,775 | 9,840,334 | 1,141,436 | 8,276,978 | 1,438,477 | 10,856,941 |
| London Bank of Australia (Limited) | 31 „ '03 | 131,302 | 6,013,464 | 645,271 | 6,840,037 | 1,056,540 | 6,350,378 | 644,951 | 8,051,569 |
| National Bank of Australasia (Limited) .. | 31 Mar., '04 | 250,127 | 7,856,594 | 842,179 | 8,948,900 | 1,764,603 | 6,865,529 | 2,015,100 | 10,645,232 |
| Colonial Bank of Australasia (Limited) .. | 31 „ '04 | 106,721 | 2,466,617 | 173,501 | 2,746,339 | 401,557 | 2,351,866 | 245,672 | 3,499,093 |
| Bank of Victoria (Limited) | 31 Dec., '93 | 143,318 | 6,361,662 | 291,002 | 6,795,982 | 1,189,326 | 5,915,022 | 804,742 | 7,909,090 |
| Queensland National Bank (Limited) | 31 „ '93 | 440 | 8,560,391 | 162,536 | 8,723,367 | 735,141 | 7,288,079 | 1,227,025 | 9,300,245 |
| Bank of North Queensland (Limited) | 31 „ '93 | 2,269 | 265,069 | 81,389 | 348,727 | 67,122 | 441,367 | 48,234 | 556,723 |
| Commercial Banking Co. of Sydney (Ld.) .. | 31 „ '93 | 393,293 | 10,688,142 | 262,799 | 11,344,234 | 2,118,667 | 9,535,323 | 1,540,415 | 13,203,405 |
| City of Melbourne Bank (Limited) | 31 Mar., '04 | 43,064 | 3,984,648 | 126,757 | 4,154,469 | 499,757 | 4,078,767 | 230,613 | 4,809,137 |
| Royal Bank of Queensland (Limited) | 31 Dec., '93 | 1,642 | 773,304 | 48,135 | 823,081 | 173,255 | 835,309 | 148,167 | 1,156,731 |

* The English, Scottish, and Australian Bank (Limited) has not published a balance-sheet since September, 1892.

The results of working for the first half-year after the crisis are given below. The dates of the balance-sheets will be found in the preceding table :—

| Bank. | Class of Shares. | Amount of Profits for Half-year. | | | | Total. |
|---|-------------------|----------------------------------|---------------------|-------------------------|--------|--------|
| | | Rate of Dividend per annum. | Amount of Dividend. | Amount carried forward. | | |
| Not Suspending Payment. | | | | | | |
| Bank of New South Wales | Ordinary .. | 10 | £ 77,679 | £ 21,037 | 99,316 | |
| City Bank of Sydney | " .. | 6 | 10,418 | 8,172 | 18,590 | |
| Royal Bank of Australia (Limited) | " .. | " | Nil. | 10,328 | 10,328 | |
| Bank of Adelaide | " .. | 7 | 14,000 | 18,240 | 32,240 | |
| Western Australian Bank | " .. | 17½ | 7,000 | 18,890 | 25,890 | |
| Commercial Bank of Tasmania (Limited) | " .. | 10 | 7,340 | 533 | 7,873 | |
| National Bank of Tasmania (Limited) | " .. | 6 | 4,732 | 1,473 | 6,205 | |
| Colonial Bank of New Zealand | " .. | 7 | 14,000 | 10,792 | 24,792 | |
| Bank of Australasia | " .. | 7½ | 60,000 | 11,336 | 71,336 | |
| Union Bank of Australia (Limited) | " .. | 8 | 60,000 | 15,612 | 75,612 | |
| †Bank of New Zealand | " .. | " | " | " | " | |
| National Bank of New Zealand (Limited) | Ordinary .. | 5 | 12,500 | 15,175 | 27,675 | |
| Reconstructed. | | | | | | |
| Commercial Bank of Australia (Limited) | { Ordinary .. | " | Nil. } | 2,145 | 55,895 | |
| | { Preferential .. | 5 | 53,750 } | | | |
| *English, Scottish, and Australian Bank (Limited) | Ordinary .. | " | Nil. | 25,088 | 51,039 | |
| Australian Joint Stock Bank (Limited) | Ordinary .. | 5 | 22,951 | | | |
| London Bank of Australia (Limited) | { Ordinary .. | " | Nil. } | 2,083 | 5,987 | |
| | { Preferential .. | 5½ | 8,904 } | | | |
| National Bank of Australasia (Limited) | { Ordinary .. | 4 | 23,267 } | 9,730 | 40,690 | |
| | { Preferential .. | 5 | 7,643 } | | | |
| Colonial Bank of Australasia (Limited) | { Ordinary .. | " | Nil. } | 2,691 | 10,223 | |
| | { Preferential .. | 5 | 7,532 } | | | |
| Bank of Victoria (Limited) | { Ordinary .. | 5 | 15,149 } | 4,979 | 31,655 | |
| | { Preferential .. | 5 | 11,527 } | | | |
| Queensland National Bank (Limited) | Ordinary .. | " | Nil. | 33,796 | 33,796 | |
| Bank of North Queensland (Limited) | " .. | " | Nil. | 4,996 | 4,996 | |
| Commercial Banking Company of Sydney (Ltd.) .. | " .. | 10 | 34,796 | 32,074 | 67,470 | |
| City of Melbourne Bank (Limited) | { Ordinary .. | " | Nil. } | 6,525 | 7,341 | |
| | { Preferential .. | 5 | 816 } | | | |
| Royal Bank of Queensland (Limited) | Ordinary .. | " | Nil. | 12,650 | 12,650 | |

* Balance-sheet not published.

† Information not obtainable.

BANKING BUSINESS OF EACH COLONY.

Of the twenty-four banks operating in Australasia at the beginning of 1894, thirteen had offices in New South Wales, twelve in Victoria, eleven in Queensland, eight in South Australia, five in Western Australia, four in Tasmania, and six in New Zealand. There was only one bank doing business in each of the seven Colonies; two transacted business in six Colonies; one in five Colonies, three in four, one in three, four in two, and twelve banks did not extend their business beyond the limits of one Colony. The liabilities and assets of the

twenty-four banks of issue operating in the different Colonies, during the March quarter of 1894, are shown in the following tables. The total liabilities of the banks are given as £106,346,112, and the assets as £154,709,726, showing a surplus of assets of £48,363,614. If the returns gave all the facts in relation to the operations of the banks, this surplus would be represented almost entirely by capital or funds provided out of their own resources; but the capital and reserve funds amount only to £25,839,521, so that there is a balance of about £22,520,000 to be otherwise accounted for. This sum represents deposits obtained in the United Kingdom, and used in the Australian business of the banks. The total British deposits with Australasian banks, however, is probably not less than thirty millions. The following figures will convey some notion of the business transacted within each Colony:—

LIABILITIES.

| Colony. | Notes in circulation not bearing Interest. | Bills in circulation not bearing Interest. | Deposits. | | Balances due to other Banks, &c. | Total. |
|------------------------|--|--|-----------------------|-------------------|----------------------------------|-------------|
| | | | Not bearing Interest. | Bearing Interest. | | |
| | £ | £ | £ | £ | £ | £ |
| New South Wales..... | 1,382,025 | 71,390 | 8,638,966 | 21,637,957 | 68,642 | 31,848,980 |
| Victoria | 1,107,664 | 159,214 | 8,479,198 | 25,905,613 | 205,303 | 35,856,992 |
| Queensland { | Treas. Notes | 18,803 | ..... | ..... | .... | ..... |
| | Bank Notes | 26,109 | 20,001 | 2,675,973 | 8,148,520 | 43,223 | 10,932,629 |
| South Australia | 392,805 | 13,262 | 1,725,156 | 5,283,056 | 54,481 | 7,468,760 |
| Western Australia..... | 104,167 | 18,654 | 556,589 | 949,170 | 6,258 | 1,634,838 |
| Tasmania | 97,263 | 25,635 | 899,446 | 2,363,852 | .... | 3,386,201 |
| New Zealand | 975,526 | 57,596 | 4,150,712 | 10,003,044 | 30,834 | 15,217,712 |
| Australasia..... | 4,104,367 | 365,752 | 27,176,040 | 74,291,212 | 408,741 | 106,346,112 |

The preceding table shows that over 95 per cent. of the Australasian liabilities of the banks consisted of deposits, viz.:—£101,467,252 out of £106,346,112. The statements by banks in each Colony, with the exception of Tasmania, distinguish between deposits at call and deposits bearing interest. In Tasmania, although not obliged by law to do so, the same distinction has been made by every bank but one; and assuming the proportion of deposits at call to total deposits in that bank to be the same as in the case of the other banks doing business in Tasmania, the total deposits at call are as stated in the table, viz.:—£27,176,040, or somewhat over 26 per cent. of all deposits.

