

A MARXIST REAPPRAISAL OF AUSTRALIAN CAPITALISM:
THE RISE OF ANGLO-COLONIAL FINANCE CAPITAL
IN NEW SOUTH WALES AND VICTORIA, 1830-1890

By

Andrew David Wells

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of the requirements for the degree of
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This thesis is my own work.

A handwritten signature in black ink, appearing to read "Andrew D. Wells". The signature is written in a cursive style with a large initial 'A' and a stylized 'W'.

Andrew David Wells

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SYNOPSIS

This thesis investigates aspects of the formation and evolution of capitalism in colonial New South Wales. Four principal themes are addressed throughout the discussion: first, the role of British imperialism in establishing and shaping colonial capitalism; second, the role of the British and colonial states in expanding commodity relations; third, the dominant areas and agents involved in capital accumulation, and last, the nature of the class relations and property connections that underpinned these processes. The structure and dynamics of class relations, especially the relations of production, are both the premise and conclusion of this study.

The approach adopted to realise these objects is both theoretical and empirical. The study proceeds through three major parts. The first part is a critical investigation of the historiography pertinent to my principal themes and the specification of the problems discussed in the subsequent parts. Here, the rudiments of marxist historiography are introduced and a sustained critical discussion of Australian economic historiography is presented. By the close of Part One, the approach to be pursued, the themes to be investigated, the departures from non-marxist historiography and the sequence of empirical analyses are made explicit.

Part Two of the thesis is concerned with the formation of colonial capitalism. Capitalism depends on the commodification of economic relations: thus this process of commodification is examined in the context of the land, labour and capital markets. Because the initial process of securing capitalist relations of production is as much political as economic, and consequently as much imperial as colonial, the forms of political or state power are discussed. The dominant relations of production before 1860 are defined as ascendant, though contradictory, Anglo-colonial merchant capital.

Part Three investigates three dimensions of colonial capitalist development. These investigations pre-suppose the dominance of commodity relations and pursue their intensification and expansion into colonial landed property, the transformation of colonial pastoralism and the forms and directions of public economic activity. In all these cases the focus remains on the four major themes identified above. Part Three closes with an analysis of dominant class relations, a demonstration of the fundamental argument advanced throughout the thesis concerning the prominence that should be given to Anglo-colonial finance capital. Between 1860 and 1890 the major economic relations and class structure were shaped by Anglo-colonial finance capital.

The thesis concludes with an assessment of the implications of this study for Australian historiography, including marxist historiography, and indicates possible directions for future investigations.

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INTRODUCTION

The view outlined here diverges sharply from the one current among bourgeois economists imprisoned within capitalist ways of thought. Such thinkers do indeed realize how production takes place within capitalist relations. But they do not understand how these relations are themselves produced, together with the material preconditions of their dissolution. They do not see, therefore, that their historical justification as a necessary form of economic development and of the production of social wealth may be undermined.

(K. Marx, Capital, Vol. I, Penguin, Harmondsworth, 1976, p.1065.)

This thesis aims to provide a theoretically consistent and empirically informed marxist account of the formation and evolution of nineteenth century Australian capitalism. In essence it argues that the dominant economic and political structures and processes characteristic of Australian capitalism were shaped by specific relations of production. Australian colonial relations of production, however, cannot be adequately explained without incorporating the impact of British imperial economic and political hegemony. In broad terms, the thesis shows how British interests were crucial in establishing capitalist relations of production in the Australian colonies and influencing their subsequent reproduction. Thus, the historical focus on the two most important Australian colonies, New South Wales and Victoria, 1830-1890, is posited on a considerably more extensive analytical and explanatory object.

The distinctiveness of marxist historiography lies in its

emphasis on class relations and class struggle.¹ Marxists define, explain and explore class relations and class struggle in a theoretically precise manner. The relations of production, the bases of class relations, are the dominant ownership relations connecting the direct producers, and the means of production and their owners. The means of production include the objects of labour (naturally given use values) and the means of labour (technology). Ownership over these two distinct components of the means of production have very different implications, as is demonstrated below. The labourer, the means of production and the non-labourer are articulated by the property relationship and the method of material appropriation.² The structure of ownership/non-ownership and the resultant property and material appropriation connections are the basis of class in the marxist sense. These relations of production can be expanded to account for the increasing complexity of developed capitalism. A developed form of capitalist production relations will become evident as the analysis of colonial Australia unfolds.³

While the basis of the marxist conception of class is discussed more fully in Part One of this work, I stress here that capitalist relations of production define a structure and facilitate a process of development, but also embody contradictions which inhibit the smooth reproduction of the forces of production and thereby threaten the viability of the social structure. Thus, the contradictions inherent in the structure of social classes, are reproduced and expressed in ever more developed ways.

1. The literature on this subject is immense. For recent interpretations, see G.A. Cohen, Karl Marx's Theory of History: A Defence, Oxford University Press, Oxford, 1978; P. Anderson, Arguments within English Marxism, NLB, London, 1980, and G. McLellan, Marxism and the Methodology of History, Verso, London, 1981. For an outstanding recent illustration of marxist history, see G.E.M. de Ste Croix, The Class Struggle in the Ancient Greek World, Duckworth, London, 1981.

2. This formulation follows the discussion in L. Althusser and E. Balibar, Reading Capital, NLB, London, 1970, especially Part II, Chapters 6 and 7, pp.145-164 and Part III, Chapter 2, pp.225-253.

3. See Chapter Six, pp.204-236 and Chapter Ten, pp.371-403.

Marxists have concluded that the ultimate determination of social classes by the relations of production is a valid vehicle for organising historical research. The concrete historical specification of these relations and a demonstration of their capacity to explain essential social processes over time, is the object. Once the relations of production are formed, analytical priority is given to the development of the forces of production.⁴ This process of apparent analytical circularity requires empirical scrutiny of concrete historical processes to avoid a purely arbitrary construction. Marx expressed his understanding of this complex relationship between theory and historical enquiry thus:

The concrete is concrete because it is the concentration of many determinations, hence unity of the diverse. It appears in the process of thinking, therefore, as a process of concentration, as a result, not as a point of departure, even though it is the point of departure in reality and hence also the point of departure for observation and conception.⁵

In broad terms I assume the validity of the marxist proposition that the basis of social class lies in the relations of production. From this assumption, the establishment and development of the dominant relations of production in the Australian colonies is explained. This in turn forms a framework within which major aspects of Australian political economy are considered and related to British imperialism.

In working from marxist presuppositions towards an elaboration of Australian relations of production, including their imperial linkages, three observations are relevant. First, Australian marxist historiography has generally failed to employ a rigorous concept of

4. This is a contentious matter within marxism. G.A. Cohen, *op. cit.*, stresses the forces of production. For a quite different interpretation consistent with the one developed here, see E. Meiksins Wood, 'Marxism and the Course of History', *New Left Review*, No. 147, September/October 1984, pp.95-107.

5. K. Marx, *Grundrisse*, Penguin, Harmondsworth, 1973, p.101.

class.⁶ Second, this study is necessarily a prolegomena to a more comprehensive marxist history. Rather than undertake wide-ranging empirical research the originality of this work lies in a theoretical re-interpretation of nineteenth century Australian history. Last, as a consequence of a materialist conception of history, the known empirical facts about Australian history must be accounted for, ordered and explained in a marxist account. Thus the thesis concentrates on theoretical and methodological issues. It elaborates the marxist approach and applies it to Australia.⁷

The thesis is presented in three parts. Part One introduces marxist theoretical concepts and compares them with concepts employed by non-marxist economic historians. The purpose of this discussion is to locate the historical issues taken up in Parts Two and Three, to distinguish between marxist and non-marxist approaches and to indicate a marxist research agenda.

Part One has two chapters. Chapter One outlines the conditions of growth and structure of Australian capitalism, 1830-1890. It summarises the basic features of political, economic and imperial processes at work in this period. Those marxist concepts relevant to analysing such processes are then elaborated. For didactic reasons I start with the essential features of capitalist class relations and then proceed to the processes and contradictions these generate. Following a discussion of developed capitalism and the accompanying state, the presentation turns to the question of the transition to

6. R.W. Connell, 'The Idea of Class in Australian Social Science' in Ruling Class Ruling Culture: Studies of Conflict, Power and Hegemony in Australian Life, Cambridge University Press, Cambridge, 1977, pp.8-38, and R. Pascoe, The Manufacture of Australian History, Oxford University Press, Melbourne, 1979, pp.42-69.

7. Marxist epistemology is subject to no less debate than marxist historiography. The view accepted in this thesis is elaborated by G. Della Volpe, Logic as a Positive Science, NLB, London, 1980. Also relevant is G. Della Volpe, 'For a Materialist Methodology of Economics and the Moral Disciplines in General' in G. Della Volpe, Rousseau and Marx, Lawrence and Wishart, London, 1978, pp.159-204, and E.V. Ilyenkov, The Dialectics of the Abstract and the Concrete in Marx's Capital, Progress Publishers, Moscow, 1982, pp.223-289.

industrial capitalism and the role of the state in securing such a transition.

Chapter Two presents a critical discussion of major interpretations of this period advanced by economic historians. The Chapter argues that these historians fail to address issues of fundamental interest to marxist historians. They throw little light on the dominant relations of production, the role of the state and the contradictory impact of capital accumulation and British imperialism, and are inconsistent in their exposition. I maintain that these criticisms are as valid for Fitzpatrick as for N.G. Butlin. For reasons cited above this confrontation with non-marxist research not only indicates the explanatory potential of marxist theory, but helps identify major historical issues demanding examination. The first part of the dissertation closes with a tighter specification of the historical/theoretical object under discussion, the appropriate analytical themes and the sequence of their presentation in Parts Two and Three.

Part Two examines how the necessary conditions for developed capitalist relations of production came into existence in the Australian colonies between 1830 and 1860. This process is defined as the commodification of social relations. Although developed capitalism assumes the relative separation of private capital accumulation from political (or state) control, the commodification process was fundamentally dependent upon state intervention. Moreover in the case of the Australian colonies, this involved imperial state power and its subsequent devolution to colonial legislatures.

Part Two has four succinct chapters. Chapter Three discusses the commodification of the most important object of production in the Australian colonies, landed property. Between 1830 and 1860 four major phases of commodification are found. The role of imperial and colonial social forces in generating these phases are noted. The Chapter concludes by drawing out the implications for the accumulation and expansion of the means of production and direction of capitalist production engendered by the changing form of landed property.

In Chapter Four the decisive process of change for a marxist history is briefly sketched. The transformation of the labourer into the proprietor of the commodity labour power is viewed in two ways. First, the quantitative aspect; the decline of the convict assignment system, the growth of a labour market for free wage labour - immigrants, ex-convict and freeborn colonials - and the role of the state in expediting this transformation. The thrust of Wakefieldian imperial colonial policy including the immigration schemes, whilst not fully successful, hastened the commodification of labour. Second, the legal aspect; the attempts by employers to control wage labourers during periods of persistent labour shortage, involving the application and modification of British Combination and Master and Servants Acts. This legislation placed the wage labour contract at the centre of industrial relations. Ultimately, however, the gold rushes, the influx of free labour and ensuing agitation for liberal political institutions, and curtailment of access to cheap land by the squatters, entrenched capitalist property rights and contractual relationships.

Chapter Five discusses the form of the state in transition from coercive to contractual, from political to economic, from conservative to liberal conceptions of social relations and ownership rights. Strong state intervention was required to secure the essential conditions for capitalist private property and commodity relations, paradoxically the state was then constrained by the resultant social forces. However, this paradox was not fully apparent until the economic crises of the 1840s coincided with the agitation by immigrants and liberal elements in the colonies for self-government and with the concomitant growth of a British anti-imperialism. Consequently Chapter Five concentrates on the 1850s when the potential to create a relatively autonomous liberal-democratic colonial state was realised. This new parliamentary constitutional system was possible only because commodity relations were well-developed and because the imperial state continued to provide ultimate guarantees over private property rights.

The final chapter of Part Two draws the preceding chapters together by discussing the dominant relations of production, 1830-1860, the process of economic and political change they fostered and the contradictions they generated. From a marxist perspective, those relations of production are best conceived as an ascendant and subsequently declining Anglo-colonial merchant capital. The result was an original form of colonial capitalist property and accumulation, based on an initial control (via political patronage) over the means of production, the accumulation of money capital through usury and the ability of merchants to monopolise the ownership and the circulation and realisation of commodities. Because this form of appropriation and accumulation advanced more rapidly than the full commodification of social relations (and therefore capitalist production), a crisis of reproduction emerged in the 1840s. This crisis was ultimately resolved by the maturation of capitalist social relations, especially evident in the 1850s. The decline in the political and economic power of merchants, usurers and landowners and the rise to dominance of capitalist producers and subsequently financiers point towards a new phase of property relations, capital accumulation and the state. Part Two concludes by indicating the new forms of capitalist production inherent within the new pattern of production relations.

Part Three has two linked concerns. One is to give precise shape to the new relations of production and their distinctive evolution. The second is to examine the content of these relations. More specifically this means examining major avenues of capital accumulation. Collectively these concerns point to an explanation of the rise of Anglo-colonial finance capital.⁸ In the process of

8. The marxist concept of finance capital is elaborated in G. Thompson, 'The Relationship Between the Financial and Industrial Sector in the United Kingdom', Economy and Society, Vol. 6, 1977, pp.235-283, and in R. Hilferding, Finance Capital: A Study of the Latest Phase of Capitalist Development, Routledge and Kegan Paul, London, 1981. See also J. Coakley, 'Review of Finance Capital: A Study of the Latest Phase of Capitalist Development', Capital and Class, No. 17, Summer 1982, pp.134-141.

discussing these issues it appears that marxist theory may need significant theoretical adaptation to make it fully applicable to Australia. This is a major conclusion of this thesis.

Part Three consists of four chapters. Chapter Seven takes up the question of landed property and traces the implications of the property relations developed between 1860 and 1890. It concentrates on the separation between the property relations and the material appropriation relation (or the marxist distinction between legal ownership and economic ownership over the object of production in capitalism) as they pertain to landed property in the pastoral/agricultural economy. This separation becomes increasingly complex with the concentration of the rural means of production and the growth of mortgage finance after 1873. Starting from the formal elements of capitalist production relations, this new form of landed property laid the basis for the development of pastoral capitalism discussed in the following chapter.

Chapter Eight examines the major characteristics of pastoral capitalism in the Australian colonies. First, the rapid expansion of the means of production and the growth of the financial requirements of producers in maintaining access to the objects and instruments of production is discussed. Demand for money capital was met by mercantile pastoral finance houses and banks raising funds on the London capital market. Second, British capital was increasingly oriented towards Australian pastoralism and rural real estate. While the expansion of the means of production and the growth of external finance have importance, it is the ramifications for the production and appropriation of surplus value that are central to this thesis.

Chapter Nine examines the place occupied by the state as landowner, owner of the means of production in railway communications, employer of wage labour and borrower of British funds, and argues that a process analogous to the expansion of commodity production occurred. Several important distinctions between the public and private sector still need to be drawn. Complementing the argument about the role of

the state in expanding commodity relations, Chapter Nine touches upon the broader issue of the development of a democratic capitalist state.

The concluding chapter of Part Three draws the three preceding chapters together to advance a theory of the dominance of Anglo-colonial finance capital in the late 1870s and 1880s. Further, it explores the implications of this conception of Australian capitalism for the structure of class relations and the new forms of contradictions thereby generated. It is now easier to grasp the entire process of the production and circulation of commodities, the structure of ownership and appropriation rights, and the extent to which both aspects were affected by the political and economic relations of British imperialism. The thesis demonstrates that, contrary to many marxist assumptions, the principal interest of marxist scholarship should lie as much with the contradictions within the capitalist class (the circulation and appropriation of surplus value) as with the capital-labour contradictions (the production of surplus value).⁹ Indeed the contradictions within capital lead to the conflict with wage labour in the 1890s, not vice versa.

The thesis concludes with a resume of the innovations made in this reappraisal of Australian capitalism. I stress those areas where my conclusions are in conflict with marxist and non-marxist interpretations. Finally unresolved questions demanding further research are indicated and certain implications for an explanation of the 1890s crisis and restructuring of Australian capitalism are suggested. These conclusions include the apparent need to amend

9. Marxist economists have been quicker to grasp this than marxist historians. See I. Gerstein, 'Production, Circulation and Value: the Significance of the "Transformation Problem" in Marx's Critique of Political Economy', Economy and Society, Vol. 5, 1976, pp.243-192, and J. Weeks, Capital and Exploitation, Princeton University Press, Princeton, 1981, especially pp.149-172. For an Australian discussion of implications for radical historiography, see A. Wells, 'From Labour History to Capital History', Australian Left Review, 1985, No. 92, Winter 1985, pp.37-39.

marxist theory if it is to explain Australian historical experience.¹⁰

10. A rather less dogmatic style of marxist writing has become evident in the last decade. For a good overview of marxist research and an excellent illustration of this development, see P. Anderson, In the Tracks of Historical Materialism, Verso, London, 1983.

PART ONE:

HISTORICAL MATERIALISM AND AUSTRALIAN CAPITALISM, 1830-1890

Introduction

Marxism has never occupied a significant position within Australian historiography. There have been two sustained attempts to secure credibility for marxism amongst Australian historians. The first attempt flowered after the second world war; the historians involved were closely connected with the Communist Party of Australia. This marxist group was influenced by the radical history of Fitzpatrick who anticipated many of their concerns, the British communist historians, the theoretical assumptions widely held within the communist movement and a radical nationalist Australian tradition.¹ The lasting achievement of these historians was not simply the securing of credibility for marxism but more importantly lay in the growing stature of labour history. These historians, Gollan, Fry, Turner, Ward and Churchward, shared common theoretical

1. I.A.H. Turner, 'Temper Democratic, Bias Australian', Overland, No. 72, 1978, pp.18-24, and I.A.H. Turner, 'Australian Nationalism and Australian History', Journal of Australian Studies, No. 4, 1979, pp.1-11. The British communist historians are discussed in E. Hobsbawm, 'The Historians' Group of the Communist Party' in M. Cornforth (ed.), Rebels and their Causes: Essays in Honour of A.L. Morton, Lawrence and Wishart, London, 1978, pp.21-48.

and political assumptions.² The cold war, Stalinism and defections from the Communist Party reduced their homogeneity.

The second and continuing attempt to secure a position for marxism among historians came from new left writers. New left historians proposed a different conception of theory and research than the first generation of marxist historians. Less attracted to the assumptions of labour history and more critical of radical nationalist ideology, new left writers looked to European marxism for theoretical guidance.³ The first new left history, McQueen's A New Britannia, made explicit what distinguished these two marxist traditions.⁴ In so doing McQueen provoked a vigorous polemic among left historians, feeding on and exacerbating personal and political differences.

The major exception to historians grouped around these two contrasting marxist traditions was Fitzpatrick. His contribution commenced before the work of the communist historians and ceased before the new left gained significance. Though a powerful influence on both groups, especially the post-war marxists, he remained a

2. This is reflected in the founding of the Australian Society for the Study of Labour History and the publication since 1962 of the journal, Labour History. Excellent overviews of the connection between labour historians, marxism and communist political assumptions are: E. Fry, 'Australian Labour and Labour History', unpublished paper presented to Commonwealth Labour History Conference, Warwick University, September, 1981, and J. Merritt, 'Labour History' in G. Osborne and W. Mandle (eds), New History: Studying Australia Today, George Allen and Unwin, Sydney, 1982, pp.113-141. See also A. Wells, 'Marxism and Australian Historiography', Thesis Eleven: A Journal of Socialist Scholarship, No. 2, 1981, pp.98-112.

3. A clear presentation of new left assumptions is given in T. Irving and B. Berzins, 'History and the New Left: Beyond Radicalism' in R. Gordon (ed.), The Australian New Left, Heinemann, Melbourne, 1970, pp.66-94. Many new left ideas were discussed in the journals, Arena, Intervention and Australian Left Review. A comprehensive, if early, bibliography is given in J. Playford, 'The New Left: A Select Bibliography' in R. Gordon, op. cit., pp.278-304.

4. H. McQueen, A New Britannia: An Argument Concerning the Social Origins of Australian Radicalism and Nationalism, Penguin, Ringwood, 1970.

theoretical and political iconoclast.⁵ As Fitzpatrick is discussed at length in Chapter Two, I shall confine comments to these two dominant tendencies noted above.

A study of the communist historians identified above reveals some shared characteristics. The old left pursued extensive and detailed empirical research employing marxist class concepts and categories. However they, like their British exemplars, left largely undeveloped their theoretical concepts. Second, political identification by these historians with the Australian working class oriented their research toward labour history. This led to the relative neglect of class relations as a whole, including the dynamic process of class conflict within and between classes. Third, there was an over-reliance on a theoretically simplistic form of economic determinism. From these premises and an empiricist historical tradition emerged a history largely devoid of explicit marxist conceptualisation, methodology and research agenda.⁶ While right wing critics of the left-liberal tradition in Australian historiography pointed with alarm at the inroads made by marxist historians, they failed to grasp the marked continuity in assumptions and methods shared by the dominant liberal tradition and marxist writers. The old left never directly confronted the theoretical presuppositions of the liberal tradition.⁷

5. For conflicting assessments of Fitzpatrick, see E. Fry, *op. cit.*; M. Clark, 'Re-Writing Australian History' in T.A.G. Hungerford (ed.), Australian Signpost, Cheshire, Melbourne, 1956, pp.130-143, especially p.129; and H. Bourke, 'A Reading of Brian Fitzpatrick', Labour History, No. 27, November 1974, pp.1-11. For Fitzpatrick's response to Clark see B. Fitzpatrick, 'Counter Revolution in Australian Historiography', Meanjin, Vol. 22, No. 2, 1963, pp.197-213. I discuss Fitzpatrick at length in Chapter Two, pp.51-63.

6. These criticisms, most forcefully expressed by S. Macintyre, 'Radical History and Bourgeois Hegemony', Intervention, No. 2, 1972, pp.47-73, were largely conceded by at least one old left historian. See I.A.H. Turner's 1979 Introduction to Industrial Labour and Politics, Hale and Iremonger, Sydney, 1979, pp.xxi-xxix, especially pp.xxiv-xxv.

7. S. Macintyre, *op. cit.*, emphasises this continuity. For the conservative concern about the character of Australian history, see P. Coleman, 'Introduction: the New Australia' in P. Coleman (ed.), Australian Civilization, Cheshire, Melbourne, 1962, pp.1-11.

In contrast the new left was so emphatic about theory that the production of empirically informed historical writings was largely overlooked. McQueen and most recently Connell and Irving have been important exceptions in their efforts to integrate theory and history. Connell's and Irving's Class Structure in Australian History is analytically and empirically superior.⁸ It employs a 'quasi-marxist' theory of history and of class: quasi-marxist because the authors are at pains to separate themselves from marxist orthodoxy, while indebted to many marxist formulations. Their non-dogmatic, even eclectic attitude towards theory and their emphasis on agency and fluidity in class relations might be seen as major virtues. The thrust of criticism has not, however, been explicitly directed towards theoretical matters, but to the adequacy of the work as a comprehensive historical account, and as such suggests problems inherent in their class concepts. This is especially the case in their failure to address the issue of the 'middle class'.⁹ Indeed this absence is symptomatic of a rather crude theory of class; a crudity that was similarly manifest in old left histories.

The problems in Connell's and Irving's history is evident in their first - exclusively theoretical - chapter, 'Class Analysis and History'. The authors reject sociological (i.e. stratified) and structuralist (i.e. functional) conceptions of class in favour of the epistemological priority of class agency in making history. Like their mentor, Thompson, they stress the agency of the subordinate class within the dynamic field of social power relations. Further, the class relations of power, organised by commodity markets, by the state and through the exercise of class hegemony (or domination), are represented in the institution of private property and its legal

8. R.W. Connell and T.H. Irving, Class Structure in Australian History, Longman Cheshire, Melbourne, 1980.

9. This criticism was made by J. Rickard, 'The Middle Class: What is To Be Done', Historical Studies, Vol. 19, No. 76, April 1981, pp.446-453.

enforcement. The fluid nature of class relations and the need for an empirical demonstration of their effects are stressed, thus reinforcing the humanist, non-deterministic thrust of their view:

Class is a historical relationship in a full and integral sense that does not admit to a distinction between a field of structural determination and a field of conjunctural interaction.¹⁰

and further;

'Class' is not a layer in a layer-cake; it is an emergent structure in a historical process. Class boundaries, where they become clear as divisions in an entire social structure, are constructed historically by processes of mobilisation and struggle. They are normally 'blurred', uneven, incoherent¹¹

From apparently non-dogmatic premises certain consistent conclusions follow. Class categories are imprecise, unquantifiable and thus conjuncturally constructed. Class becomes equated with the fluid field of social power relations and their structured character is glossed over. As a result the specific character of colonial capitalist class relations is poorly grasped and the material processes of commodity production and reproduction, surplus value appropriation and distribution are unexplored. Clark's criticism that Connell and Irving excluded economics from their history is apt.¹² The relationship between class categories and capital accumulation is left ill-defined. Even where Connell and Irving should be able to generate major insights - on gender relations for example - their combination of sociological formalism and an empirical humanism proves unsatisfactory. Class analysis of the left-weberian or humanist-marxist variant, as employed by Connell and Irving, lacks the rigour and precision needed to establish the explanatory power of the marxist paradigm.

Neither the old left nor the new left provides us with the

10. R.W. Connell and T.H. Irving, op. cit., p.10.

11. Ibid., p.21.

12. D. Clark, 'Connell and Irving II', Labour History, No. 40, May 1981, pp.116-125.

necessary criterion for class analysis or the means of unfolding concepts capable of handling empirical history. This thesis defends the proposition that marxist historiography is capable of integrating theory and history. A large proportion of Part One is concerned to set out marxist first principles, explaining their implications and ramifications.

Part One seeks to isolate important features of the historical problems addressed in the thesis and to outline the theory and method used to resolve them. Chapter One describes some distinctive features of Australian capitalism, 1830-1890. The discussion locates themes central to economic, political and imperial historians' understanding of nineteenth century Australian history and related aspects of British imperial history. At the close of the fourth section of Chapter One, I indicate the terrain of the subsequent enquiry. The fifth section develops marxist concepts relevant to these principal themes. It seeks to explain the relationship between marxist class analysis and political, economic and imperial processes. The Chapter concludes by redefining the subject of this thesis and making explicit the means of exposition I adopted.

Chapter Two approaches these same issues from a different perspective. This perspective involves a theoretical exegesis and critique of major approaches in Australian economic historiography. In turn I discuss the interpretations of Fitzpatrick, the 'Staple Theorists', Hall and N.G. Butlin. I ask how these writers explain economic growth (and crisis), the role of the state and the effects of British imperialism. In Chapter One I assert that marxist theory claims these processes are aspects of class relations; in Chapter Two I ask what implications does the presence of explicit conceptions both of class and of social relations have on the viability and coherence of the explanations advanced.

In essence I advance three critical claims. First, with the exception of Butlin's interpretation, the writers discussed do not consistently employ theoretical explanations. Second, their accounts,

Butlin's included, are unable to resolve the theory/history (or conceptual/empirical) dilemma. Third, the absence of well-developed concepts of class structure, relations and processes undermines their explanatory powers. These claims reinforce the fundamental distinction between marxist and non-marxist historiography. Nevertheless, the confrontation with a powerful tradition in Australian historiography places in sharp relief the issues, problems, relationships, facts and structures that require explanation. A marxist interpretation, no less than any other theoretical school, cannot ignore the constraints of established fact.

Part One concludes with a brief redefinition of the historical and theoretical problems to be subsequently discussed in Parts Two and Three. I maintain that marxist historiography revolves around the determinate structure of class relations that are decisively shaped by the relations of production. Thus the object of the thesis becomes the concretisation of determinate but dynamic class relations, the colonial and imperial conditions of their existence (production and reproduction) and their pertinent effects. Through a clear specification of the Australian and imperial economic and political forces that shaped and propelled these relations, an explanation for a series of discrete historical phenomena is suggested.

CHAPTER 1

THE HISTORICAL OBJECT AND THEORETICAL CONCEPTS DEFINED

To put it crudely, history lives in the illusion that it can do without theory in the strong sense, without a theory of its object and therefore without a definition of its theoretical object. What acts as its theory, what it sees as taking the place of this theory is its methodology, i.e., the rules that govern its effective practices, practices centred around the scrutiny of documents and the establishment of facts. What it sees as taking the place of its theoretical object is its 'concrete' object. History therefore takes its methodology for the theory it lacks, and it takes the 'concrete' of the concrete obviousnesses of ideological time for its theoretical object.

(L. Althusser and E. Balibar,
Reading Capital, NLB, London, 1972, p.109.)

Introduction

The purpose of this Chapter is twofold. The first purpose is to locate the historical problem the thesis seeks to address. Historians have established facts and imputed explanatory relationships that pose important theoretical and historiographical questions. Economic, political, social and imperial historians have focused on different aspects of colonial political economy. It is from these writings that the principal issues addressed in this work are distilled and defined. This method of establishing the terrain of the thesis is pursued to locate the empirical constraints within which the subsequent argument must be substantiated.

The second purpose is to identify the concepts employed to explain these historical phenomena. The fundamental historiographical premises and basic concepts employed are introduced. This is justified insofar as readers may be unfamiliar with marxist terminology. In general the theory remains implicit in the narrative; nevertheless, this introduction may assist comprehension.

The Historical Object: An Australian Capitalism

Between 1830 and 1890 the Australian colonies underwent major economic and political transformations in response to internal and external influences. The two dominant colonies, New South Wales and Victoria, present examples where the impact of these changes can be examined and the social processes in need of explanation identified.¹ Many economic and political developments have been described and analysed by Australian historians. Nevertheless, few comprehensive theoretical explanations accounting for the structure and process of Australian colonial political economy have been attempted. The most cogent interpretations of Australian capitalism will be examined in detail in Chapter Two.

In comparison with the first sixty-odd years of Australian white settlement (1788-1850), the subsequent forty years saw the domination of economic relations by the capitalist mode of production. Australian capitalism was not the simple reproduction of British or European forms of capitalist production, exchange and distribution in a new environmental setting. Australian colonial capitalism - indeed the nature of capitalism within each colony - took on distinctive characteristics. To take but a few illustrations; the major avenues for capital accumulation, the level of governmental economic activity, economic relations with external markets and the distribution of private property were unique. Consequently I reject as simplistic any attempt to portray the formation of an Australian capitalism as the result of universal historical processes.

Considerable evidence may be cited to justify the assertion that capitalist production gained pre-eminence after 1850. An expansion and diversification in commodity production and circulation occurred.

1. For useful surveys of the period, see the chapters by M. Roe, T.H. Irving and G.L. Buxton in F.K. Crowley (ed.), A New History of Australia, Heinemann, Melbourne, 1974, pp.82-215. A different perception may be gained from C.M.H. Clark, A History of Australia, Vols. 2-5, Melbourne University Press, Melbourne, 1968, 1973, 1978 and 1981.

These commodities were produced, transported and realised in response to the requirements of British and world markets.² These were commodities in which the Australian producer, despite considerable transportation costs, labour shortages, high wages and limited capital resources, enjoyed a comparative advantage. Between 1850 and 1890 gold and wool were the dominant Australian commodities realised on the imperial and international markets. At the close of this period trade was expanding to include a wider range of pastoral, agricultural, mineral and processed primary commodities. Intra-colonial and inter-colonial commodity production and circulation were also expanding. Most foodstuffs, building materials and many manufactured goods were locally produced and consumed.³ In the cities of Melbourne and Sydney, especially in the 1870s and 1880s, a whole range of colonially oriented manufacturing and service industries were established or expanded. However, in comparison with the internationally traded commodities, it was the combination of natural (distance) and artificial (tariff) protection and the particular requirements of colonial life, that encouraged production.

Nonetheless, it was not simply the expansion of commodity production - i.e. the production of exchange values - that indicated capitalist production. Commodity production can exist in a variety of modes of production. It is the dominance of commodity production that is peculiar to capitalism. The twofold process of converting the

2. The monetary value of commodity production and the changes in the relative share of production after 1861 can be appreciated from Tables 2 and 3 in N.G. Butlin, Australian Domestic Product, Investment and Foreign Borrowing 1861-1938/39, Cambridge University Press, Cambridge, 1962, pp.10-13. Estimates for the period 1830-1860 can be found in N.G. Butlin and W.A. Sinclair, 'Australian Gross Domestic Product 1788-1860: Estimates, Sources and Methods', Source Papers in Economic History No. 2, May 1984, Australian National University, Canberra 1984, especially p.4.

3. N.G. Butlin, Investment in Australian Economic Development 1861-1900, (hereinafter I.A.E.D.), Cambridge University Press, Cambridge, 1962, p.208, and G.J.R. Linge, Industrial Awakening: A Geography of Australian Manufacturing, 1788-1890, Australian National University Press, Canberra, 1979.

means of production into capital, i.e. private property, and ensuring that the labourer remains the propertyless seller of labour power is fundamental to capitalist production. The productive capacity of capitalism is a function of the control exercised by a relatively limited class of persons over the means of producing new values and the forms of property and property-holders capable of legitimately claiming ownership of the revenues thus generated. Concentration of ownership over the means of production, the application of more productive techniques and a remarkable growth in the social and technical division of labour accompany the reproduction of capitalist production relations. The necessary prerequisites for the establishment and reproduction of these relations are considered below.⁴

Australian colonial capitalists in close relationship with British capitalists (especially merchants and finance capitalists) were able to exploit the opportunities present in the colonies. These included the development of the means of mineral and pastoral production, the means of transportation, the ownership over urban and rural landed property and the accumulation of interest-bearing capital. On a smaller scale, producing for the domestic market, local colonial capitalists developed agricultural, commercial, manufacturing and service industries.

Traditional historical accounts that emphasise geographical and environmental influences cannot be simply dismissed.⁵ Nor can the impact of vast natural resources monopolised by a small population or the changing techniques of production. However, the object considered

4. The issue is central To Part Two, 'The Commodification of Colonial Property Relations', pp.113-236.

5. These themes are explored in G. Blainey, The Tyranny of Distance: How Distance Shaped Australia's History, Sun Books, Melbourne, 1966, and G. Blainey, A Land Half Won, Macmillan, Melbourne, 1980. A critique of Blainey's work on distance is made by F. Broeze, 'The Tyranny of Distance: a Flawed Paradigm' in A. Markus and M.C. Riklefs (eds), Surrender Australia, George Allen and Unwin, Sydney, 1985, pp.63-73.

here is the effects of these naturally given and socially created resources when they are impinged upon, and developed within capitalist relations of production. Indeed the subject of the thesis can be provisionally defined as the formation of Australian colonial capitalist relations of production as they were shaped by and within imperial relations.

A Colonial Democracy

The second half of the nineteenth century was characterised by the granting of considerable political autonomy to Australian colonists by the metropole.⁶ This involved the establishment of relatively advanced liberal democratic parliamentary systems. The relaxation of formal British control over Australia had two related aspects. First, it required regional separation under local legislative control. Second, it involved the exercise of local sovereignty - albeit limited - within these new political units.

In 1850 the Port Phillip District was separated from New South Wales to form Victoria and in 1856 both colonies were granted constitutions. Whereas colonial governors had acted on instructions from the imperial government and were constrained by a part-nominated and part-elected (on restricted franchise) Legislative Council, the new constitutions incorporated popularly elected Legislative Assemblies. While the governors and the imperial authorities retained important powers and the conservative upper houses checked popular demands, it could be said that middle class political dominance was achieved. In the elected parliament debate became vigorous as mass participation expanded. Near the end of the period a modern system of

6. W.G. McMinn, A Constitutional History of Australia, Oxford University Press, Melbourne, 1979, pp.40-91, and E. Sweetman, Australian Constitutional Development, Macmillan, Melbourne, 1925, pp.291-305.

political parties was taking shape.⁷

Within the new political machinery three issues were central: the limits of the popular Assemblies' power to resist the Councils' conservatism and the related need for electoral reform; the disposal of the public estate, and the source of public revenue and the pattern of expenditure. The last issue involved free trade, tariff and taxation debates, the level of public indebtedness and the limits on governmental economic intervention. As is discussed in Chapters Nine and Ten the colonial states in Australia were liberal but not laissez-faire.

The coincidence of a dynamic capitalism and a liberal democracy was striking. It appears to justify Lenin's observation:

In capitalist society, providing it develops under the most favourable conditions, we have a more or less complete democracy in the democratic republic.⁸

An expanding colonial capitalism brought material prosperity to native born and immigrant workers alike.⁹ Political democracy increased individual freedom, contractual social relations and participation in the political system. The interdependence of capitalism and liberal democracy is, as various theorists have argued, empirically strong. For those who championed the freedom of the market and liberal democracy, the 'new countries' - the United States, Canada and the Australian colonies - were particularly appealing exemplars.

The dynamics of political change, especially following

7. P. Loveday, A.W. Martin and R.S. Parker (eds), The Emergence of the Australian Party System, Hale and Iremonger, Sydney, 1977.

8. V.I. Lenin, 'The State and Revolution' in Selected Works, Progress Publishers, Moscow, 1971, pp.326.

9. For estimates of living standards, see N.G. Butlin, 'Long-Run Trends in Australian Per Capita Consumption' in K. Hancock (ed.), The National Income and Social Welfare, Melbourne, 1965, pp.1-19. Note however that Butlin recommends caution about the precision of these estimates. For a richer and more variegated assessment, see E.C. Fry, 'The Condition of the Urban Wage Earning Class in the 1880s' (2 Vols), unpublished Ph.D., Australian National University, 1956.

self-government, have been the subject of considerable scrutiny. The most detailed works on New South Wales and Victoria have focused largely on political, institutional and organisational questions.¹⁰ As a consequence, little emphasis has been placed on the impact of economic transformation on political mobilisation and representation. Moreover, the focus on colonial political phenomena has relegated imperial factors to minimal explanatory significance. Even if it is acknowledged that the granting of self-government required imperial acquiescence, even encouragement after 1860, scant attention has been given to imperial questions until the advent of Federation.¹¹ Typically the political histories of New South Wales and Victoria chart the complex patterns of parliamentary political alliances, the formation of relatively unstable ministries and the substance of policy. The political process had a clear momentum towards the formation of class-oriented parliamentary coalitions, bureaucratic rationalisation and extra-parliamentary political parties.

Major difficulties are evident in these political histories. The question of state power is never posed. This means that the object of state power, its sources of coercive, legal and administrative authority, and the extent and mode of popular legitimacy are rarely investigated. Moreover the forms of social relations (private property, commodity exchange, appropriation rights, for example) that the state guarantees are not addressed. Despite the state's 'relative

10. P. Loveday and A.W. Martin, Parliament, Factions and Parties: The First Thirty Years of Responsible Government in New South Wales, 1856-1889, Melbourne University Press, Melbourne, 1966; B. Dickey, Politics in New South Wales 1856-1900, Cassell, Melbourne, 1969; G. Serle, The Rush to be Rich: A History of the Colony of Victoria 1883-1859, Melbourne University Press, Melbourne, 1971, and R. Gollan, Radical and Working Class Politics, Melbourne University Press, Melbourne, 1960.

11. There is a hiatus between works like J.M. Ward, Earl Grey and the Australian Colonies 1846-1857: A Study of Self-Government and Self-Interest, Melbourne University Press, Melbourne, 1958, and B.K. de Garis, 'British Influence on the Federation of the Australia Colonies', unpublished D.Phil. thesis, Oxford University, 1965. Constitutional historians like McMinn, op. cit. and Sweetman, op. cit., in a partial way consider the imperial issue.

autonomy', its ultimate dependence upon the relations of production - the dominant class relations - is absent from most political histories.¹² Chapter Five addresses this question.

The Australian colonial states had limited political autonomy though this was expanded in the 1850s. These states were shaped by relations of production that were integrated into the imperial commodity and financial markets. Thus the economic basis and the political expression of colonial state power were articulated within the imperial commodity and financial system. After 1860 this linkage was increasingly determined by commodity relationships but was never exclusively economic.

To demonstrate this one needs to replace the study of colonial politics with a study of the colonial state and consider the state not so much as an institutional arrangement but in relation to social classes and their dominant and subordinate fractions. It follows that much of the available literature on political and social history requires reconstruction to make it compatible with marxist premises. In so doing, this pushes us toward confronting the problem of the role of British imperialism in the formation of Australian capitalism and the colonial state. This is apparent in the narrow sense of establishing the actual and potential imperial constraints over local colonial political autonomy and in the broad sense of constructing theoretically the colonial-imperial relations of production on which the state rested.

This does not imply a simple base/superstructure conception linking the economic relations to the necessary political form. While the functioning of a fully developed capitalist economy may occur with minimal state intervention, the establishment of the necessary property, institutional, commercial and legal environment for a commodified economy is the result of state activity.

12. A theoretical argument of this sort is made by J. Hirsch, 'The State Apparatus and Social Reproduction: Elements of a Theory of the Bourgeois State' in J. Holloway and S. Picciotto (eds), State and Capital: A Marxist Debate, Edward Arnold, London, 1978, pp.57-107.

The State and British Imperialism

The determining role of the state is seldom more obvious than in the colonial and imperial policies of expanding European powers in the nineteenth century. The imperial state first had to establish - coerce if necessary, mould where possible - the appropriate social relations, amongst indigenous peoples, convicts, slaves, immigrants and native-born. This direct assertion of colonial power was exercised over so-called subject populations (by Britain in India, by Holland in the East Indies, etc.) in order to shape an expanding white settler community. In Australia both forms occurred: the subjugation of the native population and the exercise of state control over the convict population, and the moulding of a white settler society.

British appropriation and control of the Australian continent affected the distinct populations subject to British imperial authority very differently. What looked to Aborigines as a ruthless and deadly imperialism, i.e. occupation of their territory by force, was to the entrepreneurial white British settler the expansion of British civilisation, customs and rule of law.

By the 1850s the colonial population was dominated by the immigrant and native-born populations and generalised commodity relations. The imperial state weakened direct political control over the evolving colonial capitalist state and class relations. For the latter part of the period under discussion, direct British colonialism in Australia was minimal. At the same time the colonial states became strongly enmeshed in furthering capitalist development, commodity production and private property.

Australian capitalist development was, however, significantly shaped by what has been termed 'free trade imperialism' or less

pejoratively, 'the informal empire'.¹³ Hobson, an advocate of informal empire and the maximisation of economic interdependence between nations, believed that the international movement of commodities, peoples and ideas would encourage 'crossing' between individuals and species.¹⁴ Indeed classical political economy and political liberalism championed the civilising role of international exchange of commodities for reasons of efficiency and equity.¹⁵

The period of free trade imperialism is normally seen as commencing in 1846 and lasting until at least the late nineteenth century phase of aggressive European colonial expansion.¹⁶ From this perspective the separation of the Australian colonies, the development of constitutional reform and eventually self-government, were all aspects of the transformations in imperial outlook. This is a simplification but a useful antidote to colonial-centric historiography. The position of New South Wales and Victoria in the British imperial system - minimal direct imperial intervention, powerful economic and financial links, strong cultural and ideological attachments - was one of the clearest illustrations of free trade

13. This debate is long and involved. Introductions to the contentious issues and wider implications include: W.K. Hancock, 'Agenda for the Study of British Imperial Economy, 1850-1950', Journal of Economic History, Vol. 13, No. 3, Summer 1953, pp.257-273; J. Gallagher and R. Robinson, 'The Imperialism of Free Trade', Economic History Review, Vol. 6, No. 1, 1953, pp.1-15; O. MacDonagh, 'The Anti-Imperialism of Free Trade', Economic History Review (2nd series), Vol. 14, No. 3, April 1962, pp.489-501, and D.C.M. Platt, 'The Imperialism of Free Trade: Some Reservations', Economic History Review (2nd series), Vol. 21, No. 2, August 1968, pp.296-306.

14. J.A. Hobson, Imperialism: A Study, George Allen and Unwin, London, 1938, pp.188-190.

15. The outstanding work here is D. Winch, Classical Economy and Colonies, Harvard University Press, Cambridge (Mass.), 1965. See also L. Robbins, The Theory of Economic Policy in English Classical Political Economy, Macmillan, London, 1952, and B. Semmell, The Rise of Free Trade Imperialism, Cambridge University Press, Cambridge, 1970.

16. See O. MacDonagh, op. cit., passim.

imperialism under the hegemony of Pax Britannia.¹⁷

Imperial authorities in the late 1840s viewed favourably the idea of former colonies, where local sentiment and interests were judged reliable, being granted a wide measure of local political autonomy. Extending back at least to Adam Smith's Wealth of Nations, liberal critics of British policy in the American colonies had recognised that 'white settler colonies' should be freed from oppressive direct political and administrative control exercised from London.¹⁸ A coherent argument was presented by liberal political economists including Smith and Mill stressing colonial self-government, democratic reform and the advantages of an international division of (capitalist) production. These reforms were specifically designed for white settler capitalist colonies, with the emphasis on bonds of blood, race, nation and sentiment as sufficient to compensate for a weaker, less direct, form of imperial control.¹⁹

The strongest conception of the decline in British direct colonialism - the 'anti-imperialism of free trade' - has considerable merit when viewed from an Australian perspective.²⁰ This theory focuses on the economic and political transformation of Great Britain in the mid-nineteenth century and the resultant change in colonial policy: admittedly this is often viewed ideologically. The causal links between structural changes in the imperial relations of

17. A view developed by D. Denoon, Settler Capitalism: The Dynamics of Dependent Development in the Southern Hemisphere, Oxford University Press, Oxford, 1983. A more favourable assessment of the British Empire is found in W.K. Hancock, op. cit., and W.K. Hancock, Argument or Empire, Penguin, London, 1943.

18. The views of Smith, Ricardo and Mill on colonialism are discussed in Winch, op. cit., and D.N. Winch, 'Classical Economics and the Case for Colonization', Economica (New Series), Vol. 30, No. 120, November 1963, pp.387-399.

19. C. Dilke, Problems of Greater Britain (2 Vols), Macmillan, London, 1868, and J.R. Seeley, The Expansion of England, University of Chicago Press, Chicago, 1971.

20. This is because a desire to allow self-government in the white settler colonies represented an important change for those colonies. As to whether this was important in the wider pattern of imperial relations is a moot point.

production and shifts in policy and ideology remain ill-defined. The theory stresses in general terms the importance of imperial hegemony or informal control; a clear statement of how the distinction between direct and indirect colonialism is best made is, however, largely absent.

The major critique of the 'imperialism of free-trade' was advanced by Gallagher and Robinson.²¹ They stressed continuity in British colonial policy when the combination of old colonial controls (especially in India) and new colonial acquisitions (especially in Africa) were taken into consideration. No point exists in pursuing these controversies in any detail. Suffice it to say that while the continuity thesis may make sense for British imperial policy as a whole, it misses the new stage of colonial-imperial relationships fostered between white settler colonies and the imperial metropolis in the mid-nineteenth century. Moreover, the 'imperialism of free trade' thesis emphasises the changing structure of imperial economic and political relations and places causal significance in that transformation. But both theories are broadly built on the principles of liberal political economy whilst leaving unexplored the full implications of 'free trade imperialism'. Indeed it is hard to see what distinguishes 'free trade imperialism' from theories of international trade based upon conceptions of comparative advantage and full factor mobility.²²

What must be remembered and will be explored below is that the Australian colonies were politically and economically shaped by the changing structure of British imperialism; an imperialism that passed through distinct phases. The value of imperial historiography is precisely its concern to establish periodisation and causality in the imperial-colonial relationship.

21. Gallagher and Robinson, op. cit. For a recent re-affirmation and development of the position, see J. Gallagher, The Decline, Revival and Fall of the British Empire, Cambridge University Press, London, 1982.

