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THE
AUSTRALIAN ECONOMIC ASSOCIATION
PAPERS.



SOME REMARKS ON AUSTRALASIAN BANKS
AND ON
BANKING AS A FACTOR IN THE PROGRESS
OF AUSTRALASIA

BY

J. T. WALKER,

Fellow of the Institute of Bankers.

*[Read at a Meeting of the Association, on the Evening of Tuesday,
6th December, 1887.]*

Melbourne:

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SOME REMARKS ON AUSTRALASIAN BANKS
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AUSTRALASIA.

1. Frequently, since acceding to the complimentary request of the Committee, have I regretted my foolhardiness, and I now throw myself on your clemency, as I feel that owing to want of time, and consequent inability to focus information as I should like on a large subject, the paper will be found discursive, and far below the standard of what is expected.

2. Before going further, allow me to say the paper will partake largely of the character of a compilation, and that my acknowledgments are due and are hereby tendered to the *Australasian Insurance and Banking Record*, *Journal of the Institute of Bankers*, to the authors of "Banking in Australasia," Wentworth's "British Settlements in Australasia," Bonwick's "First Twenty Years of Australia," Dr. Lang's "New South Wales," Franklyn's "Glance at Australia in 1880," "The Year Book of Australia," "Hayter's Victorian Year Book," Coghlan's "Australasian Statistics," *Journals of the Bankers' Institute of Australasia*, Tegg's "Almanac and Remembrancer for 1843," the *Sydney Morning Herald*, and to several valued correspondents and friends in this and the neighbouring colonies.

3. Throughout this paper, unless otherwise expressly stated, by "Australasia" is meant the five Australian colonies, Tasmania and New Zealand. For banking statistics these colonies may be said to be a Banking Heptarchy. No doubt in time Fiji and

British New Guinea will become integral portions of Australasia, and we would not wish it otherwise, but to include either of them for present purposes would only lead to confusion. Australasia covers an area of 3,075,030 square miles, and its population is estimated at three and a-half millions.

4. In Australasia it is only the twenty-seven Banks of Issue who publish Statutory Returns. These banks—particularised in Appendix A—may be described as Joint Stock Banks of Issue, Discount, Deposit, and Exchange.

5. When banks are not registered under the Limited Liability Act, their own Acts of Incorporation define the liability of shareholders—in most cases that is double the amount of the shares—in one case the liability is three times that amount, but in no case is there an unlimited liability, so that it is reassuring to know we are never likely to experience in Australasia a repetition of such wholesale ruin as has been experienced elsewhere by the failure of such institutions as the Western Bank of Scotland, the City of Glasgow Bank, and others.

6. Australasia has had experience of bank failures, but by reference to Appendix D it will be seen that the figures were not very formidable, always excepting the Oriental Bank Corporation, which was really an Anglo-Indian Bank with branches in New South Wales and Victoria, and with regard to whose Australian business it is pleasant to record in the words of the *Insurance and Banking Record*—“Even to the day of its suspension, the Australian business *per se* was thoroughly satisfactory, and, could it be dealt with as an independent entity, would now be earning respectable dividends, and commanding popular confidence.”

7. For the protection of their creditors, and to induce confidence, banks registered under the Limited Liability Act refrain from calling up more than 50 per cent. of their subscribed capital, the other 50 per cent. constituting a reserve liability. It is disputable, however, whether the liability of shareholders in such banks is confined to the uncalled capital, as, in one colony

at all events, the liability extends to the note circulation in addition to the uncalled amount of shares held. In the case of one Tasmanian bank it will be noticed that although "Limited," two-thirds of the share capital has been called up. This is a departure from the practice of Australian banks, and is to be deprecated, although, possibly, in the case referred to it may be quite safe.

8. Economics is the science of wealth. We have the dictum of that eminent banking authority, Mr. Henry Dunning Macleod, that economic science is "the profoundest and most complicated branch of human knowledge, and requires a greater variety of knowledge than any other," and he endorses as true Aristotle's definition of wealth—"We call wealth *all things* whose value can be measured by money," *i.e.*, everything which can be bought or sold or exchanged. Macleod says:—"The theory of credit and banking is now brought to the strictest mathematical demonstration," and adds—"the business of banking consists in creating (?), buying and selling, transferring and extinguishing the species of commodities or merchandise termed debts." He also says—"Credit is to commerce exactly what steam is in mechanics: it is the great moving power of modern times." Daniel Webster's testimony is—"Credit has done more a thousand times to enrich nations than all the mines of all the world."

9. Australasian banks may be divided into three classes:—

- 1st. Issuing Banks, or Banks of Issue.
- 2nd. Non-issuing Banks.
- 3rd. Savings Banks.

The first division calls for more detailed comment. Some of the second division will doubtless develop into Banks of Issue, but until they do so they will remain comparatively unknown through not publishing quarterly returns to the Government. Notes in themselves are a kind of advertisement for the banks issuing them.

10. The colonial history of Australasia dates from 26th January, 1788, on which day the European population with Governor Phillip at its head numbered 1030, and the live stock comprised 1 bull, 5 cows, 1 bull-calf, 1 stallion, 3 mares, and 3

colts. Even in those early days there were not wanting incipient members of an embryotic Economic Association, as in May of the same year a minute inventory of live stock was made out, and, especially in the light of after events, gives the following interesting details:—1 stallion, 3 mares, 3 colts, 2 bulls, 5 cows, 29 sheep, 19 goats, 49 hogs, 23 pigs, 5 rabbits, 18 turkeys, 29 geese, 35 ducks, 142 fowls, and 87 chickens.

11. To give some idea of the wonderful progress that has taken place in less than a century, let the following statistics be recorded here, viz.:—Estimated population of Australasia on 31st December, 1886, 3,426,562 persons; area under cultivation, 7,712,080 acres; and on 31st of March of this year the estimates of live stock were—horses, 1,372,756; cattle, 8,264,783 (of which Queensland had 4,071,563); pigs, 1,143,966; sheep, 86,352,020 (of which New South Wales had 39,169,304); imports, in value, £60,000,000; exports, £45,000,000; public debt, £153,209,998; miles of railway, 9000 open, and 2000 in course of construction; telegraph lines open, 37,000 miles; and letters have been delivered in Sydney within 29 days of despatch from London, credit for this feat being due to the Orient steamship *Ormuz*.

12. Although outside the immediate subject of this paper, one may perhaps be excused for pondering over the suggestive item, “5 rabbits” (see above), and wondering if it ever dawned on the imagination of any person then living that barely 100 years afterwards it would be announced that in New South Wales alone the grazing capabilities of twenty-five million acres had been reduced by 50-75 per cent. through the ravages of rabbits, and that the Government had paid in 1885-1886 £161,000 towards the extermination of what at one time would have been called “the harmless rodent.”

13. From 1788 to 1817 the penal settlement of Botany Bay conducted its financial affairs without any banking institution, properly so called, but, although the total population was small, the need of a bank was greatly felt. The circulating medium comprised, in addition to coins of all descriptions, promissory notes

made by private individuals, payable on demand in copper coin—generally for five shillings each. In the year 1800 the Governor proclaimed the relative value of various coins, and copper was made a legal tender for £5 in place of for five shillings as at present. The Governor's standard of value was as follows:—

A guinea	...	...	...	...	£1	2	0
A johannes	...	...	...	...	4	0	0
A half-johannes	...	...	...	...	2	0	0
A ducat	...	...	...	...	0	9	6
A gold Mohur	...	...	...	...	1	17	6
A pagoda	...	...	...	...	0	8	0
A Spanish dollar	...	...	...	...	0	5	0
A rupee	...	...	...	...	0	2	6
A shilling	...	...	...	...	0	1	1
A copper coin of 1oz.	...	...	...	...	0	0	2
A copper coin of $\frac{1}{2}$ oz.	...	...	...	...	0	0	1
A copper coin of $\frac{1}{4}$ oz.	...	...	...	...	0	0	$\frac{1}{2}$

In 1812 the Governor sanctioned the issue by private individuals of promissory notes payable on demand in copper, and the public were prohibited from circulating them at differential rates of exchange! The Spanish dollar valued at 5s. did duty for 6s. 3d., namely a “dump,” a circular piece punched out of the centre being valued at 15d., and the rim or “hole-dollar,” issued in 1813, legally circulated as 5s. until 1829, when it was called in. Prior to 1811, owing to the scarcity of currency, the barter of spirits was almost universal. At the trial of Colonel Johnston in 1811 the evidence of Mr. John Macarthur and Captain Kemp corroborated this fact—Mr. Macarthur saying, relative to the prevalency of the barter of spirits—“I know of no exception; as far as my observation went, it was universal In many cases you could not get labour performed without it.” To the question, “Was the barter of spirits prohibited by Governor Macquarie, or were the officers of the 73rd regiment allowed to barter spirits?” Captain Kemp replied, “The Governor, clergy, officers, civil and military, all ranks and descriptions of people bartered spirits when I left Sydney, namely in May 1810.”

14. Under such circumstances it can readily be believed the advent of a bank was a source of universal satisfaction. On

8th April, 1817, the Bank of New South Wales commenced business under a charter granted in 1816, and which was renewed in 1823. In 1818 the New South Wales Savings' Bank was initiated, and deposits ranging from 2s. 6d. were received, and interest was allowed at 1s. 6d. per £1 per annum = $7\frac{1}{2}\%$ per annum.

15. It is singular to think that at one time clergymen were prohibited from being shareholders in a bank—in fact it was in 1817 the law was passed, and it was only in 1838 the legal disability was removed. If a shareholder was a person in holy orders “all the acts of the company were void or voidable.” In one case the defendant in an action upon a dishonoured bill pleaded the statute when sued by the Northern and Central Bank at Manchester (two of whose shareholders were clergymen), and the plea was successful.

16. Prior to giving some details of several of the larger Australasian banks, it may not be uninteresting to mention a few statistics and events of the period 1817 to 1826. The revenue of New South Wales in 1817 was £22,158; of Van Diemen's Land £5401. In New South Wales the revenue exceeded the expenditure by £4823, and in Van Diemen's Land by £503. In 1822 the New South Wales revenue had increased to £44,768, and on the expenditure side appears the item, “Loan to British Government, £19,000.” In 1817 the first Supreme Court was established, and in the same year Mr. W. Bland was convicted of libelling the Governor—punishment, twelve months' imprisonment, £50 fine, two sureties of £100 each, and himself in £200. In 1820 the Emancipists prepared a petition praying for the removal of a legal disability. A census was taken by some of the leading men amongst them, showing population as follows:—

Emancipists numbered	...	...	7556	
Their children	...	...	5859	
			—	13,415
Voluntary emigrants	...	...	1558	
Their children	...	...	878	
			—	2436
				—
				15,851
				—

Aggregate value of property :—

Emancipist Colonists	...	...	...	£1,123,600
Emigrant do.	...	...	...	526,136
				<hr/>
Together	...	...	...	£1,649,736
				<hr/> <hr/>

In 1821 the population of New South Wales was 29,781 and Van Diemen's Land 7285 ; together, 37,066. Out of the 29,781 no fewer than 16,210 were male convicts, as follows :—

Employed by colonists	...	...	...	6927
Ticket-of-leave men	...	...	...	1378
At Government disposal	...	...	...	7905
				<hr/>
				16,210
				<hr/> <hr/>

In Van Diemen's Land the convicts numbered 3939. The transportation system was alleged by Wentworth to have answered "every object of effective punishment and effective reform at a very reduced scale of expense." In 1821 the sheep in the two settlements numbered 290,168, and in 1823 the wool export was valued at £25,000. *The Sydney Gazette and New South Wales Advertiser*, first published on 5th March, 1803, was still the official paper—a weekly publication. *The Australasian* was started in 1824 under the auspices of W. C. Wentworth and Dr. Wardell. The system of currency, or dollar system, was abolished by Act of Council in July 1826. In the same year the Bank of Australia was founded, of which more anon. For the thirteen months ending January 1824 it was considered noteworthy that sixteen ships, 5500 tons, laden with colonial produce—oil, timber, and sealskins—cleared out from Sydney and Hobart Town for Great Britain, amounting in value to £100,000, besides wheat exported to Cape of Good Hope and to Rio de Janeiro. As early as 1823 the colonists were exercised as to the adoption of a more appropriate name than New South Wales for the mother colony. Wentworth suggested "Southern Britain." It is curious to read of Bathurst and Wellington as "ultramontane establishments"

and “transalpine regions.” In 1821 the Governor took eight days travelling between Emu Ford (? Penrith) and Bathurst, 101½ miles ; and, when Oxley visited Bathurst in 1817, it was called a “transalpine establishment.” In 1823 an Act was passed regulating trial by jury, which was really the first constitution obtained by the colonists. It was in 1825 that the great Australian Agricultural Company was established, and was given grants of 1,000,000 acres of land.