The assets for the same period were as given in the following table. Certain assets of small amount, not classifiable under any of the sub-

heads of the table, have been included in the total, and in the case of one Colony technical over-statements of the assets of some of the banks have been rectified :—

ASSETS.

| Colony. | Coin. | Bullion. | Landed Property. | Notes and Bills discounted, and all other Debts due to the Bank. | Notes and Bills of other Banks, and Balances due from other Banks. | Total. |
|-------------------------|------------|----------|------------------|--|--|-------------|
| | £ | £ | £ | £ | £ | £ |
| New South Wales..... | 6,770,538 | 106,400 | 1,930,323 | 38,133,042 | 439,655 | 47,384,972 |
| Victoria | 8,290,312 | 404,217 | 2,922,548 | 44,089,273 | 312,775 | 56,028,125 |
| Queensland | 1,764,727 | 242,779 | 740,996 | 15,332,373 | 506,339 | 18,069,489 |
| South Australia | 1,908,634 | 20,273 | 552,592 | 6,128,100 | 71,455 | 8,725,695 |
| Western Australia | 492,999 | 40,213 | 103,382 | 2,050,474 | 27,215 | 2,721,783 |
| Tasmania | 637,508 | 27,410 | 115,538 | 2,522,250 | 132,604 | 3,490,537 |
| New Zealand | 2,429,333 | 117,472 | 533,220 | 12,228,901 | 67,639 | 17,680,125 |
| Australasia..... | 22,303,051 | 958,773 | 5,998,604 | 121,439,413 | 1,557,682 | 154,709,720 |

The following table shows the metallic reserves held by the banks as against their total Australasian liabilities, and also against their liabilities at call, viz., deposits at call and note circulation. The table, however, cannot be taken as complete, as those banks which receive deposits in England and elsewhere, and which do not include such deposits or liabilities, are shown in too favourable a light :—

| Colony. | Coin and Bullion. | Total Liabilities. | Liabilities at Call. | Percentage of Coin and Bullion. | |
|-------------------------|-------------------|--------------------|----------------------|---------------------------------|-------------------------|
| | | | | To Total Liabilities. | To Liabilities at Call. |
| | £ | £ | £ | | |
| New South Wales..... | 6,876,947 | 31,848,980 | 10,070,991 | 21·59 | 68·28 |
| Victoria | 8,703,529 | 35,856,992 | 9,586,862 | 24·27 | 90·79 |
| Queensland | 2,007,506 | 10,932,629 | 2,720,885 | 18·36 | 73·77 |
| South Australia | 1,928,907 | 7,468,760 | 2,117,961 | 25·83 | 91·07 |
| Western Australia | 533,212 | 1,634,838 | 660,756 | 32·61 | 80·70 |
| Tasmania | 664,918 | 3,386,201 | 996,714 | 19·63 | 66·71 |
| New Zealand | 2,546,805 | 15,217,712 | 5,126,238 | 16·74 | 49·68 |
| Australasia | 23,261,824 | 106,346,112 | 31,280,407 | 21·87 | 74·36 |

It will be seen that New Zealand apparently holds the weakest position in the proportion of cash reserves both to total liabilities and liabilities at call. This, however, means very little, seeing that in some of the Colonies many banks profess to hold gold largely in excess of their wishes or requirements.

EXPENSES OF BANKING.

The balance sheets of banks, as presented to the shareholders, do not usually contain details likely to satisfy the inquirer curious to discover the amount of gross profits as compared with the net amount divisible amongst shareholders. Allowing the same proportion of expenses for the banks not disclosing this information as for the banks concerning which particulars are available, the following results are obtained, the period referred to being the year before the crisis :—

| | |
|---|--------------|
| Total trading assets..... | £155,582,833 |
| Capital and reserves | 19,084,148 |
| Gross earnings, less reserve for bad and doubtful debts | 7,638,400 |
| Gross expenditure, including interest..... | 6,068,600 |
| Net earnings..... | 1,569,800 |

Compared with the total assets, the net earnings represent 1·01 per cent. ; and compared with the banks' own resources, *i.e.*, capital and reserved profits, 8·23 per cent. The gross expenditure above set down may be divided into expenses of management, £2,019,600, and interest, £4,049,000 ; these together amount to 79·5 per cent. of the gross earnings, the management expenses being 26·5 per cent., and the interest 53 per cent. It would appear, therefore, that for every £1 of net earnings, the sum of £1 6s. is spent in management expenses, and £2 12s. in interest. The cost of working banking institutions in Australia is, undoubtedly, very large ; but this class of business is everywhere expensive, and an analysis of the balance-sheets of some twenty British banks shows that the expenses of management amount to nearly 16s. for every £1 of net earnings.

Compared with their resources, the net earnings of Australasian banks are far less than those of English banks, as will appear from the following statement, which gives the rate per cent. per annum of earnings compared with total resources, including, of course, deposits and issue, as well as shareholder's capital :—

| | £ | s. | d. | | £ | s. | d. |
|------------------------------|---|----|----|----------------------------|---|----|----|
| Bank of England | 1 | 18 | 5 | Bank of Isle of Man | 1 | 2 | 6 |
| English Provincial Banks ... | 1 | 10 | 9 | Scotch Banks | 1 | 0 | 5 |
| Irish Banks | 1 | 8 | 5 | Banks trading in New South | | | |
| London Banks | 1 | 3 | 11 | Wales | 1 | 0 | 3 |

The expense of banking in Australia is largely due to the number of branches open throughout the country ; thus, in New South Wales, prior to the crisis, there were 504 banks and branches, or one to every 2,150 persons ; in England the proportion is one bank to 10,000 persons, and in Scotland one to every 4,000. Since the crisis, however, several of the Australian banks have closed a number of their minor branches.

OTHER BANKING SUSPENSIONS.

The term "Bank" in Australasia may cover any person or persons receiving and lending money, from the legitimate institution down to the small one carrying on a questionable business at usurious interest ; but the designation "Bank of Issue" reduces the number of institutions to twenty-four for the whole of Australasia. The uneasy feeling in England regarding the solvency of Australian banks is not a little due to the public not being able to distinguish companies carrying on legitimate banking business from institutions engaged in land jobbing. The following statement has been compiled with a view of showing the banks, properly so called, which suspended payment during the last four years, in addition to those banks already dealt with. Four of the institutions, the New Oriental, the Standard, the Ballarat Banking Company, and the Australian Banking Company of Sydney, had no note issue :—

| Bank. | Paid-up Capital and Reserves. | Deposits (Current account and fixed deposits). |
|--|-------------------------------------|--|
| | £ | £ |
| Mercantile Bank of Sydney (taken over by Commercial Bank of Australia) | 350,806 | 1,540,605 |
| Bank of Van Diemen's Land | 306,714 | 786,016 |
| Metropolitan Bank (Limited) | 494,985 | 835,488 |
| Mercantile Bank of Australia | 556,273 | 1,831,240 |
| Ballarat Banking Company (re-opened)..... | 114,445 | 350,783 |
| Bank of South Australia (taken over by Union Bank) | 718,396 | 3,625,571 |
| New Oriental Bank..... | 861,821 | 5,630,209 |
| Federal Bank of Australia..... | 525,665 | 1,957,847 |
| Standard Bank of Australia (re-opened) | 374,142 | 785,612 |
| Australian Banking Company of Sydney | 114,086 | 97,878 |

The Mercantile Bank of Sydney went into liquidation during the early part of 1891, and shortly afterwards the business of this bank was taken over by the Commercial Bank of Australia.

The Bank of Van Diemen's Land suspended payment on the 3rd August, 1891, and on the 22nd September of the same year, at a meeting of shareholders, it was decided to voluntarily wind up the affairs ; and on the 5th October an Act was passed providing for the carrying out of the resolution. During the early part of 1894, through the remaining assets being unsaleable, the Legislature of Tasmania passed an Act empowering the Trustees to dispose of the properties by public lottery, the shares in which were being offered to the public during October, 1894.

The Metropolitan Bank (Limited) suspended payment on the 3rd December, 1891, but information as to its later operations is not obtainable.

The Mercantile Bank of Australia suspended payment on the 5th March, 1892, and on the 21st of the same month, at a special meeting of shareholders, it was resolved to voluntarily wind up. Several of the directors, the manager, and the auditors were charged with presenting false balance-sheets, but no convictions were obtained.

The Ballarat Banking Company suspended payment on the 26th March, 1892, was reorganised on the 29th of the same month, and reopened on the 8th June of the same year.

The Bank of South Australia went into liquidation, and its business was taken over by the Union Bank of Australia on the 11th April, 1892.

The New Oriental Bank Corporation suspended payment on the 8th June, 1892, and went into voluntary liquidation on the 16th of the same month. It is estimated that this bank will pay a dividend of 12s. 6d. in the £.