22. These are discussed in Chapter Two, pp.63-84.

Colonial Economic Expansion and British Imperialism

Economic historians generally have not emphasised imperial factors in explaining the major characteristics of Australian economic development, but instead have stressed the Long Boom of 1860-1890 and the contrasting 1890s Depression.²³ Economic growth slowed, earlier ostentatious speculations gave way to bankruptcies, the public and private finances were in disarray, a serious bout of industrial class conflict erupted and a movement to reorganise the basis of colonial power through federation was launched. Among some sections of the Australian urban and rural proletariat and even among the self-employed, there was an advocacy of reform. Some even argued for fundamental social change. Socialism, albeit a somewhat heterogeneous colonial doctrine with utopian, reformist and syndicalist strains, was expounded as an alternative to capitalism.²⁴ Meanwhile the dominant organised representatives of the working classes, more limited in their political objectives, recognised the opportunities presented by parliamentary representation. A parliamentary and reforming socialism had become a major political force.²⁵

A fundamental feature of the new phase of colonial-imperial

23. The obvious examples are N.G. Butlin, I.A.E.D., op. cit.; W.A. Sinclair, The Process of Economic Development in Australia, Cheshire, Melbourne, 1976, and R.V. Jackson, Australian Economic Development in the Nineteenth Century, Australian National University Press, Canberra, 1972. It should be stressed that despite changing interpretative frameworks the broad empirical factors were outlined by T.A. Coghlan, Labour and Industry in Australia (4 Vols), Oxford University Press, London, 1918.

24. See V. Burgmann, In Our Time, George Allen and Unwin, Sydney, 1985; R. Gollan, op. cit.; N.B. Nairn, Civilising Capitalism: The Labour Movement in New South Wales 1870-1900, Australian National University Press, Canberra, 1973, and R.N. Ebbels (ed.), The Australian Labor Movement, 1850-1907, Extracts from Contemporary Documents, Cheshire, Melbourne, 1960.

25. The theme in N.B. Nairn, op. cit. See also H. McQueen, A New Britannia: An Argument Concerning the Social Origins of Australian Radicalism and Nationalism, Penguin, Ringwood, 1970.

economic relations was the growing integration of the colonial financial structure into the imperial one. In the 1860s but most significantly in the 1870s and 1880s, local funds were greatly augmented by an influx of British investment.²⁶ Four major avenues for those funds can be noted. First, the purchase of colonial government securities on the London market. Second, the expansion of pastoral capital formation and the purchase of pastoral real estate; typically the provision of pastoral credit against the security of landed property. Third, the purchase and development of urban property and dwellings. Fourth, the purchase of assets and the extension of loans, debentures and deposits to financial institutions (e.g. banks, pastoral financiers, urban lenders and life insurance companies). As a consequence of the powerful financial presence of British interests in profitable branches of colonial economic activity a substantial percentage of revenue-generating assets located in the Australian colonies became subject to British 'ownership'. By 1890 that 'ownership' of colonial private property and public property exercised an important influence on colonial economic development. However the property rights, the forms of capitalist ownership held by British directors, shareholders, managers, investors and depositors, were not those directly concerned with the organisation and control of capitalist production.

Implicit in the accounts of the growth in British investments in the Australian colonies is the separation of ownership and control. In marxist theory this process meant that the generation of surplus value, control of the labour process and choice of appropriate techniques were typically left to Australian industrial capitalists; whereas it was in the circulation and appropriation of the new values created in production that British interests were concentrated. For

26. J.D. Bailey, 'Australian Company Borrowing 1870-1893: A Study in British Overseas Investment', unpublished D.Phil. thesis, Oxford University, 1957, and N.G. Butlin, Australian Domestic Product, op. cit., Part IV, 'Overseas Borrowing', pp.405-444. The amounts are given in ibid., Table 251, p.424.

this reason argument based on British 'ownership and control' of the colonial means of production requires some important qualifications. I will try to ascertain the nature of these qualifications and indicate the changes which appeared as the colonies shifted from prosperity to depression.

In the public sphere the colonial governments raised large British loans to finance public investment programmes and to sustain levels of current expenditure without recourse to increased direct or indirect taxation. A large proportion of these funds were used for railway construction. Much of the finance was borrowed from the private British capital market. This implies substantial 'ownership and control' by British investors over public expenditure and thus influence over the structure and direction of public finances. Colonial and imperial banks became the mediating institutions between private investors and public officials in the colonial treasury and in departments of railways and public works. Indeed, public and private investment was circumscribed by financial institutions linking the financial 'owner' and the public and private 'entrepreneur'. While the former was increasingly Anglo-colonial, the latter was typically colonial.

The period of rapid expansion in Australian colonial capitalism appears to coincide with a large involvement of British funds in public and private capital expenditure and current expenses.²⁷ Capital accumulation, concentration of the means of production and circulation of existing revenue generating property rights were dependent upon British funds. Paradoxically perhaps, the growth of British financial interests in the Australian colonies does not coincide with more intensive political domination; if anything the reverse is true. On the surface no justification can be found for arguing that greater economic 'ownership and control' by British

27. Discussed extensively in N.G. Butlin, I.A.E.D., op. cit., pp.57-180 and pp.291-406. Chapters Eight and Nine below are concerned with these matters, pp.282-370.

investors over Australian property necessarily led to more overt political control. Political power was not a simple reflex of economic power; however, this is not to say that all imperial political controls were abandoned.

For this thesis the important characteristics of Australian colonial capitalism are the following: Australian economic historians have charted in general terms the expansion of a relatively advanced, profitable and prosperous capitalism in the Australian colonies in the second half of the nineteenth century. While much has been done to correct the somewhat one-sided perspective of the first generation of economic historians (by emphasising urban residential construction and the rise of manufacturing), major emphasis has remained on the establishment of a productive primary sector producing for the imperial (and world) primary commodity markets.²⁸ Primary export industries (minerals, pastoral and agricultural commodities) were directly linked to the imperial markets through the physical circulation of commodities, the provision of mercantile credits and marketing procedures for commodity production and realisation, and the expanding provision of credit and long-term finance to enable producers to invest in new means of production. If we follow Marx's specification of the stages of valorisation in capitalist production (i.e. the various metamorphoses through which the augmentation of value occurs) then the circuit of commercial capital (the purchase and sale of commodities including labour power) operated on an intra-imperial basis; the circuit of productive capital (the means of production and labour power and their employment in production) operated in the Australian colonies under the control of industrial

28. This was emphasised by B. Fitzpatrick, The British Empire in Australia, Melbourne University Press, Melbourne, 1941. Despite greater attention to the colonial economy the importance of the imperial context is still apparent; see W.A. Sinclair, op. cit., and N.G. Butlin, I.A.E.D., op. cit. The historiographical surveys in Sinclair, op. cit., are particularly helpful on this issue: see especially pp.68-70, pp.117-119 and pp.158-159.

capitalist proprietors and supervisors, and the circuit of financial or money capital was intra-imperial.²⁹

The problem is to incorporate the dynamics of colonial economic expansion and contraction within the changing pattern of ownership relations and the intra-imperial circuits of commercial and financial capital.

Australian social and political historians have described the constitutional debates and the resulting political institutions created in the colonies in the 1850s. Moreover, they have described in detail the political debates and the ensuing legislation. We have considerable though uneven knowledge of the leading political actors, parliamentary factions and a sociology of political parties in the major colonies.³⁰ Much has been written about the importance, timing, organisation and ideology of the evolving labour movement.³¹ Most writing on the formation of trade unions, the shaping of political parties and the industrial/parliamentary class conflict in the 1890s is informed by a quasi-marxist theory of class and class

29. For a discussion of the circuits of capital, see K. Marx, Capital, Vol. 2, Penguin, Harmondsworth, 1978, Chapters 1-4, pp.109-199. An important attempt to develop these concepts has been made by C. Palloix. His most accessible works in English are C. Palloix, 'The Self-expansion of Capital on a World Scale', Review of Radical Political Economics, Vol. 9, No. 2, Summer 1977, pp.1-28, and C. Palloix, 'The International Capital and the Circuit of Social Capital' in H. Radice (ed.), International Firms and Modern Imperialism, Penguin, Harmondsworth, 1975, pp.53-83.

30. See, for example, J.A. La Nauze, Alfred Deakin: A Biography (2 Vols), Melbourne University Press, Melbourne, 1965, and A.W. Martin, Henry Parkes: A Biography, Melbourne University Press, Melbourne, 1980.

31. This literature is vast; the best survey has been done by John Merritt, 'Labour History' in G. Osborne and W.F. Mandle (eds), New History: Studying Australia Today, George Allen and Unwin, Sydney, 1982, pp.113-141. A critical appreciation is given by S. Macintyre, 'The Making of the Australian Working Class: An Historiographical Survey', Historical Studies, Vol. 18, No. 71, October 1978, pp.233-253.

consciousness.³² But in this literature little precision has been given to defining or analysing the colonial state and even less attention given to the question of the structural relationship between the state (in the wide sense) and the development of colonial capitalist relations of production.

This provokes my next question: what historical relationship existed between the special form of the colonial state, the content of its legislative, executive and administrative practices and the requirements of colonial capitalism in its three articulated spatialities; colonial, 'national' and imperial?

Economic and political historians have demonstrated the active, interventionist character of the colonial states. Political historians have noted politicians using their offices to materially advance their constituents. Social and labour historians have discussed employment practices and the states' regulative (arbitration, factory legislation) and interventionist (immigration, tariffs, borrowing, etc.) functions. Despite the detail of much of this work, it lacks theoretical consistency and thus cannot assess the impact of state activity on the shape of colonial capitalism.³³

On the other hand, economic historians have drawn our attention to the magnitude of public economic activity and demonstrated the inapplicability of the laissez-faire model of capitalism to colonial Australia. We know a great deal about public expenditure, the organisation and control over public enterprises and services and the level of public borrowings. The assessment of the effect of these interventionist, regulative and entrepreneurial activities of the colonial governments are, however, less precise. Indeed, one can

32. B. Fitzpatrick, A Short History of the Australian Labor Movement, Rawson's, Melbourne, 1940; R. Gollan, Radical and Working Class Politics: A Study of Eastern Australia 1850-1910, Melbourne University Press, Melbourne, 1960, and J.S. Hagan, Printers and Politics, Australian National University Press, Canberra, 1966.

33. This is because historians have avoided theoretical issues and generally subsume the state under the rubric of parliamentary politics.

detect considerable theoretical confusion in their conclusions.³⁴

We thus have two separate questions: how do we grasp this process of government intervention in all its complexity and diversity? and, what implication did it have for colonial capitalist development?

Imperial historians have attempted to describe and periodise British imperial expansion. Several conceptions of imperialism, aimed at least in part at undermining the theoretical and historical premises of marxist theories of imperialism, dominate the field. Major debates have occurred over periodising imperialism and the relative importance of imperial versus colonial factors in explaining the character of specific imperialisms. Debate has occurred on the significance of economic compared to strategic power, political and ideological factors in explaining imperialism, and the extent to which imperialism is a descriptive (value-neutral) or politically loaded concept related to the notion of class exploitation.³⁵

Imperial historians beg some important questions: how do we adequately describe and account for the transformation of political control exercised by the British imperial state over the Australian colonies in the last half of the nineteenth century? Second, to what extent and in what precise way can we classify the imperial-colonial economic relationship as imperialist?

In sum these four problems - capital accumulation and recession, the political aspects of the colonial state, the economic dimension of the colonial state, and the nature of the colonial-imperial relationship - are related. They are all manifestations or expressions of class relations. At the same time they are the

34. See my discussion in Chapter Two, pp.50-112.

35. A valuable study has been made by W. Mommsen, Theories of Imperialism, Weidenfeld and Nicholson, London, 1981. See also the classic work, J.A. Schumpeter, Imperialism and Social Classes, Basil Blackwell, Oxford, 1961; and for the marxist debate, see A. Brewer, Marxist Theories of Imperialism: A Critical Survey, Routledge and Kegan Paul, London, 1980, and T. Kemp, Theories of Imperialism, Dobson, London, 1967.

constituent elements of evolving class relations. As yet we are not in a position to define the object of analysis with precision. That will occur in the conclusion of this Chapter.

The Theory Introduced: Classes and Capitalism

In this section I will demonstrate how the theoretical notions touched upon in the earlier sections of this Chapter - capitalism, the capitalist state, the process of capitalist accumulation, imperialism, class relations and the relations of production - are conceptually linked and what ramifications they have for historical enquiry.

Capitalist society, a society of commodity relations and private property, is necessarily a class-based society.³⁶ Capitalism is not the first class society; class society exists wherever the surplus labour of society is controlled by a social group other than the direct producers. Direct producers are those who employ the instruments of production and purposively transform nature or the results of earlier human labour and produce objects or services (use values) which meet some social need.

Although we may start from a simple structure of capitalist class relations separating the non-owners/direct producers from the owners/non-producers (the labour-capital relationship), we can quickly extrapolate developed forms of these social relations of production. From these social relations of production we can show how the dominant form of surplus labour in capitalism is surplus value, the historical constraints on its creation, the potential for the extraction of absolute surplus value, depending on the necessary labour time required to reproduce the worker, and relative surplus value, and the forms of surplus appropriation, including those undertaken by the

36. See K. Marx, 'Results of the Immediate Process of Production', Appendix in Capital, Vol. 1, Penguin, Harmondsworth, 1976. Especially pertinent is Part III, 'Capitalist Production in the Production and Reproduction of the Specifically Capitalist Relations of Production', pp.1060-1065.

state.³⁷ Then we can establish subsequent patterns of surplus distribution through the provision of publicly funded use values, private consumption, speculation in property rights or productive re-investment. The marxist theory of capitalist relations of production and the production of surplus value attempt to show how the production, appropriation, ownership, distribution and employment of surplus labour occurs under capitalist relations of private property and its origin in commodity production.

In class societies the extraction of surplus labour (the exploitation of the direct labourer) is the necessary basis for the activities, whether political, cultural or military, of the non-productive directive social classes. Surplus labour may be extracted in a variety of historical forms: as labour time, military service, in product, as rentals or as money.³⁸ Consequently the fundamental issue for marxist analysis is the mode of organising production, the dominant form of surplus labour, the mode of surplus appropriation and distribution and the ultimate use to which this surplus is directed. Once these questions are settled, the potential for the transformation of the organisation of production and the employment of more productive instruments and techniques may be addressed. Marxist analysis is not initially concerned with the changes in the forces of production because they are ultimately dependent expressions of the social relations of production.³⁹ But once the social relations of capitalist production have been established the forces of production do exercise an apparently dynamic role in the transformation and eventual demise of those social relations.

37. The distinction between relative and absolute surplus value can be found in K. Marx, Capital, Vol. 1, op. cit., Part III, 'The Production of Absolute Surplus Value', pp.283-439.

38. K. Marx, Capital, Vol. 3, Penguin, Harmondsworth, 1981, pp.917-950, and M. Bloch, Feudal Society (Vol. 1), Routledge and Kegan Paul, London, 1956, pp.248-254.

39. I.I. Rubin, Essays on Marx's Theory of Value, Red and Black, Detroit, 1972, p.69.

Capitalism is a commodity-producing society. But capitalism is more than a commodity-producing society: it is a society in which social relations are commodity relations.⁴⁰ Generalised commodity relations exist under capitalism in the legal domain of ownership/appropriation, the economic realm of production, and in the basic mode of exchange or commercial intercourse. Capitalist society is a society of commodity owners, of commodity proprietors. Not only exchange values (the products of human labour) but naturally given products of nature (waterways, energy, land, minerals, forests, etc.) belong to proprietors who may alienate them in commodity exchange.⁴¹ The instruments of production (typically factories, but including various commodities employed to produce commodities) are similarly nothing other than the accumulated wealth of their respective proprietors. Economic ownership rights over the means of production and labour power provide the initial framework for locating social classes. The formal structure of law guarantees and regulates these property rights.⁴² The reproduction of the essential structure of property rights indicates the form of political and social domination that lurks beneath the economic practices of capitalist society.⁴³

The key to capitalist society is not just commodity ownership and

40. See I. Wallerstein, 'The Commodification of Everything: Production of Capital' in his Historical Capitalism, Verso, London, 1983, pp.13-46.

41. For the nature of pre-capitalist relations over naturally given use values and the evolution of distinctively capitalist ownership, see K. Marx, Capital, Vol. 3, op. cit., especially 'The Genesis of Capitalist Ground-Rent', pp.917-950.

42. E.V. Pashukanis, A General Theory of Law and Marxism, Ink Links, London, 1978. There has developed a complex literature on marxism and a critical legal theory. Despite the obvious problems with Pashukanis' work, he remains the starting point for much subsequent thinking. For a balanced assessment of Pashukanis, see R. Warrington, 'Pashukanis and the Commodity Form Theory' in D. Sugarman (ed.), Legality, Ideology and State, Academic Press, London, 1983, pp.43-67.

43. Transforming this theoretical proposition to an hypothesis informing historical analysis has not been an easy task. For some more successful attempts, see A. Gramsci, Selections from the Prison Notebooks, Lawrence and Wishart, London, 1978, pp.44-122, and E.D. Genovese, Roll, Jordan, Roll, Random House, New York, 1972.

exchange but the historical creation of a large class of direct producers who sell labour power.

A developed capitalist society may be conceived as a society in which commodity relations dominate social production. Production is rarely organised for the producer's direct consumption. Producers and consumers are linked through commodity production, transportation, exchange and consumption. Commodities are exchange values for the producers and use values for the consumers. In itself the commodity, the physical tangible object, is simply a thing, but within the social relations of capitalist society the commodity becomes a 'conceptual mirror' reflecting the forms of exchange value, use value and value peculiar to capitalism.⁴⁴

Capitalist society has created the most developed regional, national and international division of social labour. The connection between developed commodity production and consumption occurs over time and space. It is through production that technology and the product of previous labour are combined to create new exchange values. But only through exchange are new values socially validated.⁴⁵ In the process of commodity production, exchange and realisation, a portion of society's abstract labour time is valorised.⁴⁶ The commodity owner with rights to the surplus value embodied in that commodity can now re-purchase the necessary elements to re-commence production. If the commodity is unwanted, the price of the commodity beyond the social

44. This is the premise and conclusion of Marx's analysis of capitalism. Compare Part I, 'Commodities and Money' of Capital, Vol. 1, op. cit., pp.125-244 with Part VII, Chapter 4, 'The Trinity Formula' in Capital, Vol. 3, op. cit., pp.954-970.

45. The role of circulation in Marx's argument has been stressed by I. Gerstein, 'Production, Circulation and Value: The Significance of the "Transformation Problem" in Marx's Critique of Political Economy', Economy and Society, Vol. 5, 1976, pp.243-291. Almost all technically proficient marxist economists accept this viewpoint; see, for example, G. Dostaler, 'Marx's Theory of Value and the Transformation Problem: Some Lessons from a Debate', Studies in Political Economy: A Socialist Review, No. 9, Fall 1982, pp.77-101.

46. J. Weeks, Capital and Exploitation, Princeton University Press, Princeton, 1981, pp.29-38.

average or loss of confidence in the medium of exchange) the full process of social validation cannot occur.⁴⁷

In essence, Marx set out to investigate the problem of how commodity exchanges in capitalism are co-ordinated and regulated. Furthermore, he wanted to know how commodity production and exchange increased value for the owners of the means of production. Marx concluded that the whole process was regulated through the expenditure of social labour in commodity production and the appropriation of surplus labour by private property owners. Surplus labour existed in the form of surplus value in generalised commodity production. Surplus value is that part of social labour not under ownership or control of the direct producers but distributed as socially abstract labour, i.e. as money, to the owners of private property.⁴⁸

Marx's theory of value attempts to explain how the production of new values occurs, and to identify the various claimants to surplus value. Subsequently Marx pursues the implications of this structure of distribution for future production and appropriation. He was also concerned to demonstrate how individual acts of production and consumption are co-ordinated and regulated by the market. Market prices gravitate around market values (prices of production) and market values reflect the combined effect of the available mass of surplus value and the rights to that surplus value by commodity

47. D. Foley, 'The Value of Money, the Value of Labor Power and the Marxian Transformation Problem', Review of Radical Political Economics, Vol. 14, No. 2, 1982, pp.37-47. For the role of money in the marxist analytical structure, see L. Harris, 'On Interest, Credit and Capital', Economy and Society, Vol. 5, 1976, pp.145-177; D.K. Foley, 'On Marx's Theory of Money', Social Concept, Vol. 1, No. 1, May 1983, pp.5-18, and D.K. Foley, 'Towards a Marxist Theory of Money', Institute for Mathematical Studies in the Social Sciences, Technical Report No. 181, Stanford University, 1975, pp.1-37.

48. For a clear exposition of this idea, see A. Shaikh, 'Marx's Theory of Value and the Transformation Problem' in J. Schwarz (ed.), The Subtle Anatomy of Capitalism, Goodyear, Santa Monica, 1977, pp.106-139. The debate within the marxist and radical schools as to the significance and relevance of marxist value can be examined in I. Steedman, Paul Sweezy, et al., The Value Controversy, Verso, London, 1981, and D. Elson (ed.), Value: The Representation of Labour in Capital, CSE Books, London, 1979.

owners.⁴⁹ I will return to this issue below.

In capitalist society surplus labour as surplus value is created through the expenditure of purposive energy by the direct producers; it is appropriated and circulated, however, by those who have rights to private property. This separation between the producers and appropriators of surplus value is further complicated and intensified as the accumulated means of production grow in magnitude and complexity. Mature capitalisms require the skills of a large social group to manage, oversee, regulate and modernise the production process without necessarily having direct appropriation rights. Moreover, a substantial group of petty proprietors, workers in the sphere of commodity circulation and realisation (wholesaling, retailing), in the co-ordination and centralisation of financial capital (banking, life assurance) and in the agencies of the state (bureaucrats, police, etc.) are not direct contributors to the mass of surplus value but have access to various incomes.⁵⁰ Thus in criticising Ricardo, Marx asserted that:

What he [Ricardo] forgets to emphasise is the constantly growing number of the middle classes, those who stand between the workmen on the one hand and the capitalist and landlord on the other. The middle classes ... are a burden weighing heavily on the working base and they increase the social security and power of the upper ten thousand.⁵¹

The source of surplus value in commodity production and

49. For a precise conceptualisation of the petty bourgeoisie and middle class along marxist lines, see G. Carchedi, 'On the Economic Identification of the New Middle Class', Economy and Society, Vol. 4, 1975, pp.1-86.

50. The debate about the class position and hence political affiliation of the middle class can be pursued in N. Poulantzas, Political Power and Social Classes, NLB, London, 1973, and E.O. Wright, 'Varieties of Market Conceptions of Class Structure', Politics and Society, Vol. 9, No. 3, 1980, pp.323-370. An outstanding attempt to avoid reductionism and theoretical pragmatism remains S. Hall, 'The "Political" and the "Economic" in Marx's Theory of Classes' in A. Hunt (ed.), Class and Class Structure, Lawrence and Wishart, London, 1977, pp.16-60.

51. K. Marx, Theories of Surplus Value, Vol. 3, Progress Publishers, Moscow, 1969, p.573.

realisation is not coterminous with the ownership/appropriation relations. Owners of capitalist private property as individuals, partnerships, companies, shareholders and the capitalist state are able to intercept surplus value in their varied capacities as owners of the objects of production (natural resources), the instruments and techniques of production (tools/technology), as the controllers and co-ordinators of production (the capitalist producer) and as the owners of the various forms of commodity, productive and financial capital. An important distinction is therefore drawn between productive capitals (generating surplus value) and unproductive capitals (appropriating surplus value).⁵² A further distinction should also be made between unproductive capitals necessary for reproduction (e.g. merchant capital) and those forms of appropriation (e.g. land ownership) necessary for the reproduction of capitalist class relations.⁵³

The claim that capitalist society is based on private property, commodity production and exchange through the agency of the market is not unique to marxism. Indeed, such a conception of society and the principle of equivalence in exchange is a widely held premise of many contemporary social theories. Marxism diverges strongly from these theories in claiming that a society of commodity relations based on equivalence in exchange is theoretically inconceivable: how can we explain the historical pattern of disparity in property/commodity ownership over time and space and the tendency toward concentration of

52. The distinction between productive and unproductive capital is discussed by Marx in Capital, Vol. 2, op. cit., 'The Costs of Circulation', pp.207-229. For a recent marxist work built on this distinction, see J.F. Becker, Marxist Political Economy, Cambridge University Press, Cambridge, 1979.

53. See P-P. Rey, 'The Alliances of Classes' (foreword and trans. J.F. Becker), International Journal of Sociology, Vol. 12, No. 2, Summer 1982, pp.1-120.

property ownership?⁵⁴

Capitalist society is notable for its expanding productiveness. In an economic system of monetary commensurability between exchange values, the rationality of capitalist calculation becomes apparent. In a society of individual proprietorship and the private appropriation of profit, the stimulus to market competition between rival producers is explicable. While capitalism does not guarantee free competition between producers because an enormous number of national, historical and institutional factors intervene, a major historical tendency has been to see phases of monopolisation alternate with phases of intense competition.⁵⁵

The purpose of capitalist competition is to maximise the monetary value of output and minimise the value of inputs. This represents the homogeneous space of capitalist calculation. The general effect is twofold. First, inputs are biased towards the displacement of labour power with means of production.⁵⁶ Second, the monetary value of outputs as a ratio to inputs changes over time; human labour is employed, co-ordinated and linked to accumulated means of production in more efficient ways. In general, capitalist production reduces the abstract socially necessary labour embodied in commodities.

At the same time, capitalism encourages a continuous process of technical innovation and the restless movement of resources from one branch of commodity production to another to take advantage of the endlessly changing areas where profits may be maximised. In this dual dynamic real skills of anticipation, technical research, innovation in

54. For a precise and sophisticated discussion of exploitation (or non-equivalent exchange), see J.E. Roemer, A General Theory of Exploitation and Class, Harvard University Press, Cambridge (Mass.), 1982.

55. The most interesting writings on competition by marxists include W. Semmler, 'Theories of Competition and Monopoly', Capital and Class, No. 18, Winter 1982, pp.91-117; J.A. Clifton, 'Competition and the Evolution of the Capitalist Mode of Production', Cambridge Journal of Economics, No. 1, 1977, pp.137-151, and J. Weeks, Capital and Exploitation, op. cit., pp.149-172.

56. K. Marx, Capital, Vol. 1, op. cit., pp.772-781.

production, marketing techniques (in a word, entrepreneurship) are important. Developed capitalism is further complicated by a high level of specialisation in the social division of labour with financial institutions switching to branches, sectors and firms where profit rates are, or are anticipated to be, above average. For these reasons most contemporary marxists criticise the notion of monopoly (or uncompetitive) capitalism and emphasise the increasing validity of Marx's theory of the regulative role of the law of value.⁵⁷

From our discussion of the capitalist mode of production we can draw four essential conclusions. First, capitalism is a society of individual private commodity producers/owners, where the value of the human concrete labour expended in commodity production is recognised as an aspect of socially abstract labour time in the exchange of the commodity for the general equivalent (money). As capitalism develops these exchanges occur increasingly between societies as well as within them. The social division of labour extends well beyond national boundaries.⁵⁸ Second, the social space where the law of value is operative - regulating the relationships between producers and consumers, direct producers and property owners and competition between commodity producers, commercial and financial capitalists - occurs only where the objects, instruments and products of labour and labour power have become commensurable commodities. While this social space is typically defined and delimited by the nation state, the result of free trade imperialism is to re-define this social space as

57. See J. Clifton, op. cit., pp.137-151.

58. There are some tentative steps in Marx's writings to think out this issue, for example: 'The different qualities of commodities of the same kind, produced in different countries in the same working time, have, therefore, unequal international values, which are expressed in different prices, i.e. in sums of money varying according to international values', Capital, Vol. 1, op. cit., p.702. The full ramifications of these and other asides have not yet been explored.

more extensive than the traditional nation state.⁵⁹ Third, generalised commodity production and exchange engenders rapid technological developments and intensified competition between capitalist producers. This competition between capitalist producers extends into the international market and produces various strategies by states to advantage their national producers, either by promoting protection, free trade or through the whole gamut of interventionist tactics.⁶⁰ Last, because we have assumed that commodity exchanges between the capitalist and the labourer and between capitalists is not based on value equivalence (even when they are monetary equivalents), the theoretical domain within which Marx's theory of value is historically relevant has been indicated.⁶¹

Marx's theory of value is historically pertinent once the commensurable space of commodity exchange within a state is guaranteed. But the space within which the theory is valid transcends the political boundaries of national states. The space of commensurability between the monetary price of all commodities (including use values like land) is itself defined within the space of abstract labour time; the monetary value of labour appropriated in commodity production. The sum of all new values according to Marx was broadly equivalent to the sum of all commodity prices exchanged on the market. Nevertheless what occurs for a society (or the social space of commodity exchange as a whole) is invalid for individual commodities.⁶² I now turn to the specification of our major concepts.

The object of marxist political economy is to specify the

59. This is the point at which marxist writings on imperialism become unsatisfactory. Without greater precision on the question of the spatial aspects of the law of value, its usefulness for empirical research remains slight.

60. See R. Hilferding, Finance Capital: A Study in the Latest Phase of Capitalist Development, Routledge and Kegan Paul, London, 1981.

61. A point emphasised by M. Aglietta, A Theory of Capitalist Regulation, NLB, London, 1978, pp.40-41.

62. Marxism presupposes that, in general, commodities do not exchange at their value; this is at once the originality and the problematical nature of all marxist argument about theories of value.

characteristics of the dominant social production relations. Social relations between classes govern the distribution of economic agents into specific economic roles, allocate social labour into various areas of productive and non-productive activity and distribute rights of appropriation to surplus labour. These production relations are not simply relations between people but are also relationships between people and nature (ownership/appropriation of naturally given values), people and things (ownership/appropriation rights over the means of production) and between people and money (ownership/appropriation rights to a portion of society's labour time; i.e. money as a store of value).⁶³ Furthermore these relations are dynamically transformed within the limits imposed by the reproduction of commodity relations. In capitalist society it is the ownership of capital - the means of production, accumulated commodities, money as the store of value - that locates the social classes who most directly control, regulate and transform the production process and directly exploit wage labour. It is private property owners - individual, company and public - who appropriate surplus value.

Capital is a social relationship. The relations of production are the structured form of capitalist social relations while the theory of value specifies the content. The direct producer's labour is in turn the substance of value.⁶⁴

Early colonial capitalism involved direct imperial intervention to expand the space of developed capitalist relations of production, i.e. the space of the law of value and the capitalist international division of labour. The following analysis seeks to trace how surplus

63. A central point made by L. Althusser in L. Althusser and E. Balibar, Reading Capital, NLB, London, 1970, pp.170-181. This contrasts with the humanist conception of classes found in E.P. Thompson, The Making of the English Working Class, Penguin, Harmondsworth, 1968, pp.9-10, and endorsed by R.W. Connell and T.H. Irving, Class Structure in Australian History, Longman Cheshire, Melbourne, 1980, p.9.

64. K. Uno, Principles of Political Economy: Theory of a Purely Capitalist Society, Harvester Press, Sussex, 1980, pp.5-18. See also I.I. Rubin, op. cit., p.74.

value is produced, circulated, appropriated and redeployed within an intra-imperial system. Finally, the concern is to sketch out the pattern of intra-imperial relations of production within which important areas of capitalist accumulation and property ownership occur.

Although formal definitions of imperialism are notoriously difficult, the following is apposite:

Imperialism, involving some kind of economic and/or political subjection to a power outside the community, is a special case, in which the exploitation effected by the imperial power (in the form of tribute, for instance), or by its individual members, need not necessarily involve direct control of the conditions of production. In such a situation, however, the class struggle within the subject community is very likely to be affected, e.g. through support given by the imperial power or its agents to the exploiting class or classes within that community, if not by the acquisition by the imperial power or its individual members of control over the conditions of production in the subject community.⁶⁵

Conclusion

I now define the object of this thesis as follows. This investigation seeks to show the contradictory attempts by the British imperial state to produce colonial commodity relations and to establish fully developed capitalist property relations. The result was a phase of commercial then increasingly financial relations supported by an imperial state. There were political and economic connections, though with changing emphases, between the Australian colonies and British imperialism. From this point I seek to show how colonial political institutions under imperial guidance created the political conditions necessary to establish advanced capitalist relations of production in the Australian colonies. These relations of production, especially after 1873, encouraged this intra-imperial development of the law of value. The colonial relations of production encouraged rapid capitalist development and expanded the market for

65. G.E.M. De Ste Croix, The Class Struggle in the Ancient Greek World, Duckworth, London, 1981, p.44.

commodity consumption and realisation. This in turn opened up a vast area for imperial investment in colonial means of production (public and private) and in the purchase and speculation in colonial private property. Thus the final objective is to show how British imperialism directly and indirectly established and expanded capitalist relations of production in the Australian colonies. Moreover the resultant pattern of class relations (ownership/appropriation rights) first accelerated then constrained the development of Australian colonial capitalism. Put more abstractly, I seek to show the movements of colonial surplus value, the forms of appropriation and the implications for the direction and pace of capitalist development as the Australian colonies were articulated within British imperialism. I now turn to a critical discussion of Australian economic historiography.

CHAPTER 2

A CRITICAL DISCUSSION OF AUSTRALIAN ECONOMIC HISTORIOGRAPHY

In the formulation of historico-critical problems it is wrong to conceive of scientific discussion as a process at law in which there is an accused and a public prosecutor whose professional duty it is to demonstrate that the accused is guilty and has to be put out of circulation. In scientific discussion, since it is assumed that the purpose of discussion is the pursuit of truth and the progress of science, the person who shows himself most 'advanced' is the one who takes up the point of view that his adversary may well be expressing a need which should be incorporated, if only as a subordinate aspect, in his own construction. To understand and to evaluate realistically one's adversary's position and his reasons (and sometimes one's adversary is the whole of past thought) means precisely to be liberated from the prison of ideologies in the bad sense of the word - that of blind ideological fanaticism. It means taking up a point of view that is 'critical', which for the purpose of scientific research is the only fertile one.

(A. Gramsci, Selections from the Prison Notebooks, Lawrence and Wishart, London, 1971, pp.343-344.)

Introduction

This Chapter is presented in five sections. These sections separate the distinctive approaches to economic historiography which I examine. I ask of each how it accounts for the process of capitalist growth (accumulation) and recession (crisis), the economic role of government (the state) and the effects of British economic and political power (imperialism) on Australian development. Naturally some writings are more explicit than others in exploring these issues.

Section One discusses Fitzpatrick's interpretation of Australian economic history. It is argued that his approach was informed by a number of marxist concepts though Fitzpatrick failed to pursue all their theoretical, logical and historiographical implications. The

choice of Fitzpatrick seems appropriate given the importance his writings have subsequently had amongst both critics and supporters of marxism, as the major statement of the application of marxism to Australian history.

Section Two argues that the 'staple theory' approach to Australian history lacks the necessary theoretical basis to distinguish and account for the patterns of property relations created and transformed within the Australian colonies. Devoid of this basis the approach is seriously impaired and the resultant interpretation flawed, notwithstanding its useful insights.

In Section Three I discuss Hall's analysis of Australian economic development, 1870-1914, in relation to the operations of the London capital market. Important as Hall's orientation is in exploring the consequences of the large-scale inflow of British funds for Australian development, many important distinctions are blurred by the concepts he employs.

Section Four examines and criticises the most influential economic historiography of recent times, N.G. Butlin's Investment in Australian Economic Development.¹ I argue that at times Butlin comes close to anticipating an economic history of Australian capitalism 1860-1890, exposing the dominant class relations. Nevertheless the conceptual terrain appropriate to marxism cannot be approached directly from mainstream economic historiography; on that count Butlin's contribution is no exception.

Brian Fitzpatrick and Australian Marxism

Fitzpatrick's writings on Australian economic history occupy a

1. N.G. Butlin, Investment in Australian Economic Development 1861-1900, Cambridge University Press, Cambridge, 1964.

unique position in the literature.² In scope, method and presentation they do not conform to the canons of modern economic history. Despite these limitations Fitzpatrick had a powerful influence on left-oriented Australian political economy; Catley and McFarlane, for example, announced that their book Australian Capitalism in Boom and Depression would follow the tradition of Brian Fitzpatrick in putting 'together various pieces of the jig-saw'.³ Even the explicitly non-marxist economic historians such as S.J. Butlin, N.G. Butlin and Blainey have acknowledged the influence of Fitzpatrick's pioneering work.

Two important characteristics of Fitzpatrick's writings deserve special attention. First, his account sought to incorporate a number of radical political and economic assumptions. These included the centrality of class relations, capitalist exploitation and the progressive role of the organised labour movement. Such assumptions are however the common property of marxists, socialists and radical nationalists. Second, Fitzpatrick interpreted Australian history, as had his more conservative forebear, Shann, as shaped by British imperial, political and economic power.⁴ But Fitzpatrick sought to view the imperial relationship as essentially exploitative.

Fitzpatrick's weakness was his failure to employ the concept of exploitation in any systematic fashion in the analysis of capital-labour or colonial-imperial relations. Not surprisingly

2. For an assessment of Fitzpatrick's contribution to Australian history, see G. Blainey, 'Foreword' to B. Fitzpatrick, The British Empire in Australia: An Economic History, reissued second, revised and abridged edition, Macmillan, Melbourne, 1969, pp.vii-x; W.K. Hancock, 'Brian Fitzpatrick: A Tribute', Meanjin, Vol. 14, No. 4, 1965, pp.493-4.; I. Turner, 'Introduction' to B. Fitzpatrick, A Short History of the Australian Labor Movement, Macmillan, Melbourne, 1968, pp.1-58, and D. Watson, Brian Fitzpatrick: A Radical Life, Hale and Iremonger, Sydney, 1979, especially pp.164-191.

3. R. Catley and B. McFarlane, Australian Capitalism in Boom and Depression, Alternative Publishing Cooperative Limited, Chippendale, 1981, p.12.

4. For Shann's interpretation, see E. Shann, An Economic History of Australia, Cambridge University Press, Cambridge, 1930.

modern economic historians sharing few of the same philosophical and methodological precepts find much of Fitzpatrick's argument unconvincing.⁵ In contrast, marxist historians have somewhat uncritically defended Fitzpatrick. I have no interest in defending Fitzpatrick's writings; rather, I attempt to assess the adequacy and usefulness of his writings in the light of the questions set out above.

The most relevant of Fitzpatrick's books for this thesis is The British Empire in Australia: An Economic History 1834-1939, which followed British Imperialism and Australia 1788-1833.⁶ According to their author both works were built upon the same central theme, i.e. the 'history of Australian development in relation to British imperial expansion'.⁷ The following discussion focuses on The British Empire but occasional reference will be made to related publications; A Short History of the Australian Labor Movement, and the succinct reformulation of Fitzpatrick's theses in The Australian People 1788-1945.⁸ This last publication sheds light on obscure aspects of Fitzpatrick's earlier writings.

The discussion has four divisions. First, Fitzpatrick's account of the process, sequence and fluctuations in the patterns of colonial capital accumulation is discussed. Second, his view of the significance and effect of the state's activities on the accumulation process is noted. Third, I examine his conception of British imperialist exploitation of Australia, and finally I make some general

5. G. Snooks, 'Orthodox and Radical Interpretations of the Development of Australian Capitalism', Labour History, No. 28, May 1975, pp.1-11.

6. B. Fitzpatrick, The British Empire, *op. cit.* I have used the complete 1941 Melbourne University Press edition for all quotations and citations in this Chapter. See also B. Fitzpatrick, British Imperialism and Australia 1783-1833: An Economic History of Australasia, Allen and Unwin, London, 1939.

7. B. Fitzpatrick, The British Empire, *op. cit.*, p.v.

8. B. Fitzpatrick, A Short History of the Australian Labor Movement, Rawson's, Melbourne, 1944, and B. Fitzpatrick, The Australian People 1788-1945, Melbourne University Press, Melbourne, 1946.

conclusions about the usefulness of Fitzpatrick's history for contemporary marxist purposes.

Capital Accumulation

Fitzpatrick discussed the concept of capital in two separate ways. On the one hand it is synonymous with all forms of revenue-producing property. On the other hand capital (and the capitalist) is synonymous with money capital (and the money capitalist) and those who gain income from financial resources. While the second conception of capital (money power) can be used for polemical and nationalist purposes it has no particular negative connotation for marxism. Indeed Fitzpatrick did not follow Marx's conceptions of capital, capitalism, the separate forms of capital, the contradictions inherent in capitalism, to name the most obvious, in any systematic manner. No well-defined discussion of the expansion of the physical means of production, the growth in commodity production and circulation nor the creation and appropriation of surplus value is present in his writings. From a marxist viewpoint a history devoid of the skeletal structure - the production and reproduction of material life - must produce a somewhat haphazard account. Nevertheless, Fitzpatrick provided many valuable insights into Australian history.

Fitzpatrick separated major phases in Australian economic history according to the changing requirements of the imperial economy. For example, in the period 1861-1888 the major economic momentum is derived from the import of British capital to finance public construction and private company formation which funded major export industries (e.g. pastoralism).⁹ In the earlier transitional period, 1851-1860, when the imperial-colonial relationship was mercantile in character, local capital reserves obtained from gold mining were sufficient for colonial requirements.

9. The stages are made explicit in Footnote 1 on page 189 of The British Empire, op. cit. They are implicit throughout much of the book.

As the gold rushes consolidated what Fitzpatrick described as new 'relations of production' the patterns of economic development underwent major changes. Indeed the subjects he discussed are but some features of this new phase of colonial development combining new 'relations of production' and British finance to meet the needs of industrialising Britain and Europe.¹⁰ He stressed the formative nature of the last half of the nineteenth century in shaping Australian capitalism and noted the mutual dependence of public and private economic activity in providing investment avenues and raw material commodity requirements for the dominant metropolitan economy.

Despite his claims Fitzpatrick failed to explain the mechanism(s) of imperial economic and political control - such as direct or indirect political power, organised imperial-colonial interest groups or the market outcome of the structure of economic relations - which shaped the Australian colonies. Furthermore, he failed to demonstrate why the imperial-colonial relationship was exploitative given his acknowledgement of the general prosperity of the first long boom in Australian capitalism. The assertion that the Australian economy was decisively shaped by the 'external environment' in which it was located is quite compatible with neo-classical trade theory and staple theory. But in itself this line of argument is of little fundamental significance. The second proposition that this dependence implies exploitation needs elaboration, not simple assertion, unless this term, which has a specific technical meaning in marxism, is made synonymous with a 'dependent' economy.

Fitzpatrick did not explain the position of pastoralism, land selection, agricultural diversification, public capital works and manufacturing in the division of labour, and the factors to which they were responsive. In discussing pastoralism, land access, private

10. B. Fitzpatrick, The British Empire, op. cit., Chapter 5, 'Development of the Economy of Modern Australia and New Zealand 1861-90', pp.188-274. The reference to relations of production can be found on p.188.

finance and public expenditure the lack of theoretical integration is immediately apparent. Fitzpatrick noted the changes in pastoral productive techniques, the comparatively small workforce and the importance of wool exports.

While Fitzpatrick saw the importance of the alienation of the public estate he did not explore how this affected the pattern of public and private investment. But he grasped one crucial aspect of changed conditions of land tenure: '... the Selection Acts of the 'sixties ... indirectly had the effect of mortgaging the pastoralists still further to "finance capital", ... this [resulted in the] subordination of the producers to the financiers'.¹¹ Further fragments of the same story of a pastoral industry increasingly mortgaged and in the grip of finance companies are given in Appendices 3 and 20.¹² Fitzpatrick put it thus, '... the sequel of every drought was the displacement of individual owners and lessees, by urban companies furnished with capital enough to handle the squatter's wool, advance him money against his coming clip, and at length place a manager on the station.'¹³ The story is retold with greater clarity in The Australian People:

... it is reasonable to conclude that the selection acts played an important part in expediting the process [of transferring the key wool industry to largely British capitalised financial interests], by bringing about the importation into Australia, from the sixties, of a great deal more investment capital than the needs of Australian production (as separated from considerations of the ownership and control of the means of production) called for. Because of this series of developments, giving Australian economic subject-matter the character it still has, the early stages of the process of transfer of the pastures to overseas financier-control retain living interest.¹⁴

It is frustrating that a careful elaboration of complex

11. Ibid., p.204.

12. Ibid., 'Colonial Banks and Banking' (Appendix 3), pp.101-104 and 'The Great Companies' (Appendix 20) , pp.380-393.

13. Ibid., p.384.

14. B. Fitzpatrick, The Australian People, op. cit., pp.62-63. The bulk of Chapter 10, 'Construction Begins, 1860', pp.54-68, is pertinent to this argument.

theoretical argument is absent. There are signs of a more profound understanding of the new property relations and the dynamics of capital accumulation but the analysis is undeveloped. Further insights and conclusions, specifically his account of the 1890s depression, remain theoretically discrete.¹⁵ In short the discussion abounds with unrelated levels of theoretical analysis. In discussing the growth of agricultural specialisation or industrial development the material is empirical, episodic and poorly integrated into the wider picture of economic changes.

The period of prosperity, 1860-1890, was undoubtedly seen by Fitzpatrick as one of public and private investment, diversification and experimentation. It was also a period when resources were organised to suit British market and capital export requirements. In his view public as compared with private investment was directly productive and less speculative and artificial in its orientation, despite their common financial dependence on the British bondholder and shareholder: '... much of the overseas capital which had been brought into Australia for private investment or speculation was liquidated or recalled when the speculative market fell in, early in the 'nineties'.¹⁶ But explaining the 1890s depression he places most emphasis on the proximate external market shocks, thus focusing on external causes. Despite earlier comments about non-productive investment, the investment in ownership and control of the means of production and the speculative investment in the suburban building and land boom, ultimate causation (and blame) is placed on the vagaries of the weather and decisively on falling overseas prices.¹⁷ We are faced with a variety of heterogeneous ideas and concepts, analysis and explanation.

15. B. Fitzpatrick, The British Empire, op. cit., pp.354-361.

16. Ibid., p.230. The contrast between private and public investment can be seen on pp.222-230 and pp.354-361.

17. See Ibid., p.384.

The State

According to Fitzpatrick the state undertook directly productive investment in the Australian colonial economies. But the reader is left with no precise idea of what defines the productiveness of investment other than the capacity to make profits or meet interest commitments. A public monopoly of an essential service should have no particular difficulty in generating profit. Apart from considering the state as investor and entrepreneur, it appears in Fitzpatrick's narrative in a number of guises. Rarely are all these aspects organised to enable the reader to summarise confidently Fitzpatrick's 'theory of the state'. I examine Fitzpatrick's view of the state's economic role and then its more overtly political dimensions.

Colonial economies were according to Fitzpatrick, partly developed by largely British-funded public railway construction from the 1850s. Despite changes in the organisation of political and administrative control over railways in the 1880s, these nonetheless assisted colonial development and prosperity. State control over railway building gave British overseas investors guaranteed low risk returns on their capital: 'The assurance of dividends by way of interest payments on colonial government bonds, without assuming any of the risks attending "developmental" works, was what appealed to the British investor.'¹⁸ The result was relatively high overseas public indebtedness and what Fitzpatrick saw as the essence of British imperialism, that is, a stream of 'unearned' dividends and interest; in sum, a tribute paid to British finance capitalists.