17. The year 1817 marks the beginning of an era of great activity in commercial enterprise in New South Wales, doubtless consequent upon the cessation of the Napoleonic wars in Europe, and the influx of capital attracted by the handsome returns obtainable.

18. As already mentioned, the Bank of New South Wales commenced business on 8th April, 1817—authorised capital £20,000 in 200 shares of £100 each, but the subscribed capital was only £12,600. It issued notes for 2s. 6d., 5s., 10s., £1 and £5. On 1st January, 1821, its note circulation was £5902, and the bank held Commissaries’ Bills on Treasury, £22,427 17s. ; Store Receipts, for which Bills on Treasury could be demanded, £17,405 1s. 4d., besides which the bank held Mortgage Securities, £4172. The bills discounted during 1817 amounted to £12,193; 1818, £81,672; 1819, £107,256; but in 1820 they fell to £98,498. The dividends declared were, 1st April 1817 to December 1818, 12% per annum; year 1819, 21%; 1820, 12%; 1821, 12%; and in 1822, 15%. The bank at this time had legal sanction to charge 10% interest. Wentworth adds that “Bank notes and Spanish dollars are (in 1823) the common currency”—dollars down to 4s. On 19th February, 1823, as per advertisement in the *Sydney Gazette and New South Wales Advertiser*, Mr. Nicholas Bayly was Secretary to the bank. In Appendix E will be found a copy of the bank’s balance-sheet as on 31st December 1825—quite a curiosity in its way, as the dollar system was still in vogue. The paid-up capital was only 43,200 dollars, equivalent at that time to £10,800. The profit for

the half-year was 11,195 dollars 21 cents, say £2798, and a dividend was declared of £9 5s. currency, or thirty-seven Spanish dollars per share of £30 paid-up, equal to 61 $\frac{2}{3}$ per cent. per annum. It seems extraordinary under such circumstances that the Directors did not commence to build up a reserve fund. Only a few months afterwards the bank experienced troublous times owing to the Bank of Australia having started and taken away many influential supporters and shareholders, coupled with rumours as to the incompetence and dishonesty of certain bank officials. A run ensued, and 90,000 dollars in coin were withdrawn in one week. The Governor came to the bank's assistance with a loan of £20,000 from the Treasury on certain conditions, to wit, that three new Directors should be added to the Board, discounts should be reduced in volume 25 per cent. per week until 1st January, 1827, previous to which the whole amount of subscribed capital had to be paid-up, no dividends were to be declared until the Government claim was satisfied, and the bank was to keep its accounts in sterling currency (£ s. d.) Doubtless this transaction was the origin of the tradition which has reached our ears that there was a time when the bank was not too proud to take a deposit of £5000 from the Government conditionally upon a Government nominee being appointed a Director on purpose to see that everything was going on all right. Such stories are never supposed to lose in the telling! Amongst memoranda under the hand of the late respected President of the bank (Mr. Thomas Walker) that have come into my possession, is the following memorandum, dated 18th March, 1886 :—“Bank first established by a charter of incorporation granted by Governor Macquarie, dated 1816. Capital to be £20,000 in 200 shares, each £100, term seven years. Governor Brisbane, by charter dated 1823, renewed or extended the term for seven years longer. In 1827 it was ascertained that notwithstanding these charters of incorporation, the bank was neither more nor less than an ordinary Joint Stock Company, and in that year a deed of settlement was agreed upon and adopted by the then shareholders. This is dated 12th December,

1827, and constituted the bank a Joint Stock Company for a term of seven years from 1st January, 1828, capital £150,000 in 1500 shares of £100 each. This term therefore expired 1st January, 1835. At a special meeting of shareholders held 21st January, 1834, the term of co-partnership was extended for a further term of twenty-one years; this would bring the term up to 1855. Before the expiry of this term, the said co-partnership ceased to exist, and, on the 23rd August, 1850, another company was formed and constituted by a deed of settlement of that date. This co-partnership was to continue until dissolved in conformity with certain of its provisions (122-129), capital £125,000, 6250 shares, £20 each. The company thus formed was incorporated by Act of Council 6th September, 1850." This re-constructed bank has had an exceptionally successful career, and has played at times a conspicuous part in the financial history of the mother colony. Up to January 1885 it had been for twenty-five years the sole bankers of the New South Wales' Government, which position at one time, no doubt, contributed to its *prestige* as a bank. The loss of the Government account, however, has not affected the dividends paid to shareholders, and the bank's constituents think that its removal materially lessened the danger of an erratic policy being pursued such as in days gone by was, rightly or wrongly, attributed to the bank. The following comparison is between the bank's figures, March 1851 and September 1887.

	March 1851.	Sept. 1887.
Paid-up capital	£122,120	£1,250,000
Reserve Fund	5,500	900,000
Notes in circulation	33,883	608,683
Deposits	295,627	15,019,772
Bills payable	140	1,953,922
Advances	342,110	15,552,839
Bank premises	2,262	484,314
Amount of dividends and bonus for half-year	5,540	109,375
Rate of ditto	10 per cent. per annum.	17½ per cent. per annum.

In March 1851 the bank's only branches were in "Moreton Bay" (*i.e.* Brisbane) and Melbourne; now it has 179 offices scattered over all the Australasian colonies, excepting Tasmania

and Fiji, in addition to a London branch, on the register of which one-fourth of the capital now appears. Of the capital, £239,000 represents capitalised profits, but, on the other hand, in the reserve fund is included £361,997 premiums on fresh issues of shares, the result being that, of the capital and reserve fund together, £1,372,997 represents capital supplied by shareholders, £777,003 undivided profits=£2,150,000. In addition to the undivided profits, the sum of £5,123,195 has been paid in dividends and bonuses. Shares on the London Register command a higher price than those on the Colonial Register, but, taking £60 as the ruling price, the market value at the present time of the bank stock is £3,750,000. The bank gives employment to 786 officers, entrance age seventeen, retiring age (optional) under the Officers' Provident Fund, fifty-five. The bank's authorised capital is £3,000,000, so that provision is made for probable expansion.

19. The next bank coming under review is also a New South Wales institution—the Commercial Banking Company of Sydney. It was established in 1834, and was reorganised and incorporated in 1848. Doubtless in its ante-1848 existence it went through infantile troubles like its compeers. Since that time, however, its record is indeed a marvellous one, and raises excusable pride in all associated with its management. As a bank it has been distinguished by evenness of policy, and, during times of financial pressure, it has been commendably considerate to its borrowing constituents of whose solvency and integrity it was assured. It has studiously avoided having much to do with Government business, but, as it had persistently maintained that the Government account should be distributed amongst the banks, it somewhat reluctantly, I believe, found itself bound to take a share of the New South Wales Government account in January 1885, since which date certain associated banks have been the Government bankers. The Commercial Bank has a branch in London, but otherwise its field of operations is confined to New South Wales and Queensland, having 117 offices in the former and ten in the latter colony. It has the leading banking

business in New South Wales, and apparently believes in the adage of "leaving well alone." As illustrative of this policy it is curious to note that a branch was opened in Melbourne on 17th January, 1853, but was withdrawn on 2nd May of the same year, the Directors announcing the fact in their 10th report thus:—"They are glad, however, to announce that advantageous arrangements have been entered into with the Bank of New South Wales for taking over the business as well as for the conduct of an agency at Melbourne, whereby any inconvenience that might otherwise have resulted to the customers of the Bank will be effectually guarded against." The following comparison is between the Bank's first and seventy-eighth half-yearly reports:—

	Dec. 1848.	June 1887.
Paid-up capital	£71,765	£600,000
Reserve Fund	993	725,000
Notes in circulation	25,601	401,393
Deposits... ..	148,470	8,879,765
Bills payable	<i>Nil</i>	397,296
Advances	168,382	9,088,205
Bank premises	3,600	302,000
Amount of dividend paid for half-year	3,237	75,000
Rate of dividend	10 per cent. per annum.	25 per cent. per annum.

Of the capital, £40,000 represents profits capitalised, and of the reserve fund, £100,000 represents premiums on one fresh issue of shares, so that, of the combined capital and reserve funds, (£1,325,000,) only £660,000 represents capital supplied by the shareholders. In addition to £665,000 undivided profits, the sum of £3,037,926 has been paid in dividends. For the last twelve years the dividend has been 25 per cent. per annum, so that during that time the shareholders have had their capital returned to them three times over, in addition to which the Reserve Fund has been increased £365,000, and shares now representing by Stock Exchange quotations £456,000 have been acquired by shareholders at a cost of £100,000 (par value), equivalent to a bonus of £356,000. Truly a wonderful record. After reading it one can understand the £25 shares changing hands at £114—the present price—or say £2,736,000 as the market value of the Bank as a going concern.

20. Time does not permit me to go into detail with regard to the remaining Colonial Banks. We shall now, however, glance at the two oldest and largest Anglo-Australasian Banks, whose vigorous management, colossal business, and prosperous careers entitle them to be considered factors in the progress of Australasia, and whose *prestige* remains unabated. I refer to the Bank of Australasia and to the Union Bank of Australia Limited.

21. The Bank of Australasia was founded in 1835 with a capital of £300,000. In its earlier years it experienced ups and downs that would terrify shareholders now-a-days—*e.g.*, in 1847 and 1848 it paid no dividends, in 1846 and 1849 it only paid $1\frac{1}{2}$ per cent., in 1850 a modest 3 per cent., in 1851 4 per cent., in 1852 $5\frac{1}{2}$ per cent., in 1853 15 per cent., in 1854 $17\frac{1}{2}$ per cent., and from 1855 to 1859 the dividend was 20 per cent. per annum. It commenced business in Sydney in 1835, in Bathurst in 1838, and in Melbourne on 28th August, 1838, under the management of the late Mr. D. C. Macarthur. In an obituary notice of Mr. Macarthur in the *Melbourne Evening Herald* of 17th November, 1887, "Garryowen" says, "that Governor Sir Richard Bourke arranged with the Bank of Australasia in Sydney to establish the Melbourne branch, another instance (if true) of the close connection between the Government and the Banks." "The Governor gave free passes per the revenue cutter *Ranger* for the transit to its destination of the embryo bank and its belongings." Imagine a voyage of six weeks from Port Jackson to Hobson's Bay! Mr. Macarthur's suite "consisted of an old clerk named Dunbar and two fierce looking bull-dogs, the Bank's guardians, with a stock-in-trade of £3500, the all-potent lever by which the projected machine was to be worked." After the opening of the unassuming branch bank it seems the Governor allowed the manager a military sentry for some weeks. "The precautions so taken answered their purpose admirably, for the manager remained unmurdered, the quadrupeds unpoisoned, and the treasury unlocked until a removal was effected two and a-half years after to an edifice specially put up for the bank in Collins-street, on an

allotment next to where the present bank stands." Unlike some of its compeers, the Bank of Australasia in its reports shows its working expenses; excluding income tax and tax on note circulation, they amounted to £92,000 out of £208,000 earned during the six months ending 11th April, 1887, or, say, 44 per cent. Commencing with a subscribed capital of £300,000 in 1835, the bank has now a paid-up capital of £1,600,000 (the largest of any British bank in Australasia) and a reserve fund of £800,000. It has 134 branches in the colonies. Victoria is its stronghold; but, with the exception of Western Australia and Fiji, it is represented in all the Australasian Colonies. It had a branch in Western Australia years ago, but withdrew it. Its liabilities to the public aggregate £14,472,222, and its advances amount to £14,425,111, which includes Government securities £602,900, and loans on call and at short notice £1,326,182. Its last division of profits is at the rate of 13½ per cent. per annum. On 11th May last its late able superintendent, Mr. E. S. Parkes, met an untimely death through a railway accident in the suburbs of Melbourne when returning home after his day's work. It is due to Mr. Parkes to say that he was a man of exceptional financial ability, and that he was a highly esteemed honorary contributor to the editorial and other columns of the *Australasian Insurance and Banking Record*, a journal that is admittedly an excellent exponent of Australasian finance. The death of Mr. Parkes suggested to the *Record*, as a testimony to his banking ability, a comparison of the bank's balance-sheets at the time Mr. Parkes joined the service as inspector and at the time of his death. As the figures are an interesting commentary on the bank's progress, a few are appended, viz.:—

	14th Oct. 1867.	16th Oct. 1886.
Paid-up capital	£1,200,000	£1,600,000
Guarantee or Reserve Fund	210,247	800,000
Notes in circulation	281,175	466,680
Deposits	2,781,419	11,778,583
Bills payable, &c	893,694	1,764,286
Bills receivable and other advances	3,767,100	12,875,793
Net profit for year	120,283	260,616

