



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

by

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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

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## 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".<sup>1</sup>

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,

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<sup>1</sup> 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".<sup>2</sup>

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.<sup>3</sup> 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

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

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

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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.

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## CHAPTER I

### A NATION OR A COLONY?

In 1901 the son of King Edward VII read the proclamation of the Imperial Act establishing the Commonwealth of Australia and the several States. It was indeed appropriate that a visible representative of the Crown should be present in Australia for this task, for the Preamble of the Constitution Act itself stated that:

"Whereas the people of New South Wales, Victoria, South Australia, Queensland, and Tasmania, humbly relying on the blessing of Almighty God, have agreed to unite in one indissoluble Federal Commonwealth under the Crown of the United Kingdom of Great Britain and Ireland, and under the Constitution hereby established...."

As Quick and Garran explained in their massive *Annotated Constitution of the Australian Commonwealth*, the phrase "under the Crown" was

"...a concrete and unequivocal acknowledgement of a principle which pervades the whole scheme of Government; harmony with the British constitution and loyalty to the Queen as the visible central authority uniting the British Empire...."<sup>1</sup>

Though the Queen might have died not such a long time before the establishment of the Commonwealth, the new King was seen by supporters of the Empire as no less a vital support for it and a concretisation of its unity. Indeed, King Edward's reluctance to have his son leave England so soon after the death of the Queen, while the Court was still in mourning, was overcome at the insistence of Balfour who wrote to the

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<sup>1</sup> Quick, J. and Garran, R.R., *The Annotated Constitution of the Australian Commonwealth*, Angus and Robertson, Sydney, 1901, p.294.

King explaining:

"He (the King) is now the great constitutional bond uniting together in a single Empire communities of free men separated by the circumference of the globe. All the patriotic sentiment which makes such an Empire possible centres in him, or centres chiefly in him; and everything which emphasises his personality to our kinsmen across the sea must be a gain both to the Monarchy and to the Empire".<sup>2</sup>

Edward's reluctance was overcome by this argument. There was, therefore, no intimation that the creation of the new State in any way implied that a new era of Australian independence was opening up for the Australian colonies, yet over the period of time that has elapsed since then there has been a suggestion that somehow the establishment of the Commonwealth presaged or even inaugurated the development of the Australian nation as such. In a work published in 1955, Professor Gordon Greenwood wrote:

"The establishment of the Commonwealth made possible, as was intended, not only national legislation, but also a national effort in a number of important directions. A national defence system, a unified voice on external issues vital to the country, an Australian immigration policy, had all become practical possibilities....It made possible for the first time an Australian trade policy".<sup>3</sup>

Having been widely circulated, and following the seemingly evolutionary decline of British Imperial influence, Greenwood's interpretation is important. Yet it raises the all-important but barely answered question - did Federation establish a nation or a neo-colony? For if we are to speak of national defence, national legislation, and national policy, we must be clear that these things are not simply manifestations of neo-colonialism in another guise. To ascertain this, it is not sufficient, however, to rely solely on a reading of the Constitution, though that should in

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<sup>2</sup> Judd, D., *Balfour and the British Empire: A Study in Imperial Evolution 1874-1932*, Macmillan, London, 1968, p.303.

<sup>3</sup> Greenwood, G., "National and Social Experimentation, 1901-1914", in Greenwood (ed.), *Australia: A Social and Political History*, Angus and Robertson, Sydney, 1955.

itself make us away of suggesting that Australia's colonial status was at an end, but it is also essential to investigate the social background to the Federation of the Australian colonies. And in making such an investigation, class relations and the class struggle must be taken as the key link.

Theoretically, at the heart of questions about Australia's status, lies an unresolved problem. Though much has been written about the development to nationhood, the birth of a nation, and so forth, there is still little clarity as to the meaning of the concept of the "nation". For some, the nation is a purely legal concept more or less equivalent to the State itself; and therefore an analysis of the legal and constitutional basis of Australian Federation along the lines of Quick and Garran or an analysis of the problems discussed in the drafting of the Act by the Constitutional Conventions would be quite adequate. But if it is sought to take class struggle as the key link, then Federation must be analysed as a measure taken for particular class interests opposed to other interests of other classes. Furthermore, the very idea of a purely juridical conception of the "nation" must be rejected in favour of trying to explain the class character of societies which might properly be described as nations. After all, a definite system of law itself presupposes the social determination of interests counterposed to each other which it is the business of the legal system to handle.

What is a nation?<sup>4</sup> Two fairly consistent themes have emerged on this question, both of which seek to counterpose the social, or class, question *against* the national question. The first theme places the stress on the national question, and argues that the creation of the nation is something which is achieved despite internal social contradictions, and thus it suppresses or destroys class antagonisms. This trend

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<sup>4</sup> Much of what follows on this theoretical question is a development of my article "Marxism and the National Question", *Arena*, No.40, 1975.

sees the nation as somehow fusing and merging class interests, whereby the real essence of the nation is manifested in the extent to which it conceals and deprives class interests of their identity and imposes an absolute unity over the classes themselves. Internal conflicts within the nation are thus portrayed by such theorists as "dysfunctional" and evidence of a social malaise and portrayed by their political counterparts as evidence of ruin and treachery, rather than the normal and perfectly functional working through of the class relationships that are the basis of a society itself. The second theme concerning the national question places all the stress on the particularity of different class relationships and thus on the struggle that exists between classes, while denying the possibility of conditional and relative unity. Thus the national question, manifested in the existence of national movements and nationalist feeling, becomes, according to this theme, a mere empty vessel into which the reality of class content is poured. Not only is unity only conditional and relative, but in fact stress is placed on the fact that underneath it all, in essence, there is absolutely no unity and no task which different classes might jointly perform. The nation is wholly a device and a trick for better suppressing other classes by that class which appropriates the "national" label. Fundamentally, these two themes have much more in common than it might first appear. That which stresses all unity and no struggle naturally aims to destroy the interests of all other classes in the name of national unity, whilst the trend which stresses all struggle and no unity aims at precisely the same objective under a different banner. Both themes are therefore incapable of explaining the real existence of national movements and ideas, where there have in fact been both differing lines as to how objectives should be achieved and also unity on the objectives to be pursued. There has been both unity and struggle. Since both these themes represent a move away from an attempt to draw out a proper

theoretical conclusion from the practical and historical experience of national movements, it is necessary to seek an interpretation which can accommodate both aspects of unity and struggle, an interpretation which, while it takes class struggle as the key link in analysing societies, can nevertheless situate that struggle within determinate stages which may define certain tasks that unite the different class interests.

The general historical experience of national movements shows that they have their life and being in political questions. That is, their success or failure is determined by the question of who holds and who can hold state power: which class is capable of exercising its dictatorship over which other classes. Moreover, such political movements, claiming to be "national", attempt to draw on the active participation and consent of as wide a section of the population as possible, so that it can be demonstrated that the movement represents the interests of the people. Yet this "people" does not exist as a single undifferentiated body, but rather as a relative unity of classes, whose interests are always distinct but which can come together for a definite historical task. This distinctiveness and unity has been true of national movements where the bourgeoisie took the lead, for instance the movement for Italian unification, and it has been true of movements led by the working class, for instance in the liberation of China. Thus the bourgeoisie may seek allies among sections of the petit-bourgeoisie, just as the proletariat may seek allies among other sections of the petit-bourgeoisie. Under certain conditions there may even be alliances between the bourgeoisie and the proletariat. It is within these terms that we may speak of the "people", given that what is meant is the particular constitution of a class alliance, a coincidence of different class interests, unified by the necessity to win political power to achieve those interests.



To grasp the character of this political struggle better, it is important to understand more clearly how the societies where such struggles develop function. It is necessary to indicate how it is that concrete societies like Australia - social formations - have a specific life of their own. This life is quite distinct from the world system of which they are also parts, as much as it is distinct from regions within these social formations out of which they are made up. The essence of this specificity is the reason why such "national" sentiment expressed in the thinking of colonial separatists such as Hackett in Western Australia could never have succeeded, and why such "internationalism" as the schemes for an Imperial Federation of mutual equality and benefit based on the British Empire were equally utopian given the actual historical development of the United Kingdom. Social formations are an expression of the law of combined and uneven development at work. Because capitalism develops in a very contradictory way, some branches of production were developed such as Australia's wool-growing industry while others were retarded such as the production of machine tools. Capitalism also takes advantage of what it can find in earlier modes of production to facilitate its own growth. In Australia, capitalists allowed the continuation of petty production in the fruit-growing industry because it was so risky and the returns so small. They actually promoted small farming in order to better exploit it, although very early they set out to destroy the small mining co-operatives of the gold rushes. Capitalism developed into imperialism. When contradictions arose between the particular branches of production over which enterprise should be granted credit to hire workers or buy machinery or which enterprise should receive bounties, the basic law of capitalism - pursuit of the highest rate of profit - prevailed. In the struggles between petty producers and monopolists, between smaller and larger capitalists, it was the monopolists (largely British-dominated) which won out. These

struggles and contradictions took on a particular form according to the nature of each social formation, and so also did the relative importance which these struggles and contradictions bore towards one another. Each social formation has its own particular order of importance of principal contradictions. Thus, the difference between social formations ought not to be seen in terms of a loose amalgam of "factors" or of a "social psychology", but rather concretely on the basis of an investigation into the order and importance of contradictions in each social formation. It is the particular combination of these class contradictions that finds its expression in the different forms of political life in specific social formations.

Regions of a social formation are smaller groupings of different branches of production or different modes of production. The life of particular classes may vary quite considerably from one region to another. Small manufacturers were much more politically influential in Victorian colonial politics than they were in New South Wales. But it is also true that small manufacturers were attacked by the large monopoly capitalists in both colonies. Speaking of regions generally, it is correct to say that they express certain differences from the overall life of the social formation, but the principal contradictions of that social formation still predominate over regional life. The working together of the whole social formation dominates and restricts the working together of the region. The basis for this, and the basis for the regions to come to be united, is politics. Politics is the process whereby classes struggle to resolve contradictions in their own interests so that they can expand and develop themselves. A social formation, which unites regions, but preserves its distinctive shape from other social formations and the world in general, comes into being with the development of political struggles. Without political struggles classes could neither exist nor realise their interests, and there could have been no social

development beyond primitive communism. However, the mere existence of political struggles in itself is not enough, since classes have to be organised. To realise its specific objectives, each class develops its own apparatus or type of organisation - party, army, policy, goals, laws, ideological institutions. Class struggle therefore centres around political struggle, the struggle for preserving and changing the dictatorship of a particular class or classes. Politics, as we have said, has a distinctive shape according to the local concrete conditions. Where a particular social formation exists, there is that distinctive shape of politics dependent on a principal order and importance of contradictions; and it is this shape which may be called the *political level* of a social formation. It may be asked if the distinction between *regions* - smaller groupings of classes and branches of production - and *social formations* - unities of such groupings that give rise to a political level - is not refuted by certain historical examples such as the very formation of the Commonwealth of Australia out of the several separate colonies? At the heart of this question is the issue as to what the social basis of social formations and the regions within them is, and why it is that social formations are created or dissolved. Certainly social formations must not be thought of as the unchanging, passive results of geography. On the contrary, social formations express the life (the coming into being and the passing away) of social classes and the development of the productive forces. As the relations of production and the forces of production develop, the political level of a social formation may no longer be capable of providing the basis for classes to organise their dictatorship, though their State machinery may be preserved very much intact. In this thesis, for example, it will be argued that in Australia the development of capitalism, and particularly of British imperialism, was obstructed by the existence of separated colonies, and so they were federated in 1901. However, in such cases where the political level was

altered and a new social formation came into being, it did not necessarily mean that a different class was then dominant or that radical alterations to the State machinery were required. Thus, to understand the development of new social formations, it is essential to determine the most important contradictions between the classes and the way these were carried through politically. Then it will be possible to see how the changing interests of the leading classes required a new basis for their political resolution.

If we consider some of the writings on Australian Federation on this point, we can appreciate some important shortcomings in this respect. Since the advent of Marxism, academic historians have paid a certain lip-service to questions of class and to the changing of modes of production in history. Marxism's contribution for such historians has been to show the importance of the "economic" factors in history. But in effect this lip-service has also distorted the original clarity of what Marxism sought to show. Academic studies have all too often replaced the Marxist conception of taking class struggle as the key link in grasping the transformation of societies with the conception of studying the role of "economic influences". Thus, the relations of production and forces of production which are the basis for the existence of classes, are confused in such a way as to present them as economic influences, rather like the influences of nature, which permeate out from the economy on to society and influence the historical protagonists. In other words, the historical protagonists, the real men and women of history, are what historians must grasp as the key link, and then attempt to discern how far they were "influenced" by the economy. It is quite a different proposition to take up the study of individuals or sets of individuals upon whom social influences act, than to take up to study of the determinate social structure and relations which limit and drive forward the struggles of human agents.

This trend of the "economic influences" has been quite pervasive in the writings on Federation. Taking as its starting point the question of the removal of the customs barriers and the introduction under the Constitution of inter-colonial free trade, a considerable bulk of the Federation literature has concerned itself with an analysis of the pro- and anti-Federal "interests". While it was quite reasonable to try and work out who stood to gain and who to lose from inter-colonial free trade, the real problems emerged when it came to how this was to be determined. Because such writers did not take a class view of society, or at best they saw class as a question of influence rather than the key link, they concerned themselves with the only other way that the unity of society could be grasped, to wit the opinion poll or the Constitutional referenda. After all, if one sees society as basically made up of individuals on whom social influences act, then voting returns appear one of the only ways in which to constitute a unified social picture. The trend inaugurated by R.S. Parker was to examine the voting returns for the Federal referendum of 1899 and to break them down into regions. He examined those regions and if they voted Yes, he sought indications as to what economic influences were in the electorate in favour of Federation, and if No, then what against. It did not appear to have occurred to Parker that perhaps it was possible that the No interests in a Yes electorate might have represented more political weight overall than Yes interests. Later writers follows his example.<sup>5</sup> It is a secondary question that they disagreed with certain of his individual

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<sup>5</sup> For this trend in the Federation literature see initiating articles by R.S. Parker, "Australian Federation: the Influence of Economic Interests and Political Pressures", and G. Blainey, "The Role of Economic Interests in Australian Federation", and others in Eastwood, J. and Smith, F.B. (eds.), *Historical Studies: Selected Articles: First Series*, Melbourne University Press, 1967. Also see articles in A.W. Martin (ed.), *Essays in Australian Federation*, Melbourne University Press, 1969.

findings since their procedure and assumptions were the same. Perhaps it could even be said that they trivialised the procedure still further, since writers such as Blainey, Bastin and Norris discovered that contrary currents were evident in the regions that Parker had outlined and broke them down still further into electorates, divisions, sub-divisions, and even booths in search for the real "source" of the economic influences. Other writers were quick to speculate on the distinction between voters' anticipations and real events. They suggested that perhaps people mistook the essential influences and therefore one should only look at the overtly discussed influences. Thus, in the whirling cross-currents of contrary trends and opinions, and in the confusion of voters' minds, the outpourings of the religious, the deceptions of the colonialist Press, and the loyalties of social background, the apparent clarity of economic influences - that ostensible vindication of Marx - was drowned in a torrent of psephology. This is not to deny that such writers did find amidst their ballot-counting definite advantages to some areas of the country in Federation and definite disadvantages to others, but of course the voting question was really not of much relevance in discerning that. In fact from starting out in that way, only obscurity could follow. The basic Parker thesis, not his particular conclusions, but the thesis that even disputants accepted, was that economic influences were constituted not out of definite social relations of production but in the act of uniting the social will through referenda. Who determined the questions to be asked, who controlled the Press, who paid for campaigns, why Federation was at issue at all, and why Federation and not independence? - all of this was made secondary. The economic influences became aspects of the natural order like flowers in the garden which the individual may reject or appropriate in the act of voting depending on his or her motivation and perceptions. In determining the social basis of Federation, such writings are theoretically quite inadequate. Classes and their

struggle are no more constituted in such slight actions as voting in referenda than are economic influences a proper description of the basis of classes themselves. Whether or not they intended to, the writers we have discussed reveal only incidentally the class interests over which the Federal movement was struggling.

Having investigated certain aspects of the working of social formations more theoretically, and having seen certain deficiencies in the historical approach of writers on Federation who have failed to do this, it is now important to come to grips more deeply with the national question to understand its relationship to Australian Federation. In the first place, the theoretical question of regional or colonial separatist movements can be better understood. Their character may be strictly regional, and so it may arise from secondary contradictions in the social formation. Whilst such movements then may have considerable political force, they nevertheless are subject to regional contradictions and therefore cannot gain political power over the whole social formation, either to dominate it or to successfully break away from it. Thus the leading classes in the regional movement under these conditions cannot seize political power. Recalling what was said earlier: that the life of national movements lay in their capacity to seize State power, it is then possible to say that regional movements ought not to be described as national. When they parade under the national banner, when they push for complete regional independence, but when investigation shows that the social conditions for this do not exist, then it is possible to say that the leadership of such a movement is making use of certain local grievances to divert struggle into channels that are not productive either of the ostensible objective or of a real solution to the grievances raised. On the other hand, it may be that certain regional grievances sum up the experience of the whole social formation in particularly intense form, because the exploitation and oppression of that region is

of special importance to the exploiting class. In that case, the regional conditions express overall social conditions, and so political victory is possible. Of course, this then forms an integral part of the political struggle in the whole social formation, and so in that sense it is not strictly "regional" at all. Thus the mere application of the label "national" to separatist movements does not by itself establish, within our present framework, their credentials as genuinely national.

The next problem is then to decide if a national movement should be conceived of as any movement that has the capacity to seize political power which chooses to appropriate for itself the national label. At first glance there appears to be nothing in the experience of national movements that falls outside this conception. But the real problem is that this conception is still too subjective: any class alliance for political power, regardless of its social function, is contained within it, and therefore the use of the concept "nation" would have little value if used in this way. Thus such a conception would offer no guidance in the determination of a situation where two conflicting class alliances both claim simultaneously to represent the "national interests". As it stands, this conception would not expose why it was actually sheer deception for British imperialism to have claimed that it was representing Australian national interests within the Empire. Both the British imperialists and their opponents in Australia had political power as their objective (or at least required it if success for their interests were to be achieved). It will be demonstrated that the imperialists wished to consolidate their dictatorship over Australia, just as the nationalists wanted Australians to unite the bulk of the people against the Empire for independence. Nor is this broad and subjective conception useful in determining which section of the bourgeoisie in Australia ought properly be regarded as national. The national bourgeoisie was not national simply because it could be united (always relative to struggle)



with the working class against the Empire, but because it had certain specific class interests that forced it towards that position. Nor can we find a way out of this difficulty by saying that the fact of majority support decides which movement is national, because political struggle is not in the first place constituted by electoral majorities and in any case it depends on how conscious, how organised, and how well led that majority may be. Clearly it is not sufficient to think of the national movement as being purely and simply any political movement or even the majority movement and nothing more.

In fact, to develop more fully the concept of the nation, it must be seen in relation to its opposite - foreign domination. That is, the national struggle is the struggle to break away from foreign domination, to assert national sovereignty, to establish independence as the principal aspect of the political level. It would be wrong to think of this as a perfected, absolute condition. Trade between independent countries and political relations between them are a part of national life, but it is independence that becomes the dominant aspect. The measure of independence that a social formation has is worked out by looking at the dominant class, the class which exercises dictatorship over the other classes, because the national question is a question of political struggle, and thus a question of class interests and their relationship with one another. Where the politically dominant class comes in from "outside", the independence and basic shape of that social formation is weakened in every way. This in turn affects the life of the "native" classes, because such foreign domination weakens their development by undermining their ability to resolve contradictions in their own interests. As the native classes have developed on the basis of a particular social formation, the weakening of the particularity of that social formation by foreign domination weakens those classes also. It is this situation which forces the development of a national movement, and it is in this stage that we

can see that the national stage of social development itself is still incomplete. If this were not so, then to talk of national independence would be quite meaningless. The nation, such as it is, that exists under conditions of foreign domination is the developing alliance, the united front, of classes that has not yet achieved its objective of national construction. In that sense, social formations under foreign domination have developing national movements, but are not yet nations. To go further, it is necessary to understand the relations between "native" and "foreign" classes within the framework we have already built up. Classes, particularly imperialist classes, can dominate more than one social formation at a time, and so they can establish their state apparatus, and organise their domination, over several political levels. However, because the particular imperialist class arises out of definite social conditions and developed out of a definite social formation, one of the political levels over which it exercises its dictatorship must be the principal one, whilst the others form part of a chain centred on the principal, or metropolitan power according to their importance. Otherwise, if imperialism had no centre, if dominating one social formation and its political level were just as important as dominating any other, then it becomes impossible to explain the basis for wars between rival imperialisms. If there was no centre, then either an imperialism would collapse when it was defeated in any one of its colonies or else it would collapse in all of them at once at the same time. In fact, because imperialism heightens competition between monopolies and cartels, and because it greatly intensifies the rivalry between social formations under the dictatorship of the bourgeoisie, it particularly heightens the antagonistic relationships that exist between the centre and the periphery to the gross disadvantage of the periphery.

Thus, where a class is dominant over several social formations, particularly a capitalist class, there is an antagonistic contradiction

between the principal and subordinate (or peripheral) political levels it dominates. The nature of the contradiction is this:

- each political level tends to make the resolution of contradictions easier for the classes whose life and particularity is organised through it;
- yet the dictatorship over that level is exercised by a class whose life and particularity is mainly organised through another level.

In Australia, for example, the contradiction between the development of the Australian nation and the livelihood of the Australian-based classes on the one hand, and the dictatorship exercised over the political level by British imperialism on the other, was resolved by the use of violence and deception in favour of British imperialism. That is, the maintenance of imperialist dictatorship at the time prevailed over the interests of the classes whose life was mainly organised through the particular existence of the Australian political level. Such an antagonistic contradiction finds its expression in the opposition to British imperialism and to the contention between rival imperialisms in Australia, and also in the determination of the British imperialists to remain and tighten the bonds of Empire. To speak then of the Australian nation means to speak of the emergence of a victorious national movement and of the wresting of control of the political level in Australia by the classes whose livelihood is made possible through the existence of that level. These are the national classes. A nation must therefore be defined as a social formation where the main aspect of the livelihood of the politically dominant class corresponds with the development and consolidation of the political level of that social formation. In Australia, the British imperialists never both consolidated their own livelihood and at the same time defended and extended the livelihood of the national bourgeoisie, petty bourgeoisie, and the Australian working class. They could not have maintained their own dictatorship over the other classes in Australia by strengthening the livelihood of those classes. In short, they could not have developed

Australia into a nation without negating their own conditions of dominance here and this they never did nor could have been expected to do.

Now that the concept of the nation has been clarified, it is possible to address the problem of Federation more systematically. On the theoretical grounds alone that have just been discussed, it is hardly conceivable that the British Parliament would have agreed through the passage of the Federation Act to create an Australian nation. Of course, this question will be concretely investigated in later chapters, but there is another aspect of the question that it is important to examine here. On the surface, it may appear self-contradictory to find both the institution and the continuation of a British colony on the one hand, and a system of "self-Government" on the other. Self-government as it existed in Australia comprised a locally elected Legislature with Ministers drawn from that Legislature who were responsible for the administration of the Departments of State. The ambit of the powers of the Legislature were wide, with the only external restriction being on foreign affairs. On the face of it, the lack of sovereign status of the self-governing colonies over foreign affairs might seem small, however there were some highly significant ramifications. Firstly in the making of peace or war, into which the colonies would, by virtue of their status, be inexorably drawn as part of the Empire, was wholly the province of the British Foreign Office. Though rivalries were sharpening on the Continent and even in the Pacific area at the time with which we are dealing, and although those rivalries were to deeply affect Australia, the new Commonwealth, more than the colonies, did not exercise jurisdiction over this area. Furthermore, being colonies in international law, the self-governing colonies were precluded from legally dealing and negotiating with sovereign states. It was required that all dealings whether relating to matters of high policy or to commercial matters, fishing

rights, and so forth, be conducted by the United Kingdom acting for the colonies. Certainly some measure of colonial representation at such negotiations was usually permitted by the UK in matters intimately affecting them, but the essential transaction was between the UK and the other sovereign state. Given that such matters inevitably affected commerce and production, the powers still reserved to the UK were of great significance. The other matter relating to powers that were delegated to the colonial Legislatures was the application of the British Colonial Laws Validity Act, which made the provision that no laws of the colonies could be enacted if they were repugnant to the laws of England. Governors and Governors-General were empowered to reserve assent, and to refer proposed laws to the Crown in England for approval or not, if they considered it necessary in law or for the good of the Empire as a whole. While these limitations were not applied very often, they nevertheless restricted the powers of law-making in the colonies, and they remained in effect after Federation.

Within these limits it is also important to understand why such moves towards self-government were taken by the Imperial authorities. The trend was first inaugurated by the Report of the Earl of Durham into the affairs of British North America made in 1839.<sup>6</sup> British rule over the North American possessions had been disturbed by the mounting popular pressure for the redress of grievances particularly in the French Canadian Province of Lower Canada. Up to that time, the form of British rule in the Province involved an elected representative, but not responsible, legislature and an autocratic Governor who could appoint and remove Ministers regardless of their standing in the opinion of the Legislature. In suggesting how the provinces might be restored to more

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<sup>6</sup> Earl of Durham, *Report on the Affairs of British North America*, British Parliamentary Papers, facsimile edition, Colonies, Canada, 2, Session 1839, Irish University Press, Shannon, 1968.

peaceful subordination to the Crown, Durham strongly criticised this system, and proposed instead that Ministers, as in Britain, should be drawn from the Legislature and be responsible to it. He pointed out that the difficulties of having a representative body which had no prospect of its members gaining office bred demagoguery and anti-British sentiment, because the very absence of responsibility relieved the Legislature of much of the pressure to be adapted into the administration of the very colonial system against which popular opinion was developing. He also pointed out that the solution of the problems of the possessions by officials in London when disputes arose suffered much from the ignorance of the English Ministers and from the pressure of work, ignorance, and non-accountability of those in the Colonial Office. Durham argued that local problems were best solved on the spot, and that if the Ministry administering local affairs was drawn from the colony itself, then the odium and responsibility of running the Colony would be at once removed from the Colonial Office. Reserved to the British Imperial Crown were its rights over foreign affairs, including trade; the disposal of Crown lands; and the form of the Constitution. All else could be passed over to the colonists' Assembly. This separation of local and imperial affairs continued at the heart of the British colonial administration; and though local legislatures were soon given power over Crown lands, foreign affairs and Constitution-making required British approval. The reserve powers of the British Crown circumscribed the system of self-government within the bounds of continuing British colonialism, whilst the spectacle of Government and Opposition contending for Ministerial office would serve to restrict overall political contention to a basic acceptance of the colonial system with disagreements only as to its best administration.

The Durham Report accepted that political activity amongst the people of the colonies of white settlement could not be suppressed by open force and despotic Government, because neither the local population nor their relatives in Britain would tolerate force being meted out to white races nor would they consider emigrating there. The question then was how could this political activity be permitted whilst not weakening the colonial bond. Far from presaging an evolution in the colonies from subordination to independence, the Durham Report strengthened British rule, and indeed Durham stated that this was one of his avowed objectives. His recommendations were accepted not merely for British North America, but also when the situation was forced on the Colonial Office, *mutatis mutandis* for the Australasian colonies. "Self-government" as it was made over to the Australian colonies, either separately or in Federal form, was not incompatible with colonial status, though it is true it did represent big *formal* concessions to the local people when compared with the previous forms of rule.

Thus even formally the Federation of the colonies did not end the colonial status of Australia. The central problem that now confronts us is what was the substantial relation between the UK and Australia? Given that we have argued theoretically that the re-arrangement of the social formations of the colonies into a new social formation of a Commonwealth and several States must lie in the development of the relations of production and the development of the forces of production, the task of this thesis will be to examine those relations and forces to attempt to determine the new trends moving through society. Because of Australia's colonial status, emphasis will be placed on eliciting more precisely than previous writers the contours of the British-Australia relationship and how the dictatorship of British capital in Australia shaped the internal as well as the external social relations. To some extent, this emphasis necessarily plays down the opposing trends in Australia. It plays down

the opposition of the Australian working class to their exploitation by the most decisive sections of capital - those dominated by British capital, and it also plays down the role of the opposition of small farmers and manufacturers. This under-emphasis inhibits a full picture of the Australian situation, it gives a partial view; hopefully an adequate view of the dominant trends in the Australian economy, but not of the trends that moved against it. For that reason the picture is partial in another respect as well. It will appear at times as though the Australian colonies were passive recipients not merely of external manipulation by the British - the classic Fitzpatrick picture - but also of internal manipulation as well. An implication that such a picture gives is that the Australian people were the mere playthings of imperialism. This is not a true picture of events. Indeed, the large formal concessions of independence and self-government could not have been imagined without the determination on the part of wide sections of the people to oppose British rule in Australia. Something of this opposition will be discussed in later chapters especially relating to the projects of the Imperial Federation Leagues and to the introduction of the Arbitration system. But fundamentally the purpose here is to correct another partial view of Australia. That view is the one which portrays the achievement of Federation as essentially Australian and essentially national (in the sense we have defined it), which sees the British as gracefully bowing out of the Australian colonies. Investigation of the social basis of Federation, of the forces and relations of production, will, it is hoped, show quite conclusively that far from bowing out, changes in the colonies served to intensify the British hold on Australia through new areas as well as old, and that the organisation of the colonies into a Federation was based on that intensification of British rule and sought to develop it. It must necessarily fall to others to deepen the picture in the areas which it has been chosen to neglect.



## CHAPTER II

### THE BRITANNIC QUESTION

A world restored after the tremendous struggles of 1789-1815 was what the ruling circles in Europe and the United Kingdom expected at the end of the Napoleonic Wars. But the world would not stand still. France was perennially unstable, and the German states were seething with rebellion and wracked with disorder. New movements and ideas were working through the Italian provinces and city-states. Within the United Kingdom itself antagonistic forces were also at work. The development and immense changes wrought by the Industrial Revolution, and then the almost unchallenged industrial and commercial power of British capitalism, brought forth the very struggles that the dominant classes had hoped to avoid. Discontent and sedition were abroad. The massive Chartist movement was a rallying point in both town and country against the old order. Hardly had this been partly headed off with the Reform Bill of 1832, than the working class began to organise anew. Then Ireland became the focus for renewed rebellion against English rule. The outward stability of Victorian England was eaten away by the struggles of the working class in industry and by Irish rebellion in the countryside. In 1861, across the Atlantic, the American Civil War broke out. For a fleeting moment this appeared to consolidate the United Kingdom, for it was hoped the war in America would ruin its growing commercial strength. In fact, the defeat of the Confederate forces and the overthrow of slavery in the South only served to unify America more tightly. It consolidated the national market, increased the mobility of labour and capital, and generated new productive forces that even more rapidly undermined the industrial hegemony of Britain. In Europe, the balance of power had been greatly altered by

the struggle for Italian unification. The Austro-Hungarian Empire was profoundly weakened, and Prussia extended its influence over the German states. That unity of 1815 was merely contingent - a transitory thing - whilst struggle was absolute. In 1870 the climax of this disorder was reached. The Franco-Prussian War broke out. Within an astonishingly short time the Prussian military machine had rolled into France and defeated Napoleon III's Second Empire. At the same time, in Paris, the internal cohesion of Bonapartist France was smashed apart by the seizure of power by the working class and the establishment of the Commune. Thus French and Prussian armies had to turn around at Sedan and move on Paris. They besieged and eventually captured it. A White Terror was launched against the Communards. A sullen order was imposed anew on France internally, whilst the treaty of peace imposed a certain degree of order externally. A new phase in the European balance of power was thus initiated in 1871, though shorter and more unstable yet than 1815. It was characterised by increasing rivalry between the chief capitalist powers - the UK, a united Germany, France, Russia, and the United States. Against England in particular even more intense and consolidated pressure came from the USA and from a new Germany under Prussian leadership on the Continent. Under increasing difficulties at home from the working class and from Ireland, and facing much greater and sharper challenges abroad, the supremacy of British capitalism began to wane. The workshop of the world, even at the height of Imperial expansion, was slipping down:

Table 1

Percentage Share Amongst Major Capitalist Powers of  
World Output of Manufactured Goods<sup>1</sup>

	UK	United States	Germany	France	Russia	Japan
1870	32	23	13	10	4	-
1881/5	27	29	14	9	3	-
1896/1900	20	30	17	7	5	1
1906/10	15	35	16	6	5	1
1913	14	36	16	6	6	1

Capitalist industrial production in the UK was becoming outmoded. Over the years 1886-1913, the UK lost its position as the world's leading iron and steel producer. Although production was more than doubled, there was no significant change in technique. In contrast, German steel production was developing rapidly through the adoption of new methods for converting iron into steel, whereby the iron is transmitted in liquid form straight on to the next stage for steelmaking. By the year 1913, 75 per cent of German iron was transmitted in this way compared with only 28 per cent of British iron.<sup>2</sup> Furthermore, though steel was known to be a superior product to other manufactures of iron - pig iron, puddled iron and wrought iron - the substitution of steel for these products proceeded more slowly in the UK than in either the United States or Germany.<sup>3</sup> Again, in the coal and coking industry there was also a falling behind. Even as late as 1924, only 19 per cent of British coal was cut by machinery compared with 70 per cent in the USA. Also, there was a deterioration in

<sup>1</sup> Glynn, A., and Sutcliffe, R., *British Capitalism, Workers and the Profits Squeeze*, Penguin Harmondsworth, 1972, p.17.

<sup>2</sup> Aldcroft, D.H., "The Entrepreneurs and British Industry, 1870-1914", *Economic History Review (ECHR)*, Vol. XVII, No.1, 1964, p.116.

<sup>3</sup> Orsagh, T.J., "Progress in Iron and Steel: 1870-1913", *Comparative Studies in Society and History*, Vol.3, 1960-1, pp.220,218.

British coal and ore resources since there was a large increase in British coal exports.<sup>4</sup> For coke, the latest technique required that it be produced in by-product recovery ovens, and by 1909 Germany was producing 82 per cent of its coke in this way, while the UK had reached only 18 per cent.<sup>5</sup> The situation for British industry even in the staple lines was far from comforting. The cotton goods and textile trades generally had stimulated great strides forward in British industry in the past. Textile machinery enterprises were specialist firms and not merely general engineering factories and so it was possible to develop a high degree of standardisation in the machinery that often surpassed that of American manufacturers. Despite this, production methods were not moving ahead. Spindles, for instance, were produced with consummate skill in extremely large batches, and yet the work was done not by machines themselves but by highly-skilled workers doing extremely fine but repetitive tasks by hand. The finished product equalled that of machine-made spindles, but technique was falling behind.<sup>6</sup> In the cotton manufacturing trade itself, the UK manufacturers failed to keep pace with the American firms introducing automatic looms, and contemporary observation was that whilst British development showed an emphasis on quality of the product American technical developments in cottons enabled a higher output to be generated with fewer workers.<sup>7</sup> Machine tools manufacture also presented problems to the UK. Although British manufacturers of heavy machine tools were more advanced than those in the USA, orders were still too small to allow much specialisation, and,

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<sup>4</sup>Aldcroft, *op.cit.*, p.117.

<sup>5</sup>*Ibid.*, p.116.

<sup>6</sup>Saul, S.B., "The Market and the Development of the Mechanical Engineer Industries in Britain, 1860-1914", *ECHR*, 2nd Ser, Vol. XX, No.1, 1967, pp.113-4.

<sup>7</sup>Copeland, M.T. and Aldcroft, *op.cit.*, p.117, "Technological Development in Cotton Manufacturing Since 1860", *Quarterly Journal of Economics*, Vol.24, No.1, 1910, p.159.

in part, this sector of production was also weighed down with obsolete ideas. Indeed the *Times Engineering Supplement* observed in 1915 that for the machine tools sector generally the organisation and methods of production were as defective as the factory machinery.<sup>8</sup> The American manufacturers were able to seize the initiative in the manufacture of medium machine tools. Elaborate jigs and templates were required, and to make large profits orders requiring long runs were needed, but here the British were confronted with a wide range of smaller firms, often inadequate also for the proper technical training of British engineers.<sup>9</sup> American and German firms tended to concentrate on the mass production of one or two tools, whilst the British firms went in for a multiplicity of work.<sup>10</sup> In locomotive manufacture there is a similar picture of high-quality production but with less emphasis on the mass production of cheaper standard items. British locomotives were usually ordered and made for the specific tracks on which they were to travel, and so while interchangeability was good, it was not generally possible. This contrasted again with the USA.<sup>11</sup> Another limitation on locomotive and rolling stock production was the very fact of early British development in this field. Often it was found that the curvature of railway lines and the height of bridges already constructed imposed definite limitations on the industry.<sup>12</sup> Generally speaking some sectors, though not without problems, were very well advanced such as textile, steam, and sewing machinery; others were more variable; and still others, like watches and office machinery, which demanded mass production were in a weak position.<sup>13</sup> It should be

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<sup>8</sup> *Ibid.*, p.121 and Saul, *op.cit.*, p.122.

<sup>9</sup> Saul, *op.cit.*, pp.123,125.

<sup>10</sup> Floud, R.C., *The British Machine Tool Industry, 1850-1914*, Cambridge University Press, 1976, p.56.

<sup>11</sup> Saul, *op.cit.*, p.117.

<sup>12</sup> Aldcroft, *op.cit.*, p.129.

<sup>13</sup> Saul, *op.cit.*, p.128.

stressed, however, that this gradual outmoding of British production, while it expressed itself at first in a slackening of the pace of technological development, depended in the last instance on the capacity of British industry to organise technology capitalistically. That is, important technical and scientific discoveries had to be brought into the factories where they could be used by the workforce. Mass production of few lines was to become an essential part of this in the twentieth century.

Proceeding, then, from essentially technical factors to factors concerned with the integration of science into capitalist production, it is necessary to point out differences between the development of monopoly production in the UK from elsewhere. British industry developed very largely in the period of free competition, whereas both the United States and particularly Germany inaugurated their most intensive industrialisation in conditions of increasing monopolisation of domestic industry. British industry did not grow up with either well established and intimate links with British finance capital, as typified in the City of London, or on the basis of vertical integration and monopolisation by individual enterprises of the supply of raw materials. In the crude iron trades, and in the manufacture of billets, blocks, iron bars, scrap iron, angles and tubes, there was no cartel or monopoly arrangement, whereas the arrangement that existed in ship and boiler plates, tinsplate bars, and rails was organised along horizontal lines - aiming at control of the market rather than the vertical control of production.<sup>14</sup> There was, of course, a trend towards the elimination of the smaller enterprises and the building up of the capital and plant of very major firms, but these were fairly autonomous units. Being large they were not so susceptible to the transformation of equipment or factory lay-out that newer scientific discoveries might require, and, not having developed backward and forward linkages with other branches of production, they were not able to squeeze

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<sup>14</sup> Levy, H., *Monopoly and Competition: a Study in English Industrial Organisation*, Macmillan, London, 1911, p.233.

out competitors so readily or lower the costs of their own production so quickly. The textile industries also presented similar features of horizontal rather than vertical combination:

"In the cotton industry importing, spinning, weaving, dyeing, printing, bleaching, merchenting all constitute separate trades carried on by separate groups of manufacturers and only in comparatively few instances are spinning and weaving carried on by the same firms".<sup>15</sup>

The manufacture of worsteds, though not so much woollens, exhibited much the same pattern. Arrangements between firms took place, but with the accent laid on control of the price on the market rather than for the purpose of promoting one or two particular enterprises at the expense of others.<sup>16</sup> The cartel formed by J.P. Coats in the manufacture of thread was an alliance of four large firms linked with twenty-seven lesser firms to control the domestic and international price of thread.<sup>17</sup> In 1898, the Fine Cotton Spinners' and Doublemakers' Association was formed which amalgamated 31 firms with almost total control of the trade, and in 1903-4 the Bleachers' Association came together and controlled 90 per cent of their trade.<sup>18</sup> The UK did not escape the general trend towards monopoly, but it was at once both conditioned by the previous historical development of industry and by the difficulties of writing off old plant and replacing it with new. While the UK capital stock may have been written off at a lower cost than that of other nations for the purpose of introducing newer stock, this could only have been done on the supposition that the structure of British production and marketing in

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<sup>15</sup> Macrosty, H.W., *The Trust Movement in British Industry; a Study of Business Organisation*, Longmanns, London, 1907, pp.117-8.

<sup>16</sup> *Ibid.*, p.123.

<sup>17</sup> Levy, *op.cit.*, p.253.

<sup>18</sup> *Ibid.*, pp.250, 253.

general moved away from diversity and retail price control - tending to horizontal integration and widening of capital - towards the narrowing down of production and control of raw materials and market outlets - tending towards vertical integration and deepening of capital. There were scientific discoveries for the production of goods of wide diversity and there were discoveries for the production of large numbers of goods of little diversity. The proliferation of British industrial capital through a greater number of smaller enterprises, and its concentration in larger enterprises not vertically integrated, made it less easy for the banks to intervene and reorganise domestic production directly.<sup>19</sup>

Indirectly, through the financing of monopolies like Brunner Mond chemicals,<sup>20</sup> and keeping clear of smaller industrial capitalists, the banks were able to promote monopoly, but generally finance capital was drawn much more to overseas ventures than it was in other nations.

This partial "abstention" of finance capital from industry within the UK was itself part of the historical development of British capitalism in the free competition period. Trade had come to be of tremendous importance to the UK. Having established so early a lead in manufacturing, it was essential that markets be found abroad as domestic markets were soon glutted. The repeal of the Corn Laws and the ascendancy of Free Trade doctrines in British policy-making reflected the industrial lead of British industry and the commercial necessity of forcing open all possible markets to British commodities. Consequent on the developments of a vast international trade, the UK developed highly sophisticated arrangements for financial services to trade and the associated maritime industry. Credit, currency exchange, and insurance were a part of this.

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<sup>19</sup> In the steel industry there is some evidence that financiers' conservatism was a factor holding back modernization, see Carr, J.C. and Taplin, W., *History of the British Steel Industry*, Blackwell, Oxford, 1962, p.290.

<sup>20</sup> Aldcroft, D.H. and Richardson, H.W., *The British Economy, 1870-1939*, Macmillan, London, 1939, p.131.