The Federal Bank of Australia suspended payment on the 28th January, 1893, and the voluntary liquidation under the Companies' Act was agreed to on the 17th February. A further resolution was carried to the effect that the liquidation should be continued under the supervision of the Supreme Court of Victoria, and the necessary order was accordingly made by the Court. An application was made for the removal of the official liquidator in Melbourne, and consequently delay has arisen in connection with the payment of a dividend, but the preferential liabilities have been discharged.

The Standard Bank of Australia first suspended payment on the 3rd December, 1891, and was reconstructed. The adverse circumstances of 1893, however, compelled the bank to again close its doors on the 28th April, 1893, but it was once more reconstructed, and opened for business on the 11th August, 1893. The figures given above apply to the second suspension.

The Australian Banking Company of Sydney suspended on 2nd November, 1891. The shareholders held a meeting on the 10th of the same month and resolved to voluntarily wind-up, and the liquidation of the assets is now being proceeded with.

RECENT BANKING LEGISLATION.

The provinces chiefly affected by banking suspensions were New South Wales, Victoria, and Queensland; but only in two of the Colonies was legislative action taken with a view to minimise the effects of the suspensions.

NEW SOUTH WALES.

The first measure to be passed by New South Wales was the "Bank Issue Act of 1893," which was assented to on the 3rd May of that year. Under its provisions bank notes were made a first charge on the bank

assets, and the Governor-in-Council could declare notes a legal tender for a period of twelve months from the passing of the Act. The first part of the Act was to be permanent, and provided that all notes payable on demand and issued under authority of any statute should be, to the amount of the issue authorised, a first charge on all assets and property of the bank issuing them. A proclamation under the Act declaring the notes of certain banks legal tender was in operation for the six months ending 14th November, 1893; but it was not considered necessary to extend the provisions after that date, the object sought for—restoration of confidence—having been gained during the interval.

The second measure, which was named the "Current Account Depositors' Act," and passed on the 26th May, 1893, authorised the Treasury to advance Treasury notes to the extent of half the amount of the current accounts locked up in the banks. The Treasury notes were made payable in gold upon presentation at the Treasury on the expiration of five years from the passing of the Act, or within such shorter time as might be notified, but no note was to be payable unless presented before the expiration of six years. During this period of five years Treasury notes were made legal tender. As security for the advance so made, the Treasurer was to hold the certificate of deposit for the full amount, and was entitled to all dividends, interest, or profit on the same. At the time of suspension there was locked up on current account the sum of £4,794,000, so that the Treasurer might have been called upon to advance half this sum. As events turned out, the actual sum was not nearly so large, the total issue being only £358,000. The Treasury notes issued were practically all redeemed by 1893.

The third measure, the "Bank Notes Act of 1893," was an Act to regulate the issue of Bank notes, and to make them a legal tender except at the chief offices of the banks in Sydney, the date of receiving the Royal assent being the 9th April, 1894. The Act applies only to twelve banks of issue trading in New South Wales, the exception being the Bank of North Queensland. These banks only are empowered to issue notes, and the issue must not exceed one-third of the paid-up capital (such sum not being in any case greater than one-third of two million pounds), together with the value of the coin and bullion held by the bank in New South Wales; but the total issue in the Colony by any bank must not exceed one million pounds. The Act has effect for eighteen months from the date of passing, and provision was made for the composition on bank notes being increased from 2 to 2½ per cent.

The fourth measure, "The Reconstructed Companies Act," which was passed in the same year, provided for the transfer of all assets, &c., of the old company to the new; also that the name of the old company should be read as that of the new in all transactions; and that all actions by or against the old company should be prosecuted and dealt with in the name of or against the new company.

VICTORIA.

The Government of Victoria issued a proclamation appointing as bank holidays the five days from the 1st to the 5th May, 1893. Several of the banks, however, disregarded the proclamation and thereby succeeded in somewhat abating the public excitement that so unwise a step aroused. Prior to declaring the moratorium the Government had attempted to obtain an undertaking from the associated banks to assist the Commercial Bank of Australia to whatever extent was required, but, after consideration, they declined to entertain the proposal, and the Commercial Bank of Australia was compelled to suspend payment.

QUEENSLAND.

In Queensland the first assistance rendered by the Legislature was the passing of the "Public Depositors' Relief Act," which authorised the Colonial Treasurer to make advances in respect of deposits of a public nature in suspended banks. The Act applied only to deposits by Hospitals, Flood Relief Committees, Civil Service Investment Board, Police Superannuation Fund, Fire Brigades, Schools of Arts, and by local authorities, including Waterworks Boards, etc., and any other deposits which the Treasurer might consider to be of a public nature.

The "Treasury Note Act" of the same Colony provided (1) for the issue of Treasury notes against a reserve of 25 per cent. gold, the balance to be covered by Treasury Bills; (2) for the abolition of bank notes; and (3) for the retirement of notes of suspended banks by Treasury notes. These notes have practically taken the place of the old bank notes, the composition duty having been raised to 10 per cent. The notes issued are of the value of £1, £5, and any multiple of the latter amount, and are payable in gold at the Treasury. The agreement between the banks and the Government, to the effect that the amount of notes supplied to the banks should be a Crown debt due by the banks, bearing interest at 4 per cent., terminates at the end of 1894. Generally speaking, the Act has worked unsatisfactorily to both parties, as is apparent from the Under Treasurer's official memorandum on the subject, addressed to the Governments of the other Colonies.

SOUTH AUSTRALIA.

On the 11th July, 1893, a Bill to authorize the issue of Treasury notes was introduced into the Assembly of South Australia, and read a first time; and on the 12th July of the same year a Bill was introduced providing for the release of current accounts held by reconstructed banks; but no further action was taken with regard to these measures.

NEW ZEALAND.

During 1893 the New Zealand Government passed an Act to regulate Bank note issues, the operations of which were extended under the Bank of New Zealand Share Guarantee Act, passed in 1894, already referred to.

INVESTMENT COMPANIES.

In addition to the Banks of Issue, there are numerous Savings Banks and Land, Building, Investment, Trading, and Commercial Companies receiving money on deposit and transacting much of the business usually undertaken only by banks of issue. The land, building, and other trading companies were presumed to be in a flourishing condition even as late as the year 1890. Their dividends to shareholders were very large, and the rates allowed on deposits were considerably in excess of those current in the banks of issue. As might be expected, the high interest offered was too tempting a bait to be resisted by a section of the investing public, and large sums were placed in these institutions with the utmost confidence that they would be available when required. This confidence, unfortunately, proved to be, in many instances, unmerited. The shrinkage of land values, and the depreciation of real estate generally, put an end to all unsound institutions working on speculative lines, as well as to some other companies that were conducted on reasonable principles. The difficulties into which the deposit companies have fallen may for the most part be attributed to their practice of borrowing money for short periods, and locking it up for long terms. Besides this, however, many so-called building societies indulged in speculative land purchases, and having retailed the land at enhanced prices, with payments over extended periods, proceeded to divide the presumed profits among the shareholders; with a result that might easily have been foreseen, for in many cases the purchasers, after paying a few instalments toward the price, left the allotments on the hands of the companies, whose anticipated profits were therefore purely visionary, and whose dividends were really never earned, but, in many instances, were merely taken from the deposits.

SAVINGS BANKS.

The Savings Banks are on a very different footing, being to a greater or less extent under State control and otherwise safeguarded, so that they enjoy public confidence. The institutions classed as Savings Banks may be divided into two kinds—those worked in conjunction with the Post Office, and, consequently, directly administered by the State; and those under trustees or commissioners, who are generally nominated by the Government. The declared objects of these banks are to encourage thrift in the working classes, and to provide a safe investment for the funds of charitable institutions, friendly societies, and such like. The institutions, however, have become so popular that all classes of the community are represented amongst their depositors.

The banks directly controlled by the State Governments were unaffected by the financial troubles, except that their deposits were somewhat increased. The banks under trustees were not so fortunate.

A run on the Savings Bank of New South Wales took place in February, 1892. The bank promptly met all demands in gold, and the panic subsided as quickly as it arose. During the time the scare lasted, deposits to the amount of £124,000 were paid over the counter, and, in addition to this amount, £13,119 were paid by the banks of issue in the interests of the Savings Bank, making a total of £137,119 withdrawn by depositors. A second run took place during the bank panic of 1893, but it did not greatly disturb the business of the bank. The Auckland Savings Bank had a similar experience during September, 1893, but the trustees promptly met the call upon their funds, and the panic quickly subsided. In the case of both banks, the run was quite unjustifiable; but, had the necessity arisen, the Governments of the Colonies interested were prepared to render practical assistance to the menaced institutions.