22. The Union Bank of Australia was established in 1837 with a subscribed capital of £500,000. It was incorporated in 1880

under the "Companies' Act 1879," since which date it has added the word "Limited" to its name, having under the Act been converted from an unlimited bank to one whose shareholders, in the very unlikely event of liquidation, can only be called on to pay a further £50 on each £25 share, a security to creditors twice as liberal in that particular direction as is afforded by any other bank carrying on business in the Australasian colonies. The bank has now a paid-up capital of £1,500,000 and reserve fund £980,000, together £2,480,000. As the reserve liability of proprietors is £3,000,000 it will be seen that creditors have practically the magnificent security of £5,480,000 to look to in case of need. Although fifty years of age, a long time in the life of an individual but a short time in the history of a bank as of a nation, the bank is really in the first vigour of youth, and goes on "strengthening its stakes and lengthening its cords" in a manner that is the admiration of onlookers. It has in a remarkable manner escaped the chequered career of most of its competitors, and, at the present time, is the only bank represented in London and in eight Australasian colonies. For many years it was the Government bank in New Zealand and Queensland, and, at the present time, it takes its share of Government business in the colonies of New South Wales, Victoria, and South Australia. During the early gold-digging days it paid magnificent dividends, ranging from 19 per cent. to 40 per cent. (1853) per annum. Now-a-days, with its greatly enlarged capital, its dividend of 12 per cent. per annum, especially after experiencing the results of a four years' drought, is creditable. The shares, £25 paid, bring £59 on the colonial Stock Exchanges, thereby yielding to buyers only £5 1s. 8d. per cent. per annum, in itself a striking proof of the confidence the public have in its stability, and of their expectation of higher dividends at no distant date. On the London Stock Exchange the quotation is £63 to £65. It made a new departure in colonial banking by issuing inscribed stock deposits, in other words, permanent (at its option) fixed deposits carrying interest at 4 per cent. per annum. The first issue of £500,000 was subscribed in London on or prior to 25th May last. It will be interesting to watch the result. If as pro-

fitable to the bank as originally expected, no doubt further issues will follow. The stock is transferable in sums of £10 and upwards. In its half-yearly reports the bank also shows its working expenses; these vary somewhat. For half-year ending 28th February, 1887, including income tax, but exclusive of note tax, they amounted to £82,708 out of £174,156, or $47\frac{1}{2}$ per cent.; the previous half-year the proportion was $42\frac{1}{4}$ per cent., the dividend being at the rate of 14 per cent. per annum. No doubt larger provision for bad debts will account for the difference in results. The recent retirement of Mr. John F. M'Mullen from the general managership, after more than thirty years' faithful service, gave the Board of Directors the opportunity to make the following interesting comparison:—

	1st Jan. 1857.	28th Feb. 1887.
Aggregate figures of balance-sheet...	£5,079,880	£16,275,247
Reserve Fund	200,000	980,000
Dividends paid in thirty years,	£5,828,937.	

23. Had time allowed I would like to have alluded more in detail to other representative banks, say to the Bank of Victoria, National Bank of Australasia, Colonial Bank of Australasia and the Commercial Bank of Australia Limited, all Melbourne banks; to the Bank of New Zealand, whose business is truly gigantic considering its age, and whose position in the colony it represents is unique; to the Queensland National Bank, a progressive bank very closely identified with the great colony whose name it bears; and to the South Australian banks. The Bank of New Zealand, although only founded in 1861, has paid dividends aggregating £2,524,559 14s. 10d., so its shareholders may well exercise a little patience and make allowance for the temporary cessation of dividends, owing chiefly to the great shrinkage in values consequent on the financial troubles of the Government and the general over-trading of the New Zealand community. The Queensland National Bank Limited, founded in 1872, has also had a wonderful career so far. Like its New Zealand *confrère* it has enjoyed extensive Government patronage, which is good in its way, but is not without its dangers. In fact,

a Government account may easily become a disturbing factor in the ordinary business of any bank. It is worthy of note that the Bank of Victoria opened a branch at Mauritius in 1859, but soon after withdrew it. The Colonial Bank of Australasia is, I believe, the only Australasian Bank that once after going to London closed its branch there. Tasmania has always revelled in small local banks. In 1823-1824, when its population was estimated at 11,000 to 12,000, Wentworth mentions a bank being established (1823) in Hobart Town with a subscribed capital of 40,000 dollars in 200 shares of 200 dollars each. That must have been, I think, the Bank of Van Diemen's Land, whose figures now are as follows :—

Paid-up capital	..	...	...	...	£100,113
Reserve Fund	...	...	...	...	1,000
Notes in circulation	...	...	...	...	15,363
Deposits	...	...	...	...	572,611
Bills payable	...	...	...	...	30,562
Advances	...	...	...	...	543,098
Bank Premises...	..	...	...	...	32,171
Amount of dividend paid for half-year	...	...	...	...	3,116
Rate of dividend	...	...	..6 per cent.	per annum.	
It also carries forward undivided profit	...	...	...	...	3,579

West Australia has only one local bank, founded in 1841. Its paid-up capital is only £50,000, but its reserve fund is £78,725, being proportionately greater than that of the Commercial Banking Company of Sydney. It and the Commercial Bank of Tasmania Limited pay 20 per cent. per annum dividend, in that respect holding a distinguished position.

24. With regard to the class of banks called in this paper "Non-issuing," and which are apparently exempt from publications of quarterly average statements, I propose to be brief in my remarks. In time some of them will probably become Banks of Issue, *e.g.*, the Ballarat Banking Company, and the New Oriental Bank Corporation Limited. In appendix C, I have given some particulars respecting nine of these banks, and regret I have not had time to collect further statistics. There are doubtless several institutions unknown to me entitled to be included in the list—others assuming the names of banks or banking companies are, I fear,

trading under misleading designations, their business partaking of the character of Building Societies or Land Investment Companies. It being very difficult to ascertain the total amount of deposits held by the non-issuing banks, I have not included them in drawing conclusions later on as to the sum total of deposits in the banks. We have one foreign bank in Australia—the Comptoir d'Escompte de Paris. In its own country it is a large bank, but its branches in Sydney and Melbourne do principally an exchange business. The paid-up capital is £3,200,000, and the reserve fund is £800,000. It seems that in France all bills are made to mature on the 15th or on the last day of each month, much as in Great Britain the Stock Exchanges have two settling or account days in each month. The Comptoir paid a dividend of 9 3-5ths per cent. for the year 1886, and the aggregate figures of the balance-sheet were Fs.349,955,141.45, or say £13,998,205.

25. The Savings' Banks of Australasia are doing good work in promoting thrift, and deserve more extended notice than time permits me to give. Mr. John Alsop, the actuary of the Melbourne Savings' Bank, has prepared statistics up to 30th June 1887, and to him my acknowledgments are due for much of the following information. Depositors number 530,477, and deposits amount to £12,459,115, or say, £23 9s. 8d. on an average for each depositor. In four years the deposits have increased £2,154,570, and depositors by 164,649. There are now 1204 Savings' Bank offices open in Australasia, namely: Post Office Savings' Banks, 1045, General Savings' Banks, 159. The rates of interest allowed on deposits vary from 3½ per cent. in Tasmania to 6 per cent. in the New South Wales General Savings' Bank. Excepting in the case of friendly and charitable societies, the maximum sum taken to carry interest is £500 in New Zealand.

26. It was only in 1799 that the Rev. Josiah Smith, of Wendoover, started a Savings' Bank amongst his parishioners, as an inducement adding a bonus at Christmas time to the balances then remaining; and in 1804 Mrs. Priscilla Wakefield founded

the next Savings' Bank at Tottenham. As New South Wales had a Savings' Bank in 1818, it will be seen that we were only 19 years behind the mother country in recognising the economic value of such an agency, whereas we were 123 years behind her in establishing a Bank of Issue, the Bank of England having been founded in 1694.

27. The defunct banks of Australasia might easily be made the subject of a paper by themselves—in fact to the general reader, their history would afford no little entertainment, partaking, as it at times does, of the character of *quasi*-romance. On this subject I would recommend a perusal of Mr. Henry Gyles Turner's paper on "A notorious Australian Banker," read a year ago to the Bankers' Institute of Australasia, and published in December 1886 number of the *Australasian Insurance and Banking Record*. In Appendix D, I give a list of twenty-six defunct banks which have either failed, liquidated, or merged into other institutions. Much misery might have been spared before now if the other banks then in business had had men of larger grasp at the head of affairs. Absorption in not a few cases could have been adopted to the mutual advantage of the absorbers and absorbees, if one may coin the word. I refer in particular to the old Bank of Queensland. In this connection, all honour to the Commercial Bank of Australia Limited. I have heard a friendly critic call it a banking octopus, in the complimentary sense of the word.

28. The Bank of Australia, founded in 1826 with a paid-up capital of £15,000, had to succumb to the terrible depression of 1843 to 1845, owing primarily to departure from orthodox banking lines in locking up money in inconvertible securities. To do justice to the Bank of Australasia and to the Union Bank of Australia, they did try to avert the failure, but apparently the evil was too deeply seated, and the well-meant assistance of the former bank involved it in a lawsuit before it recovered its own. A Lottery Bill was passed to enable the bank to dispose of its properties, real and personal, by lotteries, and I now lay on the table for inspection a copy of the second and final lottery on 9th

April 1849. Within the last few weeks I have heard that one property obtained by lottery, subject to a life interest of £750 a year, long since fallen in, is now worth £130,000. The foundation of several fortunes dates from the acquisition of prizes obtained in these lotteries. On 14th September 1828 a robbery of notes, coin, &c., was effected through flooring of nine feet in thickness. The following figures are from the bank's returns to the Government for quarter ending 31st December 1842:—

Capital paid-up	...	...	...	...	£224,960
Note circulation	...	...	...	...	16,622
Deposits not bearing interest	...	...	...	...	1,837
Deposits bearing interest	...	...	...	...	99,001
Coin	...	...	...	...	16,156
Landed property	...	...	...	...	46,884
Discounts and all other debts	...	...	...	...	343,936
Amount of dividend	...	...	...	...	11,236
Reserved profits	...	...	...	...	6,500
Rate of dividend	...	...	...	...	10 per cent. per annum.

In Appendix G will be found a copy of the balance-sheet for the half-year ending 30th June, 1855, kindly furnished by Mr. William Neill, of the City Bank. It will be noticed that out of the above-mentioned £16,622 notes, only £217 worth were not presented at the final liquidation, or 1.30 per cent.

29. The Royal Bank of Australia bulks largely when one thinks of defunct Australian banks, and yet its paid-up capital was only £45,010. Formed in London in 1840 it was wound up there under an order dated March 1850. It might with some truth have been called "Boyd's Land Speculating, Sheep Investment, and Whale Fisheries Company, Unlimited." Dividends were paid out of capital, and then out of borrowed moneys until the inevitable crash came. I need scarcely say that Mr. Benjamin Boyd is the "notorious Australian banker" in Mr. Turner's interesting paper. Could Boyd have held on until the gold discoveries in 1851, it is not improbable his speculations would have eventuated satisfactorily, and he might have posed as a millionaire, and even have died in the odour of sanctity. The man was generous with other people's money, having apparently hazy notions about *meum* and *tuum*, but one has known such men

to be also very generous with their own funds when their luck turned. In the unique history of the bank, two of the most extraordinary things are—that the board in London sent out Mr. Sprott Boyd (believed to be a brother) to supersede Benjamin Boyd, and later on a Mr. Samuel Browning (a former confidential clerk or agent of Benjamin Boyd's) to supersede Mr. Sprott Boyd. It is of course easy to be wise after an event, still such extraordinary proceedings go to confirm the adage, "it is the unexpected that is always happening." Benjamin Boyd was the pioneer of the South Sea Island labour trade. He saw what could be done with cheap labour, landed several shiploads of New Hebrideans at Twofold Bay, and despatched them to his stations; wages as hut-keepers or shepherds, 6d. per week, rations, and a new shirt and Kilmarnock cap once a year! One can easily imagine the upshot. In place of watching the sheep, the poor Islanders had themselves to be watched, and ultimately they made their way to Sydney, where they caused a considerable commotion by marching through the streets almost in a state of nudity, and with their warlike weapons as if about to give battle! Some were employed as seamen on the ubiquitous Boyd's whalers, and it is said, that after being experimented upon in various ways, some few got back to their island homes. How many subsequent massacres were in part the result of this first experiment in introducing Kanaka labour, who can say?

