



EMPIRE AND INTER-COLONIAL FREE TRADE:
THE POLITICAL ECONOMY OF AUSTRALIAN FEDERATION
1890-1910

by

M.G.L. DUNN, B.A. (HONS.)

Submitted for the Degree of Master of Arts,
Politics Department, University of Adelaide,
July, 1977

awarded August 1979

---c0o---

STATEMENT

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university and, to the best of my knowledge, it contains no material previously published or written by anyone else, except where due reference is made in the text.

M.G.L. Dunn

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	<i>ii</i>
LIST OF TABLES	<i>viii</i>
CHAPTER I A Nation or a Colony?	1
CHAPTER II The Britannic Question	22
CHAPTER III The Basis of the Colonial Economies	54
CHAPTER IV Reconstruction of Colonial Export Industries	80
CHAPTER V Reconstruction of Colonial Domestic Industries	121
CHAPTER VI The Tangled Web: Tariffs	162
CHAPTER VII A Concessionary Slice of Bacon: Labour Policies	188
CHAPTER VIII Conclusion: The Britannic Question Answered	208
BIBLIOGRAPHY	217

INTRODUCTION

The Fédération of the separate Australian colonies into a Commonwealth comprising the several States and a Federal Government was legally constituted by an Act of the British Imperial Parliament. This Act had been drawn up in the colonies by a Federal Convention and submitted to referendum by the colonial legislatures. The redistribution of powers between the Federal and State authorities was set down in the Constitution, and they reflect many of the pre-occupations of the colonial and British politicians at the time. It is the task of this thesis to examine the Federal settlement inasmuch as it bore on the issue of inter-colonial free trade, The Premier of Victoria, James Service, speaking at a banquet in honour of the first Federal Convention of 1890, expressed the matter thus:

"...Probably the first question, and the most difficult, which the Conference will have to decide is that referring to a common tariff, or the question of a common fiscal policy. Now I have no hesitation whatever in saying, that this is to me the lion in the way; and I will go further and say, that the conference must either kill the lion or the lion will kill it. I think a national constitution for Australasia, without providing for a uniform fiscal policy, would be a downright absurdity".¹

A uniform fiscal policy required inter-colonial free trade, and, with that provision in the Constitution, there came also provisions for facilitating general commercial transactions concerning the service of writs, bills of exchange and promissory notes, bankruptcy and insolvency, copyrights and patents, census and statistics, weights and measures, and other matters, including the transfer of exclusive power to the Commonwealth to grant bounties on the production and export of goods,

¹ Premier James Service quoted in Correspondence Relating to the Federation Conference in Australia, *Commons Papers*, Vol. XIIX, 1890, Cd.6025, p.10 in Scott Bennett (ed.), *The Making of the Commonwealth*, Cassell, Melbourne, 1971, pp.12-13.

save the mining of metals. Particular stress will be laid on investigating the reasons why the British Government should have agreed to the Federation and inter-colonial free trade in the form that it took, and why it should have done so at the particular time that it did. Thus, throughout, persistent examination of the changing nature of British interests in the colonies will be made, not merely as an external feature, but as an essential aspect of the internal workings of the colonies themselves. It will be argued that Federation for the purposes of promoting inter-colonial free trade was brought about and supported by the British and their supporters because of transformations in the forces and relations of production within the colonies, and because of changes in Britain's overall world position. These changes made the system of separate colonial administrations less able to execute and represent the interests of British trade and capital investments in Australia.

The fact that the colonies, though self-governing, had no sovereign status in international law, that they were massively dependent on the inflow of British capital and trade, and that even after Federation they were Dominions of the Empire, makes the stress on the British role readily justifiable. However, the method of treatment of the questions with which the thesis deals may not be so familiar. In the first place very little attention will be paid to formal, legal matters or to the Conventions where the Constitution was drawn up. Partly this arises from the fact that the enquiry is centred on matters relating to the political economy of the colonies and inter-colonial free trade. However, it arises also out of the basic standpoint which this thesis strives to adopt, a standpoint well summarised by Frederick Engels in his *Socialism: Utopian and Scientific*:

"The materialist conception of history starts from the proposition that the production of the means to support human life and, next to production, the exchange of things produced, is the basis of all social structure; that in every society divided into classes that has appeared in history, the manner in which wealth is distributed and society divided into classes or orders is dependent upon what is produced, how it is produced, and how products are exchanged. From this point of view the final causes of all social changes are to be sought, not in men's brains, not in men's better insight into eternal truth and justice, but in the modes of production and exchange".²

Thus, in comprehending the material basis for the promotion of inter-colonial free trade by Federation, investigation must be grounded in an understanding of the particular mode of production with which we are dealing. Capitalism was the mode of production that prevailed in the Australian colonies, and central to its functioning is the contradiction between increasingly socialised production carried on by property-less wage-labourers and the private appropriation of the social wealth produced by a property-owning but non-labouring class of capitalists. Around 1890 capitalism was entering that stage of its history described by Lenin as imperialism.³ It was at this point that the development of the fundamental contradiction of capitalist production reached a point where the private appropriation of social wealth became ever-increasingly concentrated in fewer hands, and, to facilitate that process, where the development of the forces of production was being ever-more generally retarded through monopoly in production and scientific research. Attention of the principal owners of capital was focussed more and more on re-dividing existing markets and consolidating their hold. Growth and development

² Engels, F., "Socialism: Utopian and Scientific", in K. Marx and F. Engels, *Selected Works*, (3 Vols.), Progress Publishers, Moscow, Vol.3, p.133.