The tribute to British finance capital and this resultant publicly organised developmental work combined to meet the needs of local and overseas capitalists. In the colonies, the public investment programmes were organised under the general direction of private capitalist interest.¹⁹ This implies something about the

18. Ibid., p.222.

19. Ibid., pp.275-277.

dominant political interests' ability to manipulate the various state agencies but no such analysis is forthcoming. To this perspective Fitzpatrick added three other main functions of the state. One was the nurturing of local enterprises especially in Victoria, through the use of the tariff, bounties and concessions. We are not told how these measures were compatible with British imperial free trade and laissez-faire ideology. Second, the state when required constrained the working class, thereby restoring the power of individual capitalist proprietors. Third, the state could adjust competing claims when the economic system was in crisis. The last two functions, often combined, were best exemplified in the state's control and regulation over labour relations in the 1890s.²⁰ For Fitzpatrick the state was at once influenced by the dominant economic classes and as an employer was responsible to its overseas shareholders:

One of the principal representatives or agents of capital in each colony was the Government, and in all cases the Government, as the employer of a large labour force, found itself as time passed and crisis came, compelled to assume a special responsibility to the overseas bondholder.²¹

Thus the interests of capital (local and British) were doubly convergent with the interests of the state. An important consequence of this view was a combined strategy of private employers and public authorities to re-impose the hegemony of capital over labour in the 1890s. The result was a system of compulsory conciliation and arbitration to regulate industrial class conflict, and to preserve the capital-labour relation and acceptable levels of private profits. In effect Fitzpatrick argued that the developmental and regulatory functions of the state were supplemented by a more political and interventionist aspect in periods of social tension. And in such circumstances the '... experiment in state control or modification of

20. Ibid., pp.315-316, and especially pp.502-504.

21. Ibid., p.275.

capitalism ... pursued in Australia', was manifest.²²

As with the previous discussion of capital accumulation we have a series of interesting propositions on the role of the state. We lack an institutional, constitutional and dynamic conception of the state in which to assess the relationship between the power of the dominant capitalist interests (colonial and imperial) and the state's actual policies. We have assertion not argument. Furthermore we do not know what imperial constraints on the political system existed to reflect, intensify or weaken the alleged dominance of British finance capital. Finally the ways in which the interests of colonial capitalists - manufacturers, merchants, agriculturalists, for example - were reconciled with the British investor, the financial capitalists and the enfranchised colonial working classes, are obscure. Though we are assured - perhaps correctly - that,

The 'dominant class' had long been, not the pastoralists but rather the custodians of the vast capital, largely British, of the banks and rich agency and finance companies which directed the Australian economy from the 'eighties²³

We are not really given the criteria for selecting the dominant class nor the means to see concretely how it directed (or heavily influenced) public policy.

Imperialism

The concept of imperialism, central to Fitzpatrick's discussion, is never made explicit. In his introduction Fitzpatrick asserted that the Australian colonies were of vital importance to Britain as a source of food, as a market and as a place for British capital investment.²⁴ He argued that throughout the greater part of the nineteenth century, 'Great Britain was the exploiter of colonies par

22. Ibid., p.277.

23. Ibid., p.397.

24. Ibid., pp.xiii-xiv.

excellence'.²⁵ Fitzpatrick appears to subscribe in general terms to a Leninist theoretical explanation for the post-1870 phase of imperialism.²⁶ This view maintains that the export of surplus capital overseas to exploit backward countries was a result of capitalist decline, falling profits, as it occurred in its heartlands. Earlier phases of imperialism and colonialism were more directly concerned with mercantile interests and the financing of export production and marketing. Between the 1830s and the 1860s colonial policy and British economic interest in the colonies benefited British merchants, financiers and entrepreneurs. But Fitzpatrick conceded that prior to the early 1860s, British imperial policy was generally pragmatic and reactive to short-term considerations. Thus in the mercantile-colonial phase the opportunity existed for '... the influential classes, that controlled the growing wool industry, most of the banks, and leading firms of importers, [to] buil[d] during the 'thirties the foundations of something quite like a planter-state'²⁷

In general Fitzpatrick accorded little direct importance to the causal influence of British colonial policy. Rather he emphasised the changing patterns of the British productive, commercial and financial system and their impact on the colonies. Fitzpatrick cited with approval Winslow's review essay on imperialism where the marxist theory of imperialism is explicated.²⁸ But Winslow simplified marxism to a crude economic determinism, summarised with little precision the classical marxist debates over imperialism and concluded:

Thus the followers of Marx are hopelessly divided. They cannot agree in identifying imperialism with either colonialism or with capitalism; nor can they agree as to whether imperialism is a policy or a stage of capitalism ...

25. Ibid., p.xvii.

26. See V.I. Lenin, 'Imperialism, The Highest Stage of Capitalism', in Selected Works, Progress Publishers, Moscow, 1971, pp.169-263.

27. B. Fitzpatrick, The British Empire, op. cit., p.100.

28. E.M. Winslow, 'Marxian, Liberal and Sociological Theories of Imperialism', Journal of Political Economy, December 1931, Vol. 39, No. 6, pp.713-758.

or to whether it is industrial capital or financial capital which predominates as the motivating force.²⁹

Perhaps Fitzpatrick took those confusions, a simplified conception of marxist theory as an economic determinist perspective and applied them to Australian history. We can find in Fitzpatrick elements of the various marxist theories of imperialism discussed by Winslow. However the changing nature of capitalism and the resultant implications for theorising imperialism are absent in Fitzpatrick's account.

Despite many references to British trading policy, colonial investment, colonial policy, financial domination, outlets for trade and surplus capital and the attraction of colonial governmental securities, Fitzpatrick's analysis lacks systematic conceptualisation.³⁰ Undoubtedly he wished to show that the shape and character of Australian capitalism had been determined by British imperialism and that, 'The reservoir of Australian labour and industry has never failed to provide a stream tributary to the broad river of English wealth.'³¹ Without the supporting arguments such a conclusion must strike the uncommitted reader as assertive and inconclusive.

Conclusion

I have attempted to draw together some of the disparate elements in Fitzpatrick's writings in order to explicate and criticise them. In many respects The British Empire reads like the first draft of a manuscript; it cannot bear the load of complex and controversial perspectives it seeks to defend. Marxist readers find themselves in familiar territory but with many landmarks absent. Most notable is the tendency in Fitzpatrick's writings to conceive of capitalism not as a mode of production exploiting labour and extracting surplus value

29. Ibid., p.732.

30. B. Fitzpatrick, The British Empire, op. cit., especially pp.1-56 and pp.109-151.

31. Ibid., p.504.

but as a market economy circulating profit and interest towards the financially dominant. And in this view British financiers are both the essence of capitalist exploitation and imperialist control. Imperialism extracts 'unearned tribute' from the colonial economies. This is closer to radical nationalism than marxist class analysis.³² Moreover the dominant classes and colonial state policy tend to be seen as the reflex of changing imperial economic interests without the relationship ever being made explicit. Insofar as Fitzpatrick applies marxism to Australian history he employs the concepts in a loose, partial and simplistic manner. We might add that Fitzpatrick makes obvious an important conclusion: theoretically his style of marxism is inadequate; thus it cannot provide a basis for a careful writing of Australian history from a marxist position.

Staple Theory and Australian Economic Historiography

McCarty and more recently Sinclair have expounded the advantages of applying 'staple theory', a particular variant of international trade theory, to explain Australian economic history, 1830-1890. Staple theory has, its advocates assert, direct relevance to Australian experience. For McCarty this is especially so in the period 1820-1900.³³ Sinclair finds its application pertinent for the century 1820-1920. In this Section I examine staple theory in its

32. For an example of radical nationalism, see E. Wheelwright and G.J. Crough, Australia: A Client State, Penguin, Ringwood, 1980.

33. See J.W. McCarty, 'The Staple Approach in Australian Economic History', Business Archives and History, Vol. IV, No. 1, February 1964, pp.1-22.

formal statement and its usage by Sinclair.³⁴

Sinclair's Exposition of Staple Theory

Australia, a region of recent white settlement, was endowed with extensive natural (land and mineral) resources. Europe was land-scarce. Labour and capital were transferred from regions of land scarcity to those of land abundance. Thus the new regions were able to expand their production of foodstuffs and raw materials employing the same labour and capital (from Europe) and achieving greater yields. Migrations of labour, capital and entrepreneurial skills, '... reflect the higher marginal productivity of the new land as compared with the old'.³⁵ This migration of factors of production was posited on the advantages and opportunities in the new countries (regions) and the available markets in the old. Sinclair claimed that the broad outlines of Australian economic development 1820-1920 can be accounted for by this theoretical model. By the 1920s what had been an original 'disequilibrium in world markets' generated sufficient flows of capital and labour until the 'marginal productivity [in both regions was] ... the same'.³⁶

The long run disequilibrium continued because the factor mobility was imperfect. Thus commodity supply from the new regions did not

34. W.A. Sinclair, The Process of Economic Development in Australia, Cheshire, Melbourne 1976, Chapter 1, 'The Framework', pp.1-18. The source of this interpretation of economic growth lies in part with H.A. Innis' writings on Canadian cod fisheries and D.C. North's on the American economy. For a theoretical synthesis, see M.H. Watkins, 'A Staple Theory of Economic Growth', Canadian Journal of Economics and Political Science, Vol. 29, May 1963, pp.141-158, and R.E. Caves 'The "Vent for Surplus" Models of Trade and Growth' in R.E. Baldwin (ed.), Trade, Growth and the Balance of Payments, Rand McNally, Chicago, 1965. Also valuable are A.J. Robinson, 'Exports and Economic Development', Quarterly Review of Economics and Business, Vol. 6, 1966, pp.63-74, and R.E. Baldwin, 'Patterns of Development in Newly Settled Regions', Manchester School of Economic and Social Studies, Vol. 24, 1956, pp.161-179.

35. W.A. Sinclair, op. cit., p.4.

36. Ibid., p.5.

exceed demand, transport development lagged and constraints existed on the free movement of capital. Although capital and transport were the two 'relevant, effective constraints' in Australian development, labour supply, adaptation of techniques and capital market imperfections were secondary constraints.³⁷

Compared with McCarty's caution and Butlin's hostility to staple theory, Sinclair maintains the relevance of Caves' theoretical model to Australian economic developments after 1850.³⁸ An abundance of cheap natural resources and the slow pace of overcoming international disequilibrium in factor rewards (for labour and capital) meant that there remained a '... disguised export leadership in the second half of the nineteenth century'.³⁹ Linkages became 'unusually complicated' but the dependence implied in staple theory continued well into the twentieth century.

Sinclair's Application of Staple Theory, 1850-1900

For Sinclair the period 1850-1880 was one built on the intensive exploitation of a widened resource base, resulting in a more complex economy. Gold as a new staple attracted a large immigrant population, temporarily subjected pastoralism to labour shortages and had linkage effects in food production, commerce and service industries. In turn, this population influx enabled the subsequent growth of manufacturing, urban services, house building and pastoralism. Furthermore, domestic savings grew and were then employed in pastoral technical innovation. With a new staple (gold) and technical changes in an old staple (wool) occurring sequentially, immigration was sustained into the 1860s and

37. Ibid., p.7.

38. See J.W. McCarty, op. cit., p.10, and N.G. Butlin, 'Growth in a Trading World: The Australian Economy Heavily Disguised', Business Archives and History, Vol. 4, No. 2, August 1964, pp.138-158. Butlin's critique, though difficult, focused on the inability of staple theorists to explain the dynamics of economic growth.

39. W.A. Sinclair, op. cit., p.17.

1870s. Technical changes in pastoralism, first achieved in Victoria in the late 1850s, spread throughout eastern Australia: pastoralism became capital intensive. This encouraged a concentration of the urban population in low productivity activities. Thus the sequence and structure of economic activity is 'explained' by the dynamic of staple industries.

Sinclair sees government activity as supportive of sustained growth. With the exception of the Victorian tariff which might have had negative effects on resource allocation, government economic intervention worked to expand the linkages to the construction and manufacturing industries. Sinclair's discussion of railway policy and pastoral expansion are examples of his '... attempt to fit the more important of the Butlin findings to the [staple theory] model'⁴⁰ However Sinclair departs from Butlin's analysis of public economic activity externalities by arguing that political intervention in the market was, on the whole, favourable to development.⁴¹ In a sense this was because public policy worked to reinforce the Australian colonies' role as magnets for capital and population and the source of cheap raw materials. Tariff policy partly contradicted the broad outline of public policy. Even more important were the negative consequences of land legislation. In Sinclair's view, 'The [Selection] legislation can be probably regarded as irrelevant to the process of economic development between 1860 and 1880'. Furthermore, 'It probably constitutes an exception from the more general association between the establishment of democratically elected parliaments and action resulting in rapid output increase'.⁴²

Sinclair's discussion of the inflow of British capital is disappointing. He argues that the funds available from the early 1870s were used in pastoralism for '... speed[ing] the introduction of

40. Ibid., p.118.

41. N.G. Butlin's views are discussed below on pp.84-108.

42. W.A. Sinclair, op. cit., p.103.

fencing and water conservation', and subsequently for railway construction.⁴³ Then he claims that the 1850s 'marked the high point of overseas control of the financial system', and that in the early 1870s local banks 'wrested majority control of banking business in Australia from the English banks'⁴⁴ And although he notes the growth of private mortgage finance in pastoralism and urban construction and of public infrastructure expenditures and their respective linkages with British capital inflow, the theoretical and historical implications are left unexplored.

Sinclair's interpretation of the period 1850-1880 is one of increased complexity, regional specialisation and growth stability. Government economic policy was counter-cyclical; with few exceptions the effects were positive.⁴⁵ Overseas capital inflow and immigration consolidated and underpinned this stable growth. Behind all these new patterns were the staple industries, themselves the result of international factor mobility, responding to neo-classical production functions. The hidden hand of the market manifesting itself as 'staple industries' was the source of economic dynamism: '... when allowance is made for the attenuated chain of causation ... it can be argued that the presence of rich natural resources in south-eastern Australia was the basis on which much else depended between 1850 and 1880'.⁴⁶ One must hasten to add that Sinclair fails to provide a convincing demonstration of this assertion.

In the 1880s a significant fall in ^{the rate of growth of} gross domestic product per head to less than 1 per cent per annum was, Sinclair claims, indicative, of a retardation of economic growth and a shift to economic expansion. British funds employed in pastoralism, urban construction and railway building had assisted the process of expansion, but railway building and the movement of pastoralism into

43. Ibid., p.96.

44. Ibid., p.99.

45. See Chapter 4, 'Increased Complexity' in ibid., pp.76-125.

46. Ibid., p.98.

less productive marginal lands drained labour away from more productive avenues of employment. The fall in returns to British funds was intensified by a shift in total output towards the less productive activities of house building, commerce and urban construction. Without any clear conceptual elaboration Sinclair says capital formation shifted '... in the direction of the less directly productive end of the spectrum'.⁴⁷ Not only were urban construction activities and the service industries less productive but they fuelled an urban property boom. Real estate speculation is not a developed aspect of Sinclair's discussion but he does note the link between high property values and the availability of credit:

The value of urban land, rural sheep stations and shares in mining ventures rose in the later 1880s because investors made allowance in the price they paid for assets for expansion in the future. The extension of credit therefore became increasingly based not on present but on future values.⁴⁸

Nevertheless he does not see liberal credit policies of the financial institutions nor political decisions by government as crucial to falling productivity.

The 1890s depression was not in Sinclair's view the result of longer term structural weaknesses nor of speculative over-valuation of property assets.⁴⁹ As I understand his argument, in the 1880s (and particularly in the late 1880s) destabilising internal factors were developing. These were falling pastoral productivity, unnecessary railway expansion and less productive urban outlays. On top of these were rising land values and property speculation. Financed by British funds to a considerable extent, the growth in interest commitment was ultimately incompatible with a less productive economy. Finally the British trade cycle depressed Australian export commodity prices and the Argentine crisis triggered the collapse. Unable to expand their output due to fiscal constraints, governments could not create

47. Ibid., p.131.

48. Ibid., p.146.

49. See ibid., pp.147-151.

counter-cyclical pressures. Thus the depression was of considerable momentum. As we shall see in this Chapter, Sinclair's argument is an interesting interweaving of elements of the writings of Hall and N.G. Butlin. The merit of Sinclair's study remains the attempt to employ one theoretical model consistently for the entire course of Australian economic history.

Staple Theory: Critique and Conclusions

I have examined above the broad theoretical premises and the only consistent and sustained employment of this theory to Australian economic history. As Caves made clear, staple theory rests upon a neo-classical export-based theory of economic development.⁵⁰ Staple theory cannot and does not address the basic issues pertinent to this thesis; indeed to go further, the essential limitations may obscure any systematic exposition of Australian economic history where class relations are considered central. Staple theory cannot account for the historical context in which capitalist development occurs, the changing and contradictory nature of that context nor the transformations created through economic development.⁵¹ I divide the critique into three issues; capital accumulation, the state and imperialism.

Capital Accumulation

Staple theory assumes a given factor endowment (land, minerals, etc.), an optimal production function determined by the current state of technical development and an external demand for primary commodities. This immediately poses a number of questions. How does

50. R. Caves, *op. cit.*

51. For a valuable if undeveloped critique of staple theory and its Australian application, see S. Nicholas, 'Bourgeois Economic History: A Small Problem in Australian Staple Development', unpublished paper, University of New South Wales, 1977, pp.1-9.

economic growth actually occur or put another way, how are factors of production actually combined to produce new exchange values? What exactly is technology? Who controls its employment and what influences the choice of technique? Who organises and controls the production process, who enforces that control and how does it change over time? How do distributional relations arise from the technology employed? How do property relations, ownership rights, and the prior distribution of factors develop historically and how do they impinge upon the dynamic of economic growth?

Staple theory incorporates a series of historical, psychological and ideological premises which suggest invariant conditions producing economic development. These premises were developed from a one-sided emphasis on market transactions in the sphere of circulation, as understood in post-1870 British and European political economy. With a limited set of technical and resource endowments staple theory assumes that an optimal use of economic resources can be established by the unhindered operation of national and international markets. Insofar as the theory addresses itself to income (but not property) distribution, it assumes that incomes (as factor rewards) reflect the shifting market-determined marginal productivities.

Two critical observations about staple theory can be made. First, this theory presupposes market-oriented social relations and individual calculation (what Weber would call purposive rationality). Second, the theory universalises some features of late nineteenth and twentieth century capitalism, without grasping the essential innovation in capitalist production relations on which these particular features developed. Finally we cannot comprehend the historical transformation of property relations, their precise historical form nor the social forces - domestic and international - that created them. Lacking this context, a context of political power, ownership rights, institutional constraints, legal systems and the interests they protect, the explanatory role of factors of production, techniques and even entrepreneurial spirit is vitiated.

History is not simply a blank sheet of paper on which production functions inscribe the most efficient use of available resources.

Staple theory needs to explain how a capitalist market in land, for example, was established. Similarly, labour as a factor of production is not simply a resource available to all to employ. Labour exists in a given social context; one cannot assume it necessarily exists as a purchasable commodity. Indeed labour and land are frequently indivisible in non-capitalist property relations. Tied directly to the land or as owners of their own instruments and conditions of labour (as handicraft producer, peasant, petty commodity producer, etc.), labourers are not factors of production. Wage labourers or more precisely, the commodity labour power, is not universally alienable at so-called market prices to those with accumulated property. One additional point is that the types of technology, the instruments of production employed to transform nature, must themselves be understood as directly shaped by relations and forces of production. Technology mediates property relationships under capitalism between those who own the means of production and the surplus value realised in the market and those who sell their labour power. As a result, techniques employed in the labour process are not socially neutral. The technique adopted maximises efficiency (i.e. maximises output) and maintains unequal ownership relations.⁵²

Staple theory does not consider how the process of capital accumulation is shaped by commodity production and capitalist property rights. Unable to define the actual historical context under which factors are combined, i.e. the social and technological processes of commodity production, staple theory does not explore the pattern of commodity production, distribution and consumption. It says little about the financial system generated by capitalism and how resources

52. There is a vast literature on this topic but see the collection of essays in R. Baxandall, E. Ewen, et al., Technology, The Labor Process, and the Working Class, Monthly Review Press, New York, 1976. Much of the recent discussion was provoked by H. Braverman, Labor and Monopoly Capital, Monthly Review Press, New York, 1974.

may be diverted into a myriad of relationships - ownership, credit, mortgage, circulation, loss - that revolve around private property. Thus even if a capitalist economy behaved in the manner neo-classical theory maintains, and to some degree it clearly does, the distinctive socio-political environment remains absent from the theoretical apparatus. Significantly the double articulation of the productive forces and ownership patterns of capitalist development, the basis of the structure and dynamism of class relations, is ignored and obscured by staple theoreticians. It is perhaps for this reason that McCarty argues that the production function determines both the economic system and the political structure.⁵³ As should be obvious from the discussion above, this is the inversion of marxist theoretical reasoning.

The State

The major determinants of access to the means of production and the relations of production and distribution are ignored by staple theory. I asserted that without specifying their structural characteristics the market for land, labour and capital cannot be understood. Neither can techniques employed in production and control over the social surplus be understood. In short without establishing a pattern of dominant property relations, and their dependence on the relations of production, economic history remains ill-defined. It follows that the dominant pattern of property relations are contra McCarty determinant for economic, social, political and technical relations in society. Furthermore property relations in the lands of colonial settlement were initially imposed, regulated and modified through the agency of imperial power. The imperial state and its colonial agencies mediating between local and imperial interests were decisive in establishing production relations. Staple theory excludes

53. J.W. McCarty, op. cit., pp.6-9.

the state from its discourse except where it allegedly impinges upon market relations. The role of the state in establishing those market relations is not examined.

The state is examined largely in relation to its communications and tariff policy. Understood in relation to backward and forward linkages, distortions of market relations, external economies, etc., we can find no systematic means of evaluating the state's role in economic development and capital accumulation. Sinclair appropriates much of Butlin's discussion of railways but assesses their contribution to economic development more positively. Tariffs are judged from a similar perspective but the reasoning is hard to follow. The most striking negative outcome of political decision-making was, for Sinclair, the Selection Acts. This judgement reflects the absence of production relations from the account and a consequent failure to consider their implications for pastoral expansion and the inflow of British finance capital. On balance then staple theory has little that is useful to say on the question of the state.⁵⁴

Imperialism

The flow of overseas capital for staple theory is nothing other than the international factor mobility of money capital. Interest rate differentials affect the movement of these funds. The purpose of the capital movements is unclear and cannot be specified because the distinction in a capitalist economy between productive investment and the ownership of non-productive property objects cannot be made. Instead ad hoc theoretical distinctions between productive and speculative investment and public and private spheres are often made. But I can find no logical theoretical bases to distinguish the effects of the purchase of property objects as distinct from the provision of money capital employed in the circuit of productive capital. Unable

54. W.A. Sinclair, op. cit., 'The Role of Government', pp.93-96.

to locate the source of the revenues apparently generated by property itself, that is to say, unable to show the origin of profit, rent and interest in the exploitation of wage labour, staple theorists ignore the impact of British imperialism. They cannot comprehend imperialism as the process of developing and reproducing capitalist social relations in the colonies through the agencies of the imperial and colonial states: nor can they appreciate the various opportunities this opened for British investors to purchase appreciating Australian property objects.

An implication that may be drawn from my critique is that surplus labour embodied in surplus value produced in Australia and realised as profits, rents and interest was in part appropriated by overseas British capitalists. This dual relationship of creating and preserving property relations, and extracting surplus value is what we mean by imperialism.⁵⁵ Imperialism as a theoretical concept and an historical reality has no place in staple theory.

Conclusion

I have argued that staple theory cannot explain the source, basis, essential relations or patterns of revenue appropriation created by the exploitation of wage labour in capitalist society. Its theory is necessarily unable to account for the processes at work in nineteenth century Australian political economy. It does not address the major issues that are central to this thesis. Finally many of the distinctions necessary for historical investigation of Australian capitalism's relations with British imperialism, 1830-1890, are absent.

55. See the discussion in Chapter Ten, pp.396-400.

A.R. Hall: A Dependent Colonial Economy

Hall's contribution to Australian economic historiography has been considerable. For the purposes of this discussion I limit my analysis to his Ph.D thesis, The London Capital Market and Australia 1870-1914, the explicitly theoretical postscript appended to the thesis on publication and to the introduction to a useful collection of essays edited by Hall, The Export of Capital from Britain 1870-1914.⁵⁶

What is distinctive about Hall's approach is the emphasis he has placed on the London capital market in directing, constraining and shaping the Australian economy in our period. Nevertheless Hall has not advocated a rejection of N.G. Butlin's interpretation of Australian economic history; rather Hall has considerable reservation regarding what he sees as Butlin's over-emphasis on Australian initiative in late nineteenth century economic developments. In reviewing Butlin's Investment in Australian Economic Development, Hall put his reservations thus:

... unless full weight is given to the prevailing availability of external funds and the effects which this had on expectations, relative prices, profits, wage rates, etc., the description of the causal relationships determining the shape and behaviour over time of investment in Australian development is seriously incomplete.⁵⁷

Implied in this quotation and consistent with Hall's approach is not just a different emphasis but a different theoretical procedure for ordering the major causal factors.

The London Capital Market and Australia

56. A.R. Hall, The London Capital Market and Australia 1870-1914, Australian National University, Canberra, 1963, especially Chapter 8, 'Capital Imports and the Composition of Investment in a Borrowing Country', pp.192-199. See also A.R. Hall (ed.), The Export of Capital From Britain 1870-1914, Methuen, London, 1968, and A.R. Hall, The Stock Exchange of Melbourne and the Victorian Economy 1852-1900, Australian National University Press, Canberra, 1968.

57. A.R. Hall, 'Some Reflections on "Investment in Australian Economic Development 1861-1900"', Econoclast, October 1965, p.6.

The London Capital Market and Australia

Hall demonstrated that between 1875 and 1890 the Australian colonies were the focus of much British investment. This new emphasis on raw materials, transportation and property investment in the colonies gave considerable stability to the British economy with alternate phases of home and overseas investment.⁵⁸ At least for the colonies in this same period economic development was sustained and public sector borrowings and expenditure allowed a '... de facto anti-cyclical public works policy'.⁵⁹ By the late 1880s a conjuncture of a phase of home investment, changing terms of trade colonial balance of payments problems, and a turn to new branches of overseas investment (mining, for example) and locations (South Africa), changed the supply and demand conditions for British funds.

Concentrating on the supply side (i.e. conditions in the London market) Hall does not advance a considered view as to why the conditions in Australia became less profitable. This would require a detailed analysis of the branches of capitalist production in which British and domestic funds were employed, the effects of the growth, circulation and appreciation of a wide variety of property objects, and the process of investment, production, circulation and realisation of the new values created within the Australian colonies. And in turn this would open up many theoretical issues which Hall avoided given his restricted objects. Hall acknowledged his neglect of the structure and process of Australian investment and development compared to his focus on the London capital market:

Rather than attempting to tie together the two branches of the story - something which would only be possible after a detailed study of Australian conditions - we have concentrated on investment in Australia as one aspect of the flow of British funds overseas.⁶⁰

58. A.R. Hall, The London Capital Market and Australia, op. cit., p.10.

59. Ibid., p.190.

60. Ibid., p.186.

We are left, therefore, with no precise idea of the character of the Australian economy.

It is in Hall's thesis' postscript that a theoretical model potentially capable of incorporating and explaining the facts and dominant causal relationships is advanced. In 1931 Roland Wilson published Capital Imports and the Terms of Trade, in which he argued that the accepted wisdom of international trade theory as expounded by Taussig and Viner (with its intellectual roots in the work of Mill) was not adequate to explain the relationship between Australian capital imports and the consequent changes in the barter terms of trade between 1860 and 1930:

The accepted theory of the mechanism of transfer of loans holds, first, that a change in the net terms of trade in favour of the borrowing country is an inevitable consequence of the loan; and second, that the loan cannot be transferred in goods without such a change in the net terms.⁶¹

The theoretical reasoning for this statement need not detain us here. Wilson claimed that Australian experience did not support this orthodoxy. The evidence from Australia tended to suggest that a positive correlation existed between the import of capital and increases in the domestic price level and those of internationally traded commodities. Through separating the non-traded commodities responding to domestic price levels from internationally traded commodities responding to international market conditions, the impact of foreign borrowing can be more clearly understood. From his study Wilson drew the following conclusions:

... it may be claimed that some verification is found in Australian experience for the proposition that imports of capital tend to be positively correlated with increases in the ratio of the 'domestic' price-level to the price-level of 'international' commodities. Complete verification is not possible with the data at present available. It is even doubtful whether the operation of such a tendency can ever be satisfactorily 'verified' by resort to the inductive method.⁶²

61. R. Wilson, Capital Imports and the Terms of Trade, Macmillan/Melbourne University Press, Melbourne, 1931.

62. Ibid., p.62.

Employing these ideas and his own earlier research, Hall was able to provide a more formal theoretical account of the consequences of British investment in the Australian economy, 1870-1914.

As a small open economy (i.e. small in comparison with the market for internationally traded commodities and the suppliers of imports and capital) with a comparative advantage in land, Australia borrowed abroad 'in order to exploit these [pastoral] resources'.⁶³ However the Australian economy produced two types of commodities; those traded goods which had prices determined abroad and those non-traded commodities not subject to world market price pressures. The inflow of capital to expand production in the pastoral economy reduced interest rates in the borrowing (Australian) economy, thereby stimulating further investment in long-term assets. The result was the rapid and cumulative investment and expanded output in the internationally traded commodity(ies). Consequently this expansion in the export sector appreciated the relative price of non-traded commodities and the general price level, including the price of labour. Moreover, as investment in exported commodities expands production, this tends to reduce the world price resulting in a 'long-term adverse movement in the terms of trade'.⁶⁴

In this situation the non-traded goods, especially urban construction and real estate, become increasingly attractive to overseas capital. A switch occurs from traded to non-traded commodities. With the skewed Australian population structure and the growth of urbanisation, the demands for housing and urban construction were high.⁶⁵ So an expanding profitable area for new investment existed, but without any potential foreign exchange accruals. As comparative advantage in the pastoral economy was exhausted, a switch occurred to investment in non-traded commodities. Coupled with a

63. Ibid., p.106.

64. A.R. Hall, The London Capital Market and Australia, op. cit., p.195.

65. Ibid., pp.195-196.

decline in export prices a balance of payments crisis was inevitable. Consequently the composition of investment in the borrowing country responded to the changing domestic and international price structure, which was in turn influenced by the import of capital. It is at this point that Hall's argument starts to show close resemblance to the 'staple theory' discussed above. Indeed Hall generalises his proposition to other areas of 'recent settlement'.

Given a comparative advantage in land (including mineral deposits) in an area of recent settlement (and technical innovations in transport and communications), capital and labour will flow from areas where they are in relative excess. Once the potentialities in the export industries have been fully exploited, by employing capital intensive methods, a shift to non-traded commodity investment occurs. The marginal productivity of pastoral and mining land is reduced, while the domestic price rise and falling export prices attract capital to the domestic non-traded commodities.

The association of large-scale capital inflows with large-scale building booms thus becomes inevitable and the apparent paradox of capital inflows directed at the exploitation of comparative advantage in land becoming capital inflows directed at the exploitation of non-traded goods is no paradox at all but merely part of the normal sequence of events.⁶⁶

It follows that the impact of the international market environment especially with regard to the establishment of price levels for Australian imports and exports and the availability and price of capital for investment, preclude an analysis of Australian economic history divorced from this external (and changing) context. Furthermore, the influence that the Australian economic actors could have on these commodity and financial markets was limited compared with the wide variety of major British and international determinants. And in such circumstances the pattern of economic activity was a

66. Ibid., p.198; this argument is further elaborated in A.R. Hall, 'Some Long Period Effects of Kinked Age Distribution of the Population of Australia 1861-1961', Economic Record, Vol. 39, 1963, pp.43-52.

largely inevitable outcome of those external determinants including the shift to non-traded commodity investment, speculation and the resultant economic recession. The potentialities for Australians to shape their economic circumstances was circumscribed by this external environment. We now turn to advance some criticisms of Hall's economic historiography.

Markets and Classes: A Marxist Critique of Hall's Economic Historiography

The major problems inherent in Hall's work and the theoretical assumptions with which he writes, preclude any direct appropriation of his conclusions. The most obvious apparent advantage of his perspective is the relative emphasis placed upon the interdependence of British and Australian economic developments. Perhaps paradoxically his major contribution has been to British not Australian economic historiography.⁶⁷ Despite controversy surrounding Hall's description of the London capital market, its growing dominance in the home and colonial financial system and its role in mediating the flow of funds between domestic industrial development and colonial opportunities, the picture he draws is detailed and carefully researched. Nevertheless the changes Hall detects in the London capital market, the structure and direction of investments and the class of investors (including the rentiers) are presented in a typically descriptive manner. Without a broader theoretical view of the relationships between British political economy, the high percentage of funds directed overseas between 1870-1914 and their

67. A.R. Hall, 'A Note on the English Capital Market as a Source of Funds for Home Investment Before 1914', Economica, Vol. 24, No. 93, February 1957, pp.59-66. This article generated a critique: A.K. Cairncross, 'The English Capital Market Before 1914', Economica, Vol. 25, May 1958, pp.142-146, and Hall's response, A.R. Hall, 'The English Capital Market Before 1914 - A Reply', Economica, Vol. 25, November 1958, pp.339-343. For the important interpretation by Cairncross, see A.K. Cairncross, Home and Foreign Investment 1870-1913, Cambridge University Press, Cambridge, 1953.

concentration in particular branches of colonial capitalist production and in property objects in a recognisable sequence, his actual explanation for these developments remains unclear. Moreover, the reason excess savings accumulated in the London capital market in the absence of overseas outlets begs many questions. Insofar as we are not directly concerned here with a cogent explanation for the important phase of British imperial financial and foreign policy reorganisation after 1870, but with the implications of this phase for Australian colonial political economy, this weakness of Hall's will be pursued no further.

Of greater importance is the conception of the Australian economy implicit and sometimes explicit in Hall's theoretical reasoning. His concentration on market relationships - and his special emphasis on how the British markets (for capital, labour and commodities) impinged upon the Australian colonies - returns us to neo-classical economic historiography. Hall's historiography thus employs a generalised conception of the operation of market relations in what is obviously a capitalist economy without indicating the historically determined nature of an Australian colonial economy and the conditions for its creation and subsequent reproduction. On the other hand, where empirically derived descriptions of the Australian or the British economies are introduced into the picture their untheorised nature is clear: Hall's theory is general and ahistorical; the history is empirical and atheoretical. Clearly, given these limitations and the philosophical presuppositions of his conception of the capitalist market (and factor rewards), there is little room to elucidate the pattern of Australian colonial class relationships in Hall's analysis.

Capital Accumulation

The major conceptual issues central to this thesis are rarely touched upon by Hall. The process of capital accumulation, the establishment of the necessary conditions for capitalist reproduction

and the sequence of their development are not discussed. The notion that increased output and the most efficient means to create it were the result of the appropriate production function is broadly accepted by Hall. While the technological transformation of pastoralism which required large capital resources is noted, the process of expanding output is not discussed. Ownership and access to pastoral properties, the capital requirements to develop them and the procurement and organisation of labour is absent from the discussion. The ramifications of large-scale public enterprise are not explored. In Hall's conception, the various forms of private property - means of production, landed property, certificates of title, means of consumption - take on an homogeneous form as capital. And with given rates of profit and interest, the market determines the appropriate level of return and thus valuation of disparate forms of private property.

The shift of investment from pastoralism to urban construction and then to real estate has no special economic significance except that some titles to private property more readily invite speculative appreciation beyond their 'real market values'. Although we may empirically establish several basic dimensions of this market economy and see the patterns of changes in one dimension effect others (i.e. watch the market responding to different signals) we remain in a theoretical maze. However much a particular economic relationship changes as the result of a new pattern of supply and demand the question remains for the system as a whole: what creates the conditions that determine supply and demand? Put more concretely, how is the rate of profit or the level of interest established in any given economy; how do they relate to the entire economic structure and what does this tell us about the relations of production and the means of producing and owning commodities in that society? The capitalist market - the Australian colonial capitalist market - in its particular configuration operated within an historically created set of economic and broader social relations. Without them, and the limitations they

imposed on market relations and the economic contradictions inherent in them, Australian colonial political economy cannot be grasped. On one level the impact of external market relations described by Hall did occur, but how and why those market changes occurred and reacted back upon Australian economic relations is not explored. Indeed without a detailed and comprehensive picture of colonial class relations and forms of private property and the market relations they supported, the theoretical conception argued by Hall remains inconclusive. We can also see why the 'staple theorists' can integrate Hall's work into their analyses with relative ease.

The State

There is little discussion in Hall's writings of the role of government in establishing the conditions for private capitalist accumulation or in influencing the pattern of resource allocation. While there seem few negative connotations about the developmental role of government investment and borrowing, this important feature of Australian economic history does not enter the theoretical model. Perhaps to a greater extent than the other economic historians discussed here, Hall side-steps the impact of government except insofar as he notes various pieces of British legislation bearing upon the London capital market.

Imperialism

The issue of British imperialism is not of conceptual importance to Hall. To a considerable extent marxists might claim that his whole thesis is an illustration of British imperialism in the guise of international finance capital, 1870-1914. But that would be to misunderstand the object of Hall's writing. His argument for the relative dependence of a small open economy on an international market place dominated by larger suppliers of commodities, finance and demand, should not be mistaken for a theory of capitalist exploitation

or hegemonic domination, which a theory of imperialism necessarily implies. Although many facts and some of the causal relationships described by Hall are relevant to marxist theorising, in their present form they lead to few radical conclusions. Moreover, Hall provided a variant of 'dependency theory' to explain one phase of Australian economic history. This dependency theory requires no theoretical break with neo-classical presuppositions nor does it necessitate a focus on class relationships. In one sense the writings of staple theory, neo-classical trade theory and dependency theory share the common perspective (while drawing different moral judgements) that a small open economy is vulnerable to external market forces. In an attempt to specify the economic relationships within the Australian economy between 1861 and 1900, to identify the class relationships and the role of the state - thus giving us the conceptual basis on which we can discuss the impact of British imperialism - we turn to the only systematic analysis of Australian economic history directly relevant to the particular theoretical object of this thesis.

N.G. Butlin: A Marxist Critique

N.G. Butlin's Investment in Australian Economic Development is the most relevant single book to this thesis. Its importance is twofold. First, it represents an account of Australian economic development between 1860 and 1900 based upon a comprehensive accumulation of statistical and literary evidence. This gives Butlin's interpretation an empirical foundation atypical of Australian historiography, economic or otherwise. This is particularly evident in the discussion of the pastoral industry and finance. Second, Butlin relies on conscious and rigorous theoretical conceptualisation. This operates at two distinct levels: a set of concepts for explaining the process of economic development as a whole, and a mode of analysing the major component parts (or sectors) of that wider process. This combination of evidence and theory explains the innovative character of Butlin's interpretation.

A more comprehensive exposition and critique of Butlin's work, compared with that of the authors discussed above, is undertaken here. Insofar as Butlin concentrates on the process of economic growth and on economic relations with Britain, his work has been a major source of evidence employed in the rest of this thesis.

The discussion of Butlin's writings is largely restricted to Investment in Australian Economic Development. To expand the discussion to include the statistical volume, Australian Domestic Product, Investment and Foreign Borrowings 1861-1938/39, and earlier monographs, chapters and articles would have necessitated much greater length.⁶⁸ It would also have required a theoretical critique of the national accounting concepts he employed and an assessment of their usefulness for purposes other than those he envisaged; a task beyond the scope of this thesis.⁶⁹ I have assumed, therefore, that to a large extent Investment in Australian Economic Development is the culmination of earlier monographs and statistical writings and that my critique of that book implies a critique of those other contributions. At a practical level, Investment in Australian Economic Development has been assessed within the literature of Australian economic historiography as the definitive statement of Butlin's interpretation of the period 1860-1900.⁷⁰ Neither do I discuss the entire contents

68. N.G. Butlin, Australian Domestic Product, Investment and Foreign Borrowing 1861-1938/39, Cambridge University Press, Cambridge, 1962. See also N.G. Butlin, 'The Shape of the Australian Economy 1861-1900', Economic Record, Vol. 34, 1958, pp.10-29; N.G. Butlin, Private Capital Formation in Australia, Australian National University Press, Canberra, 1955; N.G. Butlin, 'Colonial Socialism in Australia 1860-1900', in H.G.J. Aitkin (ed.), The State and Economic Growth, Social Sciences Research Council, New York, 1959, pp.26-78, and N.G. Butlin 'Growth in a Trading World', op. cit.

69. For a marxist critique of national accounts, see A. Shaikh, 'National Income Accounts and Marxian Categories', unpublished paper, New School for Social Research, 1978, pp.1-62.

70. The discussion of Butlin's writings has been extensive, its influence enormous but with notable exceptions the treatment has been rather uncritical. See, for example, the assessment by Schedvin in C.B. Schedvin, 'Midas and the Merino: A Perspective on Australian Economic Historiography', unpublished paper prepared for the Economic History Society of Australia and New Zealand, n.d., pp.7-12.

of Investment in Australian Economic Development; I have excluded those materials directly concerned with the processes of urbanisation, the residential real estate market and industrial development. While intrinsically important these subjects are not directly relevant to this thesis. Nevertheless conclusions drawn from these subjects are considered within the general process of economic development and depression presented as Part A of Investment in Australian Economic Development.⁷¹

Four sections follow. The first presents a summary of Butlin's discussion of pastoral expansion and its growing dependence on mortgage finance. The second discusses the role of public investment in the Australian colonial economies, 1860-1900. The third section briefly examines the explicit analytical objectives detailed in Part A, 'The Condition of Australian Economic Growth'. Here the more general parameters of the enquiry are discussed and some theoretical/methodological issues raised. The fourth section shows how the explicit concepts and the articulation of those concepts depend upon a series of untheorised presuppositions. Thus this concluding section assesses the ramification of Butlin's procedures and conclusions for the issues of capital accumulation, imperialism and the state when approached from a marxist perspective.

Investment in Rural Development

In Butlin's account the Australian pastoral industry underwent extensive and intensive pastoral capital formation between 1850 and 1892, this capital formation being a vehicle to facilitate 'human control of nature'. Pastoral capital formation brought geographical expansion, new labour relations, the growth of a rural real estate interest and institutional financial linkages between the industries' creditors (typically British) and the pastoral producers.

71. Chapters 3 and 4 span pp.181-287.

Over less than four decades, pre-1850 pastoral primitiveness (e.g. shepherds, slab huts and hurdle fencing) were transformed into the comparative sophistication of the 1880s' pastoral property (e.g. extensive buildings, fencing, water conservation, plant, equipment and stock). Butlin breaks this process of expansion and subsequent contraction in the 1890s depression into four phases:⁷²

1. The 1860s: pastoralism spread from the more accessible and productive areas of Australia's south-eastern 'fertile crescent' to the Riverina and central New South Wales. In this period only a modest expansion in pastoral capital formation occurred. The 1860s ended with slight decline and pastoral recession which continued into the early 1870s;
2. 1871-1877: further geographical expansion (central and western New South Wales, central Victoria and Queensland - especially the Darling Downs) and technical innovations (wire fencing, the paddocking of sheep and the beginnings of water conservation) occurred on an unprecedented scale. Pastoralism was developing techniques that were essentially replicated throughout the rest of the nineteenth century;
3. The 1880s: geographical expansion into marginal lands. Also characteristic of this period, however, was the comprehensive equipping of existing or new pastoral properties at great expense, the realisation of short-term capital gains and speculative activity in the pastoral real estate market. Inland properties required expensive water conservation outlays, further escalating the costs involved for new entrants into pastoralism. In this discussion Butlin makes his important assertions; first, that

72. N.G. Butlin, I.A.E.D., op. cit., pp.59-80.

pastoral capital formation was facilitated in part by pastoralists restraining their consumption (i.e. capital accumulation follows from capitalist abstinence) and second, that fencing ambiguously related to delimiting private property;⁷³

4. The 1890s: a period of depression, reconstruction and consolidation.

From the characteristics and sequence of pastoral capital formation Butlin turns to the question of causation; what were the inducements to invest? In phase one he argues that a combination of physical comfort, cost savings from new sheep-washing techniques, uncertainty over leasehold and freehold rights and pressures created by the 1860s land legislation all worked to explain the typical pastoralist's employment of resources. It is important to note that Butlin does not see improvement of the physical structures for pastoralists and their families, nor expenses in land purchase, as investment in 'output enlarging equipment'. However, the reader is simultaneously confused by the statement that: 'This legislation [i.e. the 1860s land legislation] did, in fact, directly stimulate a brief burst of investment to enclose small specific pieces of land on pastoral stations'.⁷⁴ Once opened, this Pandora's box of ownership, tenure and purchase of land and related state land policy is rapidly closed.

In phase two when the greatest technical innovations and expenses occurred, the major objective was to increase turnover to take advantage of an expanding, lucrative, world (largely British) demand for wool. But because pastoralists lacked '... precise calculation of the prospective or actual return',⁷⁵ the process of innovation was based on uncertainty. Considerable resources were also required to retain access to existing runs, and for the expansion and acquisition

73. Compare the comments in *ibid.*, p.73 and p.78.

74. *Ibid.*, p.89.

75. *Ibid.*, p.95.

of new runs on a variety of new tenure relationships (which differed between the colonies). For most of the 1870s high levels of profitability (high wool prices, expanding demand for domestic meat supplies and rising livestock values) led to appreciating pastoral property values (capitalised rentals). Thus at the close of the decade pastoral property values '... stood far in excess of the replacement value of stock and physical equipment plus government valuations of land'.⁷⁶ High levels of profitability, despite rising interest rates (1872, 8 per cent; 1879, 11 per cent) encouraged expanding mortgage encumbrances to improve existing properties or to enter pastoralism in the new areas of settlement. Entry into pastoralism was rising beyond the resources of an individual or a partnership; external finance was increasingly necessary.

In the third phase (the 1880s), easy access to the organised capital market - based on the availability of British funds - encouraged a relatively small number of pastoralists to outlay vast sums on properties in the more marginal lands. Expectations formed from previous wool, meat, stock and property prices helped sustain the investment momentum. However, by the mid-1880s there was a large disparity between the costs and returns to pastoralism. Indeed an important aspect of this period was a failure by the Australian producer and his supplier of credit to employ carefully calculated 'market criteria' in determining investment decisions. The suppliers of credit, for example, '... backed a comparatively few clients with remarkably little restraint'.⁷⁷

Prior to 1874 most external finance was short-term (overdrafts and merchants' advances) focused around marketing the wool clip. As wool marketing was relocated in the colonies, many specialised pastoral houses transported and marketed the clip. After 1874 longer term mortgage financing through banks, finance houses and merchants

76. Ibid., p.100.

77. Ibid., p.108.

became widespread. Starting with late 1860s and accelerating after 1874, Australian finance was overwhelmed by an influx of British funds.

Beginning in 1874-75, however, at the same time as the non-banking pastoral companies appear to have become more interested in debenture sales in Britain, the banks began to collect rising amounts from British nationals, on fixed deposits, with terms ranging up to five years.⁷⁸

These funds were cumulative, peaking in 1891. The ratio of British- to Australian-held deposits in banks rose from 10 per cent in 1874-5 to 37 per cent in 1891. In the late 1870s (Sydney) and early 1880s (Melbourne) a growing percentage of these funds switched to urban property transactions, '... that is, to finance transfer of title in existing property assets, not for capital formation'.⁷⁹ And thus the ensuing urban property boom, '... indirectly intensified the instability of the pastoral industry and the economy'.⁸⁰

Only in the 1870s did the number and extent of encumbered properties expand markedly, though indebtedness remained moderate. The 1880s saw the amassing of vast indebtedness. Consequently in the period 1889-1891 few stations paid less than 50 per cent of the gross wool proceeds on their interest bills. While the 1870s were characterised by expanding capital formation and increased yields, the 1880s saw falling yields, smaller retained cash surpluses, and reduced producer equities in their properties. At best constant production costs were achieved in a context of declining wool prices. In other words, the costs of production, including profit and interest payments to creditors, were beyond market returns.

On the basis of a mistaken assumption that earlier price trends would continue, pastoralists took advantage of cheap British funds (secured by financiers at 4.25-4.50 per cent) and thus rendered themselves vulnerable to unfavourable changes in market conditions.

78. *Ibid.*, p.160.

79. *Ibid.*, p.163-164.

80. *Ibid.*, p.165.