The centre of British finance was the City of London, and the focus of the City was concerned with the profits to be made of international transactions, and while this had originally been predicated on the concurrent boom of British industrial capital it soon developed something of a life of its own, even where these international transactions might be made at the expense of domestic capital. Thus, following C.K. Hobson's calculations, but computing them into five-yearly averages, the figures below are obtained:

Table 2  
New Capital Issues in London, for Investment  
at Home and Abroad, 1871-1910<sup>21</sup>

	£000's	
	For Investment in UK	For Investment Abroad
1871-5	20,896	71,119
1876-80	18,113	26,559
1881-5	24,527	56,631
1886-90	31,621	86,282
1891-5	18,043	43,063
1896-1900	51,794	39,381
1901-5	45,646	64,845
1906-10	40,266	120,100

Thus, apart from the years 1896-1900, we see a consistently larger amount of the new capital issues being for investment abroad in precisely the same period when British industrial capital was coming under increasing competition and facing a definite need to re-tool and otherwise adapt to changing conditions. Furthermore, the very foreign trade which was catching up on the UK was the very same foreign trade on which London financial

<sup>21</sup> Hobson, C.K., *The Export of Capital*, Constable, London, 1914, pp.218-9.

services were used and on which increasing amounts were being gained in profits from shipping, commissions and remittances.<sup>22</sup> Thus the UK remained the financial and commercial centre of the world, albeit partly at the expense of losing ground as the industrial centre.

From these trends in industrial production and financing there flowed important consequences for the British position in international trade. From about 1870 onwards the balance of trade with many countries with which Britain had previously enjoyed commercial superiority began to shift adversely to Britain, particularly in Europe. The ratio of imports to consumption at home rose appreciably, while that of exports to output in the UK rose only a little.<sup>23</sup> Having dominated markets almost everywhere before 1870, the UK had little room to expand since the commodities produced by the more recently industrialised countries on the Continent and USA were beginning to undersell those produced by the UK. Then there developed the spate of hostile tariffs. Protective tariffs were instituted in the USA from 1868-9 onwards; a protectionist tariff was created in Germany in 1879; it was followed by a general rise in Russian customs duties in 1881-2; France and Austria-Hungary did the same in 1882; then Italy in 1888; in 1890 another rise took place in the Russian duties, and the very protective McKinley tariff was put into force in the USA in 1890 as well.<sup>24</sup> These tariffs struck particularly hard at the trade in British cotton goods, which thereafter tended to be re-directed to market in India, China and the Levant.<sup>25</sup> This re-direction became significant in several respects. In the first place, the expansion of these latter markets, as well as the increased opportunities for capital

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<sup>22</sup> *Ibid.*, p.198.

<sup>23</sup> Ashworth, W., *An Economic History of England 1870-1939*, Methuen, London, 1960, p.166.

<sup>24</sup> Tyler, J.E., *The Struggle for Imperial Unity (1868-1895)*, Longmans, London, 1938, p.30.

<sup>25</sup> *Ibid.*, p.58.

investment there meant that greater emphasis was placed on dealing with them. So, as the market for these traditional goods continued to be accumulated, while capital which might have been otherwise directed into a new potential export producing sector for the European and American trade was instead invested abroad. While there was not an outright decline evident in British industry, there was nevertheless an increasing sluggishness in restructuring it which meant an increasing slowness in making the adaptations required to preserve a competitive edge over the Continent.<sup>26</sup> Continued prosperity in these older sectors was, in a sense, the basis for a later decline since it concealed the need to "shake-out" the areas of extreme backwardness in British manufacturing. By the start of the twentieth century, the trend against increasing adaptability was confirmed.<sup>27</sup> The ongoing emphasis on traditional areas of manufacture was of importance in the continuing trade with Europe. Sales of fully manufactured goods tended to decline while there was a tendency to increase the sales of machinery. This in turn led towards overseas import-replacement in manufactures. Increasing sales of ships built in the UK led to a gradual whittling down of the dominance of the UK in world shipping. Rising sales of British coal abroad meant a corresponding fall in sales to local blast furnaces.<sup>28</sup> The decline from supremacy in the British iron and steel trades led manufacturers to push more insistently for tighter links with less industrially developed countries, and to support proposals for a commercially based Imperial Federation of the colonies and the UK. The coal industry also supported similar ideas, since its increasing exports abroad, though not to the "self-governing" colonies, assisted British trade by furnishing an out-going cargo to be taken to primary-producing countries in return

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<sup>26</sup> Aldcroft and Richardson, *op.cit.*, pp.121-2.

<sup>27</sup> Ashworth, *op.cit.*, p.108.

<sup>28</sup> Ensor, R.C.K., *England 1870-1914*, Clarendon, Oxford, 1936, p.275.

for increasing British imports of grain, forage and timber.<sup>29</sup> By 1914 the fastest-growing export commodity from the UK was coal. Overall, between 1900 and 1913 the UK share in world trade in the newer categories evidenced a faster drop than in the old lines, such as textiles. And even within the newer areas, British industry was concentrated in older sectors - in inorganic rather than organic chemicals, in locomotives and ships rather than cars, and in textile and farm machinery rather than machine tools and electrical machinery.<sup>30</sup>

It is now possible to comprehend the difference bases for proposals for protective tariffs on the one hand in countries like the USA and on the other in the UK. Tariffs in the USA helped boost the US market share of goods in the metals and machinery sector. Once protective barriers were raised in the USA it was possible for local capitalists to command the domestic market, albeit at initially high prices to the consumer. On the other hand, for the producer there was a low cost of entry into production, and once this low cost of entry and secure market came fully into effect, more capital entered the field and competing enterprises began to force down prices. The lowering of prices and the increased production and competition for markets facilitated the overseas expansion of the US trade at prices now competitive with foreign goods.<sup>31</sup> It should be emphasised, however, that this process took place at the expense of other sectors of industry and trade, and that the boost that tariffs gave in one area was achieved by detracting from another. In the UK there was considerable support amongst manufacturers, especially in the Birmingham area, for "tariff reform" policies of the kind advocated

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<sup>29</sup> Tyler, *op.cit.*, p.58 and Ensor, *op.cit.*, p.277.

<sup>30</sup> Aldcroft and Richardson, *op.cit.*, p.272.

<sup>31</sup> Floud, R.C., "The Adolescence of American Engineering Competition 1860-1900", *ECHR*, 2nd Ser., Vol. XXVII, No.1, 1974, pp.67-9.

by Joseph Chamberlain.<sup>32</sup> These policies amounted to protective tariffs imposed to benefit British manufacturers and ostensibly aimed at enabling them to re-tool and restructure production with a secure British and colonial market to shelter them from foreign competition. Yet it is far from clear that this would have occurred. The application of tariffs for declining industry with structural problems is quite different from their application for industry that is developing in any case. In the UK tariffs in fact may well have insulated the lagging sectors of industry from foreign competition at the expense of the financial and commercial sectors of capital, without actually being a prelude to retooling and renewed industrial capital accumulation. The American and Continental tariffs served as a measure of protection against dumping on local markets whilst new capital was being generated, whilst the British "protectionists" advocated tariffs to prop up old capital. Tariffs in themselves were not a formula for offsetting foreign competition. But although Chamberlain's programme was not adopted formally by the Government, this did not mean that definite efforts were not made to use the colonies as special markets for British goods and special sources of supply to lessen the inroads of foreign trade.

Before moving on to consider the effect of all this on the colonies, it is important to round out very briefly the picture of the British economy by pointing out certain trends in agricultural production. During the Industrial Revolution and the Victorian Age, the gap between industry and agricultural prices had been widening. The reasons for this are complex. On the one hand overseas agricultural prices were falling whilst English prices remained at high levels under the protection of the Corn Laws. However, domestic factors were also at work, as the campaign for the repeal of the Corn Laws indicated, for there was a cleavage of interest between landed capital which wished to retain protection for corn and industrial

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<sup>32</sup> Ensor, *op.cit.*, p.284.

capital which supported its repeal. Once the Corn Laws had been repealed foreign competition soon placed English agriculture, especially wheat-growing, in an unenviable position. At the same time this was compounded by the process of industrialisation, because the itinerant labourers who played such an important part in harvest-time work went into the mines and factories where seasonal fluctuations in the demand for labour were far less.<sup>33</sup> Legislation was slow to assist the farmer. It was not until the 1875 and 1883 Acts of Parliament that it was required that tenants should be compensated by their landlords for improvements made to the land when the lease was terminated; and it was not until 1906 that landlords were to compensate their tenants for drainage, repairs, or for determination of the tenancy for reasons other than bad farming, and that restrictions on cropping were eased.<sup>34</sup> Investment was falling off; and in the period 1890-1900 English wheat fields fell by 500,000 acres, and the total area under crop in 1900 was only half that of 1872. This shrinkage continued till 1914. The proportion of the workforce engaged in agriculture fell, and rents declined from £59 millions in 1888 to £42 millions in 1901.<sup>35</sup> Yet at the same time the general increase in the size of the British population from 21 million persons in 1851 to 41 million in 1911 meant that British agriculture was less and less capable of producing adequate supplies of food stuffs. So, assisted by the general decline in ocean shipping charges which began about 1870-3, it was possible to generate a market and to import bulky cargoes such as wheat from Australia. By 1919-1914 the UK imported 81 per cent of its wheat and cheese, 75 per cent of its butter, and 42 per cent of its meat.<sup>36</sup> Of course for some

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<sup>33</sup> Collins, E.J.T., "Harvest Technology and Labour Supply in Britain, 1790-1870", *ECHR*, 2nd Series, Vol.22, No.3, December 1969, pp.469-471.

<sup>34</sup> Ashworth, *op.cit.*, p.66.

<sup>35</sup> Ensor, *op.cit.*, p.285.

<sup>36</sup> Crouzet, F., "Trade and Empire: the British Experience from the Establishment of Free Trade until the first World War", in B. Ratcliff (ed.) *Great Britain and Her World 1750-1914*, Manchester University Press, 1975, p.212.

areas of British agriculture, especially meat, the new markets in the towns boosted their trade, and they secured higher prices than meat importers,<sup>37</sup> but they were still unable to fill the demand. In this difficult situation farmers added their voice to those of certain manufacturers for protection from foreign competition. Those interests opposed to protection had for their part to find a solution to the problem of boosting food supplies to the UK. They also had to ensure that the Australian meat, wheat, and dairy exports that developed in the late nineteenth century, well after the British agricultural crisis had set in, were not hamstrung by the calls for protection of colonial manufacturing that might lessen the importance of the agricultural and pastoral exports in the Australian economy.

It is now possible to understand the changing pattern of international trade and capital movements and the changing role of the colonies. The following remarks on trade and capital patterns should not of course imply a monolithic, immutable structure in Empire relations, but rather a deep pattern within which conflicting tendencies were compelled to work themselves out. In the period roughly extending from 1860-1890 the British Empire served as a reserve zone for the investment of capital and the flow of trade during downturns in the European business cycle. At that time whenever there was a falling off in the rate of British investment and trade with the USA and Europe, more attention would be paid to trading and investing in the Empire. Thus in the ebb and flow of business cycles, the Empire was a place for excess deposits, and in that sense the Empire was extremely important in insulating the UK from the full effects of periodic crisis.<sup>38</sup> The Australian colonies were especially important fields of investment. In this period the years 1875-1889 saw the peak of UK investment here, which amounted to no less than 70 per cent of the

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<sup>37</sup> Fletcher, T.W., "The Great Depression of English Agriculture, 1873-1896", *ECHR*, 2nd Series, Vol.13, No.3, 1961, pp.419-20.

<sup>38</sup> Crouzet, *op.cit.*, p.222.

increase of UK investment in Australia for the whole period 1870-1914.<sup>39</sup> But the situation began to change. As the command of the UK over industrial production began to slip and as it came under increasing challenge in Europe and America, certain commodities were turned back from the export trade into the British domestic market - woollens and worsteds are an example. In turn, this led to the restriction of British trade with Europe and the USA to the re-export of colonial "raw" wool or only semi-manufactured combed "tops".<sup>40</sup> Furthermore, the nations of Europe were developing their own trade with the Empire. The opening of direct shipping lines between the Continent and Australia in the 1880's by the French *Messageries Maritimes* and the German *Norddeutscher Lloyd* facilitated European participation at colonial wool sales, rather than continuing to pay so much attention to sales in London.<sup>41</sup> The process of increasing direct trade with the Continent by the Australian colonies began in wool and diversified a little later into metals. General figures for the Australian export trade highlight this. In the year 1894-5, 66.8 per cent of Australian exports were shipped to the UK, whereas in 1909-13 the yearly average was only 41.5 per cent. The levels of foreign shipping being cleared in Australian ports increased during 1881-1914 from 6 per cent to 25 per cent. Finally, an examination of the percentage of total British exports taken by Australia reveals a decline from the level of 8.5 per cent taken in the 1880's to a yearly average of 5.5 per cent for 1905-1909, though there was some slight recovery in the latter figure up to 1914.<sup>42</sup> This

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<sup>39</sup> Hall, A.R., *The London Capital Market and Australia, 1870-1914*, A.N.U., Canberra, 1963, p.89.

<sup>40</sup> *Report of the Tariff Commission, Part 2, Vol.2, Sections 1320, 1323*, P.S. King, London, 1904-9.

<sup>41</sup> Clapham, J.H., *The Woollen and Worsted Industries*, Methuen, London, 1907, p.96.

<sup>42</sup> Saul, S.B., *Studies in British Overseas Trade 1870-1914*, Liverpool University Press, 1960, p.219.



process began locking Australia into the trade and business cycle of the European economics as well as that of the UK. This in turn transformed the counter-cyclical movement of UK trade and capital into the colonies. As the UK's balance of trade and capital accounts worsened with Europe and non-Empire "Third World" markets, the Australian colonies changed from being a reserve zone for trade and capital, and instead became ever more important to the regular functioning of the UK economy as a means of settling its international accounts. The repayment of Australian loans borrowed from London, and maintaining the flow of profits and dividends was increasingly important.<sup>43</sup> As the fortunes of capital and trade ran together, so the UK began to place more and more emphasis on the Empire to make up for its trading losses elsewhere. In this respect, India probably suffered the worst since a deluge of British goods was rained down there flooding the market, particularly with textiles. Of all the colonies the decline of British exports to India was the least marked.<sup>44</sup> But this did not exempt Australia from the trend by any means. Despite the disastrous depression of the 1890s and the droughts and consequent slump in 1902-3, Australia was the next most important market after India for British goods in the Empire, above both Canada and South Africa where German and US competition was making greater inroads.<sup>45</sup> Thus we have a combined emphasis on the Empire in general and on the Australian colonies (after India) in particular to "buy British", especially British goods in the older lines. It is only after some elucidation of the British background and the changing pattern of trade, that it is possible to make some sense of the great deal of attention paid to perhaps only relatively small falls in the exports of British goods to the Australian colonies.

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<sup>43</sup> Crouzet, *loc.cit*, p.225.

<sup>44</sup> *Ibid*.

<sup>45</sup> Saul, *Studies*, p.96.

British concern with Australian trade is comprehensible only when the displacement of British trade from European markets and increasing competition in non-Empire and Empire markets, for example South Africa, is recalled. The retarded development of British monopolies, the particular importance of international finance and trade to the UK, and the stagnation of branches of British manufacturing, meant that the burden on the colonies to be secure markets against foreign competition was all the greater.

In the economic field this desire for greater security of the Empire was expressed in several ways. The interests of foreign investors were changing, partially in response to the decline in British agriculture and raw materials supply, away from the developed economies of Europe towards less developed countries to supply food and raw materials. In the early 1880s the Australian colonies were of prime importance, then in the later 'eighties attention shifted to South America, then in the 1890s to South Africa. While there was general expansion amongst companies operating abroad, even amongst those dealing in commercial and financial matters, it was found that companies involved in raw materials, foodstuffs and transport moved ahead the most rapidly. The following table sums up the situation.

Table 3  
British Investment in Companies Operating  
Abroad 1870, 1913.<sup>46</sup>

	£ millions	
	1870	1913
Finance, Land & Investment	25.6)	244.2)
Banks	38.2) 63.8	72.9) 317.9
Electric Light, Power, Gas	3.8	56.5
Telegraph, Telephone	)	43.7)
Trams, Canals, Docks	) 3.6	84.9) 128.6
Mines, Oil, Rubber, Tea, Coffee, Nitrate	8.3	388.5
Commercial, Industrial	<u>13.1</u>	<u>208.5</u>
Total (including Miscellaneous)	<u>93.1</u>	<u>1,107.3</u>

Amongst other sections of the capitalist class, there were changes afoot. Joseph Chamberlain established his Tariff Commission as a sounding-board for those who wished not only to protect British industry from Europe and the USA, but who also devised the idea of reciprocal tariffs with the colonies, so that the agricultural goods of the colonies could be allowed into the UK - thus subordinating British agriculture - in return for preferential tariffs which would favour British manufactures in colonial markets. This programme was not actually instituted in full, though it had the support of Australian Prime Minister Deakin, but it

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<sup>46</sup> Hall, *op.cit.*, p.16.

was reflected in the introduction of preferential tariff rates in Australia. While free trade "orthodoxy" prevailed in the UK, nevertheless the Board of Trade, for instance, had its Advisory Committee on Commercial Intelligence send out R.B. Jeffray to report on the state of British trade with the federated states of Australia. Although Jeffray concluded that the decline in the British trade was not so severe as the colonial statistics made it appear, he did report that there was cause for concern. Jeffray noted that although the staple lines were not greatly menaced, "it is clear that every effort is being made by foreign traders (notably German and American) to get a strong hold on the Australian market".<sup>47</sup> British traders appeared to find it difficult to adapt themselves to the Australian market, and the London shipping ring was much complained of in forcing up the price of British exports. Despite this more sanguine note than Chamberlain's Tariff Commission, the British Government evidently felt that the situation was sufficiently important to appoint a British Trade Commissioner for Australia in 1910 to compile annual reports on the state of British trade compared with other nations and to supply information to British businesses. Generally there was a determination that the Empire should be strengthened and that foreign inroads had to be checked, or else the basis of British prosperity would be gravely weakened.

As a consequence of the increasing industrial and commercial challenge, there came an increasing diplomatic and military challenge. This affected Imperial defence and naval policy. Initially the Navy and Imperial forces had been seen, in the words of Vice-Admiral H.H. Smith, as:

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<sup>47</sup> Jeffray, R.B., *Report on the Conditions and Prospects of British Trade in Australia*, Advisory Committee on Commercial Intelligence of the Board of Trade, Cd. 3639, Vol.56, 1907, and see also extracts reprinted in *Commonwealth Year Book*, No.1, 1908, p.521.

"...a World Police Force ((rather)) than as a warlike institution. We considered that our job was to safeguard law and order throughout the world - safeguard civilisation, put out fires on shore, and act as guide, philosopher and friend to the merchant ships of all nations".<sup>48</sup>

British forces were basically scattered around the world in this police force capacity; garrisons existed to safeguard Imperial frontiers from rebellious tribes and to suppress local revolts, the Navy comprised diverse vessels for various tasks to check the depredations of the African slave-traders and the raids of the South Pacific "blackbirders", to show the flag and force open ports for trade, and to suppress piracy in Asia. But as the century drew towards a close, new emphasis began to be placed on the essential unity of the Navy, on the necessity for its ships to be able to support each other, and on the conception of the oceans of the world as a single arena for contending powers rather than as separate spheres. Leading the "Blue Water School" of thinking was the American, Captain Mahan, whose ideas gradually influenced British strategists such as the Colomb brothers and Thomas Brassey.<sup>49</sup> It was Britain that was essentially on the defensive in this respect. With a huge Empire to hold on to, and several powers seeking to extend their influence at the same time, Britain had to make concessions in some areas to secure others. The second Hay-Pauncefote Treaty of 1901 confirmed the renunciation of the British claim to rights over the Panama Canal that the UK had won in 1850, and its significance was highlighted by the withdrawal of the old British West Indian and North American squadrons, thereby tacitly admitting that British colonial and economic interests in the region depended on American goodwill.<sup>50</sup>

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<sup>48</sup> Gordon, D.C., *The Dominion Partnership in Imperial Defense, 1870-1914*, John Hopkins Press, Baltimore, 1965, pp.46-7.

<sup>49</sup> *Ibid.*, pp.52, 58-60.

<sup>50</sup> Beloff, M., *Imperial Sunset, Vol.1, Britain's Liberal Empire 1897-1921*, Methuen, London, 1969, p.87.

The diplomatic isolation of the UK during the Boer War prompted it to seek possible allies. Recognising its weakness in Asia, and seeing that Japan was fearful of Russia and the USA, the UK negotiated the Anglo-Japanese Agreement of 1902 which acknowledged, in effect, Japanese supremacy in North Asia and a consequent downgrading of British Naval presence in the North Pacific and a tacit encouragement to Japanese expansion.<sup>51</sup> The effects of all this flowed through into the Australian region. The French were penetrating the South Pacific in Noumea and New Caledonia, and the Germans were moving in through New Guinea and Samoa. Imperial supporters in the Australian colonies were greatly disturbed by British appeasement of the demands of other powers. Queensland's notorious attempt to annexe New Guinea arose out of the German copra trade and labour recruiting in New Britain, New Ireland and North-East New Guinea.<sup>52</sup> So as part of the price of British "protection" of its Australian possessions, contributions were sought for maintenance of the Royal Navy's Australian squadron through a series of Naval Defence Agreements, each one seeking greater contributions on the one hand and also greater flexibility on the other to take the Australian squadron outside territorial waters and use it for other British purposes such as bolstering the China squadron. Land forces were also being re-organised, so that they might be committed to helping maintain the Empire, as the experience of the Sudan campaign and then the much greater commitment of troops to the Boer War illustrated. Speaking of Federation, T.A. Brassey pointed out:

"Though some steps have been taken, the Federation of Australia is especially necessary for the purpose of defence. Were Australia federated it should be possible to effect considerable economies in the permanent staff, and at the same time to obtain greater efficiency".<sup>53</sup>

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<sup>51</sup> *Ibid.*, pp.100-1, and I.H. Nish, "Australia and the Anglo-Japanese Alliance, 1901-1911", *Australian Journal of Politics and History*, (AJPH), Vol.9, No.2, Nov. 1963, p.202.

<sup>52</sup> Jacobs, M.G., "Bismarck and the Annexation of New Guinea", *Historical Studies*, (HS), Vol.5, No.15, Nov. 1951, p.17.

<sup>53</sup> Brassey, T.A., *Problems of Empire*, Arthur Humphreys, London, 1904, p.202.

This efficiency was not just for purposes of Australian land defence, but also as the Colonial Defence Committee noted for "the possibility of being able to undertake a vigorous offensive against points which might subsequently prove menacing".<sup>54</sup> In defence, as in the commercial field, re-organisation of the Empire was pressing.

The changing position of the UK in the world was reflected in the thinking of British propagandists and politicians. In 1870, the former Colonial Secretary, Lord Carnarvon, expressed the problem facing Britain as the "Britannic question" - "...to secure and preserve on the one hand the self-government which you have given to the different colonies, and on the other to add to that a more real connection than that which now exists".<sup>55</sup> For the British, the rise of contending powers abroad meant that if the Australian colonies were permitted to develop their trade and economy unaltered, then there was a risk that the position of British trade would decline still further; but if the Imperial links were tightened and Australian interests still further subordinated to British interests, then anti-British Republican sentiment would very likely develop. Thus proposals for closer Imperial bonds were always constrained by these two possibilities.

The most outspoken and obvious proponents of strengthening the Empire were the Imperial Federation Leagues established in the UK, Canada and Australia. Within the Leagues there were two streams of opinion, one which put the main emphasis on the development of united Empire trade with tariff reciprocity between the UK and the colonies, and the other which stressed the need for re-arrangement of the Empire's defences and the necessity for the Colonies to be made to pay for part of British defence. In 1885 the League was formally established in Victoria at a

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<sup>54</sup> Gordon, *op.cit.*, p.106.

<sup>55</sup> Tyler, *op.cit.*, p.96.

public meeting, and there defence was argued as the main question and attacks were made on the Australian Natives Association which at that time pushed for greater weight to Australian interests.<sup>56</sup> The Imperial Federation League (IFL) published the journal *Young Australia* whose pages were filled with British jingoism, praise for British racial pugnacity, and much on the likelihood of a French or Russian attack on Australia's undefended coastline. The most conservative newspapers in the colonies gave the League some sympathy, particularly the *Sydney Morning Herald* and the *Melbourne Argus*, whilst the bankers' *Journal* called on people to examine its ideas, but considerable support came from pastoralists, graziers and planters in Queensland. The ideas of the IFL had appeal for this last group, because there was a definite trend within the League that supported the importation of cheap coloured labour. Victoria politicians were prominent amongst its supporters, including Gilles, Service (one-time Premier), Alfred Deakin (a Chief Secretary), and James Purves (a President of the ANA).<sup>57</sup> It was clear too that the League had substantial influence in the UK itself even if its ideas were not adopted wholesale. In August 1886 a delegation including Service managed to arrange an interview with the Prime Minister with the purpose of urging the immediate necessity of convening a Colonial Conference to discuss Imperial matters and to develop stronger Imperial unity.<sup>58</sup> League propagandists also managed to generate quite some enthusiasm for the idea of an Imperial Parliament at which elected members representing the Colonies would sit, and so diminish the importance of the local

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<sup>56</sup> Blackton, C.S., "Australian Nationality and Nationalism: I The Imperial Federationist Interlude, 1885-1904", *HS*, Vol.7, No.25, 1955, p.4.

<sup>57</sup> *Ibid.*, p.5-6.

<sup>58</sup> Tyler, *op.cit.*, p.113.



Colonial legislatures. Other activities of the League included support for and the urging on of the despatch of Australians to participate in British campaigns and annexations such as the sending of New South Wales troops to the Sudan in 1885 or general Australian participation in the Boer War and the suppression of the Chinese Boxer rebellion.

Yet this obvious and determined pro-Imperial propaganda also served to awaken awareness and opposition amongst Australians. The famous *Bulletin* which contributed greatly to the development of Australian cultural life was founded in 1880 in Sydney, and in 1884 it took up a consistently anti-British and pro-Republican position which it was to maintain strongly to the end of the decade.<sup>59</sup> The *Bulletin* responded particularly sharply to the propaganda of the IFL and kept a constant watch on it. It remarked on July 2, 1887:

"Already are the people of Australia awakening to the fact, albeit slowly, that their continent is becoming a mere appendage of a vast and unwieldy Empire - a recruiting ground set apart for the hangers-on of Imperialism. Already are the people of these colonies becoming alive to the fatal truth that their interests are utterly subordinated to those of a power separated from them by thousands of leagues of oceans".<sup>60</sup>

In 1887 the Republican Union was formed in Sydney, which published the *Republican*, a journal with a small circulation and which aimed at eschewing all political and sectarian issues. Although it broke up within six months, a more radical section under the leadership of George Black established the Republican League.<sup>61</sup> 1887 also saw the creation of the Australian Socialist League in Sydney which published the paper,

<sup>59</sup> Mansfield, B., "The Background to Radical Republicanism in New South Wales in the Eighteen Eighties", *HS*, Vol.5, No.20, May 1953, p.339.

<sup>60</sup> *Bulletin*, in R.N. Ebbels, *The Australian Labor Movement*, ed. of L.G. Churchward, Australian Book Society, Sydney, 1960, pp.161-2.

<sup>61</sup> Mansfield, *loc.cit.*, p.340.

the *Radical*.<sup>62</sup> The ideas in the *Radical* were fairly eclectic, though it demonstrated a strong hostility to aristocracy and the monarchy and focussed the attention of its readers on the ill-effects of the bonds of Empire. Its various proposals for land nationalisation schemes also inevitably brought it into conflict with the pastoralist interests which supported the IFL.<sup>63</sup> Radicalism was not so strong in Melbourne, but even there a small anarchist group developed as well as a Social Democratic League. With their organised strength concentrated in NSW, these groups and their publications formed the core of the more conscious anti-imperialist opinion in the Colonies. As a tribute to their work, the IFL was unable to form a single branch in NSW, nor was it able to get a single NSW politician to support its ideas publicly.<sup>64</sup> Republican ideas were also spread amongst the working class, not only through the *Bulletin* which commanded great respect amongst rural workers, but also in Queensland through William Lane's *Boomerang*, and in trade union papers such as the *Hummer*, a NSW publication of the Australian Shearers' Union. Even after the impetus of the Republic movement declined in the 1890's the *Hummer* maintained its position. Thus it wrote in 1892:

"Every Australian-born, and every man who has made this land his adopted home because Royalty, aristocracy and plutocracy have made the old world a tyrannical hell for the poor and friendless, means to work for a newer and purer life under the Southern Cross. The "flag" the imported loyalist gushes over and glorifies, is bloodstained with the cruelties and wrongs of ages; and even now is the symbol of a more widespread tyranny, more pious hypocrisy...than any other flag under Heaven".<sup>65</sup>

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<sup>62</sup> Blackton, "Australian Nationality and Nationalism: II 1850-1900", *HS*, Vol.9, No.36, 1961, pp.362-3.

<sup>63</sup> Mansfield, *op.cit.*, p.339.

<sup>64</sup> *Ibid.*, p.347.

<sup>65</sup> *Hummer*, 13.2.1892, in Ebbels, *op.cit.*, p.167.

The growth of anti-Imperial sentiment as a response to the work of the IFL in the latter part of the 1880's showed itself throughout the Colonies. At the Queen's Jubilee of 1887 there were demonstrations outside the Sydney Town Hall, and crowds of people jeered and shouted down eulogies of the Queen.<sup>66</sup> Then the Naval Agreement adopted by the 1887 Colonial Conference was announced, whereby the Australian colonies were to pay a part of the cost of the British Navy. Protest and public opposition was so strong in Queensland that the Parliament there felt quite unable to pass the enabling legislation, and in New South Wales the Bill was only carried after Parkes reassured the House that it would not bind New South Wales to the Empire's fortunes.<sup>67</sup> One New South Wales member believed that the naval force would be used to subjugate Australia's independence, and in Victoria C.G. Duffy criticised the Bill because it deprived Australia of its neutrality.<sup>68</sup> The Republican Press was even more hostile. The *Bulletin* denounced the Bill as a swindle sprung upon the Colonies, the *Radical* said that it was to protect the interests of British bondholders, and the *Republican* declared that it was to "sustain English jingoism and over-awe cabbage tree disloyalty".<sup>69</sup> Such trends in the Australian colonies disturbed the Imperial Federationists sufficiently that they decided to launch a propaganda tour by their Canadian spokesperson George Parkin in 1889. Popular feeling pressured the colonial press, with the exception of the *Sydney Morning Herald*, into opposing the tour.<sup>70</sup> Although the tour itself did stimulate the establishment of new IFL branches in Victoria and Tasmania and the

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<sup>66</sup> Blackton, 'Nationalism I', p.9.

<sup>67</sup> Tyler, *op.cit.*, pp.157-8.

<sup>68</sup> Gordon, *op.cit.*, p.93.

<sup>69</sup> Mansfield, *op.cit.*, p.347.

<sup>70</sup> Tyler, *op.cit.*, p.155.

establishment of the League in SA and Queensland, things did not go all that well. In Sydney Parkin began to address the gathering as "British", and the people shouted back that it was Australian,<sup>71</sup> whilst in Hobart where the IFL had some support, Parkin was heckled and an interjector pointed out that Federation of the colonies was for one common interest and that interest was war.<sup>72</sup> Thus, if anything, the Parkin visit confirmed that the aims of the IFL were not going to be accepted willingly in the Australian colonies, and that the more the scheme was pushed the more targets it opened up to the attacks of radical opinion. Sir Charles Dilke, a much respected British Imperial commentator, observed that such ideas as the IFL was trying to push on the colonies might prove dangerous to the very unity they were seeking to promote because of the opposition they aroused.<sup>73</sup>

Standing between the radical Republicans and the Imperial Federation League was the Australian Natives' Association. It was founded in 1871/2 to cultivate national feeling, and supported preference for Australian labour and products, the federation of the Australian colonies, compulsory military training, and a strong Australian influence over the Pacific area. It was not very radical; it declined to honour the memory of Peter Lalor and the Eureka Stockade, and it opted for 26 January as Australia's National day.<sup>74</sup> It also supported the despatch of Australian troops to the British expedition in the Sudan. On the other hand, separation of the Australian colonies from the Empire was regarded in the early period of the ANA's existence as an open question.<sup>75</sup>

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<sup>71</sup> Blackton, *'Nationalism I'*, p.11.

<sup>72</sup> Tyler, *op.cit.*, p.174.

<sup>73</sup> Dilke, C., *Problems of Greater Britain*, Macmillan, London, 1890, p.638.

<sup>74</sup> Blackton, "Australian Nationality and Nativism: the Australian Natives Association, 1885-1901", *Journal of Modern History*, Vol.30, 1958, pp.37-8.

<sup>75</sup> Grimshaw, C., "Australian Nationalism and the Imperial Connection 1900-1914", *AJPH*, Vol.3, No.2, May 1958, p.167.

Some members of the ANA who refused to drink the Queen's health at her 1887 Jubilee were not disciplined in any way for their "disloyalty".<sup>76</sup> However, as the influence of the IFL in Australia began to decline, the ANA appears to have undergone a shift towards the Right on Imperial matters, which became more particularly noticeable after the election of James Purves of the IFL to Presidency of the ANA in 1888. The *Bulletin* said that Purves managed to move the ANA from being a counterweight in the colonies to the IFL towards a much more pro-British group with anti-socialist aims (though socialists and Republicans were still tolerated within the ranks) and placing much more stress on Federation.<sup>77</sup> Certain nationalist aspects continued in the ANA, as the next President, G.H. Wise, spoke of Federation as coming to end vice-regal pomp, to end the veto power of the Crown, and the establishment of a national protective tariff.<sup>78</sup> But in 1893 the IFL and the ANA managed nevertheless to announce a truce and jointly sponsor the Federation campaign under ANA leadership, and by 1900 it was possible to describe the ANA as "devotedly loyal" to the Empire.<sup>79</sup>

This shift to the Right in the ANA corresponded closely with trends in England itself. Within that section of the IFL a split had developed between those stressing Imperial preferential tariffs and an Empire customs union and those stressing defence. The "defencists" under the influence of the Liberal Rosebery were not successful<sup>80</sup> and the influence of the League waned somewhat. This in turn brought forward the ideas of the Royal Colonial Institute, an organisation which had been set up as a less blatant response to the Britannic question, and whose work was to collect information and opinions about the state of the Empire with

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<sup>76</sup> Blackton, 'Nativism', p.39.

<sup>77</sup> *Ibid.*, p.44.

<sup>78</sup> *Ibid.*, p.42.

<sup>79</sup> Grimshaw, *loc.cit.*, pp.163-6.

<sup>80</sup> Tyler, *op.cit.*, pp.196-8, and Ch. XVI, *passim*.

a view to strengthening it. This trend of opinion favoured a more subtle approach to the problem of preventing a break between the colonies and Empire. Typical of their attitude was the view of Sir Frederic Rogers, Permanent Under-Secretary for Colonial Affairs, who write in 1870:

"What I have always hoped for has been that the Imperial connection could be maintained till the Australian colonies could be united, somehow, into a body politic".<sup>81</sup>

As the experience of the IFL showed the unlikelihood of their success, British Imperialists moved more towards the "moderate" solution. In his book *Problems of Greater Britain* Sir Charles Dilke pointed out that creating an Imperial Parliament might well encourage separatist trends already apparent in Queensland and New South Wales. As an alternative he thought that:

"The difficulty may be removed by the creation of a real Australian Federation, for in Australia as a whole there is less unwillingness (for tighter Imperial links), and a federal Government could be more easily sounded out in advance than can the separate colonies".<sup>82</sup>

Sir Henry Parkes, Premier of NSW, also pointed out that one of the chief difficulties in the way of the proposals of the IFL was that an Imperial Parliament would give the Asian parts of the Empire an overlarge voice.<sup>83</sup> This fact was observed at the Royal Colonial Institute in 1890 by the former NSW Governor Lord Carrington. He went on to observe:

"It is almost needless to ask whether we wish to keep this splendid country (Australia) with us. We are eager (sic) to keep and aid it. How and by what means this end can be gained is a question which is only to be solved by time, and by the current of external and internal events".<sup>84</sup>

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<sup>81</sup> McIntyre, W.D., *Colonies into Commonwealth*, Blandford Press, London, 1966, p.89.

<sup>82</sup> Dilke, *op.cit.*

<sup>83</sup> Parkes-Lord Salisbury, in Blackton, '*Nationalism'I*', p.12.

<sup>84</sup> Lord Carrington, "Australia as I Saw It", *Proceedings of the Royal Colonial Institute*, Vol. XII, 1890-1, pp.113-4.

For pro-Imperial thinkers, the move away from the ideas of the IFL did not then reflect a lack of concern to retain the strengthen the Empire. Rather the success of the Republicans in Australia in turning back the onslaught of the IFL, and the disquiet felt by many less committed people about the possible future Australia would have so definitely subordinated to the Empire, led to a more "flexible" approach. Federation of the separate colonies was taken up as a means of achieving what Imperial Federation could not achieve. The ANA-IFL truce and the inter-penetration of the ANA and the IFL made this task easier. Ultimately, it was possible for the Federalist Deakin to assume Presidency of the IFL in Australia without causing any outcry. The defeat in Australia of the working class in the struggles of the 1890's, and the second wave of pro-Imperial propoganda with the Boer War also served to consolidate the rightward shift in the ANA.

Thus Federation was to become a point of convergence for a series of problems within the British Empire. Though it was far from clear how things should proceed, economic conditions in the UK required re-organisation of the economic relations between Empire and colonies. Though the direct approach of the customs union was not successful, the pressures that gave rise to such a scheme were still present and the problems of retaining Imperial economic supremacy were ever more insistent. Though it has only been touched on extremely lightly, defence questions were of great significance and reflected the growing industrial power of the other principal capitalist nations. The IFL had stressed the problems of the UK, while the ANA had stressed the local situation. Here the ANA was not able to see how to defend Australia from French and German incursions without Imperial backing, although some distrust remained over the question of Japanese influence in part encouraged by the UK itself. The support for the Boer War given by both prominent IFL and

ANA members encouraged the view that Federation of the Australian colonies would lead to the separatism that had been feared, whilst at the same time it would serve to defuse the anti-British sentiment in the colonies. Having this indicated some of the leading problems in the Empire, it will next be necessary to examine them in closer detail. In particular, the economic problems of Empire will be taken up as they manifested themselves within the Australian economy, and, in understanding how these problems were resolved, the role of the re-organisation of the Australian colonial economy into a Federal one will be examined. Having elicited the basis of the Britannic question, that is, how it came about that there should be any need to draw the Colonies closer to the Empire, it remains to find out how that closeness was achieved within the context of self-governing colonies which had already developed economic activity autonomous from that of the UK.



### CHAPTER III

#### THE BASIS OF THE COLONIAL ECONOMIES

To understand the social basis of the Federation of the Australian colonies, it is now necessary to turn from a consideration of the changing situation of the metropolitan power to that of its periphery. The British Empire was of course both formal in the sense that there were many colonies and peoples which had been incorporated into the legal structure of the Empire, and informal in that other countries, particularly those in South America, while not legally part of the Empire were nevertheless financially and commercially enmeshed with British interests. The Australian colonies were part of the formal Empire. Moreover, there were marked differences between the level of development of the productive forces in the Australian colonies to those elsewhere. Thus it is important to obtain some picture of the position that Australia occupied within the British Imperial chain so its importance to British trade and investment can be better appreciated, and so that the effects of the general changes in the United Kingdom's relationship to its rivals can be particularised in the way they affected developments within Australia. In elucidating the development of British domination over Australia, it will also be possible to delineate some crucial aspects of the Australian social formations that helped to shape and also to challenge that domination.

Of central importance in explaining the difference in the level of development of the productive forces - machinery, technology and the skills of labour - between Australia and the industrialised nations of the time on the one hand, and between Australia and other colonies in Asia,

South America or Central Africa on the other, is the fact that Australia was established as several colonies of white settlement. When the first British investigators came to Australia, they did not find an empty Continent, but one populated by about 300,000 Aboriginal people living in communal hunter-gatherer societies. It was concluded that there was little basis for the incorporation of the local people into the interests of the Empire by way of trade, slavery, or local production, and so British settlement of the Australian colonies proceeded on the assumption that the lands of the Aboriginal societies was to be expropriated as the colonial Administrations saw fit without compensation. This opened a constant but unofficial state of war between the British colonists and the Aboriginal peoples which generally meant that the Aboriginals' status was reduced still further, and they were considered of no economic usefulness. Thus, if the whole Australian continent was to be successfully and profitably incorporated into the Empire, it was clear that not only commerce but capital and labour had to be imported from overseas. Initially, however, this was preceded in the early stages by the forced labour system of transportation which established the basis of a network of estates owned by the merchant and officer classes. Later modifications of the quasi slave-labour system were introduced in consequence of the Bigge Reports of 1818-9, whereby it was proposed to develop a mix of plantation and pastoral economy for the production of meat and wool using the labour of convicts assigned to landed proprietors, who received through the Governor grants of land seized from the Aboriginal people. However, such was the rate of expansion experienced by the pastoral industry that the transportation system very soon came to obstruct its own further development. The further out the pastoral industry spread the higher the costs of maintaining supervision of forced labour became, and the more stretched the resources of British law and English prisons became in supplying the increased demand for workers. Thus throughout

the late 1820's and 1830's the debate over free wage-labour or quasi-slave convict labour as the future foundation of the colonies ensued, and by 1837 New South Wales became irrevocably committed to wage-labour and the development of capitalist relations of production. Free wage-labour was to be supplied by emigration from the UK financed by the sale of colonial lands at auction. Despite all efforts to keep the transportation system going in Van Diemen's Land, its mounting costs and inflexibility in adjusting to the fluctuations in the demand for labour brought that colony to economic crisis. By 1850 the agitation of the Anti-Transportation League brought the termination of the system.<sup>1&2</sup> Thus the development of capitalism in the Australian colonies, like that in the industrialised nations, came through the dissolution of former modes of production. Where white settlement advanced, the primitive-communal Aboriginal system was utterly destroyed by the total expropriation of traditional lands; and as the pastoral industry expanded, the quasi-slave mode of production was dissolved totally through the cessation of transportation and expiration of the remaining convicts' sentences. This contrasted with the other colonial countries where native populations had been brought within the new economic orbit of the Empire. Where, for example, feudal agricultural societies were encountered there had been both a dissolution and also a conservation of the older modes of production. The establishment of colonial power and the incorporation of the colony into the Imperial market had dissolved the old mode of production, but after conquest the re-assertion by the colonial power of proprietorial rights over the land of the feudal classes had also conserved the mode of production. The colony was brought into the capitalist world on the basis of an alliance

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<sup>1&2</sup> Cf M. Dunn, "Early Australia: Wage Labour or Slave Society?", in E. Wheelwright and K. Buckley (eds.), *Political Economy of Australian Capitalism*, ANZ Books, Sydney, 1975. Although around 1837 opinion was divided, the predominant view was expressed by J. Bowman, J.P., that "The free men do more work and do it better", Committee on Immigration, Evidence, *Votes and Proceedings*, Legislative Council of N.S.W., 1838, p.2. For British Government opinion against coloured labour see Bourke-Glenelg, Glenelg-Gipps, *Historical Records of Australia*, Series I, Vol. XIX, Commonwealth Parliament, Canberra, 1923, pp.83-4, 202-3.

between Imperial and feudal interests. It was this partial conservation of older, more backward relations of production right within the colony by the capitalist power that served to restrict development and modernisation. Far from sweeping away these vestiges of the old order, the colonial system preserved them in a new form. The absence of this phenomenon in the Australian colonies therefore contributed to a much freer pace of development.

