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Pages: 54–56

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CHAPTER VII.

THE BOOM DECADE (1880-1890).

A Great Boom Decade.—Causes of Inflation of Values.—Excessive Rating Valuations.—False Basis of Assessing Capital Value.—Prodigality Succeeded by Financial Stringency and Collapse of Boom.—Difficulty in Determining Real Values.—Sir Hugh Nelson’s Legislation.

Basis of Assessing Capital Value.—Prodigality Succeeded by Financial Stringency and Collapse of Boom.—Difficulty in Determining Real Values.—Sir Hugh Nelson’s Legislation.

The prospects of Queensland had seldom been brighter than they were at the opening of the 1880-90 decade. The seasons were good, the outlook was regarded as brilliant, and a general air of confidence reigned. The Government were spending loan money lavishly, and large amounts were being spent in introducing a stream of immigrants from Europe. These and other causes contributed to the prevailing over-confidence and the consequent excessive values put upon fixed property. One was the influx of capital for investment on private account, for the confidence felt in Queensland mortgage securities not only extended to the other colonies of Australia, but also to the mother country. Another was the discovery of subterranean water in Western Queensland, and the opinion expressed by geologists that more than one-half the total area of the colony, and that in the driest parts of the far West, was artesian water-bearing country. The discovery, it was argued, had added a new province to Queensland, and one whose fertility, water once provided, would not be excelled, despite a normally light rainfall, by any other part of the continent. One consequence was the sale of Western stations at high prices, and the investment by their late owners of the proceeds in city and town properties. They had experienced the risks of the far inland climate, and they wanted to invest in land in the seaport towns, which must quickly become centres of extensive trade.

Another cause was the raising of rating values by the local authorities, of whom those having jurisdiction in suburban or country areas were endowed with £2 from the Treasury for every £1 raised by rates. To augment the claims for endowment, although the rate levies were in a few cases raised to the maximum legal limit, in most the valuations alone were raised, and the rate levy left untouched. It was held that it paid the property owner to contribute a high rate when with the endowment it meant three times that sum, most of which would be spent in improving his land by making roads and carrying on other local works calculated to enhance property values. A further cause of inflation was the cutting up of suburban land into 16-perch allotments, and selling them on long terms to working men and to speculators. A still further cause was, as already mentioned, the influx of external money at reduced rates of interest through the financial institutions. At first rents were so high as apparently to justify an advance on true values; but as the expanding process went on vendors ridiculed a capital value based on income-earning capacity. “What is the use of talking nonsense!” the agent would exclaim; “it is not what this property will bring in annually now, but what it will be worth in twenty years’ time.”

Even conservative loan institutions accepted valuations based on actual sales. Prices in many cases doubled and quadrupled in a few months without much regard to the income-earning power. Then people were told that Brisbane would by and by, with an immense railway mileage finding its terminus at the wharves, be as big as Sydney or Melbourne; that land in George-street and Collins-street was realising £2,000 per foot frontage, bare; and that therefore choice sites in Queen-street could not be worth less than £1,000 per foot frontage. Thus prices advanced until the second half of 1888, when the demand for real property almost ceased. From that time until 1893 values were as far as possible upheld by the mortgagees, for they believed that the stagnation must be but temporary. Then came the crisis in the world’s money markets, and it smote Queensland with prostrating force. The gradual reduction of local authority endowments, followed by their abolition in the year 1902-3, and the consequent increase of rate burdens, had a depressing effect upon property values, so that even to-day, more than sixteen years after the collapse of the boom, city lands do not realise more than one-half the prices demanded and often obtained in 1888.

It is easy to blame the leading parliamentarians of the time for their prodigality in expenditure; but, when the most experienced bankers of the time threw prudence to the winds under pressure of a flooded money market, we may at this distance of time judge public men less harshly than they were judged in 1893. Confidence was universal, and the man who raised a warning voice found himself figuratively “sent to Coventry.” An epidemic of swollen values pervaded the entire continent. Even so late as 1893, two skilled and disinterested Ministers of the Crown, and both possessed of banking experience, who were commissioned by the Government to report confidentially on the securities of the Queensland National Bank soon after its suspension, failed to realise the full extent of the inflation of past years, or the depreciation in land values that had taken place despite the efforts made to maintain them. For they gave such a report of the values of the bank’s securities as induced the Legislature to sanction an abortive scheme of reconstruction and the retention of
Government moneys. It is, however, to Sir Hugh Nelson's credit that, three years later, he passed through Parliament an amending Act, embodying the scheme which has since restored the bank to the status of a "national" institution.

Nineteen years have elapsed since the close of this period of extravagant borrowing and reckless expenditure, both public and private. For some years past Queensland has been enjoying almost unexampled prosperity, and the question naturally arises whether that prosperity may not be followed by another crisis. On this point examination of fixed property values, which are a good index, leads to a favourable conclusion. Of city or town lands there has of late years certainly been no inflation. Farming and dairying land values have no doubt risen rapidly, but not more, perhaps, than in proportion to the enhanced stable income-earning value arising from the success of the sugar and dairying industries and the enlarged markets available since federation to farmers all over Australia. In pastoral country there has certainly been no such inflation as occurred in the 1880-90 decade. Buyers discounted the future when, to justify their anticipations, the 372,105 square miles of artesian water-bearing country should have been already opened up and the country made increasingly productive by the streams from thousands of bores. To-day, as shown elsewhere in this book, artesian water is flowing to such an extent in Queensland that it would, with complete reticulation, supply 12,000,000 people with 40 gallons a day each. This in a country, too, which formerly was almost destitute of surface water. More bores are every year being put down, while geological research has lately added considerably to the area of artesian water-bearing country in Queensland. Generally trade is sound to-day, while banking deposits have made but gradual progression in volume during the last twenty years. Close settlement is rapidly going on, and the pastoral industry, which furnishes about 50 per cent. of our exports, is in a most prosperous condition after several good seasons capped by recently advancing prices. Wool alone, whose producers are realising highly satisfactory profits, formed 28.55 per cent. of our exports in 1907. Over gold mining there may be a fleeting cloud, but every year's laboratory research extends the area of remunerative ore deposits by reducing the cost of treatment. The cost of production and transport in all the primary industries is being gradually lessened. Happily there is no boom, present or prospective, to disturb the steady progress of the country; and it is reassuring to learn from recent public speeches by eminent Australian bankers that they are refusing to make advances for other than legitimate development.