The coincidence of a secular decline in wool prices, cyclical fluctuations and ecological constraints put the pastoralist in a cost-price squeeze by the mid-1880s. The market and ecological factors brought pastoral expansion, capital formation, new productive techniques, the circulation and division of equity in pastoral property and a vast influx of external funding to a halt. In these circumstances the financiers assumed greater control over pastoral producers in order to protect their large, vulnerable and depreciating assets.⁸¹

The momentum of pastoral investment, Butlin argues, continued until 1892 (thus continuing two to three years beyond the general economic recession). Although financial institutions had placed greater control over their clients and restraints on their credit policy in the late 1880s, it was not until the early 1890s that the power of the lenders became manifest. Extensive 'company ownership' and operation of pastoral properties occurred: 'In the 'nineties, as funds were withdrawn from the industry, control by lenders increased sharply'.⁸²

During the depression market values of pastoral properties were well below the previous valuations on which loans had been made. Properties were foreclosed, weaker producers eliminated, sheep numbers cut, pastoral wages and conditions undermined and many financial institutions were reconstructed. Financial reconstruction changed short-term British loans (largely debentures and deposits) into a more permanent equity in Australian pastoralism. This also resulted in 'a very substantial reduction in overseas interest commitments'.⁸³ A phase of pastoral capital formation and the inflow of British funds

81. This issue was the subject of an early article by Butlin. See N.G. Butlin, '"Company Ownership" of N.S.W. Pastoral Stations 1865-1900', Historical Studies, Australia and New Zealand, Vol. 4, No. 14, May 1950, pp.89-111. We shall return to this issue in Chapter Seven, pp.242-281.

82. N.G. Butlin, I.A.E.D., op. cit., p.435.

83. Ibid., p.439.

was ended. Once wool markets recovered, the major drought ended and the pastoral labour process was reformed; a new 'equilibrium' in colonial pastoralism was achieved.

Investment in Communications

Between 1860 and 1900 Australian colonial governments engaged in considerable investment in communications. Some 75-80 per cent of public capital formation was directed towards the construction of roads, harbours, railways, telegraphs, river transport and communications facilities. In such undertakings colonial governments became extensive borrowers, investors and entrepreneurs. Lacking coherent planning and consistent objectives (economic and social), much of this public investment was inefficient and produced negative consequences for private economic activity. The atypical involvement of government authorities in a wide variety of capitalist markets (capital, commodities, labour power, landed property, transport) in the Australian colonies provided Butlin with a case study by which to assess the implications of public decisions on the private capitalist entrepreneur.

Two major phases of public capital formation can be distinguished prior to the 1890s depression. The first phase from the mid-1850s to the early 1870s was a period of modest capital formation. Both local and British sources of funds were employed to finance expansion. The more notable second phase occurred between 1872-73 and the late 1880s, peaking in the mid-1880s. Compared with the earlier phase, physical expansion, especially in the railways, and the resultant outlays grew quickly as did government borrowing. Public indebtedness to British creditors increased. This second phase coincided with British-funded private indebtedness in pastoralism, landed property and urban expansion.

For Butlin, railway expansion, as the preponderant avenue of public investment, illustrates some characteristic features of

colonial public economic activity. Most importantly public investment was not constrained by market considerations: 'Here was a rapidly growing avenue of Australian investment in which profit considerations came to play little part ...'.⁸⁴ The potential advantages that might have been derived by the economy as a whole following railway construction were lost in various ways. These 'dis-economies' were in part the result of political factors - inter-colonial and inter-regional competition, poor planning and coordination of line location, the construction of cheap tracks and poorly integrated rail and road construction - and in part the consequences of urban centralisation created by the railway system.

Urban centralisation created congestion, population concentration, building booms, suburban growth and a rapidly appreciating, speculative urban-suburban land market. One could argue that these dis-economies resulting from urban concentration were not the product of public ownership and operation of the railway system, but the inevitable outcome of the introduction of capitalist relations and productive forces into the communications and transportation field. More important is Butlin's assessment that public capital formation in railways (and elsewhere) necessarily distorted the allocation of economic resources 'from the private sector to the detriment of the process of economic growth as a whole'.⁸⁵

Despite his acknowledgement that a massive investment programme in railway building had a multiplier effect through the provision of goods and services generated in the private sector, Butlin's general proposition is that these were less important than the negative results of public investment. These negative results, detrimental to growth as a whole, included a steady rise in money and real wage rates, and a rise in overseas interest commitments culminating in a balance of payments problem which in turn weakened Australia's

84. Ibid., p.291.

85. Ibid.

overseas competitiveness. High wage rates and falling overseas price levels arrested industrial diversification, encouraged a high level of importation and exacerbated the balance of payments situation. Whilst Butlin does not provide us with any precise means to weigh the costs and benefits to the Australian economy (or colonial economies) of public capital formation in communications, the clear thrust of his theoretical argument is unambiguous. Insofar as the capitalist market works to allocate resources in an efficient manner between alternative and competing ends, and to the extent that public authorities are outside the discipline of profit considerations, then ipso facto a negative view of public investment results. And from this position logically follows the view that the public sector - with its lack of market constraints - was one important cause of the 1890s depression.

Early attempts by private entrepreneurs to initiate railway construction failed. Private failure and public political pressure encouraged colonial governments, from 1856, to take responsibility for the financing, construction and operation of railways. While river transport and roads presented two potential alternatives, railways quickly came to dominate inland transport. Even in areas such as the Riverina where river transport was of considerable importance, the railway came to displace and subordinate other modes of transportation.

From 1858 railway investment involved 3 per cent or less of national product until 1872 when this figure rose to a peak of 6 per cent in the mid-1880s. Growth slowed and stabilised until 1891 when a rapid decline, continuing until 1894, occurred. This general pattern of expansion, with some colonial variations, was relatively steady in contrast to the more erratic behaviour of private capital formation. The pattern of colonial railway expansion, influenced the pattern of commodity and passenger flow in southeast Australia. This railway network followed British engineering traditions, but was nonetheless affected by the specific financial, bureaucratic and political circumstances in each colony.

Prior to 1873, the Australian colonies attracted British funds for public and private purposes on a modest scale. When the funds did flow to the Australian colonies on a large scale - in the late 1870s and especially in the 1880s - the explanation for their movement into public capital formation rested, Butlin argues, on colonial decisionmaking: 'The flow of British funds into the Australian public sector was essentially the product of Australian decisions, in turn depending basically on local public investment planning and the state of domestic budgets'.⁸⁶

The broad pattern of public overseas borrowing between 1860 and 1890, despite considerable local variations and its 'extremely unstable' character, is divisible into three phases. From 1860 to 1872, the pattern was modest, stable and expanding. This was followed by steeply rising borrowings between 1873 and 1883-85, and then from 1885 to 1891 the inflow stabilised on a high plateau. After 1891 colonial instability and British reservations about Australian colonial investments produced a sharp fall.

In the 1870s New South Wales and Victoria were not dependent on loans to fund public investment and current expenses; the disposal of public assets, especially Crown Land sales and the raising of public revenue through customs, taxation and charges for publicly owned services, were all major sources of revenue. An important point noted by Butlin was the extent to which the revenues of colonial governments in the 1870s were derived from the proceeds of Crown land sales. But the critical issue is the inflow of British capital into the private sector (especially pastoralism) to finance the transfer of public to private property:

The disposal of the public estate, in particular, had one special characteristic: the transfer of public assets wholesale into private hands attracted British investment into the private sector in Australia.⁸⁷

86. Ibid., p.337.

87. Ibid., p.349.

While the period 1878-1880, a time of growing colonial budgetary deficits, saw high levels of direct governmental borrowings rising to even higher levels in the 1880s, the 1870s as a whole saw public revenue indirectly supported by the movement of British funds through the activities of private borrowers.

In this process of securing loans colonial governments were reliant on major colonial and imperial banks. The banks became responsible for overdraft, deposit, remittance and security business. Furthermore they were central in channelling private sector funds. It was important that banks were so strategically placed in this period of Australian capitalist development. On this issue Butlin's assessment is strikingly similar to Fitzpatrick's:

[banks] ... became the means for flow of a large part of British private investment in Australia, they were placed astride virtually the entire financial transactions between Britain and the colonies.⁸⁸

Declining land sales in the colonies, fiscal problems, political commitments and falling London interest rates all encouraged colonial governments to raise funds in London. Colonial consols were marginally more expensive (around 0.5 of 1 per cent) than their English equivalent. The perceived security of the Australian colonial government authorities, the attraction for trustee investors and the rise of inscribed stock all expressed the faith in and safety of Australian public loans. By the late 1880s some reservations were being expressed in the London financial press at the size and usage of these public loans. The main railway trunk lines were completed, further expansion appeared unnecessary and uneconomic and the railway accounts saw no corresponding increase in receipts to match their outlays. Thus by the time of the Baring's crisis which 'served to bring to a head ... growing dissatisfaction', a crisis in public finances coupled with a crisis in Victorian private investment - both caused by Australian employment in an increasingly reckless way of

88. Ibid., p.343.

British funds - resulted in serious doubts about the financial stability of the Australian colonies, the cessation of British colonial subscriptions and attempts to withdraw funds.⁸⁹ Butlin posits that British finance capital responded in the 1890s to a crisis in public and private investment produced by Australian colonial governments, investors and private capitalists. For these reasons it would be difficult to sustain the Fitzpatrick viewpoint that Australia was a victim of machinations by British financiers.

Colonial governments claimed four main objectives to justify their investment programme in railways; connecting population centres, the movement of export commodities, attracting population movement and inland settlement, and connecting the colonies. For Victoria and New South Wales the first two objectives were dominant. However, the criteria employed to determine success or otherwise in meeting these objectives underwent considerable change. Initial emphasis was on a cautious, piecemeal extension of railways, constrained by profit considerations. By the late 1860s (and especially 1870-1874) a new mode of justification was advanced: long-term considerations, a wide variety of real and imagined external economies and less importance on immediate profitability were all stressed. It was the third phase, after 1875, that signalled a qualitative change in criteria. Political pressure, inter-colonial competition - Butlin characterises the competition between New South Wales and Victoria as virtually a 'duopolistic investment war' - and the protection of city mercantile interests created the paradox of '... railway investment tend[ing] to accelerate with a decline in marginal return'.⁹⁰

As the 'ill-defined and immeasurable elements' of external economies and the competition between New South Wales and Victoria over the Riverina developed, and while other major lines were built in response to inter-colonial competition and local political pressures,

89. Ibid., p.351.

90. Ibid., p.360.

the initial objectives and concerns with profitability disappeared. Yields declined as investment accelerated, the river traffic was destroyed, overseas debts were large and revenues were unable to service them. Public foreign interest commitments were generated well beyond the pace of export receipts and were thus '... to speed the balance of payments crisis to which Australian governments were leading contributors'.⁹¹

The public policy of railway construction became a burden on the colonial economies. It was, says Butlin, '... to provide Australia with a heavy overseas debt burden and a cumbersome, inefficient and wasteful system of communications'.⁹² And yet despite the obvious wastefulness and changing criteria to which Butlin so clearly points, we are left with three major questions. To what extent were these inefficiencies the product of public control and in what way would private ownership have modified the effects of inter-colonial competition? If private external economies which underlie much of Butlin's negative assessment of public investment are definable and measurable, why does he fail to quantify his argument?⁹³ Without the explicit formulation of a centralised national plan of investment activity allocating economic resources in an efficient and consistent manner, could the optimal objective underlying Butlin's critique of public investment have been achieved?

The public sector was more centralised, dominant and powerful than the private sector. This dominance meant that government decisions would change the conditions for private activity. And even where some reciprocity might be acknowledged, in general, '... we cannot avoid giving priority to government action'.⁹⁴ Governments could change the environment for private capital formation by poaching

91. Ibid., p.369.

92. Ibid., p.367.

93. The idea that private external economies can be quantified is implied in ibid., p.363.

94. Ibid., p.375.

resources of labour and investible funds, through increased wage and interest costs and by the growth of external commitments influencing the entire economy.⁹⁵ From a perspective which explicitly denies a significant multiplier effect of public activity on the private sector, the pattern of public and private capital formation is nevertheless seen to be more responsive to public policy than to private capitalist initiative. One major form of public poaching from the private sector was created by the competition for investible funds. The result was, '... a further limitation on the expansion of the private sector'.⁹⁶ Even more important for this argument was the position of banks insofar as they had direct links with government borrowings and the largest inflow of funds for the private sector. Governments could directly change the general pattern of banking transactions through their borrowing and deposit practices and indirectly change the interest rate through fluctuating demand for funds. Private borrowers, especially the pastoral borrowers, were forced to compete at a disadvantage with government in the local and London capital markets for funds.

Butlin concludes his study of the interaction of the public and private sectors by re-stating his basic thesis with some qualifications. The most crucial of these is his recognition that in the long-run governments may have made a strong contribution to private sector development: viewed within a limited time-frame (1850-1900) the evidence indicates otherwise. Stimulus to private activity, equipment orders, mining, pastoralism, agriculture and manufacturing was never great and often negative. Even in pastoralism, where a reduction in transport costs might be thought important, Butlin is skeptical about the industry-wide benefits. Whatever positive impact was felt this could not outweigh the overall negative implications for the private labour market and the capital

95. Ibid., p.373.

96. Ibid., p.379.

market. The power of Australian unionism was but one obvious result; the restriction on economic expansion, agricultural development and industrial diversification was the unintended consequence. And this indirect pressure on the private sector and the more direct result of public overseas indebtedness increased Australian colonial economic instability by the late 1880s.

The Conditions of Australian Economic Growth

Butlin describes his work as attempting to account for the process of Australian economic growth in the nineteenth century. He identifies the major sectors of investment - the creation of physical assets in pastoralism, the growth of communications facilities and social capital, capital generally and the establishment of urban assets.

Despite his recognition of strong external (i.e. British) constraints on Australian economic development Butlin concentrates his explanation on the subjects who initiated, sustained and subsequently erred in their determination of investment. Those subjects were Australian; thus the spatial characteristics of the theoretical object under discussion is co-terminous with the subjects' 'nationality'. Despite Britain being the overwhelming importer of Australian exports, the supplier of imports, the source of enormous funds for public and private investment and the birthplace of much of the workforce, Butlin insists that, 'the composition of output and the rate of growth appear to have been determined predominantly by local Australian considerations'.⁹⁷ In noting that the Australian standard of living and rate of growth was higher than in Britain and its process steadier, and moreover that the growth process was not intimately dependent on export receipts, Butlin attempts to strengthen the case

97. Ibid., p.5.

against Fitzpatrick's earlier interpretation.⁹⁸ His distance from staple and dependency theory is clearly apparent.⁹⁹

In terms of conventional economic indicators, Australia represents a seeming paradox between 1860 and 1900. While during this period gross domestic product rose 300 per cent and per capita income remained amongst the highest in the world the growth in gross national product per head between 1861 and 1889 (i.e. before the depression) was a very low 1.2 per cent per annum. As the growth rate expanded between 1860-1891 at nearly 5 per cent per annum, the growth in population (including migrants) drove the per capita figure down. In macro-economic terms the long boom was stable and sustained despite periodic recessions and bouts of unemployment.

Butlin separated two phases of the boom period. He suggests that 1877 was a watershed. From 1861-1877 he calculates that output per head of workforce rose 3.1 per cent as a consequence of the change in the capital-output relationship. And while acknowledging that, '... one cannot distinguish, arithmetically, those capital additions which added to productivity',¹⁰⁰ apparently the 1877 break heralded a structural process that would ultimately lead to the 1889 depression. As expansion continued, urbanisation accelerated and overseas borrowing expanded, the growth of output per head of workforce dropped between 1877 and 1889 to 1.1 per cent. It is at this point that Butlin introduces another level of explanation which subsequently remains unresolved.

The implied relationships [among the drop in productivity, geographical expansion, rapid urbanisation and increased overseas borrowing] raise important problems for explanation. So, too, does the fact that the rapid increase in

98. Butlin's critique of Fitzpatrick is made explicit in N.G. Butlin, 'The Shape of the Australian Economy', *op. cit.*, pp.10-11; and in N.G. Butlin, '"Company Ownership" of N.S.W. Pastoral Stations', *op. cit.*, *passim*. The nature of Butlin's critique is rather more complex and subtle than Fitzpatrick assumed.

99. This distance is made explicit in N.G. Butlin, 'Growth in a Trading World', *op. cit.*, *passim*.

100. N.G. Butlin, *I.A.E.D.*, *op. cit.*, p.12.

'productivity' occurred before 1877, before the great investment boom, and while Australian colonies relied primarily on their own resources.¹⁰¹

The period 1860-1890 saw a relative decline in pastoralism and a shift in investment activity into the urban residential, factory, commercial and real estate markets. Again Butlin takes 1877 as a critical date. Prior to 1877 investment was directed to the utilisation of natural resources. After 1877 the pastoral industry lost its central position and the investment that did occur '... no longer provided a major source of rising productivity'.¹⁰² Until mining, agriculture and dairying gained importance in the 1890s, the urban expansion dominated much of the late 1870s and 1880s:

After 1875-77, the whole of the primary industry group became a relatively slowly growing sector as the great investment boom of the 'eighties dominated the course of expansion and as the rapid development of Sydney, Melbourne, Brisbane and smaller Queensland and New South Wales towns stimulated the construction industry and, on a more limited scale, manufacturing and services.¹⁰³

A consequence of this pattern and sequence of investment was the high level of foreign (essentially British) borrowing, precisely when investment became less productive (i.e. 1877 onward). The 1850s, 1860s and early 1870s saw the expanding export market first in gold then wool. Once reliance on foreign borrowing grew the favourable balance of payments was maintained but at the potential cost of meeting the expanding claims of interest and dividends. Used productively this capital inflow need not have produced any undesirable consequences. But by 1889, 40 per cent of all export earnings were required to meet the growing interest and dividend bill.

British influence was also important in migration and trade prices. Over the long boom 40 per cent of population increases came from Great Britain and Ireland; of these roughly 40 per cent were assisted immigrants. The terms of trade were not significantly

101. Ibid., p.14.

102. Ibid., p.21.

103. Ibid., pp.23-24.

altered as both import and export prices fell in rough consistency. In the 1870s the terms of trade were slightly favourable for Australia while in the 1880s the balance shifted the other way. Although these shifts may have '... accelerated expansion ... [and] hastened the eventual collapse',¹⁰⁴ they were not critical.

However, overseas borrowing was important (except during 1871-76 and in 1880); Butlin argues that in the 1860s and 1880s about 50 per cent of domestic capital formation was financed from abroad. In the 1870s (especially 1871-76) the figure fell to 20 per cent. But it was the expansion in gross domestic product in the 1870s that gave the 1880s figures their enormous absolute size. Indeed between 1877 and 1888 perhaps 50 per cent of British overseas investment went to Australia. But while the funds in the 1860s and earlier were directed towards commercial, short-term finance and mineral ventures, the new trend was towards railways, pastoral and mortgage concerns.¹⁰⁵

Prior to 1877 price rises and productivity gains weakened pastoral reliance on external (industry and colonies) finance. After that point the position was reversed. Indebtedness and interest and dividend payments rose. Throughout the boom and into the 1890s, Butlin argues that Australians directed, initiated and controlled the process of capital importation and that the flow of British funds was not explicable by reference to British domestic conditions.¹⁰⁶ This leads to a conclusion that, '... the initiative lay with Australia. The rate of inflow of British capital and merchandise imports and the allocation of funds and resources between different activities were determined in Australia'.¹⁰⁷ Apart from the post-1889 period when, 'for the first time, external considerations were critical factors', the basis for incorporating Australian economic development into a discussion of British imperialism is totally undermined.

104. Ibid., p.29.

105. Ibid., p.33.

106. Ibid., p.31-34.

107. Ibid., p.38.

With the partial exception of Victoria, the actual process of capital accumulation did not occur until the late 1850s and the early 1860s. Before then capital equipment was scarce and primitive. It was through the redirection of the workforce and the growth of productive and social capital investment that real (capitalist) economic development was initiated.

Capital formation commenced and expanded during the 1860s (amounting to £7.6 million in 1861, £10.9 million in 1865), the process peaking in the period 1871-1886. Capital formation incorporates both social and productive capital. However, the shift from productive capital to social capital and non-productive speculation in assets is also a critical aspect of the Butlin story:

Gradually after 1877, more specifically after 1883, the critical problem of expansion was emerging: the attempt to pour resources into the formation of capital equipment in major (especially export) sectors encountered rapidly declining yields, while the transfer of activity to urban assets, especially speculative transfers of urban assets, added to overseas obligations with no offset in the form of enlarged exports or reduced imports.¹⁰⁸

The major components of capital formation - residential, pastoral and communications investments - all generated contradictions for the process of sustained economic growth. Residential expenditure and the necessary investment in social equipment was largely unproductive in character. Government expenditure - especially on railways - was 'social capital not operated for profit',¹⁰⁹ and pastoral outlays were increasingly incapable of raising output. Broadly the Butlin position rests on the premise that Australians in the public and private spheres used resources and enlarged indebtedness without concomitant recognition of market considerations and constraints. However, while a division between productive (private) and social (state) capital might be seized upon to explain the shift towards depression Butlin warns:

108. Ibid., pp.43-44.

109. Ibid., p.49.

This division into productive and social capital should not be pressed too far and, indeed, the distinction between the two becomes progressively less meaningful in the process of Australian development.¹¹⁰

We have now assembled enough of Butlin's exposition to draw this discussion to a close.

Critique and Conclusion

Butlin's account of the 1860-1890 long boom and the 1890s depression has a systematic and coherent quality. He relies on two levels of explanation to account for the empirically derived investment phases. The first explanation focuses upon the conscious subjects who make history. Their rationality and irrationality as economic actors is noted as they respond to, or depart from, the signals transmitted by market forces. Insofar as market criteria are dispensed with, for example, by the pastoralist attempting to expand in the 1880s while relying upon the experience of the 1860s and by public economic intervention, then the likelihood of subsequent economic failure and depression is increased. There is a tautological and ideological quality to this use of 'rational economic man'.

A related aspect of writing history where the causal sequence determined by the subject's consciousness, is the untheorised notions of space and time within which this consciousness arises. Butlin does not identify any theoretical criteria whereby the economic processes at work in the Australian colonies can be spatially delimited. By concentrating on the physical boundaries where investment in tangible assets took place and identifying the individuals who initiated that process as 'Australians', Butlin appears to provide an answer. The nationality of the subjects of history - the natural and social environment which stamps their national character - defines the spatiality of the Australian economy. This procedure enables Butlin

110. Ibid., p.50.

to avoid the relationship between the self-expansion of capital (the formation of value and surplus value) and the reproduction of the relations of production. And avoiding this issue means that the whole issue of state power can be excluded from the discourse of economic analysis. Economic space, that is to say the spatial constraints over the labour power that capital may exploit, the circulation and realisation of commodities and the movement of money capital is necessarily simultaneously 'political space'.¹¹¹ Political space is guaranteed by state power, including imperial power. Consequently the abstraction of economic processes from political power is sustained by the non-theoretical categories of nation and national subjects.

On a more profound level, there is a structural process at work in Butlin's book. This involves a phase of productive investment from the late 1850s, i.e. the expanded reproduction of the means of production. The post-1877 phase of falling productivity, expanded external capital inflow, public expenditure (social capital) and non-productive circulation of pastoral and urban property assets, leads to a structural disequilibrium. Over-investment in pastoralism, social capital unconstrained by profit criteria and speculative property transactions, lead to heavy indebtedness to British investors and explain the 1890s depression. Non-productive appropriation of surplus value in circulation subsumed productive investment in the means of production. But again the structural explanation reinserts the importance of failings by the dominant subjects. Nevertheless, the proposition that from 1858 to 1877 capital formation was broadly productive and beyond that point was significantly less so, is an important insight.

The problem that Butlin at once recognises and then passes over is the function of private property under capitalism. Butlin's

111. On this point see E. Soja, 'A Materialist Interpretation of Spatiality' (Parts 1 and 2), unpublished Seminar Papers, Department of Human Geography, Australian National University, Canberra, December 1981.

practical recognition of the role of private property stems from two sources. First, his interpretation is based upon an important, albeit absent, adversary, namely Fitzpatrick. Second, the discussion of non-productive investment presupposes the existence of divisible and marketable titles to surplus value. No discussion of mortgage finance can be initiated until some important distinctions are made in relationship to developed forms of private property. Ironically, Butlin is vastly superior to Fitzpatrick on this fundamental issue.¹¹²

Nevertheless, the capital relation that underlies the various forms of private property is avoided. Without some clear view of how capital augments value by appropriating surplus value (i.e. unpaid labour) the fundamental distinctions between productive investment, unproductive investment and social capital remain obscure. I have noted on several occasions the problems generated by such conceptual confusion. To resolve these issues - the forms of private property and their relationship to the process of self-expanding value - the discussion would need to embrace another structured reality beyond the phenomenal categories of individuals, markets and prices. That structured reality is the exploitation of the labourer, the alienation of the producer from the means of production, and the theory of value and surplus value. This in turn necessitates the theoretical discourse of class relations, state power and imperialism. Indeed the phenomenal categories Butlin employs are themselves historical products having practical force only after labour power becomes a commodity, the means of production become capital and the mode of production becomes capitalist.

For social relations to take the necessary form for capitalist development, landed property must also become a commodity with restricted access. The costs encountered by pastoralists in gaining access to land, and the protection of ownership and use are central to this story. Private property in land, the political conflict over its

112. See my discussion in Chapter Seven pp.270-278.

alienation and lease from the state and the high rates of surplus profit (as ground rent) appropriated by pastoralists and subsequently by British mortgage financiers are fundamental to an explanation of colonial economic development and its relationship to British imperialism. Practical empirical concepts (the subject, nation, market, economy, capital, unproductive investment and property, for example), work to insert an ideological thrust into the theoretical discourse. To reiterate, the lack of the concept 'mode of production' is of fundamental significance.

In conclusion Butlin's history is of tremendous intensity and scope. A considerable amount of the sequential and structural characteristics of Investment in Australian Economic Development would need incorporation into a marxist analysis. Indeed its remarkable theoretical qualities and the author's attention to empirical detail give Investment in Australian Economic Development deep appeal to marxists. Still the theoretical assumptions Butlin employs do impose closures in its analytical structure: it silences as many questions as it answers.

PART ONE CONCLUSION

A metamorphosis occurred in political, economic and imperial relations affecting the Australian colonies, 1830-1890. The colonial class structure, reflecting the impact of these three processes, was likewise transformed. As noted in Chapter One the changes to these processes can be summarised in the following way. An autocratic political system deriving its legitimacy and authority from the British Crown was replaced by an advanced liberal democracy, an expanded public sphere and an evolving party system. A backward though expanding primary commodity-producing economy had become a strong productive, if crisis-ridden, capitalist economy buttressed by an interventionist public policy. Direct British political control over the colonies had receded to be replaced by a strong financial presence in the public and private economy. This financial presence was organised by Anglo-colonial investors in London. Clearly the class structure of the 1870s and 1880s was substantially different from that of the 1840s. The precise nature of these differences remain, however, an open question to which I return at the conclusion of this study. Nevertheless, there is no doubt that the critical political and economic struggles manifest in the 1830s and 1840s were distinct from those of the 1870s and 1880s. In the earlier part of the nineteenth century the major political struggles occurred among private property holders and involved the separation of economic and political power between colonial and imperial interests. By the late nineteenth century there was an evolving economic and political struggle between capital and labour; a struggle consistent with capitalist social relations.

Few historians would reject these generalisations about the changes in colonial society but few have explained these changes as

related to a process of class struggle within determinate property relations. And of those historians who have employed class analysis few have given their arguments conceptual precision.

No clear watershed differentiates the beginning and end of this period. Some potential points of transition may be identified: economic crisis and depression in the 1840s and 1890s; major constitutional and political innovations in the 1850s and 1860s, and expanding financial inflows from the British capital market in the 1870s and 1880s. Though these events are separated in time, my hypothesis is that an identifiable pattern of relations exists between these and other occurrences. Moreover, I maintain that a structure of relations with a discernible form of historical causation can be established: the location of the causal relationships and a structure and process capable of providing a coherent historical account lies in the delineation of social classes. These social classes are best grasped through the application and adoption of marxist theory. It is by the application of marxist theory to concrete historical problems, such as those discussed here, that dogmatic theoretical abstraction may be avoided. This is also the basis of theoretical innovation and renovation.

The intellectual division of labour and the resultant specialisation in research methods has further exacerbated the creation of theoretically developed comprehensive historical analysis of the period under consideration. An earlier generation of historians less rigorous in approach but broad in aspiration, were prepared to advance general histories with explicit theories of explanation. But as we saw in arguably the best of such historians, namely Fitzpatrick, serious theoretical flaws were all too apparent. Today the proliferation of specialised history has pushed the concern for scientific precision and intensive examination beyond the point where wider patterns of explanation and understanding are discernible. In these circumstances the totalising explanatory and political objectives of marxism present a clear contrast.

In my search for broad theoretical attempts to explain structure, process and contradiction in colonial Australia few exemplars were available. Liberal-humanist historical narrative was rejected as overly concerned with individual subjects, empiricism and an ontology of the subject. I concluded that liberal historiography was ill-equipped for systematic analysis. Consequently I was drawn to economic historiography because it had some important characteristics: it was explicitly theoretical; it took the long-run as its analytical perspective; employed a conceptual system of considerable consistency, and its most advanced products were based on detailed empirical research. From my critical appreciation of Australian economic historiography I have concluded the following: the precise object of economic historiography is unclear or implicit; the connection between economic and political relations is obscure; the emphasis on market relations to the exclusion of their social premises indicates a certain superficiality; the public sector is treated in an inconsistent and sometimes blatantly ideological fashion; the political and financial relations with Britain are given insufficient attention; the process of commodification is largely ignored; the explanation for economic expansion and periodic crises are unclear or pragmatic, and the conceptual mechanisms, even in Butlin's writings, are not fully consistent. For these and other reasons I return to the necessity of refashioning my history according to marxist concepts.

In drawing Part One to a close I would like to emphasise the conceptual structure employed below. The fundamental marxist concept is class. Class relations exist in all modes of production. In Chapter One the general form of capitalist class relations was indicated and the determining role of economic relations in the reproduction of a capitalist class structure was noted. This general form of class relations required a state to establish and guarantee the perpetuation of capitalist relations of production. This state may also be theorised as a general form of the capitalist state. As a work of history our concern is not to deduce historical content from

theoretical form; rather it is to historicise that form. Thus, I attempt to give shape to the specific historical character of colonial class relations, colonial capitalism and the colonial state. This is done by dividing the historical analysis into two parts: the process of establishing commodity relations (Part Two) and the evolution of capitalist property relations, 1860-1890 (Part Three). In each phase it is argued that the form of class relations in economic and political life is not explicable unless imperial relations are given their necessary, though changing, prominence. If we exclude the imperial-colonial aspects of class relations (or alternatively give them an a priori prominence they may not deserve) then the attempt to satisfactorily explain the processes of colonial development is impossible. The remainder of this thesis seeks to make these theoretical concepts more explicit and employ them in historical analysis.

PART TWO:

THE COMMODIFICATION OF COLONIAL PROPERTY:
RELATIONS TOWARDS CAPITALIST PRODUCTION, 1830-1860

Introduction

The capitalist mode of production is historically the most developed form of commodity production. As noted in Chapter One, commodities have three defining characteristics: they are simultaneously use values, exchange values and the culmination of purposive human labour. Commodities require the expenditure of labour; they are goods and services meeting some real or imagined human need and are purchased on the market by some person other than their direct producer or immediate owner. It is not the particular intrinsic nature of a thing that makes it a commodity but the structure of property relations which govern its production, ownership and exchange.¹

Although all commodities are use values, not all use values are commodities. Many use values are consumed directly by the producer (or others) without actually entering the market. The most important types of non-commodity use values are privately produced and consumed goods and services, this production of use values is the result of domestic labour, and publicly provided goods and services, i.e. the product of directly social labour. Both forms of production constitute a field of economic relations, may involve exploitation and

1. For a precise marxist discussion on the definition of a commodity and the implications for economic analysis, see A. Shaikh, 'Towards a Critique of Keynesian Theory on the Role of the State', unpublished paper, New School for Social Research, New York, September 1980, pp.3-17.

therefore the appropriation of surplus labour, and have important ramifications for capitalist commodity production. In both cases a portion of society's total labour, individual and collective, falls outside the commodity economy.²

Although all commodities are exchange values, not all exchange values are commodities. Many important exchange values are use values but do not embody purposive human labour. The most important examples are naturally given use values or raw materials. Land, minerals, water, timber, vegetation and animal species are obvious examples. Naturally given use values can become exchange values with the expansion of private property and the assertion of ownership over them. Most mineral deposits, increasingly important use values for industrial development, can be made exchange values through the assertion of private (or even public) ownership rights. Other use values like air and water are considerably more difficult to transform into exchange values. These naturally given use values may be directly appropriated although this typically requires the expenditure of additional human labour. Many of these use values become commodities when transformed by the application of labour, e.g. virgin land, clearly not a commodity, may be cleared, drained, fenced, fertilised, irrigated, tilled, cropped, etc.; improved agricultural land comes increasingly to resemble a commodity.³

While all commodities are exchange values embodying human labour, not all exchange values embodying labour become commodities. A portion of society's labour fails to produce use values; the products cannot be sold, they are devalorised. Unless labour-embodied exchange values meet some market expressed need they cannot become use values, they are not commodities. For example, discarded, superseded products such as stale food are unsalable and thereby devalorised.

It follows that the alienation of a use value predicated on the

2. See J. Gouverneur, Contemporary Capitalism and Marxist Economics, Martin Robertson, Oxford, 1983, pp.1-7.

3. This applies also to the breeding of livestock.

existence of market relations or the resale of an existing commodity (circulation of ownership) does not constitute commodity production. If sale or circulation becomes confused with commodity production then the total stock of use values could be expanded without the expenditure of labour.⁴ This is of course one of the advantages of colonial seizure; the stock of use values grows without expanding production. Nevertheless marxists insist on the fundamental distinction between production and circulation. The marxist theory of accumulation, crisis and contradiction is posited upon this clear delineation.

Real confusion appears, and marxists have sometimes exacerbated this confusion, in defining the necessary relationship between commodity circulation and commodity production. Indeed the formation of private property and the potential to alienate private property (or circulate property titles) is a necessary condition for the circulation of use values, exchange values and commodities, and the process of commodification contributes the necessary premise of generalised commodity production.⁵ As Uno explained, the formation of commodity relations and the circulation of commodities historically precede generalised commodity production. Commodification involves the transformation of produced and naturally provided use values into exchange values. What is essentially a political process, the commodification of social relations, opens up the space of capitalist forms of production. To understand the implications of this process we need to maintain several conceptual distinctions.

It was stressed above that commodities must meet three essential criteria: they are values (involving the expenditure of labour), use values and exchange values. Lacking any one of these criteria a good, service or object cannot be theoretically described as a commodity.

4. A point made by Shaikh, op. cit., p.16.

5. K. Uno, Principles of Political Economy: Theory of a Purely Capitalist Economy, Harvester Press, Brighton, 1980. Pointedly, Uno titled Part I of his book, 'The Doctrine of Circulation', pp.3-18.

One cannot distinguish a commodity from a non-commodity use value on the basis of the physical characteristics of those use values or by the similarity of the human labour required in production. A cake purchased in a shop is a commodity; the same cake produced and consumed domestically is not a commodity.

In analysing capitalism marxist political economy is initially concerned with a specific theoretical object, i.e., commodity production, circulation, exchange and consumption. It is clear that this object in no sense exhausts the field of human productive activity, of exploitation or of the production of use values. Some who question the priority of marxist analysis insofar as it appears to devalue or make secondary domestic and directly social labour, do so on the basis of a major misunderstanding.⁶ Commodity production is the dominant form of production in capitalist society and the basis of the production and appropriation of surplus value. The explanation of the fundamental economic processes in capitalist society - accumulation, crisis, forms of appropriation, monetary phenomena, trade, etc. - occur within the sphere of commodity production. The marxist theory of value, capitalist relations of production and class struggle operates within the restricted domain of the commodity. Marxists have made major theoretical errors in failing to explore the very important issues of non-commodity production and exploitation, and the way these are structured by and influence commodity relations. Recently feminists have forcefully reminded us that unpaid domestic labour is a very substantial arena of production, exploitation and consumption. It must be said that the marxist analyses of directly social production is even more backward, than that of domestic

6. These distinctions are conceptual not moral. Marxists call domestic labour unproductive not because it is inferior, unnecessary or outside the realm of exploitation; it is unproductive of surplus value though necessary for its production.

production.⁷

Having defined commodities in theoretically precise terms, we need to explore further the necessary historical preconditions for expanded commodity production. It was noted above that commodity production requires commodity circulation and this requires capitalist private property. Naturally given use values must become exchange values and non-produced exchange values must take on the commodity form in order to facilitate capitalist production. The formation of capitalist property relations - private, alienable property ownership - generally precedes capitalist production. Naturally, we are speaking here of tendencies that occur historically in complex and disparate ways. The object of capitalist private property is to convert all use values into the form of commodities; commodities with clearly identifiable proprietors, with market prices, exchangeable titles and thus with monetary commensurability. A capitalist producer can thereby equate the length of time of a labourer's activity with a plot of land of a particular size or with the price of a machine. Money reduces land, labour and capital to 'factors of production'. The full development of capitalist calculation and commodity production only occurs with the complete commodification of social relations, use values and exchange values. This is especially clear if we examine in some detail landed property and labour power. Neither of these use values is a commodity in the theoretical sense, yet in order for capitalism to 'take-off' each must assume the appearance (and increasingly the actual character) of commodities.

Private property in land does not imply capitalism. Capitalism neither implies nor requires invariable forms of private property in land. Paradoxically, capitalist development may be inhibited by

7. See J. Harrison, 'State Expenditure and Capital', Cambridge Journal of Economics, Vol. 4, No. 2, 1980, pp.379-392; I. Gough, The Political Economy of the Welfare State, Macmillan, London, 1979, and J. O'Connor, The Fiscal Crisis of the State, St. Martin's Press, New York, 1973, for the most developed marxist work in this field.

private monopoly ownership, transferable by title, of naturally given use values embodied in land.⁸ Various types of land ownership are possible but two conditions are optimal for the development of capitalism. First, access to naturally given use values must be controlled and restricted. The vast majority of producers must be denied access to potential means or objects of production. Ability to produce a subsistence and/or surplus product mitigates against labour becoming wage labour. Labourers cannot become 'proprietors of the commodity labour power' unless they are denied access to land. Second, clear ownership, not so much of the original use value, but of direct and congealed labour expended on the production of exchange values (e.g. agricultural produce or minerals) and to the surplus value potentially realisable within the new exchange values, must be enforceable by the capitalist producer. In other words, it is possible to separate the ownership of the use value land from the production process that occurs on and in that use value.

It can be seen that some forms of public ownership appropriating differential rentals, because of location or fertility, may actually be more advantageous to capitalism than private landowners appropriating new exchange values that result from commodity production. It is clear that the specific forms of private ownership or even public ownership must be carefully investigated before we can assess how it may affect the course of capitalist development. One must be equally clear that the establishment of property rights over natural resources, the commodification of landed property, must be distinguished from capitalist commodity production on or in landed property. The commodification of landed property is generally based on a political struggle requiring the exercise of public and private coercion. Until the commodity form exists in landed property, commodity production cannot fully incorporate 'primary production'.

8. This is the point of Marx's discussion of primitive accumulation; see K. Marx, Capital, Vol. 1, Penguin, Harmondsworth, 1976, pp.873-913.

Part Two of the thesis discusses the commodification of landed property and the contradictory influences this has had on the direction of colonial capitalism. Commodification cannot be adequately discussed until the structure and source of political power is established.

Strangely perhaps, there are some interesting parallels between the commodification of labour power and of landed property. The physical and mental capacities of individuals are naturally given capacities of the human species. The ability of labour to engage in purposive activity is a characteristic of the species enabling individuals to meet their physically and socially produced needs. This human capacity to produce individually or collectively is not intrinsically a commodity: indeed the capacity to labour is a 'commodity' produced and reproduced under capitalism unlike any other. The capacity to labour is inseparable from 'its owner' who is subject to innumerable natural and social needs contradicting the mere act of work.

For capitalist production to occur labourers must be made the sole proprietor of their labour power: this requires the systematic separation of the labourer from the objects and instruments of production. The labourer as possessor of one naturally given use value must convert it into an exchange value and engage in alienating commodity production for the owner of the means of production. But labour power may be more or less skilled, educated and disciplined. Consequently it has variable market value and it may embody more or less labour in its production.⁹ While labourers are not commodities in capitalist society, their existence and identity becomes increasingly associated with their work. Treated as a potential exchange value and formed by purposive human activity the tendency is to reduce the labourer to a commodity, i.e., human capital. As

9. See R. Rowthorn, 'Skilled Labour in the Marxist System' in Capitalism, Conflict and Inflation, Lawrence and Wishart, London, 1979, pp.231-249.

capitalism develops we can observe the property relations that commodify labour power and the institutional forms, public and private, that produce and reproduce labour power.

One can think of the labour embodied in the commodity labour power as deriving from three interlocking sets of relations. First, within the family an expenditure of unpaid domestic labour is required to discipline, feed, clothe and house the future labourer. This labour is generally outside the market, although it can be and has been commodified. Second, directly social labour, particularly education, health and welfare, is provided to train future labour power. Third, many exchange values are necessary for individual consumption and provide the material conditions for domestic and directly social labour to mould the individual. For these reasons the labour embodied in the commodity labour power cannot be accurately computed; much of it exists outside the sphere of commodity relations. Nevertheless despite the theory of human capital, contemporary ideology and some ill-considered writings by Marx, it is labour power and not the labourer which tends toward the commodity form.

The ramification of the commodification of labour power is that labour power is exchanged in the market. For the seller it is an exchange value, for the purchaser a use value. There are clearly identifiable proprietors of labour power and there are legal and institutional means to enforce the contract of sale. However, labour power is alienable only over given periods of time at a particular price. It cannot be permanently alienated like other commodities.¹⁰

So far I have maintained that unless landed property and labour power are commodified, commodity production is seriously inhibited. Further, the process of commodification requires strong political intervention. This political intervention may occur on a private basis but to become widespread requires an organised and coercive

10. It is this fact that distinguishes capitalism from feudalism or slavery.

state. In the Australian colonies the ultimate source of political power throughout the first half of the nineteenth century resided in London. For my argument it is important to establish the limits of colonial autonomy and the forces acting to influence British colonial policy. I have, however, restricted my discussion to the effects of British policy on the Australian colonies rather than attempting a comprehensive explanation of their particular nature.

Clearly the retention of imperial control conflicted with emerging colonial political interests. But by the 1840s the earlier forms of imperial control were no longer possible. I seek to examine the extent to which the political issues - constitutional, imperial-colonial and policy relating to land, labour and private property - responded to the limits of colonial political economy, and the major tensions generated in the transition from private property to commodification of property and ultimately to commodity production. My hypothesis is that the relationship between the transformation of production relations is intimately related to the transformation of political institutions and the social forces that maintain them. No single principle of causation is apparent; I return to the relationship between 'economics' and 'politics' in the conclusion to Part Two.

In summary Part Two examines four dimensions of the process of commodification. In Chapter Three, I examine phases of the commodification of landed property. In Chapter Four, I take up the question of the expansion of a market in free wage labour and the commodification of labour power. To some extent these two chapters reflect two aspects of the same process and were seen as such by the colonial reformer, Wakefield.¹¹

In Chapter Five, I discuss the political mechanisms for achieving these particular objectives. To adequately explain the nature of the

11. This explains Marx's interest in Wakefield. See K. Marx, op. cit., pp.931-940.

political machinery and its social underpinning, it becomes necessary to discuss the imperial state and the contradictions generated in the demand for autonomous colonial political determination. I argue that the new political system that emerged in the mid-1850s closely reflected the developments of commodity relations.

Finally, in Chapter Six I indicate the hegemonic mode of surplus appropriation during the expansion of commodity circulation. I advance the proposition that merchant capital was the form of capital most strategically located for surplus appropriation. However, colonial merchant capital was closely connected to British merchant capital. Appropriation in this sphere of commodity circulation was, nevertheless, increasingly incompatible with the advance of commodity production. The 1840s economic crisis, and the following political mobilisation resulting in a movement toward a new political constitution, reflect these contradictions. By the coming of colonial self-government, merchant capital was losing its hegemonic position.

Part Two concludes by noting the major characteristics of a new socio-economic structure. From this conclusion I move to the third part of this dissertation where the processes within this new socio-economic structure are examined in detail.

CHAPTER 3

COLONIAL LANDED PROPERTY AND THE FORMATION OF
CAPITALIST RELATIONS OF PRODUCTION, 1830-1860

The colony of a civilized nation which takes possession either of a waste country, or of one so thinly inhabited, that the natives easily give place to the new settlers, advances more rapidly to wealth and greatness than any other human society.

The colonists carry out with them a knowledge of agriculture and of other useful arts, superior to what can grow up of its own accord in the course of many centuries among savage and barbarous nations. They carry out with them too the habit of subordination, some notion of the regular government which takes place in their own country, of the system of laws which supports it, and of a regular administration of justice; and they naturally establish something of the same kind in the new settlement.

(A. Smith, The Wealth of Nations, Volume Two, Methuen, London, 1961, pp.75-6.)

Introduction

This Chapter examines three major phases of the commodification of landed property between 1830 and 1860. I explain the agencies and social forces influencing the course of commodification, the specific form of Australian colonial commodification, the contradictions generated and the resultant implications for the shape of colonial capitalism. Because a comprehensive discussion of these issues cannot be undertaken until the remaining chapters of Part Two are considered, the conclusion of Part Two draws the themes together.

To grasp adequately the innovations initiated by the commodification of landed property - the establishment of a property market as non-marxist economists would describe it - a brief sketch of the historical context is presented. From British colonisation of

Australia all land was vested in the Crown. Between 1788 and 1829 land, under the ownership of the British Crown, alienated according to principles of imperial and colonial political patronage. In an endeavour to present an historical context for the substantive issues raised in this Chapter, I commence with this 'prehistory' of land ownership and alienation.

The process of commodification in Australian colonial landed property is most easily understood in three distinct, though related, phases. First, the repudiation of political patronage as the dominant mode of land alienation and the reorientation of imperial land policy towards land sale after 1830 gives the period 1830-1845 a unity as the significant (though highly contradictory and controversial) period of commodification. Second, from 1846-7 to 1856 a heightened political struggle in the colonies, allied to a new phase in colonial policy, resulted in a more developed form of commodification. There were, however, some unstable features in this second phase that needed resolution. The third phase saw the full development of a new commodity form and colonial parliament empowered to resolve contradictory interests in landed property. This phase culminated in New South Wales and Victoria in the so-called radical land legislation of the late 1850s and early 1860s.

This final phase did not resolve conflicts over land ownership, principles of alienation, access, tenure and transfer. Nevertheless the principle of commodification was established and thereby new means of political, economic and financial control over land (and mineral deposits). Because the full development and the complex implications of these transformations are discussed at some length in Chapter Seven, I do little more than introduce the subject here. The preoccupation of this Chapter is thus with the first two phases of commodification.

The introduction to Part Two suggested some implications of the relationship between commodity production, the commodification of naturally given use values (especially landed property) and the state.

Some of the ramifications of these theoretical notions for the empirical investigation of colonial land policy and an assessment of the impact on capitalist expansion are now made more explicit.

With white occupation and assertion of Crown possession of New South Wales the beginning of the complex process of commodification began. Crown possession of landed property meant public ownership and control of very extensive naturally created - and to an extent aboriginal-produced - use values. The transfer of ownership of property rights to private individuals, families and partnerships was therefore the result of government policy. That government was the British Government and its colonial officials and administrators. Transfer to private ownership does not necessarily entail commodification. It depends on the specific rights of ownership conceded and the transferability or otherwise of title. Moreover while land grants were made, extensive 'unoccupied' land remained and primitive productive techniques prevailed, the notion of a property market is hard to grasp. In these circumstances the development of private property in land is more relevant than commodification per se.