Yet the establishment of an industry that fulfilled British needs was the precondition for the consolidation of capitalist relations of production in Australia, and thus it was British requirements and aspirations that shaped the colonies' development rather than any independent future. The abandonment of forced labour meant financing emigration. Certainly conditions in the United Kingdom, particularly the acute depression of Irish agriculture and the destruction of home and cottage industries, were an inducement to many to leave their native land, but it was another matter to secure labour for Australia. The distance of over 10,000 miles was a severe discouragement to many, and the cost of a passage to the United States or Canada was far less than to Australia. And yet if assisted passages were to be introduced, the produce of the colonies had to be sufficiently profitable for British investors to justify the sale of colonial lands to finance emigration. Wool-growing was well suited to the conditions of the colonies. It was required as an essential raw material to the burgeoning Lancashire woollen mills, and wool itself was easily transportable over long distances for it did not perish. The exports of wool from the Australian colonies not only offered the British a cheaper and better source of raw materials for manufacturing development at home, but in the colonies it offered them good returns for comparatively little outlay. The land was cheap, and as squatting became ever more widespread the land was still cheaper, and the wool-growing industry did

not require a large labour-force. Therefore the expense of financing emigration was considerably lower than it would have been for agricultural pursuits. Whatever the requirements for labour might have been for converting the land into a suitable sheep run through clearing native trees and scrub, they were far less than the efforts required in agriculture. Even within the pastoral industry work was cut to the minimum; the fencing of runs into manageable and well-defined paddocks, the sinking of bores and dams, and the setting up of homesteads were all quite late developments in the most rapidly expanding areas, thus giving emphasis to saving initial costs on labour-power. By the time of the goldrushes, the United Kingdom had succeeded in establishing for itself a pastoral capitalism where a very small population produced for it considerable prosperity. It seemed the colonies would remain a sheep-walk.

The discovery of commercially exploitable gold in New South Wales and Victoria shifted the balance of the colonial economies. The 1850's saw the influx of a very great number of immigrants seeking gold. Very largely they entered the colonies at their own expense, and thus they represented an enormous boost to the colonial labour-force at no direct expense. Very soon, as the alluvial gold ran out and as the companies dominated the goldfields, the diggers drifted back into the cities. These cities had themselves come into being in the service of the pastoral industry and they therefore had developed within them the ancilliary industries such as merchandise handling and shipping; elementary manufacturing of food and drinks, some clothing, repair work on machinery; and construction. The great rise in the urban population after the goldrushes provided a much increased market for the production of urban goods and services, and the great exportation of gold from the colonies provided a means of financing the increasing imports from the UK. In the period from 1860 onwards after the goldrushes had quietened their hectic pace, three main theatres for investment opened up: pastoral production,

railways and residential construction. This development was joined with a tendency for the urban population to increase still further in proportion to the rural. The highly developed urbanisation of the Australian population had been partly established before the goldrushes, but it certainly continued markedly thereafter. In the first place this arose because the pastoral pursuits of the colonies were becoming increasingly capital intensive, and later developments, for example, the more widespread use of fencing, continued to reduce the demand for labour-power by the pastoral industry. Secondly, the cities were absorbing more workers in manufacturing. However, colonial manufacturing, though its rate of growth appears impressive, employed a low ratio of capital per worker employed. Thus there was a strong tendency to raise the productivity of labour in the pastoral and the gold-mining industries which were the two main export sectors of the economy, but this does not appear to have been the case so much for manufacturing and construction for the domestic sectors concentrated in the urban areas.

This basic pattern of the colonial economies was the one which prevailed until the depression of 1890s and it is thus important to draw attention to the way in which British capital investment induced a certain distortion in its development. British investment financed and built up the great weight and significance of the pastoral sector of the economy and enabled it to develop its capital intensity. In addition, for as long as British funds continued to flow into the colonies, they could finance a much greater importation of manufactured goods from the UK than they otherwise could have done. In turn, this limited the scope of the urban manufacturers. That urban manufacturers were indeed limited is indicated by the degree of comparative capital intensity between the pastoral and manufacturing sector already noted above. Experience of the industrialised nations which achieved or had independence on the eve of their capitalist development, such as England, the USA, or Germany, was that the

manufacturing sector developed capital intensity the most rapidly, for manufacture and industry were the most suitable branches of production for raising the productivity of labour. The situation of colonial manufacturing by contrast also had ramifications for the domestic market. Again, the experience of the independent industrialised countries was that the market for manufactures can be developed by two means, neither of which is incompatible with the other. The market can be extended into new areas that have not been penetrated before such as Asia or Africa, and/or it can be deepened in the domestic market itself since advances in industrial production also bring about an increase in the consumption of industrial commodities. Moreover rapid industrial growth itself tends to expand the population and hence the market. For the Australian colonies, however, though the rise in the population had greatly increased the role of the domestic market, for as long as the emphasis in development was on export products in conjunction with labour-intensive manufacturing, the full potential of the domestic market was restricted. To be sure that market was small, but a mistake is made in placing stress merely on the size of the population rather than the economic structure and industry which itself is a market for manufactured goods. Manufacturing did find itself a place in the colonies, and their economic development was much less distorted than those colonial economies of the "Third World" which were to depend on advanced production in only a single export commodity. In this the absence of a partial conservation of older modes of production within the colonial structure was a key factor in the colonies' development. But this was all circumscribed by the limits imposed on development by British capital investment itself. This emphasised the export trades, with their capital intensity and low working population, and the export trades also induced manufactured imports which the active expansion of the domestic sector would necessarily have replaced. The role of British capital in the depression and the reconstruction period must be reserved until later, but as for the

period preceding it, the role of British capital as a limiting rather than developing factor deserves stress.

The stress which has been placed on the restriction of the role of the city and especially the restriction of urban manufacturing development may appear somewhat surprising in the light of the apparently overwhelming pre-eminence of Australian cities, especially the capitals, and in the light of Professor Butlin's investigations in economic history which show a far greater emphasis on urban manufacturing in the mid-nineteenth century onwards than used to be thought.<sup>3</sup> However, if we move away from the superficial consideration of the cities as centres of population, administration, and financial dealings, and consider instead the actual role of manufacturing that had emerged within the framework of British capital's overall domination, the stress placed on restriction as opposed to development will be strikingly confirmed. Although there were manufacturing establishments in urban centres, they were restricted in their markets. Initially, the manufacturers were restricted by the existence of the colonial market. The radial construction of the principal transport web - the railways - was one obstacle, and the adoption of the different gauge rail systems was another. Colonial customs procedures based on different tariff schedules for each colony were cumbersome, and commercial transactions could be hindered if tariff disputes broke out. Patents and copyrights were not uniform. It was found that courts in one colony did not necessarily recognise the judgements of courts in another, and that the execution of judicial processes, for example summonses for debt, could not be enforced against the resident of one colony if they originated in another unless that resident had voluntarily submitted him/her self to the jurisdiction of that other colony.<sup>4</sup>

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<sup>3</sup> Butlin, N.G., "The Shape of the Australian Economy, 1861-1900", *Economic Record*, Vol.34, No.67, April 1958, passim.

<sup>4</sup> Quick & Garran, *op.cit.*, p.615.



Overland trade between the colonies did nevertheless expand, and so did the transshipment of commodities by sea, but the development of these links was restrained by the very existence of colonies which were legally separate and sovereign under the Crown rather than being partially united by Federation. Even if the obstacles to freer inter-colonial trade were overcome (and it is the object of this thesis to examine certain aspects of this), the markets for manufacturers were still restricted to Australia. Manufacturing there was, but it was not able to make unimpeded progress into the markets of Asia and the Pacific. To read the aspiration of manufacturers is to read of their dreamed-of expansion into these areas and the exclusion of commercial rivals, and it is also to read of their signal failure to realise their dreams. The expansion and accumulation of manufacturing capital in the Australian colonies was hindered and circumscribed by the colonial system itself. This hindering was further re-inforced by, at best, aimless and ill-co-ordinated tariff policies and at worst policies that placed constant stress on the need for the Australian domestic markets to soak up British manufactures. This soaking up did not proceed on the same scale as India, but then the capacity for consumption was much more narrowly based than in India and the tendencies there to capital intensification were nowhere so great (in fact British rule impeded them much more drastically). Certainly, however, the colonial domination by the British in Australia prevented Australian domestic production from expanding outside the internal market into competition with British goods, and it greatly restricted the scope for internal expansion and diversification, especially into heavier capital and consumer goods. Mention has already been made of just how tremendously important the Australian colonial market was to British trade. Australian city manufacturing was channelled and bottled up into servicing railway construction to facilitate the pastoral industry, light consumer goods such as clothing, or residential construction. To a limited extent this still competed the British manufacturing, but

substantially the challenge was weak, and in part manufacturing in Australia also helped strengthen the British financial intervention and commercial competition in Australia.

Having discussed something of the general economic background to the development of capitalism in Australia, it is now appropriate to describe several concrete features in the period 1860-1890 to understand the trends evident in the Depression of the 1890s and the consequent reconstruction of capital that followed. Particular emphasis here is placed on the borrowing of the Colonial Governments and the question of the balance of payments. These two points are in fact quite intimately interlocked. Firstly, raising of loans in London by the colonial Governments was the major source of British capital inflow and thus an extremely important indicator of the economic trends which British capital investors were prepared to support in the Australian colonies. Secondly, the emphasis placed on the creditworthiness of the colonies, as exhibited in the balance of payments, is an indicator of the areas of investment that investors wanted to be cut back before being prepared to lend again after the Depression.

Earlier it was noted that the influx of British capital into the Empire generally, and the Australian colonies in particular, during the period of 1860-1890 moved counter-cyclically to the influx of capital and trade into Europe, and that this meant that the Empire served to "cushion" the impact the fluctuations in the European business cycle had on the British economy.<sup>5</sup> As the years passed, the importance of the Australian colonies to Britain increased; and from 1875 onwards until 1890, as the rivalry to British trade and investment on the European and American Continents steadily became more intense, the peak of British investment occurred in Australia. Of the net increase of British investment for the

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<sup>5</sup> Crouzet, *op.cit.*, p.222.

whole period 1870-1914, no less than 70 per cent took place in those years.<sup>6</sup> Indeed, the role of British capital in the colonial long boom of the 1880s was extremely important. Colonial Governments, who were main importers of British capital for the whole of the period that we are considering, brought in capital for expenditure on public works, especially railway and tramways construction, at a rate of about anywhere between £6 millions and £14 millions a year.<sup>7</sup> Estimates of the loan expenditure of the Australian colonies and States up to 1913 indicate that a total of £293,741,000 was borrowed, and that it was disbursed among the following items:

Table 4

Government Loan Expenditure: Percentage  
Share Amongst Types of Work<sup>8</sup>

Railways and tramways	60.8%
Water supply & sewerage	12.6%
Harbours, roads, rivers	9.6%
Public buildings	4.4%
Land settlement & loans to local bodies	5.1%
Other	7.5%

Apart from the Colonial Governments' borrowings, British capital entered the colonies through British financial institutions such as the pastoral companies, building societies, and mortgage companies. Banks operating in the colonies also sought British capital to act as a reserve of credit as security on loans raised within Australia.<sup>9</sup> A rapidly developing area

<sup>6</sup> Hall, *op.cit.*, p.88.

<sup>7</sup> Holder, R.F., *Bank of New South Wales: A History*, 2 Vols., Angus and Robertson, Sydney, 1970, p.414.

<sup>8</sup> Hall, *op.cit.*, p.90.

<sup>9</sup> Holder, *op.cit.*

for direct British investment was mining. The main areas for the investment of the total capital imported, shared 70 per cent by Governments and followed next by the banks,<sup>10</sup> were railways, building and real estate, wool and mining. Thus the net of financial dependence over the major sections of the colonial economies was drawn extremely close. Speaking at a meeting of the Royal Colonial Institute in London, Lord Carrington, former Governor of New South Wales and proponent of Australian Federation, said:

"To begin with the question of pocket money cannot be dismissed as of no importance. The largest proportion of the public debt is due to Great Britain, and if a split occurred Colonial bonds would fall in London, and money would not be lent on such favourable (sic) terms".<sup>11</sup>

Given the enormous indebtedness of the colonies and the great investment made by British capital in the colonies, it could not have been imagined that any split between the two would have occurred lightly. The problem of this debt and of servicing it was to become of paramount importance to Government policy in the post-depression years.

To understand some of the dynamics that were to emerge in the Australian Colonial economies in the depression of the 1890s, it is now necessary to trace out some of the more important developments that were taking place beforehand and to emphasize the role of the "Imperial connexion". Since N.G. Butlin criticised Brian Fitzpatrick's account of the pre-depression economies in his important article "The Shape of the Australian Economy, 1861-1900" for concentrating excessively on the export industries and the role of British imports and capital for his lack of stress on internal factors, particularly local urban and manufacturing activity, the orientation of investigation has shifted away from understanding the importance of the connexion to England.<sup>12</sup> It is not intended to deal

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<sup>10</sup> Hall, *op.cit.*, p.89.

<sup>11</sup> Carrington, *op.cit.*, p.119.

<sup>12</sup> Butlin, *loc.cit.*

substantially with Butlin's account here, but to suggest that even in the internal, localised factors, unless stress is placed on the importance of British capital, the history of the period and that which immediately follows remains opaque.

Let us first consider the pastoral industry, not because it was consistently the fastest-growing or the most important sector of the economy in terms of its share of the national product, indeed, it was neither of these. But throughout the 1880s and 1890s wool earned just over half the export revenue of the colonies, and 75 per cent of the clip was sent to the UK.<sup>13</sup> As such it was the foundation for the import of capital and goods, for only on the basis of assured export earnings could investors take it that their interest and dividends could be remitted. While these remarks apply through the Australian colonial economies, it is important to point out that very definite differences existed in the precise structuring of the wool-growing industry in each of the different colonies. Thus there are the following differences in the new private capital formation in the combined agricultural and pastoral industries for the three leading colonies:

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<sup>13</sup> Boehm, E.A., *Prosperity and Depression in Australia 1887-1897*, Clarendon Press, Oxford, 1971, pp.63,66.

Table 5

Private Capital Formation in Pastoral and Agricultural  
Sectors, NSW, Victoria and Queensland,  
1861 - 1890<sup>14</sup>

Year	NSW	Victoria	Q'ld
	£	£	£
1861-5	243,000	467,000	266,000
1866-70	166,000	547,000	43,000
1871-5	1,555,000	644,000	387,000
1876-80	4,599,000	875,000	343,000
1881-5	2,801,000	94,000	470,000
1886-90	6,974,000	-9,000	24,000

Thus, although Victoria had been pre-eminent in the earlier years, New South Wales and Queensland soon moved ahead in the later period. Indeed, the extent of Queensland's growth compared with Victoria and New South Wales is minimised because the Queensland Government paid for much of the capital formation that was done privately in New South Wales, like fencing and water conservation.<sup>15</sup> The extremely rapid rate of development in New South Wales and Queensland was based on the expenditure of assets in building flocks and establishing runs in the remoter areas. In New

<sup>14</sup> Figures computed from N.G. Butlin, *Australian Domestic Product, Investment and Foreign Borrowing 1861-1938/9*, Cambridge University Press, 1962, p.294.

<sup>15</sup> *Ibid.*, p.295.

South Wales, emphasis was placed on the Central and Western Divisions of the Colony. In 1884, the New South Wales Government exempted the Western Division from selection so as to leave the field completely clear for the pastoral industry, though relatively high rents and railway freights combined with the difficulties of the industry under remote and arid conditions mean the large capital investments and high interest rates on loans were the order of the day.<sup>16</sup> This gave the pastoral finance companies and banks, with substantial British backing, a particularly strong hold over developments, in which they featured prominently.<sup>17</sup> Such areas as these, and here the remoter areas of Western Australia as well as Queensland and Western New South Wales might as well be included, saw development very much focussed on the acquisition of stock and cheap land rather than on capital improvements to properties or on selective breeding and culling of stock. This trend made these areas much more open to the effects of overstocking and to the ravages of droughts and rabbits than they otherwise might have been. In Victoria and the Riverina, where the earlier expansion had taken place in the early 'sixties and 'seventies, the shape of the pastoral industry was somewhat different. C. Fetherstonaugh, a grazier, made the following account of his experiences:

"When I come to a well-improved property, fenced-in and sub-divided, with good tanks and wells, good homestead, good gates and also good sheep, I had not to ask where the owner hailed from. He was sure to be a Victorian. If I rode through an unfenced property, with pot-holes (death-traps), no wells, a tumble-down homestead, and inferior shepherded sheep I could make sure the place was owned by a New South Welshman".<sup>18</sup>

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<sup>16</sup> Boehm, *op.cit.*, pp.90-4, and P.N. Lamb, "Crown Land Policy and Government Finance in New South Wales", *Australian Economic History Review (AECHR)*, Vol. VII, No.1, March 1967, pp.60-8.

<sup>17</sup> Butlin, S.J., *Australia and New Zealand Bank: the Bank of Australasia and the Union Bank of Australia Ltd., 1828-1951*, Longmans, London, 1961, p.435.

<sup>18</sup> Fetherstonaugh, C., *After Many Days*, Andrews and Co., Sydney, 1918, p.395.

Bearing in mind that New South Wales produced 50 per cent of the Australian wool-clip, whilst Victoria rated at only 15 per cent and that Victoria was to lose its place to Queensland as second wool producer,<sup>19</sup> these remarks gain added significance. Moreover, with the backing of powerful institutions like the Queensland National Bank,<sup>20</sup> the Queensland pattern of expansion was much more along the New South Wales pattern than the Victorian, and it moved ahead quickly. Thus in the later developments there was specific stress on building up stock and runs in remoter areas with backward pastoral techniques, directed basically towards producing as much wool as fast and as cheaply as possible, contrasted with the more solid and intensive methods of Victoria. In South Australia, graziers also held great tracts of land, although at no stage did they collectively hold more than the farming population. Here wool-growing was directed very much from Adelaide rather than the localities. In the case of the pastoral finance companies such as Elder Smith and Co., based in Adelaide, their interests also moved in the 1870's and 1880's into the remoter areas of New South Wales, Queensland and Victoria.<sup>21</sup> The general trend away from steadily improving techniques and assets paved the way for speculative advances fostered by Colonial Governments and promoted by British finance which undoubtedly undermined the ability of the grazier to resist drought and rabbit plagues, though still netting absentee investors very high returns through the interest on capital invested. It can certainly be said that on the eve of the bank crash the pastoral industry was showing quite marked signs of internal crisis that were not suddenly determined by a withdrawal of

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<sup>19</sup> Boehm, *op.cit.*, p.66.

<sup>20</sup> Blainey, G., *Gold and Paper: A History of the National Bank of Australasia Ltd.*, Georgian House, Melbourne, 1958, p.197.

<sup>21</sup> *Elder Smith & Co. Limited: The First Hundred Years*, Adelaide, 1939, p.31-2.



British capital, but at the same time it must be pointed out that the internal crisis of the wool-growing industry arose out of the very conditions which capital investment from Britain had steadily promoted over the preceding fifteen years or so.

The construction of the railways system in the colonies also reveals important trends that bear on our study. The construction of railways drew in the overwhelming bulk of British capital investments throughout the world at this time. In the Australian colonies the railways were not merely important however as an opportunity for the UK to export its technical superiority over other countries, but also for developing links between the prime commercial centres on the coasts, especially Melbourne and Sydney, and the remoter export-producing areas. Government policy on railway freights ensured that the big city entrepreneurs were favoured against both the producer of the commodities in the country districts and against any possible competitors in country centres. Thus the advantages of the developing transportation system were distributed unevenly in favour of the city merchants in the short-term, and also in favour of the UK in the long-term, since the British importing agencies did not have to bear the costs of the improved, more regular transport of goods to the point of embarkation for the UK. Furthermore, the stranglehold of the principal marketing centres over the rail system made it possible for the prices of products, particularly small-farm agricultural goods to be manipulated against the producers in favour of the merchants and importers. Thus, if the railway came to be blocked through hold-ups, prices of wheat were often lowered to force the farmer to sell the grain outright very cheaply to millers or merchants for so-called "free storage". The lower price achieved was, of course, a concealed price for the storage space until the rail system flowed freely again.<sup>22</sup>

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<sup>22</sup> *Royal Commission on Marketing, Transportation and Storage of Grain (RC-Storage), Progress Report, Victorian Parliamentary Papers, Vol.2, 1913/14, p.1489.*

In the actual construction of railways, the colony of Victoria took the lead, and was thus able to capture a substantial share of the New South Wales market in the Riverina for goods shipped in and out of the port of Melbourne. This process was stepped up with the adoption of discriminatory freight rates, the construction of lines specially for this purpose, and by establishing drawback regulations to the customs schedules which enabled goods to be sold on inter-colonial markets imported through Victoria to be exempt from duty. For example, in the handling of wool, Victoria picked up an additional 15 per cent over and above its own clip by its commercial dealings in other colonies' produce.<sup>23</sup>

As other colonies developed their rail systems, competition for markets increased. At first, increased freight boosted the building of lines, but later the prospect of losing freight became increasingly important as the rationale for construction, and from there it was but a short step to having lines built with no prospect of ever paying their way. Variations in the actual building of lines of course made the debt to be repaid on the lines different in the separate colonies. Thus, Victoria concentrated on the broad gauge (5'3"), which consequently brought with it the English trend towards heavy bridge work and large railway stations. As the railway boom developed in Victoria, more and more accent was placed on the development of the suburban rail network, and the construction of railways became increasingly interlocked with speculation on city real estate. At the other end of the spectrum, Queensland developed the narrow gauge (3'6") and so the emphasis was on light tracks and locomotives, more with an eye to moving the sugar crop. New South Wales chose an intermediate gauge and its rail construction was nowhere so closely enmeshed with urban land speculation as Victoria. South Australia largely followed the New South Wales pattern. Western Australia did not really

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<sup>23</sup> Boehm, *op.cit.*, p.66.

commence rail construction until the discovery of gold in the 1890's.

Construction and manufacturing are the remaining areas that really stand out in the period before the Depression. Urban construction was especially important, for in 1861 one in every five persons in New South Wales, Queensland, South Australia and Victoria, lived in huts or tents, and if Victoria is taken by itself the figure is one in three. In Butlin's article referred to above he emphasised the role of the construction and manufacturing industries in leading Australian economic development. Certainly, the years 1860-1890 were to see a massive upsurge in the output of these two sectors, though care must be exercised in not overplaying them. First, manufacturing as such should not be taken to mean much the same as manufacturing in the British sense. In a later chapter, it will be shown just how small-scale and underdeveloped this manufacturing really was, especially in the field of capital and heavy goods. Secondly, in drawing conclusions about the economic scene, it must be stressed that whilst urban construction went ahead vigorously in all Colonies, Victoria was the leading one in this area, and that Australia-wide aggregates do not convey the depth of colonial particularities. Compared with the unrivalled supremacy of Melbourne over its hinterland, Brisbane appears relatively weak since other Queensland ports were very important both as population and commercial centres. Thirdly, while stressing the development of domestic construction and manufacturing activity, if the connection is not made to the way this fitted into the Imperial structure a misleading picture can emerge. Butlin's comparison of Australia's growth rate with countries like the USA or Germany only serves to add to this confusion. Growth itself cannot be measured as a mere aggregate of output, but as a mix of sectors of production and of the general level of the productive forces. The rate of growth may be impressive, the industrial structure was not. In clarifying this third point, the main question must be: what was the basis of the

Victorian boom and why was British capital not antagonistic to it? While no attempt will be made to give a proper analysis of this question, it is important to advance a schematic hypothesis. Fundamentally, the period of pastoral expansion through the accumulation of stock and land in Victoria had been completed. Urban expansion was the main economic trend in Victoria, and with this came a great increase in the goods imported from Britain. Indeed, the particularities of the expansion of domestic manufacturing and construction stimulated still greater expansion of imports of British goods. Thus for every pound sterling loaned by British investors to help finance the construction/railway boom (and we have noted already how linked they became in Victoria), there was every chance of an excellent return not only through interest but also to British manufacturers by virtue of increased import requirements. Steel rails, locomotive engines, railway carriage fittings, ornate masonry, furnishings and general building materials: vast amounts of these were imported from the UK. Especially with the investment booms in Victoria and New South Wales do we find marked rises in the imports of associated materials and machinery reaching 25 per cent of total overseas imports in 1877 and 30 per cent in 1889.<sup>24</sup> The table below deals with the building sector, in which Victoria predominated with an average annual rate for 1886-91 of £5.7 millions compared with the New South Wales rate of £3.1 millions;

Table 6

Imports of Building and Construction Materials,  
N.S.W. and Victoria, 1880-1890<sup>25</sup>

	N.S.W.	Victoria
	£	£
1880-5	2,132,000	1,810,000
1886-90	1,934,000	2,964,000

<sup>24</sup> Butlin, N., *Investment in Australian Economic Development 1861-1900*, Cambridge University Press, 1964, p.25.

<sup>25</sup> Boehm, *op.cit.*, pp.134-5.

Over the whole period, imports on an Australia-wide basis rose from £12.4 millions in 1861 to £25.5 millions in 1889.<sup>26</sup> The severe drop in imports after the onset of the Depression bears witness to the fact that although imports had been steadily declining as a proportion of the national product, nevertheless they had been largely financed or underwritten by the availability of British capital.<sup>27</sup> The especially accentuated development of urban facilities in Victoria was later marked by the specially accentuated slump in precisely these areas. Economic moralising on the unwisdom of using borrowed capital to finance imports, a common theme in financial circles at the time, was really beside the point, since it was exactly that outcome which British lending to industries requiring imports served to produce. The high profits in building houses and selling land for the grossly underhoused population of Victoria attracted imports of capital and goods, and then the increasing competition made the losses consequent on withdrawal greater than pushing further ahead, until ultimately such a pitch was reached that chronic overproduction burst the bubble.

The great depression in the Australian colonies of the 1890's served to eradicate a particularly precarious situation. There had been overstocking of flocks and over-construction of railways and residential buildings. Very sharply speculative trends had developed. Imports from the UK were at a high level, whilst the volume of exports, though also rising, was not realising higher prices. Further exports and further capital inflow had of course been the way in which imports and interest on loan had been financed, but by 1885, according to the economist G.L. Wood, it was becoming apparent that the amount of interest on old loans was becoming higher than the annual amount being contracted

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<sup>26</sup> Butlin, *Domestic Product*, p.413.

<sup>27</sup> Butlin, *"Shape of the Australian Economy"*, p.18.

in new loans.<sup>28</sup> Indeed, the increase in debt charges due to the UK from the colonies doubled in the 1880's, but the increase in export earnings was only slight.<sup>29</sup> And while the construction of railways organised through each of the separate colonies had at first served a useful purpose for British interests by cheapening exports and increasing their volume, the construction of new railways had moved to such a competitive stage that lines were built, particularly in New South Wales and Victoria for the express purpose of diverting the trade of one port away to the other or else for the purpose of increasing the speculative value of land, and not for opening new areas to production. Different gauge lines raced to both sides of the Murray River, and the customs duties and freight rates often forced Riverina producers to send their produce to Sydney at higher cost than to Melbourne.<sup>30</sup> In London the different colonies competed with each other for capital, with extravagant publicity, often misleading to investors, about the financial situation.

By 1892-3 the bank smash set in, with the majority of the banks operating in the colonies being forced to shut their doors for reconstruction of their capital. There was a very steep and sudden decline in the rate of inflow of British capital. E.A. Boehm estimated that for the period 1891-5 total Australian overseas borrowing amounted to only £31.7 millions and that this fell further in the period 1896-1900 to £26.1 millions, compared with the total of £97.5 millions in the boom period 1886-1890.<sup>31</sup> The colonies faced a complete erosion of their financial standing and the prospect of general bankruptcy. By 1893, at

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<sup>28</sup> Wood, G.L., *Borrowing and Business in Australia: A Study of the Correlation Between Imports of Capital and Changes in National Prosperity*, Oxford University Press, London, 1930, p.93.

<sup>29</sup> Boehm, *op.cit.*, p.17, and Wood, *op.cit.*

<sup>30</sup> Parker, *loc.cit.*, pp.167-8.

<sup>31</sup> Boehm, *op.cit.*, p.16.

the height of the financial crisis, the interest on old loans from the UK became five times the amount raised by the colonies in new loans.<sup>32</sup> If the inflow of capital upon which the colonial economies rested was to be regenerated not only for existing enterprises but also for new ones, especially the mining companies which drew in a great deal of their finance from overseas,<sup>33</sup> a solution had to be found. Obviously enough, British investors for their part were equally insistent that the colonies should not default on their obligations. Given the increasing burden of the debt and the withdrawal of British capital, the only resolution offering itself outside total repudiation was the creation of a sufficient export surplus and reduction of imports to pay off foreign obligations. In the event, by 1892 a sharp crossover from an excess of imports over exports to the reversed occurred, and the export surplus was to continue on uninterrupted till 1913.<sup>34</sup> Notwithstanding this, the situation was not simply going to right itself automatically. The colonial economies still required the reconstruction of capital values that the depression could provide for. London financiers began to make a far deeper scrutiny of the Australian colonies before investing there, repatriating many investments and redirecting others to South Africa. Those who retained Australian interests demanded stringent economies, and, as one might have expected, they demanded an end to the "pandering to the working class".<sup>35</sup> Victoria, for instance, was forced out of the London loan market for almost the whole decade 1890-1900. The other colonies were able to raise loan finance, but on a much-diminished scale than before.<sup>36</sup>

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<sup>32</sup> Wood, *op.cit.*, p.93.

<sup>33</sup> Holder, *op.cit.*, p. 28.

<sup>34</sup> Wood, *op.cit.*, p.128.

<sup>35</sup> *Investors' Monthly Manual*, 1893, quoted in Hall, *op.cit.*, p.173.

<sup>36</sup> Butlin, S., *op.cit.*, p.449.

In Australia, the voice of financial capital, the *Australasian Insurance and Banking Record* pushed for similar policies as the London bankers. The *AIBR* summed up the experiences of the previous years, and expressed the general condition that the colonies should impose on themselves in their loan risings, to wit:

"Is the interest to be paid on the borrowed capital supplied by enlarged exportation resulting from the investment of that money?"<sup>37</sup>

The generation of an export surplus was not something to be arrived at accidentally, but was a policy which was to be pursued and enforced on the colonial economies by the requirements of the British capital investors.

What did a policy of pushing forward the exporting industries mean for the Colonies? In the first place it depended not only on the demands made upon them by their creditors in London, but rather in the opportunities that the situation of the Empire generally was capable of opening up. The creation of new export markets in the UK for Australian products was facilitated by two factors. First, the continuing capitalisation of home industry in the UK did little to relieve British agriculture, which was slipping deeper and deeper into stagnation. Simultaneously, the growth of large urban populations required a continuous and reliable flow of food supplies - wheat, wheat products, dairy products, and meat.<sup>38</sup> The defeat of proposals for protection of British agriculture against foreign competition through the application of a tariff ensured that the development and extension of such export industries could take place in a colonial Australia. Secondly, the rival imperialisms on the Continent and the USA themselves needed not only supplies of raw materials, but also markets for their own manufactures. In an indirect way this also pushed forward

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<sup>37</sup>*Australasian Insurance and Banking Record (AIBR)*, 19.10.1892, pp.715-6.

<sup>38</sup>Crouzet, *op.cit.*, p.212.



Australian exporting industries. Although American and European competitions gained access to Australian raw materials and to Australian markets with their manufactures, the generation of an Australian export surplus enabled the UK to repatriate profits and capital in the period up to 1914 with which it could settle its adverse trade balances with the other nations. While this kept the British domestic market open for rival manufactures from Europe and America, it did avoid forcing them into direct competition with British manufactures on such a great scale in the Imperial markets of Australia and India.<sup>39</sup> In turn, this contraction in the amount of new British capital coming into the colonies shaped a further essential requirement for British capital remaining in Australia. There was a need for the utmost economy in the deployment of capital after the depression. This became a matter of importance in several fields. Since it was imperative to avoid unduly restricting the export surplus, a certain amount of processing of raw materials, for both the Empire and to a lesser degree for the local market, had to take place before they were exported to the UK. This enabled export/import interests in both countries to circumvent to a certain degree the extremely high freight rates applying to the Australia-UK shipping routes. The other side to the question of economy in the deployment of capital was in the setting up of enterprises. Only such enterprises as could yield a sufficiently high rate of profit and be considered to scrupulously avoid "wastage" through the duplication of plant would receive the support of British investors and colonial Governments. The result, which will be examined later in detail, was that monopoly, collusive and restrictive trade practices, or at least concentration of capital was to assume a greater place in the processing and manufacture of raw materials and other goods.

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<sup>39</sup> *Ibid.*, p.226, and Saul, *Studies in British Overseas Trade*, passim.

Now it is, by way of conclusion, essential to draw together the general themes with the particular ones manifesting themselves in the reconstruction of capital after the Depression. Under the pressure from London to maintain solvency, a reserve of unemployed workers was to be shifted into the country for the production of rural-based exports rather than into initiating new manufacturing exports. Thus it was that manufacturing and the towns were to be advanced somewhat but mainly through serving new areas of export production with equipment. The period of massive urban construction had closed, so with it had closed the decisive period for shaping relations between the cities and the hinterland. The basic distribution of productive enterprises between town and country had been settled. The colonial structure, which had been adequate for administering the distribution of capital and labour between town and country while each colony had its own unproductive and unexploited hinterland, was now faced with changing and more complex tasks. What lies before us in our investigations is to study the combination of new aspects to the relations of production and new developments in the forces of production with those already established. After the depression a new "mix" of production was being developed which required political co-ordination. As will become apparent later, not only as this required to maintain a British Australia, but also to resolve problems arising from the development of an independent, albeit weak, Australian-based sector within manufacturing industry.

## CHAPTER IV

### RECONSTRUCTION OF COLONIAL EXPORT INDUSTRIES

In this section of the thesis, particular emphasis will be placed upon an examination of the export industries, giving their basic importance to the Imperial connexion. It will be argued that the restructuring of this section of the economy carried out in the colonies during and after the depression significantly altered the "mix" of the different branches of production and brought forth new social relationships that were to have a considerable bearing on the inter-colonial trade of the colonies. The British investors' insistence on "economies", on financial austerity and retrenchment, prevailed in the colonies, in part manifesting itself in the concentration of capital into the hands of fewer enterprises, often with substantial British affiliations, throughout the export sector. With that concentration of capital the old colonial barriers were increasingly inappropriate. Thus Quick and Garran, in their outline to the history of the Federation movement, were led to observe about the depression:

"The crisis showed plainly that the prosperity of each colony was bound up in that of the others; that disaster to one meant disaster to all; and that strength lay in co-operation....

"Moreover bad times helped the cause in another way. The general stagnation of trade set everyone enquiring for himself (sic) into causes which clogged the wheels; and the folly of inter-provincial barriers became increasingly apparent".<sup>1</sup>

This was also a very widespread and typical opinion in the colonies amongst capitalist circles.<sup>2</sup> Therefore, the immediate task is to elicit

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<sup>1</sup> Quick and Garran, *op.cit.*, p.150.

<sup>2</sup> Thus the numerous inter-colonial free trade Conferences, e.g., *Report of the 1887 Inter-Colonial Free Trade Conference*, Adelaide, p.11.

the features of the crisis, from the Imperial stand-point, which would develop or make more pronounced inter-colonial links in the export sector.

Long-run trends in the wool-growing industry had steadily pushed it further and further into financial dependence on bank and mortgage finance, and consequently under the control or domination of the pastoral companies. From as early as 1835 onwards the custom developed of having the mercantile firms and banking houses ready to advance up to 70-80 per cent of the value of wool grown before auction to relieve squatters of the shortage of ready cash that otherwise would have been incurred had they sent their produce directly to London under consignment.<sup>3</sup> Smaller flock-owners, facing greater difficulties in raising cash and often being under pressure to finalise their accounts, however, soon took advantage of the developing wool market and auctions within the Australian colonies in the early 1850s to early 1800s. Then, competition increased in the UK for wool between the woollen and worsted trades, and between British and other European clothiers, British-based mercantile enterprises also began to participate in the development of the domestic colonial markets so that they might snap up Australian wool on their own behalf. This trade also began to be linked with return consignment from Britain to Australia of cloth and clothing. Thus new and direct export/import channels were opened up to Australia from the UK.<sup>4</sup> This was accentuated by the heightening of foreign trade rivalries in the colonies. French and German shipping lines entered the European Australian trade routes, which brought increased sales of Australian wool direct to the Continent in the late 1880s,<sup>5</sup> as well as stimulating European exports into the colonies. The wool industry as a whole was therefore closely connected with mercantile houses for financing and also for shipping and for return consignments

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<sup>3</sup> Clapham, *op.cit.*, pp.90-1.

<sup>4</sup> Barnard, A., *The Australian Wool Market, 1840-1900*, Melbourne University Press, 1958, pp.155-171.

<sup>5</sup> Clapham, *op.cit.*, p.96.

of British produce. The expansion of the limits of the wool-growing industry into the more marginal areas further strengthened the position of mercantile-finance companies. It has already been pointed out that in New South Wales and Queensland colonial Government policy of high rents and railway freights, on top of increasing numbers of sheep and therefore increasing requirements for capital outlay, put pastoralists in debt to finance companies.<sup>6</sup> The marginal areas in the Western Division of New South Wales and Queensland were particularly the province of the non-bank pastoral finance companies.<sup>7</sup> In Western Australia, too, the picture was similar. The pastoral industry in the northern parts of that colony had been firmly established by the late 1800s, though many stations were heavily mortgaged. By 1882, the National Bank had advanced £182,000.<sup>8</sup> So far did the process go, that by 1893 one quarter of all the West Kimberley stations were held under mortgage.<sup>9</sup>

The depression struck hard. Moreover, the process of recovery was difficult and protracted since the pastoralists could not readily respond to the added problems of drought and the rabbit plagues. In all, the period 1894-1902 forced the culling of colonial flocks from 106 million sheep to 54 million.<sup>10</sup> The depression and drought placed the pastoral finance companies under severe pressure from British investors to cut back losses and investments, the effects of which were passed on to pastoralists by a severe contraction in loans available for outlay on replacement of stock, by increasing the pace of foreclosures, and by the enforced amalgamation of stations.<sup>11</sup> After 1893, for instance, the Australian

<sup>6</sup> Boehm, *op.cit.*, pp.90-4.

<sup>7</sup> Butlin, *Investment in Australian Development*, p.141.

<sup>8</sup> Blainey, *Gold and Paper*, p.233.

<sup>9</sup> Crowley, F., *Australia's Western Third: A History of Western Australia from the First Settlements to Modern Times*, Heineman, Melbourne, 1960, pp.105-06.

<sup>10</sup> Boehm, *op.cit.*,

<sup>11</sup> Butlin, *Investment*, pp.439-441.

Mercantile Land and Finance Company required its debtors to make drastic reductions in management expenses, and to launch improvements including water-tanks and rabbit fences, under threat of foreclosure. The Company carried through foreclosures on 14 per cent of its total advances.<sup>12</sup>

One pastoralist, writing in 1918, reminisced:

"At one time the banks and pastoral institutions foreclosed on a man without hesitation. Directors of financial institutions had no bowels of mercy..."<sup>13</sup>

Another pastoralist in the Gascoyne River District of Western Australia had a very good station and was able to convince the firm of Dalgety of this, and thus secured continued loans, but his brother was not so fortunate:

"By an act of Providence many squatters are ruined. My brother, R.J. Gooch of Yarra is worse off than ten years ago, and through having helped him by guaranteeing to you (Dalgety's) £2,000 which I am called upon to pay with interest, and by another failure, I lose heavily".<sup>14</sup>

Pastoral finance companies certainly made individual losses in the depression, but they were also best able to ride it out. In many cases they foreclosed and made erstwhile owners into their managers, but in other cases they maintain pastoralists as owners in order that the pastoralist should take the risks whilst the firms harvested the interest.

In one sense the depression consolidated the commanding position of the companies in the whole industry. During the 1870s, and then most markedly in the 1880s, the institutions increased their investments not only within their "home" colonies, but also across colonial boundaries. The 1880s was the period in which ten major non-bank pastoral finance companies established their leading position throughout the Eastern

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<sup>12</sup> Bailey, J.D., *A Hundred Years of Pastoral Banking: A History of the Australian Mercantile Land and Finance Company 1863-1963*, Clarendon Press, Oxford, p.137.

<sup>13</sup> Featherstonaugh, *op.cit.*, p.398.

<sup>14</sup> Gunning, F.W., *The Lure of the North: Seventy Years Memoirs of George Joseph Gooch and His Pioneer Friends of Western Australia*, W.A. Newspapers, Perth, 1952, p.154.

colonies. For as the South Australian wool-growing industry faced greater difficulties in the late 1870s, Elders, along with individual investors, moved funds into Western New South Wales and Queensland. In the East other companies also began to increase their intercolonial investments, and the process of inter-colonial interlocking was essentially completed in the 1880s. One of the most notable examples of this was the merger of Melbourne and Sydney firms into Goldsbrough Mort in 1888.<sup>15</sup> The depression period had the effect of then purging the industry of its wild speculation and enforcing a regime of financial austerity. Throughout the industry and throughout the colonies the pastoral companies insisted in reductions in stock numbers and altered methods of management, often despite the wishes of individual pastoralists, and thus a far greater degree of uniformity in pastoral methods was brought about.<sup>16</sup> At the turn of the century the West was linked more closely to the East when leading firms invested there. Elders, for example, added to its New South Wales and Victorian holdings by moving across to Western Australia in 1903, and shortly after, between 1907-10, it increased its paid-up capital from £190,000 to £2,027,939. Dalgety's also extended their operations into Western Australia around this time.<sup>17</sup>

The period of reconstruction, broken by drought and rabbit plague, necessitated new methods of grazing flocks and innovation in shearing the sheep. The drought and the rabbits were magnified in their effects by the pastoralists' lack of adequate preparation. The conditions of the boom, the reckless expansion in the number of stations, their being overstocked, and the haste in bringing them into production, meant that station

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<sup>15</sup> Butlin, *Investment*, p.130.

<sup>16</sup> *Ibid.*, pp.434,441.