In New South Wales there are both State and trustee institutions for the receipt of savings, the Post Office Savings Bank having been established in 1871, and the Savings Bank of New South Wales as far back as 1832. In both institutions sums of one shilling and any multiple of that amount may be deposited; but, with the exception of the funds of charitable institutions and friendly societies, deposits exceeding £200 do not bear interest on such excess. The general rate of interest allowed in both banks is 4 per cent.; but the trustee institution allows an additional 1 per cent. on accounts remaining open at the end of the year.

In Victoria both commissioners' and Post Office Savings Banks, established in 1842 and 1865 respectively, are in operation. Amounts of one shilling and any multiple thereof are received; and deposits in the commissioners' banks are guaranteed by the Government, an obligation undertaken by it in May, 1893. The rate of interest paid was 4 per cent. up to September, 1893, when it was reduced to $3\frac{1}{2}$ per cent., and in April, 1894, to 3 per cent. Interest is not allowed on any sum in excess of £250. It has been proposed to amalgamate the two institutions, but so far no legislative action has been taken.

In Queensland, Post Office banks only are in operation, the system dating from 1865. The rate of interest allowed is 4 per cent. on all deposits below £200.

In South Australia there are, properly speaking, no Government Savings Banks; but institutions administered by trustees were established in 1848. The rate of interest paid by the trustees has been the subject of many changes. Starting at 3 per cent., it fell as low as 1 per cent. in 1853; rose to 6 per cent. in 1858; and declined to 4 per cent. in 1873. Between the year last mentioned and 1892, interest fluctuated between $5\frac{1}{2}$ and $4\frac{1}{2}$ per cent.; and in 1893 it was reduced to 4 per cent.

In Western Australia, Post Office banks have been in operation since 1864. One shilling and upwards may be received, provided not more than £150 is deposited in any one year, while the maximum amount of

deposits must not exceed £500. Interest is allowed at the rate of $3\frac{3}{4}$ per cent. provided the amount at credit is not less than £1.

In Tasmania, Post Office and trustee banks are working side by side. Sums of one shilling and upwards may be deposited, the interest allowed being $3\frac{1}{2}$ per cent. in the Post Office banks, and 5 per cent. in the trustee institutions. Interest is not allowed on amounts over £150.

In New Zealand, Post Office and trustee institutions are also established. The former commenced operations in February, 1867; but some of the other class of banks are of much older standing, the Auckland Savings Bank, for instance, having been established as far back as 1847. Deposits of one shilling and upwards are received. Interest was formerly allowed in both classes of institutions at the rate of $4\frac{1}{2}$ per cent. up to £200, and 4 per cent. from £200 to £500; but in July, 1893, the rates allowed in the Government Savings Bank were reduced to 4 per cent. and $3\frac{1}{2}$ per cent. respectively, the maximum amount bearing interest remaining at £500. A feature of the New Zealand Post Office Savings Bank is that deposits of one shilling may be made by means of twelve postage stamps affixed to cards specially issued for the purpose. This plan was adopted to encourage thrift among children. It was recognised to be a difficult matter for a child to save its pence until they accumulated to a shilling; but under the present system, whenever a child receives a penny it may purchase a postage stamp and affix it to the card in its possession.

The returns of the Savings Banks show an enormous development since the year 1861. At that period the number of depositors in Australasia (excluding Tasmania, for which there are no returns) was 20,062, with the sum of £1,367,396 to their credit, or an average of £47 to each depositor. In 1871 the number of depositors had risen to 115,074, with deposits amounting to £3,675,772, but the average amount credited to each depositor was only £32. In the year 1881 there were 311,124 depositors, with a total of £9,442,979, averaging £30 for each deposit. In 1891 the number of depositors had increased to 741,627, and the amount of deposits to £18,943,541, the average being £26. Notwithstanding the depression of 1892 and 1893, the number of depositors in the latter year had risen to 813,933, with a total deposit valued at £22,068,498, the average value being £27 2s. 2d. per depositor. It will thus be seen that there has been a decline in the amount per depositor from the period first mentioned; but this is no sign of retrogression, for the large increase in the number of depositors, which must be taken into consideration, evidences the fact that the less affluent classes of the community are more largely represented in the books of the banks than was formerly the case. In point of fact, the proportion of depositors to the entire population has increased all along. Thus, in 1861 the number of persons who had accounts in the Savings Banks represented only 2.31 per cent. of the entire population of Australasia; but in 1871 it had risen to 5.98 per cent.; in 1881, to 11.33; and in 1891,

to 1947; while in 1893, in spite of hard times, the proportion was 20 per cent., an increase being observable in nearly all the Colonies. As regards the last year named, it must be confessed that the increase was, in a great measure, due to the closing of accounts in the banks of issue during the crisis of 1893, and the depositing of the money withdrawn in the Savings Banks. The Queensland depositors have the largest amount at their credit, averaging £39 3s. 4d. per head; New South Wales depositors come second with £36 7s. 3d.; while those of Western Australia have the smallest sum, their average being only £16 0s. 9d. The subjoined table shows the progress of accumulation in the Savings Banks and Post Office Banks of each of the Colonies for the several periods:—

| | 1871. | | 1881. | |
|----------------------------|---------------|-----------|-------------|-----------|
| | Depositors. | Amount. | Depositors. | Amount. |
| | No. | £ | No. | £ |
| New South Wales..... | 24,379 | 945,915 | 72,384 | 2,698,703 |
| Victoria | 45,819 | 1,117,761 | 101,829 | 2,569,438 |
| Queensland | 6,769 | 407,134 | 20,168 | 944,251 |
| South Australia | 14,270 | 517,000 | 37,742 | 1,288,450 |
| Western Australia..... | 1,062 | 15,583 | 3,219 | 23,344 |
| Tasmania..... | 8,500 | 217,413 | 14,728 | 369,278 |
| New Zealand | 14,275 | 454,966 | 61,054 | 1,549,515 |
| | 115,074 | 3,675,772 | 311,124 | 9,442,979 |
| Amount per Depositor | £31 18s. 10d. | | £30 7s. 0d. | |

| | 1891. | | 1893. | |
|----------------------------|---------------|------------|-------------|------------|
| | Depositors. | Amount. | Depositors. | Amount. |
| | No. | £ | No. | £ |
| New South Wales..... | 158,426 | 5,342,135 | 179,727 | 6,535,758 |
| Victoria | 300,781 | 5,715,687 | 324,389 | 6,715,443 |
| Queensland | 46,259 | 1,660,753 | 47,855 | 1,875,615 |
| South Australia..... | 78,795 | 2,217,419 | 81,798 | 2,318,309 |
| Western Australia..... | 3,564 | 46,181 | 4,745 | 76,086 |
| Tasmania..... | 26,916 | 554,417 | 28,190 | 580,438 |
| New Zealand | 126,886 | 3,406,949 | 147,199 | 3,966,849 |
| | 741,627 | 18,943,541 | 813,933 | 22,068,498 |
| Amount per Depositor | £25 10s. 10d. | | £27 2s. 3d. | |

The following table shows the average amount per depositor, the average amount per head of population, and the average number of depositors per 100 of population, in each of the Colonies, for the year 1893; the number of depositors and the amount of deposits being given on the preceding page :—

| Colony. | Average amount per Depositor. | Average amount per head of Population. | Depositors per 100 of Population. |
|-------------------------|-------------------------------|--|-----------------------------------|
| | £ s. d. | £ s. d. | |
| New South Wales | 36 7 3 | 5 6 10 | 15 |
| Victoria | 20 14 0 | 5 14 10 | 28 |
| Queensland | 39 3 4 | 4 6 9 | 11 |
| South Australia | 28 6 10 | 6 13 8 | 23 |
| Western Australia | 16 0 9 | 1 3 5 | 7 |
| Tasmania | 20 11 10 | 3 15 2 | 18 |
| New Zealand | 26 19 0 | 5 18 0 | 22 |
| Australasia | 27 2 3 | 5 8 6 | 20 |

It will be observed that Victoria had the largest number of depositors per 100 of population; while Queensland had the largest amount per depositor, the corresponding amount in New South Wales being slightly less than £3 below the amount in the northern Colony. The largest amount per head of population was reached in South Australia.

The following table shows the number of depositors, the total amount of deposits, and the average amount per depositor, for some of the principal countries of the world, compiled from the latest available returns :—

| Country. | Depositors. | Amount of Deposits in Savings Bank. | Average Amount per Depositor. |
|----------------------------------|-------------|-------------------------------------|-------------------------------|
| | No. | £ | £ s. d. |
| United Kingdom | 6,954,236 | 118,238,528 | 17 0 0 |
| Sweden | 1,360,961 | 16,555,060 | 12 3 3 |
| Norway | 432,126 | 9,747,120 | 22 11 2 |
| Holland | 630,705 | 7,198,700 | 11 8 3 |
| Austria (excl. Hungary)..... | 3,348,545 | 116,521,500 | 34 15 11 |
| Belgium | 731,057 | 13,016,600 | 17 16 1 |
| Italy | 4,152,778 | 72,788,347 | 17 10 7 |
| France | 8,268,676 | 150,049,700 | 18 2 11 |
| Denmark | 886,291 | 28,330,800 | 31 19 4 |
| United States..... | 4,830,599 | 366,862,100 | 75 18 11 |
| Canada..... | 165,601 | 7,905,900 | 47 14 10 |
| Australasia, 31 Dec., 1893 | 813,933 | 22,068,498 | 27 2 3 |

The figures for the United States are given on the authority of the official Statistical Abstract, and are, to all appearances, correct.