After 1830 we are especially concerned with the implementation and the effect of a deliberate colonial land policy of partial commodification. This contrasts with the earlier process of land grants. Finally after 1846-47 the focus shifts to the recognition of important property rights in land temporarily alienated from the Crown. Each period implies substantial differences in the pattern of potential and actual economic usage and the movement of surplus labour as rent and profit among public and private property owners, producers and workers. It must also be kept in mind that irrespective of the general principles one can find articulated in word and law by colonial authorities, the actual process of ownership, access, tenure, transfer and even more importantly economic ownership is a highly contentious and therefore political process. A range of colonial and imperial interests vied with one another for political and economic control and exploitation of valuable resources. In practice the law

was outpaced by economic realities and therefore required modification. But the modifications were not arbitrary; they confirmed de facto and de jure claims of private property and sanctioned new directions in commodification.

Throughout the controversy it is possible to discern a consistent movement towards capitalist landed property. More difficult to explain are the apparent failures by imperial and colonial government to pursue clear policy objectives. This is often explained by historians as evidence of inadequate policy, poor implementation, the peculiarities of the colonial situation, the immutability of human nature (the individualist acquisitive spirit) or the ever present distance between theoretical policies and human practice.¹ Once these policy objectives are grasped as concerted interventions in class relations - in the case of landed property, ownership and appropriation rights - and class relations are viewed structurally and dynamically, then a rather different point of assessment as to their success or failure is reached.

In the transformation of valuable use values into state, then private property and finally into exchange values, a whole series of far-reaching transformations in class relations must occur. These transformations result from and create different forms of class antagonism, struggles and new political programmes to mobilise the antagonists. While class divisions remain and widespread access, ownership and control of a very valuable surplus appropriating asset is denied, a social consensus cannot be easily achieved. What becomes crucial in the success or otherwise of the antagonists in the disputes are the political means (constitutional, legal, institutional and ideological) and the economic resources available to pursue their ends. The commodification of land implies the congruence of political

1. The tensions between British policy objectives and colonial realities is a theme pursued in P. Burroughs, British and Australia 1831-1855: A Study in Imperial Relations and Crown Lands Administration, Oxford University Press, Oxford, 1967, especially pp.252-295.

means and economic resources in the hands of a particular class of persons. Their temporary ascendancy does not imply their immunity to processes which ultimately undermine their position - the result of the political and economic processes they initiated, institutionalised and defended.

I will now illustrate these theoretical propositions, answer the empirical questions and reflect on the ability of political authorities and economic agents to establish new means to transform land ownership and alienation. My object therefore is the process and the explanation of colonial landed property commodification.

Crown Patronage and Land Alienation, 1788-1830

In 1788 with the arrival of the First Fleet in Sydney Cove, the British Crown claimed ownership and territorial control over eastern Australia. Despite the fact that much of the Australian mainland and Tasmania had been occupied by aborigines for thousands of years prior to British possession, no ownership rights were recognised or guaranteed by the Crown to these 'hunter-gatherer' peoples.² Crown expropriation, ownership and subsequent alienation of Australian natural resources is thus the premise of any discussion of colonial landed property. How was this expropriation undertaken and justified?

Traditional aboriginal society, though now recognised as more sophisticated and regulated than once assumed, appeared to eschew the concept of private ownership in land. Further the absence of commodity production and exchange rendered any need to transfer property rights and an organised system of political power to protect property rights as unnecessary. These circumstances precluded negotiations between the conquered and the conquerors to guarantee existing rights or modify them. Even more importantly the social

2. See A. Frost, 'New South Wales as terra nullius: The British Denial of Aboriginal Land Rights', Historical Studies, Vol. 19, No. 77, October 1981, pp.513-523.

organisation and economic resources, including the primitive weapons, at the disposal of aborigines were ill-equipped to resist this act of European colonisation.³

The colonisers were able to devise elaborate legal and ideological grounds on which their expropriation was justified. To some extent these were but an extension of widely held European racist and evolutionary misconceptions. The legal justification rested on the idea that Australia was a terra nullius, i.e. an unoccupied land. It was unoccupied because the indigenous population did not ostensibly engage in cultivation, land improvements and permanent settlement. Major Enlightenment legal thinkers, notably de Vattel and Grotius, maintained that where settlement and cultivation were not evident the right of external powers to claim occupancy and ownership of territory was justified.⁴ This view was similarly advocated by Locke in his argument that ownership of land should accrue to those who engage in the productive exertion of labour.⁵ Both legal and political conceptions point to a primitive labour theory of value and ideological foundations of a commodity economy and capitalist landed property. Use values were to be appropriated by those who organised the application of purposive human labour in the production of exchange values. This was a challenge to pre-capitalist forms of land ownership and tenure and to all other impediments to the expansion of commodity relations.

Denied legal, political and military means to resist white occupancy and continuing European territorial expansion, aborigines

3. For the character of Aboriginal society and black-white conflict, see H. Reynolds, Aborigines and Settlers, Cassell, Melbourne, 1972; H. Reynolds, The Other Side of the Frontier, Penguin, Ringwood, 1982; G. Blainey, Triumph of the Nomads, Sun Books, Melbourne, 1975, and K. Maddock, The Australian Aborigines, Penguin, Ringwood, 1982.

4. E. de Vattel, The Law of Nations and the Principles of Natural Law, Oceana Publishers, New York, 1964, pp.37-38 and pp.85-87. See also the discussion in A.C. Castles, An Australian Legal History, The Law Book Company Ltd., Sydney, 1982, pp.16-18.

5. J. Locke, The Second Treatise of Government, Bobbs-Merrill, New York, 1952, pp.17-20.

resorted to protracted guerilla warfare. However their enormous disadvantages accentuated by the ravages of European diseases, weakened the impact if not the ferocity of the conflict. Undoubtedly the speed, direction and extent of the British commodification of land was influenced by aboriginal resistance.⁶

In 1789 Governor Phillip was given Imperial Instructions regarding land grants. This initiated the process whereby colonial governors made land grants to former military and naval officers, government officials and, in time, to free settlers. These grants were designed to meet various objectives. The need to expand agricultural production was a matter of survival. Land grants signified a colonising imperative that was distinct from, though connected for many decades to, the penal nature of the settlement. In time these matters of policy were harnessed to a conception of a closely settled, agricultural community, with relatively small holdings held by free settlers (and subsequently former convicts). These proprietors were to employ assigned convict labour.

From 1788 to 1821 some 430,000 acres had been granted by the first ten governors or acting governors. The bulk of land grants, particularly those granted to free settlers born in the colony or to former convicts, were less than 100 acres each. Of the two groups the former convicts outnumbered free settlers as landholders at the ratio of 9:1. Only among free immigrants were holdings in excess of 100 acres. Land grants before 1821 were largely confined to the Cumberland Plain in close proximity to Sydney.⁷

By 1825 new features of land alienation had emerged. New pockets of settled land were evident in the Hunter River Valley, in the

6. For the impact of European diseases on Aborigines, see N.G. Butlin, Our Original Aggression, Allen and Unwin, Sydney, 1983. Aboriginal resistance is discussed extensively in H. Reynolds, The Other Side of the Frontier, *op. cit.*

7. T. Perry, Australia's First Frontier, Melbourne University Press, Melbourne, 1963. A useful complementary source is D.N. Jeans, An Historical Geography of New South Wales to 1901, Reed Education, Sydney, 1977, pp.87-95.

Bathurst District and the Illawarra. More important was the temporary alienation of Crown Lands through the granting of 'tickets of occupancy'. Despite a huge land grant of one million acres to the Australian Agricultural Company in 1824 and several large grants to immigrants as late as 1829, land policy was ostensibly directed to small-scale intensive agricultural production. Nevertheless amassing of landed property had occurred, extensive illegal occupation of land by sheep and cattle pastoralists was evident and a new tendency towards wool production for export was established. So despite public land policy the aggregate of large land grants overwhelmed the aggregate small grants.

Although it has been asserted that the publication of Commissioner Bigge's Report in 1822, containing sustained criticism of Governor Macquarie's extension of intensive agriculture land grants to emancipists, was the decisive influence in redirecting the colony of New South Wales towards wool production, the evidence is not overwhelming.⁸ According to Fletcher, in 1821 the wool industry was in its infancy; of the 144 land owners with 500 acres or more, 64 were without sheep.⁹ By 1826 some 400,000 lbs of wool were exported; a relatively insignificant amount compared with 2,000,000 lbs in 1835. In his recent estimates of Australia's Gross Domestic Product, 1788-1860, N.G. Butlin has shown the relative market value of

8. For the impact of the Bigge Report, see J. Ritchie, Punishment and Profit: The Reports of Commissioner John Bigge on the Colonies of New South Wales and Van Diemen's Land 1822-1823, Heinemann, Melbourne, 1970, pp.209-256.

9. B. Fletcher, Landed Enterprise and Penal Society: A History of Farming and Grazing in New South Wales Before 1821, Sydney University Press, Sydney, 1976, p.208. See also J. Atkinson, An Account of the State of Agriculture and Grazing in New South Wales, Cross, London, 1826, pp.73-81.

agricultural compared with pastoral production.¹⁰ The figures do not lend credence to a significant spur in pastoral output following the early 1820s; to a certain extent until 1829 the reverse is the case.

We can summarise the four decades 1780 to 1830 in the following way. The British colonial office and the majority of New South Wales governors had favoured a policy of land grants, generally of 100 acres, free of any obligation for quit rents for five to ten years. These grants were made at the Governor's discretion without policy guidelines. Particularly in the early years many of these grants came with public provision of seed, tools and assigned convict labour. Many of the grants to ex-convicts were grants for life, thereby restricting alienation. The resultant produce could be sold to the Commissariat at generous prices. No rugged free enterprise characterised the beginning of Australian capitalism!

A trend towards small-scale publicly supported agriculture continued throughout the period. Nevertheless, aggregate acreage favoured those with substantial capital. Meanwhile military traders (especially when the New South Wales Corps gained political dominance after Governor Phillip returned to England), private merchants and wealthy immigrants started to amass freehold land, to gain economic 'control' over mortgaged land and to legally and illegally occupy large tracks of Crown land for the purpose of cattle and sheep grazing. It is impossible to give precise figures about the extent of the effective economic control over colonial landed property exercised by this merchant, landowning and pastoral interest by 1830. If we examine livestock numbers and wool production and sales, the growth in the 1820s is significant though not remarkable compared with the

10. N.G. Butlin and W.A. Sinclair, 'Australian Gross Domestic Product 1788-1860: Estimates, Sources and Methods', Source Papers in Economic History, No. 2, Australian National University, Canberra, May 1984, pp.3-4. For Butlin's preliminary interpretation of this period see N.G. Butlin, 'Contours of the Australian Economy 1788-1860', Working Papers in Economic History, No. 21, Australian National University, Canberra, April 1984.

1830s.¹¹

The paradox of the numerical predominance of small holdings in land grants and agricultural production contrasting with the small but influential group of 'pastoralists' is that colonial policy was essentially unsympathetic to the wool producers. But the closer integration of colonial interests in wool production, marketing, land owning, finance and shipping with British industrial and merchant capitalists influenced a reconsideration of imperial policy.¹² It was only a matter of time before a colonial policy favouring land alienation, commodity production and a monetised economy would result in the development of commodity production for the imperial market. After 1822 imperial policy and colonial implementation was clearly contradictory in its attempts to resolve the tensions in the growth of commodity production.

Constraints on pastoral expansion in the bounded coastal plain were removed by the crossing of the Blue Mountains in 1813. Throughout the 1820s the characteristic form of the vast expansion in settlement of pasture lands was squatting, i.e. the illegal occupation and usage of land beyond the formal control and jurisdiction of the imperial or colonial authorities.¹³ In the early 1820s land grants had been made to suitable settlers: 30 acres to ex-convicts; 100 acres to settlers, increasing to 2,560 acres to those with appropriate

11. On this point see the debate between Beever and Fogarty; E.A. Beever, 'The Origin of the Wool Industry in New South Wales', Business Archives and History, Vol. 5, No. 2, August 1965, pp.91-106; J.P. Fogarty, 'The New South Wales Pastoral Industry in the 1820s', Australian Economic History Review, Vol. 8, No. 2, September 1968, pp.110-122, and E.A. Beever, 'Reply to Fogarty's New South Wales Pastoral Industry in the 1820s', Australian Economic History Review, Vol. 8, No. 2, September 1968, pp.123-128.

12. F.J.A. Broeze, 'Private Enterprise and the Peopling of Australia, 1831-1850', The Economic History Review (2nd series), No. 2, May 1982, pp.235-253.

13. S.H. Roberts, A History of Australian Land Settlement 1788-1920, MacMillan, Melbourne, 1968, pp.20-36; T.A. Coghlan, Labour and Industry in Australia, Vol. I, Oxford University Press, London, 1918, pp.229-248, and C.J. King, An Outline of Closer Settlement, Department of Agriculture, New South Wales, 1958.

capital.¹⁴ The conditions were extremely favourable, especially with regard to tenure: an annual quit-rent of 3s. per acre and an option to purchase over 20 years for those with extensive land grants. The attractiveness of the wool industry encouraged the Australian Agricultural Company, formed in London, to raise £1 million to secure a one million acre land grant and mineral concessions in New South Wales. While the land grants indicated the government's encouragement of pastoral expansion, between 1823 and 1828 this expansion extended beyond government control. In 1829 it was theoretically bounded by the imposition of limits on settlement within the nineteen counties. Nevertheless during the 1820s and 1830s the boundary of settlement extended northwards via the Hunter River valley into what would later become Queensland, and southwards through the Murrumbidgee area into the Port Phillip District.¹⁵ Pastoral expansion was reflected in the expanding wool clip. Wool exports increased from 175,000 lbs in 1821 to 1,250,000 lbs in 1831.

An Expanding Land Market, 1831-1842

While a substantial land market was in existence by 1800 the extent of that market grew after the 1830s. As long as land had come under private control, through grant, purchase, lease or whatever, then commodification could commence. To that extent the changes in the 1830s may be less important than appearances suggest. the striking transformation was, however, in the extent and speed of the changes initiated by the new land policies.

By the late 1820s colonial authorities had become increasingly alarmed at their inability to control the alienation of Crown Land and to enforce the payment of quit-rents by recipients of land grants. Moreover they were failing to prevent a numerically small group of

14. S.H. Roberts, *op. cit.*, p.36-40.

15. See D.N. Jeans, *op. cit.*, p.101-105 and 112-115.

squatters from illegally occupying much of the grazing land in the colonies. In November 1830 the Whigs gained office in Britain. They decided to act on the growing pressure to revise colonial land policy. The result was the 1831 Ripon Land Act with its threefold objectives: to sell land at a more realistic price; to encourage free immigration, and to spend land revenues on public works. To this end land grants were discontinued and land was sold at public auction at a minimum price of 5s. per acre. These new measures were in part introduced, in part ignored and in part subverted; while Governor Darling in New South Wales was ready to acquiesce to these new instructions, Governor Arthur in Van Diemen's Land was deliberately obstructionist, granting huge tracts of land prior to enforcing the new regulations and thereby temporarily removing the demand for new areas of settlement.¹⁶

While the systematic colonisers and colonial reformers in London had a coherent grasp of the existing situation and their preferred objectives, the means of implementing their ideas was not readily available. Hitchens maintained that, 'On January 20, 1831, the principle of disposal of Crown Land by sale only was applied to the Colony of New South Wales. A few months later this partial triumph was extended by the issuance of new land regulations for the Colonies in general.'¹⁷ It was, however, one thing for the Colonial Office to formulate a new land policy and quite another for its effects to be felt in the colonies.

The systematic colonisers, led by their most-insistent spokesman, Wakefield, had argued that land should be sold at a price sufficient to exclude the class of labourers from immediate access but attractive

16. R.M. Hartwell, The Economic Development of Van Diemen's Land, Vol. I, Melbourne University Press, Melbourne, 1954, p.45; J. West, The History of Tasmania, Launceston, 1852, p.147.

17. F.H. Hitchens, The Colonial Land and Emigration Commission, University of Pennsylvania Press, Philadelphia, 1931, p.9.

enough to encourage capitalists to purchase cheap colonial lands.¹⁸ Colonial capitalists would then produce cheap agricultural commodities for the older industrial heart of the Empire. Cheap colonial lands would give capitalists high profits, Britain cheap food and raw materials, workers high wages and British landed proprietors reduced rentals. Land revenues could be used to assist emigration of the expanding unemployed English and Irish proletariat. The concept has as its organising principle the expansion of capitalist class relations through the commodification of landed property and labour power.¹⁹ It was hoped these measures would encourage a more advanced form of landed property in the new colonial possessions than in the mother country and facilitate a new international division of labour. The scheme had as its premise the expansion of free trade, capitalist property rights and liberal political freedoms.²⁰ In the Australian colonies, the colonial administrative apparatuses lacked the capacity and perhaps the will to impose these new imperial conceptions. Furthermore the squatters were socially, economically and politically an increasingly powerful class. It was no easy matter for a governor to engage in a full-scale confrontation with squatters as Gipps was

18. See K. Marx, Capital, Volume I, Penguin, Harmondsworth, 1976, pp.931-940. Wakefield's ideas are discussed in D. Winch, Classical Political Economy and The Colonies, G. Bell and Sons, London, 1965, pp.90-104 and 122-152. The most relevant of Wakefield's writings here is England and America: A Comparison of the Social and Political State of Both Nations, (2 Vols), London, 1833. The scope of Wakefield's contribution to colonial reform can be appreciated through M.F. Lloyd Pritchard (ed.), The Collected Works of Edward Gibbon Wakefield, Collins, London, 1968.

19. K. Marx, Grundrisse, Penguin, Harmondsworth, 1973, p.278.

20. Wakefield could be interpreted as an advocate of industrial capitalism and political democracy; there is a strong connection between Wakefield and the ideas of J.S. Mill. See J.S. Mill, Principles of Political Economy Book IV and V, (ed. and introduction by D. Winch), Penguin, Harmondsworth, 1970, especially pp.277-346. Also relevant is J.S. Mill, 'Considerations on Representative Government', in Three Essays, Oxford University Press, Oxford 1975, especially pp.401-423.

later to discover.²¹ Many squatters pushed inland beyond governmental authority to evade increased quit-rents and the necessity to purchase land at public auction. Squatters from Van Diemen's Land crossed Bass Strait to continue their activities unregulated in the Port Phillip District.²² Squatters clearly demonstrated in a negative way that the coercive power of the state required sanctions to ensure effective political control.

In 1836 the British Parliament appointed a Select Committee to examine the issue of colonial land disposal.²³ The Wakefield influence in this Committee and in the 1837 Durham Report (following political disturbances in British North America) was evident.²⁴ The government and colonial administration favoured the sale of land at a 'sufficient price'; nevertheless the New South Wales Legislative Council moved to legalise and control pastoral expansion by the issue of squatting licences.

The attempt to combine recognition of squatting occupancy and the alienation of Crown Lands with a minimum auction price was put into practice in 1839. Eight squatting districts were created under the administration of Commissioners for Crown Lands. In these districts squatters were required to pay a £10 annual licence fees plus an additional tax on stock. Elsewhere land was to be sold at auction with a minimum price of 12s. per acre. By this time, much of New

21. See K. Buckley, 'Gipps and the Graziers of New South Wales 1841-1846', Parts I and II, in J.J. Eastwood and F.B. Smith (eds.) Historical Studies: Selected Articles (First Series), Melbourne University Press, Melbourne, 1967, pp.57-102. Also pertinent is K. Buckley, 'E.G. Wakefield and the alienation of Crown Land in N.S.W. to 1847', Economic Record, Vol. 33, No. 64, April 1957, pp.80-96.

22. See, for example, the experiences of the Clyde Company in P.L. Brown (ed.), Clyde Company Papers: Prologue 1821-35, Oxford University Press, London, 1941, and Clyde Company Papers: Volume Two, 1836-40, Oxford University Press, London, 1952.

23. 'Report of the Select Committee of the Disposal of Colonial White Lands', British Parliamentary Papers, Irish University Press, Shannon, 1969, 1836, (512) XI.

24. C.P. Lucas (ed.), Lord Durham's Report on the Affairs of British North America (3 Vols), Oxford University Press, Oxford, 1912.

South Wales and large areas of Port Phillip District and southern Queensland had been occupied.

Throughout the 1830s the sale of Crown Lands was small: between 1831 and 1838 only about 30,000 acres were sold annually. New South Wales was the only colony where land sales were expanding. Following the 1834 Regulations urban land was more closely categorised and valued, and the earlier system of quit-rents was abolished. The general effectiveness of the interference by colonial authorities in colonial land use was hardly dramatic. As Coghlan put it, '... in neither New South Wales nor Van Diemen's Land did the settlers realize that the issue of the Goderich Regulations marked a phase of land alienation intended by the English authorities to be permanent.'²⁵ The result was the expansion of squatting and its domination by 718 stations employing 7,800 persons, running 1,250,000 sheep and paying £5,216 taxation annually.²⁶

Pastoralist Reaction to Imperial Land Policy, 1842-1846

In 1842 an Act of the Imperial Parliament derived from the earlier Select Committee on the Disposal of Lands in the British Colonies threatened the security of the squatters.²⁷ This produced a major confrontation between the organised squatters and their domestic and British allies and the imperial policy and its administrators. The 1842 Act had five basic principles:

1. there would be no free land;
2. land required survey prior to auction;
3. the minimum price of land would be £1 per acre;
4. land would be divided into three categories: town, suburban, where

25. T.A. Coghlan, *op. cit.*, p.239.

26. S.H. Roberts, *op. cit.*, p.189.

27. 'Report of the Select Committee on the Disposal of Colonial Waste Lands', *ibid.*

the upset price would be determined by the governor; and country, where the minimum upset price would prevail, and

5. the revenue from land sales would be divided equally between assisted immigration and public works.

These measures failed to meet squatters' demands, which included secure tenure, pre-emptive purchase rights and compensation for improvements to the land. The policies coincided with economic depression and accelerating bankruptcies. In 1843 and 1847 Select Committees of the New South Wales Legislative Council, dominated by landowners and squatters, made unequivocal their opposition to the new minimum prices.²⁸ In 1844 Gipps introduced new regulations to control squatting licences, including limits to the size of runs (20 square miles with a maximum of 4,000 sheep) and provisions for the purchase of runs; after five years' occupancy 320 acres could be purchased, with further lots of 320 acres purchasable after each additional eight years' occupancy.

The squatters responded in the Legislative Council, in the Select Committee, through the formation in 1844 of the Pastoralists' Association and by agitating among sympathetic persons in Britain. In Sydney public meetings and media reportage intensified the antagonism towards imperial land policy. The demand that the management of Crown Lands should be vested in colonial rather than imperial hands brought pastoralists into common cause with advocates of increased colonial self-government.²⁹ There was a discernible division of interests within the movement opposing the 1842 Act and the 1844 Regulations. Buckley argued that by 1845, and more so in 1846, the distinction between landowner and squatter in the Legislative Council was

28. The most comprehensive discussion is K. Buckley, op. cit., passim.

29. T.H. Irving, 'The Idea of Responsible Government in New South Wales Before 1856', Historical Studies, Vol. 11, No. 42, April 1964, pp.192-205.

growing.³⁰ With this distinction in mind the political alliance system following self-government becomes easier to understand.

In the mid-1840s powerful squatters who had been monopolising enormous tracts of land were totally resistant to anything other than nominal licence fees. Forced improvements, limited run sizes and insecurity of tenure were all seen as diverting or constraining the potentiality of pastoral profitability. Landowners on the other hand needed to protect the value of their freehold and ensure some uniformity in the costs of production between themselves and their squatting competitors. A regulated land market was a necessary condition to safeguard their profits. The dual system of freehold and licensing pastoral land was generating serious inequities between pastoral producers.

In 1844 and 1845 the colonial and imperial authorities wrestled with the land issue. In 1844 with the assistance of the Land and Emigration Commissioners Lord Stanley, Secretary of State for Colonies, drafted the Waste Lands Occupation Act. Although this measure passed through the House of Commons, opposition to the Bill was substantial.³¹ Even The Times felt the need to defend squatters' rights. The developing political crisis in England revolving around the Corn Laws caused the Conservatives to resign in mid-1846: Stanley had retired from the Colonial Office in 1845. The new Whig government under Lord John Russell appointed Earl Grey the new Secretary of State for Colonies. Thus the political circumstances for land tenure reform existed in both England and Australia.

The 1846-7 Regulations: an Intensification of Commodification

The new British Government and Colonial Secretary introduced land regulations which advanced the process of commodification. Previously

30. Ibid., p.93.

31. S.H. Roberts, op. cit., pp.191-193.

Grey had expressed his sympathy toward systematic colonisation.³² Under the Waste Lands Occupation Act, 1846 Grey radically departed from his previous philosophy, opposed Gipps' advice and that of the Colonial Office and the Land and Emigration Commissioners, and granted the squatters 14 year leases in the unsettled districts. Furthermore he allowed rights of pre-emptive purchase during the lease period together with the occupier's right of renewal. In short, the squatters appeared victorious.

The 1847 Order-in-Council went a step further in recognising the legality of squatters' land occupation. Leases, pre-emptive rights and renewals were granted to squatters on excellent terms. Coghlan concluded that the colonial authorities '... conceded practically every point for which the squatters had been contending.'³³ Roberts saw the outcome as even more significant - not only had the squatters achieved victory but their dominance was assured: 'But once the Order was in force it was impossible to put the clock back - monopoly had entered and could not be banished at notice, or indeed, at all.'³⁴ Buckley's more sanguine view noted the existence among the landowners, small farmers, workers and small squatters of a developing opposition to the squatting class, mirrored in the growth of the conflict within the squatting class as a whole.³⁵ For landholders the changes were somewhat threatening. The substantial outlays incurred in land purchase meant either interest payments or financial limitations to

32. For the elaboration of Grey's views, see J.M. Ward, Earl Grey and the Australian Colonies, 1846-1857, A Study of Self-Government and Self-Interests, Melbourne University Press, Melbourne, 1958.

33. T.A. Coghlan, op. cit., p.394.

34. S.H. Roberts, The Squatting Age in Australia 1835-1847, Melbourne University Press, Melbourne, 1965, p.271. Fitzpatrick has a similar view on the squatters monopoly position. See B. Fitzpatrick, The British Empire in Australia, Melbourne University Press, Melbourne, 1941, p.131. Fitzpatrick argued, 'This measure originated the monopolistic holding by pastoralists of much good agricultural land, a situation which occasioned difficulty when responsible Governments in the colonies, half a generation later, tried to settle a large new population on farms.'

35. K. Buckley, op. cit., pp.100-102.

improvement would limit their competitiveness with those who leased land. Moreover, a limited land market had promised significant capital gains in freehold land; now this advantage had been lost. Finally, the falling land revenue meant public revenue burdens had to be redistributed. There were material reasons why the Orders-in-Council were greeted with suspicion in many quarters.

In the following decade, the 1850s, the gold discoveries and the consequent licence fee disturbances appeared to overshadow the land issue. But by the mid-1850s a vastly expanded population antagonistic to the arbitrary exercise of authority by colonial governors and their administrations gave numerical and voluble support to the movement for colonial self-government and the related redistribution of colonial lands.

The Order-in-Council of 1847 was important to the squatters because their struggle for secure tenure had succeeded. On the other hand two decades of agitation for a more equitable distribution of colonial land appeared aborted. Nevertheless, while the terms offered by the imperial authorities were extremely generous, the Order did incorporate the principle of government regulation and control. Thus the Crown was to remain ultimate landlord. It appears that the squatters' claims were given sympathetic hearing partly in recognition of the changing nature of British-Australian economic relations in the 1840s. Australian wool was becoming increasingly important to British industrial capital. By 1850 Australia was supplying about 60 per cent of British requirements.³⁶ Thus the decline of Wakefieldian ideology in the Land and Emigration Commission (and in the Colonial Office) occurred because British manufacturers as well as merchants and financiers regarded the continuing supply of cheap high-grade wool as more important than upholding the principles of systematic colonisation. Australian wool was also very attractive

36. A. Barnard, The Australian Wool Market 1840-1900, Melbourne University Press, Melbourne, 1958, pp.20-21.

to the British wool industry in the face of new technology and changing consumer tastes. Consequently, '... the imperial state moved towards a conception of the colony as a staple economy by acceding to the squatters' demands'.³⁷

The 1847 Order-in-Council divided land in New South Wales and Port Phillip District into three categories: settled, intermediate and unsettled. In the last two categories large areas (up to 1,600 acres in the intermediate and 3,200 acres in the unsettled districts) could be leased for eight and fourteen years respectively. The zoning of land and more rigid control necessitated powerful Commissioners for Crown Lands. Lord Grey was not simply abandoning the earlier conception of a minimum price of land sold at auction. Indeed Burroughs argued convincingly that continued adherence to this principle and Grey's concession to interests favouring squatters' land rights resulted in an unstable and inequitable compromise.³⁸ Squatters in the unsettled districts, for example, could lease land for fourteen years paying a minimum of £10 per 4,000 sheep (plus an additional £2.10s. for each increment of 1,000 sheep) per annum. These were renewable leases, with pre-emptive purchase rights and compensation for improvements.

Concerned by the implications of these provisions, Lieutenant-Governor La Trobe created extensive reserves in Victoria and restrictively interpreted the pre-emptive provisions. The overall implications of the Order-in-Council were that squatters might control 180 million acres through leases held by 1,800 individuals paying one-fifth of one penny per acre.³⁹ Small agriculturalists and settlers, by contrast, had to pay the minimum auction upset price. The result was the growth of coherent anti-squatter agitation. Added to growing criticism of the administration of Crown Land was the

37. P. McMichael, 'The Genesis of Settler Capitalism in Australia', *Intervention*, No. 13, October 1979, p.97.

38. See P. Burroughs, *op. cit.*, pp.372-382.

39. *Ibid.*, p.327.

related issue of the administration of mineral deposits, especially gold.

The goldrushes produced a serious conflict in the administration of mineral rights under Crown Lands, culminating in the 1854 Eureka uprising. The problem of miners' licences is not conceptually distinct from the question of pastoral occupancy of Crown Lands. Through the miners' licence the Crown imposed a 'rental' analogous to squatting licences. The mining licence imposed a uniform annual charge on a specified plot of land; it was thus a discriminatory tax. Mining plots of variable quality were taxed at the same rate. As the rewards from mining were differentially spread and the easy alluvial gold was relatively quickly exhausted, the licence fee and its method of enforcement placed an onerous burden on the unsuccessful miner.⁴⁰ The immediate impact of the Eureka disturbances was the replacement of the licence by a 'miner's right', an export duty on gold which taxed the successful miner, and a reorganised goldfield administration. The movement toward company mining by the late 1850s, the radical liberal sympathies of many miners and their resentment of squatter monopolies gave popular mass support to the campaigns for political representation and radical land legislation.

To sum up, between 1830 and 1855 the squatters maintained the momentum of their privileged access to vast tracts of land at minimal expense. Colonial land legislation had resulted in their political mobilisation to undermine the Wakefieldian theory (at its most influential in the 1830s and 1840s). New principles of land alienation and rental had been introduced, though these were mitigated by the squatters' ability to avoid or marginalise them. Minimum auction prices had been enforced as had squatting licences and the principle of land zoning. While squatters manipulated the regulations to their advantage, the principle of state regulation could no longer

40. G. Blainey, The Rush That Never Ended, Melbourne University Press, Melbourne, 1963, pp.46-58.

be ignored. Within the colonies, especially in Port Phillip District and South Australia (where land disposal had been more tightly controlled) but also in New South Wales, a new anti-squatter coalition of political forces - landowners, small agriculturalists, the articulate goldminers, urban professional classes and nascent working classes - was forged. To some extent this new alliance transformed the political struggle that had dominated the early phase of colonial society (between Emancipists and Exclusivists) into a struggle between pastoralists and middle class (bourgeois) radicals. The conflict was to a considerable extent between those locked into pastoralism and new entrants to the industry. The middle class radicalism was articulated with a populist sentiment antagonistic to the squatters. The British government's colonial policy had failed to reconcile two major imperatives: The sale of land at a minimum price and the desire to maintain a source of wool by granting the squatters nominal licences of long duration and pre-emptive purchase rights. It was the attempted resolution of this contradiction that kept the 'land issue' at the centre of colonial politics once self-government was granted.

Land Reforms: The Assertion of a Populist Solution, 1855-1862

In 1842 new Constitutions were introduced in New South Wales and Van Diemen's Land, establishing Legislative Councils with 12 nominated and 24 elected (though on the basis of property restrictions) members. This was an important step in the development of colonial democracy. In 1837 the British government had been prepared to concede self-government to Canada, albeit within well-defined limits. The struggle over land legislation, the controversy over goldfield administration and the formation of anti-transportation leagues all worked to strengthen the Australian pressure for colonial self-government. More importantly prevailing British opinion favoured self-government for white settler colonies and in 1856 the Australian Colonies Government Act was passed. This Act bestowed on the

colonists the right to draft their own constitutions. Unlike the provisions granting Canadian self-government, the Australian colonies were given responsibility over the disposal and management of Crown Lands.⁴¹

By 1855 public pressure for easier access to agricultural land was becoming more apparent. Initial attempts by the newly elected Parker government in New South Wales to introduce Land Acts in 1857 led to a radical reassessment of the principle of land disposal. The results were embodied in the 1861 Robertson Land Acts. There is general consensus among historians that the pressure of increasing urban unemployment and a relatively articulate middle class added a powerful impetus to the battle against squatter land control.⁴² Most writers have accepted at face value the reformers' rhetoric of 'unlocking the land' to encourage the selection of agricultural land as their primary object. However Baker argued that the campaign had a somewhat different object, namely, of '... giving expression to liberal ideas of equality and opportunity', or to put it somewhat differently, to expedite the development of commodity relations in landed property.⁴³

Middle class reformers had a series of objections to the land tenure patterns recognised in the 1847 Order-in-Council and strengthened in the second Order-in-Council of 1850. Reformers objected to the purely nominal charges that squatters paid for their leases (compared with farmers who paid a minimum of £1 per acre at auction), to tenure being dated from 1852 and to squatters obtaining

41. J.S. Mill singled out the delegation of colonial control over 'Imperial' Crown Lands as an index of the liberal nature of the Australian colonial constitution. See especially J.S. Mill, 'Considerations on Representative Government', *op. cit.*, pp.403-404.

42. The obvious examples are Roberts, Fitzpatrick and Shann.

43. See D.W.A. Baker, 'The Origins of the Robertson Land Acts', unpublished M.A. thesis, University of Melbourne, 1957, p.9. For a concise statement of Baker's thesis, see D.W.A. Baker, 'The Origins of Robertson's Land Acts', in J.J. Eastwood and F.B. Smith (eds), Historical Studies: Selected Articles (First series), Melbourne University Press, Melbourne, 1967, pp.103-126.

favourable pre-emptive rights. In 1847 an Act relating to liens on wool allowed stock and the wool crop to act as security on loans whilst expressly forbidding the farmers to use their land or crops as loan security. This compounded the squatters' advantage: the financial market and the land market discriminated in their favour.

The squatter appeared to have another important ally in the Survey Department. The land available for auction required prior survey. The Survey Department's noticeable tardiness, its tendency to survey runs in preference to farms and its habit of choosing land of inferior quality for selection, fed popular 'prejudice' that the Department was corrupt as well as ineffective. A further problem was that leases and licences had become commodities, with urban merchants constituting their principal market intermediaries. This meant that the price of freehold land was very different from the cost of squatters' land. Land had become a commodity with a marketable price, rental value and subject to alienation at market prices. The freehold price of land was threatened with significant devaluation by the sudden commodification of leased and licensed land.

According to Baker, the land reformers were essentially middle class liberals. They combined a small though influential landowning class with urban middle class shopkeepers, merchants and professionals (typically lawyers) and the developing working classes. Their unity was achieved by common antagonism toward the squatters' land monopoly, the fear of an expanding plantation economy and their faith in liberal ideology. Their liberalism embraced manhood suffrage, equal electorates and secular education; in other words they espoused a similar ideology as the systematic colonisers before them and the contemporary British champion of advanced liberalism, Mill. As landowners, powerful advocates like Robertson, Cowper and Arnold had much to lose if freehold prices were depressed by the value of capitalised rent on leaseholds.

At a more abstract level the liberal bourgeoisie and the petty bourgeoisie favoured the expansion of capitalist ownership, price

formation and commodity circulation, which were incompatible with monopoly control of land obtained at negligible prices. The large immigrant population with its political and intellectual resources undoubtedly lent its support to these reformers. The recession at the end of the 1850s, the generalised price inflation, the high cost of agricultural commodities and the squatters' disdain for political democracy all contributed to the groundswell of public opinion. Capitalist development in the economy in general and in agriculture in particular required that land be a priced commodity like any other and that those investing in pastoral agricultural pursuits had no 'unfair' advantage by dint of their political power. As Baker claimed:

... the middle classes were undoubtedly correct in their belief that land reform was an essential stage in the development of their own class. The squatters had to be beaten; it was necessary to expand the colonial market; and liberal ideals of equality of opportunity would be only too clearly empty catch-cries if not applied to the one great source of colonial wealth - the unalienated lands of the Crown.⁴⁴

The squatters considered Robertson's proposals threatening. The New South Wales governor, Sir J. Young, had to swamp the Legislative Council to overcome a constitutional crisis in 1859-60. Not until a new parliament was formed in September 1861 could the Crown Lands Occupation Bill and the Crown Lands Alienation Bill become law. The legislation permitted the following:

1. any person could select 40 to 320 acres of Crown Land (excluding town and suburban land) paying a minimum of £1 per acre at auction;
2. 25 per cent of the cost had to be paid on selection and repayment within three years was interest-free; longer repayments accrued 5 per cent interest;
3. selection necessitated residence for three years and improvements to the land;

44. D.W.A. Baker, unpublished thesis, op. cit., p.86.

4. leases for squatters were divided into two classes. First-class leases secured land for five years at rentals fixed by the Land Commissioners;
5. squatters retained limited pre-emptive rights and prior claim to an area three times that which they purchased.

As a consequence there was no unilateral victory for the middle class bourgeois radicals; rather the squatters were under pressure to pay more dearly to secure their necessary land rights.

In Victoria, the effects of the 1847 Order-in-Council were no less dramatic than in New South Wales. According to Coghlan, by 1851, 31 million acres of land were held by 800 persons with 938 squatting licences.⁴⁵ However the Victorian goldfields attracted a larger contingent of miners than did New South Wales, produced a more radical public opinion and faced if anything a more unyielding squatting class. Governor La Trobe was unfavourably disposed towards recognising pre-emptive rights. In 1853 the Colonial Office sanctioned his decision to limit these rights to issue annual squatting licences and to expand the amount of land available for sale. In the late 1850s, there were in Victoria as in New South Wales, rowdy public meetings, parliamentary conflict and constitutional deadlock. The formation of a land league generated controversy regarding land policy. In 1860 the Nicholson Ministry's attempts at land regulation successfully pre-empted a looming constitutional crisis.

The impasse was resolved by the 1862 Victorian Duffy Land Acts which created an outcome less favourable to the squatters than in New South Wales. The Act provided for selection before survey and, by refusing leases to squatters, appeared to favour closer settlement. In fact the Act encouraged squatters to purchase land on comparatively cheap terms. The laws encouraged abuse through dumming for example

45. T.A. Coghlan, op. cit., Vol . 2, p.655.

and thereby favoured the squatters in their struggle with selectors. The Victorian laws, though more pressing on squatters compared to those in New South Wales, were carefully framed but poorly administered.

To conclude, the 1850s and 1860s were in many ways a period of transition. Colonial self-government shifted the struggle over land policy from a conflict between imperial authorities and colonial interests into a more complex battle. This battle was between the radical bourgeois (and populist) land reformers with their support in the newly-enfranchised working classes on the one hand, and on the other the pastoralists and their allies. The opposition, mobilised against the squatters' previous economic and political dominance, favoured land prices and rentals governed by normal capitalist criteria of value, capital-intensive closer settlement and land revenues employed in public works. The more the radical liberal middle class dominated politics, the more striking were their successes. I now turn to explore the impact on property relations of the rather complex developments in landed property.

Colonial Capitalist Landed Property

The formal ownership of Australian natural resources was assumed by the British Crown upon occupation. The permanent and temporary alienation of landed property from the Crown to private interests was the outcome of imperial policy and colonial administration. During the first phase of land policy in New South Wales, ending in 1831, governors predominately made land grants to military and retired military men and free settlers. The granting of small holdings to ex-convicts also occurred. Chaos was widespread in matters of survey, clear titles, conveyancy and the collection of nominal quit rents. Land alienation assumed the form of private property, facilitated commodity production and the potentiality for 'capitalists' to consolidate large property holdings. In 1824 Brisbane initiated land

sales at 5s. per acre and gave greater attention to the collection of 2s. per 100 acre annual quit rents. By 1829 in an attempt to constrain the rapid illegal occupation of unsurveyed Crown Land, Darling restricted land alienation and occupancy within the Nineteen Counties and denied squatters beyond these counties those property and personal rights normally guaranteed by the state.

The 1831 Ripon regulations marked a turning point in land policy. The Imperial Land Act placed land alienation on Wakefieldian principles. Land was sold at public auction with a minimum upset (reserve) price of 5s. per acre and land revenues were to be used to encourage British emigration to the Australian colonies.⁴⁶ Land could also be leased at £1 per 640 acres over one year. The evidence suggests that the abandoned land granting system had produced not so much a class of small capitalist agricultural proprietors as the monopolisation of land ownership by a relatively small class of wealthy merchants, landowners and pastoralists. Indeed Burroughs has gone so far as to describe early colonial New South Wales as an, 'antipodean Virginia, an aristocratic pastoralism'.⁴⁷

The 1831 policy produced by the new British Whig ministry was intended to establish closer settlement and more intensive land utilisation, freehold acquisition for those with modest capital, an adequate supply of free wage labour and a more rigorous enforcement of squatting rentals. The major departure from the conceptions held by the colonial reformers was the retention of the overwhelming majority of land as Crown property available for temporary private alienation through leases. Insofar as Wakefield and the systematic colonisers understood how land policy could expedite capitalist development, the new colonial regulations encouraged commodification; but their failure to anticipate the potential of state land ownership and the expansion of capitalist pastoralism on secure leasehold points to serious

46. S.H. Roberts, History of Australian Land Settlement, op. cit., pp.131-140.

47. P. Burroughs, op. cit., p.2.

weaknesses in his theoretical appreciation of capitalist landed property.

Periodic revisions were made to the new pattern of temporary and permanent alienation of land. The minimum upset prices were increased (e.g. 12s. in 1838-39, 20s. in 1840), leases were replaced by squatting licences (1841) and pastoral rentals adjusted. Agricultural land was sold by the state and became private property. Between 1832-37, 1,143,000 acres were alienated, 782,000 acres between 1838-40 and a meagre 86,000 acres as depression occurred in 1841.⁴⁸

The 1840s depression and the confrontation between the imperial authorities and the colonial and imperial squatting interests produced the last major modification of land policy before self-government. The 1846-47 changes appear as a partial retreat from Wakefieldism as squatters were granted eight and fourteen year leases, pre-emptive rights to purchase, compensation for improvements made and the continuance of low rentals. Minimum land prices were 20s. per acre for alienation through public auction. In gaining security of tenure and greater incentive to initiate pastoral capital formation a new phase in the process of capital accumulation in the wool industry could be anticipated. The major disadvantage for squatters was the potential for state regulation to subsequently alter the cost and condition of the lease on expiry: this potentiality coupled with the granting of colonial control over Crown Lands following self-government would intensify colonial political debate over land policy.

The cumulative effect of imperial land policy was thus to achieve the expansion of capitalist property relations, despite one glaring contradiction. That contradiction was an assumed identity between private land ownership and the development of capitalist production. Classical political economists, the colonial reformers and Wakefield had recognised the need to steer a course between the undesirable accumulation of landed property by monopoly landowners and the need to

48. T.A. Coghlan, op. cit., Vol. 1, pp.377-384.

commodify labour power. State property leased on favourable terms to pastoral capitalists actually was more advantageous to pastoral capitalist development, as the Australian experience was to demonstrate. Imperial policy sensitive to the theoretical propositions of liberal political economy and the requirements of capitalist accumulation in the Australian colonies, especially in response to the depression of the 1840s, achieved the objective of laying the basis for the economic dominance of capitalist production in the colonies despite the departure from Wakefield's canons. Nevertheless private property in land and the form it took in colonial political economy was not fully capitalist private property until the reforms of 1846-47 and the land legislation of the late 1850s and early 1860s took full effect.

This discussion of the formation of capitalist landed property has demonstrated several important propositions. First, the role of the state in constituting property relations is fundamental, a point I return to in Chapter Five. Second, commodification of land was the result of significant policy changes most notably in 1831, 1846-47 and 1858-62. But these policy changes in themselves did not and could not create commodification. Without parallel changes in other social relations, particularly with respect to the labour market, the financial system and a commodities market (colonial and imperial), the impact of land policy would have been less significant. Moreover, imperial and colonial legislators were responding to social forces and economic processes that were clearly already in existence. After 1830 it is easy to over-emphasise the autonomy of legislative and executive authority. Third, the evolution of land commodification shifted the emphasis for small holder and pastoralist alike onto the market as the dominant means of access to landed property whether by purchase from the state or through the purchase of title from a private landholder. A system of transferable, alienable temporary ownership rights (licences/leases) was also created for pastoralists. The object of political intervention in the late 1850s and early 1860s was to

systematise this market process of land access, ownership and leasehold. Fourth, as an exchange value, landed property has some important characteristics. Its alienation would provide a revenue base for colonial governments; ownership patterns would influence the production process of land-based commodities and the circulation and appropriation of surplus value; the security of the commodity land in return for loaned money capital would result in more complex relations of 'economic ownership'; and, new class relations would result. Last, the actual manner of colonial land commodification enabled the producer of exchange values, commodities for the colonial or imperial markets, to appropriate surplus value without having to pay a significant tribute to a private landowning class. Both the system of permanent and temporary alienation, enabled the capitalist entrepreneur to benefit from private property in land and minimal ground rent. Only the absence of a state-recognised prior landowning class enabled this particular outcome.

The full implication of the Australian form of landed property cannot be explained until a more comprehensive picture of class relations is presented. Then the full process of evolving capitalist private property and the resulting implications for the future course of commodity production can be made explicit.

CHAPTER 4

FROM CONVICT TO FREE WAGE LABOUR, 1830-1860

It is the form which property-rights take which determines the form of relationship between men - between social groups or classes. Under both slavery and serfdom the freedom of the worker is closely circumscribed by law: under slavery he is entirely subject to a master, and under serfdom his freedom is strictly narrowed by his obligation to perform specified service for a lord. But under the wage-system the worker is bound by no such legal ties. Before the law he is his own master, free to work or not as he pleases, free to hire himself for wages, or to work as an independent artisan if he prefers. The capitalist who owns a workshop or a factory or a farm, since he can no longer command any compulsory labour, either by traditional right or by purchase, has to hire the disposal of a labourer's time for a day or a week, paying for the hire a market price, and securing his profit out of the difference between the wage he has to pay and the price he gets for the finished product which he sells. Hence the removal of all legal restrictions on the labourer's freedom is usually found in history as one of the prior conditions for the rise of a wage-system.

(M. Dobb, Wages,
Nisbet and Co., London, 1938, p.5.)

Introduction

In this Chapter I examine the process of commodification of labour in colonial Australia. By the late 1850s the dominant form of labour was free wage labour sold and purchased on the market. To ensure particular definitions of skilled and general labouring duties and the enforcement of employer control over the labour process the development of appropriate industrial legislation was required. Since white settlement in Australia commenced with an almost exclusively convict labour force the transition to a free labour market in eighty years was fundamental.¹ This transition may be viewed in various

1. The state officials and military were also part of the labour force in the colony. However, convicts were the direct producers.

ways. I explore this metamorphosis of the systems of labour employment and control as the process of generalising commodity relations.