<sup>17</sup> Elder Smith, *op.cit.*, p.40, and also Gunning, *op.cit.*, p.130 concerning Dalgety's.

fencing within each property was minimal.<sup>18</sup> Nor were fences very well maintained. In the huge paddocks of the Western Division of New South Wales, where the costs of wire were high and leases had little security, wire netting fences were a low priority.<sup>19</sup> As E.C. Rolls describes it:

"G.W. Keith of the *Brisbane Courier* travelled through the Western Division of New South Wales during 1892. He described it as one huge warren burrowed from the Victorian border to Queensland with almost an entire absence of grasses and edible scrub. Seven million acres had been forfeited. Shearers and station hands were out of work. Few men owned their runs".<sup>20</sup>

In such a situation, it was the pastoralists who changed their methods who became successful. C.E. Prell, for instance, bought a Queensland station from a bank in 1893. He searched for water, had bores constructed, adopted the herding of cattle rather than letting them run wild. After his success there, he moved to another property in New South Wales, where he promptly netted his station against rabbits and thus safeguarded it.<sup>21</sup> It was these new methods of work which either pastoralists adopted, or else the pastoral companies forced upon their debtors. And in the shearing of sheep, the depression brought new innovations. An old shearer recalled the introduction of machine-powered shearing into the sheds:

"The machines of the time were no faster than blades, but they cut closer and a fleece would weigh up to two pounds heavier .... Blade shearing has gone forever .... In 1905 it was well on the way out. Seventy-five per cent of the sheds were equipped with machines and the remainder were rapidly changing over".<sup>22</sup>

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<sup>18</sup> The actual amount of fencing in New South Wales had continually risen, but it nevertheless declined relative to other forms of expenditure, and there was a tendency for runs to be enclosed by fences but not sub-divided greatly in the Western Division and Queensland. Butlin, *Investment*, pp.77-8.

<sup>19</sup> Rolls, E.C., *They All Ran Wild*, Angus and Robertson, 1969, pp.42-3.

<sup>20</sup> *Ibid.*, p.57.

<sup>21</sup> Bayley, W.A., *Gundowringa: The Life and Work of Charles Earnest Prell*, O.B.E., private, Gundowringa, Crookwell, 1951, pp.10-14.

<sup>22</sup> Tritton, H.P., *Time Means Tucker*, Shakespeare Head Press, Sydney, 1964, p.47.



With both the development of wire netting to counteract the rabbits, and the introduction of power-driven shears to produce a greater yield of wool per sheep, new links were forged not only with local and inter-colonial manufacturers making netting<sup>23</sup> and repairing machines and power-generators, but also to overseas where wire-makers and power-equipment industries were centred. Finally, there was another development after the depression, and that was the increasing attention paid to the selective breeding of sheep. This also was not without its impact on the question of inter-colonial free trade, since the interchange of sheep for breeding purposes alone involved a trade outwards from New South Wales, Victoria and South Australia - the leading stud exporters - of £123,690 across the borders. Queensland, the main importer, brought in stock to the value of £54,240.<sup>24</sup> Indeed, the future of the inter-colonial stock market as a whole was of considerable concern to pastoralists in the colonies in the late 1890s, since the trade had been greatly reduced by the depression, and many hoped that the abolition of colonial tariffs and the lifting of Stock Taxes would revive the market.<sup>25</sup>

The strength of the pastoral finance companies and the concentration of capital was also apparent in the development and changes being undergone in the cattle industry through its association with the growth of the meat export trade. In its early stages the cattle industry grew up most markedly in the Queensland coastal areas which had a fairly high stock-carrying capacity, but low prices and shortage of credit inhibited these

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<sup>23</sup> For instance exports of wire-netting from New South Wales totalled £26,000 most of which went to Queensland, *Trade and Customs and Excise Revenue for the Year 1909*, Gvt. Pr., Melbourne, 1910, (henceforth referred to as *Trade, 1909*).

<sup>24</sup> *Ibid.*

<sup>25</sup> Lewis, G.A., *A History of the Ports of Queensland: A Study in Economic Nationalism*, University of Queensland Press, St. Lucia, 1973, p.15, and see also Green, L.F., "The Queensland Squatters' Attitude to Federation", *Royal Historical Society of Queensland Journal (RHSQJ)*, Vol.4, No.3, p.421.

initial moves.<sup>26</sup> Later expansion was to enhance the strength of the large leaseholders, in this area and elsewhere, and there began a shift towards absentee holdings.<sup>27</sup> In the Northern Territory, then part of South Australia, the move towards big holdings was most marked. By 1907, five stations ran 55 per cent of the total head of cattle. Pastoralists were granted very liberal leases by the South Australian Government,<sup>28</sup> and by 1912, even after the process of taking up of the smaller leases had begun, it was found that 17 lessees held 81,729 square miles of land including a very large proportion of the best pastoral areas.<sup>29</sup> Interests overlapped colonial and international borders. Thus the company of Bovril Australian Estates Ltd. was formed with S. Kidman and others in conjunction with Sir E.H. Wittenoom, a member of the Fremantle Board of Dalgety's, to acquire Northern Territory and Kimberley properties over 14,470 square miles and 100,000 head of cattle.<sup>30</sup> At the same time, the meat export trade was now encountering more favourable conditions. Railway construction had connected most of the pastoral areas with coastal centres, and killing works had been established at Townsville, Cairns and Bowen in the 1880s and 1890s.<sup>31</sup> R.M. Collins, a director of the Queensland Meat Export and Agency Co., put pressure on the McIlwraith Government in Queensland to

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<sup>26</sup> Fynes-Clinton, P., "The Beef Industry in Queensland", *Royal Historical Society of Queensland Journal (RHSQJ)*, Vol.6, No.4, 1961-2, p.1036.

<sup>27</sup> Kelly, J.H., *Beef in Northern Australia*, A.N.U. Press, Canberra, 1971, pp.11-12.

<sup>28</sup> Reid, R.L., "South Australia and the First Decade of Federation", unpub. M.A. thesis, University of Adelaide, 1954, p.39.

<sup>29</sup> Duncan, R., *The Northern Territory Pastoral Industry: 1863-1910*, Melbourne University Press, 1967, pp.142-3.

<sup>30</sup> Nash, R.L., *Australasian Joint-Stock Companies' Yearbook*, Private, Sydney, 1913-14, see entries under the company and under Dalgety.

<sup>31</sup> Davidson, B.R., *The Northern Myth*, Melbourne University Press, 1972, pp.69-70.

establish meatworks, pointing out that:

"This makes it certain that stock, stations and land will all return to their old values as soon as the export trade is developed adequately. But the existing low values are due to the fact that only  $\frac{1}{2}$  or  $\frac{1}{3}$  of our surplus meat is at present exported".<sup>32</sup>

The Queensland Meat and Dairy Produce Encouragement Act of 1893 created a tax to help fund freezing plants, and between 1891 and 1900 the number of works increased from one to six. Originally these works were owned by pastoralists' co-operatives, but very soon they were taken over by companies which were often either directly owned from the UK or else attracted very considerable capital investment from there.<sup>33</sup> The British-owned meat firm of Thomas Borthwick dealt widely throughout the colonies, Birt and Co. with a capacity for over 16,000 cattle and sheep had the largest part of its capital held in the UK, whilst the Central Queensland Meat Export Company whose works catered for 44,000 cattle and 52,000 sheep had considerable share capital owned by their London agents with whom they did most of their shipping business and to whom the company consigned its meat into the UK.<sup>34</sup>

In fact British capital, the pastoral finance companies, the important shipping companies, and the freezing companies were often closely linked to each other regardless of colonial barriers. The British-owned shipping line of Shaw, Savill which did very considerable business in the frozen meat trade with Queensland was linked to the firm of Dalgety

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<sup>32</sup> Quoted in Fynes-Clinton, *loc.cit.*, pp.1041-2, Collins' directorship in listed in Nash, *op.cit.*, under the appropriate entry,

<sup>33</sup> Duncan, R., "The Australian Export Trade with the United Kingdom in Refrigerated Beef, 1889-1940", *Business Archives and History*, Vol. II, No.2, August 1962, p.112.

<sup>34</sup> *Ibid.*, and for other specific company details see also Nash, *op.cit.*, and also Report of the Royal Commission on the Meat Industry in Queensland (RC-Meat), *Queensland Parliamentary Papers*, 1913, Vol.II, p.LXVI.

in London, and Dalgety's local directors also featured prominently in the direction of the affairs of New South Wales freezing companies.<sup>35</sup> The Adelaide Steamship Company which had shipping interests in Queensland was linked financially with the Queensland Meat Export and Agency Co., and both companies shared the same London agents. The pastoral finance company-shipping-freezing works nexus was also pronounced in New South Wales and Victoria, where the meat export trade was centred on frozen and chilled lamb and mutton. The Australian Mercantile Land and Finance Company made an initial start by setting up the Riverina Frozen Meat Company, and although this enterprise was to fail,<sup>36</sup> other pastoral finance and agency companies were to venture into the field. In 1896 representatives of the freezing companies met together at the offices of the Pastoralists' Union in Sydney to consider the formation of an Association to represent the industry. The companies overlapped again and again with bank and pastoral finance company interests.<sup>37</sup> Similarly in Melbourne the Western Meat Preserving Company had connexions with Dalgety's and the Union Trustee Company, and the Melbourne Ice Skating and Refrigerating Company was linked to the shipping line of Howard Smith and Co.<sup>38</sup> Generally speaking, the co-operation between British and Australian shipping lines also meant that in the development of refrigeration and refrigerated shipping, where over seventy-three ships were engaged, British capital investment was extensive.<sup>39</sup>

Pastoralists found that the concentration of ownership of meatworks

<sup>35</sup> Critchell, J.T. and Raymond J., *A History of the Frozen Meat Trade*, Constable and Co., London, 1912, and Nash, *op.cit.*, under entries of companies listed in *AIBR*, 19/10/1896, p.730.

<sup>36</sup> Bailey, *op.cit.*, p.151.

<sup>37</sup> *AIBR*, *loc.cit.*, and see Footnote 35.

<sup>38</sup> Nash, *op.cit.*

<sup>39</sup> Report of the Royal Commission of Inquiry on Rural, Pastoral, Agricultural and Dairying Interests (with particular reference to Share-Farming) (RC-Rural Interest), *New South Wales Parliamentary Papers*, 1917, Second Session, Vol.II, p.LXXXIX and Hobson, *op.cit.*, pp.146-7.

and the role of the works as purchaser and agents for the English market, created difficulties for them. The location of the works on the coast meant that high charges for transporting stock to the slaughtering works were imposed. In addition, the reluctance of the companies to construct works for killing and freezing in the North of Queensland aroused discontent. Furthermore, deep concern was expressed at the 1913 Queensland Royal Commission in various quarters, including the Editor of the reputable *Pastoralists' Review*, at the way in which prices were fixed. Regardless of higher rates prevailing on the world market, it was observed that the works paid English prices, and it was felt that this lessened the incentive of the pastoralists to raise the standard of their stock, and rather led them to concentrate only on increasing the number of stock produced.<sup>40</sup>

The association of the works with the shipping and agency firms with which they were linked tended to make them identify their interests less readily with the individual pastoralist's desire to achieve the best possible price for stock before they were slaughtered; and, of course, what might benefit pastoralists of a particular region so far as construction of works was concerned might not be profitable to a particular company which faced competition and possible loss of profits depending on the location of their business.

In summing up these changes, it is possible to demonstrate the very important role of British capital in stimulating the meat export trade by establishing the freezing works and shipping trade. The generalised policy of retrenchment and reduction in stock numbers throughout the colonies by the pastoral companies provided an initial supply of stock for slaughtering; profits were also gained through the investment in meat works and the good bargaining position this put the companies in for negotiating prices; and there was also an overall boost to Imperial trade

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<sup>40</sup> Report, *RC-Meat*, passim and Lewis, op.cit., p.131.

by sending out machinery and other equipment for the works themselves. Even those who generated much of their capital locally depended on the Empire. William Angliss, for example, first made his way into meat exporting by capitalising on the market for frozen meat on the West Australian goldfields through chartering refrigerated vessels to carry his meat over there from Victoria. But it was the outbreak of the Boer War which enable him to make his fortune through military contracts to the Imperial forces, and thence to develop his contacts sufficiently as to become the supplier of meat for the Royal Navy stationed in the Mediterranean. It was the opportunities that the Empire afforded that enabled him to construct his own Imperial Freezing Works and Abbatoirs in Footscray.<sup>41</sup> Thus it was that after the depression, on the basis of inter-colonial links established before,<sup>42</sup> British and British-backed institutions developed the meat export trade, with the particular specialisation of Queensland in the beef trade and Victoria and New South Wales in mutton and lamb.

Just as there had been developments in the field of large-scale primary industry, in wool and cattle, so too were there important steps taken in small-scale primary industry, in the export of wheat, dairy productions, and fruits. In discussing economic developments in this area of primary industry attention will be paid to important qualitative aspects that are especially significant for the whole economic structure at the time. For this reason, some stress will be placed on tracing out a little history of small farming in the various export sectors, so that the social and economic relationships lying behind economic reconstruction and inter-colonial free trade can be better understood.

The wheat-growing industry was in many ways typical of the situation of small farming in the Australian colonies, and it was also the most

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<sup>41</sup> Angliss, J.V., *Sir William Angliss: An Intimate Biography*, private, Melbourne, 1959, pp.36-50.

<sup>42</sup> That is inter-colonial links between the pastoral finance companies *q.v.*

important export sector of the time, and so a beginning will be made with that. Before the depression South Australia was the premier wheat-growing colony in Australia. Wheat and flour were very substantial exports from there. Financial institutions like the National Bank had liberal loan policies in the 1870s which were designed to encourage small wheat farmers to advance out into the less settled districts of the Province.<sup>43</sup> The export trade for South Australian grain was basically for the UK, and the marketing of the wheat, though not the growing, was under the control of Adelaide mercantile and shipping agencies.<sup>44</sup> In the last two decades of the nineteenth century, however, the wheat farmers were hard hit by droughts, and the severity of the blow was accentuated by their having moved into the marginal areas in the Upper and Lower North and York Peninsula. An abrupt decline set in and the rural towns in those areas stagnated.<sup>45</sup> The retreat from the North, and the failure of wheat-sowing to increase, led to large-scale unemployment in Adelaide.<sup>46</sup> Furthermore, under financial pressure many of the small farmers sold out their holdings to the larger pastoral estates as the economic crisis deepened. Those small farmers remaining, as well as the unemployed, placed pressure on the Government to reverse this trend, and so it was decided to repurchase land and convert it into Homestead Blocks which were then granted to those out of work. Provision was made for easier credit through Agricultural Banks in the 1890s.<sup>47</sup> In the colony of Victoria, though

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<sup>43</sup> Blainey, *Gold and Paper*, p.116.

<sup>44</sup> Hirst, J.B., *Adelaide and the Country 1870-1917: Their Social and Political Relationship*, Melbourne University Press, 1973, p.24.

<sup>45</sup> McKnight, J., "A Survey of the History of Manufacturing in South Australia", *Proceedings of the Royal Geographical Society*, S.A. Branch, Vol. 67, 1966, p.24.

<sup>46</sup> Williams, M., "More and Smaller is Better: Australian Rural Settlement 1788-1914", in J.M. Powell and M. Williams (eds.), *Australian Space: Australian Time*, Oxford University Press, Melbourne, 1972, pp.85-6.

<sup>47</sup> *Ibid.*, pp.83-4.

there had not been such disastrous over-expansion as in South Australia, similar trends began to operate in the crisis.

With people demanding work, the Government was prepared to launch minor irrigation schemes in the 1880s, and in the beginning of the 1890s the settlement of the Mallee District was begun in earnest.<sup>48</sup> In New South Wales the crash in the wool industry heightened popular agitation for more equitable land legislation, and so new laws were introduced along with cheap loans schemes to move unemployed people on to communal blocks or small individual holdings. At the time, the President of the Bank of New South Wales commented favourably on the scheme as a means of assisting the export trades.<sup>49</sup> And in Western Australia, the Forrest Government responded to the great influx of population arising out of the gold rushes by promoting company mining at the expense of the small co-operatives and individual mining, while simultaneously pushing through policies favourable to agricultural development at the expense of the bulk of the mining population. Differential freight rates and the construction of agricultural branch lines favoured the wheat-growing areas at the expense of the miners, and as the miners were gradually thrown out of work on the goldfields, the excess population was "mopped-up" through developing small farming.<sup>50</sup> Queensland also displayed similar patterns as in the other colonies.<sup>51</sup> These policies of course cannot be dissociated from the

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<sup>48</sup> Shaw, A.G.L., "History and Development of Australian Agriculture", in D.B. Williams (ed.), *Agriculture in the Australian Economy*, Sydney University Press, 1967, p.12, and S.H. Roberts, *History of Australian Land Settlement 1788-1920*, Macmillan, Melbourne, 1968, pp.313-4.

<sup>49</sup> Holder, *op.cit.*, pp.496-7.

<sup>50</sup> Glynn, S., "Government Policy and Agricultural Development: Western Australia, 1900-1930", *Australian Economic History Review (AECHR)*, Vol.VII, No.2, September 1967, pp.131-2.

<sup>51</sup> Camm, J.C.R., "Railway Development and Agricultural Settlement on the Darling Downs, 1868-1920", *Australian Geographical Studies*, Vol.VIII, No.1, April 1970, *passim*, and Governor of Queensland - Secretary of State for the Colonies, 30/9/1904, Governor-General's Office, Australian Archives, CP 78/58.



depression in the wool-growing industry. At the time many pastoralists were looking for a way out of their financial difficulties, and the settlement of the unemployed on the land at Government expense also enabled many pastoralists to sell off part or whole of their runs at an excellent price that otherwise they might not have obtained during the depression years.<sup>52</sup> Other than direct sale, pastoralists also resorted to the practice of leasing their land through share-farming. Thus, on the basis of an agreement where the landowner would be entitled to share in the proceeds of farm produce, a small tenant would be admitted to the land. Based on evidence before the Parliamentary Committee on Public Works concerning the railway extension from Culcairn to Germanton (now Holbrook), M.E. Robinson writes:

"Share farmers were considered to be the tools of the land owners. They were used when the wool trade was poor as an alternative source of income or to improve the better areas of an estate".<sup>53</sup>

When the trade improved or the land was fully cleared contracts were terminated. Thus, it emerges that the farmers were very often people with meagre financial resources, lately unemployed and if they were share-farmers under considerable financial obligations to pastoralists.

Into the Federal period the drive for closer settlement and the push for irrigation works and other forms of Government assistance became linked, particularly in South Australia, Victoria and New South Wales. Hence the Burrunjuck Dam on the Murrumbidgee, and storage wage projects on the Goulburn, Loddon, and Murray Rivers were undertaken. However, the form of Government assistance for establishing people on the land was

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<sup>52</sup> Lt.-Governor of Victoria - Secretary of State for the Colonies, 12/4/1904, Australian Archives, CP 78/58: "Besides a great many landholders have been sub-dividing and selling considerable portions of their land and with great success....This method of meeting public demand will in all probability make the Government measure (for the re-purchase of lands) but little resorted to..."

<sup>53</sup> Robinson, M.E., *The New South Wales Wheat Frontier, 1851 to 1911*, Research School of Pacific Studies, A.N.U. Canberra, 1976, pp.148-9.

changing as a new plan came into effect at the turn of the century. The high tide of unemployment coupled with popular enthusiasm for redistribution of the land had pushed the Governments towards spending money on purchasing land for settlers. But, as unemployment slowly fell and public pressure relaxed somewhat, holdings were granted on the condition that the farmer introduced improvements to the land in the marginal areas such as Eyre Peninsula, the Mallee, the Murray Mallee, and the south-west of New South Wales. Under this new scheme, Government expenditure was concentrated on the provision of general services such as rail and water transport, and the funding of rural research programmes for grain improvements (for instance, the developments of Federation wheat by Farrer), rather than on direct subsidies to the farmers themselves.<sup>54</sup> This was of considerable importance to the structure of small farming, since no longer did the Government have a direct stake in the prosperity of the individual farmer *per se*, but only in the overall utilisation of government works and services by the wheat industry as a whole. Individual farmers could come and go, they might have to struggle for years to pay their way, but it would be at far less expense to the revenue. By 1914 about 12,000 families had been settled on the land through Government schemes. Over the period 1896-1915 the acreage under crop had increased from four million acres to twelve millions, and exports of wheat had more than doubled. The centre of wheat growing had also shifted away from South Australia towards New South Wales, acreage in N.S.W. increasing fivefold, in Victoria by 80 per cent, and in South Australia by 40 per cent by 1911.<sup>55</sup>

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<sup>54</sup> Williams, M., *loc.cit.*, pp.88,94-5.

<sup>55</sup> Shaw, *loc.cit.*, pp.15-16, and L'Huillier, L., "Depression and a National Economy", in J. Griffin (ed.), *Essays in the Economic History of Australia*, Jacaranda, Brisbane, 1967, pp.194-5.

The product of wheat for the three States in 1909/10 was for N.S.W. 28,500,000 bushels, Victoria 28,800,000 bushels, and South Australia 25,100,000 bushels.<sup>56</sup>

However the development of the wheat-growing industry involved many problems for those directly engaged in production. Simply because the UK had a ready supply of grain, or because investors could foresee in the industry a better situation for the balance of payments in the colonies, did not mean that the issues associated with the growth of the new industry were necessarily resolved in favour of the farmers. It might perhaps be argued that improved technology amongst the farmers would offset other disadvantages, such as their usually weak financial position. However the application of farm machinery tended to benefit the larger farms rather than the smaller,<sup>57</sup> and the use of strippers, reapers and binders, and the technique of Mullenising (to clear the land), were all offset by the move into the inland areas with less rainfall. Thus the yield per acre dropped continuously from 1870 to 1900 and did not rise again to its previous level for many years.<sup>58</sup>

The principal difficulties facing the small wheat farmer arose from the industries which serviced the wheat-growers: the large and influential firms of produce merchants and grain shippers, flour millers, and suppliers of agricultural implements and fertilisers. The farmer was soon faced with the formation of merchandising, fertiliser and agricultural implement cartels. Detailed evidence before Royal Commissions showed that there were controlled agricultural implements prices, controlled fertiliser prices, that sacks of grain were weighed in an

<sup>56</sup> *Commonwealth Production Bulletin*, No.4, 1909, Govt. Pr., Melbourne, 1910, p.13.

<sup>57</sup> Dunsdorfs, E., *The Australian Wheat-Growing Industry, 1788-1948*, Melbourne University Press, 1956, p.185.

<sup>58</sup> Shaw, *loc.cit.*, pp.15-16,72. It was not until the 1950s that the yields came back to the 1870 level. In 1910 the yield was somewhat more than 9 bushels per acre.

obsolete fashion on small scales that arbitrarily reduced the price of wheat for the farmers,<sup>59</sup> that there was an "honourable agreement" which regulated the price of wheat so that farmers did not receive the full benefit of rising world prices, that shippers were informed of the ruling London prices by cable whereas the farmers were forced to bargain unawares, and that ocean freights were double those prevailing for competitor countries. Further evidence showed that, in the words of a 1913 Royal Commission, "few farmers were in a position to hold the whole of a season's crop for a rise in the market price" and indeed many farmers were forced to give a lien on their crops to the merchants.<sup>60</sup> Special mention should be made of two important practices that affected the farmers: the *fair average quality* pricing system (f.a.q.) and the "free" storage system. The f.a.q. was the standard by which wheat prices were struck, and it was based on a sample of wheats from throughout the wheat-growing areas. In the first place, the f.a.q. was struck late in the season and so merchants would buy up wheat that would clearly be above the f.a.q. and refuse to buy intermediate and lower standard grain unless at prices below that which the grain would have achieved had the f.a.q. been struck earlier.<sup>61</sup> Even after the f.a.q. standard had been struck merchants were able to dock amounts off the price paid for grain below the standard but they did not pay higher prices for grain above the standard.<sup>62</sup> The free storage system came about when small farmers, unable

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<sup>59</sup> Weighing bag by bag in South Australia continued till the 1930s compared to the rate of four bags at a time in Victoria. Farmers lost money at each turn of the machine. See Dunsdorfs, *op.cit.*, pp.222-3.

<sup>60</sup> *RC-Storage*, 1489,1440. The report lists the various problems that the farmers faced, based on the evident which is minuted in the same place. Dunsdorfs also provides a similar account. Concerning the lien on crops see Dunsdorfs, *op.cit.*, p.227.

<sup>61</sup> A summary of the f.a.q. operations can be found in *RC-Storage*, p.9. of report, other references include Progress Report of the Royal Commission on the Question of the Marketing of Wheat, *South Australian Parliamentary Papers*, 1908, Vol.II, and Dunsdorfs, *op.cit.*, p.222 with references to the late fixing of the standard.

<sup>62</sup> *RC-Storage*, p.35 of Report.

to hold back their produce at the height of the season when prices were lower, either had to sell outright to the merchants or placed their wheat into "free storage". Then they either had to sell it to those who owned the storage at a price determined by the owner or else pay very high handling, weighing and storage costs. The shipper could hold back the grain and speculate on prices or benefit from the added weight through moisture that was naturally accrued while wheat was kept.<sup>63</sup> These incidents were not isolated "abuses", but were the ordinary and everyday procedures that the farmers had to contend with.

Supporting the claim that there was indeed a cartel arrangement, it can be shown that in 1907-8 the Flour Millers Association was formed, which led to the number of mills being reduced from 68 to 63 together with a large reduction in the amount of flour being milled despite the fact that it had been a bumper year.<sup>64</sup> Farmers also depended on the merchants for the supply of bags for grain which were sold to farmers at a profit and which the farmers had to resell to the merchants at a loss.<sup>65</sup> As regards the sale of manures and fertilisers the picture was little better. Consider the following table:

Table 7

Percentage Area Manured to Total Area Cropped,  
South Australia, Victoria, N.S.W., 1900/01,  
1910/11

	<u>1900-01</u>	<u>1910-11</u>
South Australia	27.4	80.7
Victoria	11.8	68.6
New South Wales	NA	30.5

<sup>63</sup> *Ibid.*, pp.1440-2, Dunsdorfs, *op.cit.*, p.222.

<sup>64</sup> Wilkinson, H.L., *The Trust Movement in Australia*, Critchley Parker, Melbourne, 1914, pp.95-6.

<sup>65</sup> Dunsdorfs, *op.cit.*, p.227.

Thus the use of manure grew to be quite extensive, and the balance shifted fairly rapidly towards the use of artificial manure.<sup>66</sup> In fact super-phosphates were associated with the development of a considerable inter-colonial trade exporting £111,968 worth from Victoria of which South Australia imported £47,470, Western Australia £30,979 and New South Wales £20,487, whilst rock phosphate fertilisers were associated with a smaller export trade from South Australia.<sup>67</sup> During the period 1905-1913 Australian production of fertilisers increased more than ten times and this supplied more than seventy per cent of the local market.<sup>68</sup> The history of the Mt Lyell Company is worth recounting at this point, since by 1911 it was to produce about one-third of the Australian output. It was in 1904 that the company decided to enter the field and it purchased works in Melbourne. By 1906 the company was making so much money that it doubled the size of the plant. In 1907 it bought works at Port Adelaide to capture a market in South Australia, and in 1908 it commenced the construction of its Western Australian works at North Fremantle.<sup>69</sup> Together, with the firms of Cuming Smith and Wischer and Co., allegations were being made against the companies of retail price maintenance, and by 1913 when the Mt Lyell firm took over Wallaroo fertilisers, the situation often was that the same companies had the same agent in country towns, and cartel operations rather than competition was the more common.<sup>70</sup> For their part, the farmers, even when they were united in co-operatives, were unable to secure the same discount for large orders that the fertiliser companies were prepared to give to their agents.<sup>71</sup>

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<sup>66</sup> *Ibid.*, p.199.

<sup>67</sup> *Trade*, 1909.

<sup>68</sup> Blainey, G., *The Peaks of Lyell*, Melbourne University Press, 1967, p.181.

<sup>69</sup> *Ibid.*

<sup>70</sup> Wilkinson, *op.cit.*, pp.92-3.

<sup>71</sup> Dunsdorfs, *op.cit.*, p.225.

Overall, the wheat growing industry had many charges imposed upon it, directly or indirectly. N.G. Butlin has calculated that over 11 per cent of the total agricultural product was taken up in paying commissions, handling charges, containers, all of which had been particular sources of grievance. Certainly the pastoral industry at the time was not so burdened, since comparable charges there amounted to 4 per cent.<sup>72</sup> The impact of this upon the farmer can only be assessed properly when it is remembered that in the years 1909-10 there were 6,586,236 acres under wheat crop, and that the average size of holdings for that year in Victoria was 113 acres, for New South Wales in 1910-11 it was 118 acres, and South Australia in 1914-15 172 acres.<sup>73</sup> Thus many farms would have been in great difficulties since evidence and experience accumulated in this period indicated that such a size would be well below that required for a really viable farm.<sup>74</sup> The share-farmers who had additional burdens on their crops probably fared worst.<sup>75</sup> James Thom, Mayor of Temora, declared: "I think the average share-farming conditions are little short of slavery", whilst even a successful share-farmer admitted that he was more successful than a great many others had been.<sup>76</sup> When these economic problems are added to the normal rigours of rural life at the time - the inability to store food properly, the prevalence of disease such as opthalmia, and the fact farmers might live a considerable not even in huts but tents<sup>77</sup> - it is perhaps understandable why such

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<sup>72</sup> Butlin, *Domestic Product*, 90-1, 112.

<sup>73</sup> *Commonwealth Production Bulletin*, 1909, p.9 and Dunsdorfs, *op.cit.*, pp.243-44.

<sup>74</sup> Williams, M., *loc.cit.*, p.96.

<sup>75</sup> RC-Rural Interests, p.366 and also M. Robinson, *op.cit.*, pp.150-1.

<sup>76</sup> RC-Rural Interests, Minutes of Evidence, p.427 and evidence of T.H. Black, pp.566-7.

<sup>77</sup> Gandevia, B., "Land, Labour and Gold: The Medical Problems of Australia in the Nineteenth Century", *Medical Journal of Australia*, Vol.I., No.20, 14 May 1960, pp.759-60, and RC-Rural Interests, pp.510, 514, for accounts of farmers living in tents for fairly long periods.

books as Steele Rudd's *On Our Selection* should grasp the imagination of so many Australians for its portrayal of the life of poor selectors and farmers, or why the 1913 Victorian Royal Commission should conclude its findings thus:

"There is very much justification for the deep discontent which pervades the wheat-growing industry in Australia. The produce has imposed upon it many charges, direct and indirect, that it is undoubtedly true....that the wheat farmers are the most neglected and the most helpless of our primary producers..."<sup>78</sup>

Whether the wheat farmers were the worst off or not it may be hard to ascertain, but it is true that though wheat farming had long been a feature of the colonial economies, the period of its expansion after the depression saw a consolidation of the place of the urban firms - merchants, millers, fertiliser firms, and, as we shall see in the next chapter the agricultural implement makers - in dominance over the small farmer. By dominance, it is not meant either that the small farmers were brought to economic extinction or that they had absolutely no bargaining power. Rather, given the meagre financial resources of the farmer compared with those of the urban servicing firms, the weakness of the co-operatives and scattered unity of the farmers compared with the facility with which the firms could act jointly in matters affecting their interest, not to mention the superior information at their disposal, when farmers and firms met in the market the firms were able to use all these factors to resolve commercial transactions largely to their advantage. Indeed, as has been evidenced concerning the f.a.q. system, the very rules by which commerce was carried through were weighted in favour of the firms.

For this reason, when the question of inter-colonial free trade is considered, it is misleading to place the main emphasis on the farmers.

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<sup>78</sup> RC-Storage, 1489.



Inter-colonial free trade in wheat itself had certainly risen over the period 1890 to 1910, and it has been suggested that the prospects of this increased trade were motivating factors behind farmers' support for Federation. For example, the South Australian export trade to other states rose from £87,000 to £129,000 from 1890-1909.<sup>79</sup> However, it has also been pointed out that South Australia nevertheless did not really regain its overall pre-eminence as the wheat State after inter-colonial free trade. To counter this point, it has been further argued that perhaps it is the flour trade which should concern us. Yet the figures here are also disappointing, since the South Australian export trade fell from £369,000 in 1890 to £127,991.<sup>80</sup> The real impact, disregarding whatever impact people at the time might have expected, of the wheat export trade's growth for the farmers was the overseas market. The value of wheat exports overseas totalled over £6,000,000 and made the interstate trade seem fairly insignificant.<sup>81</sup> Trade between the states reveals a different picture for the urban firms. Even in the flour trade the ratio of overseas to interstate trade was considerably less overwhelming than for wheat.<sup>82</sup> Fertilisers, as has been noted above, were sufficiently attractive for the inter-colonial market for firms to expand rapidly,<sup>83</sup> and of course their operations were directed essentially at the interstate market. The other vitally important service sector to the wheat industry about which more will be said was that of agricultural implements and machinery. Produced

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<sup>79</sup> *Trade, 1909*, for this and successive items see appropriate entries in inter-state trade section unless it is clear that overseas trade is referred to.

<sup>80</sup> *Ibid.* For the discussion on S.A. wheat and flour in relation to inter-colonial free trade, see Parker and Blainey, *Historical Studies*, and Norris, "Economic Influences on the 1898 South Australian Federation Referendum", in Martin, A.W., *op.cit.*

<sup>81</sup> *Ibid.*

<sup>82</sup> *Ibid.*

<sup>83</sup> Blainey, *Lyell*, p.181, and see also Blainey's remarks re the expansion of Cuming Smith.

almost entirely for the home market the value of exports interstate for main producers was thus:

Table 8

Outward Interstate Transfers of Agricultural Machinery and Implements<sup>84</sup>

Colony	Value £	
	1890	1909
Victoria	35,263	294,256
South Australia	9,254	97,056
New South Wales	1,017	12,090

Particularly as the wheat-growing centres shifted in the colonies and States, the importance of inter-colonial free trade to such an important branch of industry grew. Hence, in view of the structure of the wheat industry, the dominance of particular interests, and the greater significance of inter-colonial trade to those interests, the wheat industry may also be said to have played its part in strengthening the necessity for inter-colonial free trade.

Many of the central aspects that have been indicated in the analysis of the wheat-growing industry also apply to the dairy industry. The pre-depression stages of dairying in the colonies are of little significance. Up to the 1880s it was little more than a local consumption industry.<sup>85</sup> Then, in the 1890s, the real expansion took place. In New South Wales the quantity of milk produced increased sevenfold between 1896 and 1906, and in Victoria from 1890-93 the value of butter exports increased from £60,000 to £574,000, though this total was to fall somewhat in later years.

<sup>84</sup> *Trade, 1909.*

<sup>85</sup> Drane, N.T. and Edwards, H.R., *The Australian Dairy Industry: An Economic Study*, Cheshire, Melbourne, 1961, p.29.

By 1909 New South Wales was producing 62 million lbs of butter, Victoria 55 millions and Queensland 24 millions, and of this 48 million lbs were exported to the UK.<sup>86</sup> These figures do not disclose the special importance that dairying was to gain in the southern districts of Queensland, and by 1920 Queensland was the premier exporter of cheese and kept third place in exporting butter.<sup>87</sup> It was in fact during the establishment of dairy and butter industries in the depression years and after, that dairy farmers also encountered difficulties in the manufacture of their milk into butter and in its marketing. To develop the export trade with the UK (and it is important to recall the particular stress that Imperial commentators and investors placed on developing Australian exports) a uniform grade of butter had to be established so that a distinctive quality of colonial butter would be recognisable in the UK market. Three important technical innovations were integrated into the economy at the time: refrigeration, mechanical cream separators, and the Babcock tester which could more accurately determine the butter-fat content of the milk. Without doubt these innovations raised the level of butter production greatly, however they are worthy of some further comment. At first, cream had been separated from milk in local creameries with household separators,<sup>88</sup> but then the overseas development of mechanical separators enable a more uniform quality to be arrived at. Yet these separating machines were also large and expensive, so factories were established to handle the produce of a number of farms and to concentrate on marketing the product.<sup>89</sup> Further changes came over the industry as this process speeded up, whereby, in

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<sup>86</sup> Sinclair, W.A., *Economic Recovery in Victoria 1894-1899*, ANU Social Science Monographs, No.8, 1956, A.N.U., Canberra, pp.65-6, and M. O'Callaghan, *Dairying in All its Branches*, N.S.W. Department of Agriculture, Govt. Pr., Sydney, 1906, p.IX, and *Commonwealth Production Bulletin (CPB)*, 1909, and Trade, 1909.

<sup>87</sup> Lewis, *op.cit.*, p.132.

<sup>88</sup> Drane, *op.cit.*, pp.29-30.

<sup>89</sup> Jeans, D.N., *An Historical Geography of New South Wales to 1901*, Reed, Sydney, 1972, pp.255-6.

N.S.W. for instance, small creameries shipped the produce to central butter factories which could afford the new and expensive refrigerating equipment. Thus, as early as 1883, the wealthy pastoral produce agent Thomas Mort established his Fresh Food and Ice Company for this purpose.<sup>90</sup> The Babcock tester was introduced as a further step towards uniformity, but the test was carried out by the factories and creameries and the farmers paid on the basis of the results.<sup>91</sup> Complaint arose in several states that the results were unfair and lowered the price for the farmer.<sup>92</sup> The pattern establishing itself in Victoria was that creameries would then rail their produce to central factories in Melbourne or else in New South Wales where creameries supplied larger factories set up in the dairying areas themselves.<sup>93</sup>

Let us examine the situation a little more closely to form a more accurate idea of the problems faced by dairy farmers. At the same time as the industry was developing, farmers had complained of falling returns and of their treatment at the hands of the produce merchants. Once the farmers began to deliver this milk to the local creamery rather than separate the cream themselves, they not only lost time that could be spent on their farms but also lost the important side-line of being able to feed skim milk to pigs. Equally, in the making of butter, the farmers lost the by-product, buttermilk, which the produce merchants could usually sell but for which they paid no return to the farmers.<sup>94</sup> With the Babcock tester,

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<sup>90</sup>Drane, *op.cit.*, pp.29-30.

<sup>91</sup>*Ibid.*, p.30.

<sup>92</sup>That is, the dairy farmers were very suspicious of the factory owners and the way in which cream was evaluated, see Royal Commission on the Butter Industry (RC-Butter), Final Report, *Commonwealth Parliamentary Papers*, Vol.2, 1905, p.1229, and Report of the Royal Commission upon the Charges Against the Produce Merchants, *South Australian Parliamentary Papers*, Vol.2, 1907.

<sup>93</sup>Linge, G., "The Forging of an Industrial Nation: Manufacturing in Australia 1788-1913", in Powell and Williams, *op.cit.*, p.174.

<sup>94</sup>Jeans, *op.cit.*, p.256, and evidence of P.H. Suter, Government Dairy Expert for S.A., Royal Commission upon the Charges Against the Produce Merchants (RC-Charges), p.36.

there was still by no means uniformity in the way the test was administered, or even if it was used at all. Thus the tester was only just coming into use in Adelaide in 1905, and even then major firms were still not using it.<sup>95</sup> Also apparent in the dairy industry was the trend towards concentration of ownership of the factories. In South Australia, it was found that many co-operative enterprises were selling out to private individuals, either through the competition of the central Adelaide firms moving into the business of the country firms, or else because the factory might owe money to the sellers of machinery or the produce merchants who handled the machinery and thus be overburdened with interest payments on loans.<sup>96</sup> Co-operatives had been the early trend in New South Wales as well, but as factories became more profitable and as Sydney produce marketing firms sought to control their own butter supplies more and more factories came to be founded by private capital.<sup>97</sup> The Victorian picture is worth a little more comment. In 1904 it was estimated that there were 41,824 keepers of dairy cows, that there were 278 creameries and 195 butter factories. Of the factories 111 were co-operatives, 19 were on a co-operative basis, 19 proprietary dairies, and 46 privately-owned.<sup>98</sup> The Victorian Government established an export bonus to encourage the butter factories, creameries and cheese factories, and £233,000 was set aside to be paid according to export quality. A Royal Commission set up to investigate found that over 70 per cent of the butter export bonus was paid to only ten companies, mainly based in Melbourne, which had disguised their returns so as to keep the smaller companies on whose behalf they were supposedly acting in financial difficulties. Thus, by the turn of the century, half of the factories were under Melbourne control. Between

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<sup>95</sup> *Ibid.*, p.33, and evidence of J. Sandford, produce merchant, p.27, and J.H. Crow, Adelaide Chilled Butter and Produce Co., p.54.

<sup>96</sup> *Ibid.*, Suter, p.295.

<sup>97</sup> Jeans, *op.cit.*, p.256.

<sup>98</sup> RC-Butter, p.1229.

Melbourne butter merchants and London butter-brokers there was a trade combination, a fact attested to not only by produce firms that were excluded from the trade but also by the production of letters between the firms in the arrangement.<sup>99</sup> Other evidence showed that bribes were paid to Managers and Directors of factories and to officials, by the suppliers of factory requisites.<sup>100</sup> Thus in the colonies the role of private capital organised separately from the dairy farmers had increased in the industry, and the control of the farmers over the manufacture and marketing of their product had declined. Though the factory system led towards a more uniform grade of butter, and though Government incentives to use the factories and the provision of advice from Government Agriculture Departments no doubt conferred certain benefits on the farmers, the pressure for standardisation had also undermined the independent strength of the dairy farmers as an organised group vis a vis the factories and produce merchants.<sup>101</sup> And at the very end of the local outlets for the dairy industry for example, the Melbourne Retail Milk Vendors carved up the Melbourne milk market amongst themselves with an agreement not to poach each others' customers. Their retail prices were 100-125 per cent above those paid to the farmers.<sup>102</sup>

The declining influence of the farmers in marketing and manufacture of produce from milk should be taken into account when the question of inter-colonial free trade is considered. It has already been mentioned that there was a butter export trade between the UK and the Australian

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<sup>99</sup> RC-Butter, pp.1248,1250,1253 and Minutes of Evidence in *Victorian Parliamentary Papers*, Vol.2, 1905, p.112 (of Minutes), and see also Linge, G., *Industrial Awakening*, unpub. MS, Ch.9, kindly shown by the author.

<sup>100</sup> See Footnote 98.

<sup>101</sup> For instance it was remarked that dairymen were not financially in a position to subscribe capital for co-operative dairies, RC-Butter, p.1252.

<sup>102</sup> Wilkinson, *op.cit.*, pp.121-2.

colonies, the value of which was £2,403,000 in 1909.<sup>103</sup> Unlike the wheat industry, however, the increasing manufacture of butter for export did not bring with it an upsurge in the local manufacture and inter-colonial trade for machinery or other items to service the industry. Most factory and dairy equipment was imported from overseas. On the other hand, the inter-colonial trade in butter itself was of far greater significance for the industry than had been the case in the wheat industry. Thus the leading colonies greatly increased their trade over the period 1890-1909 with New South Wales raising its exports from £16,564 to £305,823, Victoria from £12,355 to £255,400, and Queensland from £62 to £85,870.<sup>104</sup> Thus from these three States by 1909 the inter-colonial export trade was worth approximately 25 per cent of the overseas exports. While the main emphasis in the dairy industry should therefore be placed on the trade with the UK, the significance of the domestic trade, particularly with Western Australia, should not be overlooked.