30. The Bank of Queensland Limited was established in London in 1863, commenced business in Brisbane, September 1864, and suspended payment, 24th July 1866, at Brisbane, Ipswich, Toowoomba, Dalby and Rockhampton, and at Roma on 31st *idem*, there being no telegraphic communication between Roma and Dalby at that time. The Brisbane manager of the Bank of New South Wales was so satisfied of the mistake that was made in not supporting the sinking bank, that he went on honoring its drafts on its correspondents, with whom it had funds, in hopes from day to day that the other banks would reconsider their determination, but at last he had with much reluctance to say "No." Mistakes had been made, of course, but there was nothing dishonorable in

the failure. At time of suspension in the Colony of Queensland the total assets were £359,149 1s. 5d.; the total liabilities, £116,865 7s. 7d.; surplus, £242,283 13s. 10d. The total amount paid to creditors in Queensland, inclusive of set-offs, was £124,222 6s. 10d., and the only unproved claims were:—Notes in circulation, £706 10s.; other unproved claims, £1096 13s. 2d. Total, £1803 3s. 2d. Out of a note circulation of £26,553 10s., it will be seen that only £706 10s. were not presented, or barely $2\frac{3}{4}\%$. Had the bank from the start had a local board in Queensland in place of being represented by an ex-Indian banker who had no Australian experience, there might have been a very different story to tell. (See Appendix J.)

31. The Sydney Bank (or Sydney Banking Co.) commenced business 4th November, 1839, with a nominal capital of £1,000,000. In 1843 its paid-up capital was £153,808, and reserve fund, £3307. The Port Phillip Bank had a paid-up capital of £52,965, and in 1843 the amount of reserved profits was £1392. It seems to have been the Melbourne agent of the Bank of Australia. It paid no dividend after 30th June, 1842; but an esteemed Melbourne correspondent informs me it paid its liabilities in full, his informant being one of the first settlers in Victoria. In Appendix F will be found copies of statutory returns made in the years 1841, 1842, and 1843, by the Bank of Australia, the Port Phillip Bank, and the Sydney Bank. My acknowledgments are due to Messrs. Neill and Henderson, of the City Bank, for their kindness in furnishing these particulars. The Oriental Bank Corporation was an Anglo-Indian bank, and, as its failure was not owing to its Australian business, it is unnecessary to enlarge on the causes of it here. The figures of the Australian business at time of suspension are shown in Appendix D.

32. I have alluded to defunct banks in this paper as, in a sense, even they, or, at all events, some of them in their day, contributed to the progress of Australasia—and, if nothing else, surely their failures should act as beacons, by observing which other banks may be warned of dangers. It will be noticed in Appendix D,

that of some of the defunct banks the information obtained is of the scantiest description. I shall be extremely obliged if any of my hearers will kindly furnish me with further reliable particulars, it being my intention to collate all information obtainable on the subject. [Appendix K gives some interesting information respecting the Bathurst Banking Company.] A friend has to-day handed me the following memorandum:—"In October 1822 Mr. L. W. Gillies, father of Mr. A. W. Gillies, of this city; Mr. Benjamin Horn, afterwards Judge Horn; and the Rev. Dr. Lang, sailed in the *Andromeda*, 700 tons, from Leith and took six and a-half months to reach Hobart Town.* On board they had five merino ewes and one ram, procured by Mr. Gillies from the Royal Stud Farm, Germany, which formed the nucleus of the present Tasmanian Stud flocks. Later on Mr. Gillies, in connection with Mr. Philip Oakden, of Launceston, Mr. Jas. Cox, of Clarendon, and some of the Archers, of Tasmania, combined themselves into a company, called the Tamar Bank, of which Mr. P. Oakden was director, Mr. L. W. Gillies manager, and Mr. William Highett (who recently died in Melbourne) cashier. The bank was opened in the building now known as the Brisbane Hotel, Launceston, and subsequently removed to George-street, known now as the Old Union Bank. The success of this institution, which dealt largely in advances on grain from Tasmania to Sydney, induced the Henty family to emigrate from England to Tasmania, from which sprang the Bank of Australasia. The competition of this bank, which demanded daily settlement of exchanges, caused Mr. Philip Oakden to be sent to London in order to strengthen the old Tamar Bank, and from his negotiations arrangements were made from which grew the Union Bank of Australia, which opened in George-street, opposite Paterson-street, Launceston, Mr. Philip Oakden as managing director, Mr. L. W. Gillies, manager, and Mr. Wm. Highett, cashier. Mr. W. Fletcher was the next manager,

* Mrs. Lang (widow of the Rev. Dr. Lang) informs me the *Andromeda* arrived in Hobart Town 4th May 1823 *en route* to Sydney. She had been detained two months by south westerly winds on the coast of England and had touched at Rio de Janeiro for supplies, a not unusual thing to do in those days.

Mr. Highett going to Melbourne to open a branch there in the building now known as the Port Phillip Club Hotel.”

33. A certain homogeneity is desirable in the sphere of a bank's operations. For this reason it is scarcely wisdom for an Australasian bank to go beyond the boundaries of Australasia with the exception of an office in London—the monetary and commercial metropolis of the world. Exchanges with other countries can be arranged by agents. The experience of the late Oriental Bank Corporation points to the danger of a too wide-spread field of operations—London, India, Ceylon, Singapore, China, Japan, Mauritius, South Africa, and Australia. The difficulties of bi-metallism had also to be encountered. Another lesson from its failure is that, especially where large figures are involved, a bank's own resources, capital and reserve fund, should bear a substantial proportion to its total liabilities, to allow for shrinkage in value, to provide for possible liquidation, and thereby also to give the depositing public confidence in the bank's ability to survive abnormal losses. In cases of panic “*sauve qui peut*” is almost invariably the motto of depositors.

34. Statutory Regulations.—If it is for the greatest good of the greatest number that Parliament regulates the status of the medical and legal professions—“*salus reipublica lex suprema*”—surely much is to be said in favor of a statutory definition of a bank. To the uninitiated the very name “Bank” often inspires confidence, whereas institutions adopting the name at the present time may be merely pawn-broking establishments. Prevention being better than cure, it is to be hoped that our legislators will give this matter early and serious consideration. As an instance in point, I have in my possession a notice issued by a so-called “Deposit and Discount Bank,” announcing a dividend of $1\frac{1}{2}$ % on all fixed deposits for twelve months and over, said deposits having already received 10 % interest. A lady of some intelligence asked a friend of mine to lend her £1000 at 5 %, as she would thereby be enabled to make £65 a-year profit to provide

for relatives dependent on her for support. In this case the name "Deposit and Discount Bank" had had an attractive effect. I need scarcely say that, when it was found that the security offered was to be the fixed deposit receipt of the so-called "bank," the money remained where it was. It is to be hoped that in time all joint-stock companies obtaining moneys from the public on deposit will be obliged to publish statutory quarterly abstracts, so that for statistical purposes, amongst other reasons, it may be seen what, approximately, is the total amount of deposits held by banks of issue and non-issue, savings banks, building societies, investment companies, mortgage banks, &c., &c. It may be said that when that day comes figures will frequently do double duty, as deposits held, *e.g.*, by a building society, will swell the deposits of the society's bankers. Even that could be rectified to some extent by deducting from the aggregate deposits the amounts shown by respective balance-sheets to be unemployed at end of each financial year or half-year. In like manner, it seems to me, much advantage would ensue to the body politic if all financial institutions had their balance-sheets made up to one or other of the calendar quarter days—31st March, 30th June, 30th September, or 31st December. In the case of the banks I trust there will in time be greater uniformity than at present exists with regard to items shown in the balance-sheets; and, as a step in that direction, it is to be desired that all the Australasian statutory banking returns should be scheduled alike, *e.g.*, distinguishing between Government and private deposits, and between public and private advances. Government business is a large factor in Australasian banking business, even as banking itself is now, and always must be, an important factor in the progress of Australasia. I regret that the Appendices are not as complete as I should like, but perhaps they may be found of some little assistance in preparing more elaborate ones hereafter. It is very difficult without great research and expenditure of time—much more than I have had at my disposal—to acquire reliable information of the kind desired prior to 1841, or even later. Appendix H shews the

average Weekly Liabilities and Assets of the Banks in New South Wales for the years 1836 and 1840.

35. By reference to Appendices A and B it will be seen that there are twenty-seven Banks of Issue in Australasia, six being Anglo-Australasian, and twenty-one Colonial. These banks have a paid-up capital of £15,787,946, and reserve funds £7,637,285, and their dividends amounted to £878,534 for the last half-year = £1,757,068 per annum—which is at the rate of £11 2s. 7d. % per annum on capital, or, if calculated on capital and reserves combined, (£23,425,231,) is equal to £7 10s. % per annum. The half-year is an unfavorable one too, as the Bank of New Zealand, although it earned £26,511, did not pay a dividend. Of the 1471 offices, twenty are in London, and three in Fiji, leaving 1448 in the so-called Australasian Banking Heptarchy, or, on an average, one banking office for every 2417 inhabitants. In calculating the aggregate market value of bank stocks, I have taken London quotations for the Anglo-Australasian banks, and Colonial quotations for the others. As “going concerns” the banks represent a capital value of £31,944,541, and, on that basis, the dividends paid give a return of £5 10s. % per annum. As a matter of fact, London prices are considerably in advance of those in the colonies. To bankers it is believed Appendix B will be found a suggestive table. Exactly eighteen months ago I sent a similar table to the *Australasian Insurance and Banking Record* (vol. X, p. 314). Since then the aggregate liabilities show an increase of £10,000,000, but the proportions of proprietary resources remain much the same, viz.:—16, 24, and 32 % against 17, 22, and 31 % respectively, but the individual banks show considerable variations.

36. The data obtained so far scarcely warrant general deductions on such points as the advisableness of a bank confining its business to one or two colonies, or spreading out over all the colonies; also, as to the proportion that should exist between a bank's own resources and its total liabilities to the public. The banks paying the highest dividends are the Commercial Banking

Company of Sydney, 25 % per annum ; the Commercial Bank of Tasmania Limited, 20 % per annum, and the Western Australian Bank, 20 % per annum, the first-named confining itself to New South Wales and Queensland, and each of the others confining itself to the colony in which its head office is. On the other hand, the Bank of New South Wales, the Bank of Australasia, and the Union Bank are in the very forefront of Australasian banks, and each of them is represented in six colonies, and the Union in eight. Again, no hard and fast line can be laid down as to what are reasonable working expenses. It is well known that branches are frequently luxuries which young banks do well to avoid, and, where there are numerous branches, the proportion of expenses is greater than where there are few, *e.g.*, the City of Melbourne Bank is able to conduct its business (only six offices) at a cost of 19.92 % of gross profits, whereas the Bank of Australasia's expenses absorb 44 % of its earnings, and the Union Bank of Australia's proportion varies from $42\frac{1}{4}$ to $47\frac{1}{2}$ %. I think it will be found that the expenses of the Anglo-Australasian Banks bear a larger proportion to earnings than those of banks having their head offices in the colonies. My impression is that, in the future, the tendency will be to support large banks rather than small ones, and, with that idea in my head, I look for some of the smaller banks combining, and thus economising. In these days of telegraphic communication, a bank should have large resources of its own to undertake widely-extended business. By reference to Appendix D, it will be noticed that fourteen defunct banks have merged into larger institutions.

36A. Visibility is apparently often a factor in a bank's progress ; but, here again, young institutions require to exercise extreme caution in running into bricks and mortar and in multiplying branches. Until a bank has a substantial reserve fund, it is foolish, in my opinion, to pay dividends exceeding 8 % ; and much is to be said in favour of the reserve fund being invested in Government and other securities outside the bank's own business. Considerable difference of opinion exists as to the wisdom of banks having

affiliated investment and mortgage companies. Circumstances alter cases. There are *pros* and *cons*. Those opposed to having them have been known to call the affiliated companies "barnacles," thereby expressing the danger they think they see. Bankers do well to remind borrowers that bank advances are not intended to be permanent in character, and that gradual reductions must be effected. A banker is supposed to distribute his risks, and thus, in addition to greater security, to be acquiring a more extensive business connection than could be done by making a few large advances. A borrower from a bank should be able to satisfy his banker that the assistance sought will not only be safe from a banker's point of view, but will be remunerative to himself. It is no part of a banker's business to lend a man a rope with which, metaphorically speaking, to hang himself. Banks should be a wholesome check on undue speculation of all kinds, whether land, mining, grazing, manufacturing, building or shipping, and their influence should be cosmopolitan rather than local or parochial.

37. In addition to Anglo-Australasian and Colonial banks, we have a French bank doing business amongst us, and it is quite possible we shall soon see a German one represented. These are signs of progress, and, as such, are welcome. The New Oriental Bank Corporation Limited is at present the only Anglo-Indian bank represented here; but possibly, in time, it will be followed by others. We know that one Indian bank is called the Chartered Bank of India, *Australia*, and China. Not infrequently "coming events cast their shadows before."