The Chapter commences with a discussion of the capitalist means of appropriating surplus labour. A sketch of the convict labour systems used by public authorities and private employers in New South Wales until 1840 follows. This provides the essential comparative starting point for subsequent developments. Next I consider the Wakefieldian-inspired immigration schemes that were so important in the 1830s and early 1840s. It was, however, as will be argued in the fourth section not until the enormous influx of the goldrushes that a functioning (though initially totally chaotic) labour market became general. Before concluding, the Chapter touches on populist resistance, expressed on the goldfields and in the land debate, to full commodification.

It is important to remember that my focus on the evolution of a system of commodity production based on commodity relations is not meant to deny the existence of significant spheres of non-commodified labour.² Occasionally the most important source of this labour, namely domestic labour, will be made explicit. It is, not, however fundamental to the analysis attempted in this thesis.

The Commodification of Labour: The Production of Labour Power

In the formation of capitalist production relations the decisive change occurs with the commodification of labour. Initially, the generation and generalisation of free wage labour can only come about when the ownership of the objects and means of labour is denied to the

2. For a discussion of women's participation in the labour market, the convict system and domestic employment, see K. Alford, Production or Reproduction? An Economic History of Women in Australia 1788-1850, Oxford University Press, Melbourne, 1984.

direct producer.³ This should not be understood in a totally literal way: some workers will continue to own relatively primitive instruments of production but not the objects of production (share farmers and mine workers, for example).⁴ But when ownership of the means of production establishes the principal right to expropriate surplus labour then their alienation from the direct producer is required. Total reliance on the sale of labour power to capitalists is not complete in the early phase of capitalism. It does represent however the dominant trend forcing labourers to enter the money economy so they may purchase their means of subsistence.⁵

There have been a variety of means employed historically, involving very different outcomes, in this phase of commodification. These include conquest, evictions, legislation and the consequences of smallholder indebtedness. They may involve the direct application of state coercion, an employment of private coercive measures, or result from increased rentals, lower prices or intimidation. In each case direct producers become separated from the means and objects of production. In colonial Australia aborigines suffered private and public land expropriation.

Marxist theory claims no essential means whereby expropriation occurs: it merely notes the process of dispossession as essential for capitalist development. The fact that most violence in Australia was directed towards blacks rather than towards European land occupiers and producers has created an erroneous perception of Australian history as largely free from state violence. This first process of dispossession is however a formal necessity for commodity production.

3. K. Marx, Capital, Vol. 1, Penguin, Harmondsworth, 1976, pp.874-904; M. Dobb, Wages, Nisbet and Co., London, 1938, and G. Kay, The Economic Theory of the Working Class, Macmillan, London, 1979, pp.68-91.

4. The means of production include both instruments of production (tools) and objects of production (natural or produced raw materials including agricultural land, see K. Marx, Capital, op. cit., Vol. 1, pp.979-980.

5. As is argued in Chapter Six the period of merchant capitalism is characterised by growth of wage labour, but not its universalisation.

The two substantial qualities of the commodification of labour will now be considered. First, labour power slowly becomes fully immersed in commodity relations. This means that the price, employment and conditions of work are shaped by commodity production. Labour power becomes subject to the laws of capitalist competition and commodity price formation.⁶ However, for reasons noted in the introduction to Part Two I cannot agree with Marx's view that the value of labour power is determined in the same way as any other commodity. While Marx did note how 'social and moral' developments affected the price of labour power, he did not successfully incorporate these ideas into his analysis. I want to set out a somewhat distinct position more consistent with what I see as Marx's wider theoretical project.

The second substantive result of the commodification of labour is a paradox. Although the labourer gains very considerable contractual freedom (compared to feudalism, slave modes of production, etc.) in the developing commodity relation, he or she is subject to the practical denial of ownership rights over the capacities to labour once they are temporarily alienated to capital.⁷ This is because the sale of labour power is essential for survival. In other words the labour process - the production of commodities by means of commodities - involves the control of labour by capital. This control is legally sanctioned under capitalism. While the terrain of the labour process involves powerful elements of class conflict and is necessarily linked to much wider social processes and struggles, the capitalist is empowered to direct the worker in the process of commodity production. This is why Marx talked of wage slavery. The extension of contractual

6. R.E. Rowthorn, 'Marx's Theory of Wages' and 'Skilled Labour in the Marxist System', in Capitalism, Conflict and Inflation, Lawrence and Wishart, London, 1980, pp.182-230 and pp.230-249. Also useful is G. Kay, op. cit., pp.89-91.

7. This is the basis of the marxist theory of alienation. The first clear formulation of Marx's conception of alienated labour is to be found in L.D. Easton and K.H. Guddat (eds), Writings of the Young Marx on Philosophy and Society, Anchor Books, New York, 1967, pp.287-301.

freedom to the labourer results in the intensification of their alienation.⁸

In sum commodification is formally the production and reproduction of free wage labour. This means the general conditions of existence for the labourer and control of the labour process by capital is dominated by commodity relations and commodity production. Thus free wage labour is both a premise and a result of capitalist production.⁹ Insofar as the labour theory of value requires the reduction of concrete labour - i.e. labour with a specific skill - to abstract labour so that, in principle, monetary equivalence exists between all labour, this can only occur under universalised commodity relations, which enable capitalists to calculate the price and the value of labour power within the competitive production norms intrinsic to commodity production. If the price of labour is not monetised and the reduction of concrete to abstract labour not well-advanced, then the possibility of the allocation of social labour in a manner efficient for capital is prevented. Without these conditions occurring the labour theory of value is irrelevant.

The crucial issue noted above is the value of labour power. Like the length of the working day, the monetary equivalent exchanged by the capitalist for labour power is subject to struggle. This occurs at the level of the state, of industry and in particular units of production. Increasingly as capitalism evolves, initially in the national context, these conditions are subject to socially determined norms. Wage norms are rarely simply the price of the means of subsistence required to reproduce labour power. Because labour power is not in actual fact a commodity it cannot be valued like other commodities. Although labour power assumes the appearance of a commodity, it is not actually a product of purposive labour.

8. The notion of 'immiseration of labour' results from the intensification of alienation (loss of control over production) and the appropriation of relative surplus value. See G. Kay, op. cit., pp.72-78.

9. K. Marx, 'Results of the Immediate Process of Production', appendix to Capital, Vol. 1, op. cit., pp.948-1084.

The value of labour power cannot be derived in any simple way because it is not produced within the commodity economy. Domestic labour and directly social labour are heavily involved. There are major constraints on the price of labour power. The social productivity of labour in commodity production and particularly in the production of the means of subsistence places real limits on price movements. Those commodities entering national and international markets place further constraints on the formation of a socially determined norm. But of greater importance labourers possess will, consciousness, imagination and the potential to reclaim ownership of their creative capacities.

Because the capital-labour relation is a class relation, the ascendancy of commodity relations almost immediately generates a response. This response takes many forms. The most important are considered below. First, a section of those potential or actual wage labourers may engage in political struggles to arrest or reverse the process. I would interpret much of the struggle in the 1850s and the 1860s over mining rights and access to agricultural land in this way; a resistance to proletarianising trends. Some miners and immigrants were self-consciously determined to become capitalists. In circumstances such as colonial Australia where the power of the capitalist class is weak and the democratic pressures substantial, necessary compromises result. Second, within the working class, initially within a skilled 'labour aristocracy', combinations or trade unions typically emerge as organisations to protect the privilege of skilled craftsmen, a kind of monopoly in the tradition of the old guilds.¹⁰ Despite its conservative, cautious and reactive nature old unionism - as it is generally termed - lays the basis for working

10. The early history of Australian unionism has been sketched by J.T. Sutcliffe, A History of Trade Unionism in Australia, Macmillan, Melbourne, 1967, and B. Fitzpatrick, A Short History of the Australian Labor Movement, Macmillan, Melbourne, 1968.

class resistance to the worst excesses of the wages system.¹¹ The spread of unionism to the unskilled - new unionism - foreshadows a much wider potential; the challenge by organised labour against the wage system itself. In short the formation of a proletariat brings with it pressure to unite against the employing class, typically for better wages, reduced hours and improved conditions of work.

Thus the concern here is to sketch the formation of an Australian working class, the pressures to resist this process, the involvement of the state to secure the momentum of the general tendency and the resulting shape of the working class. The Australian experience resulted in comparatively favourable wage norms. This implies that the exploitation of wage labour was less ruthless while real wages were considerably higher in the Australian colonies than elsewhere.¹² Finally, because the premise and the result of commodity relations and commodity production is the existence and expansion of wage labour, the political domination of a capitalist class, i.e. an industrial capitalist class, occurs when state policy first works to reproduce workers and second, employs its financial resources to shape, educate and manipulate an appropriate labour force. The beginnings of such dominance are evident in Australia in the 1850s.

The Convict Labour System, 1788-1840

From the arrival of the First Fleet in 1788 the directives to

11. The distinction between old and new unionism is most clearly made in R.A. Gollan, Radical and Working Class Politics, Melbourne University Press, Melbourne, 1967, pp.50-109. See also M. Dobb, op. cit., pp.171-177.

12. The emphasis on the intensity of work and the precise notion of exploitation in marxism does not preclude the seeming paradox of increased exploitation and rising living standards. As Kay puts it, '... exploitation and living standards can rise together, [it] is not a theoretical anomaly but a general statement of one of the fundamental relations of the capitalist political economy'. See G. Kay, op. cit., p.49. For Marx's definition of the rate of exploitation, see Capital, Vol. 1, op. cit., p.326.

develop a self-sufficient colony and to reform the transported convicts were difficult to reconcile. Apart from the governor, his officials, and the military and naval personnel, the potential labouring class was almost exclusively convict. Little clear thought had been given to the problem of organising subsistence production. Governor Phillip lacked the relevant Instructions, agricultural implements and skilled workforce to initiate production in a hostile and exotic physical environment. Convict labour was lent to officers at public expense to encourage staple production. In 1789, responding to Phillip's initiative, the British government accepted the assignment of convicts to private employers provided these employers fed, clothed and housed their workers. For the next decade or so conflict continued between private employers, colonial governors - Grose, Hunter and King - and the Secretary of State for Colonies about the conditions of assignment. The British government wanted to minimise expenditure and cut the public subsidy to private producers: the producers complained that convict labour was inefficient and difficult to control; they claimed state provisioning and victualling was a necessity. The truth of these claims might be reasonably doubted. A further complication arose out of the accepted right of convicts to sell their labour in their spare time.¹³ By 1800 the confusions and contradictions in the experimental phase of convict labour were resolved through a series of regulations governing the employment of convicts in government and private service.¹⁴

These 1800 Regulations defined the rights and responsibilities of masters, and the control masters could exercise over convict labour. While they had considerable power over their convicts during working

13. On the magnitude and implications of this early labour market, see N.G. Butlin, 'White Human Capital in Australia 1788-1850', Working Papers in Economic History, No. 32, Australian National University, Canberra, April 1985, and B. Fletcher, Colonial Australia Before 1850, Nelson, Melbourne, 1976, pp.54-107.

14. T.A. Coghlan, Labour and Industry in Australia, Oxford University Press, London, 1918, Vol. 1, p.50.

hours they were instructed to refrain from flogging and to refer acts of insubordination, absence, laziness, etc., to local magistrates. Magistrates were limited to imprisoning offenders or sentencing them to fifty lashes. The Regulations were consistently revised and amended to give greater government control over the private use of convict labour. One further indication of attempted governmental control was the use of regular musters, initially weekly but revised to monthly by Macquarie, to keep a close watch on the population, land grants, employment of convicts and the state of production. These musters continued, causing considerable inconvenience, until late 1825. Indeed their use was illegal except for monitoring the convict population. From that time ordinary censuses were taken in the colony.

The origins of wage labour can be located in two distinct phases: first, elements of a private labour contract developed through the latitude offered by a loosely administered convict system; and second, the growth of free wage labour separate from the convict system. From the commencement of the convict system many attempts were made by colonial governors to introduce a work regime for convicts. These regulations involved various combinations of work hours, ranging from 11.5 to 9 hours per day, and piece work. In the time after compulsory work time or the set task was completed convicts could sell their labour.¹⁵ In 1800 this distinction between unpaid (for which a ration price was paid) and paid labour was clarified by regulation. In 1811 Macquarie issued further regulations controlling working hours and thus potential free time in which convicts could sell their labour power. A daily wage for free-time employment was set in 1795 and revised in 1800. Labour shortage and the assignment system made this form of wage control difficult to enforce.¹⁶

15. Ibid., pp.50-51.

16. The variation between Regulations and empirical realities is a theme of Butlin's preliminary research. See N.G. Butlin, 'White Human Capital 1788-1850', op. cit., passim.

The other major source of wage labour was that offered by ex-convicts, serving and retired officers and free immigrants. Ex-convicts were supposed to take any job available at government specified rates. But until 1809, laxity in the control of convicts and substantial privatisation of economic activity prevailed. In short until the 1820s the private labour market expanded before contracting to a modest size. This private labour market was nevertheless subject to changing government policy regarding the length of free time, wage rates and hours of work. Despite these Regulations phases of the assigned convict labour identified by Coghlan are somewhat misleading.

The first [stage] was when the men were fed and clothed at the expense of the government, the master having their labour without being required to support them; the second stage saw the men working without wages, but clothed, fed and housed by their masters and not by the government; and the final stage was when the masters not only maintained their assigned servants but paid them a wage.¹⁷

The extent of private activity by convicts on their own account and in private employment prior to Macquarie has been underestimated in the colony. An explanation for the early years of political and economic instability lies in this unusual feature of early colonial Australia.¹⁸

With the evolution of an organised convict system, especially in the 1820s, it is possible to distinguish certain features. There were three distinct groups under direct government control. First, those sent away to places of secondary punishment, Norfolk Island, Newcastle, Port Macquarie, Moreton Bay and Port Arthur, to live under harsh conditions and work in chain gangs (including the gangs employed for road building and land clearing in New South Wales). Second, the convicts employed on government buildings or on government agriculture: this group increased significantly to cope with Macquarie's town building programme. Third, convicts with recognised

17. T.A. Coghlan, op. cit., p.63.

18. An argument discussed by B. Fletcher, op. cit., pp.49-47.

skills or personal qualities were retained for government service and were appointed as constables, clerks and overseers.

Commissioner Bigge criticised Macquarie's public works policy for allegedly limiting the supply of convicts available for private assignment.¹⁹ In 1826 Macquarie's successor, Brisbane, followed Bigge's recommendations and reduced public employment of the construction workers. For convicts who remained in government service, Brisbane curtailed private employment, and introduced a ten hour day with rations and overnight housing in barracks or huts. The British government viewed favourably Bigge's recommendation of expanding assignment to large agriculturalists and pastoralists. The ratio of convicts in government service to assignment changed in favour of the latter after Macquarie's governorship.²⁰

Throughout much of the 1820s and into the early 1830s the pattern of increased private assignment continued. In the mid-1820s the demand for convict labour was sufficient to prevent harsh masters and ticket-of-leave holders from gaining access to assigned convicts. Convicts with scarce skills were able to gain additional employment; some highly skilled convict mechanics came close to becoming fully waged.

In 1835 changes in access to assigned convicts emphasised the links with land holdings. A precise formula linking assignment to the land area held was issued. Despite these Regulations skilled convicts continued to be assigned to non-land holders, and domestic servants (including factory-style urban employees) were readily available. By this time the treatment, conditions of work, rations and lodging for assigned convicts were comprehensively prescribed, at least in theory. Whether masters actually followed all these requirements is another matter.

19. J. Ritchie, Punishment and Profit: The Reports of Commissioner John Bigge of the Colonies of New South Wales and Van Diemen's Land, 1822-1823, Heinemann, Melbourne, 1970, p.112.

20. T.A. Coghlan, op. cit., pp.176-182.

Public pressure in Britain allied to some criticism of transportation in the colonies, provoked the House of Commons to establish a Select Committee into Transportation in 1837.²¹ In 1839 its Report condemned transportation and the convict system. As a result, an 1840 Order-in-Council suspended transportation to Eastern Australia, except for Van Diemen's Land and Norfolk Island. Public agitation inside and outside the New South Wales Legislative Council sought to reverse the decision. Transportation did in fact continue until 1851.

Ticket-of-leave holders constituted an important part of the workforce. They were a reasonably diverse group of convicts. Tickets-of-leave were granted to convicts whose behaviour appeared to warrant a reduction in their sentence. They were also granted for the purpose of travel and in other cases for long periods so convicts could work outside the assignment system. Finally, some employers hired convicts to other employers within the assignment system. Where granted tickets were for good behaviour, convicts required references from their masters to vouch for their good behaviour. Aside from residency restrictions and a good behaviour record, these ticket holders were free to work for wages or commence their own enterprises. Their legal position with respect to monies owed, however, made them economically vulnerable. Although Macquarie was an advocate of tickets-of-leave, the system remained haphazard until Governor Brisbane published a scale of remissions and appointed an administrative board of three magistrates.

Free labour re-established its importance in the 1820s. While free labour temporarily dominated the labour market before 1806 it took until about 1830 before the market was again largely restored. This means that the commodification of the labour market did not

21. See R.B. Madgwick, Immigration into Eastern Australia 1788-1851, Sydney University Press, Sydney, 1969, pp.105-116. For details, see the 'Report of the Select Committee on Transportation, 1837', British Parliamentary Papers, 1937, XIX, p.518.

follow a steady progression. Rather it went through two distinct periods of commodification separated by three decades. The transfer of many government convicts into private service between 1824 and 1827 affected wage rates. The problems of seasonal failures in agriculture from 1827 to 1829 had a continuing depressing effect. In 1830 demand for free labour strengthened. In the 1830s the wages and conditions of work for wage labour rose, especially for skilled tradespeople and mechanics. In general their nominal and real standard of living was markedly higher than in Great Britain. The formation of combinations was however inhibited by the Combination Acts.²² These Acts were replaced in 1824 and in 1828 an Act, introduced for the better regulation of servants, labourers and tradespeople,²³ imposed very powerful legal sanctions on those who damaged the property or failed to follow directions of employers. These prefigured the contractual relations between employer and employee. Although some free immigration occurred in the 1820s it was not until the 1830s that assisted migration became significant. This is discussed in the next section.

By 1830 the convict and ex-convict population still outnumbered the free immigrant and colonial-born population.²⁴ Nevertheless, the convict and ex-convict population contained significant and growing elements of wage labour. But it would take a further two to three decades before the commodification of labour power was well-developed.

Systematic Colonisation and Assisted Immigration, 1830-1846

I noted in Chapter Three that the object of Wakefield and his

22. A. Merritt, 'The Development and Application of Masters and Servants Legislation in New South Wales 1845 to 1930', unpublished Ph.D thesis, Australian National University, 1981, pp.1-35, and T.A. Coghlan, *op. cit.*, pp.213-214.

23. M. Sullivan, 'Master and Servant in New South Wales Before 1850', *The Push from the Bush*, No. 3, May 1979, pp.44-49.

24. N.G. Butlin, 'White Human Capital', *op. cit.*, Table IV, p.13. For the changing ratios in the male workforce, see Table VIII, p.19.

allies was to forge capitalist property relations in the colonies. Land policy was an essential part of meeting such an objective. The revenue from the alienation of the public estate was to be used for assisted immigration. As well as developing the colonies it would reduce overpopulation in Britain and Ireland. The combination of land alienation and assisted immigration was a powerful force in expediting the formation of capitalist property relations and commodity production in the Australian colonies.

Imperial emigration policy was not advocated solely by Wakefieldian reformers of colonial land policy. Private initiatives by British merchants, shipowners, shipbrokers, passenger agents, bankers and investors were pursued vigorously. Already involved in lucrative commodity trade and finance in the Australian colonies and mindful of the labour shortages, these merchants and financiers became politically mobilised. In that process the ideas of the colonial reformers were harnessed for somewhat different purposes. Between 1831-1847 private enterprise worked to shape an imperial emigration policy, that would influence colonial political economy.²⁵

Prior to 1830 imperial policy had been oriented toward attracting capitalists who on arrival in the colonies were eligible for land grants, assigned convict labour and the elementary instruments of production. Propertyless labourers and free settlers were not actively encouraged to emigrate to New South Wales unless they had substantial capital. It was hoped that capitalist agriculturalists would expand production, create greater self-sufficiency and reduce the burden of the convict system on public finances. However even Macquarie's emphasis on intensive land cultivation, land grants to small settlers, ex-convicts and productive enterprises only mitigated

25. See F.J.A. Broeze, 'Private Enterprise and the Peopling of Australia, 1831-1850', Economic History Review (2nd series), Vol. 35, No. 2, May 1982, pp.235-253; R.B. Madgwick, *op. cit.*, pp.150-168, and O. MacDonagh, 'Emigration and the State, 1833-1844: An Essay in Administrative History', Transactions of the Royal Historical Society, (5th series), Vol. 5, 1955, pp.133-159.

the worst excesses of restrictive practices among private landowners, officers and merchants. The result was a tendency for these capitalists to speculate on and accumulate private property (land, commodities, trade bills, etc.) while not expanding cultivation as rapidly as might have been expected. British emigration policy and Brisbane's antipathy to non-capitalist immigrants led Madgwick to state: 'On the surface Government policy during the period from 1815 to 1825 seemed to aim at even further turning New South Wales into the nineteenth-century equivalent of a plantation colony.'²⁶

From 1825-1830 small capitalists, English farmers and merchants did emigrate to Australia, though the typical immigrant still brought considerable capital (sometimes exceeding £2,000). It was often the children of these wealthier free settlers who made a major contribution, with the ensuing financial rewards, to the development of private economic activity. British wage labourers found the passage costs and opportunities in the United States and Canada far more appealing.

A turning point in imperial emigration policy with important implications for Australia occurred in 1831. With widespread industrial, agricultural and popular unrest, onerous poor laws and insoluble discontent in Ireland, the British government reconsidered its previous reticence and began to favour mass emigration of the propertyless, the poor, the unemployed and the destitute. New land regulations and emigration policy reflected the connection between imperial control over colonial landed property and the employment of revenues generated from land alienation for the purpose of assisting colonial immigration.²⁷ Without prior imperial political hegemony

26. R.B. Madgwick, op. cit., p.50.

27. R.B. Madgwick, op. cit., pp.67-87; P. Burroughs, Britain and Australia 1831-1855: A Study in Imperial Relations and Crown Lands Administration, Oxford University Press, Oxford, 1967, pp.59-75, and R.C. Mills, The Colonization of Australia, 1829-1842: The Wakefield Experiment in Empire Building, Sidgwick and Jackson, London, 1915, pp.177-194.

over colonial possessions, the attempt to place the colonies in a new relationship with the imperial metropolis would have been more difficult to achieve.

In 1831 the Commission for Emigration was established to promote the emigration of single women between the ages of 15 and 30 years for colonial domestic labour.²⁸ Nevertheless a third of the initial Treasury appropriation of £10,000, augmented from colonial land sales, was ear-marked for the emigration of male mechanics. Private agencies linked to merchants and shippers recruited these emigrants; the result was widespread abuse of selection guidelines and neglect of the safety of emigrants in transit. In 1835 the system was modified by the introduction of bounties paid in the colonies for appropriate immigrants on arrival.²⁹ More bureaucratic machinery was created to improve the quality of immigrants because of complaints about the prostitutes and paupers who arrived in Australia. The Bounty system (1835-1841) put the onus on colonists to select suitable immigrants (with guidelines relating to age, occupation, health and fitness) and on arrival in the colony these immigrants had to satisfy a Local Board of Emigration Commissioners before the bounties, £30 for married couple, £15 for each child over 15 years and £15 for unmarried females aged 15 to 30 years, could be paid.

Changes in the scale of bounties between 1837 and 1840 merely intensified the speculation and unscrupulous control exercised by shipowners and merchants over the bounty system. Merchants stood to profit from their human cargoes. As potential consumers and producers, such immigrants further enhanced long-term mercantile interests in the colonies. The colonial bounty system introduced a form of indentured labour lacking the formal legal rights of free wage labour.

28. The factors leading to the Commission's establishment are examined in P. Burroughs, op. cit., pp.69-75 and MacDonagh, op. cit., pp.74-90.

29. The bounty system is discussed in R.B. Madgwick, op. cit., pp.150-168.

In 1840 Lord John Russell at the Colonial Office established the Colonial Land and Emigration Commission to co-ordinate and more closely regulate the land and emigration policies for the colonies.³⁰ This new body reduced colonial influence over the eligibility criteria for immigrants and actually strengthened the influence of shipowners and merchants. In 1842 assisted immigration to the Australian colonies was suspended as a result of depression and unemployment. In 1844 a modified bounty system brought a further 4,000 immigrants in that year and several hundred in 1845 before immigration was again suspended, much to the chagrin of colonial capitalists who were demanding an expanding labour force.

Under Earl Grey, as Secretary of State for Colonies, there was less ideological commitment to assisted immigration to Australia; as a laissez-faire free trader Grey was more attached to specific schemes (Mrs Chisholm's women, Irish orphans, etc.) rather than direct state intervention in the labour market. The gold rushes resolved the growing conflict over convict labour, assisted immigration and colonial labour shortage by encouraging the arrival of petty bourgeois, skilled labourers and free wage labour to the colonies. Prior to the gold rushes, colonial pressure to end transportation, modify land policy and most importantly, to transfer decisionmaking to the colonies was growing. There had always been considerable suspicion in the colonies about British motives with respect to assisted migration. Clearly more acceptable than convict labour, assisted immigrant labour was not judged as fully equivalent to free wage labour and was perceived by some workers as responsible for the falling wage rates. These problems were resolved by a combination of luck and law.

30. On the establishment and operation of the Commission, see F.H. Hitchins, The Colonial Land and Emigration Commission, University of Pennsylvania Press, Pennsylvania, 1931. The Commission's Reports have been published in the British Parliamentary Papers, 'Emigration', Vol. 10 and 11, Irish University Press, Shannon, 1969.

The Development of a Colonial Labour Market, 1847-1860

The decade of the 1850s was one of great instability in the labour market. Even in New South Wales, where the gold rushes had less direct impact than in Victoria, it was still substantial. Although goldfields were discovered in New South Wales, the Victorian fields were more productive and attractive. While there were some 4,000-5,000 miners in New South Wales in 1852, more than 12,000 potential diggers had left New South Wales by sea for the Victorian fields. The discovery of gold had important implications for the continuation of transportation. Although Britain had maintained transportation to Van Diemen's Land, this too was ended in 1852. It had been assumed that reformed convicts from the southern island would eventually become general labourers on the mainland; with the discovery of gold this was no longer desirable.

The immediate impact of the process of internal migration within the colonies, the diversion of new immigrants to Victoria and their movement to the goldfields, was a shortage of wage labour. This was especially the case for skilled workers. Labour was scarce; the cessation of assisted migration to New South Wales in 1851 only worsened the situation. But although wage rates rose for all classes of labourers, the range of wages was even more remarkable.³¹ In districts close to goldfields wages were especially high to compensate for resisting the temptation of mining. High wages continued until early 1855.

The pattern of wage rates not only had regional characteristics but was differentiated by skill. Tradespeople in short supply had rapid wage increases. General labourers improved their real standard of living, whereas domestic labour had only modest gains. In order to

31. T.A. Coghlan, op. cit., Vol. 2, pp.717-720. For an innovative analysis of the overall impact of the goldrushes to the economy, see R. Maddock and I. McLean, 'Supply-Side Shocks: The Case of Australian Gold', Working Papers in Economic History, No. 10, Australian National University, Canberra, March 1983.

find suitable workers, especially in the building industry, immigrants were obtained from the United Kingdom. As the position of wage labour strengthened in the extraordinary circumstances of the early 1850s a number of trade unions and friendly societies were formed.³² Stonemasons, shipwrights, carpenters and printers were active in this phase of early unionisation. By 1855 some workers went beyond the demand for improved wages and conditions and sought to reduce the working day to eight hours.³³ Indeed in 1855 the masons had achieved this objective. The Masters and Servants legislation which sets out the nature of the rights and responsibilities of labour and capital in the sale and purchase of labour power was renewed in 1852 and again in 1854. Many employers brought actions under this repressive piece of industrial legislation in an attempt to restore control over workers in the early 1850s.³⁴

In early 1855 conditions for wage workers deteriorated. In 1854 the Victorian economy was depressed, assisted immigration to New South Wales was resumed and a population inflow from Victoria and the United Kingdom resulted. In 1856 non-British immigrants were also secured. Wages began to decline in 1856 and 1857. And by 1858 oversupply of labour was leading to growing unemployment and irregular employment. While this trend of rising unemployment eased in 1859, it was sufficiently serious to end assisted immigration and provoke a Select Committee of the New South Wales Legislative Assembly to enquire into the social conditions of the Sydney working classes.³⁵ That Committee recommended changes in fiscal and land policy to ease the plight of

32. R.A. Gollan, *op. cit.*, pp.71-74.

33. H. Hughes, 'The Eight Hour Day and the Development of the Labour Movement in Victoria in the Eighteen-Fifties', Historical Studies, Vol. 9, No. 36, May 1961, pp.396-412.

34. A. Merritt, 'The Historical Role of Law in the Regulation of Employment - Abstentionist or Interventionist', Australian Journal of Law and Society, Vol. 1, No. 1, 1982, pp.57-86.

35. New South Wales Legislative Assembly, Select Committee on the Condition of the Working Classes, 1859, Report and Minutes of Evidence.

working people. To that end the Committee, chaired by Parkes, advocated:

... a wise and comprehensive system for promoting the settlement of industrious families on the public lands - the increase of producing power, and not the augmentation of current revenue to the treasury, being the principal object
³⁶

In the circumstances of falling wages and rising unemployment the newly created movement towards unions and shorter hours faltered. Moreover in March 1857 a new Masters and Servants Act was passed by the New South Wales legislature. This Act was symptomatic of the new contractual relationship between employers and employees. Its provisions are worth careful consideration.

The first Australian Masters and Servants Act was passed in 1828. Prior to that time the British Acts of 1747 and 1823 were enforced in New South Wales.³⁷ The colonial Acts of 1828 and 1840 Act were framed specifically to bring pastoral workers under the ambit of the legislation. Indeed most prosecutions by 1845 were directed against shepherds. The purpose of Masters and Servants legislation was to enforce fines and imprisonment for proven cases of

... failure to commence service, absenting from service without leave, misconduct while at work, loss of or damage to property of the "employer" in the worker's case, failure to pay wages due and ill-treatment of the worker.³⁸

After 1858 the emphasis was placed on fines rather than imprisonment. Each development of the New South Wales Act seemed to more and more closely specify pastoral workers. By 1845 this involved specific reference to:

... any artificer splitter fencer sheepshearer or person engaged in mowing reaping getting in hay or corn or in sheep washing, or other laborer who shall contract ... for the performance of a certain work at a certain price.³⁹

The significance of the redefinition in law of the position of

36. Ibid., p.11.

37. See A. Merritt, 'The Historical Role of Law', op. cit.

38. Ibid., p.60.

39. Ibid., p.66.

pastoral workers under the jurisdiction of Masters and Servants Acts was that contract law, applicable to relations between a principal and an independent contractor, did not apply to the corresponding regulation implied in the law pertaining to employed 'servants'. In theory and practice Masters and Servants legislation meant criminal proceedings (mitigated by the extension of fines in 1857) and were invoked against workers refusing to accept the employers' very considerable workplace authority. Thus a contract of employment was circumscribed by the issue of the price of labour power: the employers' control over the work process was legally guaranteed. Once legislated and enforced, this code of employment relations and rights dominated the developing form of industrial class struggle. The object was not to overcome wage labour but to fight for better and more explicit contractual rights in the wage relationship. From 1845 to 1860 pastoral employers struggled to harness the law so as to forge a pastoral labour force amenable to wage labour. Their attempts were successful.

In Victoria the labour market was very different. Gold discoveries in late 1851 at Ballarat and Mt Alexander stopped the exodus to New South Wales. A larger influx to the Victorian fields resulted. By early 1852 town labourers were almost impossible to obtain, wages rose and skilled labour was expensive and hard to find. Despite immigration this situation continued throughout 1852.⁴⁰ The start of a building boom in Melbourne in 1853 did not point to a significant reversal. The over-heated labour market remained until mid-1854. From that point a sustained downturn began, and despite a slight improvement in 1856 a less buoyant labour market remained until 1860.

In Melbourne conditions were especially difficult for unskilled workers. The speculative building boom collapsed, commercial activity was declining, the government retrenched part of its workforce and

40. T.A. Coghlan, op. cit., Vol. 2, pp.717-718.

public and private wage rates fell. Public pressure for land redistribution and government assistance to the unemployed was growing. Many gains in wages and conditions won by the skilled working class were lost. Strike action proved ineffective in such a climate. Many skilled workers were now prepared to take unskilled jobs at 7s. 6d. per day. The one bright spot for some workers was their briefly successful campaign for the eight-hour day.⁴¹ Skilled tradespeople - masons, carpenters and joiners, for example - formed unions under leaders experienced in British union struggles. By May 1856, at least in Melbourne, the eight-hour day was widely accepted.

While urban wages rose rapidly then fell and rural wages exhibited large variations, the earlier opportunities on the gold fields ended. By 1855-56 the bulk of miners were proletarianised, many working on deep-shaft mines at 14s. per day. Coghlan estimated that miners before the change to deep-shaft mining may have averaged £400 per annum (i.e. equivalent to a skilled worker or twice that of a common labourer).⁴² Variations between mining districts were immense. Unemployment continued to grow particularly in Melbourne. In the last years of the 1850s, strikes and industrial unrest in the railway construction workforce and among skilled workers grew. By 1860 wages were down to one-quarter of their peak, investment was slack and the future appeared bleak.

In Victoria the rise and fall in wages had been more dramatic than in New South Wales. Doubtlessly many goldminers and skilled workers had taken advantage of the situation to become small proprietors. The rise of savings banks, and friendly and building societies bear out these generalisations. The distance between small capitalists, professionals and skilled workers was not great in social terms. But despite these more fluid class relations the dominance of market forces in the field of employment was now clear. In response

41. H. Hughes, op. cit., and R.A. Gollan, op. cit., pp.71-74.

42. T.A. Coghlan, op. cit., Vol. 2, p.732.

to the vagaries of the labour market, pressure for land alienation and public works was widespread. We now turn to examine the attempt to reverse this process of proletarianisation.

The Populist Resistance to Commodification in the 1850s

The formation of a colonial working class did not occur without considerable resistance, especially in Victoria. Many of the miners who came to the New South Wales and subsequently the Victorian fields, were middle class in background, literate, and in some cases politically reformist.⁴³ Some of these immigrants had been active Chartists in Great Britain. Many miners were attracted by the thought of making quick fortunes and then returning home. There was nothing characteristically servile or deferential about the miners. Life on the diggings and their encounters with a corrupt and aggressive state strengthened their egalitarian, democratic and liberal sympathies. While the influx of free settlers was opportune for colonies with gold, other consequences were troublesome. Labourers from all colonies abandoned their employers and headed for the diggings. This was tantamount to a crisis for the employing class. Nowhere was this crisis more strongly felt than amongst farmers and pastoralists. Labour was expensive, unreliable, and available only on a short-term basis.

The response of government itself under pressure from employers, merchants and others dependant on a reliable work force was to assert Crown ownership rights over minerals and to introduce a licence fee of 30s. per month for diggers. In December 1851 this tax on labour was doubled in Victoria in an attempt to provide a workforce for the harvest.⁴⁴ Though this impost was later reduced, the extraction and

43. The causes and implications of Eureka are comprehensively examined in F.B. Smith (ed.), Historical Studies: Eureka Supplement, Melbourne University Press, Melbourne, 1954, passim.

44. T.A. Coghlan, op. cit., Vol. 2, pp.717-718.

the mode of extraction of a tax on labour, regardless of its productiveness, generated powerful resentment. At the same time public finances were in disarray, and consequently licence fees were required to pay for the motley police force and administrative machinery attempting to maintain law and order.

While these attempts to undermine the petty-bourgeois character of miners and to expedite their proletarianisation were tolerated in the early phase of mining, resentment grew for important reasons. By 1854 average returns were falling, alluvial gold was becoming scarce, competition from Chinese miners was growing and the need to organise companies for deep shaft mining was widespread. Moreover, the influx of diggers continued and the repressive licence hunts were stepped-up.

Miners responded by organising and petitioning Hotham for a reduced licence fee, which was granted, and for democratic political rights and legal reforms, which were not conceded. By 1854 the pressure felt by miners erupted into a full-scale resistance to political authority. Eureka and the reform movement it spawned were ultimately successful in meeting the miners' major grievances.⁴⁵ An export duty on gold replaced the licence fee. The unsuccessful miner was no longer taxed. Politically the new Victorian Constitution accepted full representation, payment of members, manhood suffrage and the abolition of property qualification,^{s.46} The miners also wanted easy access to agricultural lands. Thus in their resistance to governmental pressure toward commodification they fought for ownership of Crown Land.

The irony of this largely successful political movement was that new economic conditions would ultimately blunt the impact of their campaign. The partnerships and companies that came to dominate gold mining reduced the bulk of remaining miners to wage labourers.

45. F.B. Smith (ed.), op. cit., pp.111-122.

46. For the provisions of the new Constitution, see W.G. McMinn, A Constitutional History of Australia, Oxford University Press, Melbourne, 1979, pp.48-57.

Economic access to the means of production in gold extraction was now beyond the resources of most individual miners. Where alluvial gold remained, the Chinese workers threatened the livelihood of white miners. Racism emerged within the working and middle classes.⁴⁷ Meanwhile the labour shortages had encouraged the pastoralists to increase their capital expenditures, principally on fencing, again raising the financial barrier to entry. The remaining potential means of maintaining the independence of the small producer was in manufacturing or agriculture. The former required skill, entrepreneurial talent, modest capital and some luck. The latter required access to farming land. Ultimately the goldrushes generated a variegated working class; the call to unlock the land appears as one last means to check this process.

Pressure for land reform was not an exclusive domain of gold miners. A whole range of interest groups opposed the squatters. They included landowners, some advocates of free trade and those more concerned to undermine the political influence and social status the squatters had gained.⁴⁸ In New South Wales pressure to redistribute pastoral land was equally strong. Furthermore, the pressure was discernible in the 1840s. Goldminers with their class and ideological orientations simply added a strong and coherent voice to the demand for more equitable land ownership and access. Urban unemployment became a troublesome issue in Melbourne and Sydney in the late 1850s. The 1861 Crown Land Alienation and Crown Land Occupancy Acts of New South Wales, and Victoria's Crown Land Act 1862 were the tangible result of this pressure.⁴⁹ The new political constitutions were thus effectively used to redress property rights. However, these rights were not changed to advantage smallholders but to make the conditions

47. A. Markus, Fear and Hatred: Purifying Australia and California, Hale and Iremonger, Sydney, 1979.

48. D.W.A. Baker, 'The Origin of Robertson's Land Acts', Historical Studies, Vol. 8, No. 30, May 1958, pp.166-182.

49. This legislation and its consequences are discussed in Chapters Seven and Eight, pp.242-326.

of entry equitable within a system of private property rights and commodity relations. This form of 'bourgeois equity' consolidated advantage to those with financial resources or the means to raise capital. Access to appropriate technology and good quality land was also fundamental. Here again financial resources were decisive. Many small producers permanently in debt were forced to exploit their families to secure a modest living. The picture of bankruptcy, gruelling labour and domestic exploitation belie the lofty ideals of a republic of small landholders.⁵⁰ This second attempt to resist the commodification of labour was temporarily successful, but in time the laws of private property, commodity production and capitalist competition would turn this into a largely Pyrrhic victory.

The third avenue of resistance to the rise of wage labour was to the formation of unions and thus restricted entry to particular skilled professions.⁵¹ In principle this form of unionisation is not significantly different from those attempts to force prices up by restrictive practices. The concept of traditional unionism resulted in some urban craft unions being formed in the 1840s. Despite the seeming success these unions had with their campaign for an eight-hour day and the formation of a Trades Hall Council in 1859, the overall impact was not significant; the real growth of unionism was yet to come.

Thus we can see that all three means to resist the commodification of labour met with little success. On the one hand, the political advantages that were exploited by individuals and social groups when government was amenable to patronage were now more difficult to employ. On the other hand, the eclipse of patronage was characterised by the universalisation of liberal notions of economic rights. These rights conferred economic power and therefore rights of access, ownership, appropriation, including control over the labour

50. For a fictional account, see Steele Rudd, On Our Selection, Angus and Robertson, Sydney, 1962.

51. See R.A. Gollan, op. cit., pp.69-74.

process and the economic surplus, on those with financial resources. Property was now an economic right protected by law and the state. Access and ownership to the means of production were now open to those with adequate financial resources. Conversely wage labourers generally lacked the necessary resources and despite their entry to parliamentary politics their effectiveness was limited. The democratic representative state was built on the distinction between the private and the public, civil society and the state, the economy and the polity; the private sphere, i.e. the economy, might be subject to political regulation but not to fundamental transformation within the Constitution. These changes in economic power and political institutions signify the ascendancy of a capitalist class and the formation of a bourgeois state.⁵²

Conclusion

By 1860 the result of the commodification of labour was obvious; the bulk of the economically active population had become wage labourers. These wage labourers were distributed in urban and rural trades and as general labourers. The high wages and protection afforded by the gold discoveries were ended, and considerable unemployment and underemployment were evident. The power of unionism was very modest, especially amongst the unskilled. Rudimentary public charity and attempts to encourage labour to migrate into agricultural areas were undertaken. Public employment in road building and rail construction was beginning to assume new significance. The convict origins of much of the workforce was now of little account, amounting to between 10 and 12 per cent of the workforce. While the new constitutional arrangements, colonial self-government and manhood suffrage strengthened the political powers of wage earners, their organisation, mobilisation and ideological coherence was minimal.

52. This notion of the relationship between civil society and the state is derived from A. Gramsci, The Prison Notebooks of Antonio Gramsci, Lawrence and Wishart, London, 1971, pp.210-276.

Moreover, a whole gamut of guarantees for the maintenance of private property limited the power of organised workers. Industrial legislation protected the employers' prerogatives.

Although one can point to evidence of concessions, compromises and resistance to commodification, the conclusion is self-evident: for the remaining period of the nineteenth century the processes of commodity production within capitalist relations of production would dominate the Australian colonial economies. The commodities production, their mode of produced and the complexity of ownership relations and rights amongst various claimants (colonial and imperial, commercial, industrial and financial capitalists) had yet to be fully resolved, but the essential pre-requisites for the capitalist 'take-off' were forged. All that remains for investigation is the concomitant transformation of the political machinery (the state).

CHAPTER 5

CLASS, STATE AND COLONIAL AUSTRALIA, 1830-1860

A democratic republic is the best possible political shell for capitalism, and therefore, once capital has gained possession of this very best shell ... it establishes its power so securely, so firmly, that no change of persons, institutions or parties in the bourgeois democratic republic can shake it.

(V.I. Lenin, 'The State and Revolution' in Selected Works, Progress Publishers, Moscow, 1971, p.272.)

Introduction

This Chapter briefly examines aspects of the Australian colonial state, 1830 to 1860. The theory of the state in the marxist literature is complex and contradictory,¹ nevertheless a few generalisations are relevant. A capitalist state reflects the historically specific nature of class relations in any given social formation. The distinction between economic and political aspects of society is a result of developed capitalism.² Consequently in the early phases of the formation of capitalist relations of production the separation of economics and politics, public and private, is quite

1. For surveys of the literature, see D.A. Gold, C.Y.H. Lo and E.O. Wright, 'Recent Developments in Marxist Theories of the Capitalist State', Monthly Review, October 1975, pp.29-43, A.M. Bridges, 'Nicos Poulantzas and the Marxist Theory of the State', Politics and Society, No. 4, 1974, 161-190, and J. Holloway and S. Picciotto, 'Introduction: Towards a Materialist Theory of the State' in their edited State and Capital: A Marxist Debate, Edward Arnold, London, 1978, pp.1-31.

2. E. Meiksins Wood, 'The Separation of the Economic and the Political in Capitalism', New Left Review, No. 127, May-June 1981, pp.66-95. See also the comments by Gramsci in Q. Hoare and G.N. Smith (eds), Selections from the Prison Notebooks of Antonio Gramsci, Lawrence and Wishart, London, 1973, pp.257-265.

undeveloped. This is further compounded in the case of a colonial state, where the bases of political authority were imported from outside the colony itself.³

Once the institutions of the colonial power were established in a formal way within a colony, the nature of the characteristic economic relations began to modify the political structure. In the case of the Australian colonies a period of imperial neglect, 1792 to 1809, enabled some well-entrenched private interests to gain undue political influence. These interests in turn exploited the state's authority to gain access to considerable economic resources. The struggles between formal imperial control, the difficulties experienced by some governors and the growing power of a merchant-landowning class reached crisis proportions in the 1810s and early 1820s. The re-imposition of imperial control between 1810 and 1823 was thus especially complex. This process of re-establishing imperial authority and then forging a political framework capable of allowing colonial officials and capitalists the rights to express their interests resulted in significant constitutional reforms which, together with the growth of a colonial civil society, occurred between 1833 and the late 1840s.

By the 1850s the final phase of the process was completed when a representative capitalist democracy was established. This widened the democratic forms of participation in the state but maintained the hegemonic position of the Anglo-colonial capitalist classes. I now explore this sequence of changes in more detail.

The Decline of Direct Imperial Political Control

The purpose of this discussion is to examine the transformation

3. The theoretical argument is developed by C.V. Braunmuhl, 'On the Analysis of the Bourgeois Nation State Within the World Market Context: An Attempt to Develop a Methodological and Theoretical Approach' in Holloway, J. and Picciotto, S. (eds), *op. cit.*, pp.160-177. See also J.R. Seeley, *The Expansion of England*, University of Chicago Press, Chicago, 1971, pp.231-243.

in political institutions and legitimate authority that culminated in the granting of self-government in 1856. The reason for this transformation lies in the political, constitutional and ultimately class character of colonial New South Wales and Victoria. In order to define the power of the imperial state in New South Wales prior to the establishment of colonial political institutions, we proceed from the formal responsibilities assumed by the British Crown in 1788. Next the period 1823 to 1842, frequently seen as the period of pastoral political domination is discussed.⁴ Finally the important reforms generated in the 1840s and 1850s are assessed and contrasted with the remaining limitations on colonial autonomy.

For colonial Australia, it is useful to commence analysis with the British state, an experienced and powerful world political force. An imperial state often seeks to maintain or transform property relations and forms of surplus extraction on an extensive, supra-national basis. The imperial state responds to national and colonial class relations. It may also have to contend with rival imperial states.⁵ Under the aegis of the imperial state and given favourable circumstances, a semi-autonomous colonial civil society may evolve, and a distinctive colonial political economy generating specific and hitherto unrepresented demands may emerge. A political struggle for representation occurs. The colonial state becomes responsive to conflicting imperial and class interests. A form of self-government is a means to resolve these conflicts and give political leadership to an ascendant class. But given our premises about capitalist states we would expect the imperial state to hold strong reserve powers. The colonial state is a semi-autonomous but ultimately dependent political structure premised on imperial power:

4. For example, R.M. Hartwell, 'The Pastoral Ascendancy, 1820-50', in G. Greenwood (ed.), Australia: A Social and Political History, Angus and Robertson, Sydney, 1975, pp.46-90.

5. R. Hilferding, 'The Materialist Conception of History' in T. Bottomore (ed.), Modern Interpretation of Marx, Basil Blackwell, Oxford, 1981, pp.125-137, and C.V. Braunmuhl, op. cit.

a colonial state is, to a considerable extent, a contradiction in terms. We discuss this contradiction below.⁶

The precise nature of the early colonial state in New South Wales is unclear. No systematic research on the establishment and evolution of the Australian state exists. Constitutional histories by Melbourne, Sweetman and McMinn⁷ are more concerned to define formal political powers than to advance analysis and interpretation. In part this weakness indicated the lack of theorising in Australian historiography. Just as important, indeed probably more so, are the actual difficulties in grasping a state whose determinants are both external and internal (imperial and colonial) and whose initial areas of legitimate responsibilities were all embracing.