The last case study to be made here of the situation of small farming in the export industries is fruit-growing. In 1909-10 a total of 178,978 acres was under crop for fruit in the Commonwealth, and in Tasmania fruit-growing was of particular importance with 24,069 acres under crop.<sup>105</sup> From about 1870 onwards in Tasmania, there was increasing commercialisation of fruit-growing as more and more farms exclusively devoted to growing fruit developed, and as more advanced methods of cultivation came into being following the devastation of previous crops by the codlin moth. Hobart was a good port, and Tasmania afforded plenty of ready material for fruit cases as well as short lines of communication and transport by rail or by river.<sup>106</sup> From 1870-1904 the main developments took place in the

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<sup>103</sup> *Trade, 1909.*

<sup>104</sup> *Trade, 1909*, and see various *Statistical Registeres* for the year 1890.

<sup>105</sup> *CPB, 1909*, p.9.

<sup>106</sup> Goodhand, W.E., "The Growth and Development of the Tasmanian Pome Fruit Industry", *Australian Geographer*, Vol.IX, No.1, March, 1963, pp.26-7.

south of Tasmania, where the size of farms was extremely small (about 10 to 50 acres) and the settlers possessed little beyond their own labour-power. They had to live a near-subsistence existence as they waited up to twelve years for their trees to bear fruit. In the Derwent Valley the picture was very different. There farms were on drier land, mixed farming occurred, and farms ranged up to about 1,000 acres. The main period of expansion in this area took place between 1890-1900 under the stimulus of the overseas market, and about 30 per cent of total production came from this area. Indeed, it was during the depression and reconstruction period that the British market came most to increase its importance

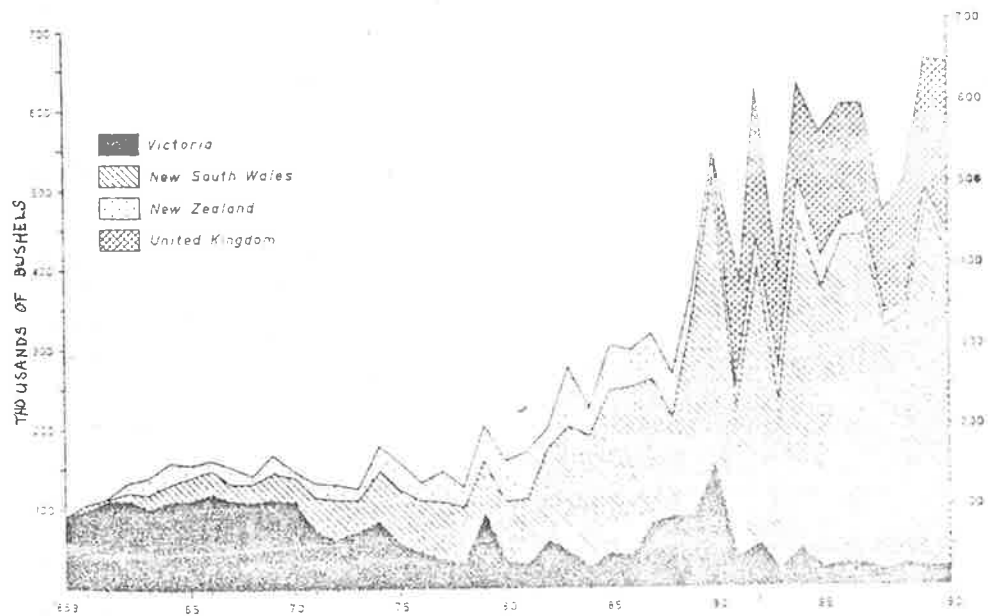


Fig. 3. Exports of pome fruits, 1859-1901.

Source: Goodhand, *op.cit.*, p.25.

as colonial tariffs increased in Victoria, South Australia, Western Australia and New Zealand against fruit imports.<sup>107</sup> The last area to move ahead, between 1904 and 1919, was in the north when apple shipments to Britain were flourishing. Quite large estates were established, and there were even land companies seeking the investment of overseas capital.<sup>108</sup>

<sup>107</sup> *Ibid.*, p.23.

<sup>108</sup> *Ibid.*, pp.27-31.



Once again the nature of small farming, where the producers had little financial backing forced them to seek finance elsewhere. On the basis of extensive evidence before them the Royal Commissioners into the Fruit Industry observed:

"Most growers find it necessary in the early stages of their experience to arrange for financial assistance to help them over the three to five years' periods between occupancy of the land and the harvesting of their first payable crop. This accommodation has usually been obtained from the packing and exporting firms and agents at heavy rates of interest. During the currency of the advance the growers are dependent on those firms and agents for their supplies of implements, trees, manures &c., which are charged for at high rates...."<sup>109</sup>

The Commission also found that the firms controlling the fruit export trade were well represented on the bodies that purported to speak for the interests of the growers, and that with the participation of the largest orchardists in the big jam manufacturing enterprises like Henry Jones, the small farmers had little say and sometimes feared to speak out. Shipping space was also manipulated, so that those who refused to go along with the big firms were denied space aboard refrigerated vessels.<sup>110</sup> In fact, problems with shipping extended to other fruit-growing areas in Australia. For example, in South Australia, growers were required to make estimates months ahead of the space they would need, which was to the convenience of the shippers but not the growers; and in Victoria and Tasmania the bulk of the space was found to be controlled by two firms; and Western Australian fruit-growers complained generally about the dominance over shipping by the Eastern interests.<sup>111</sup> Indeed complaints from growers about the control of freight, the behaviour of exporting firms, and about the jam manufacturing companies for whom the vast bulk of small fruits were produced,

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<sup>109</sup> Royal Commission on the Fruit-Growing Industry (RC-Fruit), Final Report, *Commonwealth Parliamentary Papers*, Vol.2, 1914, p.230.

<sup>110</sup> *Ibid.*, Progress Report, Vol.4, 1913, p.9.

<sup>111</sup> *Ibid.*, pp.5-6.

were submitted repeatedly over the years to the Commonwealth Government. Farmers offered evidence to Ministers that accounts were faked, that secret rebates were offered for shipping space, and that people were generally overcharged for services.<sup>112</sup> By and large there appears to have been substance to many of these charges, and at all events the jam manufacturers were able to fix the price of fruits, and thus competition between the main firms of Peacock and Co. of Victoria and Henry Jones of Tasmania was illusory. It was revealed in 1914 that a holding combine had been formed comprising all the jam companies in Tasmania and Victoria, and by 1914 complete control had been assumed by the Henry Jones Company.<sup>113</sup> The use of their superior financial position, of rebates to retailers, and power over shipping at a time of increasing trade made it possible for manufacturers to increase their control over the market.<sup>114</sup>

There were two principal markets for the produce merchants and manufacturers, New South Wales and the UK. The New South Wales trade had always been of great importance, and even despite the development of overseas trade by 1909, the New South Wales trade in fresh fruit from Tasmania still accounted for about the same value as overseas exports.<sup>115</sup> However, there had not been very much growth in the inter-colonial trade. The principal significance of inter-colonial links lay in the strength of the major companies like Henry Jones in manufacture and trade across inter-colonial boundaries of jam and jellies. Tasmanian and Victorian manufacturers made striking gains in the years 1890-1909. The overseas export trade of jams and jellies were fairly unimportant, amounting to only

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<sup>112</sup> Nicholls-Keating, 21.8.1908, Edwards-Minister for Home Affairs, 21.3.1908, Deakin Papers, MS 1540, Ser.15, III E, Box 37, National Library of Australia.

<sup>113</sup> Wilkinson, *op.cit.*, p.89, and RC-Fruit, 2, 1914, p.229.

<sup>114</sup> Wilkinson, *op.cit.*, pp.88-89.

<sup>115</sup> *Trade*, 1909.

£26,124, but in Tasmania interstate exports had risen from £14,180 to £128,205 and in Victoria from £4,091 to £101,711.<sup>116</sup> The feature of this that is especially striking is that the major overseas trading firms were also the main shippers and manufacturers, and so that the development of the fruit export trade to the UK was intimately bound up with the growth of local manufacture and domestic trade.

Mining is the last export area that will be examined. It held an extremely important place in the areas in which British funds were invested ever since the gold rushes of the 1850s, but in the closing period of the nineteenth century and into the twentieth it became one of the leading fields for British investments abroad, becoming pre-eminent out of all fields by 1913.<sup>117</sup> In the Australian colonies the main minerals mined for export were gold, silver and lead, tin and copper. (It should be remembered that much of the coal was primarily for use within the Commonwealth and as such will not be dealt with here). It is worth noting some overall figures for mining, before examining the various developments in turn:

Table 9

Number of Persons Engaged in Mining,  
1891, 1901, 1909

	1891	1901	1909
N.S.W.	30,604	36,615	36,405
Vic.	24,649	28,670	19,396
Q'ld.	11,627	13,352	15,207
S.A.	2,683	7,007	7,128
W.A.	3,988	6,923	6,054
Tas.	3,988	6,923	6,054

<sup>116</sup> *Ibid.*, and Statistical Registers, 1890, Tasmania & Victoria.

<sup>117</sup> Hall, *op.cit.*, p.17.

Table 10

## Persons Engaged in Mining for Types of Minerals, 1909

	Gold	Silver/ Lead-Zinc	Copper	Tin	(Coal & Shale)	Other
N.S.W.	5,585	6,207	2,024	2,037	(18,569)	1,983
Vic.	18,671	4	2	48	( 607)	64
Q'ld.	7,150	854	3,241	2,158	( 1,715)	589
S.A.	1,177	40	4,504	355	( - )	1,052
W.A.	17,027	5	497	406	( 395)	7
Tas.	713	1,516	2,038	1,576	( 198)	13

Table 11

Value of Mineral Production, by Types of Minerals, 1909 <sup>118</sup>

	Gold	Silver/ Lead	Zinc	Tin	(Coal)	Copper
N.S.W.	869,546	1,484,614	1,041,280	211,029	(2,618,596)	424,737
Vic.	2,778,956	-	-	7,067	( 76,945)	44
Q'ld.	1,935,178	-	-	7,067	( 270,726)	853,196
S.A.	54,354	416	-	32,741	( - )	342,349
W.A.	6,776,274	1,199	244	65,959	( 90,965)	104,644
Tas.	190,201	298,880	-	418,165	( 26,464)	608,038
C'wlth	12,604,509	1,785,136	1,041,524	979,888	(3,083,696)	2,332,988

<sup>118</sup> Commonwealth of Australia, *Official Yearbook*, Govt. Pr., Melbourne, 1910, pp.538,491.

Gold was thus the most valuable export of the several colonies and of the Commonwealth, and employed the largest number of workers of all the mineral industries. However, the latest goldfield to develop, that of Western Australia, produced far more in output with fewer people than the older established fields in Victoria. Gold had been important in keeping the colonies solvent during the depression period, and compensated in part for the fall in export revenue. It was also of great importance in helping to service the large overseas debt, particularly as the large overseas-backed mining companies came into operation.<sup>119</sup> Indeed, the particular stimulus of the Western Australian goldrush in taking away unemployed workers from the Eastern colonies was most important. So too was the stimulus derived in the East from the transfer of capital from overseas through the east into Western Australian ventures, and to a lesser extent from the boosting of sales of mining machinery and other goods to Western Australia.

The pioneer period of gold mining in Western Australia was closely associated with the investment of London capital. The early conditions were difficult, because there was an initial lack of transport and a great shortage of water, which necessitated the dry-blowing technique for extracting gold. However, the conditions prevailing in the West were more suitable to the formation of mining companies arising from the use of reef and deep-shaft mining (hence the greater capital intensity in Western Australian fields), and the Forrest Government gave much support to the companies formed.<sup>120</sup> Syndicates were formed in both Perth and Melbourne to exploit the gold of Western Australia as soon as commercial quantities were mined.<sup>121</sup>

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<sup>119</sup> Holder, *op.cit.*, p.528.

<sup>120</sup> Crowley, *op.cit.*, p.133.

<sup>121</sup> *Ibid.*, p.85.

By 1896, more than three hundred mining companies had been floated in London, and a special Western Australian section of the London Chamber of Commerce was formed. Other companies were formed in Adelaide and Perth. Sufficiently had inter-colonial connexions been formed by this time that in the late 1890s Adelaide, the capital of the colony poorest in gold deposits, speculated so heavily in gold shares that it ranked as one of the busiest exchanges in Australia.<sup>122</sup> The investment of large amounts of capital began quite quickly to replace the independent miners as the central feature of the fields, and the dry-blowing techniques which had pioneered the fields were driven out by the introduction of poppet heads and the cyanide treatment plants.<sup>123</sup> In 1898 the Western Australian Government passed special legislation to overcome the last legal obstacles that had been discovered by the Supreme Court in the way of the mining companies. This aroused a very active protest movement amongst the diggers who had long held that they were being actively discriminated against by the Government.<sup>124</sup> Agitation, demonstrations, and petitions sprang up in favour of the separation of the goldfields from the colony of Western Australia, and as the Federation movement gained strength in the Eastern colonies, many diggers supported it believing that it would help them in their struggle to overcome the discrimination and the exclusion from democratic liberties that they faced. At the same time, the developing links between East and West through the channelling of goods and of people also served to bring the Colony as a whole closer into the orbit of the others, and thus providing a basis for Federation. In this regard, the role of the other colonies as a source of capital for mining was less significant than it was to be elsewhere, since the main goldmining companies were owned and directed from the UK, but the role of the Eastern colonies

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<sup>122</sup> Blainey, G., *The Rush That Never Ended: A History of Australian Mining*, Melbourne University Press, 1963, p.250.

<sup>123</sup> Crowley, *op.cit.*, p.119.

<sup>124</sup> *Ibid.*, pp.131-3.

as suppliers of other goods and labour and as channels for overseas capital was important.

Non-ferrous metals were also particularly important in the mining sector, and out of the reconstruction there came a new emphasis on them. South Australia in the 1850s and 1860s had been the centre for significant copper mining ventures, which had attracted capital from such institutions as Elder Smith and Co.<sup>125</sup> There was even a certain degree of inter-colonial trade connected with it at this stage as Wallaroo sent its poorer ores to Newcastle for smelting and Newcastle shipped back coal for the smelting of the richer ores in S.A.<sup>126</sup> But in the 1870s, the early mines went into decline, and provided few substantial deposits and employed fewer workers.<sup>127</sup> Thus South Australian capitalists began to turn towards the importation of minerals from other colonies for processing. On the eve of Federation, the mining and smelting company at Wallaroo and Moonta hoped to develop the smelting of concentrates from the Broken Hill ores, and the pro-Federationist R.C. Baker borrowed £10,000 to expand the works there.<sup>128</sup> Port Pirie also came into prominence as an entrepôt and smelting centre for silver, lead and zinc ores from Broken Hill because of the break in the railway gauge between Adelaide and Broken Hill at Terowie,<sup>129</sup> and because the rail link through to Sydney from Broken Hill had not yet been developed. Initially, in 1886, the Broken Hill Proprietary Company had attempted smelting its own ores at Broken Hill itself, but later it transferred its operations to Port Pirie, and by 1897 had discontinued all operations at Broken Hill.<sup>130</sup> This was convenient not merely for the shipping of concentrates overseas once they were processed, but the ships taking away the

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<sup>125</sup> Elder Smith, *op.cit.*, p.24.

<sup>126</sup> Blainey, *Rush*, p.118.

<sup>127</sup> Hirst, *op.cit.*, p.3.

<sup>128</sup> Norris, *Economic Influences*, p.150.

<sup>129</sup> Blainey, *Role of Economic Interests*, p.181.

<sup>130</sup> Woodward, O.H., *A Review of the Broken Hill Lead-Silver-Zinc Industry*, 2nd Ed., Australian Institute of Mining and Metallurgy, Sydney, 1965, p.156.

ores could also bring in coal as fuel for the works. Further capital concentration and further links to other branches of industry took place when the flotation process for the extraction of zinc was discovered, and the companies in this field established sulphuric acid enterprises from 1904 onwards.<sup>131</sup> Concerning all this, the Governor of South Australia observed:

"Lead and zinc are being shipped in large quantities from the Broken Hill mines, which though in New South Wales are for all practical purposes an asset of South Australia, all their trade passing through it, and the large smelting works of the Proprietary mine are situated at Port Pirie. The copper mines at Moonta and Wallaroo are doing well and copper is fetching a high price at present".<sup>132</sup>

The New South Wales Barrier mines were especially lucrative fields for investment for both Victorian, South Australian and British-based capital. In fact the Barrier mining boom which commenced around 1887-8 was the first mining boom that was truly inter-colonial. Before this mining had tended to attract capital mainly from the colony's capital city.<sup>133</sup> The Board of Directors of the B.H.P. Co. included not only Victorians, but also the South Australian flour milling magnate, Harold Darling, whilst much of the share capital was owned in the UK.<sup>134</sup> Tasmania was next to become an example of the greater significance of inter-colonial investment. There had been an initial mining boom with the establishment of the Mt Bischoff enterprises, but the boom had collapsed in 1891 with 27 Zeehan mines being forced to close temporarily. It was in that same year that Bowes Kelly and his friends who had already established themselves at Broken Hill bought into the Mt Lyell mines. Having failed to attract much British capital

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<sup>131</sup> *Ibid.*, p.177.

<sup>132</sup> Governor South Australia - Secretary of State for Colonies, 28.11.1904, *Australian Archives*, CP 78/60.

<sup>133</sup> Blainey, *Rush*, p.250.

<sup>134</sup> Nash, *op.cit.*, and Blainey G., *The Steel Master: A Life of Essington Lewis*, Macmillan, Melbourne, 1972, p.58.



in 1893, they issued debentures locally, and by 1897 their discoveries were confirmed. By 1900 Mt Lyell helped make Tasmania the largest copper-fields and the second largest silverfield in Australia. This expansion extended both Mt Lyell and North Mt Lyell companies' operation into other colonies and States, when North Mt Lyell bought up four blast furnaces at Dry Creek in Adelaide in 1902 and Mt Lyell Co. decided in 1899 to open large coke ovens at Port Kembla.<sup>135</sup> The last development that will be noted briefly is that of the Mt Morgan mines in Queensland. Initially the mines were discovered for their gold and in 1882 the company was founded with local Queensland capital. However in 1886 this was extended to include capital from Sydney and Melbourne graziers.<sup>136</sup> The 1890s brought a general shaking out of numerous companies that were established for speculative purposes. Though it survived the depression, the returns on gold declined for the Mt Morgan Gold Mining Company, and around 1903-07 the Company moved to copper mining which was to save its otherwise faltering financial position.<sup>137</sup> At about the same time the financial interests associated with the Broken Hill South Company began to invest their capital, thus further eroding the position of the early local shareholders.<sup>138</sup> It is significant that the reconstruction of the colonial economies had established new enterprises with greater links between mining and processing, and that this strengthened the interchange between the colonies.

Further, though inter-colonial capital investment had come to the fore in the late 1880s, it was noticeable that the period 1890-1910 saw the development of various links between Broken Hill, Mt Lyell, and Mt Morgan, and between interests in South Australia and Victoria that were to be the basis of industrial developments in the inter-war years.<sup>139</sup>

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<sup>135</sup> Blainey, *Lyell*, p.138 and *Rush*, p.228.

<sup>136</sup> *Ibid.*, pp.234-7.

<sup>137</sup> *Ibid.*, pp.244-5.

<sup>138</sup> Nash, *op.cit.*, and Blainey, *Rush*, p.278.

<sup>139</sup> That is the development of the Collins House Group of Companies on the one hand and the BHP group on the other, for which see P. Cochrane, *Industrialisation and Dependence*, unpub. Ph.D. thesis, University of Adelaide, 1977.

Thus the reconstruction of the colonial export industries can be divided into two main sectors; the large-scale export enterprises - wool, cattle, meat and minerals; and the small farming export enterprises - wheat, dairy products and fruit. Taking the first sector, a consistent theme emerges of the concentration and consolidation of capital organised across the colonial boundaries. In particular, the emergence of the pastoral finance companies with investments located in several colonies as even stronger after the depression, as well as the new emphasis being placed on improvements to stock and methods of sheep and cattle raising tended to iron differences which had been more noticeable before the depression between, say, the "Victorian" and the "New South Wales/Queensland" stations. The demand for adequate fencing against rabbits and smaller paddocks, for culling and selective breeding of sheep, for increasing the yield of the sheep through the introduction of power-driven shears put added stress on the links of the pastoral industry to manufacturing and promoted inter-colonial trade.<sup>140</sup> In the cattle industry, though there were signs that the export of meat tended, as it was then organised, to lessen the incentive to improve the quality of the animals, the development of refrigeration works through the co-ordination of British and colonial investment also established new links with manufacturing as well as specialisation amongst the colonies - Queensland in the beef and New South Wales and Victoria in the lamb and mutton export trade. Above all, the mining enterprises exemplified the new inter-colonial trade and population movement in the Western Australian goldrushes, and trade and investment in the mining and smelting of Barrier ores. Moreover, the gradual shift in new investment from gold-mining to non-ferrous, non-airiferous metals requiring new methods and machinery for processing meant a greater utilisation of the resources of

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<sup>140</sup> See Footnote, 23.

several colonies and not just the one where the minerals were to be found. The second sector of the export industries, the small farming one, is a little more complex in its ramifications. The actual settlement of surplus population, the provision of land and general Government incentives did not particularly require co-ordinated action between the colonies, with the important exception of the need to settle the dispute over riparian rights in the Murray River Districts. However, the general withdrawal of British capital imposed on all colonies a similar policy in the requirement to boost exports as a whole. Within the colonies it emerged that the dominant sections of capital were not invested at the point of production, but in the secondary stages of merchandising and processing, or else of providing implements and other basic means of production. Therefore, in understanding what pressure there might be for greater inter-colonial links, it has been necessary to investigate the role and trade of merchants, processors, shippers and not to place the stress so much on the producers themselves. This task will be completed in the following chapter. What should be emphasised here is that in the reconstruction of the export industries, there was a need to avoid a generally haphazard approach, and that within each of the colonies similar patterns in the relationship of social classes were emerging. It could by no means be said that inter-colonial links were absolute, but growing inter-colonial links as well as the more generally common direction of colonial Governments' export policies emphasised the advantages of co-operation.

## CHAPTER V

### RECONSTRUCTION OF COLONIAL DOMESTIC INDUSTRIES

In this chapter the domestic market will be examined by considering the manufacturing sector, the production of coal and sugar, and the role of shipping, insofar as they exemplified developments within the context of Imperial financial austerity and Imperial interests and of inter-colonial free trade. Post-depression reconstruction was to proceed in a fashion that will require differentiation between the branches of production in the domestic market. The impact of inter-colonial free trade will be seen to have affected almost every branch, but the place each occupied within the economic structure of the Australian colonies and the relation each bore to the Empire will have to be traced out in order to assess the impact of inter-colonial free trade more exactly. Larger established enterprises were to develop their position and thus pose a formidable commercial threat to the smaller ones, so that when increased opportunities for consolidating a domestic market across the whole of Australia came with Federation, it was usually those enterprises already established and with advantages of size that could move in on the markets of smaller competitors in other colonies. At the same time, however, free trade also opened up a certain measure of independence from Imperial interests for other enterprises.

To begin the survey of the domestic market, and particularly of manufacturing, it is useful to compare the relative shares in gross private capital formation of manufacturing, principally for the domestic market, with pastoral and agricultural formation, largely for the export market.

Table 12

Gross Private Capital Formation in Manufacturing  
Compared with Pastoral and Agricultural  
Sectors 1861-1910<sup>1</sup>

Years	Manufacturing*		Pastoral & Agricultural		Total (all sectors)	
	£ million	Per cent	£ million	Per cent	£ million	Per cent
1861-5	.35	7.1	1.44	29.4	4.9	100
1866-70	.88	15.2	1.34	23.1	5.8	100
1871-75	1.07	11.6	3.57	38.8	9.2	100
1876-80	1.26	8.7	7.99	55.1	14.5	100
1880-5	1.7	9.7	5.85	33.2	17.6	100
1886-90	1.44	6.3	9.38	41.1	22.8	100
1890-5	.95	8.7	4.7	43.1	10.9	100
1896-1900	.9	10.0	3.25	36.1	9.0	100
1901-5	2.47	15.4	2.67	16.7	16.0	100
1906-10	2.79	13.8	4.66	23.1	20.2	100

These figures show that throughout the whole period the pastoral and agricultural sectors were of very great importance for private investors, and that this should never be lost sight of when discussing manufacturing in the colonies. Even so, there was an early burst of activity in the manufacturing sector, after which the pace of new investment slowed down somewhat during the boom years. It was in the post-depression years that manufacturing was able to stabilise itself and then move ahead quite markedly. In particular, in the decade after Federation the output of manufacturing doubled to reach a figure of £51.5 millions or 14 per cent of the Gross Domestic Product in the year 1911, though apart from the tentative setting up of the nascent iron and steel industry, the industrial structure looked very similar to that of 1901.<sup>2</sup>

The disposition of manufacturing in the colonies was fairly uneven, and so to avoid the dangers that Australia-wide statistics present in giving a misleading picture of uniformity in manufacturing development, a brief

<sup>1</sup> Figures are made into five-yearly averages from Butlin, *Domestic Product*, pp.18-19.

<sup>2</sup> L'Huillier, *op.cit.*, p.198.

summary of the situation in each of the colonies is necessary. At this stage tariff policies need not be dealt with, but instead attention will be focussed on the distribution of types of enterprises, a feature which was basically established by the 1890s and from which there has since been little divergence.<sup>3</sup> Of the total number of persons engaged in manufacturing in 1891, Victoria had the most with 20 per cent, followed by New South Wales with 15 per cent, and further 16 per cent was shared between Queensland and South Australia.<sup>4</sup> The major sectors of manufacturing in Victoria were food, drinks and tobacco; textiles and clothing; building and construction; and metals and machinery. Through the 1870s and 1880s fluctuations took place between the relative importance of the buildings and construction sector and the textiles and clothing trades, although the land boom of the 1880s established the construction sector as primary until the depression. In addition to both these areas, new investment also flowed into metals and machinery to provide basic materials and repairs, whilst the number of persons engaged in food, drink and tobacco decline steadily from 23 per cent to 14 per cent of the manufacturing sector.<sup>5</sup> Investment in metals and machinery was however passed on in technological advances in flour milling and brewing that made it possible for the larger city enterprises to crush country competitors and force them out of business. The depression then hit Victoria particularly severely and served to undermine to a certain extent its early lead in manufacturing in favour of New South Wales, although even in 1904 Victoria still had the greatest number of people employed in manufacturing. Where New South Wales manufacturers were successful in outpacing their Victorian rivals was in the production of metals and machinery, excepting agricultural implements.<sup>6</sup>

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<sup>3</sup> Linge, "Forging of an Industrial Nation", pp.173-4.

<sup>4</sup> Butlin, *Butlin in...Development*, p.201.

<sup>5</sup> *Ibid.*, p.205.

<sup>6</sup> Hughes, H., "Federalism and Industrial Development in Australia", *AJPH*, Vol.10, No.3, Dec. 1964, p.329.

However, New South Wales manufacturers suffered a decline in the 1870s and 1880s in clothing and textiles, probably attributable to the unfavourable impact of Victorian competition.<sup>7</sup> As distinct from Victoria, the pace of manufacturing expansion in the early stages was slower. In part this may have resulted from the occupation of a greater part of the New South Wales workforce in alluvial mining compared with Victorian deep-shaft mining, and also to the greater amount of "dumping" of British manufactured goods on New South Wales markets.<sup>8</sup> Yet in the longer term, manufacturing in New South Wales tended to be concentrated around more highly profitable enterprises which specialised in saving labour costs. There was little speculative investment, and development centred around sectors where there would be a guaranteed domestic market, such as sugar milling and shipbuilding and repairing. New and replacement investments also suggest that outlays on capital items were higher in New South Wales per worker employed, and thus greater mechanisation was evident in enterprises prior to 1880.<sup>9</sup> South Australia exhibited a fairly weak industrial structure, where flour milling and copper works were the main fields. The expansion of wheat-growing in South Australia early on had encouraged the growth of powerful flour-milling enterprises, mainly centred in and controlled from Adelaide, as well as a fairly brisk trade in agricultural implements. Well established in the pre-Federal period were the Wallaroo smelting works.<sup>10</sup> In other fields of manufacturing South Australia faced greater inter-colonial competition. This was particularly a problem for boots and shoes, tanning, tobacco and cigar-marking, and coach-building, which were subject to Victorian competition;<sup>11</sup> and these fields remained rather undeveloped after Federation

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<sup>7</sup> Butlin, *Investment*, p.206.

<sup>8</sup> Linge, "Forging of an Industrial Nation", p.163.

<sup>9</sup> Linge, *Industrial Awakening*, Ch.15.

<sup>10</sup> Linge, "Forging of an Industrial Nation", pp.168-9.

<sup>11</sup> Norris, *op.cit.*, pp.146-8.

as well. Though it had similar industries as other colonies, Queensland was not even so favoured as South Australia, since it did not have pre-eminence in any field of manufacturing activity. Although manufacturing had been assisted through Government contracts and the establishment of Government workshops, the prosperity of Queensland capitalists was largely dependent on cattle and sugar, and any industry of distinctive importance was clustered around these two. In 1901 sugar refining and meat preserving accounted for nearly 40 per cent of the total manufactured output of Queensland, and the majority of the workforce was employed in areas dependent on the immediate supply of natural resources, rather than import-competing goods.<sup>12</sup> Brisbane itself did not have the pre-eminence of other capital cities, and the commercial structure was not developed in any way that enabled Brisbane mercantile interests to command the movements of produce out of the colony.<sup>13</sup> The 1890s depression also damaged the non-primary sectors and further limited the diversification of Queensland manufacturing.<sup>14</sup> Western Australia was, for a long period, almost an economic world of its own. The principal field of manufacturing activity before the gold rushes was in producing hardwood timbers used in wharf and railway construction in the Eastern colonies.<sup>15</sup> The big influx of labour and capital in the 1890s with the discovery of gold did establish a rather more diverse manufacturing sector, with 13,000 people employed in tanneries, boots and leather, flour mills, and soap and candles, but much of this was sustained by enterprises dependent on capital imported from the East, for example the construction of the railway from Beverly to Albany.<sup>16</sup> Tasmania was similarly weak, not by virtue of isolation but by virtue of its proximity

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<sup>12</sup> Linge, "Forging of an Industrial Nation", p.166, and C. Chomley, *Protection in Canada and Australia*, P.S. King, London, 1904, pp.101-2.

<sup>13</sup> Gough, M., et al., *Queensland: Industrial Enigma; manufacturing in the Economic Development of Queensland*, Melbourne University Press, 1954, p.2.

<sup>14</sup> Linge, "Forging of an Industrial Nation", p.134.

<sup>15</sup> *Ibid.*, p.172.

<sup>16</sup> Crowley, *op.cit.*, pp.140-1,110,100.



to Victorian manufacturing. Jam works, saw milling, and the establishment of smelting works for the Mt Bischoff mine were the principal fields of manufacturing investment,<sup>17</sup> though small initiatives were taken in setting up textile mills. Within this overall picture, there was some more noticeable movement from the 1880s onwards of investment across colonial boundaries. Victorian and South Australian companies invested in the cutting and milling of the Western Australian hardwood forests, Sydney entrepreneurs also invested in Western Australia, whilst the Melbourne biscuit firm of Swallow and Ariell opened a sugar plantation and mill in Queensland, and Melbourne shareholders became a majority in the South Australian Brewing Company.<sup>18</sup> Yet despite this, it should be emphasised that the impact of manufacturing developments and the inter-colonial trade is necessarily modified for each of the colonies depending on the significance that particular branches of manufacturing had there in the first instance.

Having thus drawn out several features of manufacturing as it was distributed throughout the different colonies, there is now a basis for understanding developments from 1890 onwards, as well as observing some basic trends in manufacturing as a whole. The 1890s had seen a period of change of emphasis in manufacturing development. The collapse of the residential-land-construction boom meant a shift away from building and the development of urban railways and facilities towards the development of manufacturing connected with dairying, the freezing of meat, and, to a smaller extent coalmining. Consumer goods manufacturing also received greater emphasis, and by the end of the depression that sector of industry was 40 per cent greater than before.<sup>19</sup> Such shifts, however, did not betoken large investments in new plant and machinery, and, as W.A. Sinclair has

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<sup>17</sup> Linge, "Forging an Industrial Nation", p.172.

<sup>18</sup> *Ibid.*, p.178.

<sup>19</sup> Hall, A.R., "Trends in the Consumption of Coal in New South Wales, 1850-1914", *Economic Record*, Vol.26, December 1950, pp.204-5.

pointed out, the actual extension of investments on any large scale was fairly narrowly confined, mostly to industries connected with Government attempts to promote closer settlement and export production. The most notable expansion of plant was in agricultural equipment and railway workshops.<sup>20</sup> From 1901-11 the proportion of the work-force employed in manufacturing rose from 17 to 20 per cent and there was a general rise in the size of factories. The clothing and textiles industries were still the largest employers of labour, and despite a certain falling behind compared with the rate of expansion in other sectors, there was a more rapid rate of import replacement. The metals and machinery sector displayed quite a rapid rate of expansion, though import replacement definitely lagged; and the heat, light, and power group was the fastest growing sector of any.<sup>21</sup> Thus, not only must account be taken of colonial variations in the manufacturing structure, but also of the variations in the rates of growth between different sectors and the different degrees of import replacement.

The last area of general differentiation amongst particular branches of production and of manufacturing in the colonies that should be mentioned here is that of financing development. The investment funds from outside sources at the disposal of the manufacturing sector as a whole were very limited and also quite selectively placed at the time post-depression reconstruction was occurring. As a rule the banks were not particularly interested in making large advances to manufacturers, so that the internal accumulation of funds was most important.<sup>22</sup> Finance had been available from two sources in the Australian colonies, though neither was easily dissociable from the other. During the land boom the flood of British investment into the colonies at that time had not only been invested in

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<sup>20</sup> Sinclair, W.A., "Capital Formation", in C. Forster (ed.), *Australian Economic Development in the Twentieth Century*, Allen & Unwin, London, 1970, p.34, and G. Linge in personal correspondence.

<sup>21</sup> Hughes, *op.cit.*, p.321.

<sup>22</sup> *Ibid*, pp.325-6, 321.

the pastoral industry, but also in urban land, facilities and construction,<sup>23</sup> and as we have noted much of that earlier manufacturing development had its basis in the continued fortunes of the land boom. The end of the boom and the chain of bankruptcies it unleashed ushered in the period of "conservative finance" when British capital inflow ceased. Ben Morgan, who published a commercial survey of the Australian colonies for British manufacturers in 1908, suggested that Imperial investors had tended to underplay and overlook Australian manufacturing development and noted its possible consequences:

"It would be highly dangerous to our trade interests if we ignored the fact that factories will be established in increasing numbers in the next few years, and it is essential to British trade that they should be established with British capital rather than German or American. We do not want to see in Australasia a repetition of our experience in Canada".<sup>24</sup>

Apart from British funds, the other source of finance was of course the capital generated locally within Australia from the profits of local companies and the savings of individuals. Generally speaking, for the aggregation of small savings and other money to become capital that could be recycled through the economy and lent to other areas of production, such money had to pass through the hands of the banks, insurance companies, and other financial institutions. For their part these institutions had a long association with British and British-allied interests and investments. Over the years of their operation they had naturally sought out the areas where they expected the highest rate of profit on their capital together with security for their investment, and this had meant loans and investments in pastoral finance, stock and station agencies, and shipping companies.<sup>25</sup>

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<sup>23</sup> Butlin, *Investment in Development*, pp.162-5.

<sup>24</sup> Morgan, B., *The Trade and Industry of Australasia: Being a Report on the State of and Openings for Trade, and the Condition of Local Industries in Australia and New Zealand*, Eyre & Spottiswoode, London, 1908, pp.162-5.

<sup>25</sup> Butlin, *Investment*, p.141, and Nash, *op.cit.*, see particularly the overlap between the Bank of Adelaide and the Adelaide Steamship Co. and Elder Smith or the Bank of Australasia and the P. & O. Co.

The collapse of the land boom and the failures of building and societies and the suspension of some of the most prestigious banks in the colonies naturally impressed itself upon bankers who remained in business, and they too followed a policy of great caution and conservatism. In the first place bankers still tended to see the future of Australia in the land, as an exporter of produce to the UK, and this meant that funds for manufacturing, British or local were very scarce.<sup>26</sup> Secondly, the banks and financial institutions remained very closely linked to the UK and perceived the future of the colonies and that of the Empire as one and the same. Indeed, after the depression four banks were to emerge as the "big four" of Australian banking, two of which were directly British-owned.<sup>27</sup> Thus, on the occasions where the banks did decide to associate themselves with manufacturers, their bias was towards areas that complemented their vision of the colonies as highly efficient exporters of rural products overseas so that Australians might be able to purchase the manufactured goods of the UK. In addition to their already existing pastoral and shipping interests, the banks linked themselves to mining and mineral processing, meat and cold storage facilities, flour milling, agricultural machinery and fertiliser production, sugar refining and brewing, gas manufacturing, and timber-cutting.<sup>28</sup> The conservatism of loan policies and the particular orientation of the banks when they did make loans therefore meant that neither British nor locally-generated funds were readily available to the vast bulk of manufacturers in the colonies. The depression period and the reconstruction

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<sup>26</sup> Blainey, *Gold and Paper*, pp.247, 252 and Holder, *op.cit.*, p.543, and see also A. Baster, *The Imperial Banks*, P.S. King, London, 1929, pp.157-8, concerning financial conservatism.

<sup>27</sup> Butlin, S., *op.cit.*, p.325.

<sup>28</sup> Nash, *op.cit.*, see for example the Commercial Banking Co. of Sydney's links with the C.S.R. Co. and Tooth's Brewery, the National Bank and the Metropolitan Gas Co., National Mutual Life Assoc'n, W.A. Board and Canning Jarrah Timber (W.A.), also Blainey, *Gold and Paper*, p.250, Holder, *op.cit.*, re flour milling and sugar refining machinery and the Bank of N.S.W., and J.R. Poynter, *The Enterprises of F.S. Grimwade and His Sons*, Business Archives Council of Australia, Melbourne, 1966.

threw them on their own resources to generate funds as best they could through re-organising their methods of production and through seeking expansion of their markets. New markets to compensate in part for restricted external funds were to be found either amongst the new small-farming communities or else in the city populations, and for those who had already conquered the markets of their own capital city a market amongst the colonies was the remaining unexploited area.

At this point, having outlined some of the basic differentiations amongst manufacturing as a whole, an examination will be made of features of particular branches of manufacturing which were especially significant, either because they employed large numbers of people or because they were intimately connected to the boosting of exports from Australia. In this way it is hoped to shed some light on how these particular branches of manufacturing developed in their dual context: that of having to develop markets for their products, and yet that of being constrained within the overall pattern of Imperial trade and production. Below are shown the largest sections of manufacturing:

Table 13

Principal Branches of Manufacturing by  
Employment and Value of Production, 1909<sup>29</sup>

Sector	Employment	Value of Goods Turned out (£ millions)
Clothing & Textiles	73,000	12.5
Clothing	24,800	4.2
Boots and Shoes	14,000	3.1
Metal Works & Machinery	49,000	19.6
Engineering, Iron-works	17,800	4.8
Railway Workshops	13,100	*
Smelting	*	7.3
Food & Drink	41,000	38.3
Sugar Mills	4,300	*
Jam, Fruit, Pickles	4,000	*
Tobacco, Cigars	3,900	*
Flour Mills	*	7.8
Butter, Cheese, etc.	*	6.7
Meat, Fish - preserved/fridge	*	5.8
<b>TOTAL All Sectors</b>	<b>266,405</b>	<b>107.4</b>

In examining these areas stress will be placed on the period of reconstruction, but of necessity some prior history will have to be introduced.

The textiles industry affords some insight into the structure of consumer goods production within the manufacturing sector as a whole. The *Production Bulletin* for the year 1909 reveals that this sector had the highest level of employment of all industries, and that the bulk of it was

<sup>29</sup> CPB, 1909, pp.91-5.

concentrated into the clothing trades, followed by dressmaking, and the making of boots and shoes.<sup>30</sup> The majority of establishments engaged in clothing manufacturing employed twenty hands or less (689 out of 1004), and the majority of workers were employed in enterprises of fifty hands or less (12,503 out of 24,801). Thus the bulk of enterprises were small in scale and the nature of the work carried on there was labour intensive. Because the bases on which statistics were collected changed over the years, and because figures are incomplete, it is difficult to arrive at detailed conclusions, but there are definite indications that as a whole textile manufacturers generally expanded their factories after the depression was over, and that the rate of growth especially in the larger-sized factories was very rapid. In Victoria, the leading textile manufacturing area, factories employing over one hundred hands rose from 36 in 1899 to 81 by 1909, and employment in those factories rose from 6,868 hands to 15,615.<sup>31</sup> In the clothing trades the basis of this expansion for the Victorian manufacturers was their success in capturing a greatly increased inter-colonial trade in apparel and woollen goods. In 1890 Victoria was exporting £118,536 worth of colonial produce in this category to other colonies, but by 1909 the value had risen to £798,760.<sup>32</sup> At the same time, this expanded inter-colonial market for Victorian manufactures raised concern amongst some Imperial commentators that local produce was replacing some of the goods imported from the UK. However, an investigator working for the British Board of Trade found that although the development of the clothing trades had led to some decline in the British trade, two or three British firms had been set up within Australia and were "supplying considerable quantities of goods which these firms had formerly supplied from England".<sup>33</sup> To increase production and the volume of inter-colonial trade, given the difficulties

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<sup>30</sup> *Ibid.*, p.93.

<sup>31</sup> *Ibid.*, and *Victorian Statistical Registers*, 1899 and 1909, (Production).

<sup>32</sup> *Victorian, Statistical Register*, 1890, (Interchange) and *Trade*, 1909.

<sup>33</sup> Jeffray, Cd 3639, pp.6-7. On the question of local import replacement see Morgan, *op.cit.*, p.142, and Sinclair, "Economic Recovery", pp.86-7.

experienced with obtaining finance because most manufacturers were not based on British funds, the manufacturers appear to have increased the rate of labour-exploitation in the factories to compensate for their relative lack of expenditure on new plant and machinery. Contemporary evidence indicates that more and more employers in the clothing trade were putting on their fastest workers as task-masters (or leading hands) to set the pace for all the workers in the factory, and at least one employer admitted quite frankly that more work was extracted from factory hands using this method than had been done in the past.<sup>34</sup> Boots and shoes manufacturers formed a very important part of the whole textiles and clothing category. Despite a large number of small establishments (185 employing under twenty people in 1909), a very large number of employees worked in the largest factories (8,333 out of the total of 14,023 were in factories of over one hundred).<sup>35</sup> The main area of production in Australia was in workboots and ordinary shoes that would stand up to the rigours of work in Australian conditions, whilst the "fashion" shoes for the upper classes were still imported. Once again, though there was some mechanisation, the industry depended on many highly-skilled workers.<sup>36</sup> The depression had placed severe pressure on the smaller enterprises which were undercapitalised and usually had poorer equipment. The depression reduced credit available and forced a general reduction in sales. Then, the introduction by the Government of Wages Boards and the higher rates of pay after the depression enabled larger enterprises to retrench some workers and increase the productivity of the factories. Again, smaller manufacturers found it difficult to survive the depression, and it was observed that larger

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<sup>34</sup> Evidence of Miss "B", tailoress, and Mr. "E." presser, and also Report itself of Royal Commission on the Operation of the Factories and Shops Law of Victoria, *Victorian Parliamentary Papers*, 1902-3, Vol.2, pp.676,682 and XXXIX (pagination of Report).