³ Lenin, V.I. *Imperialism, the Highest Stage of Capitalism*, Foreign Languages Publishing House, Peking, 1973.

v

of production certainly continued, but became increasingly uneven and mal-proportioned. Particularly for dependent and colonial countries, the development of the monopolies in the most capitalistically advanced countries came to mean not the emancipation of their own national markets and the free accumulation of capital, but increasing constriction of the market, domination over raw materials and credit, and retardation in the development of locally-based capital. As part of this process crises were rendered more profound; and the struggle between that class brought forth by the socialisation of the labour process, the industrial proletariat, and diminishing number who privately appropriate the wealth and retard the complete socialisation of production, the monopoly capitalists, was intensified.

It is within this general framework that Federation, in the particular aspect of it being dealt with here, must be situated. The heavy orientation of this thesis towards the economic is in order to understand why a capitalistically advanced country such as Britain should have agreed to the opening up of an inter-colonial market in its Australian dependencies. It is not intended to discuss all the political and ideological forms by which either supporters or opponents of Federation represented their views, although the discussion of the practical effects of certain views in the concrete conditions is most important. An analysis of the subjective intentions of historical personages is not the main theme of this work, but the honour, such as it may be, is done to them of assuming that they usually intended the effects of their actions. The argument will proceed by a number of steps. The first task will be to look at certain theoretical questions relevant to the investigation. Because some writers have seen Federation as a "national" act, as the beginnings of an Australian nation, some attention will be given to examining the concept of the "nation", and what it implies for societies divided into classes and contending class interests. Some general considerations

pertinent to an understanding of the position of the Australian colonies will also be dealt with. Then, it having been argued that changes in the political structure represent changes in the material conditions that shape the interests of the contending classes, a brief description will be given of how the rival powers of Europe and America challenged the interests of British capitalism, along with an outline of some of the reasons for a declining British supremacy. Measures proposed by British Imperial politicians and commentators to arrest that relative decline will be noted. Then, to understand how the general situation of the Empire was expressed and manifested in the situation in Australia, something of the origins and basis for British colonial expansion into Australia will be traced out and so too will a broad outline of the sources and course of the depression of the 1890's, which did so much to rearrange basic patterns in the Australian economy. The major section of the thesis will be concentrated on analysing the principal exporting and domestic industries in the period of post-depression reconstruction, in order to grasp basic trends and assess the role that the political structure had in relation to them. The new emphasis on exports and the move towards monopoly in the domestic market will be set out with reference to British interests in Australia. Following on from that, the policies pursued by the colonial Governments through their tariffs, and the impetus towards, and the obstacles in the way of inter-colonial free trade will be assessed. In conjunction with an Australia-wide market and tariff, there was, arising out of the inter-colonial struggles of the working-class, a need for capitalists to have wages and conditions of work regulated Federally as well as on a State level. Immigration policy was an aspect of this. The development of inter-colonial links between decisive sectors of capital in Australia, and how this pre-disposed them and their British patrons to support Federation will also be

examined. It will be concluded that Australian Federation in its promotion of inter-colonial free trade served to strengthen the hold of the British Empire over Australia, despite greater formal concessions towards national unity and independence, and that this was why it was brought about.

LIST OF TABLES

	<u>Page</u>
TABLE 1	Percentage Share Amongst Major Capitalist Powers of World Output of Manufactured Goods, 1870-1-13. 24
TABLE 2	New Capital Issues in London, for Investment at Home and Abroad, 1871-1910. 30
TABLE 3	British Investment in Companies Operating Abroad, 1870, 1913. 40
TABLE 4	Government Loan Expenditure: Percentage Share Amongst Types of Works. 64
TABLE 5	Private Capital Formation in Pastoral and Agricultural Sectors, New South Wales, Victoria, and Queensland, 1861-1890. 67
TABLE 6	Imports of Building and Construction Materials, New South Wales and Victoria, 1880-1890. 73
TABLE 7	Percentage Area Manured to Total Area Cropped, South Australia, Victoria and New South Wales, 1900-01, 1910-11. 98
TABLE 8	Outward Interstate Transfers of Agricultural Machinery and Implements 103
TABLE 9	Number of Persons Engaged in Mining 1891, 1901, 1909. 112
TABLE 10	Number of Persons Engaged in Mining for Types of Minerals, 1909. 113
TABLE 11	Value of Mineral Production by Types of Minerals, 1909. 113
TABLE 12	Gross Private Capital Formation in Manufacturing Compared with Pastoral and Agricultural Sectors, 1861-1910. 122
TABLE 13	Principal Branches of Manufacturing by Employment and Value of Production, 1909. 131
TABLE 14	Exports of Coal from New South Wales to Other Colonies/States, 1890, 1900, 1909. 152
TABLE 15	Percentage of Dutiable Imports Competitive with Local Industry and Rate of Duty Thereon, Victoria, 1870, 1880, 1890. 166

LIST OF TABLES (Cont'd)

	<u>Page</u>
TABLE 16 Percentage Share Amongst the States of Total Interstate Trade, 1901, 1909.	179
TABLE 17 Percentage Share Amongst the States of Total Interstate and Overseas Trade, 1901, 1909.	179