If to the amounts deposited in Savings Banks as shown above be added the deposits in banks of issue, it will be seen that the total sum on deposit in banking institutions is equal to over £30 for each inhabitant of Australasia. The largest amount on deposit as compared with population is found in Victoria with £35 0s. 2d., or £4 12s. 10d. above the average of all the Colonies. The particulars for each will be found below :—

| Colony. | Deposits in Banks of Issue (Averages for the first quarter of 1894). | Deposits in Savings Banks, end of 1893. | Total. | Amount of Deposits per head of Population. |
|-------------------------|---|--|-------------|--|
| | £ | £ | £ | £ s. d. |
| New South Wales..... | 30,326,923 | 6,535,758 | 36,862,681 | 30 2 8 |
| Victoria | 34,384,811 | 6,715,443 | 41,100,254 | 35 0 2 |
| Queensland | 10,824,493 | 1,875,615 | 12,700,108 | 29 7 7 |
| South Australia..... | 7,008,212 | 2,318,309 | 9,326,521 | 26 17 9 |
| Western Australia | 1,505,759 | 76,086 | 1,581,845 | 24 6 3 |
| Tasmania | 3,263,298 | 580,438 | 3,843,736 | 24 17 10 |
| New Zealand.. .. | 14,153,756 | 3,966,849 | 18,120,605 | 26 19 1 |
| Australasia..... | 101,467,252 | 22,068,498 | 123,535,750 | 30 7 4 |

As already mentioned, large sums are also deposited with various building and investment societies, but the returns with reference to these are incomplete. The latest available figures show that the amounts so invested were:—In New South Wales, £1,516,567; in Victoria, £2,636,022; in Tasmania, £217,924; and in New Zealand, £270,263.

In the following table the deposits in banks, including savings banks, and, where available, building societies, &c., at four decennial periods, as well as for the year 1893, are given :—

| | 1861. | 1871. | 1881. | 1891. | 1893. |
|------------------------------|------------|------------|------------|-------------|-------------|
| | £ | £ | £ | £ | £ |
| New South Wales | 5,645,108 | 7,989,801 | 23,006,720 | 42,988,550 | 38,379,248 |
| Victoria | 7,575,406 | 12,476,677 | 23,721,348 | 50,183,551 | 43,730,276 |
| Queensland | 334,503 | 1,647,830 | 5,633,097 | 12,154,657 | 12,700,108 |
| South Australia..... | 875,327 | 2,038,719 | 6,231,004 | 9,992,333 | 9,326,521 |
| Western Australia | *2,487 | *15,588 | *23,344 | 1,365,906 | 1,581,845 |
| Tasmania | 1729,085 | 875,512 | 2,969,390 | 4,220,292 | 4,061,660 |
| New Zealand | 905,675 | 3,789,639 | 10,618,893 | 17,497,436 | 18,390,863 |
| | 16,067,584 | 28,888,761 | 72,203,796 | 138,402,730 | 128,176,526 |
| Per head of population | £13 | £15 | £26 | £36 | £31 |

* Savings Banks only.

† Banks of Issue only.

From this table it may be gathered that the increase of deposits of all classes in banks between 1861 and 1881 was exactly 100 per cent., allowing for the increase of population; while between 1871 and 1891 the deposits per head of population increased by about 133 per cent. When compared with the figures for Great Britain, it will be found that the amount of deposits per head of population in Australasia far exceeds that in the older country. In 1861, indeed, the sum per head in Britain exceeded that in Australasia, amounting to £15, against £13 in the Colonies, and in 1874 the total in Britain amounted to £25 per head; but ten years later, in 1884, it had sunk to £23, and in 1890, to £16. In the Colonies there was no falling-off at any period until 1893, in 1888 the total deposits per head far exceeding the highest level ever reached in Great Britain. In 1893, however, there was a decline of about ten millions in the sum total of Australasian deposits; that is to say, the commercial depression which prevailed more or less throughout Australasia during that year caused the amount just mentioned to be withdrawn from the savings of the people and to be employed in meeting current expenses and in the maintenance of credit. Victoria showed the largest falling-off—about six and a half millions, while New South Wales was responsible for about four and a half millions, the other Colonies being practically stationary.

CURRENCY.

The coins circulating in Australasia are those of the United Kingdom. Gold is the standard, the silver and bronze current being more properly tokens than coins. Gold coins are legal tender to any amount, silver for an amount not exceeding forty shillings, and bronze for one shilling. The standard weight and fineness of each coin are given below. The least current weight of a sovereign is 122·5 Imperial grains, and a half-sovereign 61·125 grains:—

| Denomination of Coin. | | Standard Weight. | Standard Fineness. |
|-----------------------|----------------------|------------------|--|
| | | Imperial grains. | |
| | | Troy. | |
| Gold | Sovereign | 123·27447 | { Eleven-twelfths fine gold, one-twelfth alloy, or deci- mal fineness '91666. |
| | Half-sovereign | 61·63723 | |
| Silver | Crown | 436·36363 | { Thirty-seven-fortieths fine silver, three-fortieths alloy, or decimal fineness '925. |
| | Double Florin | 349·09090 | |
| | Half-crown | 218·18181 | |
| | Florin | 174·54545 | |
| | Shilling | 87·27272 | |
| | Sixpence | 43·63636 | |
| Bronze ... | Threepence | 21·81818 | { Mixed metal, copper, tin, and zinc. |
| | | Avoirdupois. | |
| | Penny | 145·83333 | |
| | Halfpenny | 87·50000 | |

It may be repeated here that bank notes are legal tender throughout New South Wales, except at the head offices of the banks of issue in Sydney; also that in Queensland there is a legal paper currency in the shape of Treasury notes, which are now being used in common with the ordinary bank-notes.

The only coins struck at the Sydney and Melbourne Mints are of gold, though silver and bronze of English coinage are also issued. The amounts of the latter issued during 1893 were, at the Sydney Mint, silver, £10,025, and bronze, £840; and, at the Melbourne Mint, £2,400 and £650 respectively. The Sydney Branch of the Royal Mint was opened on the 14th May, 1855, and the Melbourne Branch on the 12th June, 1872. The amount of gold received for coinage up to the end of 1893, in the Sydney Mint, was 20,334,049 oz., valued at £76,119,354; and the amount received into the Melbourne Mint to the same date was 14,656,822 oz., valued at £58,594,138.

The following table shows the quantity of gold received into the two Mints to the end of 1893, the metal received from outside sources being distinguished from that locally produced:—

| Country in which the Gold was raised. | Quantity received for Coinage. | |
|---------------------------------------|--------------------------------|-----------------|
| | Sydney Mint. | Melbourne Mint. |
| | oz. | oz. |
| New South Wales | 7,874,172 | 13,266 |
| Victoria | 1,442,419 | 11,487,682 |
| Queensland | 8,269,929 | 9,501 |
| South Australia | 78,621 | 308,097 |
| Western Australia ..... | ..... | 213,017 |
| Tasmania | 11,910 | 590,820 |
| New Zealand | 2,392,123 | 1,885,903 |
| Other Countries | 21,628 | 139,135 |
| Old Coin, &c. | 243,247 | 9,401 |
| Total | 20,334,049 | 14,656,822 |

The total value of gold raised in Australasia to the end of 1893 was £362,045,600, of which amount 37 per cent. passed through the Sydney and Melbourne Mints during the same period.

The following table shows the amount of gold coin and bullion issued to the end of 1893 by each Mint :—

| Mint. | Sovereigns. | Half-sovereigns. | Bullion. | Total Value of Coin and Bullion issued. |
|-----------------|-------------|------------------|-----------|---|
| | £ | £ | £ | £ |
| Sydney | 70,382,500 | 2,622,500 | 2,960,849 | 75,965,849 |
| Melbourne | 52,688,043 | 332,819 | 5,572,104 | 58,592,966 |
| Total | 123,070,543 | 2,955,319 | 8,532,953 | 134,558,815 |

The quantity of gold received into the Sydney Mint in 1893 was 843,582 oz., valued at £3,000,696, of which only 171,097 oz., or slightly more than one-fifth, was the produce of New South Wales. Queensland contributed 585,042 oz., or nearly seven-tenths of the whole, the remainder being chiefly New Zealand produce, and old coin received for reminting. The amount of gold received into the Melbourne Mint for the same year was 946,996 oz., valued at £3,749,561, of which nearly three-fourths was the produce of Victoria.