38. There is a divergence of opinion amongst Australasian bankers as to the wisdom of establishing Banking Clearing Houses. In Melbourne there is a Clearing House, as in London, New York, and other large cities. My predilections are in favour of one, but a leading Sydney banker gave me the other day very cogent reasons for his opinion, which is adverse. Certainly, if a Clearing House is established, means should be adopted by which work should be lessened, not increased, and accelerated, not

retarded, in the matter of obtaining answers to cheques and bills. In the absence of a Clearing House, some system of coin certificates might be instituted so as to save the cumbrousness of sending about so much gold weekly, not to mention risk and loss by abrasion. In the *forties*, when Sydney only boasted one omnibus, I am told a bank messenger could be seen on settlement days carrying a large canvas bag across his shoulders, in which there might be eight smaller bags of 1000 sovereigns each, so disposed that £4000 hung on each side of the messenger's shoulders! Doubtless the messengers voted money in that form "filthy lucre," and considered themselves little better than beasts of burden! Truly, "the times are changed, and we are changed with them." The banks find railway communication between the respective capitals a great convenience for transfer of coin. There is a case on record of a bank chartering a special train to bring £250,000 in coin from Melbourne to Sydney. When federation eventuates, it will be immaterial for Government returns where a bank's coin reserve is stored. At present it is otherwise, owing to each colony expecting the banks to have a certain proportion of coin reserves within its territory.

39. It is a noticeable feature in the recent history of Australasian banks that, since August 1886, no fewer than three of the most prominent bankers have disappeared from their field of labour. I refer to Mr. Shepherd Smith, late general manager of the Bank of New South Wales Mr. E. S. Parkes, late superintendent of the Bank of Australasia; and Mr. John F. M'Mullen, inspector and general manager of the Union Bank of Australia. Mr. M'Mullen is the only one of the three who survives, and who is able to render good service to his bank as a director.

40. It is a moot point with many whether the banks have not been unduly precipitate in reducing the fixed deposit rates from 6 to 4 % in little over eight months. Such a proceeding is not likely to encourage moneyed people to look upon bank fixed

deposit receipts as a security giving a steady return, and, the probability is, a goodly proportion of these will invest their money in other channels. After a time we must expect the inevitable rebound. "A feast or a famine" still seems to be the rule, rather than the exception, in the world of finance. If war broke out in Europe, up would go the rates of interest, and down would go the prices of stocks. Nothing is more sensitive than credit, and therefore we can scarcely expect to be freer from panics in the future than we have been in the past. Cheap money is good for trade, but, when money is plentiful, there is the danger of over-trading and over-speculation, exemplified by "booms" in mining, squatting, &c. At such a time enlightened bank management is specially needed, and, in this direction, bankers may indeed do good service to the commonwealth. It is in prosperous rather than in depressed times that the seeds of much future financial misery are sown. Old established institutions have such extensive experience, that, by utilising it, they should become the bulwarks of society, in the economic sense of the word, and, by their example, should engender self-reliance in the body politic. Wise bankers distribute their risks, endeavour to cement their business connection by enlightened evenness of policy, and discriminate between honest misfortune and the consequences of unscrupulous speculation.

41. Government Accounts.—In taking a survey of banking, one must not omit an allusion to Government banking accounts—in fact, if banking is a factor in the progress of Australasia, so also is Government banking business a most influential factor in the business of the Joint Stock Banks. The Government Savings' Banks have already distanced the private savings' banks, and their deposits have at times greatly strengthened the hands of the Treasurers in the respective colonies. In New Zealand, Tasmania, Queensland and Western Australia, the Government keeps its account with one bank. In the other colonies, I believe the Government account is distributed. The question arises, which is

the better plan? In my own mind I have no doubt on this point, as I think the safety of the public deposits is the first consideration, and, surely, there is nothing disparaging to any bank in saying that its resources are not equal to the resources of itself and other banks combined. Taking the point of view of the bank itself, is it not the case that at one time the Government has large balances to its credit, and, at another time, possibly owing to deficiency in revenue, or in anticipation of the floating of a loan, it requires considerable banking accommodation? Some banks have shewn special aptitude for managing the Government accounts, and I believe in every case the Government has been faithfully served by its bankers, but often at the expense of valued constituents who have had to be driven away. The Government account is such a disturbing factor in any one bank's business that I am only surprised any strong bank will take it single-handed. Some years ago the Chairman of one of the banks, now conducting single-handed a Government banking account, said:—"I think the Colonial Treasurer will before long find that he will be studying the interests of the colony better by distributing the public account, as is done in Victoria, amongst the various banks, than by confining it to one bank alone as hitherto." It need scarcely be added that at that time his bank had no share in the account. Possibly the views of himself and co-directors have been modified, circumstances proverbially altering cases all the world over. Where Governments employ the Bank of England to negotiate their loans and to inscribe their stocks the profits in connection with the Government account are not as tempting to a colonial bank as formerly; still, the time may arrive when the co-operation of several banks in floating loans may be required, and it surely is wisdom on the part of a Government to be in a position to insist on friendly co-operation. At one time the Government of New Zealand, and, at another time, the Government of Queensland issued Treasury Notes—partly to get the command of money. So awkwardly situated was the Treasurer of Queensland in 1866 that he had recourse to the issue of Treasury Bills carrying 10 % interest. We can scarcely imagine the repetition of such

times.* On the subject of large Government deposits in a bank, I cannot forbear quoting the following remarks:—"The account of the Metropolitan Board of Works is kept with the London and Westminster Bank Limited, and in their last report it is stated that £1,000,000 of stock is lodged as security with the Metropolitan Board of Works. If a bank with nearly £5,000,000 of paid-up capital and undivided profits, and a further liability of £11,200,000 on the part of its shareholders is called upon to lodge security for an important public account, much more does it seem necessary that a Colonial Government should insist on some security when it keeps its account with one bank."***

One of the most singular incidents in connection with the Government Banking account took place some years ago in Melbourne, when the Government, in the days of a political dead-lock, submitted to judgments going by default, and thus obtained moneys through the London Chartered Bank, whose manager indulged the hope that his action in obliging the Government would eventually secure the whole account. In due time, the advances were repaid, but the Bank referred to only continued to be one of the Associated Banks in conducting the Government business.

42. The previous remarks having extended to greater length than I intended, necessity compels me to be brief in my allusion to banking as a special factor in the progress of Australasia. A sound system of finance is of the life-blood of a nation. In Australasia, the banks are the greatest financial institutions, therefore, their government and their policy are indissolubly associated with the progress of the community at large. Financial legerdemain can at the best have only an evanescent success. Before banks were established in the colonies, we have seen

* An esteemed and well informed Queensland correspondent writes thus: "The first issue of Treasury Bills in this colony took place in 1865 when £300,000 were negotiated at ten (10) per cent. and in same year a further sum of £138,500. The first issue had a currency of three years and were renewed at 6 per cent. per annum for four (4) years before they were paid off, the other issue were retired at maturity. The issue of Treasury Notes commenced in 1866 and continued until December 1870 when the Note Issue Branch was formally brought to a close; the highest circulation was a little over £50,000, the average being about £40,000."

** "Banking in Australasia" page 46. Published in London 1853.

that the currency was of a primitive character, and that barter had to be resorted to in many cases. Now we have bank notes to the value of £5,300,000 in circulation, and cheques on banks are daily changing hands in settlement of transactions, large and small, to an extent and for an amount in the aggregate little dreamt of by those who are not behind the scenes. In short, the development of the banking system has effected a material economy in some portions of the currency, and, in that respect alone, is and has been a factor in our national progress. The departure taken by the banks from the old orthodox ideas by making advances on freehold securities has been of immense value in promoting settlement. Bankers admit that their business must accommodate itself to the character and occupation of the community in which they are established, and, in this connection, much of the pastoral development of Australasia is undoubtedly due to banking assistance, consequent on the passing of Wentworth's, "Lien on Wool and Mortgage of Live Stock Act," which became law in 1843.

43. The community is also greatly indebted to Torrens' Act, now generally called the "Real Property Act," by which dealings in land are so facilitated that the banks have not hesitated to consider land mortgages as good security for temporary advances, and, for a limited portion of advances, practically for a term, although nominally otherwise. Of late years the Mortgage and Finance companies have relieved the banks of a large portion of their so-called dead or inoperative advances against freehold, squatting, sugar planting, and similar securities. Still, it must not be forgotten that to banking assistance, in the first place, the pastoral and agricultural interests owe much of their wonderful development.

44. All the Australasian Governments have had to lean on their respective bankers to tide them over times of Treasury depletion, and it has been the province of the banks to float the Government loans, now not far short of £153,000,000, and to pay, and, if need be, to provide for the punctual payment of half-yearly interest thereon, as well as of the principal when it matured.

45. The discovery of gold in 1851 gave an enormous impetus to banking enterprise ; but, on the other hand, who does not acknowledge that the establishment of banking facilities in the most remote goldfields has fostered and developed the mining industry to a remarkable extent. Here, again, banking has proved itself a factor in our material progress.

46. The import and export trade of Australasia has also been greatly fostered by the banking facilities afforded through advances secured on hypothecated shipping documents.

47. It cannot be denied also that the banks had a good deal to do with the establishment of Royal Mints in the colonies, where the gold purchased by the banks is converted into sovereigns, the legal tender of the British Dominions.

48. Even in matters political, banking is not without influence, although sensible bankers eschew party politics. From a banker's point of view, what a saving could be effected if, in place of each colony having its own debentures, the colonies were federated, and Australasian Consols were substituted for the loans now current. It is a matter concerning the future rather than the present, but I trust to see the day when Australasian Consols will be issued at a price that will be equal to borrowing money at a rate not exceeding $3\frac{1}{4}\%$ per annum, debentures 3% issuing at $92\frac{1}{4}$ for each £100. That, on the present indebtedness, say £153,000,000, would mean a saving of £1,306,580 per annum, the present charge for interest being £6,279,080. Another advantage of federation will be that bank notes will not be treated as foreign bills of exchange outside the colony in which they are issued. It may here be mentioned that Sir John Gorst, the Under-Secretary of State for India, recently informed the House of Commons that the credit of different Governments could be gauged by the value of their securities on the London money market. British Consols yielded investors £2 19s. %. Other Governments appeared in the following order :—

United States of America	...	...	...	...	£3	0	9%
India	...	...	...	...	3	9	0,,
Canada	...	...	...	...	3	9	6,,
New South Wales	...	...	...	...	3	13	6,,
Victoria	...	...	...	...	3	13	9,,
France	...	...	...	...	3	14	9,,
Cape of Good Hope	...	...	...	...	3	19	0,,
New Zealand	...	...	...	...	4	2	0,,
Austria	...	...	...	...	4	10	6,,
Italy	...	...	...	...	4	10	9,,
Russia	...	...	...	...	5	3	9,,

49. At one time the banks used to import silver coin at their own expense; now, the London Mint supplies it free of charge. The banks' action in importing admittedly contributed to the convenience of the public.

50. The Banks of Issue themselves, directly and indirectly, are annually contributing a large sum to the income of our population. Of deposits held by them in the colonies—say, £90,000,000—it is probably within the mark to estimate two-thirds as interest-bearing. Taking £60,000,000 at 4 per cent. per annum, that amounts to £2,400,000; to this add dividends paid (Appendix A), £1,757,000; salaries and working expenses, say, one-third of gross profits, or half of dividends paid, £878,500; total, £5,035,500. To this add:—Interest on Savings Bank deposits, £12,459,115, at 4 per cent. per annum, £498,364; thereby increasing the total income supplied by the Banks to depositors, shareholders, and employés (exclusive of those in the Savings Banks), to £5,533,864 per annum. Taking £102,000,000 as the total of bank deposits, and 3,500,000 as the population, each inhabitant on an average has £29 2s. 10d. on bank deposit. The public revenue of the Australasian colonies for 1886 was £23,500,000, of which £9,500,000 represented taxation, the remainder being for public services, land proceeds, &c. It will thus be seen that the banks supplied incomes equalling in amount 58 per cent. of the taxation proper of the colonies. As the value of the gold produce of Victoria, Queensland, and New South Wales, for 1886 amounted to £4,221,371, said to be more than one-fifth

of the world's yearly gold produce, it will also be apparent from the above figures that the banks are indeed a factor of very considerable importance in Australasian economy.