<sup>35</sup> *CPB*, 1909, p.93.

<sup>36</sup> Royal Commission on Factories and Shops Act, pp.XXX-VIII.



factories were able to "supersede the small works, and drive the latter out of competition" in New South Wales, and that forty-seven smaller factories had to close in Victoria.<sup>37</sup> Following the depression and reconstruction, it was the inter-colonial trade that opened up new markets. The most significant manufacturing colony, Victoria, thus exported £15,645 worth of boots and shoes in 1890, £48,213 in 1897, and £560,163 in 1909 to other colonies.<sup>38</sup> Here the impact of import-replacement was more strongly felt since the average value of British boots and shoes imported for the year 1890-1 averaged £600,000, but the amount imported had fallen to an average of £300,000 by the years 1902-5.<sup>39</sup>

Yet though the textiles industries developed after the depression, they did so within an Imperial context. Though they did manage to replace some British imports and use the inter-colonial market for their expansion, they also depended on British trade and manufacturers for their raw materials. The vast bulk of the basic materials used up in the clothing enterprises was imported from England. Thus, even the post Protectionist-minded sections of British industry gave evidence to Joseph Chamberlain's Tariff Commission that the development of manufacturing in this sector in the Australian colonies had also benefitted the British yarn manufacturers by maintaining a demand for their goods. The Commission itself remarked:

"The feeling is that they (British manufacturers) look for the growth of the Colonial trade to compensate them for the loss of Continental markets".<sup>40</sup>

This was the opinion of the woollen textile industry representative, and

<sup>37</sup> Quotation from Coghlan, T.A., *The Wealth and Progress of New South Wales, 1900-01*, Govt. Pr., Sydney, 1902, p.718, and in Victoria, Royal Commission on Factories and Shops Act, pp. XXXV-VI.

<sup>38</sup> Victoria, *Statistical Register*, 1890, 1897 and Trade, 1909.

<sup>39</sup> Jeffray, *loc.cit.*

<sup>40</sup> *Tariff Commission*, Vol.2, Part 2, Sections 1436, 1443.

similar sentiments were expressed by those from the British cotton trades:

"We are of the opinion that they (the Colonies) are the only markets open to British cotton spinners and manufacturers which are capable of great expansion".<sup>41</sup>

Thus in the relationship which the development of the Australian clothing trades bore to the prospect of increasing imports of British manufactured raw materials, the absence of locally established woollen mills despite the great abundance of wool in the Australian colonies was significant.

As T.A. Coghlan, the N.S.W. Government Statistician wrote:

"As a wool-growing country New South Wales is apparently specially adapted for the manufacture of woollen goods...The endeavour...however, has so far met with little success. The largest establishments find it needful to add to their business the making of slop clothing, by which means they have been enabled to carry on at a profit. The machinery in most of the mills is not of the best kind, and altogether the industry is disappointing".<sup>42</sup>

Seven years later, in 1909, local mills employed a mere 2,900 hands of which 2,269 were employed in eleven large factories of over one hundred hands turning out work to the value of £596,000, compared with the clothing trades' annual value of £4,260,000.<sup>43</sup> It was only in Victoria that the mills were of any real importance, and production was varied, though certainly not evenly distributed since the staple product was in flannels.<sup>44</sup> Local mills also undertook wool-scouring, spinning, dye preparation, dyeing, weaving, and bleaching, and often they combined all this with clothing manufacture here too, thus indicating that their operations as milling works were not sufficiently strong to stand on their own.<sup>45</sup> So while local Australian capital was important in the clothing sector, the supply of materials still came preponderantly from the UK. In fact the limited range

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<sup>41</sup> *Ibid.*, Section 109.

<sup>42</sup> Coghlan, *op.cit.*, p.717.

<sup>43</sup> *CPB*, 1909, p.93.

<sup>44</sup> Clapham, *op.cit.*, p.268.

<sup>45</sup> *Ibid.*, and Linge, *Industrial Awakening*, Ch.1.

of production from the mills in Australia meant that the range of products that importing houses could offer, not to mention the discounts on bulk and wide orders, provided a continual incentive for clothing manufacturers to seek imported supplies instead of local ones, and it also encouraged retailers to order imported rather than Australian-made clothing as well. Leather for the boots and shoes trade was also still imported in considerable quantities, although the output of local tanneries was markedly greater than that of the woollen mills in relation to the finished product. Of course the importation of semi-manufactures into the country for making up into the finished product might not convey any special significance, except that in this case the basic raw materials, wool and skins and hides, were produced in abundance in the colonies and were themselves exported as raw materials and re-imported as semi-manufactures. Thus whilst there was a gap in the Australian industrial structure, British capital profited both from the export of raw pastoral products in which British investment was very great and from Australian imports of British-made semi-manufactures.

Another significant employer of labour was the metals and machinery group of industries. The overall picture was one of work on basic repairs and assembly of imported machinery, some manufacture of lighter machines, and the provision of a certain limited range of materials for the building trades. Workers were concentrated in the larger establishments: in railway workshops, engineering, ironworks and foundries, and there the larger of these establishments of over fifty hands employed a total of 10,560 workers in 1909.<sup>46</sup> Following the depression, there had been a general picking up of work by 1896, but demand was rather sporadic and partial.<sup>47</sup>

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<sup>46</sup> CPB, 1909, p.92.

<sup>47</sup> Sinclair, "Economic Recovery", pp.98-9.

In its enquiry into the situation the Royal Commission on the Tariff found that in Victoria most of the new work was on repairs, and that the increasing profits of the boots and shoes trades were able to finance the importation of machinery, now freed of duty, which was causing losses to the metals and machinery sector.<sup>48</sup> In New South Wales a similar picture was to be found, with repairs being most important, although the letting of some Government contracts before the depression had helped to improve the situation. South Australian manufacturers reported a decline in trade affecting smaller steam engines. Elsewhere the industry was not of great importance.<sup>49</sup> Mining machinery production offered brighter prospects for domestic factories. About 80 per cent of requirements for mining machinery were produced within Australia. In Victoria the proximity of the manufacturing plant to the mines of Ballarat, Bendigo and Castlemaine was an important factor, and even for Melbourne manufacturers there were advantages in their knowledge of local condition, long experience, and close consultation with mining engineers.<sup>50</sup> The rise of company mining in the Western Australian goldfields also gave a considerable boost through the inter-colonial trade to the industry in the Eastern colonies. The principal exporting States in 1909 were Victoria with a trade of £57,889 and South Australia with £24,766, and the leading importing states were New South Wales (which would have included the Barrier mines) bringing in £27,371, Western Australia £27,110 and Tasmania at £10,418.<sup>51</sup> Of Australian-made metals and machinery in the inter-colonial trade, mining machinery ranked next after agricultural implements, except for unspecified trade in

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<sup>48</sup> Royal Commission on the Tariff, *Commonwealth Parliamentary Papers*, Progress Report, No.9, Vol.IV, 1907-8, pp.648-9.

<sup>49</sup> *Ibid.*, pp.651-2.

<sup>50</sup> Jeffray, *loc.cit.*, pp.6-7, 28-30.

<sup>51</sup> Trade, 1909.

manufactures of metal which basically represented numerous small items such as valves, etc. Other specified manufactures of metal that were of considerable importance were the nail factories which served the building trade. In the early Federal period the business of nail manufacturers expanded fourfold, particularly for the Victorians, the success of whose trade is attested to by the rise in exports to other colonies from 1890 when a tiny £131 worth was sent out, to 1897 with £5,895, to 1909 with £22,421.<sup>52</sup> The expansion of the inter-colonial trade by Victoria had a noteworthy development. A cartel arrangement was set up in Melbourne which by 1908 had determined a pooling system for all nail making through the Southern Star Company which comprised the eight leading firms.<sup>53</sup> Using the high prices they achieved in the Victorian market, they were able to finance a price-cutting operation in New South Wales to squeeze out competition in that State or else force Sydney wholesalers into the cartel.<sup>54</sup> The large railway workshops deserve some mention because of their size, although they did not contribute to any extent to inter-colonial trade. The peak of the railway construction boom in Victoria was definitely over by the 1890s, though in other colonies, notably New South Wales, construction did continue with emphasis on agricultural branch lines to transport goods to and from the wheat-growing and agricultural districts. The workshops themselves were largely for repairs, maintenance, and re-assembly of imported locomotives. Rolling stock was built, but attempts to venture into locomotive construction had been very slight. Orders were placed and engines put into service of the Class J(522) constructed in local works as

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<sup>52</sup> RC-Tariff, No.9, Complementary Report "B", p.1263, and *Statistical Register of Victoria*, 1890, 1897 and *Trade*, 1909.

<sup>53</sup> Wilkinson, *op.cit.*, p.91.

<sup>54</sup> See RC-Tariff as in Footnote 52, and also evidence at question 68,572, *Commonwealth Parliamentary Papers*, Vol.5, 1906, p.865.

part of Government initiatives to stimulate engineering works in the depression, but the factory fell into financial difficulties, and the resulting engines, of which only four were actually made, were hybrids of locally-produced parts. From time to time engines might be adapted, but the overwhelming bulk were imported from the UK.<sup>55</sup> Rails for track were also imported.

One field of manufacture in the metals and machinery sector that brings out a more dynamic picture of manufacturing after the depression, while still exemplifying the trends towards the concentration of capital, is in the production of agricultural implements and machinery. Originally it had developed in South Australia where wheat farming was more important, and soon the field was dominated by Adelaide and Gawler firms.<sup>56</sup> The industry itself had witnessed a general rise in output and the level of investment, thus reflecting its role in the rise of the wheat-growing export industry, though this developed slowly at first. Victoria, for example, was still importing almost all its reapers and binders in 1890.<sup>57</sup> The stimulus to the Australian manufacturers in the first place had been the experience of English implements which had often been too fragile, easily warped, and shoddy for the harsh Australian climate.<sup>58</sup> The Australian enterprises specialised in ploughs, particularly by the stump-jump plough invented in South Australia, and the stripper harvesters. In the previous chapter the rise in the inter-colonial trade in this area has been tabulated. By 1909, there were 481 establishments employing 4,081 hands, out of which 1,992 were employed in large factories of 100 hands or over. The value of the work being turned out was £1,227,339 out of a total

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<sup>55</sup> Australian Railway History Society, *A Century Plus of Locomotives: New South Wales Railways 1855-1965*, private, Sydney, 1965, p.73 and passim.

<sup>56</sup> Linge, "Forging an Industrial Nation", p.168.

<sup>57</sup> *Commonwealth Yearbook*, 1901-7, p.455 and 1909, p.576 and also Linge, *Industrial Awakening*, Ch.8.

<sup>58</sup> Richards, E.S., "The Genesis of Secondary Industry in the South Australian Economy to 1876", *AECHR*, XV, No.2, September 1975, p.188.

of £19 millions in the whole metals and machinery sector.<sup>59</sup> The other factor to note was that the shift in the predominant wheat-growing areas from South Australia to Victoria and, above all New South Wales, developed the New South Wales imports. This increase in inter-colonial trade meant that New South Wales manufacturing did not increase notably to correspond with the increase in wheat production. Again, in the year 1909, there were 3,232 workers in 111 factories in South Australia and Victoria and only 481 workers in 21 New South Wales factories.<sup>60</sup> It was doubtful that investment funds for New South Wales manufacturing development in this branch of production would have been forthcoming at the time, particularly as the industry was already cartellised and concentrated.

The quite rapid rise to prominence of agricultural implements and machinery manufacture in Australia reflected international developments. The mechanisation of agriculture was going ahead quite fast in this period throughout the advanced economies and competition was increasing against British enterprises. Sweden predominated in production for the dairy industry by manufacturing cream separators; the American-Canadian manufacturers commanded much of the market in grain, seed, and fertiliser drills, reapers and binders; whilst the UK was succeeding in holding on mainly in the "older" lines like threshers, oil engines, and portable steam engines. But by 1904 British manufacturers were left behind in the Australian market in the areas of greatest demand.<sup>61</sup> In this sense the success of the local manufacturers in the Australian market is not fortuitous, for without the relative decline in British production it may be wondered whether local manufacturers would have displaced British produce given the pressure the UK was exerting to ensure that the colonies

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<sup>59</sup> CPB, 1909, pp.89,92.

<sup>60</sup> *Trade, 1909*, note especially imports of stripper harvesters, chaff-cutters and horsegear, see also Coghlan, *op.cit.*, pp.770-3. Concerning factories in the colonies see *Statistical Registers* for New South Wales, Victoria and South Australia for 1909.

<sup>61</sup> McLean, I.W., "Anglo-American Engineering Competition 1870-1914: Some Third Market Evidence", *ECHR*, 2nd Series, Vol. XXIX, No. 3, August, 1967, pp.454-6.

"bought British".<sup>62</sup> Though colonial manufacturers were thus able to move ahead at a time when British trade in this field was falling off, this did not exempt them from the competitive pressure of the American firms. Under the pressure of competition local producers attempted to form a joint Australian-American cartel in the domestic market to share out the market with the Americans, and then they later sought to exclude them. Confirming evidence already gleaned by another Royal Commission that trade was cartellised in agricultural machinery, the Royal Commission on Tariffs found that agencies for the manufacturers in the county towns added 10-15 per cent commission to their prices by agreement with the companies, thus taking "thousands of pounds out of the pocket of primary producers". The resulting high cost of implements and machinery from this and other practices prompted protests from fifty-one out of seventy-one agricultural societies against any tariff increase designed to shut out or reduce American competition on the grounds that the costs would have to be borne by the farmers.<sup>63</sup> Evidence was found of a so-called gentlemen's agreement between H.V. McKay, Robinson's, and other Victorian firms, the US-Canadian Massey Harris and International Harvester, and later on South Australian firms led by James Martin and May Bros., to maintain prices. This combine later fell apart as the declining Martin enterprise and the foreign manufacturers withdrew and lowered their prices. This immediately led to renewed competition and pressure to exclude the American firms by tariff action, particularly from the Victorian-based firms. The tariff was increased.<sup>64</sup> James Martin and Co. went bankrupt a few years later. Thus the rise to prominence of the industry in the inter-colonial market was assisted in the first instance by the increasing demand and new markets in

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<sup>62</sup> See Chapter 2.

<sup>63</sup> RC-Tariff, Progress Report, No.5, Vol.4, 1906, pp.92,98.

<sup>64</sup> *Ibid.*, PR No.6, pp.144-6, and for tariff adopted see *Commonwealth Parliamentary Papers*, Vol. IV, 1907-8, pp.545-6.



New South Wales, and secondly by the decline of possible British competition. The fact that the small farmers were not well organised to oppose the maintenance of prices in the country was an additional factor. Finally, the concern that the Australian market might be swamped with American goods, at a time when American goods were penetrating other Empire markets as well, facilitated the placing of a higher tariff behind which the industry could shelter.

Having examined one branch of manufacturing in its local and Imperial context which was associated with drawing upon the market of the wheat farmers, it is important to examine another which was associated with the market amongst the pastoral industry. Whilst the production of wire netting and wire-working did not employ many workers, the value of output was quite significant. Out of £337,597 worth produced in the Commonwealth in 1909, £218,818 was produced in New South Wales, where this industry ranked fourth in value in the general metals and machinery sector.<sup>65</sup> In 1884 Lysaght's set up their factory in New South Wales for producing wire netting, with the aid of a New South Wales Government bounty of £3 per ton for the protection of the pastoral industry against the rabbit plague. A special wire-weaving process was introduced, and although the Government bounties were eventually reduced to nil, Lysaght and Co. managed to increase production throughout the 1890s and to secure a large market in New South Wales and Queensland.<sup>66</sup> The droughts of 1902-3 brought all the more demand, since the effect of rabbits' eating out all the feed was intensified. Moreover, despite greater popularity for English-made wire netting in Victoria, and the new abolition of protective duties there, it was found that the English netting was not so well galvanised and tended to deteriorate

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<sup>65</sup> CPB, 1909, pp. 89, 92.

<sup>66</sup> Schedvin, C.B., "Rabbits and Industrial Development: Lysaght Brothers and Co. Pty. Ltd., 1884-1929", *AECHR*, Vol. X, No. 1, March 1970, pp. 28-9.

more quickly than the local product because of its being tightly packed in transit to Australia.<sup>67</sup> In fact the development of this industry was perceived as helping Imperial manufacturers in their trade rivalry with Germany, because although the basic raw materials were imported from the UK, German competition was increasingly evident in the market for wire to be worked up. It was the British firm of Ryland Bros. which expressed to Prime Minister Deakin the view that the Australian-based netting industry should be sustained and which encouraged Deakin's ideas of Imperial Preference in order to counteract the increasing German share of the market. The Australian Commonwealth Government sought to mitigate this problem for the British wire manufacturers by offering a bounty to manufacturers of netting in Australia who imported British wire in preference to any other.<sup>68</sup> Thus, in this branch of manufacture, there was a close interlocking of interests between the British dominated pastoral industry and its new requirements after the depression and drought and the successful commercial operation of local manufacturing to fill those needs. At the same time, the provision of bounties, although possibly prejudicial to British netting manufacturers, nevertheless served to sustain demand for British wire. As with agricultural equipment, a neat conjunction of factors promoted manufacturing in a specific area in a way not detrimental to British interests either in the UK or in Australia.

So far consideration has been given to prominent industries which generally increased their trade and raised the proportion of their produce flowing into the inter-colonial markets. Emphasis has been placed on the local factors which stimulated their development, although in a number of cases Imperial interests have been referred to that have either facilitated manufacturing development, in the examples of wire netting and agricultural

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<sup>67</sup> *Ibid.*, pp.30,35.

<sup>68</sup> *BoT Report*, p.11, and Gibbs-Deakin, 12.1.1904, Deakin MS 1540, Series 15, EII, Folder 37.

implements, or which have restrained them, in the instance of the woollen mills. Manufacturing in Australia was, as has been noted, not an area in which British capital was concentrated, and therefore developments could take place which manifested a certain independence on Imperial interests. The growth of the domestic market, both inside and amongst colonies, and the replacement of British imports in certain lines is symptomatic of this measure of independence. But at the same time, the overall structure of manufacturing in the colonies was circumscribed by the pattern of Imperial investment and trade. Advances were certainly made, but manufacturing was still immature. The commanding position of food and drink in the value of goods turned out far ahead of either clothing and textiles or metals and machinery is a sign of this. Next, the predominance of food and drink and clothing and textiles in the employment figures illustrates how the bulk of Australian manufacturing employment was clustered into producing articles of consumption instead of heavy or even medium capital goods. This trend is confirmed when the metals and machinery sector is more closely scrutinised. The apparent weight of engineering and ironworks is modified when it is recalled that Australia had no basic iron and steel industry to speak of, and that out of the 764 engineering and non-working establishments 434 employed ten people or less. In 1875 the first blast furnace for iron was set up in New South Wales, and in 1886 the plant was re-organised to produce rolled iron for scrap. By 1900 the first steel blast furnace was running, and the New South Wales Government placed many orders with it, but it ran short of cash around 1907 and had to be sustained by a 12/- per ton bounty from the Commonwealth.<sup>69</sup> Coghlan noted that scarcely any progress was being made in this direction, and still nearly the whole stock

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<sup>69</sup> Shaw, A.G.L. and Nicholson, H.D., *Growth and Development in Australia*, Angus and Robertson, Melbourne and Sydney, 1966, p.151.

of pig iron and wrought iron was imported as ballast in ships from Britain.<sup>70</sup> British iron and steel trades' representative expressed repeated concern with the need to gain further sales in the colonies in order to offset the inroads of other foreign rivals.<sup>71</sup> Some indication of the importance of the metals and machinery sector to British trading interests is the fact that out of all the classes of goods imported into the Commonwealth in 1909, metals and machinery ranked as the second most important and one of the fastest growing large sectors.<sup>72</sup> The Australian colonies were simply too important a market for British interests to have been compatible with a developed heavy or medium industry. Even the large railway workshops supported by colonial governments had greater significance as sources of demand for heavy British engineering industries rather than competing sources of supply. Linked to these considerations is that of the length and complexity of industrial integration. Thus, in the area of greatest import replacement, food and drink, the complexity of industry was neither very great nor was the chain of enterprises required for the processing of the natural product into the finished commodity very long. While the replacement of imports in this sector was an aspect of increased output of manufacturing, it still did not imply heavy capital investment nor the building up and demand for local industrial plant that would have further facilitated the expansion of industry into new areas. The move forward by the consumption goods enterprises, and the import replacement in food and drink and boots and shoes instead of metals and machinery, suggest the failure of the manufacturing sector to develop vigorous national capital with the capacity to finance production beyond the immediate requirements of the domestic market for basic necessities

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<sup>70</sup> Coghlan, *op.cit.*, p.719, and also Hughes, H., *The Australian Iron and Steel Industry*, Melbourne University Press, 1964, p.24.

<sup>71</sup> *Tariff Commission*, Vol.1, Section 44.

<sup>72</sup> *Trade, 1909*, see section on trade by countries - United Kingdom, pp.571, 573, 576. In the world market for heavy goods - plates, girders and rails - the colonies and Empire were almost alone in expanding their demand, though even here fears of German competition were strong, see Burn, D., *The Economic History of Steelmaking, 1867-1939*, Cambridge University Press, 1961, p.332.

except in certain restricted areas. This impression is further confirmed by the fact that the ratio of imported consumer goods to imported capital goods was roughly equal and remained so until the later 1920s when in N.G. Butlin's words "they begin to follow different courses, a mark of the more definite maturity of Australian manufacturing".<sup>73</sup> Even despite the fast growth in the heat, light and power sector of manufacturing, it should still be borne in mind that the relative simplicity of manufacturing meant that the demand for power was restricted, and that Australia was to remain largely "power-less" compared with other advanced countries, even such as Canada.

A general outline can now be suggested for the history of manufacturing in the period of reconstruction. On the one hand, there were the increasingly expanding consumer goods industries like clothing and boots and shoes which having undergone the depression were emerging somewhat more concentrated than before,<sup>74</sup> but still depending not so much on heavy capital equipment for their factories as upon skilled labour closely regulated and supervised as the industry shifted from handicraft to factory production. These consumer goods industries did not turn out highly finished goods, nor did they greatly stimulate the production of machinery for their factories. They developed alongside a very substantial inflow of British imports of cotton and woollen goods, and they drew upon British imports of semi-manufactures and trimmings. Where production was connected with boosting exports, medium industry seems to have moved ahead a little. More particularly, in the case of agricultural equipment, manufacturers seem to have been able to take advantage of the position of the wheat farmers in a similar fashion to the produce merchants and fertiliser companies

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<sup>73</sup> Butlin, *Domestic Product*, pp.210-11.

<sup>74</sup> *Statistical Registers*, Victoria and New South Wales, 1890,1909 and Coghlan, *op.cit.*, p.718.

to expand their market and profitability. Mining machinery and wire netting were the other more noteworthy areas of development where Australian manufacturing made progress, though these depended upon an intimacy with the local condition or else the declining position of British manufactures in the same area. More fundamental developments like iron and steel were retarded. Overall, out of the depression manufacturers developed the importance of inter-colonial trade as well as their internal markets at a time when institutional funds, either local or overseas, for manufacturing were scarce.

At this stage in the survey of the domestic market industries, our analysis moves away from strictly manufacturing concerns and centres on the intermediate activities of the sugar industry. This industry ties together a number of themes that have already been mentioned in connexion with the export industries, although much of the sugar crop was for the Australian domestic market. The beginnings of the sugar industry were laid by the indentured labour of the Pacific Islanders - slaves to all intents and purposes, brutally recruited and relentlessly exploited for some years, and then discharged physically ruined. Sugar-growing properties were established on the plantation system, whereby each plantation was essentially self-sufficient, with its own labour supply and with its own crushing mill to service the large areas of cane under cultivation. In northern New South Wales and southern Queensland

where the industry was developed, contradictions soon developed within the system. Often workers were so brutally treated and poorly looked after that they succumbed to disease and were unable to work. Otherwise they fled back to their homes, or else absconded before the expiration of their indenture and tried to make a more human life for themselves by working on the goldfields.<sup>75</sup> The Kanakas, as they were known, were responsible for the clearing of the tropical bush and developing the sugar industry to the level of the hoe culture, but then began to be superseded by white labour once ploughing began. Speaking of colonial opinion, the Governor of Queensland observed that in the matter of black versus white labour, "Estate and mill managers,...Inspectors and... Farmers (are) in favour of coloured labour for all the most severe field work".<sup>76</sup> The Colonial Sugar Refining Company had initially benefitted out of this savage system, but as it developed and assumed greater importance through its ability to dictate prices to the mills and ultimately to the grower, the Company came increasingly to favour the system whereby small farmers were established on the land and sent their crop to central crushing mills. These central mills used more advanced machinery than the more backward plantation mills.<sup>77</sup> Gradually the output of sugar rose from 3,500 tons in 1870 to 50,000 tons by 1883, and by 1900 it had

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<sup>75</sup> Lowndes (ed.), *South Pacific Interprise: the Colonial Sugar Refining Company Limited*, Angus and Robertson, Sydney, 1956, pp.28-9.

<sup>76</sup> Governor Queensland-Secretary of State for the Colonies, CP 78/61, 1903-4.

<sup>77</sup> Lowndes, *op.cit.*, pp.23-4.

increased even more to over 90,000 tons, of which 40 per cent was handled by the Colonial Sugar Refining Co.<sup>78</sup> In co-operation with the Colonial Sugar Refining Co., the Queensland Government passed Acts limiting the recruitment of Pacific Islands labour, which tended to hinder the plantation system; while at the same time central crushing mills were opened by the Government to promote the small-farmer system, and the Colonial Sugar Refining Co. was permitted to purchase lands to further its proposals.<sup>79</sup> Given that the land had already been cleared by the work of the Kanakas, it was possible for the white farmers to be moved in, being more used to agriculture, and to further the profitability of the refining company. Coincidentally, the establishment of the larger crushing mills meant that instead of boosting the local manufacture of crushing machinery as the smaller mills had done, more and more orders were placed overseas in Europe.<sup>80</sup> The small farmer system received its ultimate push forward when the colonies were federated, and the Commonwealth Parliament legislated to repatriate the Kanakas and enforced the White Australia Policy. The provision of a bounty on sugar grown with white labour enabled the support of the small farmers to be secured for the policy.<sup>81</sup> Initial problems were experienced with drought in 1902-3 and transitional difficulties in moving over to white labour, but these were overcome and the industry moved northward and expanded especially near Townsville and Cairns whilst contracting in the south.<sup>82</sup>

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<sup>78</sup> *Commonwealth Year Book*, 1914, p.340, and L'Huillier, *op.cit.*, p.198.

<sup>79</sup> Shaw, "Australian Agriculture", pp.139-40, and Lowndes, *op.cit.*, pp.28-9.

<sup>80</sup> Higman, B.W., "The Regional Impact of the Sugar Industry of New South Wales, 1870-1912", *Australian Geographical Studies*, Vol.VI, No.1, April, 1968, p.47.

<sup>81</sup> Gov. Q'ld-SoS Colonies, CP 78/61, 1903-4.

<sup>82</sup> Lewis, *op.cit.*, pp.132-3.



The area under crop for sugar cane in 1909 was 80,095 productive and 48,083 unproductive acres in Queensland and 6,480 and 7,603 acres in New South Wales.<sup>83</sup> The average size of the sugar plantations was now quite small, about 23 acres, and the prices received by the farmers for their crop were dictated by the mills, who in turn were dictated to by the refineries. The result was that the profit to the growers was extremely low.<sup>84</sup> In fact the low prices paid even to the mills by the refineries forced the monopolisation of the milling industry, and so between 1886 and 1911 the number of mills fell in New South Wales from 64 to four, and in Queensland from 118 to 49. By 1914 the situation in Queensland had been reached where one third of the crushing mills were owned by the Colonial Sugar Refining Co.<sup>85</sup> The refineries were themselves especially large establishments.<sup>86</sup> There were six refineries in the entire Commonwealth; two in Queensland, two in Victoria, one each in South Australia and New South Wales; and apart from the Victorian Government refinery at Maffra, which dealt with sugar beet, and the Millaquin works at Bundaberg, all the rest were owned by the Colonial Sugar Refining Co. In its investigation of the industry, a Royal Commission noted that the price of refined sugar was so fixed as to be sufficiently low to discourage competition from overseas imports while still comprising a sufficiently large margin between it and the raw material as to reap substantial profits. The returns to the growers barely enabled them to keep in business. To avoid any possibility of competition through the

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<sup>83</sup> *Production Bulletin*, 1909, p.9.

<sup>84</sup> Wilkinson, *op.cit.*, pp.21-2.

<sup>85</sup> *Ibid.*, pp.22-3.

<sup>86</sup> *Production Bulletin*, 1909, p.92.

establishment of new mills or the transfer of business to other cane-crushing plants, a preferential rate was established and paid to those who agreed for several years in advance to sell the whole of their crop to Colonial Sugar Refining mills.<sup>87</sup> Meanwhile, in the period of transition to white labour, companies still used the Kanakas, or else induced hapless migrants to come out to Australia under the guise of "farm work", and then employed them at lower wages than the Australian-born workers. Thus one group of migrants protested to the Colonial Secretary that they were misled into working twelve hour shifts with no sitting down for meals; and the day they arrived twenty-five "colonials" were laid off. The migrants found that the place (Mossman)

"is entirely in the hands of the sugar authorities, the police guard the exits and even the Post Office seems to be in the swim with them".<sup>88</sup>

Thus, in this rather striking example of domestic industry, the role of manufacturing industry as a processor of raw materials seems to have forced through the adoption of precisely that pattern of farming that strengthened its hold on all aspects of processing and marketing, while being able to skim off the vast bulk of the profits that might otherwise have accrued to the farmer. With Government assistance the Company managed to eliminate its rivals and secure a bounty for its troubles. In this way the Colonial Sugar Refining secured control over the internal market for sugar and undermined its competitors, for example the sugar beet industry at Maffra in Victoria, which after Federation could no longer be protected either by tariff or by bounty, but only through Government maintenance of the beet-sugar refinery. White Australia meant that the inter-colonial and interstate markets were reserved almost exclusively for the Company.

<sup>87</sup> Wilkinson, *op.cit.*, pp.23-4,26.

<sup>88</sup> Secretary of State for Colonies - Governor of Queensland, 24/10/1907, CP 78/49.

Monopoly over another raw material industry both in terms of production and for the inter-colonial/state trade was also developing in coal. The proportion of Australian black coal being sold on the home market and overseas was roughly equal, although for the period 1890-1910 the sale overseas of bunkering coal did boost that component.<sup>89</sup> However, the requirements for coal as an energy source were increasing in the Australian colonies as well. Though brown coal deposits had been discovered in Eastern Victoria, the principal area for coal mining was in the black coal deposits of New South Wales, and the following figures record the development of the inter-colonial trade:

Table 14

Exports of Coal from N.S.W. to Other Colonies/States,  
1890, 1900, 1909<sup>90</sup>

Year	Victoria	Queensland	S.A.	W.A.	Tasmania
			000 tons		
1890	779	6	131	15	59
1900	867	48	563	192	99
1909	940	51	471	117	86

With an increasing demand for coal from the railways, makers of coke, and the collieries, and for gas,<sup>91</sup> came the question of handling and selling coal. An alliance of the principal mining and shipping interests was formed, called the Coal Vend, which held the trade in its hands. Outside New South Wales the shipping firms of Melbourne Steamship, McIlwraith McEachern, Adelaide Steamship, and Huddart Parker held a

<sup>89</sup> Hall, "Trends in Coal Consumption", Appendix I, p.288.

<sup>90</sup> *Ibid.*, App. II, pp.291-2.

<sup>91</sup> *Ibid.*, App. IV, pp.293-4.

monopoly on the sale of Newcastle coal.<sup>92</sup> During the years 1903-6 increased competition amongst the shipping firms and fluctuating coal prices had made the Vend fairly ineffective; but in 1906 an agreement came into force that no single collier would negotiate with a single shipowner, but that all production would be determined through the Vend. Production was then rationed amongst members, the price of coal was raised, no new collieries were opened, and interstate trade was restricted. The Government launched a prosecution against the Vend in the High Court where the monopolistic practices were uncovered, but the Full Bench of the High Court quashed the earlier Guilty verdict and its view was upheld by the British Privy Council. No further prosecutions were launched.<sup>93</sup> By 1909 most States, particularly Victoria, were largely dependent on the supply of New South Wales coal.<sup>94</sup> Manufacturers requiring coal directly or who depended on coal-generated heat, light and power were therefore subordinate to the shipping-colliery interests which controlled prices and output. Yet, at the same time, the increasing requirements for coal developed the need for expanded inter-colonial trade.

So far the need for inter-colonial trade to develop from the standpoint of manufacturers and suppliers of Australian raw materials to the domestic market has been stressed. In the preceding chapter the need to boost exports from the Australian colonies was also pointed out. Both these aspects of reconstruction required shipping. So far as the inter-colonial trade was concerned, the rail system was hardly adequate, since the lack of uniformity in rail gauges and the need to reload merchandise or else change the wheels section of railway trucks was slow. The road system, particularly "national" highways, and the means of road transport

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<sup>92</sup> Wilkinson, *op.cit.*, pp.82-3.

<sup>93</sup> *Ibid.*, pp.78-80, 189-91.

<sup>94</sup> Governor-General - SOS Colonies, 9/12/1909, CP 78/9.

was also inadequate, except of course for driving to the coastal centres from up-country. Therefore, for both inter-colonial trade as well as export trade, shipping was essential. The shipping companies linked together both aspects of trade; and inter-colonial and overseas shipping was controlled by shipping "rings" which set the passenger and commodity freight rates to Australia and amongst the colonies.

The centre of the ring was in Britain, and this determined the export-import trade. The ring chiefly comprised the shipping brokers who controlled not only the Australian trade but that of South Africa as well. It was sufficiently powerful even amongst the major commercial powers as to force the adoption of its higher rates on American shipping lines, rather than lower its own to American levels.<sup>95</sup> Periodic conferences were held in London of the ship-brokers and owners controlling the freights and dates of sailing from England to Australia. They established a procedure whereby the shipper of goods by any vessel belonging to the ring was entitled to a deferred rebate of ten per cent payable six months after the shipment was made, on the understanding that during the six months period the shipper must ship exclusively by boats belonging to companies represented at the Conference.<sup>96</sup> Although this suited the ring very well, protests arose in Australia. Even Mr. H.W. Berry, a leading Melbourne merchant who supported the existence of the ring, had to admit that "At the same...where they (the shipping companies) should be our servants, they are our masters".<sup>97</sup> The bad effects of the deferred rebates system hit exporting industries. In the wheat industry, one Melbourne merchant complained that the ring interfered with his trade with the East, and the President of the Queensland Millers'

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<sup>95</sup> Royal Commission on the Overseas Shipping Service (RC-OSS), *Commonwealth Parliamentary Papers*, Vol.3, 1906, p.1370,1413.

<sup>96</sup> *Ibid.*, p.1050.

<sup>97</sup> *Ibid.*, p.1051.

Association said that millers there were threatened by severe losses on their trade with southern ports if they sent flour northwards by ships other than those in the Conference. The fruit-growers also suffered at the hands of the shippers. For instance, in Adelaide, the P. & O. and Orient Companies only made space available in their cool chambers for those fruit exporters who had agreed to sell their goods in England through the agents of their contractors for shipping space in Adelaide. These contractors were M.G. Anderson for the P. & O. Company, and Messrs. Elder Smith and Co. for the Orient Company. In Tasmania, a similar situation was to be found. Henry Jones obtained all the space and the right to handle all the fruit at threepence per case, arguing that the company was providing the cheapest service to the orchardists; yet for precisely the same services, the South Australian Government charged only two pence per case. In evidence to a Royal Commission, figures were produced that showed 30.5 per cent of the value of fruit exported to the UK (which in Tasmania's case was valued at £126,353) was made up of charges for freight, compared with only 12.5 per cent for meat.<sup>98</sup> It was generally conceded that while wool and meat, the monopoly sectors of the export trade, were well served by the overseas shipping services, fruit and dairy products suffered.<sup>99</sup> It was also found that the British Shipping Conference regulated the Australian passenger traffic "not specifically for the convenience of Australians, but rather to meet the necessities of its many and varied interests in the East and elsewhere".<sup>100</sup> Indeed, far from the monopoly conferring economies of scale and a more regular and efficient service, it was found that even for the mail service between Australia and the UK, ships adopted the practice of:

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<sup>98</sup> *Ibid.*, pp.1051-2,1046,1048, and evidence of J. Brewer 1085-6.

<sup>99</sup> Lewis, *op.cit.*, pp.146-7.

<sup>100</sup> RC-OSS, p.1045.

"...unnecessary slowing-down at sea, merely to avoid arriving before the contract time. At present the swiftest and best boats of the two English mail steamship companies are not doing the voyage at a speed much beyond that in which their slowest vessels can cover the distance, because the contract must be so arranged that the older and slower boats can keep time".<sup>101</sup>

So disruptive were such practices that the investigation of the British Board of Trade into the decline of British trade in Australia was forced to comment that, although it could not find any clear evidence of Government subsidies providing an "unfair" advantage to the German shipping lines, and thus lowering freight rates for German exporters, it did find that:

"...in regard to the Australian ring, or rather the London ring, which controls the Australian trade, complaints are very general as to the influence on rates by the elimination of competition and subsequent monopoly".

The ring managed to secure the support of some merchants because it meant that there were no fluctuations in rates.<sup>102</sup> Estimates of the total British shipping earnings show a rise from £57 millions in 1890 to £95 millions in 1910.<sup>103</sup> Yet despite these rises, the conditions aboard British ships were deteriorating and productivity was falling behind. Typically British ships had no mess-rooms, bad food, damp and dark forecastles for the crew. There were no washing facilities except on deck in full view of passengers, and the lavatories were poor if there were any at all. As a result, fewer British seamen were found on British ships, and the companies turned more and more to employing lascar and Asian labourers rather than improving conditions.<sup>104</sup>

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<sup>101</sup> *Ibid.*, p.1047.

<sup>102</sup> Jeffray, Yearbook, p.521.

<sup>103</sup> Hobson, *op.cit.*, p.187.

<sup>104</sup> Royal Commission on the Navigation Bill (RC-NB), *Commonwealth Parliamentary Papers*, Vol. IV, 1907-8, pp.9-11.

Monopoly in the overseas trade interlocked with monopoly in the coastal trade. The Australian Steamship Owners' Federation regulated the passenger and cargo rates, and the extent of their hold on trade may be judged by the fact that out of 188,000 tons of shipping engaged in interstate traffic in 1907, less than 10,000 tons were outside the ring.<sup>105</sup> Many of the shares of the coastal companies were in British hands. In other respects there were links to Britain. For instance, the Australian United Steam Navigation Co. was allied with Burns, Philp and Company and the Adelaide Steamship Company; and it was connected to the British India Company.<sup>106</sup> To a greater or lesser degree, the coastal companies had a series of agreements with British companies. Indeed, by 1886, the London shipping ring had admitted the local body into its counsels. Charters were then drawn up between the two bodies and the profits were divided.<sup>107</sup> Between the major companies there was also fierce competition. In 1893, with the big expansion of the Western Australian market following the gold rushes, competition became predominant and there was a general "shake-out" of competitors completed by 1895. Then, in 1897, there was a new bout of competition initiated by the foreign liners from France and Germany for the Albany-Melbourne route, but by 1899 moves began again for the fixing of freights, and the Adelaide Steamship - A.U.S.N. alliance was concluded.<sup>108</sup> In the same year the Australasian Steamship Owners' Federation was formed:

"...to establish a code of practice whereby the transacting of business between owners, shippers and consigners inter alia may be facilitated".<sup>109</sup>

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<sup>105</sup> *Ibid.*, p.29.

<sup>106</sup> Lewis, *op.cit.*, p.149.

<sup>107</sup> RC-OSS, p.1370.

<sup>108</sup> Parsons, R., *The Adelaide Line: A Century of the Adelaide Steamship Company Ltd., 1875-1975*, Private, Magill (S.A.), 1975, pp.58-62.

<sup>109</sup> *Ibid.*, pp.92-5.



Wilkinson attributes the new moves towards uniform prices to the increased interstate trade attendant on Federation, which, having increased sufficiently to allow enough trade for all the company steamers, meant that there was no need for them to fight amongst themselves any longer. Various practices were adopted including the parcelling out of trade to and from different ports to particular companies, the introduction of secret rebates to agents and lines in the Steamship Owners' Federation, whilst intra-state trade was left over to the smaller companies providing that they did not compete for the main trade.<sup>110</sup> To a certain extent, this last practice tended to limit interstate trade, and the forcing up of freight rates promoted the formation of intra-state manufacturing cartels, like the Victorian nail trust, which was immune from external competition. In New South Wales some manufacturers also benefited, since the high shipping rates militated against the sending of large scale ironwork outside the State to other firms for instance.<sup>111</sup> The rebate system was discontinued as soon as competing firms were eliminated by 1910.<sup>112</sup> Typical of the share-out prevailing in the coastal trade was that operating in Queensland. The Adelaide Steamship Co. carried the sugar of the Colonial Sugar Refining Company, whilst the A.U.S.N. Co. carried the Millaquin crop and general cargo with the other Queensland line Howard Smith.<sup>113</sup> Some towns were poorly served by this arrangement. Thus, a Maryborough timber merchant and engineering firm complained that the hold of the shipping ring was having a very deleterious effect

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<sup>110</sup>Wilkinson, *op.cit.*, p.53.

<sup>111</sup>*Ibid.*, p.77, and RC-Tariff, PR No.8, 1907-8, p.638.

<sup>112</sup>Wilkinson, *op.cit.*, p.77.