The gold coins issued in 1893 from the Sydney Mint were 2,844,000 sovereigns, and 250,000 half-sovereigns. The Melbourne Mint issued 3,563,752 sovereigns during the year, and 110,024 half-sovereigns, the latter being the first issued by that mint since 1887. The value of the gold coinage issued from the Sydney, Melbourne, and London Mints was as follows:—

| | |
|----------------|-----------|
| | £ |
| Sydney | 2,969,000 |
| Melbourne..... | 3,618,764 |
| London | 9,266,461 |

Besides gold coin, the Sydney Mint during 1893 issued gold bullion to the value of £17,509, and the Melbourne Mint, to the value of £130,321.

During the thirteen years that have elapsed since 1880 silver coin has been imported into Australasia, exclusive of Western Australia, which received very little silver, to the value of £1,835,007, while the exports have amounted to £521,155, making the net imports £1,313,852. Within the same period worn silver has been withdrawn from circulation to the extent of £285,105, viz., £208,427 in Melbourne, and £76,678 in Sydney, so that the actual increase in the silver circulation was equal to the nominal value of £1,028,747. From 1880 to 1893 the population of Australasia increased by 1,338,006, so

that the addition to the silver currency represented 15s. 4d. per head of the increased population. If the amount of silver already in these Colonies in 1880 was equal to the proportion since imported for the use of the added population, then the total silver circulation in 1893 would be £929,700.

Complete information regarding worn coin is not available for the Melbourne Mint; the following figures, therefore, refer to Sydney only. From 1873, when the Mint first received worn coin, until 1893, the amount of silver withdrawn from circulation was of the nominal value of £131,478. The actual weight after melting was 417,383 oz., and the corresponding weight of new coinage would be 478,099 oz. The loss while the coins were in circulation was therefore 60,716 oz., the average loss being 12·7 per cent.

As has already been pointed out, standard silver consists of ·925 pure metal and ·075 alloy. A pound troy of standard silver is coined into sixty-six shillings; that is to say, 11·1 ounces of fine metal produce coin to the value of £3 6s. The price of silver is at present 2s. 4d. per ounce, which for 11·1 ounces gives the sum of £1 5s. 11d.; so that, after making due allowance for Mint expenses and loss entailed by abrasion of the coinage, it is evident that the Imperial Authorities derive a considerable profit from the silver coin circulating in Australasia, and this profit will, with the increase of population, become correspondingly large. This explains why the Governments of New South Wales and Victoria have approached the Imperial Government for authority to coin silver to the value required for circulation in the Colonies.

LIFE ASSURANCE.

All the Colonies except New South Wales have special laws regulating the business of life assurance. Except that of Queensland, the Life Assurance Acts require yearly statements to be made showing the total business of companies in operation, and also certain particulars regarding the transactions within their own Colony. In New South Wales no special law has been passed, and companies doing this class of business obtain such by registration under the Companies or Friendly Societies Act, or by special act of incorporation. In the other Colonies the Acts regulating the business of life assurance deal chiefly with deposits to be made by companies commencing business, and with returns of business transacted. In no Colony are the full returns officially published; nevertheless, interesting and valuable reports are prepared and circulated by several of the companies, and all information reasonably to be desired is given in their pages. Other companies pursue a different course, and disclose very few particulars of their business. However, from such sources as were available, the information contained in the following table has been compiled. The particulars relate only to the thirteen life

assurance companies having their head offices in the Colonies, and to what is termed ordinary business only, the industrial business being excluded :—

| Institution. | Date of Establishment. | Premium Income 1893. | Addition to Funds during 1893. | Amount of Funds at end of 1893. |
|---|------------------------|----------------------|--------------------------------|---------------------------------|
| | | £ | £ | £ |
| Head Office in New South Wales— | | | | |
| Australian Mutual Provident Society | 1849 | 1,272,171 | 626,139 | 11,954,587 |
| Mutual Life Association of Australasia | 1869 | 146,762 | 54,748 | 1,002,471 |
| City Mutual Life Assurance Society | 1879 | 26,001 | 10,021 | 107,463 |
| Citizens Life Assurance Company | 1886 | 19,232 | 14,626 | 34,816 |
| Head Offices in Victoria— | | | | |
| Australian Alliance Assurance Company | 1862 | 28,356 | 383 | 290,077 |
| National Mutual Life Association | 1869 | 212,480 | 113,099 | 1,373,273 |
| Mutual Assurance Society of Victoria | 1870 | 121,602 | 59,853 | 853,632 |
| Australian Widows' Fund | 1871 | 165,285 | 100,733 | 1,106,346 |
| Colonial Mutual Life Assurance Society | 1872 | 308,729 | 139,703 | 1,662,301 |
| Australasian Temperance and General Mutual Life Assurance Society | 1875 | 31,334 | 19,064 | 149,433 |
| Victoria General Insurance and Guarantee Company | 1888 | 6,877 | ..... | 240,593 |
| Head Office in South Australia— | | | | |
| Adelaide Life Assurance and Guarantee Company .. | 1866 | 1,031 | (—) 1,134 | 39,312 |
| Head Office in New Zealand— | | | | |
| New Zealand Government Life Insurance Department | 1870 | 241,965 | 132,500 | 1,980,298 |
| Total ..... | ..... | 2,581,825 | 1,270,345 | 20,799,602 |

Of these thirteen companies, nine are mutual, and the remainder are what is termed in insurance parlance "mixed"—that is, proprietary companies dividing profits with the policy-holders. Two of the institutions also transact industrial business. Most of the offices have representatives in all the Colonies, and one institution has extended its operations to London and South Africa. The New Zealand Government does not transact any business outside that Colony.

The balance-sheets of several of the companies do not disclose the amount of their liabilities on existing policies. The following table gives the sum assured at the date of the latest balance-sheet or return available; in some instances this last being represented by the return made under the provisions of the Annual Industrial Returns Act of New South Wales. The item "sums assured" means the sums payable at death, or on attaining a certain age or at death before that age. The

proportion of each class of business varies in the different companies, and comparisons drawn from the table must not be stretched very far :—

| Office. | Policies. | Sums Assured. | Amount of Annual Premiums. |
|--|------------------------|---------------|----------------------------|
| | No. | £ | £ |
| Australian Mutual Provident Society..... | 119,232 | 39,331,071 | 1,239,919 |
| Mutual Life Association of Australasia | 17,103 | 4,250,997 | 145,053 |
| City Mutual Life Assurance Society | 5,559 | 733,745 | 26,338 |
| Citizens Life Assurance Company | 4,707 | 553,334 | 22,463 |
| Australian Alliance Assurance Company | Returns not available. | | |
| National Mutual Life Association | 28,400 | 6,420,576 | 212,468 |
| Mutual Assurance Society of Victoria | 15,106 | 3,668,517 | 125,650 |
| Australian Widows' Fund | 21,047 | 4,727,701 | 172,754 |
| Colonial Mutual Life Assurance Society | 32,986 | 10,827,023 | 336,233 |
| Australasian Temperance & General Mutual Life Assurance Society..... | 5,771 | 898,007 | 33,607 |
| Victoria General Insurance and Guarantee Company | 456 | 215,832 | 6,515 |
| Adelaide Life Assurance and Guarantee Company..... | 117 | 41,900 | 1,075 |
| New Zealand Government Life Insurance Department | 31,709 | 8,302,257 | 244,299 |
| Mutual Life of New York | 1,478 | 1,160,366 | 48,332 |
| New York Life | 2,169 | 1,643,535 | 94,654 |
| Equitable Life of United States | 7,204 | 4,063,627 | 159,830 |

Frequent reference has been made in this volume to the financial disturbances of 1893, and when the magnitude of the interests involved in these disturbances is realised there will be little cause for wonder that the business of life assurance was affected by the general stringency. The sudden stoppage of credit by the locking-up of deposits in banks drove many of the policy-holders to borrow on the security of their policies, and borrowing was too frequently the first step towards the surrender of the policy on the security of which the advance was made. It is quite possible that the year 1893 would have witnessed a shrinkage of new business even if the bank failures had not taken place, as no class of investment feels more keenly the effect of trade depression than life assurance. The shrinkage in the value of real estate also injuriously affected profits, as some of the companies felt it necessary to devote a share of their profits to a reserve against possible depreciation of securities, which in these Colonies are chiefly mortgages of real estate. The losses under the latter head, however, cannot be large, as the companies are reputed to be cautious in obtaining proper valuations and keeping advances within safe margins.