51. Banks are collectors and distributors of the savings of the people. Free-trade, in my opinion, is of the essence of banking. If money is in more demand in one place than in another, thither it flows, by the inexorable law of supply and demand, provided adequate security is obtainable. The savings of the population in Sydney and Melbourne may be used to develop the resources of Western Australia or Northern Queensland, and late returns prove conclusively that the banks obtain several millions of money (£8,000,000 approximately) in the United Kingdom which are lent out in the colonies to the mutual advantage of lenders and borrowers. Australasia being, in a sense, only in its infancy, banking, so far as volume of business goes, may be said to be so likewise, and, without attempting to prophesy, I believe that seventy years hence the growth of banking in these colonies will compare not unfavorably with its truly wonderful expansion since 1817. In that year the subscribed capital of the Bank of New South Wales was only £12,600—paid-up capital considerably less; now, as will be seen by reference to Appendices A and B, there are twenty-seven Joint Stock Banks, represented by 1448 offices in the colonies, with a paid-up capital of £15,787,946, whose liabilities to the public amount to £139,653,367. Truly the little hill has already become a great mountain. It is scarcely too much to say that banks are a necessity of modern colonisation and civilisation. A new gold-field breaks out—one of the first requirements is a bank, and a bank appears! In fact, so well do banks understand that the village or hamlet of to-day may become the town or city of a year or two hence, that they not infrequently discount their expectations somewhat too freely, and over-banking is the result. I know one township at the present time where there are three banks, and assuredly the business is not sufficient to support more than one, but each bank dislikes to be the first

to cry *peccavi*. Now I do think that is bad banking, and a foolish departure from enlightened economics.

52. A nation or community being an aggregate of individuals, what affects each individual affects the community. It is probably not too much to assert that most adults, and certainly all employers and wage-earners, have business relations with some banking institution, directly or indirectly, either as borrowers, depositors, or note circulators. In these colonies, for sums of £1 or upwards, bank notes or bank cheques are the most common media of exchange, so that banking on its practical side affects very closely every one of years of understanding, and indirectly those dependent on the State or others for support. Without banks and banking facilities how could Government be conducted? Looked at as the business guide of the concentrated operations of thousands, banking is in these colonies one of the most extensive, and certainly the most powerful of business factors. To quote Mr. H. L. E. Ruthning's readable pamphlet, "The Principles of Banking as applicable to Agricultural and Pastoral Settlement:" "Its principles enter into the every-day life of almost everyone, its rules and laws are at the bottom of almost every operation where time is of importance and financial assistance a matter of moment."

53. In bringing this paper to a close, allow me to present a contrast. On 10th July, 1788, Lieutenant-Governor Major Ross wrote to Mr. Nepean, the then Under-Secretary of State, as follows:—

"I will, in confidence, venture to assure you that this country will never answer to settle in, for though I think corn will grow here, yet I am convinced that if ever it is able to maintain the people sent here, it cannot be in less time than, perhaps, 100 years hence. I therefore think it will be cheaper to feed convicts on turtles and venison at the London Tower than be at the expense of sending men here." And, on 16th November of the same year, he further writes:—

“ In the whole world there is not a worse country than what we have yet seen. All that is contiguous to us is so very barren and forbidding that it may with truth be said, ‘ Here Nature is reversed.’ And, if not so, she is nearly worn out, for almost all the seeds we have put in the ground have rotted, and I have no doubt but will, like the wood of this wild country, when burnt or rotten, turn to sand.”

Ninety-nine years have elapsed, and what do we find? To borrow the expression of Sir Christopher Wren, “ *Circumspice!*” What at one time was a penal purgatory is now the home of three and a-half millions of free men and women, who enjoy the blessings of civil and religious liberty, and who desire to see these priceless blessings extended to all mankind; who find the once-despised land a land flowing with milk and honey, where each man can literally sit under his own vine and fig-tree, no man daring to make him afraid; who look forward to the future of their country’s history with pardonable pride, and, in imagination, see a nation arising that shall reflect honour on the glorious mother country, whose history is also our history, but whose mistakes we hope to avoid. Our agricultural, our pastoral, and our mineral wealth are earnest of still increasing prosperity. Our universities and educational establishments, our financial institutions, our hospitals, churches, and asylums would not disgrace European civilisation; and our youth, where are they in the race of life? Ask the universities of the mother country, and it will be found that not alone on the river and in the cricket field is their prowess known. “ Methinks,” adopting the words of John Milton, “ I see in my mind a great and puissant nation rousing herself like a strong man after a sleep, and shaking her invincible locks; methinks I see her as an eagle renewing her mighty youth, and kindling her undazzled eyes at the full midday beam; purging and unsealing her long-abused sight at the fountain itself of heavenly radiance, while the whole noise of timorous and flocking birds, with those also that love the twilight, flutter about amazed at what she means.”

APPENDIX A.

AUSTRALASIAN BANKS OF ISSUE AS ON 30TH NOVEMBER, 1887.

Date Estab- lished.	Name of Bank.	Head Office.	No. of Shares In- cor- po- rated.	Paid-up Capital.	Reserve Fund.	Amount of last Dividend.	Rate of Dividend.	Aggregate of Market Value.
1853	Australian Joint-Stock Bank	Sydney	110	£500,000	£290,000	£31,250	10% & bonus 2½%	£1,062,500
1865	Bank of Adelaide	Adelaide	27	400,000	173,000	12,000	6%	500,000
1835	Bank of Australasia	London	135	1,600,000	800,000	108,000	12½% bonus 1%	3,800,000
1817	Bank of New South Wales	Sydney	179	1,250,000	900,000	109,375	15% bonus 2½%	3,750,000
1861	Bank of New Zealand	Auckland	102	1,000,000	500,000	<i>Nil.</i>	£26,511 earned	1,200,000
1841	Bank of South Australia Ltd.	London	30	800,000	100,000	24,000	6%	900,000
1823	Bank of Van Diemen's Land Ltd.	Hobart	3	100,113	1,000	3,116	6%	101,113
1852	Bank of Victoria	Melbourne	65	500,000	160,000	25,000	10%	800,000
1864	City Bank	Sydney	9	280,000	149,560	15,000	12½%	570,000
1878	City of Melbourne Bank Ltd.	Melbourne	6	450,000	235,000	28,125	12½%	945,000
1856	Colonial Bank of Australasia	Melbourne	80	406,250	182,500	24,375	12%	765,625
1874	Colonial Bank of New Zealand	Dunedin	26	400,000	48,000	14,000	7%	448,000
1867	Commercial Bank of Australia Ltd.	Melbourne	75	1,000,000	570,000	56,000	14%	2,250,000
1832	Commercial Bank of Tasmania Ltd.	Hobart	10	125,000	142,500	12,500	20%	375,000
1834	Commercial Banking Co. of Sydney	Sydney	12½	600,000	725,000	75,000	25%	2,735,000
1852	English, Scottish & Aust. Chartd. Bk.	London	75	720,000	220,000	36,000	10%	1,134,000
1881	Federal Bank of Australia Ltd.	Melbourne	11	400,000	50,000	18,000	9%	500,000
1852	London Chartered Bank of Aust.	London	45	1,000,000	140,000	35,000	7%	1,225,000
1877	Mercantile Bank of Aust. Ltd.	Melbourne	6	229,283	28,000	6,496	8%	300,933
1869	Mercantile Bank of Sydney	Sydney	12	300,000	165,000	13,500	9%	450,000
1858	National Bank of Australasia	Melbourne	133	1,000,000	670,000	75,000	12½% bonus 2½%	2,375,000
1872	National Bank of New Zealand Ltd.	London	31	250,000	<i>Nil.</i>	6,250	5%	250,000
1885	National Bank of Tasmania Ltd.	Launceston	10	100,000	12,000	2,250	6%	112,000
1872	Queensland National Bank Ltd.	Brisbane	59	652,300	315,000	48,922	15%	1,239,370
1885	Royal Bank of Queensland Ltd.	Brisbane	15	173,000	2,000	4,375	5%	250,000
1837	Union Bank of Australia Ltd.	London	86	1,500,000	980,000	90,000	12%	3,780,000
1841	Western Australian Bank	Perth, W.A.	3	50,000	78,725	5,000	20%	125,000
			1471*	£15,787,946	£7,637,285	£878,534 for half-year =£1,757,068 per annum.		£31,944,541

*Namely London offices, 29; Fijian offices, 3; Australasian offices, 1448; total, 1471.

APPENDIX B.

PROPRIETARY RESOURCES OF AUSTRALASIAN BANKS OF ISSUE AS ON 30TH NOVEMBER, 1887.

NAME OF BANK.	Aggregate Liabilities to the Public.	Paid up Capital and Reserve Fund.	Prop'n. to Liabilities, per cent.	Subscribed Capital and Reserve Fund.	Prop'n. to Liabilities, per cent.	Aggregate of Subscribed Capital, Reserve Fund, and Reserve Liability.	Prop'n. to Liabilities, per cent.
Australian Joint-Stock Bank	£6,876,338	£790,000	11	£852,500	12	£1,477,500	21
Bank of Adelaide	747,278	573,000	76	673,000	90	1,173,000	156
Bank of Australasia	14,472,222	2,400,000	16	2,400,000	16	4,000,000	27
Bank of New South Wales	17,582,378	2,150,000	12	2,150,000	12	3,400,000	19
Bank of New Zealand	13,722,149	1,500,000	10	1,500,000	10	2,500,000	18
Bank of South Australia Limited	3,179,898	900,000	28	1,700,000	53	1,700,000	53
Bank of Van Diemen's Land Limited	624,060	101,113	16	201,226	32	201,226	32
Bank of Victoria	5,740,456	660,000	11	1,160,000	20	2,160,000	37
City Bank, Sydney	1,705,163	429,560	25	589,560	34	1,089,560	63
City of Melbourne Bank Limited	3,621,875	685,000	18	1,135,000	31	1,135,000	31
Colonial Bank of Australasia	3,489,492	588,750	17	776,250	22	1,401,250	40
Colonial Bank of New Zealand	1,867,400	448,000	23	1,048,000	56	2,048,000	109
Commercial Bank of Australia Limited	7,047,159	1,570,000	22	3,070,000	43	3,070,000	43
Commercial Bank of Tasmania Limited	1,878,483	267,500	14	642,500	34	642,500	34
Commercial Banking Company of Sydney	9,678,454	1,325,000	13	1,325,000	13	1,925,000	19
English, Scottish, and Australian Chartered Bank	5,741,960	940,000	16	940,000	16	1,660,000	28
Federal Bank of Australia Limited	1,472,753	450,000	30	850,000	57	850,000	57
London Chartered Bank of Australia	4,699,648	1,140,000	24	1,140,000	24	2,140,000	45
Mercantile Bank of Australia Limited	431,715	257,283	59	653,000	151	653,000	151
Mercantile Bank of Sydney	2,303,942	465,000	20	465,000	20	765,000	33
National Bank of Australasia	8,122,587	1,670,000	20	1,924,000	23	3,170,000	39
National Bank of New Zealand Limited	1,990,899	250,000	12	900,000	45	900,000	45
National Bank of Tasmania Limited	263,299	112,000	42	162,000	61	162,000	61
Queensland National Bank Limited	7,860,650	967,300	12	1,619,600	20	1,619,600	20
Royal Bank of Queensland Limited	542,051	177,000	32	502,000	92	502,000	92
Union Bank of Australia Limited	13,690,420	2,480,000	18	5,480,000	46	5,480,000	46
Western Australian Bank	280,638	128,725	45	128,725	45	178,725	63
	£139,653,367	£23,425,231	16	£33,983,361	24	£46,003,361	32

APPENDIX C.

BANKS IN VICTORIA NOT ISSUING NOTES AND THEREFORE EXEMPT FROM PUBLICATION OF QUARTERLY AVERAGE STATEMENTS.

NAME OF BANK.	Date of Balance Sheet.	Assets.	Liabilities.	Paid-up Capital.	Reserves.	Last Div. Per Cent.
Australian Deposit and Mortgage Bank Limited	30 June, 1887	£752,602	£534,448	£158,904	£48,000	10
Australian Freehold Bkg. Corporation Limited	31 Aug, 1887	363,844	247,216	96,929	15,500	9
Ballarat Banking Company Limited	30 June, 1887	372,168	262,389	75,000	28,750	10
Freehold Invest. & Bkg. Co. of Australia Ltd.	31 Aug., 1887	854,483	518,700	230,244	75,000	8
Imperial Banking Company Limited	do. do.	101,048	77,533	21,055	1,500	9
Land Credit Bank of Australasia Limited	30 Sep., 1887	205,649	142,095	46,055	15,000	9
Land Mortgage Bank of Victoria Limited	30 June, 1887	885,774	647,923	175,000	38,000	10
Metrop. Per. Bldg. & Invest. Socy. (Deposit Bk.)	31 Dec., 1886	477,517	339,849	105,695	20,000	*
		£4 013,085	£2,770,153	£908,832	£241,750	
Extra-Colonial Banks, viz., Anglo-Indian Bank :						
New Oriental Bank Corporation Limited	31 Mar., 1887	£6,231,736	£5,552,314	£547,010	£116,000	6
French Bank :						
Comptoir d'Escompte de Paris	31 Dec., 1886	£13,998,205	£9,818,829	£3,200,000	£800,000	9 $\frac{2}{3}$

* Old Shares 12 per cent.; New Shares, 7 per cent.