The Imperial State in Colonial New South Wales, 1788-1822

In assuming rights of ownership, occupancy and control over the territory, natural resources and peoples of eastern Australia, the British government was engaged in imperialist territorial expansion. The precise object of this annexation remains the subject of historical debate.⁸ The immediate concern of British authorities was with the settlement, control, sustenance and productive employment of a transported convict population. The founding governor of New South Wales, Captain Arthur Phillip, was granted through a Commission and Instructions, wide-ranging responsibilities and powers. Although the

6. See pp.197-202.

7. A.C.V. Melbourne, Early Constitutional Development in Australia (ed. and Introduction by R.B. Joyce), University of Queensland Press, St. Lucia, 1963; E. Sweetman, Australian Constitutional Development, Macmillan, London, 1925, and W.G. McMinn, A Constitutional History of Australia, Oxford University Press, Melbourne 1979.

8. The most interesting recent contributions to the debate are M. Steven, Trade, Tactics and Territory, Melbourne University Press, Melbourne, 1983, and A. Frost, Convicts and Empire: A Naval Question, Oxford University Press, Melbourne, 1980. An earlier though valuable collection of materials was G. Martin (ed.), The Founding of Australia: The Argument About Australia's Origins, Hale and Iremonger, Sydney, 1978.

governor's ultimate powers derived from his status as servant of the British Crown, in practice he exercised considerable autonomous power. Within the limit of his Instructions and Commission the governor was empowered to direct subordinate officials, to appoint justices of the peace, to grant land, to regulate economic activity, to remit sentences and, if necessary, to declare martial law and to appoint a successor.⁹ These powers, with minor modification, remained vested in the office of governor for three decades. To assist administration, a rudimentary legal system with courts of criminal and civil jurisdiction was created in 1786 by a British Act of Parliament. However these courts remained under the governor's patronage.¹⁰

From 1788, New South Wales was ruled by military means on the basis of prison discipline. The governor was simultaneously the locus of executive, legislative, judicial and administrative power. From an economic perspective, he controlled rations, finance, labour and land. In short, he had totalitarian powers. The 1786 governor's Commission established executive and administrative control. The governor's daily orders, proclamations, later routinised and published in the Gazette, were de facto legislation. The judiciary retained a semblance of autonomy. The Deputy Judge Advocate, with his own Commission, and six nominated officials constituted the criminal judiciary. The criminal court had power to examine the defendant and witnesses under oath and to pass sentence, capital and corporal. Because the governor had to consent to capital punishment and could remit sentence, and alternatively could postpone trial, his power to control proceedings was considerable. Finally, the governor's powers of patronage enabled him to nominate officials, who were then subject to his authority. In the civil judiciary a different system prevailed. This court consisted of the Deputy Judge Advocate and two

9. A.C.V. Melbourne, op. cit., p.6.

10. Ibid., p.11. See also R.W. Connell and T.H. Irving, Class Structure in Australian History, Longman Cheshire, Melbourne, 1980, pp.32-33, and W.G. McMinn, op. cit., pp.2-3.

'fit and proper' persons. Such persons were appointed to the bench by the governor to adjudicate disputes over property, contract and inheritance. In these matters appeals to the governor could be made.¹¹

The governor was restricted in his exercise of autocratic power in three ways. First, as an officer of the British Crown he was required to act within his Commission and Instructions. New instructions and correspondence from Whitehall facilitated the adaptation of these powers to changing circumstances. But even when governors exceeded their powers they were generally supported by imperial authority. Macquarie's 1813 Currency Regulations, for example, and his 1817 Charter of Incorporation for the Bank of New South Wales, though extra-legal, were subsequently accepted.¹² Second, the governor was dependant in his practical exercise of power on the co-operation of the military. The initial naval company sent to New South Wales under the command of Lieutenant-Governor Major Ross was unreliable. The marines were replaced in December 1791 by the New South Wales Corps, commanded by Major Grose. Between Phillip's departure and Governor Hunter's arrival, three years elapsed during which the Corps' leaders - Grose then Patterson - and the officers employed these powers over land, labour and commerce to control much of the colony's economic resources. Military power was easily translated into economic power; indeed political and economic power were fully integrated.¹³ Third, as the trickle of free settlers entered New South Wales a primitive civil society began to take root. Initially the free settlers were totally dependant on government

11. A.C.V. Melbourne, op. cit., pp.14-28, and R.W. Connell and T.H. Irving, op. cit., pp.33-34.

12. See the comments of S.J. Butlin, Foundations of the Australian Monetary System 1788-1851, Sydney University Press, Sydney, 1968, pp.110-119, and R.F. Holder, Bank of New South Wales: A History, Vol. 1, Angus and Robertson, Sydney, 1970, pp.10-18.

13. A theme in H.V. Evatt, Rum Rebellion: A Study of the Overthrow of Governor Bush by John Macarthur and the New South Wales Corps, Angus and Robertson, Sydney, 1968.

support, but in time they expressed political and economic demands inconsistent with the governor's near monopolisation of power.

The formal powers vested in the British Crown and its representatives were, however, significantly shaped by early economic privatisation. Many private fortunes were generated by the privileged access government officials and the military had to nominally public resources. Moreover, the extent of private economic activity before 1810 gave the formal structure of political authority a somewhat illusory character in New South Wales. The rapid expansion of free enterprise, built upon frequent 'abuse' of public office undermined the pattern of imperial control. During the Napoleonic wars this weakening of imperial direction was at its height.

The political and economic ascendancy of the military and its civilian merchant allies proved vexatious for Governors Hunter, King and Bligh. Not until Macquarie's arrival in 1809, the recall of the New South Wales Corps and the clear exercise, with imperial backing, of the governor's prerogatives was proper governmental authority re-established. Rid of military insubordination, Macquarie had to contend with civilian discontent. This discontent influenced British authorities to re-consider the purpose, direction and administration of New South Wales in the early 1820s. Macquarie provoked public controversy on a number of fronts. His emancipist policies irritated free settlers, as did increased government employment of convicts and his public building programme. His appointments to and control over the judicial system were severely criticised, disquiet over taxation policy surfaced and his personal vanity was the subject of widespread comment. All these criticisms can be subsumed under a more pressing issue: the contradiction between a convict colony and a settler colony were compounded by the power of patronage again within the governor's hands.¹⁴

14. C.M.H. Clark, A History of Australia, Vol. 1: Earliest Times to the Age of Macquarie, Melbourne University Press, Melbourne, 1962, pp.263-380.

In 1819 the British Government appointed John Thomas Bigge to enquire:

... into the present state of the settlements in our territory of New South Wales and its dependencies, and of the laws, regulations and usages, civil, military and ecclesiastical prevailing therein ... [including] ... every other matter or thing in any way connected with the administration of the civil government.¹⁵

Bigge's brief came as a reponse to colonial and imperial criticism of the direction in which the settlement of New South Wales was moving. Bigge reported on most aspects of colonial life, including political-juridical arrangements. Bigge's conception of the Australian colonies marked an important re-assessment of imperial priorities. He favoured the exploitation of Australian natural resources and the harnessing of convict labour under the control of a wealthy immigrant capitalist class.¹⁶ The purpose of this economic development was in part to produce a suitable staple for British industrial and mercantile requirements. This idea was somewhat at odds with Macquarie's emancipist smallholder ideals and the emancipist ideology expressed by W.C. Wentworth, its leading spokesman.¹⁷ While Bigge recommended the formation of a Legislative Council it was an initiative which, despite the governor's powers of recommending nominations, helped entrench conservative (exclusivist) interests. It also broadened the base of conservative control, expanding the possibilities for internal conflict.

A Legislative Council was formed in 1823 and provided a forum for colonial economic and political groupings to express their concerns. For more than three decades before this major reform, the formal

15. Commons Papers, 1823 (523), xiv, p.633, cited in A.C.V. Melbourne, op. cit., p.57.

16. J. Ritchie, The Evidence to the Bigge Reports, Vol. 2, Heinemann, Melbourne, 1972, pp.164-185. More generally on Bigge's report, see J. Ritchie, Punishment and Profit, Heinemann, Melbourne, 1970.

17. W.C. Wentworth, Statistical History and Political Description of the Colony of New South Wales, Facsimile reprint, Doubleday, New York, 1959, passim; see also A.C.V. Melbourne, op. cit., pp.65-74.

powers of the imperial state's representative were unchecked, though periodically subverted rather than restrained. In earlier Chapters we examined how land distribution and allocation of convict labour were influenced by the governor's Instructions and initiatives. Bigge's explicit concerns show just how contentious the extent and direction of the governor's initiative had become. In practice the governor had depended on the military and the public officials to maintain law and order and to regulate social life. A public bureaucracy for commerce, land, labour supervision and regulation and for maintaining provisions was created, in addition to the legal bureaucracy. The complicated relations between governors, the military and the bureaucracy, further complicated by their links with civilian merchants, landowners and agricultural producers, opened up much space for political rivalry. The distance, poor communications and inadequate knowledge characterising imperial-colonial linkages aggravated the problems of authority.

The evident political tensions within the ruling and propertied classes were expressions of fundamental political contradictions. Whilst it is useful and accurate to see powerful personalities as expressing and pursuing antagonistic positions, an explanation of social divisions cannot rest on personal rivalries. By the 1820s we can discern some major differences among those trying to shape colonial political economy. The original conception of a penal colony supported by subsistence agriculture had outlived its usefulness. Political and military power, translated into economic power, enabled a class of property holders to become established. Local and recently arrived merchants seized commercial opportunities. Emancipated convicts and free immigrants were able to receive modest land grants. An urban, ex-convict and free population was appearing. British capitalists were beginning to see opportunities for the creation of wealth in Australia.¹⁸ With these newly formed and expanding social

18. See F. Broeze, 'Foundations of Fortune: The Imperial Axis Flower-Salting-Challis', The Push from the Bush: A Bulletin of Social History 1838, No. 38, December 1980, pp.50-74.

groups came new conceptions of colonial development. Intrinsic to these emergent classes were the notions of establishing a profitable position for New South Wales in the imperial division of labour. Merchants' livelihoods were based on commodity production and exchange. The rapid expansion of colonial and imperial markets was a necessary condition of their future prosperity. Merchants, landowners and money capitalists concerned with economic expansion came into sustained conflict with the architects of imperial convict and colonial policy. The actual development of colonial politics in the 1820s and 1830s was determined by the conflict over the course of future economic development. We now turn to discuss this in greater detail.

The Growth of Colonial Civil and Political Society, 1823-1860

Recommendations in the Bigge Report and numerous claims about Macquarie's abuse of power encouraged the British Government to revise the political system in New South Wales. Forbes and Stephen were entrusted to draw up a new 'constitution' for New South Wales.¹⁹ The new arrangements were posited on five basic principles: English law where relevant should apply to New South Wales; a nominated Legislative Council should advise and legitimate the governor in his exercise of authority; the governor could not legislate on subjects where the bills were repugnant to English law; the judiciary was to be modified, enhancing the position of the Chief Justice; and, while subordinate to the governor, the Legislative Council could debate and vote on proposed legislation. By making the Chief Justice responsible for assessing whether a proposed bill was repugnant to British law and by creating a Legislative Council, executive functions were separated

19. Forbes was Chief Justice and Stephen was the Colonial Office Counsel. See W.G. McMinn, op. cit., pp.19-22 and E. Sweetman, op cit., pp.51-56.

and thereby became more responsive to exclusivist colonial opinion.²⁰

Initially the members of the Legislative Council were government officials appointed by the Secretary of State for colonies. In 1825 this system was modified. Four officials together with three private citizens were given enlarged political responsibilities. In 1828 Stephen drafted a Bill again enlarging the Council. While largely excluded from political deliberations the emancipists made common cause with the exclusivists in the mid and late 1830s.²¹ Neither the 1823, 1825 nor 1828 reforms were in the emancipists' view adequate. Their grievances concerned transportation and immigration, the operation of the jury system, the transfer of fiscal responsibility for gaols and police to the colony (1834), the land allocation system and the lack of consultation about proposed constitutional amendments.

The proposed changes canvassed in the late 1830s included substantial increases in representation and the separation of southern and northern parts of New South Wales, and were incorporated in a proposed Bill later withdrawn (in 1840) in deference to colonial opinion. Once again land ownership and disposal was central to the colonists' antagonisms. The Secretary State, Lord Stanley, oversaw through the British Parliament of an 1842 Act covering both colonial government reform and the sale of waste land. The new Legislative Council was composed of twelve nominees (of whom only a maximum of six were to be governmental officials) and twenty-four elected representatives. Strict property qualifications for electors and candidates prevailed.²²

The governor retained powers to withhold assent or reserve bills for British considerations. Money bills required an executive message from the governor to initiate legislative consideration. Land

20. A.C.V. Melbourne, *op. cit.*, pp.98-103.

21. *Ibid.*, pp.152-162, and E. Sweetman, *op. cit.*, pp.66-75.

22. W.G. McMinn, *op. cit.*, pp.28-33 and A.C.V. Melbourne, *op. cit.*, ppp.269-289. A selected and condensed version of the Act is reprinted in K.R. Cramp, The State and Federal Constitutionns of Australia, Angus and Robertson, Sydney, 1913, pp.42-47.

revenues were excluded from the Council's legislative powers. The governor had imperial Instructions to spend one half of land revenue on assisted immigration and to follow orders regarding the balance. So while the British Crown extracted ground rents and taxes, the Legislative Council in New South Wales was rendered powerless to affect revenue raising and the direction of public expenditure. Despite such restrictions, these constitutional changes opened-up a space for colonial public opinion, which in time cohered into the demand for responsible if not representative government.

Various streams of political opinion and theoretical argument were directed towards political change. Lord Durham's 1838 Report recommending responsible government in Canada was eagerly seized upon as an exemplar for Australia.²³ In the Legislative Council the liberal Wentworth led the opposition against the Crown's powers. Lack of financial autonomy, resistance to the idea of district councils and most decisively the land question during the 1840s depression, strengthened colonial resolve. In particular the new land regulations enforced by Gipps brought the resentment to a head. The Council demanded responsible government and expressed dismay at lack of fiscal control. A bitter struggle between legislature and executive was cooled by the replacement in 1846 of Gipps by Fitzroy and the earlier resignation of Lord Stanley at the Colonial Office and his succession by Earl Grey.²⁴

Grey was reputedly a liberal, a free trader and anxious to compromise on constitutional reforms.²⁵ He made two reforms to maintain good faith with the colonists: first, the Council was given control over casual revenue, and second, the 1846 Sale of Waste Lands Act and the 1847 Order-in-Council averted the squatter's fear over

23. See C.P. Lucas (ed.), Lord Durham's Report on the Affairs of British North America, Oxford University Press, Oxford, 1912.

24. J.M. Ward, Earl Grey and the Australian Colonies 1846-1847, A Study of Self-Government and Self-Interest, Melbourne University Press, Melbourne, 1958, pp.18-83.

25. Ibid., pp.18-23.

lack of tenure. Even more important, Grey proposed a major constitutional shake-up. His plan was to create a federal system with the devolution of power to local legislatures, underpinned by a system of imperial free trade.²⁶ This proposal was revived in 1849 when a report from the Privy Council's Committee for Trade and Plantations recommended a similar idea. Meanwhile Grey's credibility had been weakened by the attempted re-introduction of transportation (1849), and the agitation in the Port Phillip District for separation. A faction in the New South Wales Legislative Council led by the landowning liberals Lowe and Cowper, expressed strong criticisms of the easier tenure concessions to squatters.²⁷

Opposition in the colonies and parliamentary debate in England led Grey to revise then withdraw his tariff and federation proposals. Nevertheless the Australian Colonies Government Act was passed in 1850.²⁸ Van Diemen's Land, South Australia and Victoria were granted Councils based on the New South Wales model. Property qualifications were halved, and subsequent changes to the property qualifications were made matters for colonial determination. Bicameral legislatures were accepted in principle and a number of legal and tariff powers were handed over. The major controversial subjects of land, public revenue and transportation remained unresolved.

The 1850s were years of intensive political agitation. For many the object was to transform constitutional concessions into responsible government. It was here that colonial initiative became crucial. Irving demonstrated that the battle for and over responsible

26. A.C.V. Melbourne, op. cit., pp.349-350.

27. K. Buckley, 'Gipps and the Graziers of New South Wales 1841-1846', Pt. 2 in J.J. Eastwood and F.B. Smith (eds), Historical Studies: Selected Articles, First Series, Melbourne University Press, Melbourne, 1967, pp.94-102.

28. The main provisions of the Act are reproduced in K.R. Cramp, op. cit., pp.47-51. The implications are discussed in ibid., pp.38-51, A.C.V. Melbourne, op. cit., pp.366-375, and E. Sweetman, op. cit., pp.216-243.

government was largely fought in colonial forums.²⁹ He claimed, 'we should not over-emphasize the extent to which the constitutional changes of the early fifties were the guiding hand of the mother country, or of an unreal unanimity amongst the colonists'.³⁰

A Select Committee of the New South Wales Legislative Council convened to draft a new constitution incorporating the bicameral structure and pressed for greater control over Crown Land and revenue. Grey would not entertain such reforms. In 1852 Grey was succeeded by Sir John Pakington who, with reluctance and after gaining certain assurances from the colonists, acceded to their demands. New South Wales, South Australia and Victoria were invited to draft new constitutions, based on the notion of responsibility, for Crown consideration.³¹ To an extent the gold rushes and pragmatic calculation influenced this important change in Colonial Office thinking.

The New South Wales Council proposed a nominated upper house and a less-than-representative Legislative Assembly. Amendment to the Constitution was made extraordinary difficult. These aspects of the New South Wales draft reflected the conservative interpretation of the notion of responsible government. The Victorian proposal favoured an elected - albeit on a narrow franchise with restrictive property qualification for members - Legislative Council and a reasonably representative lower house.

The drafts were carefully scrutinised in the Colonial Office and revised, largely to maintain clear-cut Crown prerogative in specified areas. The Victorian and New South Wales Acts came into force in

29. T.H. Irving, 'The Idea of Responsible Government in New South Wales Before 1856', Historical Studies, Vol. 11, No. 42, April 1964, pp.192-205.

30. Ibid., p.205.

31. W.G. McMinn, op. cit., pp.51-52, and E. Sweetman, op. cit., pp.300-317 and 271-290.

November 1855.³² Despite their passage into law, ambiguities over the extent and distribution of powers remained until various revisions, conventions and simple experience made them workable.

Over the next two decades we can discern four basic trends in constitutional evolution.³³ First, direct involvement by the governor in political matters was reduced. This was a result of the formalisation of his powers, the development of responsible government and the acceptance of representative, even democratic, principles.³⁴ Second, the authority of the lower house and the expression of popular will in the Assembly grew vis-a-vis that of the Council. Major constitutional crises, such as occurred in Victoria in 1865-68 and New South Wales in 1889, weakened the Councils' standing.³⁵ Third, the political system was increasingly shaped by alliances, factions and eventually political parties.³⁶ Indeed political stability in the new legislature was finally achieved only as party systems became institutionalised. Finally, the issues dominating parliamentary business became fairly narrow; land, revenue, tariffs, immigration, education and constitutional reform.

By 1856 and over the next two decades the parliamentary system came close to manifesting a mature, responsible and representative form. Nevertheless, the franchise was exclusively male, and property qualifications for candidates and voters, especially for the upper house, remained fairly restrictive. Not until late in the century

32. J.M. Ward, Empire in the Antipodes: The British in Australia: 1840-1860, Edward Arnold, London, 1966, pp.84-87, and E. Sweetman, op. cit., pp.291-296.

33. W.G. McMinn, op. cit., pp.59-91.

34. The relaxation of imperial control over tariffs is discussed in J.A. La Nauze, 'Australian Tariffs and Imperial Control', Pt. 2, Economic Record, Vol. 24, No. 47, December 1948, pp.218-234.

35. See G. Serle, 'The Victorian Legislative Council 1856-1950', Historical Studies, Vol. 6, No. 22, May 1954, pp.186-203, and P. Loveday and A.W. Martin, Parliament, Factions and Parties, Melbourne University Press, Melbourne, 1966.

36. For an excellent study of factionism in New South Wales, see P. Loveday and A.W. Martin, op. cit., pp.27-63.

were members of parliament paid. Various gerrymandered electorates existed. Electoral success required the mobilisation of financial and political resources. In short the obstacles to mass participation, as distinct from periodic acclaim at the polls, were considerable. Moreover, the organs of popular opinion and expression were themselves in large part integrated by ownership into the system of private property. Thus the constitutional and practical obstacles to fundamental social change were very considerable. But it should be stressed that there was little evidence of frustrated socialist or republican sentiment. The political system was thus well in accord with the level of political consciousness.

The point I wish to stress is that the commodification of social relations had re-defined the nature of political power and narrowed its focus. The private and the public domains had been well-constituted. The prosperity of the 1850s made the political transition peaceable. As with the economy, the impediments to the full process of commodification and parliamentary representation were considerably less than those experienced in Europe and Britain. Both parliamentary politics and dominant forms of landed property in the Australian colonies indicated the future direction of capitalist development. Thus Lenin's assessment of the bourgeois democratic republic seems justified.³⁷ However, the Australian colonies were still enmeshed in an imperial system and therefore could not entertain either full national autonomy nor its republican form. We now turn to assess the imperial constraints and influence over these advanced democratic colonial states.

The Limits of Colonial Political Democracy

It is misleading to assume that full democracy, self-government or statehood was achieved in New South Wales or Victoria in the 1850s.

37. V.I. Lenin, 'The State and Revolution' in Selected Works, Progress Publishers, Moscow, 1971, p.272.

Despite democratic reforms between 1856 and 1900, especially in the liberalisation of property qualifications and the weakening of the Legislative Councils after constitutional crises, the following argument holds for the period until Federation (1901).³⁸ As we have seen, self-government was only a partial assertion of popular sovereignty and not a total transformation in state power. Nevertheless the political system was now in accordance with the needs of the liberal bourgeoisie. Perhaps it is even more accurate to maintain, as Connolly has claimed, that the political alliance required to achieve these changes was easily refashioned with conservatives and liberals joining forces in New South Wales in the 1870s.³⁹ Difficulty lies in distinguishing the limitations to even the democratic aspects of the new parliamentary system from a thorough-going popular political system. The problem lies in the tendency to see elected legislative and responsible government as the essence of state control.⁴⁰ But even if we accept this problematic identification, the issue of democracy is less clear-cut than is often assumed. The exercise of sovereignty, legitimacy and the mechanisms of political control may be all too easily subsumed under the forms of executive, legal and coercive prerogative and their relations with popular control.

In the New South Wales and Victorian political systems many crucial political, legal and economic processes were not subject to direct or well-delineated parliamentary control. The legal system,

38. For imperial involvement in federation, see B.K. de Garis, 'British Influence on the Federation of the Australian Colonies, 1880-1901', D.Phil. thesis, Oxford University, 1965.

39. See C.N. Connolly, 'Politics Ideology and the N.S.W. Legislative Council, 1856-72', Ph.D thesis, Australian National University, 1974. His argument is conveniently summarised in C.N. Connolly, 'The Middling-Class Victory in New South Wales 1853-62: A Critique of the Bourgeois-Pastoralist Dichotomy', Historical Studies, Vol. 19, No. 76, April 1981, pp.369-387.

40. An assumption vigorously contested by E. Balibar, The Dictatorship of the Proletariat, NLB, London, 1978, and A. Gramsci, op. cit.

though modified by colonial parliaments, had to remain consistent with British law because the colonies remained regions of jurisdiction within the larger imperial system.⁴¹ So while land law, for example, was very different in content from that in England, the essentials of private ownership and prerogatives of capitalist producers were respected. The system of courts and the appointment of justices brought together English legal precedent and the privileged position of the landed and urban bourgeoisie.⁴² The control of land and naval armed forces remained vested in the Crown. The dual nature of imperial and colonial areas of political responsibility must be stressed. As our particular concern is with imperial constraints, these characteristics will be discussed below.

One major caveat should be noted. A focus on constitutional codes and legally defined powers has some shortcomings. Political and class relations are codified only when a reasonably stable arrangement between contending classes and class fractions has been achieved.⁴³ But because class relations are always the result of, and thus subject to, re-negotiation despite well-defined powers, it is necessary to avoid a reified formalism in analysis. Nevertheless constitutional codes do provide guidance in assessing the limits of state power and the legitimate avenues for popular participation.

The British colonial authorities, the imperial parliament and bureaucracy and the English ruling class had had long experience of the complexities of colonial administration. The American and Canadian experiences were pivotal in influencing the re-distribution of powers to the Australian colonial parliaments. The loss of the American colonies by Britain had been especially traumatic. The

41. W.G. McMinn, *op. cit.*, pp.89-91.

42. An idea discussed in A. Davidson and A. Wells, 'The Land, the Law and the State: Colonial Australia 1788-1890', Law in Context, Vol. 2, 1984, pp.89-117.

43. See Marx's analysis of the relationship between class struggle, the state and constitutional development in K. Marx, 'The Eighteenth Brumaire of Louis Bonaparte', in his Surveys from Exile, Political Writings, Vol. 2, Penguin, Harmondsworth, 1973, pp.143-249.

British objective in the Australian colonies was to avoid an American-style war of independence, to extend the Canadian-style federal and self-governing model and to negotiate the devolution of major powers to colonial legislatures. But this devolution was not absolute.

After self-government, the governor remained the bearer of ultimate political authority. All Bills became law in the sovereign's name, '... by and with the advice of the Legislative Council and Legislative Assembly'.⁴⁴ So the parliament exercised considerable powers over land distribution, taxation and public works provided executive consent could be gained. The Crown issued to the governor detailed instructions on those Bills which were to be reserved. Treaties, military questions, legal tender and differential duties were such matters. Even Bills which received the governor's consent could be disallowed for up to two years by the Secretary of State for Colonies. Finally the doctrine of repugnancy, embodied in the 1850 Australian Colonies Government Act, rendered invalid any colonial law incompatible with English law.⁴⁵

These arrangements combined the personal powers of the governor, although executive powers remained ill-defined, with the institutional powers stemming from imperial authority. The colonies experienced guided democracy.

These all-embracing powers were clarified in 1865. The Colonial Laws Validity Act was a response to ambiguities in the doctrine of repugnancy. The essence of the 1865 imperial Act was to state that a colonial law was invalid when it was not reconcilable with a specific Act of the imperial parliament applying to the colony. Greater powers were given to the colonial parliaments to amend their constitutions

44. T.A. Coghlan, Wealth and Progress of New South Wales, 1900-1901, Government Printer, Sydney, 1902, p.48. Coghlan's discussion of 'Constitution and Government' in ibid., pp.48-66, is very useful.

45. The doctrine of repugnancy is discussed in A.C. Castles, An Australian Legal History, The Law Book Company, Sydney, 1981, pp.405-410 and 419-420.

provided the issue of repugnancy was recognised. In practice, except in well-defined fields - divorce, payments to the governor, currency, differential duties (subject to uniform barriers between colonies), treaties, the armed forces, Bills threatening the rights of property of British subjects outside the colony and repugnant Bills - actual imperial intervention was rare.

By 1873 Britain conceded colonial preferential tariffs, withdrew the governor's prerogative of mercy and came to accept, albeit reluctantly, control by colonial parliaments over immigration. Before Federation divorce was dropped from imperial control. This left certain key powers with the Crown: constitutional amendments, control over shipping, legal tender, treaties, duties, the armed forces, the rights of British subjects and the disapprobation of repugnant Bills. While McMinn has interpreted these restrictive powers as 'the decline of imperial control', the wisdom of an earlier judgment is more perceptive: Hancock wrote, '... although it removed doubts as to the powers of colonial legislatures ... [the Colonial Laws Validity Act] emphasised the fact of their subordination'.⁴⁶ But this is to stress only the formal constitutional side of their subordination.

Earlier in this Chapter the parliamentary system itself was discussed. It was argued that this system was established to legislate on a limited range of issues, with clear checks on popular representation and a bias favouring the election and representation of propertied and professional persons. Consequently the effect of popular representation in the state should not be over-emphasised. Representation was a much mediated process. There were other important constraints. The central powers of the colonial legislature were broadly economic; including land alienation and rental, the raising of taxation and other revenue and the directions of public expenditure. These responsibilities gave the state an important role

46. For McMinn's views, see W.G. McMinn, *op. cit.*, pp.82-91. Compare this perspective with W.K. Hancock, *Australia*, Benn, London, 1930, pp.62-63.

in economic relations as a whole. The relations were already overwhelmingly commodified and their characteristics had both colonial and imperial ramifications. Governmental decisionmaking thus occurred in an established and developing economic system, including patterns of production, trade, immigration, finance, ownership rights, property and commercial law. The reproduction and extension of these economic relations and processes was a necessary condition for future prosperity. Thus state action was not unrestrained. Reckless or ill-considered legislation would bring its own revenge; imperial rebuke, loss of governmental office and a loss of economic confidence. The parliament was not simply a debating chamber for the bourgeoisie: however the powers, responsibilities and structural constraints including the economic relations within which it operated, systematically made the colonial state a 'bourgeois state'. As the entrance of organised labour into parliament would show, a labour party might 'civilise capitalism': it could not legislate it away.

The dominant economic relations and the constitutional/political structure empowered colonial parliaments to deliberate and legislate on particular issues in a fairly predictable way. Parliaments were accessible and relevant to certain class forces, ideologies and individuals. The subjects of deliberation and negotiation and the solutions proffered were shaped by the dominant relations of production. This has major ramifications for the political analysis of Australian capitalism.

Conclusion

The key period of political change in Australia in the nineteenth century was between 1840 and 1860. This explains why attention in this thesis has been directed there. After 1860 the reliance of liberal democracy on capitalist private property was clear: their mutually reinforcing nature was also evident. From that moment the political arena becomes of less to interest marxist historical analysis. The crucial powers held by the colonial parliaments are now

best examined in their relationship to the expansion of commodity relations and production. I have approached this in several ways. In Chapter Seven the land laws and their implications for private property in land and pastoral expansion are assessed; Chapter Eight examines the transformations in the pastoral industry, and Chapter Nine discusses the role of public revenue raising and expenditure. Finally, Section Seven of Chapter Ten draws some tentative conclusions about the state and parliamentary politics, 1860-1890. With the establishment of a commodity economy and an appropriate political structure, the influential role of economic relations and processes in the formation of public policy was established. The explanation of colonial politics lay increasingly, though never exclusively, in economics. Part Three is an examination of this hypothesis.

CHAPTER 6

MERCHANT CAPITAL IN THE AUSTRALIAN COLONIES, 1830-1860

The development of trade and commercial capital always gives production a growing orientation towards exchange-value, expands its scope, diversifies it and renders it cosmopolitan, developing money into world money. Trade always has, to a greater or lesser degree, a solvent effect on the pre-existing organizations of production, which in all their various forms are principally oriented to use-value. But how far it leads to the dissolution of the old mode of production depends first and foremost on the solidity and inner articulation of this mode of production itself. And what comes out of this process of dissolution, i.e. what new mode of production arises in place of the old, does not depend on trade, but rather on the character of the old mode of production itself.

(K. Marx, 'Historical Material on Merchant's Capital', Capital, Vol. 3, Penguin, Harmondsworth, 1981, p.449.)

Introduction

Periodising mid-nineteenth century Australian history on a consistent theoretical basis is difficult. Adequate periodisation involves establishing determinants which give a specific period its coherence, identifying contradictions and noting the potential direction of transformations.¹ In describing and explaining the fundamental changes that occurred in colonial political economy

1. A useful discussion of periodisation is E. Balibar, 'From Periodisation to the Modes of Population', in L. Althusser and E. Balibar, Reading Capital, NLB, London, 1970, pp.209-224.

1830-1860, the concept of merchant capital appears pertinent.² The purpose of this Chapter is to synthesise the previous three chapters and thereby establish the analytical usefulness of Marx's concept of merchant capital.

This Chapter does not purport to provide a comprehensive historical account. The more limited objective is to sketch the pattern of colonial political economy, 1830-1860, by concentrating on three crucial dimensions. These dimensions - British imperialism, the state and capital accumulation - and their interaction form the basis of class relations. From these class relations, grasped in their diachronic and synchronic moments, the marxist mode of periodisation becomes explicit. In other words the phases of accumulation, the organised forms of political and legal authority and the implications of British imperial power are expressions of colonial and imperial class relations.

Between 1830 and 1860, each of the three crucial dimensions changed. First, capital accumulation went through a phase of extensive primitive accumulation associated with smallholder agriculture, pastoral expansion and goldmining. However, a trend towards increased capital intensity and a developed division of labour, the appropriation of relative surplus value gained powerful momentum in pastoralism and mining in the late 1850s.³ On the political and legal levels, the 'colonial state' became more

2. Marx's concept of merchant capital is most clearly delineated in 'Historical Material on Merchant's Capital', Capital, Vol. 3, Penguin, Harmondsworth, 1981, pp.440-455. There are numerous references in Capital, and Theories of Surplus Value to merchant capital. See, for example, K. Marx, Theories of Surplus Value (3 Vols), Progress Publishers, Moscow, 1969, Vol. 1, p.39, pp.250-252, Vol. 2, p.485 and Vol. 3, pp.468-470. See also E. Fox Genovese and E.D. Genovese, Fruits of Merchant Capital, Oxford University Press, Oxford, 1983, especially pp.3-25.

3. Relative surplus value may be contrasted with absolute surplus value. The first derives from the growing productivity of labour and a reduction in the time required to produce necessary labour, i.e. the subsistence requirements of workers. The second refers to increasing the length rather than the productiveness of labour. See K. Marx, Capital, Vol. 2, p.379 and Vol. 1, pp.431 and 646.

responsive to colonial public opinion as political changes in the 1850s weakened direct imperial control. Throughout the 1840s imperial political power was attacked as autocratic, arbitrary and inappropriate. Lastly, what had been an explicit form of British political imperialism in the period up to the mid-1850s was transformed.

Given the imperial environment, the problems of Australian periodisation take on considerable complexity. The concept of merchant capital enables us to grasp the relations of production, their major contradictions and their supersession in the 1830s, 1840s and 1850s. The discussion in this Chapter attempts to show how and why this conclusion is justified.

The Chapter has four sections which move from the concrete to the abstract. Section One discusses some general characteristics of colonial political economy. In Section Two the object is to establish important empirical characteristics of British imperialism, colonial capital accumulation and the forms of state power between 1830-1860. In Section Three, these observations are employed to present a more complex and theoretically abstract analysis of the dominant relations of production, surplus appropriation and distribution. Finally in the concluding Section, I return to the issues of periodisation, contradiction and transformation appropriate to colonial political economy, 1830-1860.

Colonial Political Economy, 1830-1860

This Section examines some empirical aspects of colonial political economy, 1830-1860, including the squatting age of the 1830s and 1840s. I proceed by discussing how British imperialism structured the broad relations within which the pastoral economy could prosper and expand. Following these introductory comments, I argue that British imperial policy laid the foundations - especially the property relations - for the patterns of class and economic relations. This

conclusion can be sustained through a selective analysis of imperial land policy, immigration policy and the structure of banking/commercial and legal relations as they were imposed upon the Australian colonies. Insofar as the previous three chapters have discussed land, labour and the state, I focus here on the dominant form of capital accumulation, i.e. merchant capital.

British economic imperialism, understood as the concentrated industrial, commercial and financial superiority of British capitalism, shaped the direction, pace and profitability of the particular forms of capital accumulation that occurred in Australia. The linking of the structure of social relations imposed through imperial state power and the forms of colonial accumulation - especially in the production of commodities for export - shaped by British economic power, explain much of the dynamic of colonial political economy.

Prior to colonial self-government the imperial state exercised sovereignty over the Australian colonies. This power was manifest in the control of people and the ownership of things. British occupation of Australia voided any prior pattern of social relations and ownership rights. However imperial policy, regulations, officials and administrators lacked detailed local knowledge, modes of communication and machinery to ensure total colonial subordination to imperial control. Colonial governors maintained considerable autonomy: imperial policy was often interpreted without precise regard to its specific directives, and the establishment of a part-elected New South Wales Legislative Council in 1842 signalled a recognition that legitimate local colonial interests should have a political voice. From a formal constitutional point of view these colonial modifications to imperial power are not significant. Empirically matters are more complex; however on those issues affecting dominant property relations (and thus economic structure) direct imperial intervention and the influence of British law, precedent or custom was critical.

Undoubtedly British colonial policy was influenced at any given point of time by a number of interests and ideologies. Inconsistencies, neglect and ignorance were also apparent in British policy: the imperial state was neither omniscient nor omnipotent. Nevertheless, the legislative and bureaucratic machinery of the imperial state specifically attuned to colonial matters was not isolated from the dynamic of British class relations and political interests.⁴ Since I am not directly concerned to establish here the precise nature of British class relations, I restrict myself to two generalisations. First, in the 1830s and 1840s British industrial capitalism, albeit a highly uneven capitalism, was gaining economic, political and ideological ascendancy.⁵ The growing self-confidence of classical liberal political economy was an index of that process. Second, British capitalists directly concerned with colonial matters - merchants, shippers, bankers, etc. - had a variety of views about the most appropriate colonial policy. These colonially oriented capitalists were likely to have some empirical knowledge, personal connection, or even direct experience of colonial matters.⁶ Such practical experiences were often incompatible with the theoretically determined views of the colonial reformers and liberal political economists.

Both of these groupings within the dominant British economic classes were committed to private property, private appropriation of surplus labour and the rule of law. But whereas the merchants,

4. An excellent illustration of this can be found in R.V. Kubicek, The Administration of Imperialism: Joseph Chamberlain at the Colonial Office, Duke University Press, Durham (N.C.), 1969.

5. M. Dobb, Studies in the Development of Capitalism, Routledge and Kegan Paul, London, 1946, pp.295-300, E.J. Hobsbawm, Industry and Empire, Penguin, Harmondsworth, 1975, pp.109-133, and J.H. Clapham, An Economic History of Modern Britain - The Early Railway Age 1820-1850, Cambridge University Press, London, 1926.

6. See F. Broeze, 'The View from the Inside: Robert Brooks and the British Connection', The Push From the Bush: A Bulletin of Social History, 1838, No. 2, November 1978, pp.1-39 and F. Broeze, 'Foundation of Fortune: The Imperial Axis Flower-Salting-Challis', in ibid., No. 8, December 1980, pp.50-74.

shippers and bankers were still mercantilist in outlook, the colonial reformers wanted to encourage capitalist specialisation in commodity production and a more refined division of labour within the imperial system as a whole. In the 1830s it was becoming clear that colonial circumstances were well-suited to provide wool for the imperial market. A reorientation of colonial policy was required.

Secure access to cheap pastoral land was clearly beneficial to the squatting interests. Equally, an adequate supply of labourers and a means to secure their labour was essential. A whole range of processes was necessary to produce, shear, transport, and auction the wool.

An ensemble of enterprises providing commodities, services and finance, formed around the pastoral industry. A pastoral work force was required. With relatively static technology between 1830-50 few productivity gains could be made other than by expanding the size of each shepherd's flock and improving sheep breeding.⁷ An expanding pastoral frontier, increasing wool output, appreciating prices for pastoral properties and excess livestock were all ultimately dependent on the provision of an adequate and suitable labour supply. Periodic shortages of labour threatened pastoral prosperity.

Convict labour was made available to pastoralists in exchange for the adequate supply of provisions and accommodation to feed and house them during their service. As convicts these labourers were not in possession of the rights of legal subjects for the duration of their sentences. Private employers secured control over their labour and their person in contractual relations with the colonial state as representatives of the imperial state. Convict labour was a species of slave labour insofar as the labourer (not simply his or her labour power) was obtained as a commodity, in this case without monetary payment to the colonial authorities. The costs of physically

7. G. Abbott, The Pastoral Age: A Re-Examination, Macmillan, Melbourne, 1971, pp.108-125.

reproducing the convict labour - the court system, transportation costs, housing, supervising and feeding - was met by the British state and only subsequently in part by the private employer. The surplus labour of the convict in private service was appropriated by the pastoral proprietor.⁸ This should not obscure the fact that convict labour was often judged low in productivity and difficult to control.

Alternatively the pastoralist could purchase the labour power of the free immigrant or the ex-convict. Even in these cases the employer had an impressive array of British Master and Servant legislation to enforce the rights of employers. Wage labourers' freedoms were severely restricted by law, though relative scarcity enhanced their economic power.⁹ From the 1830s publicly financed immigration schemes were crucial in the reproduction of a labour force in the colonies.

For Britain, the Australian colonies had proved advantageous for distinct, though often complementary, public and private interests. The convict system was harnessed to pastoral production, opening new avenues for British merchants and capitalists to exploit. Assisted and bounty emigration to Australia appeared to solve problems of overcrowding and potential lawlessness in Britain and Ireland while giving a powerful group of merchants and financiers considerable control over the direction of colonial policy. This control was exercised through pressure groups, public meetings, delegations, representation or parliamentary Select Committees and the New South Wales and Van Diemen's Land Commercial Associations. Good profits were also made from this trade in people.¹⁰ Moreover as the imperial banks in the mid-1830s were established in the colonies, with their

8. For the leading capitalists, see W.D. Rubinstein, 'The Top Wealth-Holders in New South Wales in 1830-44', The Push from the Bush: A Bulletin of Social History, 1838, No. 8, December 1980, pp.24-49.

9. T.A. Coghlan, Labour and Industry in Australia, Oxford University Press, London, 1918, Vol. 1, p.313.

10. See F.J.A. Broeze, 'Private Enterprise and the Peopling of Australia, 1831-1850', Economic History Review (2nd series), Vol. 35, No. 2, May 1982, pp.235-253.

strong linkages to the London and Liverpool merchant houses, the benefits of encouraging emigration to the colonies grew.¹¹ It was perhaps more from these merchants and financiers, concerned with expanding pastoral production, the growth of the colonial market for imports and the shipment of exports and the resultant avenues for capital accumulation, rather than with the colonial reformers, that a cogent explanation for the general direction of imperial land, emigration and banking policy as they pertained to the Australian colonies is actually to be found.

In the 1830s the colonial banking system was transformed as British banks and mortgage financiers entered into competition with established colonial institutions, most notably the Bank of New South Wales. Colonial banking was essentially note issue and bill discounting in close association with the local merchants and landowners who were shareholders, depositors and major creditors.¹² But discounting was the major source of bank profit; the notes issued in Sydney by merchants were part of the credit relations linking settlers, wool producers, merchants and creditors in the provision of supplies and disposal of harvest. In the 1830s, during the rapid pastoral expansion, 'Anglo' banks took advantage of the many lucrative opportunities afforded by inadequate colonial capital reserves.

Banks in the colonies had to operate within British banking legislation. In general this meant obtaining a Bank charter, which required Crown patronage. Some of the early colonial banks were able to evade this requirement. Royal charter enabled banks to limit their

11. The problems generated for the British Government by private control of emigration is exhaustively examined in O. MacDonagh, A Pattern of Government Growth, 1800-1860: the Passenger Acts and their Enforcement, MacGibbon and Kee, London, 1961.

12. S.J. Butlin, Foundations of the Australian Monetary System 1688-1851, Sydney University Press, Sydney, 1968, pp.225-274, and R.F. Holder, Bank of New South Wales: A History, Vol. 1, 1817-1893, Angus and Robertson, Sydney, 1970, pp.95-110.

liability and thereby provided a measure of state protection.¹³ However the usury laws restricting interest charges to 5 per cent were not applied in New South Wales. The 1834 Forbes Act removed New South Wales from the provisions of those laws; as a result interest rates nearly double those in England were widespread. These interest rates also reflected the shortfall in colonial savings.

In 1832 the Bank of Australasia and in 1838 the Union Bank, two leading Anglos, opened offices in Australia.¹⁴ These banks had significant access to English capital, pioneered the development of branch banking and became more reliant on deposits than shareholder funds. The Anglos set the pattern which the colonial banks would ultimately emulate. More importantly these banks and Scottish pastoral mortgage financiers were actively engaged in facilitating and financing commodity trade and production in the colonies.¹⁵ In some cases, e.g. the Australian Agricultural Company in New South Wales and the Clyde Company (originally established in Van Diemen's Land until relocated in the 1830s in the Port Phillip District), greater emphasis was placed on pastoral production.¹⁶

Those banks and financiers centred on London, Liverpool and in Scotland were strategically located to take advantage of the credit needs of producers and merchants for the processes of commodity production and circulation. This was necessitated by the vast distance separating the producers and consumers of wool.

Throughout the 1830s some laxity was shown by imperial and colonial authorities to financial regulation. Laissez-faire was

13. S.J. Butlin, op. cit., pp.113-119 and pp.259-262. The issues of colonial regulations and imperial charters are also discussed in A.S.J. Baster, The Imperial Banks, P.S. King and Son, London, 1929, pp.20-48.

14. S.J. Butlin, op. cit., pp.263-274.

15. D.S. MacMillan, Scotland and Australia 1788-1850, Oxford University Press, Oxford, 1967, pp.326-369.

16. See P.L. Brown (ed.), Clyde Company Papers (7 Vols), Oxford University Press, Melbourne, 1935-1971. For a clear introduction, see E.A. Beever, 'The Clyde Company Papers', Historical Studies, Vol. 15, No. 61, October 1973, pp.760-771.

interpreted to mean minimal interference in banking matters. In 1840 explicit and uniform Colonial Banking Regulations were issued.¹⁷ These regulations concerned the subscription of capital, the level of borrowings permitted, note issue, limited liability of shareholders, loan policy and dividends. Most significantly, advances against real estate, ships or merchandise were prohibited. Although at variance with colonial banking practices, these regulations were not enforced by colonial governors (especially Gipps) with any vigour. Indeed S.J. Butlin claimed that, 'In practice the effect of the Regulations in the Australian colonies during the six years of their operation, 1840-46, was negligible'.¹⁸

These 1840 Regulations were revised in 1846 and made consistent with British banking developments. Although S.J. Butlin has demonstrated that evasions continued, the objective was to create a universal, state-controlled system of banking regulation that applied throughout the British Empire.¹⁹ British banking practice and banking regulations rendered illegal lending against landed property. Undoubtedly funds originating in bank loans did find their way into the urban and pastoral real estate mortgage business. The crucial innovation consistent with pastoral expansion was the 1843 New South Wales legislation which gave legal preference to liens and mortgages on stock and crop. British banks remained somewhat suspicious of these securities, because they were ahead of British precedent.²⁰

In summary, imperial legislation and regulation and British private banking traditions became increasingly relevant to the framework of colonial financial operations in the 1830s and 1840s. However, banks and interest-bearing capital did not occupy the crucial positions they would later assume in the exercise of ownership and

17. A.S.J. Baster, op. cit., pp.34-45, and S.J. Butlin, op. cit., pp.544-547.

18. S.J. Butlin, op. cit., p.545.

19. A.S.J. Baster, op. cit., pp.49-122.

20. S.J. Butlin, Australia and New Zealand Bank, Longmans, London, 1961, p.148.

control over industrial capital. Capitalist production was not directly financed through borrowings in the capital market. Broadly, financiers were engaged in the financing of commodity circulation and realisation; the principal means were the extension of commercial credit and bill discounting, and the important results were the privileged appropriation of surplus labour and the tendency to encourage commercial speculation and crises.

The Economics of Imperialism

As noted above the imperial state constrained key dimensions of colonial political economy. But these constraints were created and simultaneously reinforced by the more direct concern of British industrial, merchant and financial capitalists to protect and develop their colonial interests.

British industrial capitalism developed in an uneven regional pattern. In the 1830s woollen mills followed the cotton textile industry into sophisticated factory production.²¹ Thus subsequent industrial developments required new quantities and types of wool suitable for the British wool manufacturing industry. Although the colonial pastoral industry had grown in the 1820s, its long-term profitability was not obvious. Even with new breeding stock to match the quality of fine wool from Saxony, wool prices in the 1820s were hardly sufficient to pay the costs of production and marketing. However, pastoralists could augment their incomes through livestock sales.²² Insofar as new entrants to pastoralism were optimistic about longer term prospects, livestock sales were important to established sheep owners.