The total receipts and disbursements of the thirteen institutions will be found in the subjoined table. It will be seen that the former exceeded the latter by £1,270,345, which is the addition made to the accumulated funds during the year. Of the disbursements, the sum of £1,122,909 was paid as claims to policy-holders or their representatives, and it is worthy of notice that the total amount of interest earned, and rents, etc., received, was more than sufficient to meet the expenditure under the head of claims :—

| Receipts. | | Disbursements. | |
|-----------------------------------|-----------|--|-----------|
| Premiums— | £ | | £ |
| New | 213,836 | Claims | 1,122,909 |
| Renewal | 2,340,842 | Surrenders | 478,271 |
| Consideration for Annuities | 27,147 | Annuities | 28,297 |
| Interest | 1,112,079 | Cash Bonuses and Dividends | 113,948 |
| Other Receipts (Rents, &c.) | 11,253 | Expenses | 488,331 |
| | | Other Disbursements | 16,373 |
| | | Amount written off to Depreciation, Reserves, &c. | 186,683 |
| Total..... £ | 3,705,157 | Total..... £ | 2,434,812 |

The total assets and liabilities of the purely local institutions for 1893 were as follow :—

| Assets. | | Liabilities. | |
|---|------------|---|------------|
| | £ | | £ |
| Loans on Mortgage | 11,412,147 | Assurance, Endowment, and Annuity Funds | 20,813,020 |
| Loans on Policies | 4,355,241 | Investment Fluctuation Fund | 25,388 |
| Loans on Personal Security | 103,009 | Paid-up Capital | 100,000 |
| Government Securities and Debentures | 1,721,119 | Reserve Funds | 522,843 |
| Shares | 137,149 | Other Liabilities | 339,270 |
| Freehold and Leasehold Property .. | 2,275,055 | | |
| Cash in hand, on Deposit, and Current Account | 1,160,547 | | |
| Other Assets | 636,114 | | |
| Total..... £ | 21,800,471 | Total..... £ | 21,800,471 |

It will be seen that more than one-half the total assets is represented by loans on mortgage; indeed, in these Colonies insurance companies are almost restricted to this form of investment. The remaining items enumerated require no special comment, except loans on personal security, and shares. Investments of this character are unusual in Australasia, but the amount invested only aggregates £240,248. In some of the Colonies the companies are obliged by law to deposit certain sums with the Treasury as a guarantee of good faith; the amount so lodged is either included under the head of Government securities or deposits.

The following table gives a summary of the new business completed during the past five years. The assurance and endowment policies only are dealt with, as the annuity transactions are unimportant :—

| Year. | Policies. | Amount Assured. | | Annual Premiums. | |
|------------|-----------|-----------------|-------------|------------------|------------------------|
| | | Total. | Per Policy. | Total. | Per £100 of Assurance. |
| | No. | £ | £ | £ | £ s. d. |
| 1889 | 30,497 | 8,690,542 | 285 | 277,456 | 3 3 10 |
| 1890 | 32,011 | 9,201,925 | 287 | 296,612 | 3 4 6 |
| 1891 | 30,776 | 9,119,915 | 297 | 294,386 | 3 4 7 |
| 1892 | 30,876 | 8,677,055 | 281 | 282,629 | 3 5 2 |
| 1893 | 27,103 | 6,661,512 | 246 | 216,529 | 3 5 0 |

It will be noticed that the average sum assured fell to £246 in 1893, while the annual premium for £100 remained at about the same figure as that for the previous year. It would seem from these two facts that the depression of the past three years has had the effect of curtailing the insuring powers of the people ; while the proportionate increase in the premium may be accounted for either by the assurances being effected on older lives, or by the selection of other forms of benefit than the ordinary whole life policy.

An important feature in the management of life companies is the proportion which the payments for claims and surrenders bear to income. For the thirteen companies under review the proportions referred to, for the ten years ending with 1893, are given below :—

| Year. | Total amount paid as claims and surrenders. | Percentage of amount paid as claims and surrenders. | |
|------------|---|---|------------------|
| | | To Premium Income. | To total Income. |
| | £ | | |
| 1884 | 487,361 | 33 30 | 25 25 |
| 1885 | 688,791 | 42 50 | 32 18 |
| 1886 | 749,930 | 41 97 | 31 62 |
| 1887 | 791,516 | 40 93 | 30 66 |
| 1888 | 858,100 | 43 19 | 30 85 |
| 1889 | 992,141 | 46 16 | 33 44 |
| 1890 | 1,087,303 | 49 72 | 35 13 |
| 1891 | 1,175,095 | 49 23 | 34 95 |
| 1892 | 1,420,275 | 57 89 | 40 22 |
| 1893 | 1,601,180 | 62 02 | 43 21 |

It will be noticed from the figures given that the amount of claims and surrenders is increasing in a much higher ratio than that of the premium or total income, the increase being very rapid during the last two years of the decade quoted above. This is partly due to the natural falling-in of insurance and endowments effected in past years, but, it must be admitted, also to the inability of a large number of

assured to continue their payments, with the consequent lapsing or surrender of their policies.

Information of a similar nature to that contained in the preceding table cannot be given for other countries, but a comparison of the proportions which the claims only bear to total income may be made from the figures in the following statement :—

| Country. | Percentage of Payments for Claims to Total Income. |
|----------------------|---|
| United Kingdom | 52·9 |
| United States..... | 31·2 |
| Canada..... | 35·7 |
| Australasia | 30·3 |

The smallest percentage is, it will be seen, found in Australasia, while the largest is in the United Kingdom, a result probably due to the age of the companies operating therein.

The rate of interest obtained on the accumulated funds, and the expenses of management, are given in the following table. As regards the former, no great variation exists, especially for the larger institutions. The ratio of expenses of management to premium income and gross receipts must necessarily vary according to the age of the society and to the proportion of new business transacted. The figures are given for what they are worth. That a more exact comparison cannot be made is the fault of certain companies which fail to make complete disclosure of their affairs, and do not distribute their expenses of management so that the cost of new business may be distinguished from that of old business; the reports of other companies are unequalled in any part of the world :—

| Institution. | Interest. | | Expenses of Management. | | |
|---|---|-------------------------------|-------------------------|-----------------|-----------------|
| | Amount received on Investments during the year. | Rate per Cent. on Mean Funds. | Amount. | Percentage to | |
| | | | | Premium Income. | Gross Receipts. |
| | £ | | £ | | |
| Australian Mutual Provident Society | 609,780 | 5·74 | 172,062 | 13·70 | 8·86 |
| Mutual Life Association of Australasia | 52,525 | 5·38 | 40,959 | 23·03 | 20·55 |
| City Mutual Life Assurance Society | 6,575 | 6·41 | 9,489 | 36·49 | 29·13 |
| Citizens Life Assurance Company | 1,256 | 4·57 | 3,073 | 15·97 | 15·00 |
| Australian Alliance Assurance Company | 15,085 | 5·20 | 4,490 | 15·83 | 10·33 |
| National Mutual Life Association | 71,303 | 5·40 | 53,202 | 25·04 | 18·74 |
| Mutual Assurance Society of Victoria | 44,873 | 5·50 | 34,942 | 28·73 | 20·09 |
| Australian Widows' Fund..... | 55,798 | 5·28 | 36,233 | 21·94 | 16·38 |
| Colonial Mutual Life Assurance Society | 81,026 | 5·08 | 84,069 | 27·23 | 21·57 |
| Australasian Temperance and General Mutual Life Assurance Society | 7,033 | 5·02 | 8,240 | 26·29 | 21·47 |
| Victoria General Insurance and Guarantee Company | 15,745 | 6·54 | 2,660 | 33·68 | 11·75 |
| Adelaide Life Assurance and Guarantee Company | 1,682 | 4·22 | 716 | 69·45 | 69·45 |
| New Zealand Government Life Insurance Department | 100,651 | 5·26 | 52,707 | 21·78 | 15·38 |
| Total..... | 1,123,332 | 5·57 | 502,842 | 19·47 | 13·58 |

The high ratios for one society—an institution doing a very limited business—may admit of an explanation not obvious on the face of the returns.

The British and foreign companies are not obliged by law to supply information regarding their operations in New South Wales and Queensland, so that a complete statement of their local business cannot be given. These companies have therefore been omitted from the foregoing list. The average amount assured per policy for each Colony given in the following table must therefore be taken with this qualification :—

| Country. | Average amount assured per Policy. |
|------------------------------------|---------------------------------------|
| | £ |
| Australasia | 309 |
| New South Wales | 333 |
| Victoria | 273 |
| Queensland | 359 |
| South Australia | 263 |
| Western Australia | 383 |
| Tasmania | 278 |
| New Zealand | 285 |
| United Kingdom..... | 397 |
| United States (New York only)..... | 538 |
| Canada | 303 |

The average amount of assurance per head of population was in Australasia, £20 ; in Canada, £11 ; in the United Kingdom, £13 ; and in the United States £12 ; while the average number of policies per thousand of population was, in Australasia, 66 ; in Canada, 38 ; in the United Kingdom, 32 ; and in the United States, 23.