APPENDIX D.

PARTICULARS OF AUSTRALASIAN BANKS THAT HAVE CEASED TO EXIST.

NAME OF BANK.	When Estab.	Authorised Capital.	Subscrib. Capital.	Paid-up Capital.	Am't of Share.	Paid-up per Share.	Reserve Fund per last Report.	Rate per % of last Div.	Note Cir. at Time of Failure.	Deposits at Time of Failure.	Date of Failure or Liquidation.	Distrib. to Creditors per £.	Amount per Share re-turned to Shareholders.	Estim. Total Losses.
Australian Economic Bk. Limited (a) ...	July 1, 1877	...	...	£	£	£	...	...	£	£	June 11, 1885	...	...	£
Australian and European Bank Limited (b) ...	End of 1873	1,000,000	600,000	250,000	10	3½	Nil.	8	29,201	462,701	June 5, 1879	In full	96,000†	114,000
Bank of Auckland	1863	...	...	224,000	...	...	...	...	...	...	1866	...	...	...
Bank of Otago (c) ...	Feb. 26 1826	400,000	...	222,000	...	...	...	...	...	...	July 1, 1873	...	...	...
Bank of Australia (d) ...	1826	...	...	...	...	...	...	...	...	...	1848	...	...	...
Bank of Queensland Ltd.	1863	1,000,000	...	174,508	100	25	13 036	Nil	26,553	61,696	July 24, 1866	...	...	...
Bank of Tasmania (e) ...	1853	200,000	50,000	50,000	50	50	Not Pub.	6	17,324	121,775	Re-formed	In full	£17 cash†	30,000
Bank of Van Diemen's Land (f) ...	1823	135,000	135,000	135,000	50	50	Nil*	6	21,247	232,014	Re-formed	In full	Credited	...
Bank of W. Australia (ff) ...	1837	...	...	...	...	...	...	...	...	...	Dec. 1, 1880	In full	£23 per sh.	...
Bathurst Banking Co. (g) ...	1835	30,000	...	5,000	...	...	...	...	...	...	1843	...	...	...
British Colonial Bank and Loan Co. (h) ...	...	1,000,000	...	...	40	5	...	...	...	...	1837	...	...	...

(a) Merged into Mercantile Bank of Australia Limited. (b) Amalgamated with Commercial Bank of Australia Limited 5th August, 1879. (c) Business taken over by National Bank of New Zealand Limited. (d) Commenced 8th June, 1826; not chartered like Bank of N.S.W., but an ordinary partnership with the benefit of a Colonial Act, enabling it to sue and be sued in the name of the Chairman. (e) Re-formed as National Bank of Tasmania Ltd. (f) Mr. Richard Lewis was manager in 1826, and until he died. Re-formed as Bank of Van Diemen's Land Ltd. under Companies Act of 1869. (ff) Business taken over by Western Australian Bank. (g) Business taken over by the Union Bank of Australia. (h) See "Tegg's Almanac and Remembrancer for 1843." * £10,000 in 1880; £67,500 in 1863. † In 24,000 Commercial Bank shares at £4. ‡ Or 4 shares in new bank paid up to £5 each.

APPENDIX D.

PARTICULARS OF AUSTRALASIAN BANKS THAT HAVE CEASED TO EXIST.

NAME OF BANK.	When Estab.	Authorised Capital.	Subscribed Capital.	Paid-up Capital.	Am't. of Share.	Paid-up per Share.	Reserve Fund per last Report.	Rate div. of %	Note Cir. at time of Failure.	Deposits at time of Failure.	Date of Failure or Liquidation.	Distrib. to creditors per £	Amount per Share returned to Shareholders.
		£	£	£	£	£	£	%	£	£		per £	...
Commercial Bank of South Australia	Nov. 4 1878	1,000,000	500,000	400,000	5	4	84,000	8	74,114	854,847	q	18/6	...
Commercial Bank of New Zealand Limited (a)	1863	...	...	...	...	...	...	...	...	...	May 22, 1886	...	...
Cornwall Bank (b)	1827	10,000	...	...	...	...	...	...	...	...	1835	...	...
Derwent Bank (bb)	1827	20,000	...	...	...	...	...	...	...	...	...	...	...
Joint-Stock Bank of Victoria Limited (c)	Sep., 1881	1,000,000	500,000	100,000	5	1	12,500	Nil.	14,425	143,964	Sep. 11, 1882	in full	in full
Melbourne Banking Corporation Limited (d)	1866	...	...	100,000	...	...	...	8% in 1878	Nil.	163,810	Dec., 1880	in full	...
Oriental Banking Corporation	1851	1,500,000	1,500,000	1,500,000	25	25	...	10 m	...	p	May 3, 1884	19/3 t	...
Port Phillip Bank (e)	...	...	...	52,965	...	...	...	...	...	...	...	...	...
Provincial and Suburban Bank Limited	end of 1877	500,000	100,000	45,187	5	2½ j	1,500	6	8,234	58,030	May 13, 1879	8/	Nil.
Royal Bank of Aust. (f)	1840	...	...	45,010	...	...	...	...	...	...	March, 1850	...	...
Sydney Banking Co. (g)	Nov. 4 1839	1,000,000	...	153,808	20	...	...	11 n	...	...	...	...	...
Sydney and County Bank Limited (h)	1881	...	...	...	...	3	...	...	...	...	Apr. 3, 1882	in full	...
Tasman Bank	...	...	...	...	...	...	...	...	...	...	Apr. 30, 1838 r	...	...
Tasman Bank	...	...	...	...	...	...	...	...	...	...	1837 s	...	...
Town and Country Bank Limited (i)	Nov. 1 1881	1,000,000	375,000	287,500	5	k	Nil l	7½	24,837	422,484	Nov. 24, 1886	20/	not yet ascertained.

(d) Started as "New Zealand Banking Incorporation Limited" in 1863, changed its name in 1864. (e) Commenced business at Launceston 1st January 1828. Taken over by Bank of Australasia. (f) Commenced business at Hobart Town 1st January 1828. (g) Amalgamated with City of Melbourne Bank, getting 40,000 shares at £2 10s. (h) Amalgamated with City of Melbourne Bank. (i) Apparently intimate business relations with Bank of Australia. (j) *SS bona fide* shareholders. (k) Business taken over by Federal Bank of Australia. Shareholders had option of £2 12s. 6d. cash for £3 paid on shares, or 3 £5 shares paid up to £1 in new bank, on paying 2s. 6d. per share premium. (l) Per balance-sheet, 27th September, 1886, liabilities to the public are being paid by Commercial Bank of Australia Limited in terms of arrangement. (m) The reserve 50s. probably called up, but result not recorded. (n) 50,000 at £4 25,000 at £3 10s. (o) Previous reserve fund, £24,000, transferred to Bad and Doubtful Debts account. (p) New South Wales, £592,813; Victoria, £989,777. (q) Failure Feb. 24, 1886; liquidation April 12, 1886. (r) Including London, £249,203. (s) New South Wales, £592,813; Victoria, £989,777. (t) Failure Feb. 24, 1886; liquidation April 12, 1886. (u) Dissolved, and next day Union Bank of Australia started at Launceston. (v) Taken over by Union Bank. (w) Or 19s. 9d. if creditors wait until 1889.

APPENDIX E.

BANK OF NEW SOUTH WALES.

BALANCE-SHEET 31ST DECEMBER, 1825.

LIABILITIES.						DOLLARS.
Capital paid-up	...	...	...	...	...	43,200 0
Notes in circulation	...	...	...	...	...	115,940 0
Deposits	...	...	...	...	...	291,158 98
Dividends unclaimed	...	...	...	...	...	686 0
Profit and loss (from 30th June to 31st December)	...	...	...	...	...	11,195 21
						468,180 19
ASSETS.						
Dollars in chest	...	...	...	...	...	127,479 50
Government store receipts	...	...	...	...	...	27,691 24
Bills	...	...	...	...	...	291,208 28
Mortgages	...	...	...	...	...	20,295 67
Furniture	...	...	...	...	...	1,505 50
						468,180 19

APPENDIX G.

BANK OF AUSTRALIA.

DR. BALANCE-SHEET FOR HALF-YEAR ENDING 30TH JUNE, 1855.

To Bills payable	...	...	...	...	...	£3,500 0 0
„ Notes in circulation	...	...	...	...	£217 0 0	
„ Sundry accounts	...	...	...	...	924 6 2	
						1,141 6 2
„ Instalments, inclusive of 1st, 2nd, and 3rd calls on paid-up capital	...	...	...	...	£424,554 2 3	
Less	...	...	...	...	19,508 0 0	
„ Amount of calls returned	}		...	...
						405,046 2 3
						£409,687 8 5
CR.						
By Union Bank	...	...	...	...	...	£2,314 14 6
„ Bills receivable	...	...	...	...	...	476 4 3
„ Doubtful and desperate debts	...	...	...	...	...	1,554 10 8
„ Suspense account	...	...	...	...	...	3 500 0 0
„ Profit and loss account	...	...	...	...	...	401,841 19 0
						£409,687 8 5

APPENDIX F.

PORT PHILLIP BANK.

G. D. Mercer, Manager; B. J. Bertelson, Accountant. No dividend since 30th June, 1842.

Date.	Notes in Circulation.	Balances due to other Banks.	Deposits not Bearing Interest.	Deposits Bearing Interest.	Coin.	Landed Property.	Notes and Bills of other Banks.	Balances due from other Banks.	Discounts and all other Debts.	Capital Paid-up.	Rate per cent. per annum of last Dividend.	Amount of Dividend.	Amount of Reserved Profits.
1841													
March 31	£3,792	£737	...	£15,716	£3,246	£2,458	£626	£6,734	£56,678	£48,472	10	£2,025	£263
June 30	4,111	687	...	28,301	4,511	2,980	1,330	12,149	63,987	49,152	...	2,332	263
Sept. 30	4,980	578	...	25,624	5,186	3,583	966	5,937	67,406	49,152	...	2,420	610
Dec. 31	4,662	1,459	...	23,112	2,859	7,332	1,179	3,957	69,861	49,602	...	2,420	610
1842													
March 31	3,969	527	...	12,928	4,463	4,547	1,739	4,372	55,844	51,865	...	2,464	1,030
June 30	3,710	1,068	...	8,403	4,835	4,627	1,616	2,547	55,065	52,890	...	2,464	1,030
Sept. 30	3,526	4,271	...	10,892	2,534	4,607	782	1,878	64,930	52,890	Nil.	2,744	1,392
Dec. 31	2,496	2,606	...	2,518	2,393	4,607	881	2,712	52,413	52,915	...	...	1,392
1843													
March 31	1,005	93	...	4,033	3,038	4,607	925	6,600	45,422	52,915	...	...	1,392
June 30	392	...	...	3,079	592	1,554	414	12,173	37,927	52,965	...	...	1,392

APPENDIX F. A.

THE SYDNEY BANK.

Date.	Notes in Circulation.	Deposits bearing Interest.	Coin.	Notes and Bills of other Banks.	Discounts and all other Debts.	Capital paid-up.	Rate per cent. per annum of last Dividend.	Amount of Dividend.	Amount of Reserved Profits.
1841.									
March 31	£17,591	£30,416	£16,400	£784	£178,170	£143,846	10	£8,872	£2,119
June 30	19,730	29,715	17,880	532	184,880	146,305	...	8,872	2,119
Sept. 30	20,155	21,954	15,337	198	181,538	147,941	12	8,560	2,159
Dec. 31	19,037	20,896	18,624	476	178,706	149,679	...	8,560	2,159
1842.									
March 31	18,955	27,605	19,728	342	185,626	150,821	11	8,140	2,516
June 30	19,409	27,134	19,029	388	188,938	152,257	...	8,140	2,516
Sept. 30	19,052	27,828	16,529	569	189,794	152,798	...	8,300	3,147
Dec. 31	19,669	26,570	23,314	382	179,820	153,020	...	8,300	3,147
1843.									
March 31	19,605	{ * 28,683	16,954	489	* 185,108	153,720	...	8,400	3,307
June 30	16,744	{ 59,514	4,850	494	215,939	153,808	Nil	Nil	3,307

*1st report for quarter ending 31st March, 1843, signed by Thos. Lord; 2nd corrected report ending 31st March, 1843, signed by T. W. Smart.