<sup>113</sup>Lewis, *op.cit.*, p.148.

on the trade of Maryborough generally.<sup>114</sup> With the stepping up of competition from the French and German lines, the Commonwealth Government excluded all foreign lines from the Australian coastal trade. Though this meant the exclusion of British lines as well with their low-paid Asian labourers, the British were not greatly upset.<sup>115</sup> Given the interlocking of British interests with the shipping companies, it is unlikely that this measure caused any loss to the British, but rather that it confirmed the existing monopoly and made it stronger, and so ensured continuing high freight charges. Thus, it is in the shipping trade that key British interests interlocked with the Australian-based companies that were allied with the Empire. The pastoral agencies and manufacturers, being more organised than the small farmers received and granted concessions to the shipping companies; the sugar refining company, also dependent on farming, was intermeshed with the shipping ring in the domestic trade, and so too were the colliery interests. The British allied export sectors alone received cheaper rates. The role of the shipping companies is a key link in grasping both Imperial and domestic relationships amongst different sectors of production.

The reconstruction of the colonial domestic market after the depression which has been the subject of this chapter proceeded in a complex and differentiated fashion, the main themes being summarised here. The impact of increased inter-colonial trade which has been witnessed in almost every branch of production in the domestic market cannot be analysed in isolation from British interests, either because British interests directly benefited or else at the same time they imposed restraints on inter-colonial traffic and development. The overall rise in inter-colonial trade<sup>116</sup> clearly provided increased business for the shipping interests

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<sup>114</sup> RC-OSS, pp.1051-2.

<sup>115</sup> RC-NB, p.28, and Grimshaw, *op.cit.*, p.173.

<sup>116</sup> For the figures on the overall rise of inter-colonial trade see Chapter 6, Table on Interstate Trade.

which were owned or extremely closely tied-in with the UK. Associated with the shipping lines was the New South Wales coal industry for which an increasing market was provided by Victorian manufacturing development as well as in the processing of Australian mineral products. In both these instances the cartels and collusive arrangements were in part a product of the inter-colonial trade but also a hindrance to its further development since costs were raised and full capacity was not used. Though more "Australian" in character the C.S.R. Company was also connected to British interests through its shipping and financial arrangements.<sup>117</sup> Having become dependent on the introduction of the small farming system and the elimination of the plantations, C.S.R. required the whole inter-colonial trade in sugar, a bounty to secure it, and a uniform immigration policy to exclude Pacific Islands labour. In passing, it might be noted that the fortunes of the powerful jam manufacturer Henry Jones in the inter-colonial trade also depended on mutual agreements with the shipping lines. In some other instances the expansion of inter-colonial trade for manufacturers was dependent on the continuing prosperity of British and British-associated industries, this being so for wire netting for the pastoral industry and mining machinery. Here, though, a certain measure of independence was conferred while the market opened up as a result of the decline of directly competing British industries. This was also the case for agricultural implements manufacture. Monopoly or cartellisation were more prominently represented in the above areas. Other branches of manufacture much less associated with British finance or the export trade to the UK, though not entirely free of such practices, did seem freer of them. There the reconstruction period had promoted a certain concentration of labour into larger

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<sup>117</sup> The C.S.R. was linked to the Commercial Banking Company of Sydney and to the Australian Mortgage and Agency Company, directed from Australia and London, Nash, *op.cit.*

factories and a shift from handicraft to factory production. These manufacturers also managed to develop on the basis of increased inter-colonial trade, however their impact was lessened by the high volume of British imports competing with them and by high coastal freight charges. Similarly, in the metals and machinery sector, the great pressure of British imports restrained development that an Australia-wide market might otherwise have encouraged, except in minor areas like nails. The inter-colonial trade and the removal of tariff restrictions between the colonies did then concede some further opportunities to Australian manufacturers. However, despite changes within the factory to increase the productivity of labour or the emphasis on internal accumulation of funds, the companies forming monopolies and cartels which could achieve both profitability and a secure grip over the market attracted the locally-generated capital which the banks and institutions had at their disposal. Thus the greater opportunities afforded by the inter-colonial trade were also constrained by the willingness or lack of it, which financial institutions showed different sections and groups of manufacturers in financing their operations. Thus some producers for the domestic market were in a better position to make use of the inter-colonial market than others.

## CHAPTER VI

### THE TANGLED WEB: TARIFFS

The clarification of the basic trends in the colonial economies together with the outline of some of the leading features of reconstruction of colonial export and domestic industries after the depression now makes it possible to develop some analysis of trade and tariff policy in the Australian colonies. In particular, it will then be possible to assess the effects of inter-colonial free trade insofar as it was brought about by Federation. Tariff and trade policy in the colonies has been the subject of considerable comment, although detailed and thorough investigations are very few and far between. By and large writers have been content to assume that colonial policies in fact did what their public advocates said they did, or else writers have concluded that in not achieving their objectives colonial tariff policies are not really intelligible except in terms of subjective error or illusion. Too often, however, both these viewpoints tend to overlook the importance of the Empire in economic matters. Because the Empire is assumed to be a natural feature of the Australian economic landscape, playing little active part in developments and certainly not a part antagonistic to national capitalist development in the colonies, tariff policy is all too often regarded exclusively from the Australian "end", and little attempt is made to understand it in the context of Imperial relationships and conflicts between contending class interests. It is worth reiterating at the outset the extreme importance of trade to the British capitalist class as a whole within the Empire and, increasingly,

as a means to settle the balance of payments with competitor nations outside the Empire. Changes in colonial trade patterns in themselves need not be vast, but it has to be remembered that British capital was moving on to the defensive and that a failure to keep pace with its rivals was regarded with great seriousness. Before the depression, the great influx of British capital provided the driving force for rapid then reckless expansion, and during and after the depression the withdrawal of great amounts of British capital was the force that mainly shaped colonial reconstruction, promoting greater exports and the concentration of enterprises.

Some clearing of the ground regarding tariff policies in the colonies before the depression is essential. Some of the basic confusions and errors that can be made do not originate with the question of the Federal tariff or inter-colonial free trade, but have their foundations in the surface reading of contemporary ruling colonialist opinion voiced, for example, in the "Protectionist" *Melbourne Age* or in the "Free Trader" *Sydney Morning Herald*. From the mid-1860's such labels began to be bandied about, with not very deep consideration as to their basis in reality. Dr. G. Linge, however, has made it possible, both in his articles and his forthcoming book, *Industrial Awakening*,<sup>1</sup> to reach a new assessment of colonial tariff policy. Thus a very considerable part of what follows on that topic up until about 1890 it is indebted, directly or indirectly, to his work. The application of the labels "Protectionist" or "Free Trader" to the range of colonial customs schedules, depending merely on how many items are listed as dutiable and on the listed level of duty is superficial. "Protection" in its strict sense meant the adoption of a trade policy which would actively discriminate

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<sup>1</sup> Dr. Linge kindly allowed me to peruse the manuscript copy of his book before publication and therefore all references to it are by chapter.

against all foreign goods to the extent necessary to promote locally financed and developed industrial enterprises. The function of Protection was to emphasise, through policy, features of local industry already present that would generally enhance the competitive position of national as opposed to foreign capital. This, at any rate, was the way in which the tariffs of the major rivals to British capital, America and Germany, shaped their trade policies to compensate for the initial dominance of the international market by British commodities. Ultimately, the purpose of Protection was to enable sufficient capital accumulation so that trade policies could be altered, and the goods of the formerly protected enterprises move out beyond the national market and take over the place held by formerly superior and more advanced nations. Protection therefore often combined prohibitive duties against foreign imports with currency restrictions and special bounties and concessions to the national enterprises, arranged by the State and paid for by the people and other sections of capital. It is sometimes argued that the protection of local industry may imply the protection of foreign-owned or financed enterprises that operate *within* the national market. However, because this confuses two different and contradictory phenomena, one being the promotion of national capital accumulation and the other being the promotion of foreign capital accumulation, this usage will not be employed here.

The colony of Victoria is that which is most often described as having "Protectionist" tariff policy, since the Victorian tariff schedules were the longest and the average level of duty prescribed in the Statutes was higher than any of the other colonies. At the other end of the spectrum, New South Wales is conventionally seen as "Free Trade" because few items were dutiable and the overall average rate of duty was very low. Given what has already been argued about the importance of the colonies for British capital accumulation and for British trade, it

would seem at the outset highly unlikely that a colonial Government would have enacted a tariff that was truly Protectionist, a tariff that fostered locally-financed and directed enterprises and to that extent replaced British imports in the colonial market.

Let us first examine the Victorian situation. Commentators on Victoria's economic development have generally agreed that the manufacturing industry was advanced a little sooner than in other colonies, and that this advance may have prevented the outflow of many of the gold-rush immigrants. Once company mining developed and the diggers' numbers were reduced on the fields, many moved towards the cities where small-scale labour intensive manufacturing was developing.<sup>2</sup> The fact that colonial Government revenue was derived from the sale of Crown lands, of which Victoria had far less to sell than New South Wales, or from customs revenue, lends credence to Sinclair's argument that the higher tariff rates of Victoria permitted a higher level of public investment than would have been possible otherwise, and that this may have assisted the growth of Victorian manufacturing especially in the 1880's.<sup>3</sup> This, of course, is certainly not the same thing as direct assistance to local manufacturing capital through trade policy itself. Linge has pointed out, in particular detail, just how many items on the tariff were in fact inconsistent with the avowed aims of Protection. Thus, adding together all the imports that might conceivably have competed with Victorian local industry, Linge has found that as a percentage of all retained imports in Victoria that they amounted to:

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<sup>2</sup> Corden, W.M., "The Tariff", in A. Hunter (ed.), *The Economics of Australian Industry*, Melbourne University Press, 1963, p.185.

<sup>3</sup> Sinclair, W.A., "The Tariff and Economic Growth in pre-Federation Victoria", *Economic Record*, Vol.47, 1971, passim.



Table 15

Percentage of Dutiable Imports Competitive with  
Local Industry and Rate of Duty Thereon,  
Victoria, 1870, 1880. 1890<sup>4</sup>

Year	Percentage of Imports Dutiable	Average Duty (ad valorem)
1870	42%	9.1%
1880	31%	16.0%
1890	29%	22.8%

These figures suggest anything but a systematically Protectionist tariff. In fact, compared with the American protective tariffs for woollen manufacturers, where there was not only a very high level of duty, much nearer to 100 per cent ad valorem, but also a range of compensating duties to reduce the costs of raw materials, the Victoria tariff was quite different. Raw materials for local manufacturers, if covered by duties, were rather more likely to increase costs than to lower them. Linge cites the duties on stemmed and unstemmed tobacco, where the rate of duty was the same although the stems were discarded in the process of manufacture, and the duties on unprocessed wood, which was calculated on the whole timber even though one quarter of the volume was useless for subsequent manufacture. Carriage makers in Victoria were hit hard by duties on spokes, rims, springs, axles, and hubs; and the woollen industry suffered because duties were placed on most woollen piece goods, although only a very limited range were produced in the colony and the imports served in part as raw material. Similarly with boots and shoes, it was found that the duty on leather applied to a whole piece, despite the fact that only two-thirds of the piece was usable, and another duty was placed on machinery which hindered the procurement of plant to update

<sup>4</sup> Linge, *Industrial Awakening*, Ch.8.

manufacturing processes.<sup>5</sup> Victorian tariffs tended to fall on whole commodity groups, and were not tailor-made to local manufacturers' requirements. Even where, under the Drawback Act of 1871, exemptions from duty on raw materials for goods manufactured in the Colony and thence transhipped into another colony were granted, claims were not always worthwhile. Clothiers, confectioners, and jam manufacturers found it worthwhile to claim, but in the boots and shoes trade only 5.5 per cent was claimed in returnable duties out of a possible 37.1 per cent.<sup>6</sup> Within Victoria, the Drawback Act tended to operate in favour of British manufacturers since rebates on duties on raw materials were not available, and British manufacturers could offer retailers a greater number of lines than local factories. There were some encouragements to local manufacturers apart from the tariff through the provision of bonuses and the letting of large government contracts, but the Victorian tariff was far too *ad hoc* to be considered strictly Protectionist, and there are indications that it might well have been quite the reverse.

The tariffs of the other colonies seem largely to have been defined in relation to Victoria; and if Protection was not really present there, then it is not likely to have been pursued elsewhere. New South Wales had little to speak of in the way of tariffs, and those that were there served the Government mainly as a source of revenue. On the other hand, there were interests in the colony that did agitate for effective Protection, against the main tide of ruling opinion. The farming population in the rural districts sought protection against inter-colonial competition with their produce, and it was there that hostility to the domination by the metropolitan mercantile interests developed most sharply.<sup>7</sup> Such

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<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

<sup>7</sup> Rickard, J., *Class and Politics: New South Wales, Victoria, and the Early Commonwealth, 1890-1910*, A.N.U. Press, Canberra, 1976, p.47.

duties as there were in New South Wales covered biscuits, jams, jellies, cigars, cigarettes, sugar and associated products, and while this might have advantaged certain manufacturers, there is little evidence of deliberate policy.<sup>8</sup> One of the most important differences between New South Wales and Victorian tariff as it affected manufacturers was the absence of a Drawback Act in N.S.W., and therefore manufacturers could not obtain exemptions from duty on raw materials incorporated in products for the inter-colonial market. This factor did make it possible for Victorian apparel and slops to move into the Australia-wide market,<sup>9</sup> leading to suggestions that Victorian goods were being dumped in New South Wales. However, this must be set against the fact that New South Wales main areas for exports were to Queensland and the South Pacific. New South Wales manufacturing development was also rather more oriented towards smelting, ironworks, and engineering, rather than the Victorian bias towards clothing, dress-making, and millinery.<sup>10</sup> This tended to mitigate whatever effect the Drawback might have had. Similarly, regarding the accusations made against Victorian manufacturers for dumping boots and shoes, the small number of claims for refunds of duties suggest that the Drawback was not all that important. Apart from the specific areas of policy that have been mentioned, it is in fact hard to discern much practical difference between "Free Trade" New South Wales and "Protectionist" Victoria. In the clothing trades, local manufacturers may have received certain advantages in Victoria that they did not in New South Wales in relation to other Australian-based manufacturers, but they were not so well placed in relation to foreign manufacturers, particularly the British. Thus, if "Protection" meant anything at all, it meant that a small and hardly effective level of protection against British goods -

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<sup>8</sup> Edmond, J., *A Policy for the Commonwealth*, selected articles from the *Bulletin*, Sydney, 1900, p.30.

<sup>9</sup> Linge, *loc.cit.*

<sup>10</sup> Chomley, *op.cit.*, p.146.

barely enough to guarantee survival and certainly not enough to provide for import replacement - with some slightly greater degree of protection or advantage over other local manufacturers outside Victoria. But for both the boots and shoes and clothing trades this tended to encourage expansion at existing levels of technology and plant, and thus ultimately backwardness, even if the elimination of such manufacturing activity was prevented. Some confirmation of this trend is apparent in the South Australian tariffs. As the nineteenth century progressed, there was some move towards increased duties, but, at the same time, pressure began to mount from agricultural and pastoral interests for inter-colonial free trade. Certain manufacturers, especially the agricultural implement-making enterprises, supported this. Thus:

"Agricultural implement makers, machinists and others declare themselves as equal to any competition, and look forward to inter-colonial free trade as opening up wider fields for enterprise and providing extended markets".<sup>11</sup>

Indeed, evidence is that the demand for both agricultural equipment in Western Victoria and for mining machinery in Broken Hill was increasing for South Australia.<sup>12</sup> This rather confirms the view that the lower tariffs of colonies of other than Victoria may have given Victorian manufacturers in certain trades an advantage, given the Drawback, but this advantage did not extend to all branches of manufacture nor did it apply to foreign goods.

A short survey only need be made of the colonies tariff policies, Queensland's is perhaps the most significant. Ostensibly "Free Trade" until 1888, the Queensland tariff was then raised to 15 per cent *ad valorem*. The Colonial Treasurer stated that this was to benefit local manufacturers, though there is little evidence that such a small

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<sup>11</sup> Royal Commission on Inter-Colonial Free Trade (RC-ICFT), *South Australian Parliamentary Papers*, Vol.4, 1891, No.153, p.V.(pagination of report).

<sup>12</sup> Linge, *Industrial Awakening*, Ch!13.

rise could have given them much support. Bonuses from the Government to industry were rather lukewarm, except for the massive Government interventions in favour of the meat and sugar industry and some support for railway work.<sup>14</sup> Nevertheless, there was some indication from biscuit manufacturers, tobacco trades, and especially the boots trades, that the duties were of some importance and that the loss of this "Protection" against other colonies would lead to declining sales.<sup>15</sup> As Federation approached a split developed in Brisbane capitalist circles, when Brisbane manufacturing interests promoted the idea of a separate Chamber of Manufacturers to break away from the Chamber of Commerce and to agitate for the retention of the colonial tariff.<sup>16</sup> Agitation for some measure of protection had some basis in the erosion of pastoralists' pre-eminence in the Colony in favour of the sugar and mining industries, coupled with the growth in railways construction and increased urban development. Thus, in North Queensland where sugar and mining were most important, support was found for duties on sugar, although not for duties on sugar machinery; whilst in the central districts where neither manufacturing nor agriculture was much in evidence there was least support for duties of any kind.<sup>17</sup> Cattle graziers were particularly keen for Federation as they saw it as an end to "Protection", and for this reason a motion for support for Federation was passed at the Central Queensland Stock-owners' Association.<sup>18</sup> The South and Brisbane were the main proponents of the tariff. Possibly the tariff gave some stimulus to railway and

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<sup>14</sup> Ling, *Industrial Awakening*, Ch.4.

<sup>15</sup> Lawson, R., *Brisbane in the 1890's*, University of Queensland Press, St. Lucia, 1973, pp.58-9.

<sup>16</sup> *Ibid.*, p.53.

<sup>17</sup> Lewis, *op.cit.*, p.15.

<sup>18</sup> Green, L.F., "The Queensland Squatters' Attitude to Federation", *RHSQ Journal*, Vol.4, No.3, p.121.

urban construction, and to a small extent insulated local markets from the full force of competition from the southern colonies, but the relative lack of market centralisation and the lesser pre-eminence of Brisbane over other cities made a genuinely Protective tariff for local Queensland manufacturers impractical. Certainly, it was far more "economical" to import many goods from Britain through New South Wales. The inconsistencies in the nomenclature of colonial tariffs is shown quite nicely in the case of Tasmania where duties were quite high, though the colony was described as "Free Trader". The importation of raw materials and producers' goods was free, but the Colony did not move ahead much in manufacturing. In Tasmania the main emphasis in production was on grazing and fruit and vegetable exports,<sup>19</sup> and as one contemporary observer put it:

"...the duties, although high enough to be protective in a larger community, were in effect merely revenue-producing, and had the support of Free Trade Governments".<sup>20</sup>

Thus, once again, the mere level of duty was not a sufficient indication of policy. The proximity of Tasmania to Victoria, and the minute size of the Tasmanian local market made the prospect of genuine "Protection" rather ludicrous. For Western Australia, however, distance from the eastern colonies did provide some basis for protection, but not so much for manufacturing as for agricultural products. There is fairly clear evidence that in the 1890's, after the gold rushes, the goldfield areas were made to pay very high prices for agricultural products by the use of high duties on goods from the eastern colonies which also provided large amounts in Government revenue for public development works.<sup>21</sup>

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<sup>19</sup> Blainey, G., "Economic Interests", p.188.

<sup>20</sup> Chomley, *op.cit.*, p.97.

<sup>21</sup> Crowley, *op.cit.*, pp.150-1.

Manufacturing in itself was, however, not the principal consideration.

In drawing together the basic points made about the pre-Federal tariff policies of the colonies, it can be shown that tariffs were not the decisive factor in the development of manufacturing nor did they offer much encouragement indirectly. To a certain degree they may have made it easier, in the Victorian case, for Victorian goods to reach inter-colonial markets; or in the South Australian and Queensland cases, they may have protected certain branches of manufacturing from inter-colonial, but not from overseas competition. Nor were the tariffs any inducement to manufacturers in the period of reconstruction after the depression. Capital was short and the markets of the separate colonies were restricted and small. At the same time, the arguments in the colonies over the tariff are an index of economic and social conflicts arising out of the struggle between locally-based manufacturers and Imperial interests, and if a genuinely Protectionist tariff had been carried through in the colonies, then the aims of certain local manufacturers could have been realised. The partial tariffs of Victoria indicate the severe limitation and weakness of the local manufacturers in that they were hardly protected at all and won only a small advantage over their rivals in other colonies, while still being prey to British capital and imports. The actual tariff policy of Colonial Governments in fact tied in very well with British interests, and it is in this light that it should be seen. After the depression, the need for the colonies to restore their "credit" with London, and therefore to cut back on importing capital, maintain dividend and interest payments, boost exports, and avoid "waste" was the driving force behind Colonial Government policy.

How, then, did inter-colonial Free trade as provided for under the Constitution Act of 1901 fit in with colonial Government objectives? To answer this question, it is necessary to make use of the above analysis of tariff policies to understand the real effects of inter-colonial free

trade.

From 1873 onwards Imperial legislation empowered the colonies to impose preferential and differential duties against each other and against other countries. The years following brought increased tension between New South Wales and Victoria over the issue of compensation to New South Wales for Victoria's trade across the River Murray to the Riverina. In 1878 the Diseases on Stock Act was passed by the Victorian Parliament which interrupted the New South Wales cattle market into Victoria. This led to a tightening by New South Wales of control over its customs. The construction of rival railway lines to the Murray, fully operational by about 1880, generated new tensions, and by 1895 New South Wales had established thirteen customs houses on the Murray, five on the western border with South Australia, and four on the Queensland border. This introduced new difficulties and complexities in inter-colonial trade, which were only partially offset by the bonding arrangements whereby goods landed in Victoria but for sale in New South Wales could be shipped overland to New South Wales at New South Wales customs rates. New solutions were being looked for.<sup>22</sup> The idea of resolving the differences between colonies through the establishment of inter-colonial free trade had had a long history. The Melbourne Chamber of Commerce, for instance, had first considered the matter in 1863,<sup>23</sup> and it had been the subject of intermittent colonial Government consideration throughout the period 1856 to 1901. In 1887, an Inter-Colonial Free Trade Conference was held with representatives of Chambers of Commerce and Manufactures, and a fair degree of agreement was voiced with the sentiments for Federation advanced by a Victorian delegate. He pointed out that inter-colonial free trade would prevent the beginning of a trade war, that it would

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<sup>22</sup> Patterson, G.D., "The River Murray Border Customs Dispute, 1853-1880", *Business Archives and History*, Vol.2, No.2, August 1962, pp.132-5.

<sup>23</sup> Melbourne Chamber of Commerce, Minute Books, 16/2/1893.



assist in the development of the resources peculiar to each colony,  
and that:

"It will encourage manufacturers to enter into more extensive operations, and induce capitalists to invest their means in industrial undertakings. As the case now stands the manufacturer has mainly to depend on the market within the narrow limits of the colony in which he produced his commodities...but open the Australian market to him, give him a more extensive field of operation and more profitable results will soon follow and encourage the manufacturer to enter into more extensive undertakings".<sup>24</sup>

These arguments became the main ones put before the capitalist class in Australia in favour of Federation. Equally they were put before the Royal Colonial Institute in London in 1889. There it was pointed out that Federation would extinguish inter-colonial jealousies, and curtail the cost of Government while increasing its efficiency. It was urged that British holders of bonds invested in Australia should meet and vote for inter-colonial federation.<sup>25</sup> Even so, difficulties persisted. Circulars from the Melbourne Chamber of Commerce inviting other Chambers to help work out a uniform tariff received a very lukewarm reception in 1889 and 1890.<sup>26</sup> New South Wales differences with Victoria were the main stumbling blocks. Thus at the 1888 Inter-Colonial Free Trade Conference, the Victorian Chamber of Manufactures' delegate pointed out that the interchange of commodities between South Australia and Victoria was sufficiently varied to induce inter-colonial free trade, but, in noting the absence of the Sydney Chamber of Commerce, he could only hope that if all the other colonies could agree, then New South Wales would reconcile herself(sic) to the necessities of the situation.<sup>27</sup> As one

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<sup>24</sup> *Inter-Colonial Free Trade Conference*, Adelaide, 1887, p.11.

<sup>25</sup> *AIBR*, 17/2/1890, p.93.

<sup>26</sup> Melbourne Chamber of Commerce, Minutes, 1889/90, pp.221,268.

<sup>27</sup> Hall, C., *The Manufacturers: Australian Manufacturing Achievements to 1960*, Angus and Robertson, Sydney, 1971, pp.68-9.

contemporary observer summed it up, the main difference in principle was that Victorian manufacturers did not want to lose out by Federation through not having sufficient protection from overseas goods, whilst Sydney mercantile interests did not wish to lose their advantage of being the sole free port in the colonies,<sup>28</sup>

There is considerable evidence that the impact of the depression had a marked effect in favour of Federation. Thus the President of the Melbourne Chamber of Commerce in 1894 observed the much more favourable chances of inter-colonial free trade and the correspondingly greater discredit attached to high rates of protection within Victoria.<sup>29</sup> The limits of the Victorian market would have been reached, whilst the pressure from London to make ruthless economies had intensified. With the exception of New South Wales, other colonies had raised their customs duties, thus moving closer to the Victorian rates, whilst even in New South Wales itself the organisation of international trusts and the support of foreign Governments for those trusts was making the virtues of a free port questionable.<sup>30</sup> Imperial commentators were stressing far more the importance of presenting a united front to the rest of the world. Even B.R. Wise, a New South Wales Free Trader, wrote in 1913:

"Thus, it was not recognised in Australia in 1889-90 that the separatist doctrine of indifference to Imperial interests, which, under the influence of the Manchester school, had dominated English politics in the middle of the century, had become discredited with the consolidation of German power in 1870 and the new situation which this created",<sup>31</sup>

Federation became increasingly important to British Imperial commentators in this respect, and as a means of restoring the colonies' economic

<sup>28</sup> Reeves, W.P., *State Experiment in Australia and New Zealand*, Dutton, New York, 1903, p.147.

<sup>29</sup> Melbourne Chamber of Commerce, Minutes 1894, p.549.

<sup>30</sup> Wise, B.R., *The Making of the Australian Commonwealth 1889-1900: A Stage in the Growth of the Empire*, Longmans, Green and Company, London, 1913, p.37.

<sup>31</sup> *Ibid.*, p.31.

prospects, since the fragmentation of Australia had become a major point of criticism in Britain.<sup>32</sup> Banking and financial circles in the colonies also saw Federation as a way out of the depression and the road to restoring the boom years.<sup>33</sup> Thus, as the 1890's progressed, there was an increasing powerful trend of opinion that the differences between the colonies, particularly in tariff policies, were not only damaging the colonies themselves but the Empire as well. Bearing in mind the basis of the boom before the depression, this view was not without reason. In Victoria, for instance, the massive importation of goods and capital had dried up with no-one to buy buildings or land. It is then small wonder that commercial and manufacturing circles should look to the expansion of the market through opening up the other colonies to Victorian-produced goods as the panacea for their depressed sales and profits. The other colonies were also under pressure from London to reduce imports and increase exports, and generally pay their way. The larger colonies of Victoria and New South Wales did have definite prospects for advancing their trade into other colonies, such as Queensland and Western Australia, provided that these colonies' Governments were not able to shut them out by imposing higher tariffs. In this respect the argument of the Federationists in favour of expanding their investments by concentrating on the peculiar resources of each colony had more to it than was immediately apparent. In effect, this argument meant that colonies with the greatest capital resources, Victoria and New South Wales, would be able to develop their peculiar fields whilst pressuring

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<sup>32</sup> See J. Root, *The Trade Relations of the British Empire*, self, Liverpool, 1903, p.67, and C. Goodwin, *The Image of Australia: British Perception of the Australian Economy from the Eighteenth to the Twentieth Century*, Duke University Press, Durham, 1974, p.197.

<sup>33</sup> *AIBR*, 18/1/1894, and Chief Manager of the National Bank in Blainey, *Gold and Paper*, p.248.

the lesser colonies not to duplicate their investment. This was not only in line with the general British policy of making "economies" through not duplicating plant, but also offered certain concessions to the larger colonies to win support for the scheme. The arguments for uniformity of the tariff were also linked to the general pressure for uniformity in copyright, patent and bankruptcy laws, the absence of which also complicated inter-colonial trade.

To bring out how these processes worked, it is necessary to look at the actual settlement of the tariff disputes that the Constitution and the early Federal tariffs provided for. Under the Constitution it was established that for the first ten years of Federation, the Commonwealth should be limited by being allowed to expend only one quarter of the revenue derived from its taking over of colonial customs, and that the remainder was to be handed back to the States. No customs duties were to be levied except by the Commonwealth. The obligation to return such a large amount of revenue and to pay for the administration of Departments surrendered by the States to the Commonwealth forced the abandonment of "Free Trade" and the adoption of a revenue tariff instead. Despite the opposition of the New South Wales Premier Reid, this provision remained in the Constitution, although its operation was limited to ten years. The revenue tariff introduced by the Minister for Customs, C.C. Kingston, was presented as Protectionist, though the limitations of that were stressed when Kingston said that:

"...where an industry is the subject of considerable investment of capital or employment we have deemed it our duty to do the best we can...to encourage it".<sup>34</sup>

It remained to be seen what would befall smaller industries. The actual tariff introduced was below the level formerly prevailing in Victoria,

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<sup>34</sup> Kingston, C.C., *Commonwealth Parliamentary Debates (CPD)*, Vol.5, p.5714.

though obviously above that of New South Wales. That the tariff was basically a revenue device can be seen by examining comparable rates elsewhere on manufactured goods exported from the UK. Thus, the general level in Germany was 25 per cent, in the U.S.A. it was 72 per cent, Russia 130 per cent, France 34 per cent, whilst Australia was only 6 per cent.<sup>35</sup> Encouragement for industries as promised by the Minister would have been sparse indeed, especially for manufacturers that were not established and had high costs of output. Kingston, in justifying the lowering of the tariff from the old Victorian rate, pointed out that the expansion of the market for Victorians should compensate them, but for the smaller States there was no such comfort. The Queensland Governor wrote to the British Colonial Secretary:

"It was apprehended by many however, that under such a measure (Federation), and with the removal of Inter-State Fiscal Barriers, there would be a great progressive increase in trade.

The converse has actually occurred. The removal of the restrictions has actually attracted increased trade from over-seas to Sydney and Melbourne, the business of which as distributing centres has sensibly been increased".<sup>36</sup>

The Governor went on to indicate an estimate of the loss suffered by Queensland commerce and industry in the order of £250,000 to £350,000 per annum. A similar situation could be observed in Tasmania, Kingston himself also announced that Western Australia was also not very well able to cope with the uniform tariff. The Federal settlement afforded a continuation of the very marginal protection to manufacturers in certain categories, with provision for a greater squeeze on manufacturers in the smaller states, hence facilitating what had partially been achieved by Victorian manufacturers before Federation. Statistical information on

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<sup>35</sup> Cole, G.D.H., *British Trade and Industry: Past and Future*, Macmillan, London, 1932, p.104.

<sup>36</sup> Governor of Queensland - Secretary of State for Colonies, 1904, CP 78/61.

the percentage share of trade within and outside the Commonwealth confirms this view. Between 1901 and 1909, the value of interstate trade was increased from £25,894,894 to £46,071,158. Of these interstate transfers the following state figures emerge (in per cent of the total).

Table 16

Percentage Share Amongst the States of Total  
Interstate Trade, 1901, 1909

	1901	1909
New South Wales	38.5	34.2
Victoria	21.5	26.1
Queensland	18.9	19.4
South Australia	13.8	9.0
Western Australia	2.2	4.4
Tasmania	4.9	6.5

In the same period the value of total interstate transfers and overseas transfers increased from £81 millions to £109 millions, and of these totals the state figures were:

Table 17

Percentage Share Amongst the States of Total  
Interstate and Overseas Trade, 1901, 1909<sup>37</sup>

	1901	1909
New South Wales	34.3	34.2
Victoria	22.7	26.2
Queensland	19.0	11.8
South Australia	9.7	11.4
Western Australia	10.3	8.0
Tasmania	3.5	3.1

<sup>37</sup> These figures have been arrived at through consulting *Statistical Registers* of all States for the years 1901 and 1909.

What these figures show is quite important. The proportional value of interstate to overseas transfers moved from 31.6 per cent to 42 per cent, displaying a greater emphasis on interstate trade. Within this, we can note the particular increase for Victoria. Then, when the increases for both interstate and overseas combined are examined, Victoria still moved ahead, along with New South Wales, whilst all the other States fell behind. This tends to suggest that such increases as the other States made in interstate transfers were in goods that were to be shipped out of New South Wales or Victorian ports, and do not indicate a general increase in their trade. While this cannot of itself be attributed to inter-colonial free trade, it can be said that inter-colonial free trade did not distribute trade in the even and all-round way that the Federation propagandists had claimed. Indeed, what statistical information there is, suggests this. Commonwealth Bureau of Census and Statistics figures indicate that the general rate of increase in the value of new plant and machinery in the manufacturing sector was 24.9 per cent between 1903 and 1909, whilst the rates of increase in New South Wales were 32.1 per cent, Victoria 29.8 per cent, Queensland 9.0 per cent, Western Australia 4.9 per cent, Tasmania 10.9 per cent, and no useful figures are available for South Australia.<sup>38</sup> Thus whilst New South Wales and Victoria exceeded the general rate, the other States, as far as there are figures available, fell behind. Federation did nothing to reverse the leadership of Victoria and New South Wales, but appears to have strengthened it.

This picture contrasts with the view presented by Coghlan, who, in speaking of the transformations in the colonies after the depression, maintained that Tasmania and Western Australia entered the comity of

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Commonwealth Year Book, Nos. 2 and 4, 1909 and 1911, pp.557 and 571 respectively. The percentages are computed from the values given here.

states on a footing of real equality and similarity.<sup>39</sup> In Western Australia in fact the anti-Federal circles had considerable sympathy from Hackett the proprietor of the *West Australian*, who wrote:

"For we are still a poor country in spite of our gold, most of the profits of this and our other great industry, timber, pouring out of the country....Can we be certain...that the Commonwealth Parliament would forbid Victorian farmers to export, and sell for a song a tenth of their surplus wheat in Western Australia".<sup>40</sup>

Ten years later, Hackett wrote:

"What concerns me as much as anything else is the slow progress made by the smaller states. There is some little development, but not much, connected with their lands, and that is practically all".<sup>41</sup>

Tasmania also claimed to be disadvantaged under the Federal system. The Governor pointed out that the wholesale trade of Tasmania passed principally through Melbourne and Sydney, making it very hard to credit Tasmania with the appropriate return on customs duties. Furthermore, other goods were manufactured in other States partly using materials on which duty had been paid, for example, dresses made up in Victoria using foreign silks, or biscuits in New South Wales with foreign sugar, and it was practically impossible to follow the duty-paid portion of the completed manufactures into Tasmania. This further diminished the revenue entitlements of the Tasmanian State Government.<sup>42</sup> Even in New South Wales, there were signs that discontent was arising owing to the particular advantages that Victoria gained from Federation. Walter James wrote

<sup>39</sup> Coghlan, T.A., *Labour and Industry in Australia*, 4 vols, Macmillan, Melbourne, 1967, (first edition 1918), pp.1942-3.

<sup>40</sup> Hackett-Deakin, 23/5/1898, Deakin MS 1540, Series 11, Folder 26.

<sup>41</sup> Hackett-Deakin, 13/7/1908, Deakin MS 1540, Series 15, Box 32, Folder 4.

<sup>42</sup> Governor Tasmania - SoS Colonies, 1/7/1907, CP 78/59.



to Deakin:

"I think the value of the Protectionist vote in New South Wales will be much weakened by the Victorian clamours for more protection and by the figures which show what a striking gain Victoria has made even as it is".<sup>43</sup>

However, despite advantages that Federation may have conceded in the short run to Victorian manufacturers, it must be re-emphasised that this did not mitigate the long-term effects of a tariff that offered manufacturing a "subsistence" level of protection and that continued to facilitate the inflow of British trade.

To help clarify something of the role of inter-colonial free trade in the period of reconstruction, some brief examples that are already familiar from foregoing chapters will be given. In the agricultural implements and fertilisers industry the scene was dominated by Victorian and South Australian based capital. The shift in the principal developing wheat-growing areas away from South Australia to Victoria and New South Wales required that this branch of production be either whittled down in the contracting colonies and re-established in the most rapidly expanding colonies, or that the free flow of production and commerce across old colonial borders be guaranteed. The removal of tariffs stimulated the trade and saw the development of fierce competition, though increasing imports from the American and Canadian producers soon produced a new unity amongst local producers through a cartel arrangement.<sup>44</sup> Victoria had the lead in the increasingly important sector of fertiliser production. Again, the preservation of colonial tariff boundaries might have vitiated this development, and perhaps have encouraged the growth of plants in other colonies rather than strengthening the position of the ones already established, thus defeating the project of strict economy

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<sup>43</sup> James, W-Deakin, Deakin MS 1540, Series 15, Box 32, Folder 5, 10/7/1905.

<sup>44</sup> RC-Tariff, Report 5, pp.92-8.

in the deployment of capital investment. In the event, fertiliser plants already established grew, and by 1907 were also accused of having formed a cartel.<sup>45</sup> Mining machinery presented a similar sort of pattern. The mining booms of Western Australia and later Tasmania brought forth increased requirements for machinery. Thus, the Western Australian Chamber of Mines argued before the Royal Commission on the Tariff for free entry of imported machinery, but instead the Commissioners decided to continue and increase the customs duty on mining machinery to add strength to the mining machinery manufacturing enterprises in the eastern states.<sup>46</sup> Though not subject to effective protection, the prospects of the boots and shoes trade for inter-colonial trade would not have been so promising if colonial tariffs had continued. It was the factories in the smaller colonies that stood to lose from the influx of Victorian and New South Wales goods, and it is hardly surprising to find that South Australian and Queensland boot manufacturers opposed Federation for this reason.<sup>47</sup> Cigars and cigarette making presented a similar picture of decline in the smaller states and ascendancy for enterprises in the principal colonies.<sup>48</sup> While it would be incorrect to suggest that the smaller states declined absolutely after Federation, it is true that a more selective development and exploitation of their resources took place. This did not bring about so much an expansion of the plant and machinery by the larger State manufacturers. Indeed little was done to build up industry in the post-Federal period. What was noticeable was the tendency for these manufacturers to buy up the plant of their smaller

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<sup>45</sup> L'Huillier, *op.cit.*, p.199, and J.R. Poynter, *The Enterprise of F.S. Grimwade and His Sons*, Business Archives Council of Australia, Victorian Branch, Melbourne, 1966, p.10, and Wilkinson, *op.cit.*, p.89.

<sup>46</sup> RC-Tariff, PR No.7, Vol.4, 1907-8, pp.598,631, and for tariff see p.549.

<sup>47</sup> Norris, "Economic Influences", pp.146-7, and Lawson, *op.cit.*, pp.58-59.

<sup>48</sup> Norris, "Economic Influences", pp.147-8.

competitors and not expand it, so as to establish their monopolistic position free from the prospect of competition inter-state or of having to boost production and lower prices. The maintenance of monopoly prices within the fairly small Australia-wide market was one of the ways manufacturers accumulated funds, and in this they were often abetted by importing interests.<sup>49</sup>

A new tariff schedule was introduced in 1907 which generally raised duties across a whole range of imported goods. It is important to examine this tariff briefly to put paid to the idea that this tariff was any more "Protectionist" than its predecessors, and so be able to question in a later chapter the basis of the New Protection policies. For example, in 1907, the clothing manufacturers supposedly received increased protection through an increase in duties. In fact, what occurred was that although the raw materials were kept at their old level of duty, providing a margin of 10 per cent between raw and manufactured material as before, a number of minor articles which were previously admitted free were made dutiable, and felt in particular had the duty raised on it to 50 per cent *ad valorem*. Thus the original margin of 10 per cent was eroded by the rise in the cost of other materials. Mantle and costume manufacturers reported similar difficulties given the rise in duty on minor articles. Their difficulties were emphasised by the fact that since the season finished in England and the Continent just as it was about to begin in Australia, stocks left over could be purchased at 50-75 per cent under value and sent out to be dumped on the Australian market. Manufacturers of sewn hats and caps also were restricted by these provisions, and the duty on their raw materials was the same as that on the made-up article. Moreover, their branch of production was classified under the same category as felt and straw hats which had their raw materials grown

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<sup>49</sup> Hughes, "Federalism and Industrial Development", pp.325-6,331.

within Australia or else imported free. Manufacturers in Britain or Europe could use the best raw materials and send out finished goods at a duty of 30 per cent, whilst local manufacturers had to pay a duty of 35 per cent on their raw material alone. Clothing designers who produced paper patterns and fashion plates for local industry were placed in a difficult position. As it was, patterns were often presented *gratis* with copies of English periodicals, but then the new tariff placed their competitors' work on the Free list. Overseas competition, the high degree of skill required, and the need for designs catering to local conditions, meant the tariff was quite unfavourable. Outside the clothing trades the trend continued. Makers of disinfectants, sheep washes and insecticides pointed out that the raw material for their work was dutiable though none of it was manufactured in Australia. Sheet-metal works, galvanisers, and tinwares manufacturers also argued for increased tariffs mainly to combat the increasing importation of tin- and enamel-ware, especially cream and milk cans. They found that the increased duty on raw materials eroded the increase in the overall duty raised.<sup>50</sup> All these examples support the basic contention that, although the tariff afforded some measure of protection from outright extinction, it was very marginal; and far from being carefully designed to assist local capitalists, it militated against them ever rising to challenge foreign trade. The general rates of increase were simply nowhere near high enough, nor adequately designed, to have the genuinely protective effect for basic industries that rates prevailing in other nations did.

While the tariff did not cater for an overall strengthening of local industry, the Government made sure that in introducing it every possible accommodation for British objections might have the chance of being made. The Colonial Office endeavoured to find out on behalf of British

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<sup>50</sup> All of the above examples are extracted from Papers of The Hon. C. McDonald, M.P. relating to the customs tariff, 1906-8, CAO, CRS A 1039, Item 2.

manufacturers, what the new schedules were to be in advance of the Federal Parliament and when this could not be acceded to,<sup>51</sup> the Board of Trade forwarded the schedules when they were available to British Chambers of Commerce for comment. These comments were then transmitted by the Governor-General to the Government. Amongst many representations, the following are typical. The North Staffordshire Chamber of Commerce complained that the duty on porcelain should be 20 per cent higher than that on earthenware, because at the time British manufacturers were losing out to cheaper German goods,<sup>52</sup> whilst J.C. Barker and Co. requested a large duty in favour of British type, printers' heads and material because his company faced severe competition from U.S. firms.<sup>53</sup> These representations were treated most solicitously by the Prime Minister. Protests by a British company at the duty imposed on paints for ships' bottoms resulted in an amendment being passed that gave the company an even larger concession than they had asked for.<sup>54</sup> Numerous other requests which arrived too late for the House of Representatives to consider were referred to the Senate on the instance of the Prime Minister, for example, the Bradford Chamber's request for the re-arrangement of the schedule affecting dress goods.<sup>55</sup> In name, the Commonwealth might have moved from "Colonial" to "Dominion" status, but in fact the constant intervention of British Ministries and commercial and industrial interests in the framing of the Australian tariff, and the obsequious attitude of the Prime Minister in promising to have this or that issue raised so concessions might be organised, made the notion of "self-government" farcical. For a tariff that was supposedly protective of local manufacturers, the :

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<sup>51</sup> Elgin-Northcote, 4/9/1907, CP 78/1.