The average policy is scarcely a fair measure of thrift. In these Colonies mutual assurance is the rule, and members of the various societies have acquired large bonus additions. During 1892 the average existing policy and bonus of four of the leading assurance companies doing business in Australasia was £342, as compared with the £309 shown in the comparative table. For the other countries named this information is not obtainable.

It would seem that the practice of assuring life is much more prevalent in Australasia than in any of the other countries named ; and, although the average sum assured by each policy is less than elsewhere, the number of policies is so much greater, as compared with population, that the amount assured per inhabitant is considerably higher than in the other countries mentioned.

FRIENDLY SOCIETIES.

Friendly societies are co-operative associations of working-men which grant, in consideration of a series of weekly or monthly payments : first, medical attendance and medicine to a member, his wife, and such

of his children as may be under a specified age, usually sixteen years ; second, a weekly allowance in the case of sickness of a member, decreasing in amount as the period of sickness is extended ; and, third, a funeral allowance on the death of a member or his wife. With such objects as these, friendly societies are deserving of every encouragement. The working-man born in Australia does not, as a rule, lay part of his wages aside for a rainy day. He is accustomed to a high standard of living enjoyed by but a very small proportion of the labouring classes in European countries, even in Great Britain ; and in maintaining his wife and family and himself in this condition of life, his wages are almost, if not entirely, absorbed. Such a state of things would be the cause of much distress were it not for the benefits granted by the friendly societies. It is to them, in a large measure, the preservation of his independence is due. When sickness or death visits his household, they supply the required relief—for which he has himself paid ; and the necessity for the circulation of the degrading subscription list among the members of the trade to which he may belong, the incurrence of debt, or the acceptance of State relief, is happily avoided.

Friendly societies, therefore, are assurance societies, only that, in addition to assuring against death, they assure against sickness, which is of equal importance to the working classes. Indeed, some of the large Orders in England enter into competition with the life assurance companies, and grant to their members life policies for amounts as high as £1,000. For such a state of things friendly societies in these Colonies are not ripe. In some cases, unfortunately, they are not constituted on a sound basis. Solvency is only to be attained by a series of contributions graduated according to the ages of the members, while too many societies are to-day working under a system of uniform payments ; and, furthermore, a short-sighted policy of rivalry has been pursued by some of the orders in regard to the acquisition of members, and inducements have been offered in the shape of reduced rates or increased benefits, to the great danger of the societies following such a practice. But with the abandonment of this cut-throat policy, and the determination to proceed on safe and cautious lines, there seems to be no reason why, with rigid supervision on the part of the Registrars, friendly societies in these Colonies should not, in the future, follow the example of some of their English brethren, and, in addition to assuring their members for a sum sufficient to defray the expenses of burial, make provision for the maintenance of the wives of deceased members during the period of their widowhood.

In the following table will be found the number of societies, the number of lodges or branches of these societies, the aggregate number of members, the total amount of their funds, and the average amount per member, in each of the Colonies. The figures are for the year

ending 31st December, 1892, with the exception of those for Queensland and South Australia, which are for the preceding year:—

| Colony. | Societies. | Lodges or Branches. | Members. | Total Funds. | Average Amount of Capital per member. |
|-------------------------|------------|---------------------------|----------|--------------|--|
| | No. | No. | No. | £ | £ |
| New South Wales | 38 | 787 | 71,218 | 499,637 | 7 0 3 |
| Victoria | 33 | 1,061 | 87,003 | 978,929 | 11 5 0 |
| Queensland | 15 | 230 | 16,358 | 124,943 | 7 12 9 |
| South Australia..... | 10 | 444 | 33,763 | 417,441 | 10 15 4 |
| Western Australia | 7 | 24 | 1,708 | 15,998 | 9 7 3 |
| Tasmania | 18 | 109 | 10,358 | 73,889 | 7 2 8 |
| New Zealand | 12 | 379 | 23,754 | 501,155 | 17 8 7 |
| Australasia..... | 133 | 3,034 | 254,162 | 2,611,992 | 10 5 6 |

It will be seen from the foregoing table that, taking the average amount of capital per member as the basis of comparison, New Zealand easily occupies first position with the sum of £17 8s. 7d. Victoria, though far behind, takes second place with £11 5s. per member; South Australia comes next with £10 15s. 4d.; and then follow Western Australia, Queensland, and Tasmania in the order named; New South Wales having the smallest amount, viz., £7 0s. 3d., to the credit of each individual member.

MONEY ORDERS, &c.

The business transacted in the various Postal Departments under the system of money orders has grown to very large dimensions. This increase is due mainly to the greater facilities now afforded for the transmission of money by this method, though it is also to some extent attributable to the more general appreciation of the system by the working classes. The following is a statement of the business transacted during 1893:—

| Colony. | Orders issued. | | Orders paid. | |
|------------------------|----------------|-----------|--------------|-----------|
| | Number. | Amount. | Number. | Amount. |
| | | £ | | £ |
| New South Wales | 530,546 | 1,615,885 | 523,747 | 1,556,238 |
| Victoria | 269,584 | 845,296 | 284,444 | 910,148 |
| Queensland | 116,258 | 434,973 | 115,266 | 389,494 |
| South Australia..... | 82,925 | 248,498 | 72,990 | 234,205 |
| Western Australia..... | 23,922 | 80,183 | 9,585 | 36,872 |
| Tasmania..... | 79,903 | 166,531 | 65,592 | 141,033 |
| New Zealand | 210,957 | 750,929 | 165,503 | 648,491 |
| Australasia | 1,314,095 | 4,142,295 | 1,237,127 | 3,916,481 |

The average amount of each money order issued was £3 3s. 1d., and the business done by New South Wales greatly exceeded that of any other Colony of the group. The average value of money orders issued in the United Kingdom during 1892 was £2 14s. 10d.

Besides the money orders mentioned above, a system of postal notes is in force in all the Colonies, New South Wales having adopted the system in 1893. The first issue of the notes took place on 1st October, 1893, and the figures relating to New South Wales in the following table are, therefore, for three months only. The notes are issued for fixed amounts, varying from 1s. to 20s. The number and value of notes cashed during 1893, in each of the Colonies, were :—

| Colony. | No. | Amount. |
|-------------------------|-----------|---------|
| | | £ |
| New South Wales | 64,312 | 26,966 |
| Victoria | 674,166 | 284,509 |
| Queensland | 92,561 | 34,246 |
| South Australia | 177,680 | 59,622 |
| Western Australia | 2,960 | 777 |
| Tasmania | 13,054 | 4,316 |
| New Zealand | 275,194 | 97,537 |
| Australasia..... | 1,299,927 | 507,973 |

These figures show an increase on those of the previous year of 315,056. in the number, and £132,852 in the value of postal notes.

BANKRUPTCIES.

During 1893 the number of bankruptcies was largest in New South Wales. The total number for the whole of Australasia was 3,957, this number including insolvencies in Western Australia, for which the amount of liabilities only is returned as £34,080. The cases for which complete returns are available numbered therefore only 3,935, and were distributed as follow :—

| Colony. | Number of Sequestrations. | As shown in Bankrupts' Schedules. | | |
|----------------------------|---------------------------------|-----------------------------------|-----------|-------------|
| | | Liabilities. | Assets. | Deficiency. |
| | | £ | £ | £ |
| New South Wales | 1,685 | 1,527,985 | 905,763 | 622,222 |
| Victoria | 1,175 | 4,014,733 | 1,681,090 | 2,333,643 |
| Queensland | 306 | 113,330 | 76,394 | 36,936 |
| South Australia..... | 87 | 104,085 | 60,288 | 43,797 |
| Tasmania | 198 | 118,862 | 34,132 | 84,737 |
| New Zealand | 484 | 441,011 | 68,844 | 372,160 |
| Total (Six Colonies) | 3,935 | 6,320,006 | 2,826,511 | 3,493,495 |

Little, if any, reliance can be placed upon the statements made by bankrupts as to the state of their affairs, the assets being invariably exaggerated. Taking the figures given on the preceding page for what they are worth, it would appear that the average amount of liabilities per bankrupt was £1,606, and of assets, £718, showing a deficiency of £888. In the following table the average figures for the ten years ending 1893 are given; the assets, however, have been omitted, as the statements, as far as some of the Colonies are concerned, are palpably worthless :—

| Colony. | Number of Sequestrations. | Liabilities, as shown in Bankrupts' Schedules. |
|----------------------------|---------------------------------|--|
| | | £ |
| New South Wales | 1,183 | 1,089,104 |
| Victoria | 722 | 2,159,800 |
| Queensland | 301 | 226,944 |
| South Australia | 150 | 153,059 |
| Tasmania | 112 | 83,554 |
| New Zealand | 747 | 808,938 |
| Total (Six Colonies) | 3,215 | 4,521,399 |