Thomas Lord, Manager. Commenced business 4th November, 1839; nominal capital, £1,000,000. "Established in consideration of the flourishing state of all the existing banks, and the high premiums of those of recent origin."

APPENDIX F B.
BANK OF AUSTRALIA.

Date.	Notes in Circulation.	Balances due to other Banks.	Deposits not Bearing Interest.	Deposits Bearing Interest.	Coin.	Landed Property.	Notes and Bills of other Banks.	Balances due from other Banks.	Discounts and all other Debts.	Capital paid-up.	Rate per cent. per annum of last Dividend.	Amount of Dividend.	Amount of Reserved Profits.
1841													
March 31 ...	£25,162	* £77	£1,163	£171,776	£23,097		349	†	£387,815	£202,390	16	£14,927	£4,000
June 30 ...	24,244	1,086	2,597	170,453	30,978		...	152	390,848	212,040	14	14,082	5,000
Sept. 30 ...	20,782	9	1,305	158,248	31,175		...	507	383,364	221,460	14	14,082	5,000
Dec. 31 ..	19,021	...	1,566	118,450	22,366		...	408	357,892	221,540	12	13,258	5,000
1842													
March 31 ...	18,533	780	3,632	108,077	21,623		...	...	345,753	223,670	12	13,258	5,000
June 30 ...	18,058	1,387	2,132	101,199	18,252		...	294	345,177	223,890	12	13,158	5,000
Sept. 30 ...	17,118	...	2,805	118,466	20,004		...	1,721	371,778	224,670	12	13,400	6,500
Dec. 31 ..	16,622	13	1,837	99,001	16,156	Landed property held as security for bills not bearing interest. Dec. 31, 1842, £46,824	...	1,632	343,936	224,960	10	11,236	6,500

* Port Phillip Bank. † From Port Phillip Bank.

Commenced business Tuesday, February 26, 1826 (query: July 3, 1826); W. H. Mackenzie, manager, At the commencement of the bank, Mr. Macvitie, a very old director of the Bank of New South Wales, appointed managing director or cashier at a salary of £700, second officer being W. H. Mackenzie, son of the cashier of the Bank of New South Wales, £350. Statement of June 22, 1828—£9 8s. 4d. per cent. of profit; £1 16s. 8d. to credit of capital, in conformity to deed of association; 6s. 8d. to credit of capital, in addition; £7 as dividend to the proprietors. September 14, 1828—Robbery of notes, coin, &c., through flooring of 9 ft. in thickness.

APPENDIX H.

A RETURN OF THE AVERAGE WEEKLY LIABILITIES AND ASSETS OF THE BANKS IN NEW SOUTH WALES, YEARS 1836 AND 1840.
LIABILITIES.

	New South Wales.	Australia.	Commercial.	Australasia.	Union.
From 1st January to 30th June, 1836—					
Circulation	£32,138 0 0	£35,939 0 0	£28,160 0 0	£11,894 18 4	—
Deposits	120,480 4 5	108,066 5 1	90,340 0 0	47,523 4 9	—
	£152,618 4 5	£144,005 5 1	£118,500 0 0	£59,418 3 1	—
From 1st July to 31st December, 1836—					
Circulation	£27,665 0 0	£33,632 0 0	£32,049 0 0	*£13,542 17 7	—
Deposits	161,291 19 7	121,150 19 3	104,914 8 5	*£67,500 16 9	—
	£188,956 19 7	£154,782 19 3	£136,963 8 5	£81,043 14 4	—
From 1st January to 30th June, 1840—					
Circulation	£34,222 0 0	£32,146 0 0	£74,193 0 0	£42,542 17 8	£34,506 4 3
Deposits	272,701 19 7	215,064 12 4	269,274 0 0	355,448 15 8	131,524 15 0
	£306,923 19 7	£247,210 12 4	£343,467 0 0	£397,991 13 4	£166,030 19 3
From 1st July to 31st December, 1840—					
Circulation	£31,712 0 0	£25,724 0 0	£70,381 16 11	£48,529 18 5	£39,382 5 2
Deposits	265,213 8 6	196,073 15 1	257,535 12 10½	339,162 4 1	188,900 17 4
	£296,925 8 6	£221,797 15 1	£327,917 9 9½	£387,692 2 6	£228,283 2 6

* From 12th April to 10th October, 1836.

APPENDIX HA.

ASSETS.

	New South Wales.	Australia,	Commercial,	Australasia,	Union.
From 1st January to 30th June, 1836—					
Securities	£192,823 15 5	£192,826 14 1	£182,804 0 0	£78,417 9 3	—
Coin and bullion	56,027 0 10	39,208 3 8	45,168 0 0	34,791 16 3	—
	£248,850 16 3	£232,034 17 9	£227,972 0 0	£113,209 5 6	—
From 1st July to 31st December, 1836—					
Securities	£222 787 9 2	*£43,283 15 5	£223,518 2 3	†£117,266 2 2	—
Coin and bullion	69,789 6 0	†208,840 1 11	44,673 14 6	50,024 19 7	—
	£292,576 15 2	£252,123 17 4	£268,191 16 9	£167,291 1 9	—
From 1st January to 30th June, 1840—					
Coin and bullion	£114,336 7 3	£65,253 11 7	£81,068 0 0	£123,518 14 0	£53,373 2 2
Securities	372,265 2 10	367,053 7 7	497,706 0 0	632,425 8 2	349,350 2 1
	£486,601 10 1	£432,306 19 2	£578,774 0 0	£755,944 2 2	£402,723 4 3
From 1st July to 31st December, 1840—					
Coin and bullion	£95,410 19 3	£41,283 16 8	£53,353 6 6	£91,315 18 3	£51,227 6 8
Securities	391,217 16 11	387,110 7 8	532,425 7 6½	704,469 17 5	470,072 3 3
	£486,628 16 2	£428 394 4 4	£585,778 14 0½	£795,785 15 8	£521,299 9 11

* Coin.

† From 12th April to 10th October, 1836.

‡ Securities.

My acknowledgments are due to Mr. James Henderson, of the City Bank, Sydney, for his kindness in voluntarily supplying me with the information contained in this Appendix.—J. T. W.

APPENDIX J.

BANK OF QUEENSLAND LIMITED IN LIQUIDATION, JULY, 1866.

ASSETS AND LIABILITIES

AT DATE OF SUSPENSION, IN THE COLONY OF QUEENSLAND,

ASSETS.			
Bullion	...	...	£459 11 2
Specie	...	...	5,604 9 10
Cheques and notes of other banks	...	...	1,763 8 4
			<hr/>
Stationery and bank premises	...	...	£7,827 9 4
Local bills on hand	...	...	234 5 5
Local bills Remitted to branches	...	...	£87,801 17 5
British and Colonial bills	...	...	4,691 5 7
Past-due bills	...	...	2,275 3 11
Overdrafts	...	...	27,133 1 7
Due by banks	...	...	229,115 15 1
			70 3 1
			<hr/>
			351,087 6 8
Total assets at suspension	...	...	<hr/><hr/>£359,149 1 5
LIABILITIES.			
Apparent circulation	...	...	£28,899 0 0
Less notes at branches	...	...	2,345 10 0
			<hr/>
Real circulation	...	...	£26,553 10 0
Letters of credit	...	...	£2,357 11 11
Bills payable	...	...	1,725 1 8
			<hr/>
			4,082 13 7
Current accounts	...	...	£31,381 13 11
Deposit receipts	...	...	30,314 10 11
			<hr/>
			61,696 4 10
Due to banks	...	...	£5,563 17 0
„ Agents	...	...	18,969 2 2
			<hr/>
			24,532 19 2
Total liabilities at suspension	...	...	<hr/><hr/>£116,865 7 7
Total proved claims	...	...	£95,582 5 10
Set-offs in proofs	£706	2 0	
Transferred to London Office	50	6 8	
			<hr/>
			756 8 8
Total dividends paid to creditors	...	...	£94,825 17 2
Set-offs in proved claims	...	...	706 2 0
Set-offs in unproved claims	...	...	28,690 7 8
			<hr/>
Total amount paid to creditors, inclusive of set-offs	...	...	£124,222 6 10
Total unproved claims—			<hr/> <hr/>
Notes in circulation	...	...	£706 10 0
Other unproved claims	...	...	1,096 13 2
			<hr/>
			£1,803 3 2
Amount of capital stock paid-up at date of suspension	...	...	<hr/><hr/>£174,508 0 0
Reserved profits at date of suspension	...	...	<hr/><hr/>£13,036 12 10

No dividend declared up to date of suspension.

I am indebted to Mr. H. L. E. Ruthning, of Brisbane, for supplying me with all particulars in this Appendix. Mr. James Cairns was the Official Liquidator of the Bank.

J.T.W.



APPENDIX K.

THE BATHURST BANKING COMPANY.

Offices: In the old Commissariat Stores, William-street, Bathurst, adjoining the Female Factory (Convict). The site is at present occupied by Cobb and Co.'s Coach Factory.

Capital: £30,000 (nominal); £5000 (paid-up).

Established 1835.

Closed 1837. Business taken over by the Union Bank of Australia (The business of the Union Bank in Bathurst was afterwards taken over by the Commercial Banking Company of Sydney).

Directors: The late Alex. Kenneth M^cKenzie (president), the late George Ranken, Alexander Watt, Jno. Smith, Jno. Liscombe, Dr. Busby, and David Maxwell Irving.

Manager and Cashier, John Slade; accountant, T. M. Sloman; clerk, George Ferguson (afterwards Manager of the Union Bank).

Business: Principally discount of bills at from 12 to 15 per cent. per annum. Cheques were drawn from 2s. 6d. upwards. The average stock of coin—£20 gold, £30 to £35 silver.

At close of business outstanding notes were sold at auction, and bought by the late Dr. Machattie for £300.

Agents in Sydney: The Bank of Australia.

I have to thank Mr. Charles M. Palmer, Manager of the Bank of New South Wales, Sydney, for his kindness in procuring for me the above information from Mr. T. M. Sloman, Bathurst, to whom my acknowledgments are also due. J.T.W.

AGGREGATE BALANCE, 18TH DECEMBER, 1840.

DR.

To Capital Paid	...	...	...	...	£6,000	0	0
„ Notes in Circulation	...	...	...	...	1,308	0	0
„ Cash Overdrawn, Union Bank, Sydney	...	...	...	...	897	5	11
„ Profit	...	...	...	...	44	11	0½
					£8,249	16	11½

CR.

By Bills and Promissory Notes	...	...	...	...	£5,812	10	4
„ Overdrawn Accounts—							
Destitute Fund	...	...	...	£23	3	8	
J. M ^c Donald	...	...	...	13	9	6	
C. C. Warby	...	...	...	0	4	1	
G. L. Levy	...	...	...	0	10	0	
J. Raynor	...	...	...	1	0	0	
					38	7	3
„ Bank Property and Furniture	...	...	...	...	51	4	6
„ Cash, Bank of Australia	...	...	...	...	305	2	6½
„ „ Union Bank, Bathurst	...	...	...	...	2,042	12	4
					£8,249	16	11½

MEMO.

Notes in Bank of Australia, Sydney	...	...	...	...	£7,503	0	0
„ in Chest	...	...	...	...	824	0	0
					£8,327	0	0

Mr. John Busby, Manager of the Commercial Banking Company of Sydney in Bathurst has been so kind as to furnish me with a copy of this Balance-sheet. J.T.W.

30th April, 1888.

The AUSTRALIAN ECONOMIC ASSOCIATION has been founded for the following objects:—

- (a) The Philosophical Investigation and Discussion of the data, methods, and principles of the Science of Economics.
- (b) The Compilation of a Statistical History of the various Australasian Colonies since the time of their respective settlements.
- (c) The formation of a Library of Economic Literature.

IT IS THUS PURELY SCIENTIFIC IN ITS AIMS, AND PRESERVES A STRICT NEUTRALITY IN ALL QUESTIONS OF ECONOMIC CONTROVERSY.

There are two Sessions in each year; the first commencing in the third week of February and ending with the first General Meeting in June; the second commencing in the third week in July and ending with the Annual General Meeting in December (Rule 48).

During each Session meetings are held at the Rooms, Bank of Australasia Chambers, George and Jamieson Streets, Sydney, on every alternate Tuesday, at 8 p.m.

The subscription is £1 1s. per annum for Ordinary Members, 10s. 6d. for Corresponding Members. The latter are those residing at a distance of not less than twenty miles from Sydney.

Members of either sex are eligible for election.

The Rooms are open daily (excepting Sundays) from 10 a.m. to 10 p.m.

Intending Members are requested to address the Hon. Secretary, at the Rooms.

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Some remarks on Australian
banks and on banking as a
factor in the progress of
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