<sup>52</sup> CP 78/1, Item 1, Bundle 41.

<sup>53</sup> *Ibid.*, Bundle 44.

<sup>54</sup> *Ibid.*, Bundle 41.

<sup>55</sup> *Ibid.*

collusion between the Government and foreign manufacturers was striking indeed. In fact, for the first time, preferential rates were introduced for British goods below those for other foreign trade, and although the level of preference was not very high, only about ten per cent, this still denoted an increasing emphasis on the Imperial united front to the rest of the world. Generally, in the period 1905-09 till 1910-13, there was a continuing upward movement in the value of goods imported into Australia and New Zealand from the United Kingdom from 6.6 per cent to 10 per cent of the world total, this being the fastest growing component of the Empire.<sup>56</sup> Thus the Federal tariff of 1907 carried through what British investors had hoped that it would, namely a consolidation of the role of British trade in the Australian markets.

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<sup>56</sup> Saul, S.B., *Studies in British Overseas Trade 1870-1914*, Liverpool University Press, 1960, p.214.

## CHAPTER VII

### A CONCESSIONARY SLICE OF BACON: LABOUR POLICIES

Intimately bound up with the reconstruction of the colonial economies after the depression was the move towards greater Australia-wide uniformity in the determination of wages and conditions of labour, through the conferring on the Commonwealth Parliament the power to legislate on immigration and arbitration and conciliation, in cases where disputes extended across State boundaries. Both these powers were used very early in the Federal period, with the Arbitration machinery being created in 1904, and legislation against Asian immigration and labour being passed in the first Federal Parliament.

The history of arbitration and conciliation and the history of organised working class resistance to the employers flowed together. The rapid development of the hold of the British Empire over the Australian economy, a hold being tightened all the time in the face of the intensifying rivalry between the rival imperialisms, also developed more and more the essentially antagonistic relationship between the Australian working class and British capital. Indeed, evidence is that the sharpening of class conflict in the 1880's and 1890's, the increasing militancy of the working class, and the very development of an "Australian" as opposed to a "colonial" working class, were the outcome of the inroads of British imperialism. The more determinedly the British investors pushed in, the more they drew forth organised and increasingly

conscious resistance. Thus, it has already been pointed out how the scheme for open and direct subordination of separate colonies to the Empire through the Imperial Federation proposals stimulated Republican and nationalist sentiment. The great boost of British investment in the colonies stimulated the growth of the organised working class, reflected in part at that time in the phenomenon of the "new unionism". This new unionism represented a break away from the confines of small craft unions based in the cities which concentrated on providing funeral and sickness benefits out of members' money. These older style unions were similar in many respects to the friendly societies of the middle and upper classes, although they also had a record of struggle against the repressive Masters' and Servants' Acts and in favour of regulated hours and conditions of work. Typical of the positive side of unions in the old style was the 1883 Tailoresses' Strike, which was of decisive importance in exposing the shocking working conditions of women in the sweated textiles industry and in forcing big concessions from the employers. The new unions, on the other hand, were grouped around the city construction industries, railways and tramways, maritime unions, and in the country amongst shearers and miners. This shift of emphasis was not surprising. The ramshackle, reckless expansion of the pastoral industry promoted by British capital which was analysed earlier was achieved through the low wages and bad conditions imposed by the graziers on the shearers. As one shearer wrote:

"For many years the shearers and shed hands had been looked on as necessary evils, to be used when needed and cast aside till next shearing time came round. Accommodation was rotten....Huts were built of bark and slabs, with leaking roofs, no windows, earth floors, bunks in three tiers and bare boards to sleep on...."<sup>1</sup>

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<sup>1</sup> Tritton, *op.cit.*, p.39.



It could only have surprised those who did not have to live in such conditions, the pastoralists and their financial backers, that the shearers gave such overwhelming support in the remote country districts to unionism, the closed shop, and militant action to support their demands. The shearers' strikes of 1890 and 1894 were characterised by great strength and determination in the face of tremendous difficulties. "Scab labour" was brought in from Victoria, shearers' camps were harassed and spied on by the police and their informers, orders were given by the colonial Governments to take all steps against the shearers regardless of the consequences, even death. The response of the shearers was to resist. In the Clermont and Charters Towers regions, the shearers undertook certain simple military training to better resist the violence launched against them by the authorities. And while men went under arms in Queensland, shearers in New South Wales in 1894 burned the riverboat *Rodney* which was carrying wool shorn by non-union labour. And while unemployed workers could be recruited in Victoria for scab labour in other colonies, solidarity developed between workers of different industries. The wharf labourers and seamen refused to handle "black" wool, and they stood up against attempts by the police, armed pastoralists, and scab labour to coerce them. That all of this should occur in the midst of depression when urban unemployment was rising and when the likelihood of success was small, still showed how deeply class antagonisms had developed and how better organised workers had become. On the other hand, there was little doubt that the development of the "new unions" had frightened the ruling circles, and even some of the trade union officials themselves; and a determined effort was launched to break them. This was the basis for the attempt to prevent the ships' officers from affiliating with the Trade and Labours Council which sparked the Maritime Strike, just as the issue of the "closed shop" was the issue in the shearing sheds. In the mining industry there were similar trends.

The move ahead in company mining and the decisive end to the prospect of economic independence for the individual miner forced a change in miners' ideas. Employment in the big mining companies, very heavily backed by British capital investments, forced miners to unite. Conditions in the mines were frightening. Not only were there very long hours of work, but safety was all but ignored. It took terrible accidents, one resulting in the death of one hundred and forty miners, and a long struggle by the miners' organisations to achieve somewhat improved conditions. On an Australia-wide basis the Miners' Association was established by 1886, and many of its campaigns were greeted with success. But in 1892, the Barrier mining companies determined to conduct a lock-out to enforce "freedom of contract", thus hoping to destroy the union. A strike was declared, but leading organisers were arrested and sentenced on various charges to long gaol terms, and after eighteen weeks the strike was defeated.<sup>2</sup> Generally speaking, by the mid-1890's union membership was at an all-time low, and the union organisations had been defeated on the major issues confronting them. The general depression throughout the colonies, excepting Western Australia, and the consequent free availability of scab labour, made defeat likely. The employers also had superior organisation through their ability to mobilise the violent and repressive organs of the State machine against the workers which cowed and intimidated many union officials into capitulating when the workers themselves stood firm. However, the strikes were an extremely important step forward for the Australian working class. They laid the basis for the spread of socialist ideas, and particularly it awoke the realisation that the power of the capitalist class was dependent on the State, and that no lasting solution could be found to workers' demands without confronting the question of which class was to rule over society. In turn,

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<sup>2</sup> Ebbels, *op.cit.*, pp.141-6.

the question of how to prevent such events being repeated, with perhaps less favourable results, had come to occupy the attention of thinkers in ruling circles. This was evident in the views of the New South Wales Royal Commission on Strikes:

"The industrial community is thus being organised into vast camps jealous and suspicious of each other, and preparing for a possible conflict, which in a few months, may destroy the saving of many years. The extent to which this organisation of employers and employed has now attained gives the whole question its present public and even national importance".<sup>3</sup>

Yet for a time the issue seemed diminished in importance. Average unemployment in the nineties right up until 1905 appears to have been around fifteen per cent in Victoria,<sup>4</sup> and the picture was little better elsewhere, especially amongst the unskilled workers.<sup>5</sup> Indeed, although the Australian level of trade union organisation was regarded as one of the most advanced in the world, nevertheless it was estimated that there were only 100,000 unionists in two hundred separate associations out of a total workforce that approached 1,500,000. Only in the late 1890's was there evidence of a certain revival of organisation and higher levels of struggle. In 1897, the Marine Engineers, who had stayed out of the Maritime Strike and had accepted a 10 per cent "voluntary" cut in wages, found that the revival of commerce did not lead to a "voluntary" revival of their old wage levels. They struck and the owners were forced to concede their claim.<sup>6</sup> In 1900 the New South Wales trade unions revived the Trades and Labour Council, and in 1903 the Queensland unions

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<sup>3</sup> Report of N.S.W. Royal Commission on Strikes, in C.M.H. Clark, *Select Documents in Australian History 1851-1900*, Angus and Robertson, 1955, p.762.

<sup>4</sup> Macarthy, P., "Labour and the Living Wage 1890-1910", *AJPH*, Vol.XIII, No.1, April 1967, p.68.

<sup>5</sup> Turner, I., *Industrial Labour and Politics; The Dynamics of the Labour Movement in Eastern Australia 1900-1921*, A.N.U. Press, Canberra, 1965, p.53.

<sup>6</sup> Harris, J., *The Bitter Fight*, University of Queensland Press, St.Lucia, 1970, p.139.

followed suit.<sup>7</sup> Yet as prosperity returned for the employers and the pace of capital accumulation quickened, the same could not be said for the workers. Though wages had returned to their pre-depression levels after the big cut in wages in the 1890's for craftsmen, unskilled workers still lagged behind; and in real terms the general rise in prices meant that there had been a substantial re-distribution of income in favour of the "non-wage elements".<sup>8</sup> In the trade unions after the depression, another problem re-appeared more sharply, namely the capitulation of union officials and their sabotaging of important struggles. Two examples will suffice. A very dubious union had been registered in New South Wales to cover the shearers in the hope of counter-acting the A.W.U., and although a certain amount of campaigning was conducted against this "union" and a strike was called against it, the prompt support for the "union" by the New South Wales Government in 1902 resulted in the surrender of the A.W.U. leadership and the calling off of the strike. Then in 1903 came the Victorian rail strike. There had been heavy cuts in the wages of the Victorian Public Service, including rail workers, and the Government had passed an Act which was aimed at disfranchising the rail workers. The rail union sought to affiliate with the Trades Hall, whereupon the Government sacked the workers. A strike developed, and the Victorian Premier, Irvine, introduced draconian measures against the strikers in Parliament, and organised the use of scab labour under police protection. A huge public outcry went up, and there was very considerable support for the strikers, but the Union Secretary and President surrendered the fight at the crucial moment without any consultation with the workers, and the strike collapsed.<sup>9</sup> One of the best representatives

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<sup>7</sup> *Ibid.*, p.165.

<sup>8</sup> Macarthy, *op.cit.*, p.76.

<sup>9</sup> Harris, *op.cit.*, pp.160-2.

of this trend amongst the unions, W.G. Spence, summarised this method of work: "If a (union) secretary is vigilant he can nip in the bud incipient strikes...."Avoid strikes as long as possible" is a good motto..."<sup>10</sup> Amongst Labor Parliamentarians this trend also emerged. The Queensland Governor observed that the firebrand Labor Members of Parliament were going through a "modifying evolutionary phase", and he cited a Labor Minister in the Queensland Government as speaking of the "...advisability of accepting the concessionary slice of bacon in lieu of insistence upon the whole hog".<sup>11</sup>

The concessionary slice of bacon was offered through the development of legal wage determination, through the setting up of Wages Boards, and then the establishment of Governmental machinery for interference in industrial disputes under the guise of "arbitration" and "conciliation". This was pioneered by the South Australian Premier, C.C. Kingston, who also was responsible for ensuring that similar appropriate powers were inserted into the Federal Constitution. The idea arose out of the experience of the employers in the strikes and out of the nature of trade unions themselves. Despite their temporary victory in the struggles of the 1890's it was clear to employers that trade unionism had developed amongst the workers, and that it would not be possible to extirpate the support it had, or to prevent trade unions from being formed. The question then was: how could trade unions be adapted into State machinery in a way that might even serve the employers, or at least undermine their militancy? Part of the answer lay in the nature of trade unions

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<sup>10</sup> Spence, W.G., *Australia's Awakening: Thirty Years in the Life of an Australian Agitator*, Sydney, 1909, p.338.

<sup>11</sup> Governor Queensland - Secretary of State for Colonies, 30/9/1904, CP 78/61.

themselves. As Marx observed:

"Trade Unions work well as centres of resistance against the encroachments of capital....They fail generally from limiting themselves to a guerilla war against the effects of the existing system, instead of simultaneously trying to change it, instead of using their organised forces as a lever for final emancipation of the working class, that is to say, the ultimate abolition of the wages system".<sup>12</sup>

The system of arbitration therefore offered unions concessions to confirm them in their "natural" limitations. Acts conferred on the unions a legal personality which helped safeguard union assets and enabled them to appear as a "person" in courts of law, and they also provided for registration whereby a union could obtain legally recognised "coverage" of certain areas of employment, so that the union might become the sole representative of workers. This enabled unions to avoid damaging demarcation disputes from "scab" unions, though at the same time it helped the employers by preventing so-called "wildcat" strikes. Finally the unions were granted immunity from conspiracy proceedings. But no rights were conferred without rights being surrendered. Mr. Ben Morgan, adviser to British investors in Australasia, explained the new system thus:

"In Australia the fixation of hours and wages of workers in factories and mines as well as some classes of farm hands is controlled by the State. To those of us who have had experience of manufacturing conditions in England this condition of affairs, at first sight, will not commend itself....

It is beyond question that the effect of this legislation had been to obviate serious strikes.. ..This is a matter of extreme importance...In removing labour disputes from the arbitrament of force to an atmosphere of judicial sense and reason, Australasia has set an example which....will be widely followed in new countries".<sup>13</sup>

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<sup>12</sup> Marx, K., *Wages, Price and Profit*, Foreign Languages Press, Peking, 1970, pp.78-9.

<sup>13</sup> Morgan, B., *op.cit.*, pp.70-1.

The experience of the 1890's and the revival of struggle after the depression, had set the employers on the course of arbitration, whereby the union officials and employers could avoid the open, mass conflict which would only increase the consciousness of the workers, at the price of supporting certain official trade union structures, whose functionaries were all too willing to make concessions. Mr. W.G. Spence summed up the position well:

"The sweater disappears under the system, and at the same time, strikes do not occur to upset the industry. The investor knows exactly what labour will cost him; and, further, he is assured of settled conditions both as to the labour he may engage, and also as to the fact that there will be no falling off of the purchasing power of the masses...."<sup>14</sup>

The disappearance of the sweater, while a good thing, was also welcome to the large factory owner who resented the sweaters' ability to hire workers for lower wages, and the non-occurrence of disruptive strikes suited the largest employers who could otherwise hardly avoid being the principal target for the major strikes. The knowledge that labour costs were fixed for a definite period consoled both urban manufacturers and bankers alike, and some of them even promoted rural unionism to squeeze their country rivals, whilst the commercial capitalists would be heartened that the masses would have money to buy the commodities produced. Having been forced to concede the right of unions to exist, Arbitration sought to turn that right into a liability of workers' ability to organise and fight.

Connected to the issue of arbitration and the fixing of wages was the question of uniformity of industrial awards. From the standpoint of the employers, quite disregarding the value of lessening the number and duration of strikes, the provision for Australia-wide awards in the

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<sup>14</sup> Spence, *op.cit.*, p.312.

case of inter-state disputes in the Federal Constitution was important. Alfred Deakin noted that the determinations of the Victorian Wages Boards were affected by the fact that higher rates could be paid in Victoria, since the tariff enabled goods to be sold at higher prices. On the other hand, Deakin was concerned that the inducement of lower wages prevailing in New South Wales might induce manufacturers to move to Sydney. The only other alternative was to make sure that equally high rates prevailed in all Colonies/States.<sup>15</sup> In some cases, there were employers eager to establish uniformity throughout Australia, and occasionally inter-state disputes were fabricated in collaboration with unions, so that the Federal Court would make an award rather than a State Court.<sup>16</sup> Although there were definite restricts on the amplitude of the Federal Court of Conciliation and Arbitration, it could establish the rate of pay for any employee who was a member of a trade union party to a dispute or any employer of a trade unionist. In law, if not in reality, it was illegal for a person to be sacked by virtue of their membership of a trade union. Further, the Act gave the Court power to settle matters for a whole industry and not just for the actual employees party to the dispute, although this was cut back by the High Court in 1910.<sup>17</sup> In general, the operation of the Act and the Court would have had most effect on the larger urban enterprises. Wages Boards in general were accepted by Victorian employers, but in New South Wales the employers strenuously resisted the State Arbitration Court and achieved its effective demise through a Supreme Court ruling in 1908. Commonwealth Arbitration was resisted by the building firms and a wide range of employers,

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<sup>15</sup> Deakin, A., J. La Nauze, (ed.), *Federated Australia: Selections from Letters to the Morning Post 1900-1910*, Melbourne University Press, 1968, p.72.

<sup>16</sup> Foenander, O., *Towards Industrial Peace in Australia*, Melbourne University Press, 1937, p.15.

<sup>17</sup> *Ibid.*, pp.10-11, 204-5.



and in fact up to 1912 only the shipping companies registered their association federally.<sup>18</sup> Though the early period of the Federal Arbitration Court was not decisive, it nevertheless played an important role in regulating working class militancy. The development of united action across industry boundaries and across colonial boundaries that the struggles of the 1890's brought to a head in the pastoral and maritime industries brought with it too the need for employers to organise the State machinery at least on a partially "Australian" basis.

The other aspect of the reconstruction and early Federal period, apart from the strike struggles and their aftermath, was the interlocking of arbitration and protection. If there was to be a uniform tariff that would ensure that customs duties did not favour manufacturing interests in one colony more than another, then in the legal determination of wages the principle of uniformity also had to be observed. For a short period a particular form of "trade-off" amongst competing interests was arranged to provide for this. This is embodied most clearly in the New Protection legislation and the rulings of Higgins from the Arbitration Court. Justice Higgins, in the famous Harvester Judgement, ruled that a basic wage be established which would guarantee a frugal livelihood to the workers. This was supported by the "Protectionist" section of the Royal Commission on Tariffs and by the Deakin Government.<sup>19</sup> Higgins' judgement provided, *inter alia*, for an increase in wages for unskilled labour of about 27½ per cent, and the recognition of trade unions as an aid in securing industrial peace.<sup>20</sup> Federal legislation complemented this ruling by providing for special protection and preference to trade

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<sup>18</sup> Macárthy, P., "Employers, the Tariff and Legal Wage Determination in Australia - 1890-1910", *Journal of Industrial Relations*, Vol.12, No.2, July 1970, pp.187-8.

<sup>19</sup> RC-Tariff, 1907-8, CPP, p.1889.

<sup>20</sup> Foerander, *op.cit.*, pp.70-1,14-5.

unionists, and conceding special tariffs to certain manufacturers who employed union labour. Other laws, including the Trade Union Marks Act (1905) and the Australian Industries Preservation Act (1906), supported the trade union-manufacturer "trade-off". The basis of the matter was explained in the Report of the Royal Commission on the Tariff:

"The ideal of the Constitution is equality and uniformity in all matters....The ideal can hardly be recognised if uniformity of protection is coupled with wide diversity in the conditions of manufacture. Effective and useful as State industrial laws have in many cases proved, their operation is circumscribed by State boundaries, and it can hardly be claimed for them that they either do or can secure uniformity in the conditions of manufacture throughout Australia. No authority but the Commonwealth Parliament can do this...."<sup>21</sup>

The actual trade-off did not last very long, for almost as soon as the new tariff was put through the Parliament, New Protection, as far as it conceded anything to trade unions, was destroyed by a series of High Court rulings; and by 1909 the Deakinite-Labor Party alliance was gone and the Fusion of the Protectionist and Free Trade parties in the Parliament had been achieved. Thus what remained intact was a ruling on the basic wage, the new customs duties, and a recognition of the usefulness of the unions to employers. Thus the effect of the New Protection arrangement was not really to boost the trade unions, but rather to establish a level of customs duties much closer to the old Victorian tariff than the Kingston tariff of 1902 and to establish the principle of a basic wage Australia-wide. The level of the wage was not really the issue; and employer organisations never ceased their work to have wages reduced, or held back, and to restrict the positive influence of unions for their members, but the fact of an Australian minimum wage

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<sup>21</sup> RC-Tariff, P.1889.

and not a variable level was the point at issue. For the purpose of putting through the tariff of 1907 and upholding the minimum wage, New Protection was put forward to offer concessions to the Labor Party so that the Free Trader elements from New South Wales Labor would support the "Protectionists". Thus, since the initial Federal tariff had brought a period of very sharp competition throughout Australia with inter-colonial free trade, the New Protection was used as a vehicle to bring in a higher tariff later and a Federal basic wage that could be used to squeeze manufacturers from less advanced states or country districts, while compensating the monopolistic enterprises for their small market in Australia with the capacity to raise prices behind the tariff. Thus in both phases, the tariff operated not as a means to foster national capitalists but rather to assist larger manufacturers, in ousting competitors and then in raising prices.

In fact, the legal judgements did not generally improve the situation much for the workers. As far as they were concerned the whole machinery of legal wage-fixing and negotiated agreements under judicial supervision had effects that were very two-sided. There were, on the one hand, some wage increases, and it was easier to organise basic union protection for workers, though this did not help much against the rising cost of living. On the other hand, exploitation in the factory was stepped up. In the boots and shoes trade, one worker wrote in a letter to a Royal Commission:

"When the minimum wage came in on the second of January, I was discharged as being too slow.

...The Chief Inspector would probably have been willing during 1898 and 1899 not to prosecute anyone who would have given me employment at less than the minimum wage, but manufacturers did not like the position, and would rather employ other men at the minimum wage".<sup>22</sup>

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<sup>22</sup> RC-Factories and Shops, No.8345, p.390.

The Royal Commission found that the older workers had generally been sacked without any compensation from the trade, and it was found that the minimum wage had contributed somewhat to the forced closure of about 47 of the smaller factories in Victoria.<sup>23</sup> Within the factories remaining, the rate of work has hastened. Speaking of employees in the textile industry one worker pointed out:

"They (the employers) have realised that they have had to make an advance in wages, and seem to have looked for a compensating advantage - that is, by demanding an extortionate amount of work for the amount of pay".<sup>24</sup>

This process was carried through by taking an exceptionally fast worker and having that person put on as task-master in the shop, and making their rate the average rate for all the other workers.<sup>25</sup> The introduction of time-and-motion studies to facilitate the general speed-up in the factories eroded many of the advantages gained through increases in wages, especially for the workers thrown out of their jobs. Falling standards of living combined with increasing exploitation began to force new militancy into the working class. Arbitration had managed to tame the union officials and the Labor Party (which after all was the creation of union officials through the Trades Hall), but by 1909 a new spirit was abroad that manifested itself in the New South Wales coal strike. The Governor-General wrote to the Secretary of State for the Colonies:

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<sup>23</sup> *Ibid.*, pp.XXXV-VI.

<sup>24</sup> *Ibid.*, No.14202, p.68.

<sup>25</sup> *Ibid.*, No.14236.

"...labour leaders of the past have seen the disastrous consequences of great strikes, pressed for these laws (Arbitration) and obtained them ...But the newer leaders among the miners responsible to no man for their actions...set the law at nought. They despise peace and continually preach war. With such firebrands abroad the future of arbitration seems hopeless.

The Parliamentary Labour Party in New South Wales were neither consulted nor admitted to secret deliberations; and some members of the party already regret the strike as a false step".<sup>26</sup>

It was evident that the power of arbitration and the Labor Party to restrain workers was limited, however, the new period of militancy does not concern us here. Rather, what it has been important to stress, is that the organised resistance of the working class was the key to the introduction of arbitration and its provision in the Federal Constitution, first as a means of bottling up struggles, and secondly as a means of eliminating lesser competitors to the main enterprises. Arbitration was far from being a disadvantage to Imperial interests, and in its guise as New Protection it promoted the process of monopolisation under Imperial supervision.

Uniformity in labour conditions was also pushed forward by immigration legislation. This was, of course, not new in the Australian colonies. Perennial shortages of labour-power in the colonies had repeatedly brought forth demands from rural property-owners that coloured labour from the Pacific Islands or from India or China be brought in to carry on work up-country. While the British Colonial Office had never displayed any principled objection to shifting Indian labourers around the Empire when suitable, there had always been objections raised concerning the use of "Coolie" labour in Australia. As Colonies of white settlement with certain established economic conditions, it would very soon have

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<sup>26</sup> Governor-General - Secretary of State for Colonies, 9/12/1909, CP 78/9.

proved extremely difficult to continue white emigration from the UK if large numbers of Asian labourers were also being brought in as well. Queensland was the main exception to this general rule, and between 1863 and 1904 more than 60,000 Pacific Islanders were brought in to work in terrible conditions. Legislation established that the Pacific Islanders should not be employed in any other industry but tropical agriculture, so that urban commercial circles should not be deprived of white labour by virtue of the lower wage rates for coloured workers.<sup>27</sup> Thus, as the Commonwealth came into being, and it was proposed to legislate for the exclusion of all the Pacific Islanders from Australia, the main areas of protest were from the sugar-cane growers and plantation-owners, who had depended on Pacific Islanders to carry out the most strenuous work in clearing the land. They organised protests, and the Premier of Queensland, Robert Philp, promoted the idea of secession from the newly-formed Commonwealth in order to retain the Kanakas. However, popular feeling in favour of a White Australia was by then so strong that the meetings called to oppose it were frustrated by large crowds supporting Federal policy. Philp was unable to muster sufficient support for this schemes, and his Ministry fell in 1903.<sup>28</sup> It has already been explained how the sugar industry was developing during this period towards the small-farmer system under the domination of central mills and monopolistic refining; and it was this development that made the abandonment of Pacific Islands labour possible. The Commonwealth Government, for its part, had promised the Colonial Sugar Refining Company a special bounty on Australian sugar produced by white labour, and this measure enabled the Company to push forward without fear of cheaper overseas competition. Outside the Commonwealth, the Colonial Sugar Refining Co.

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<sup>27</sup> Harris, J., "The Struggle Against Pacific Island Labour 1868-1902", *Labour History*, No.15, November 1968, pp.40-1.

<sup>28</sup> *Ibid.*, pp.45-6.

had expanded to Fiji, and there it was one of the largest employers of Pacific Islands labour.<sup>29</sup> As it expanded its Fijian operations as well as its Australian ones, the Colonial Sugar Refining Co. was able to enjoy the best of both worlds by throttling its competitors inside Australia through supporting the White Australia Policy but utilising the semi-slave plantation system outside. The adoption of uniform immigration policy throughout Australia was also important insofar as it prevented any shift of Pacific Islands labour down into northern New South Wales, which would have been possible once immigration powers were formally ceded to the Federal Government. White Australia made it possible for fairly uniform conditions of labour and rates of pay to develop within Australia which the presence of a sizeable minority of Pacific Islanders might have obstructed.

The other aspect of White Australia concerned overall Imperial considerations. In this respect it is important to distinguish between the problem of Chinese and Japanese immigration. So far as the question of the Chinese were concerned, the Chinese Government was weak and ineffectual, and the Australian colonies were able to pass laws imposing poll taxes and other discriminatory legislation without upsetting British relations with other powers. Corruption was one means by which Chinese had managed to stay in Australia throughout the nineteenth century, and another was taking advantage of loopholes in colonial legislation. For a time it had been possible for Chinese to enter the colonies through the Northern Territory, and between 1887 and 1888 some thousands had come in this way. However, the discovery of the Queensland goldfields near Croydon led the Government there to apply pressure on South Australia to close this point of entry. Into the 1890's new loopholes emerged, but

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<sup>29</sup> Lowndes, *op.cit.*, pp.32-3.

these were not of great importance, and apart from some opportunities for entry in Western Australia, the colonies were generally closed to Chinese.<sup>30</sup> However, Japanese immigration was another problem. Since the Meiji Restoration, the Japanese Government had grown in strength, and from the 1890's onwards the Japanese Government had become committed to a programme of mercantile expansion to facilitate the purchase of Japanese manufactured goods. The flow of labourers abroad from Japan and the establishment of Japanese mercantile and financial houses abroad was a part of this policy.<sup>31</sup> In the Australian colonies, the main commercial threat to British and colonialist interests was in the beche-de-mer and pearshell industry, where Japanese divers were very skilled and often were able to establish effective financial control over the industry. Federal Government policy was that Australian based enterprises should be able to use Asian labour, and so special exemptions were made to official policy of white labour, but the Government sought to prevent Asians from owning the industry.<sup>32</sup> At the same time, it was more and more important from Britain's point of view that the Japanese Government should have no overt cause for offence, since the decline in British power and the rise of its rivals had forced it to seek allies to control China and the North Pacific area, for which Japan was well suited at that time. In Australia, arising out of the 1896 Inter-colonial Conference, new moves were initiated against Asian immigration as a whole, and legislation was passed in all colonies excluding immigrants from Asia on the basis of race alone. This legislation was to be reserved by the British

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<sup>30</sup> Willard, M., *History of the White Australia Policy to 1920*, Melbourne University Press, 1967 ed., pp.71,93-4.

<sup>31</sup> Yarwood, A.T., "The 'White Australia' Policy: a Reinterpretation of its Development in the Late Colonial Period", *HS*, Vol.X, No.39, November 1962, p. 267.

<sup>32</sup> Bach, J.P.S., "The Pearshelling Industry and the 'White Australia' Policy", *HS*, Vol.X, No.38, May 1962, pp.203-213.



colonial Governors because of protests not only from the Indian nationalists but also from Japan. The British Colonial Secretary, Joseph Chamberlain, then proposed that the "Natal formula" be adopted, which required prospective immigrants to submit to a dictation test in a European language if they were to be granted entry. By this means Asians could be excluded without actually saying so in the legislation. This stratagem was not entirely successful, since only the Legislatures of New South Wales, Western Australia and Tasmania adopted it, whilst South Australia did nothing and the two Houses were deadlocked in Victoria.<sup>33</sup> Queensland was in a very awkward situation, because it had agreed in 1897 to be bound by the British-Japanese treaty of commerce, and so it was not able to regulate or exclude Japanese immigrants unilaterally. Various manoeuvres were resorted to, including a ban on Asians' being able to employ Aboriginal labourers and a prohibition against Asian ownership of the pearlshell industry, but this did not prove entirely satisfactory.<sup>34</sup> Thus it was only through the adoption of immigration powers by the Federal Government that the "Natal formula" was adopted, and systematic exclusion of unwanted Asian labourers and entrepreneurs could be carried through. As with the Pacific Islanders, the particular obstacle that Queensland posed, was overcome by the Federation of the colonies and joint pressure that could then be exercised. The one-time Premier of Western Australia and Federal Minister for Defence, Sir John Forrest, expressed the situation thus:

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<sup>33</sup> Willard, *op.cit.*, pp.109-115.

<sup>34</sup> Yarwood, *op.cit.*, p.268.

"...if there had been no restrictive laws in Australia in regard to the introduction of coloured races, Australia would have had a larger coloured population than British people. We should have been practically ousted from our own country long ago, and from the land entrusted to us by the Motherland".<sup>35</sup>

Federation made possible the particular mix of Imperial strategic interests in the whole region and Imperial interests within the colonies that Australian immigration legislation expressed. There was at once the basis for uniformity in immigration policy and the opportunity to avoid giving offence to Britain's dangerous ally to the North.

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<sup>35</sup> Sir John Forrest, *Address on the Production and Trade of Australia*, Australian Trading World, 1906, pp.17-8.

## CHAPTER VIII

### CONCLUSION:

#### THE BRITANNIC QUESTION ANSWERED

What remains to be done is to summarise and draw together the analysis that has been made so far in order to assess the meaning of Federation in its promotion of inter-colonial free trade and the class interests that the Federal Constitution thus helped to represent.

Australia and the Australian colonies could not have been properly described as a nation, since before and after Federation they remained enmeshed in the web of financial, commercial, and diplomatic dependence established through the British Empire. Therefore, the changes with respect to inter-colonial free trade that the Imperial Parliament adopted in the government of the Australian colonies had their basis in changes wrought in the forces and relations of production, though these changes were not sufficient to bring about a fundamental shift in political power away from Britain and to consummate independence. To understand these changes, it has been necessary to examine the situation of British interests overall and in Australia. In the first place, Britain's place in the world was being transformed by the rise of rival commercial and industrial powers in Europe and America. The early development of British supremacy in manufactures was being eroded as the cost of replacing old plant and equipment and of introducing new techniques of production in British industrial enterprises mounted. Countries that developed later were able to cope better with such replacement costs, and in the newer spheres of

manufacturing they were able to develop a lead over Britain and to penetrate markets once held by Britain. Faced with this threat, British politicians and Imperial thinkers set about devising new ways of consolidating British power over the areas world remaining under British sway. Changes were afoot in defence and diplomatic strategy, and the Federation of the Australian colonies was seen as part of this, particularly after the opposition aroused by the activities and the ideas of the Imperial Federationists. At the same time, within Britain itself the ongoing development of manufacturing and decline of British agriculture was forcing more people into the cities and setting new demands not just for markets for British manufactures, but also for the supply of increasing amounts of raw materials for industry and foodstuffs for the British population. Just as new markets needed to be opened, or at best older markets had to be increasingly exploited, so too was new emphasis placed on the supply by the colonies to Britain of unmanufactured goods.

Changes in the shape of the British economy and the position of Britain in the world had different effects on Britain's colonies depending on their concrete conditions. Before the depression in Australia emphasis had been placed on capital intensive export industries and rather more labour-intensive manufacturing for the domestic market. As the wool economy developed in its heyday, the system of separate colonies had served their purpose well enough. The colonial governments distributed the land cheaply to graziers and opened up centralised rail transport to move wool from the hinterland to the major commercial centres. However, the system of separate colonies also had its problems. Increasing demands for wool and increasing British investment in Australian wool-growing led to overproduction. There were too many sheep, and stations were ill-equipped to meet a fall in demand for wool and the droughts and rabbit plagues. At the same time, the lucrative fields of railway and residential construction for investment,

both by means of loans by British capitalists to colonial governments and enterprises as well as for exporters of British manufactured goods, turned sour. The separate colonies expanded their public works so much that they competed with one another for the same market rather than opening new markets with their rail systems, and they pushed forward residential construction and urban facilities that demanded more imports without developing compensating export industries. General overproduction in the colonies, and the inability of the separate Governments to co-ordinate their policies to meet the crisis and the reconstruction which followed, stimulated calls for Federation. The crisis in the colonial finances together with the contraction in the amount of money that could be borrowed in London required, that, short of repudiating the British debt altogether, a new stress was to be placed on boosting the export sector. This coincided with increasing demands in the UK for foodstuffs and raw materials. The boosting of the export sector and the making of "economies" in the domestic sector shaped the period of economic reconstruction after the depression. In the export industries, new techniques were introduced amongst wool-growers for example, at the instance of the increasingly powerful pastoral finance companies. The accentuation of selective breeding and culling of stock played a part in stimulating an inter-colonial market in sheep and cattle for breeding purposes as recovery proceeded. The development of British refrigerated shipping and British investment made possible the meat export trade from Australia, and here again the pastoral finance companies had an eminent position. Between the companies involved in wool and meat, inter-colonial links had already been developed, although these were extended in Western Australia and the Northern Territory. Wheat, dairy produce and fruit were other exports but which were pushed ahead with Government assistance and which displayed a somewhat different economic pattern. These exports were established by small farmers, and there was some movement of population into

the newer areas from the cities as the industries developed. The interests of larger companies were congregated around processing, merchandise handling, shipping, and associated manufactures than directly invested in the farming itself. In many essential respects, the result of this was that problems in marketing produce or supplying manufactures to farmers were resolved to the advantage of the firms rather than the farmers. As the market for these products in Britain expanded, the pressure for uniformity in the quality of the produce led to innovations in production and more efficient methods. However, standardisation also had some disadvantages. The most notorious was the f.a.q. system of wheat grading, but standardisation also meant the loss of certain by-products for dairy farmers. The direct impact of inter-colonial free trade was felt not so much by the farmers as by the firms selling fertilisers, agricultural implements, or fruit products such as jams and jellies. In the exporting of Australian mineral products inter-colonial investment became more significant in the late 1880s, and then in post-depression developments at Mt Lyell, Broken Hill, and Mt Morgan. In the Western Australian goldfields Imperial investment was often channelled through other colonial centres to the West, notably Adelaide. With non-auriferous metals, which were the basis of the Barrier mines, the high cost of transport stimulated processing plants and new demands for energy generation, that came to be the basis of interchange between South Australia and New South Wales.

Domestic industries were also changed. Here there was practically no branch of production that was unaffected by inter-colonial free trade, although these effects were varied and did not develop in isolation from Imperial interests. The period of financial austerity where both British and local bank finance was in short supply placed domestic manufacturers in the position where they had to expand their markets through their own resources. Especially in the "advanced" colonies, entrepreneurs looked

to the inter-colonial market as the way out of economic difficulties, and the actual expansion of their trade here served to pull the colonies closer together as they became more inter-dependent for the supply of various products. In some instances British decline developed the colonial manufacturing industries, whilst in other cases, particularly consumer goods, import replacement and the wider market played a key role. However, the increased inter-colonial trade was not distributed evenly. "Advanced" colonies were able to reap greater benefits than the more backward and threatened to drive manufacturers in the smaller colonies out of business in some areas. Also, some manufacturers, especially those with associations with banks or with export industries, developed strongly, for example the agricultural implement makers and the sugar refining company. But for others the advantages of inter-colonial free trade were not so striking. In the domestic sector industry emerged somewhat more concentrated and with greater capital intensity, whilst the shortage of finance meant the inter-colonial trade assumed greater prominence. Whilst this might have favoured a fuller development of domestic manufacturing more independent of Britain, the drive to boost exports and restore Imperial confidence and investment in the colonies itself induced competing manufactured imports from Britain. The emphasis on exports and providing a market for British goods restrained the potential development of local manufacturers and so too did the position of certain enterprises in a "privileged" position by virtue of their more intimate relationship with Imperial interests.

The post-depression reconstruction thus shifted the balance of the colonial economies so that in the export industries a new pattern of small, labour-intensive production emerged alongside powerful service industries developing the export and inter-colonial trade. Between the export and domestic sectors the banks and the shipping companies formed two key groups closely linked to Britain. In turn, shipping and financial policies qualified and restrained the impact that inter-colonial free trade was to

have upon the domestic sector.

The basis of Government policy through the tariff had been to preserve British interests. Inter-colonial free trade without adequate tariff protection tended to offset the advantage of a wider market for local Australian interests. It has been demonstrated that the tariff did not really promote independent manufacturing in the colonies along the lines of orthodox Protectionism. At best the tariff gave a subsistence level of duty for local manufacturers, and in Victoria it possibly gave manufacturers a slight edge on inter-colonial markets over other colonies. However, the different tariffs and commercial laws of the separate colonies also obstructed the development of inter-colonial free trade, which became especially necessary after the depression. Support was therefore generated for inter-colonial free trade, which was achieved legally through Federation and the federal tariffs. Under this scheme, the particularities of the colonies were to be developed, whilst duplication of industry and enterprise was to be avoided. Not only did this interlock with the form of economic reconstruction that British investors were pressing for, but it also enabled a more consolidated "united front" to be presented by the colonies to the world. The Australian market as a whole would be larger and enable greater facility for trading with Britain as it battled its commercial rivals, whilst still widening the market more readily for Victorian and New South Wales manufacturers. Hand in hand with inter-colonial free trade went the proposals for Federal power over inter-colonial disputes between employers and unions. Originating out of the struggles of the 1890s, the Arbitration machinery evolved by the colonies was adapted into the Federal scheme, first as a means of attempting to control working class struggles, but then, under New Protection, as a means to bring about greater uniformity in the conditions of production amongst the colonies. Once again, this facilitated monopolisation, and made possible a general rise in prices on the domestic market behind the tariff wall,



without allowing smaller manufacturers to take advantage of their ability to obtain lower wages. Connected with this emphasis on uniformity was the White Australia policy adopted for the sugar industry. There is no doubt that this greatly assisted the refining company in its struggle against the plantation owners, whilst boosting its overall profitability through the Federal bounty. Once the conjunction between the Federal tariff and Federal awards on conditions of work had been effected through the New Protection, inter-colonial free trade was established on a much sounder basis. For this purpose the effect on the actual level of wages was incidental.

This, then, was the general pattern of events that shaped changes in the forces and relations of production which required the re-arrangement of the political apparatus. Yet, while the question of inter-colonial free trade and its effects clearly dominated so much of the considerations for and against Federation in the colonies at the time, the machinery established by Federation to deal with the changed economic situation itself incorporated other features that made a tightening of British hegemony possible. The Constitution created a Federal Government with two Houses of Parliament, but each was elected on a different basis: a Senate whose representation was determined on a State basis, and a Houses of Representatives more nearly approximating a population basis. This difference not only made the possibility of deadlocks between Houses more likely to arise, particularly in the early Federal period, but also made unified action by the Federal Government more difficult. Because State Parliaments continued to exist, it was also easier for disagreements to continue unresolved between Federal and State authorities. In the event of such divisions between differing authorities, it was easier for Imperial interests to maintain a policy of "divide-and-rule". For example, in the matter of supporting manufacturing enterprises, the chances for genuine and systematic assistance to national manufacturing

interests were remote. The Federal Government had power over tariffs but was forced to return three-quarters to the States, thus virtually forcing a revenue tariff on the Federal Government if it was to finance its proper functioning. Bounties could be given to national manufacturing, but the States still controlled the provision of public utilities and transport services. Separate communications were maintained with the Imperial Government by State and Federal Governments. Thus to promote independent and self-reliant industries would have required special co-ordination of States and Federal powers that were split up under the Constitution. Revenue requirements of both sets of Governments usually meant that the road of least resistance was taken, with Federal Governments allowing in a wide range of imports that could be made dutiable, and State Governments facilitating the establishment of monopolistic foreign-backed enterprises that would attract loan money from London. In short, the distribution of exclusive powers amongst Federal and State Governments made national planning almost impossible, while opening the door to foreign interests to exploit inter-Governmental differences. The only over-arching unity in the State and Federal Constitutions was the British Crown and the Imperial Parliament, a fact that might have comforted the most ardent Imperial Federationist.

Thus, while the Federal Constitution did have some basis in the work of the nationalist elements in Australia inasmuch as the overt forms of Imperial dependence were eschewed, Federation did not provide a satisfactory basis for the establishment of independence from the Empire, nor was it intended to. Looking past the formal concessions to independence the basis for Federation rested in the drive for tighter links between the Australian colonies and Britain. In the peculiar conditions of post-depression reconstruction, the development of the inter-colonial market, which stands as a principal achievement of the Federationists, in fact tied in very well with the boosting of exports

to Britain and the development of domestic monopolies allied to Imperial interests. The essence of Federation was the extension of British power under new conditions after the 1890s depression. Federation rather than unification was the key. For while the Australian domestic market and interchange of labour and capital was freer to develop, the capacity of Australian Governments to alter the course of British penetration was circumscribed more tightly.

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