Following a downturn in the late 1820s, wool prices boomed from 1832 with obvious consequences for livestock and pastoral property

21. See J.H. Clapham, op. cit., pp.192-196.

22. A point emphasised by G.J. Abbott, op. cit., p.124.

prices. In turn the shortage of shepherds was more apparent as the average size of flocks increased from 300 to 800 or more. This pastoral boom arose from a rise in the demand for wool by the British manufacturing industry and the ability of colonial producers to match European quality at competitive prices.

Australian producers had several important advantages. Compared with their German and Spanish competitors the low (or non-existent) costs of access to suitable pastoral lands more than compensated for the short supply and expense of colonial labour. Second, transport costs from Australia were, surprisingly, less than those entailed in transporting German wools, for example. While transport costs were a considerable part of overall expenses, sea transport was more efficient and cheaper than land transport. Finally the possibilities for pastoral expansion in the Australian colonies, particularly in New South Wales, were considerable.

The cotton textile industry had shown the enormous gains in productivity and thus the international competitiveness that could be achieved by modern factory production. In the 1830s the Yorkshire and West England woollen manufacturers embraced the factory system.²³ As the specialised division of function between capitalists became fully entrenched in Britain, the merchant capitalist became an influential appendix to the industrial capitalist. The industrial capitalist as owner - directly or in partnership - of the means of production and purchaser of labour power and raw materials, directly exploited wage labour and appropriated surplus value. Merchant capitalists secured necessary raw materials and were able to claim a portion of the surplus value originally appropriated by the industrial capitalist. This is not meant to imply that woollen mill owners actually handed over a portion of their profits. Rather, the operation of the capitalist system requires a general rate of profit for all capitals

23. J.H. Clapham, op. cit., pp.178-184 and pp.194-196 and E.J. Hobsbawm, op. cit., pp.68-73.

(productive, commercial and financial) to produce returns approximate to capital outlaid (cost of land, labour and capital) rather than to the actual value produced by that specific capital. Capitalist competition, more and less advanced firms, branches and sectors of production, monopoly tendencies, changing interest rates and government policy give greater complexity to these generalisations. Nevertheless the important point for this discussion is the domination of Australian pastoralism by the requirements of a woollen industry located in Britain. The dynamics of the industry were not in the first instance controlled by wool producers, and British merchant houses provided the crucial link between producers and consumers of wool.

In the preface to his study, The Australian Wool Market 1840-1900, Barnard suggested that the wool market could be examined from two perspectives.²⁴ First, the approach he actually adopted emphasised the men, institutions and relations between producers and consumers. The second approach views the story through an emphasis on market rigidities and elements of finance capitalism:

... as a study of the institutions of the market, conceived, primarily, as the story of the men and concerns who exploited their command of the necessary lines of communication between the producers and consumers to exact tribute from the lucrative Australian wool industry.²⁵

It is this second perspective that identifies the strategic position of merchant capitalists in the production and appropriation of new values.

In general terms the merchant, importer and financial houses of London, Liverpool and Glasgow, played a crucial role in the colonial pastoral industry. Anglo and colonial banks comprised a relatively small group with interlocking interests in the merchant houses and disproportionate political power. They advanced credit to colonial

24. A. Barnard, The Australian Wool Market 1840-1900, Melbourne University Press, Melbourne, 1958, pp.xvi-xvii.

25. Ibid., p.xvii.

wool producers and thereby reduced the turnover time of pastoralists, and were strategically located to profit from the pastoral industry as a whole. While perhaps an exaggeration, McMichael has suggested that in the 1830s:

The relational framework of squatting increasingly took the form of a 'putting-out' system of commodity production - where merchant capitalists, based in the port-cities, channelled British finance to the wool-grower, in return for the commodity wool.²⁶

The system of marketing and financing that dominated the pastoral industry originated in the 1820s. Early colonial banks like the Bank of New South Wales and the merchant houses prospered through discounting bills, the provision of trade credit and note issue. Subsequent colonial and Anglo banks had their principal shareholders, depositors and customers in the mercantile and financial interests associated with pastoralism, general import/export trade and land transactions. An instructive insider's account of the activities of one key Sydney merchant which demonstrates the connection between mercantile, financial and landowning activities exists in the diaries of Spark.²⁷ Biographies of other leading colonial capitalists of this period point in a similar direction.²⁸

Naturally the small to medium-sized wool growers were more vulnerable to merchants than larger pastoralists. Local merchants or retailers were more likely to deal with the smaller producers and

26. P. McMichael, 'Crisis in Pastoral Capital Accumulation: An Account of the 1840s Depression in Colonial Australia' in E.L. Wheelwright and K. Buckley (eds), Essays in the Political Economy of Australian Capitalism, Vol. 4, ANZ Publishers, Sydney, 1979, pp.17-40.

27. G. Abbott and G. Little (eds), The Respectable Sydney Merchant: A.B. Spark of Tempe, Sydney University Press, Sydney, 1976.

28. See, for example, M. Steven, Merchant Campbell 1769-1846, A Study of Colonial Trade, Oxford University Press, London, 1965, and G.M. Dow, Samuel Terry: The Botany Bay Rothschild, Sydney University Press, Sydney, 1974. An overview of the activities of Sydney merchants is given in B. Dyster, 'Prosperity, Prostitution, Prudence: Business and Investment in Sydney' in A. Birch and D.S. MacMillan (eds), Wealth and Progress: Studies in Australian Business History, Angus and Robertson, Sydney, 1967, pp.51-77.

provide credit at high interest rates. In turn the small merchants were linked to larger merchants or English agents who actually took responsibility for marketing in the London auction rooms. Larger growers could avoid the smaller merchants and might consign their clip directly to the auction rooms. Some colonial producers were directly financed by British merchants and financiers. In effect, the colonial producers were operating within marketing and financing arrangements that limited their ability to accumulate and establish ownership rights over the surplus labour appropriated in the Australian colonies.

In The Economic Development of Van Diemen's Land 1820-1850, Hartwell sketched the mechanism whereby the merchants' and financiers' hold on colonial credit became so powerful:

The Yorkshire manufacturer bought Tasmanian wool on credit; the London importing houses gave advances to the colonial shippers, who, in turn, advanced to the wool-grower. The Tasmanian consumer of imports bought on credit from the colonial merchant, who, likewise, obtained credit from the London exporting houses. The ultimate burden of credit was borne by the financial intermediaries of London - the capitalists, who lent to the importers and exporters of London on the security of their colonial produce and merchandise, and the brokers, who accepted bills on this security. In this way, twelve and twenty-four months passed before a commodity sold was actually paid for.²⁹

If we now combine the political and economic characteristics of British imperialism the dynamic of pastoral capital accumulation becomes explicable. Convict labour, assisted immigration and early British reluctance to allow the emigration of free wage labour inhibited the formation of a colonial proletariat. Furthermore, labour shortages kept costs high and made discipline difficult. Until 1847 pastoralists lacked security of land tenure which discouraged the introduction of more capital-intensive production techniques. Moreover, until 1843 the pastoralist lacked the necessary legal security to entice borrowers to lend for the purposes of investing in

29. R.M. Hartwell, The Economic Development of Van Diemen's Land 1820-1850, Melbourne University Press, Melbourne, 1965, p.167.

new means of production. Abbott concludes his recent study of early pastoralism by restating Westgarth's view that the one major technological innovation in pastoralism, fencing:

... could not be considered as a solution to the labour shortage in squatting areas when squatters had no fixed tenure of land until 1847. Secondly, even if squatters could have considered fencing as a possibility, it is doubtful whether they could have obtained the requisite capital prior to 1843, when the system of borrowing using the wool-clip or livestock as security was instituted.³⁰

The 1840s depression was the result of the growth of unrestrained credit relations and speculation in private property and commodity production in the context of relatively primitive capitalist development. A complex chain of colonial credit relations built upon the price of future wool clips, the appreciated market values of livestock and of real estate extended from the wool producer to the British capital and commodity markets. Against S.J. Butlin's explanation of the 1840s depression as resulting from colonial mismanagement and the geographical limits to pastoral expansion, a plausible alternative view stresses the impact of the British commercial crisis of the 1840s, a rising metropolitan discount rate and the signalling of this process through the colonial mercantile and financial credit systems.³¹ The result was a massive devaluation of pastoral capital, widespread bankruptcy of merchants, a banking crisis and vocal political demands to control high interest rates.

Pressure in the Legislative Council to introduce usury laws encouraged the banks to support the financial system by regulating interest rates. More importantly, the contradictions exposed in the 1840s depression and the response to the needs of pastoralism by imperial authorities, despite Gipps' intransigence, gave those social forces with a vital interest in the health of the Australian pastoral

30. G. Abbott, op. cit., p.106 and W. Westgarth, Australia Felix: or, a History and Descriptive Account of the Settlement of Port Phillip, New South Wales, Oliver and Boyd, Edinburgh, 1848, p.266.

31. This is the argument advanced by P. McMichael, op. cit. It contrasts with the view of S.J. Butlin, op. cit., pp.315-328.

industry, both in the colonies and in London, the necessary impetus to weaken the power of merchants and usurers and to create conditions more favourable to the full development of capitalist production relations. Naturally the characteristics of the pastoral industry meant that the control of marketing and finance would give commercial and financial capitalists a continued significance in colonial political economy throughout the remaining years of the nineteenth century.³² But a phase of colonial capital accumulation, in which merchant capital had achieved an (unstable) hegemony, was over.

Merchant Capital and Dominant Relations of Production

This Section is concerned to identify the dominant relations of production, the consequent mode of surplus appropriation and the relations of distribution, characteristic of colonial political economy. Balibar defines the relations of production as the social connections and interdependence that exist between the direct labourers (who transform nature and create use values through their active physical and mental interventions), the means of production (which encompass the object of labour, the natural preconditions for production and the means or instruments of labour), and the non-labourers (who appropriate the surplus product and/or the surplus labour time, i.e. the product/time beyond that required for the labourer's subsistence and the reproduction of the means of production).³³

These relations exist in two dimensions: in the property connection which locates the essential form of the appropriation and distribution of surplus labour within the non-labouring classes, and in the real or material appropriation connection that locates those

32. A. Barnard, op. cit., pp.147-178. See also A. Caffrey, 'Merchant's Capital and Underdevelopment in New South Wales, 1850-1901', unpublished B.A. Hons. thesis, University of Sydney, 1981.

33. E. Balibar, op. cit., pp.226-247.

who control and organise production and thus the direct appropriation of surplus labour. Under the capitalist mode of production the property connection defines the capitalist class as a whole as those who appropriate a portion of surplus value (i.e. the capitalist form of surplus labour, expressed as interest, profit or rent) and who therefore depend upon the reproduction of the capital/wage labour relationship. Ownership of private property and revenue-producing rights define what Marx termed total social capital. However, the real appropriation connection focuses attention on industrial capitalists who organise, control and manage the labour process even in situations where they do not personally appropriate surplus value, and thus directly exploit wage labour.³⁴

Relations of production create a structure of specific modes of accumulation and appropriation that appear as an autonomous sphere of economic life. This economic life, especially under advanced capitalism, appears divorced from the class relations and political hegemony that allow class exploitation. Within these economic relations, the forces of production, the development of the instruments of labour and the social relations embodied within the labour process develop in particular directions. Indeed the combined property connections limit technical innovations.

Relations of production require politically defined conditions for their existence. It follows that the relations of production in colonial Australia cannot be theorised by simply concentrating on what was essentially a regional aspect of a larger imperial system of production relations. Empirically, as was noted above, the essential property connections were controlled by British imperial power. For the moment we shall leave aside questions of the property connection and examine the circuits of capital embodying these relations in the production, circulation and appropriation processes.

The various circuits of capital are the schematic representations

34. Ibid., pp.230-232.

of the self-expansion of value, the conversion of surplus value into new means of production and labour power. The circuit of industrial capital, unlike the process of commodity circulation, is dependent on the ability of capitalists to purchase the commodity labour power. Thus the circuit of industrial capital presupposes capitalist relations of production and a state to enforce their reproduction.³⁵ The circuit of commercial capital does not require capitalist production but commodity production, circulation and realisation. The act of realisation is the movement from the commodity to the money form of capital. Irrespective of how these commodities are produced, upon realisation in markets dominated by the capitalist mode of production they assume the value form. The social labour embodied within those commodities is validated (i.e. becomes an exchange value) as if the surplus labour was the expression of surplus value. In this way commodities produced under vastly different conditions are treated as uniform exchange values. Particular producers operating under favourable conditions are able to exchange their commodities well beyond the necessary and surplus labour embodied in their exchange value.³⁶

When raw materials and foodstuffs were secured by overseas commerce during the early phases of European colonialism and commodity production was undertaken in divergent ways, merchants were in a position to exploit their superior knowledge and monopoly power. In the 1830s and 1840s wool was produced in the Australian colonies and realised on the London market. It was the British industrial capitalist as mill owner or his merchant intermediary who effected the completion of the circuit of commodity capital and thereby validated the human labour embodied in the wool.

35. K. Marx, Capital, Vol. 2, Penguin, Harmondsworth, 1978, pp.109-199. The essential points are made on pp.180-199.

36. This is the basis for much of the writing on unequal exchange. This literature is best approached via A. Emmanuel, Unequal Exchange, NLB, London, 1972. The complexities of the arguments are discussed in D. Evans, 'A Critical Assessment of Neo-Marxian Trade Theories', unpublished paper, Tenth Conference of Economists, Australian National University, Canberra, 1981.

The mill owner as an industrial capitalist oversaw the circuit of productive capital. Productive capital itself organises the labour process, the technical division of labour in production, the exploitation of wage labour and the appropriation of surplus value. Capital accumulation occurs when some of the new surplus value is reconverted into capital through the purchase of new means of production and labour power or the holding of unsold stock or money capital.³⁷ In any branch of capitalist production the potential for expanded reproduction exists when a portion of surplus value is consistently converted into capital. However, although a typical level of return on capital may exist for that entire branch, the more advanced individual capitals - those which employ more efficient technology, and operate on a broader scale and which more ruthlessly exploit their labourers, etc. - accumulate more rapidly. Competition, concentration and the periodic centralisation of capitals occurs.

In conditions of increased competition, between national capitals in the same branch of production vying for their share of the world market, and between individual capitals operating in the same national market, the merchant capitalist is subjected to growing pressure to maximise competitive efficiency and reduce the costs of securing the means of production. In turn merchants can later take advantage of the impact that capitalist relations and forces of production have in the transportation industry. New technology - railways, steel-hulled ships, steam propulsion - reduces the cost of moving commodities between markets. The merchant may still exercise control over commodity credits and short-term financing of the producer but specialised financiers and banks introduce greater competition. Large producers are especially able to evade the most exploitative aspects of merchant capital and seek longer term credits for the purposes not simply of realisation but to transform the technology of production.³⁸

37. K. Marx, Capital, Vol. 1, Penguin, Harmondsworth, 1979, pp.725-733 and pp.738-746.

38. A. Barnard, op. cit., pp.104-125.

Where conditions are advantageous, as they were in Australia in the late 1840s and 1850s, for some producers to change productive techniques the benefits of competitive commodity, labour and capital markets are obvious. Industrial capital has historically gained access to the state in order to impose capitalist competition. Colonial pastoralists who had begun to derive profit from the production of wool for the British market, also able to provide new stock for sale in the local market to new pastoral entrants and meat for domestic consumption, saw the need to gain security of tenure and rights to control and own the new pastoral means of production. Furthermore they appreciated the advantages of a free wage labour workforce and some direct political control to guarantee the necessary conditions for capitalist production and expanded reproduction. Meanwhile the industrial capitalists in Britain saw the advantages for their competitive position of increasing the efficiency of their raw material producers and reducing the tribute extracted by colonial and imperial mercantile intermediaries.

Empirically a perfect co-ordination of pastoral producers and British industrial capitalists did not occur. However in the 1840s the pastoral producers and mill owners and indeed merchants all mobilised in the colonies and in London to press for changes to the conditions under which colonial political economy developed. The combined result of these pressures and the impact of the goldrushes, swelling the ranks of the liberal middle classes and the skilled wage labourers, was to create the necessary context for capitalist social relations. Political reforms in colonial administration, the aftermath of the 1840s depression in the colonies and the goldrushes in combination comprise the Australian colonial 'bourgeois revolution'. But because the imperial state has always been the final guarantor and arbiter of colonial class relations, the Australian 'bourgeois revolution' took a peaceful, constitutional reformist

course.³⁹ The granting of self-government and parliamentary reform constituted the new institutional structure for this exercise of power by a regional bourgeois class.

This general description identifies two very broad structures of production relations existing in the 1830s and 1840s. In the 1840s an ascendant merchant capital and a subordinate industrial capital were articulated in a contradictory way, while in the late 1840s and 1850s the ascendancy of developed capitalist social relations became increasingly apparent. These relations of production under the hegemony of merchant capitalism may be grasped in the following manner.

The direct labourers were assigned convict labour, wage labour secured through the bounty system and free wage labour. These labourers were subjected to different forms of payment, conditions of service and their legal rights were typically restricted. Pastoral producers relied directly on the state (for convicts), indirectly on the state (for immigrant labour) and on the private labour market. The state gave the employer powerful rights over the labouring classes and direct influence in law enforcement.

The means of production was subject to complex ownership. The naturally given conditions of production were owned by the imperial state and administered by the colonial state. Private alienation through sale at minimum upset prices created the rudiments of capitalist private property but at the same time encouraged speculation in landed property, especially in towns. The alienation of public lands also gave the colonial authorities access to revenue for public expenditure and importantly, for assisted immigration. For the squatters temporary, illegal or short-term leasehold access to

39. This conception follows Gramsci's idea of a 'passive revolution'. The best discussion of Gramsci on this point is P. Ginsborg, 'Gramsci and the Era of Bourgeois revolution in Italy', in J. Davis (ed.), Gramsci and Italy's Passive Revolution, Croom Helm, London, 1979, pp.31-66.

pastoral lands inhibited capitalist development and created antagonism towards imperial Crown Land policy.

Both the property connection locating the essential form of surplus appropriation and distribution and the material appropriation connection were not fully capitalist. As wage labour became universalised, as competition regulated the distribution of social labour between branches of production and individual capitals, and as capitalist landed property developed (in particular after 1847), these property connections changed. Indeed the pioneering of a form of industrial capitalism in the mining industry in the late 1850s indicated the extent to which the new relations were becoming dominant.

The basis of the merchant capitalist class and its control over surplus product in the money form as rent, profit and interest was based upon its privileged position. This privileged position extended over the control of realisation, commercial credit, mortgage claims and indirect ownership over the means of production - ownership over the equipment, stock and resultant product of pastoralists. Control over the major areas of private property and monopoly dominance in the circuits of commercial and interest-bearing capitals guaranteed its position as the dominant fraction of the colonial bourgeois class.

Finally the role of imperial merchant capitalists, bankers, shippers and financiers in the formation of imperial colonial policy and the powerful representations in the major colonial private institutions, in the Legislative Council and in the judiciary, enabled the merchant capitalists to protect (albeit only temporarily) their position of economic advantage.

As we have seen, in all respects these property relations were contradictory and unstable, and the merchant class - colonially and imperially - was subjected to competition in the market place and to political attack. A changing constellation of imperial and colonial economic and political forces resulted in new forms of private landed property, the universalisation of wage labour, intensified capitalist

competition, specialisation of industrial, commercial and financial capitals, liberalisation in the political system and the regulation of production circulation and realisation by the law of value.

Merchant Capital and Constraints on Accumulation

I have argued that the 1830s and 1840s were a distinct period in colonial economic history. This distinctiveness was derived from the hegemonic position of merchant capital. Merchant capital existed within the colonies and throughout the imperial system. Merchant capitalists were able to exploit expanded commodity production and circulation and the financial relations that facilitated circulation and realisation. Surplus appropriation was restricted to those who traded in physical commodities and also to the direct owners of titles to a range of revenue-producing assets. These property titles even included rights over convict labour; a form of slavery.

Many colonial merchants were at the same time extensive landowners and landlords. Merchants were mortgage holders for considerable amounts of urban and also rural land, stock and buildings. Thus they could extract rentals or realise capitalised rental at inflating prices. As accumulators of money capital through commodity ownership, circulation and sale, merchants were able to concentrate the principal source of credit on their own behalf or indirectly through banks, insurance companies and money lenders. Most of this credit was advanced against titles to present or future commodities (wool, livestock, etc.) at high rates of discount. Commodity producers and the owners of the conditions and instruments of production, especially those comparatively modest in size, were thus in the financial and commercial grip of merchant capitalists. Numerous mortgages on urban and rural real estate at high interest rates were also held by merchants. Small merchants, local agencies, shops and colonial firms were themselves agencies of larger imperial mercantile enterprises. Colonial banks were in fierce competition

with the Anglos; both types of banks were there to serve mercantile operations.⁴⁰

Control of commodity movements and realisation, dominance in the credit and capital markets and property ownership/ground-rent extraction meant that colonial and imperial merchant capitalists were the class best able to appropriate surplus labour. Without a local colonial bourgeois class able to exercise control over commodity production and able to use the power of the state to reorganise relations of production, the position of merchant capital remained powerful. An economy dominated by merchant capital, local or imperial in origin, and an industrial bourgeoisie unable to challenge effectively the particular mode of surplus creation and extraction is likely to remain undeveloped.⁴¹ Extreme inequality in class structure, with unfree labourers employing primitive technologies enslaved in pre-capitalist social relations dominated by an ostentatious oligarchy was thereby perpetuated. While taking the commodity form, landed property does not approximate capitalist landed property nor does the propertyless wage worker become a free wage labourer, if merchant capitalism remains permanently hegemonic.⁴²

In the context of these property and social relations capital accumulation is retarded. In semi-feudal situations surplus labour and surplus product may be appropriated by landowners through direct service or payment in kind. But the first phase of commodification generates bouts of speculative fever over the ownership of property objects - land, livestock, commercial bills. Even primitive

40. S.J. Butlin, op. cit., pp.258-274, and S.J. Butlin, Australia and New Zealand Bank, op. cit., pp.61-118.

41. G. Kay, Development and Underdevelopment: A Marxist Analysis, St. Martin's Press, New York, 1975, and P. Baran, The Political Economy of Development, Penguin, Harmondsworth, 1967.

42. See K. Marx, Capital, op. cit., Vol. 3, pp.932-950. The best work on land ownership systems and agriculture in the marxist tradition remains K. Kautsky, La Question Agraire: Etude sur les Tendances de l'Agriculture Moderne, V. Giard and E. Briere, Paris, 1900, pp.42 ff.

accumulation is punctuated with quite distinctive rounds of boom and bust. Through the merchants and creditors who mediate between the commodities produced under such circumstances and their realisation on the world markets, the changing conditions of external commodity prices and overseas interest rates can be exploited. The ramifications of these changes are felt through the local commodity and credit markets and ultimately by the producers and labourers under their control.

Merchant capitalism, then, signifies an early phase of capitalist development. The most rigorous attempt to employ the concept remains Lenin's, The Development of Capitalism in Russia.⁴³ Merchant capitalism can be defined as a period of expanding although not universalised commodity ownership resulting in primitive commodity production, limited specialisation of labour into distinct branches of production, developing home and international markets and growing monetary relations. Merchant capitalism implies the institutionalisation of private property prior to the industrial capitalist achieving political hegemony, control over production and hence over the dominant share of the social surplus.

Marx maintained, in an argument more subtle than Lenin's, that merchant capitalists did not automatically create the transition to industrial capitalism. In specific circumstances the merchant and his associate, the usurer, would be controlled and constrained as the industrial bourgeoisie gained economic and political supremacy.⁴⁴ In his Studies in the Development of Capitalism, Dobb suggested how British industrial capitalism was able to restrict the operation of merchant capitalism to the imperialist exploitation of colonies and semi-colonies through historical, regional, geographical and political

43. V.I. Lenin, The Development of Capitalism in Russia, Progress Publishers, Moscow, 1974. See also the discussion of N. Harding, Lenin's Political Thought, Vol. 1, Macmillan, London, 1977, pp.79-108.

44. K. Marx, Capital, op. cit., Vol. 3, pp.444-445.

processes.⁴⁵

By the late 1840s British government was increasingly dominated by industrial capitalists. Hegemony in this sense does not mean total domination but rather signifies the control exercised by the organising and ascendant fraction of the capitalist class. In those colonies where a real potential existed for what might be termed 'regional bourgeoisies' specialising in a branch of capitalist commodity production functional to the expansion of the imperialist capitalist economy as a whole, the British state was favourably disposed to realise that potential. Significant changes in attitudes toward the Australian colonies especially with respect to land policy, banking regulations, and the acceptance of mass emigration to the goldfields occurred. These culminated in the colonial separations, the granting of limited self-government and experimentation with representative and responsible colonial legislatures and executives. Indeed the management of the goldrushes, the licence system, the encouragement of an extensive mining petty-bourgeoisie and the massive influx of free wage labourers also appeared consistent with these new directions. Viewed from the imperial perspective, the mid-1840s was the time at which the future development of colonial industrial capitalism and the weakening of merchant capitalism became apparent. The control exercised by colonial legislatures over land ownership and tenure in the 1860s was perhaps the most decisive outcome of these new initiatives.

On the other hand these new directions in imperial policy were premised, even shaped, by the formation of 'regional bourgeoisies', antagonistic to merchant capitalism, within the colonies themselves. In the Australian colonies, especially in New South Wales, the 1840s depression and its aftermath resulted in a more coherent alliance within the bourgeois class, which declared its opposition to

45. M. Dobb, Studies in the Development of Capitalism, Routledge and Kegan Paul, London, 1946, pp.310-311. See also his discussion of mercantilism, pp.177-220.

transportation and emphasised instead the benefits of a free labour force. This opposition united those employers who recognised the advantages of wage labourers as producers and consumers and those labourers who saw the threat to their livelihood if convict assignment was resumed. This ascendant class rallied around Wentworth as he pushed within the Legislative Council to control mortgage and interest rates. The banks recognised the necessity to acquiesce in this attempt to restrict their freedoms. But more importantly the inept administration of Gipps, exemplified in his willingness to accept Colonial Office advice to increase land prices during the depression, moved many colonists to advocate reduction in the power of imperial authority and the expansion of colonial autonomy. Behind these developments and their ambiguities lay the growth of a property-owning bourgeoisie, including diverse elements of a regional ruling class, which appreciated the advantages to be gained by the direct appropriation of surplus value and its conversion into a more developed pastoral capitalism.

The struggle between classes was to continue throughout the 1850s. In New South Wales, for example, the interests of the traditional pastoralists contrasted sharply with the advocates of liberal political economy. In Victoria the conflict was less sharp; the liberals were dominant. Moreover the export of gold and wool in the 1850s and 1860s and the continuity in the reliance on British markets for commodities, on British financial institutions and investors for funds, and on specialised colonial commercial houses to service trade, all indicate the important role that merchants continued to play, despite their formal subordination to the intra-imperial circuits of industrial capital and subsequently (post-1872) to the hegemony of Anglo-colonial finance capital. Merchant capital thus continued to exercise considerable economic

power in the Australian colonies.⁴⁶

Conclusion

From a perspective emphasising the relations of production, changing forms of surplus appropriation and the class relations on which they depend, five conclusions are apposite. First, colonial and imperial merchant capitalism dominated the period 1830-1846. This domination was evidenced in the forms of private property created by the imperial state, the limited political autonomy exercised by the colonists and the pattern of pastoral accumulation. Second, the contradictory impact these relations of production had on colonial accumulation was apparent in the early 1840s; the resultant political tensions in the colonies throughout the 1840s was produced by those seeking to resolve these contradictions and enlarge colonial political autonomy. Third, changes in the pattern of economic and political power in the imperial state favoured the development of capitalist relations of production in the colonies in the late 1840s and 1850s. Fourth, the reduction in direct British political imperialism was favourable to the creation of the original Wakefieldian notion of a liberal imperialist international division of labour, resulting in an imperialism of free trade. Last, the 1850s and 1860s saw the formation of the necessary property rights, political institutions and imperial relations that would result in the development in Australia of an advanced pastoral capitalism built upon the appropriation of absolute and relative surplus value. A new period of capitalist development, accumulation and class relations would begin. In Part Three the new period in colonial capitalism will receive closer scrutiny.

46. See A. Barnard, *op. cit.*, *passim*, and N.G. Butlin and A. Barnard, 'Pastoral Finance and Capital Requirements 1860-1900', in A. Barnard (ed.), The Simple Fleece: Studies in the Australian Wool Industry, Australian National University/Melbourne University Press, Melbourne, 1962, pp.383-400. The issue is discussed further in Chapter Seven, pp.242-281.

CONCLUSION TO PART TWO

The transition from pre-capitalist to capitalist modes of production has been more often theorised than explained in concrete historical circumstances. It has been a typically marxist concern to emphasise the fundamental differences and thus the break between modes of production. Non-marxist economic historians, particularly those employing neo-classical concepts, tend to stress historical continuity and accordingly employ the same methods of enquiry for societies widely separated in time and space. While marxist historians have made successful critiques of historians insensitive to fundamental (revolutionary) social change, marxist analysis has found historical research more complex than their theory often indicates.

A variety of problems emerges in the transition literature. The first problem is a failure to preserve the distinction between mode of production and social formation (or actual societies). Second, the temptation is to simplify transition to a largely economic phenomenon and then to subsume economic relations under the rubric of market relations. Third, there has been a tendency to ignore the heterogenous nature of all societies and the attenuated links between social practices, institutions and ideologies. Lastly, the role of imperialism, crucial for colonies, but influential in the shaping of most social formations, is totally ignored or inversely given undue prominence. These problems are then compounded by underestimating the potential forms of capitalist development and simplifying its various stages of development.

The establishment of capitalism in Australia represents an interesting problem precisely because it is well outside the classic paradigm of transition (from feudalism to capitalism) much debated in the marxist literature. The approach adopted in this thesis has been

an attempt to overcome the problem identified above. Rather than establish a first cause or identify a single determining process, I have sought to show multiple levels of determinations. And rather than argue that capitalism was inscribed in the original convict and non-convict population or even claim the inevitability of capitalism in Australia, a more open-ended argument has been attempted. The focus on commodification has been a crucial part of this argument.

It was claimed in the introduction to Part Two that commodification was crucial to the development of capitalism. However, it was also stressed that industrial capitalism cannot fully develop until labour power is itself a commodity. But even when this occurs not all aspects of the society (or social formation) become capitalist. A society is termed capitalist because the dominant form of surplus extraction comes through ownership of the means and objects of production. The relations of production that produce and reproduce this result may originate from various sources. They might evolve from the economic contradictions of an earlier mode of production especially where commodity production and exchange has reached limits retarding further expansion. An economic crisis then generally provokes a political crisis, a battle for state power and then a battle to re-construct the state. On the other hand, in colonial circumstances, enormous variations are possible. Traditional forms of surplus production and extraction may be linked to the search by merchant capitalists for industrial raw materials and food. In the Australian colonies the likelihood of capitalist development was strong but not inevitable. It was the decisive changes in the 1830s in land and immigration that made the result a necessity.

The formation of an Australian capitalism resulted from political decisions made by the imperial state and modified and adopted by colonial authorities. The direction of those decisions came as much from imperial experience, institutions, class relations, interests and ideological perceptions as from colonial circumstances. For this reason the power of the systematic colonisers should not be

underestimated; the prior material changes to the British imperial state gave ideological efficacy to these conceptions. It is necessary, however, to stress the variegated and changing nature of the imperial state.

Even allowing for the power of the state in commodifying colonial Australia there were other powerful forces moving in the same direction. First, the background, education skills and expectations of many free settlers and goldminers were forged in British capitalism. Spontaneous private institutions were largely compatible with the capitalist ethos. Second, the growth of commodity production in the colonies for local consumption and imperial markets was clearly evident. The most advanced producers realised that the land and labour questions were the most pressing questions demanding state intervention. The resolution of the land question showed how interest and ideology could be accommodated and capitalist reproduction enhanced.

In the 1850s a third level of explanation became important. The new political institutions and immigrant population took the commodification process to the next stage and created the concomitant political structure in the process. But final assent to political changes remained with Britain and the direction of economic causation lay also with the metropole. And whatever changes occurred in colonial political and economic relations, they were ultimately constrained by imperial requirements. It is for this reason that we can talk of a colonial bourgeoisie as a regional fraction of an imperial bourgeoisie: real autonomy was limited.

By the late 1850s the formation of a labour market and the capitalist alienation of landed property was achieved. Commodity production and exchange and the related commercial and financial institutions - despite or perhaps because of the 1840s depression - were well entrenched. The gold rushes expedited the process. The imperial state was modified to incorporate the necessary devolution of power to satisfy the requirements of colonial liberal and conservative

opinion. The political economy of transition had occurred over two or three decades; there was no decisive event. The mode of transition and the depth of the result (including some advanced aspects compared to Britain) would influence future development. Having explained the processes whereby the capitalist mode of production came to dominate the colonial social formation, we are now left with the next major task. That task is to investigate the direction, content and contradictions in the development of capitalist production. Part Three attempts to discern these processes.

PART THREE:

THE ASCENDENCY OF ANGLO-COLONIAL FINANCE CAPITAL 1860-1890

Introduction

In Part Two I discussed the necessary economic and political conditions for an expanding commodity-producing society. The object of Part Three is to explore major avenues for the appropriation and circulation of surplus value in the Australian colonies. The four chapters attempt to identify and analyse some of the principal determinants of the nature of late nineteenth century colonial capitalism in New South Wales and Victoria. Some important omissions - manufacturing, urban land and residential construction and agriculture - place limitations on the conclusions that can be drawn. There is no attempt at comprehensiveness. Rather, I have selected issues capable of shedding light on three fundamental matters in colonial political economy.

First, the unique nature of landed property in the colonies has not been adequately stressed in the literature. While there has been much writing on land legislation and settlement there have been few attempts to assess the implication of Australian patterns of land alienation and ownership for the process of capitalist development. Here the imbalance is partly redressed. Second, the major location of capital accumulation in the pastoral industry and in public railway building has often been lost in the sophistication of quantitative analysis. Third, economic relations with Britain have been misinterpreted. I offer a very different interpretation of the imperial and colonial relationship than the one dominating current historiography. The view of landed property and major sources of accumulation discussed below become necessary complements. The operation of production, accumulation, circulation and distribution of

surplus value will be examined. This cyclical process may be viewed from its economic side - the dynamic of capital accumulation - and from the socio-political side - the reproduction of class relations. Both dimensions are assessed in Part Three.

Some distinct phases occur in the evolution of the capitalist mode of production. The earliest phase is the period of merchant capital. This phase has been discussed extensively above. With the successful domination of commodity relations, capitalism enters a qualitatively new process of intensification and expansion. Whereas the first phase tends to be associated with the disruption and transformation of rural, essentially primary, production, the second phase tends toward an urban industrial form of production. Clearly the first phase is necessary for the second: without a proletarianised workforce and an urban market, the take-off into industrial production is limited. This evolution occurs in various ways in the classical transition from feudalism to capitalism.

The development of a mature capitalist society implies the amassing of means of production by a relatively small group of persons. More often than not, this is associated with the spatial concentration of means of production near raw materials, markets or workers. Inland and overseas transport networks are very important. Industrial capitalism occurs in any branch of production where concentration of means of production, using machine systems and non-animate energy on a large scale, and propertyless wage labour to operate these instruments of production exists. Typically industrial capitalism is concentrated in the production of manufactured commodities in urban or semi-urban locations. The bulk of the commodities produced in the early stages of industrial capitalism are means of production for other industries. Textiles, coal, iron and railways are important examples. Industrial capitalism is not confined, however, to urban manufacturing. The expansion of industrial production and the organisation of the characteristically capitalist form of labour process - specialisation of function, close

supervision, de-skilling of operatives - results wherever capital on a large enough scale can enter production. So industrial capitalism can be thought as both a technical evolution in the forces of production and a new form of ownership: the cost of entry into ownership of competitive means of production rises dramatically.

Industrialisation within a national economy spreads unevenly. This is particularly true of the initial transition to capitalism. Various factors inhibit the universalisation of industrial capitalist techniques of production. These include the scale of the national and international market, the extent of proletarianisation, the form of landed property (and minerals) and the policies of government. Farming, mining, logging and other primary industries may be more or less organised on an industrial basis. Ground rent under private property tends to inhibit the industrialisation of primary production. Despite unevenness in its formation an industrial economy may be said to have been established when industrial capital has become entrenched in many branches of production, and has thus created an inter-dependence within the economy as a whole. Remaining branches of production, not themselves revolutionised, will be drawn into this industrial system.

Two features of this concentration of industrial capitalism are pertinent to our story. The cost of means of production for new producers or of modernising existing plant and equipment to remain competitive, increases considerably. This generates a tendency to accumulate the necessary funds through partnerships, public and limited liability companies, the sale of shares and debentures and ultimately by external institutional borrowings. Individual resources and re-invested profits become insufficient for the appropriate scale of investment funds. The ownership forms change to accommodate the production imperatives. Economic ownership becomes partially separated from the control of the labour process (where surplus value is created). This issue will be taken up more fully below.

As centres of industrial capital are established and as

international trade expands (especially for colonies caught within free trade regimes), specialisation in industrial production emerges. Only large, powerful, independent and imperialist nations can contemplate the nurturing of a self-sustaining industrial system. Smaller, dependent countries, colonies and regions must specialise and trade. In this process of specialisation and trade the financial structure either created to facilitate overseas trade and raw material supply, or to finance industrialisation in the more established industrial capitalist states, may become involved in underwriting the concentration of means of production in specialised areas in the smaller dependent economies. Formal colonialism merely places these developments on a more predictable, legally and politically enforceable and therefore safer basis for investors. Informal colonialism is less secure because sanctions are diplomatic, military and enforced through economic rather than through political and legal channels.

As industrial capitalism evolves and the earlier dominance of commercial/mercantile capitalism is displaced and made subordinate to industrial capitalism, the process of the expansion of value becomes increasingly social and the functions become concentrated and specialised. Capitalism remains explicable within the general form of the circuits of commercial, industrial and interest-bearing capital but the provision of money capital as external finance for industrial capital grows. While the site of exploitation, control of the labour process and the production of value remains within the industrial capitalist enterprise, the power of money capital grows. Concentrated in banks and other specialised financial organisations and absolutely necessary for the reproduction of industrial capitalism, banking capital dominates. It is the central integrating agency within the economy. Consequently we speak of finance capital as the phase of capitalism when the links between banks (and other financiers) and industrial capitalists are particularly strong. Finance capital is the developed linkage between the three phases in the movement of

value (industrial, commercial and interest-bearing capital) in which banking capital is tendentially dominant.

However, although banking capital is dominant, it is not determinant within this articulation. ... that aspect of the circulation of social capital concerning the provision of funds for finance dominates the other aspects, but the determinant moment in the combination is occupied by the place of productive capital within the 'industrial' circuit.¹

Although finance capital is an identifiable stage in the general development of the capitalist mode of production it would be a mistake to attribute too much coherence and uniformity to its historical manifestations. In this discussion we are examining a hybrid finance capitalism. Its unique nature in colonial New South Wales and Victoria derives from the penetration of industrial capitalism into the countryside (pastoralism) - a consequence of the nature of landed property and specialisation in the imperial market - and the role of British financiers and finance in the process of 'investment' in that industry. This is reinforced by the employment of borrowed funds in the publicly owned (government) communications and transport system. The separation between capitalist producer (private and public) and financier, the separation of the capital and property function, when compounded by physical separation between these interests generates growth, accumulation and crises specific to the colonial political economy. I hope to demonstrate this proposition below.

The four chapters of Part Three follow logically from these introductory comments. In Chapter Seven landed property and its role in the ascendancy of finance capital is discussed. Chapter Eight looks at the pastoral industry in the light of the material on landed property. Chapter Nine is concerned with finance capital in the public sector. In the concluding chapter the ramification for class relations (at the economic level) of the conclusions of Chapters Seven to Nine are explored and an attempt to specify the nature of Anglo-colonial finance capital is made.

1. G. Thompson, 'The Relationship between the Financial and Industrial Sector in the United Kingdom Economy', Economy and Society, Vol. 6, 1977, p.247.

CHAPTER 7

CAPITALIST LANDED PROPERTY, 1860-1890

The mortgage system is less clear and less simple ... Here again we find the distinction between the landowner and the entrepreneur, hidden, it is true, beneath particular legal forms. The ground rent, which in the tenant farming system accrues to the landowner, returns under the mortgage system to the creditor. He is the owner of the ground rent and, it follows, the real owner of the land. The nominal owner on the other hand is in reality a capitalist entrepreneur who receives the profit of enterprise and the ground rent and hands back the rent in the form of mortgage interest payments.

(K. Kautsky, La Question Agraire: Etude Sur Les Tendances de L'Agriculture Moderne, V. Giard et E. Briere, Paris, 1900, p.129.)

Introduction

White exploration, occupancy and exploitation of Eastern Australia was the product of two distinct, though entwined, processes. To sustain the colonial population, labour was organised to produce and secure food and raw material requirements. A great deal of society's labour time was occupied in agriculture, fishing, mining, dairying, animal husbandry and logging. Initially the state, through the agency of the Commissariat and then the private markets, provided the linkages between commodity producers and consumers. This was the dynamic of the domestic market. As we have argued above, this domestic market was initially structured and dominated by state activity. The encouragement of smallholder agriculture by means of land policy, monetary and immigration policies, government regulation of supply purchasing and convict labour policy, was aimed at securing the expanded reproduction of an autonomous capitalist civil society. An influx of free settlers and the market activities of ex-convicts (and indeed convicts in their spare time) expedited this process.

In the second half of the nineteenth century, the goldrushes, the expanding pastoral frontier and the diversification into mineral and agricultural exports were all linked to British imperial markets. As the production and transportation for the overseas market developed, many investment opportunities for British capitalists were opened. The result was a new and strengthened pattern of economic relations binding Australian development to British imperialism and to domestic and international market dynamics. A focus on the rights to colonial landed property (and the law sanctioned by the colonial and imperial states) goes some way in explaining these complex phenomena. In this Chapter I will examine the principles of the alienation of the public estate, the dominant forms of access to landed property and the evolving concept of ownership, with the growing significance of mortgage finance.

The Political Context of Land Reform

The discovery of easily won alluvial gold brought a huge population influx into Victoria and New South Wales. The immigrant population and a significant percentage of colonial urban workers surged to the goldfields. As alluvial gold deposits were exhausted, quartz mines, requiring extensive accumulated means of production, came to dominate gold production.¹ The petty bourgeois utopia of individual effort and luck determining wealth became increasingly illusory. A demand by ex-miners for greater access to agricultural lands merged with their long-standing grievances against the system of licensing and regulating mining claims. Antagonism to land and mining policies focused political attention on the principles embodied in ownership and access to naturally given use values.² The pressures for land reform were strongest in Victoria.

1. A.R. Hall, The Stock Exchange of Melbourne and the Victorian Economy 1852-1900, Australian National University Press, Canberra, 1968, pp.13-18.

2. Ibid., p.17.

The goldrushes were important in three ways. First, the mining and export of gold from Australia consolidated an important characteristic of the first pastoral age (1835-1847). A huge proportion of social labour in the colonies was transforming use values into exchange values exclusively for British demands. In short, it strengthened the influence of the imperial market relative to that of the domestic market. Second, it enabled mercantile and financial interests, particularly banks, to accumulate money capital. This accumulation process and the privileged position occupied by merchant capital in the circuit of wool production and exchange, consolidated the dominant position of financiers in future pastoral, infrastructural and urban investment.³ Lastly, the goldrushes put the question of capitalist property rights and the advantages hitherto gained by squatters in land occupancy at the centre of political debate. Out of that controversy emerged a more advanced form of bourgeois landed property with many implications for future colonial political economy.

The second pastoral age (1860-1890) saw the occupancy of all available land in eastern Australia.⁴ Apart from the inland deserts, the expansion westward was completed. While cattle owners spearheaded the pastoral frontier in the 1850s and 1860s (the Riverina being a good example), by the late 1870s cattle stations were concentrated along the coast. The important exceptions were Queensland and western New South Wales. For the most part, the expansion of the pastoral frontiers constituted a search for sheep pasture. As wool prices rose after 1855, peaking in the early 1870s, sheep flocks increased rapidly. But this growth was in marked contrast to the earlier phase of pastoral expansion. An increasing reliance on technical advances,

3. N.G. Butlin, Investment in Australian Economic Development 1861-1900, (hereinafter I.A.E.D.), Cambridge University Press, Cambridge, 1964, pp.111-147, 245-267 and 334.351. These developments are reappraised in Chapters Eight and Nine, pp.282-370.

4. D.N. Jeans, An Historical Geography of New South Wales, Reed Education, Sydney, 1977, pp.271-294.

science and accumulated means of production meant that the simple nexus between settlers and nature was broken. The environment was increasingly modified, dominated and rendered accessible to human exploitation. This period also saw agricultural expansion and diversification with its organisation placed on a capitalist basis.

White settlement clearly accelerated the impositions wrought by humans on the landscape. Trees were felled, open woodlands created, new plants and animal species introduced and extensive ringbarking undertaken. Exotic vegetation, overgrazing, and wasteful and unsystematic logging characterised white settlement. However the naturally given constraints of distance (from markets), of rainfall for reproducing pasture and the tendency of cattle and sheep to wander were all mitigated after 1850. Innovations in transport encouraged pastoralists to move inland. Water conservation and fencing further revolutionised the pastoral industry.

Concentrated means of production were required in all three cases of major technical innovation. In the case of railways, the colonial states amassed the necessary resources needed to construct, manage and finance this task.⁵ Pastoral investment, on the other hand, was exclusively private in character. In both cases, public and private, the financial resources to purchase and coordinate these developments led to large-scale borrowing from colonial, then increasingly, British lenders.⁶ With these technological changes part of the 'progressive mission' of modern industrial capitalism was realised: the value of capitalistically produced commodities (i.e. the amount of human labour - living and congealed - consumed in their production) was reduced.

Before turning to a more detailed treatment of colonial landed property and the implications for the nature of class relations, some general observations about the colonial state are necessary. As we have noted above, the imperial state prior to the 1850s, with its

5. N.G. Butlin, *I.A.E.D.*, *op. cit.*, pp.352-357.

6. *Ibid.*, pp.57-180 and pp.291-406.

agencies, officers and administrative personnel, was the dominant influence in shaping colonial property and class relations. The separation of Victoria from New South Wales and the granting of self-government and constitutional reform in the 1850s opened up new possibilities for colonial land reform.

The new colonial constitutions of 1854-55 in New South Wales and Victoria changed the context of the land debate.⁷ Insofar as the imperial government relinquished considerable powers (including the ownership of Crown Lands and minerals), the colonial state was more responsive to regional interests, classes, political alliances and popular sentiment. Throughout the first phase of Australian development the imperial state sought to shape the basic property relations and modes of domination to create a self-expanding civil society. After the 1850s a major reversal occurred. The granting of limited self-government and a democratic constitution acknowledged that a bourgeois civil society built on private property, the private appropriation of surplus labour and the hegemony of market relations was securely rooted in the colonies.⁸ From this civil society emerged the class forces to shape, within the structured limits acceptable to the British imperial state, a colonial political society.⁹ I turn to examine the land reforms in detail.

7. The constitutional changes are discussed in W.G. McMinn, A Constitutional History of Australia, Oxford University Press, Melbourne, 1979, pp.40-57. See also E. Sweetman, Australian Constitutional Development, Macmillan, Melbourne, 1925.

8. A useful account of this period is found in R.W. Connell and T.H. Irving, Class Structure in Australian History, Longman Cheshire, Melbourne, 1980, pp.105-145. However their use of the concept 'mercantile bourgeoisie' is theoretically controversial.

9. This formulation of the relations between civil society and political society and the general theory of the state follows A. Gramsci, Prison Notebooks, Lawrence and Wishart, London, 1971, Part II, Ch.2, pp.206-276, and C. Buci-Glucksmann, Gramsci and the State, Lawrence and Wishart, London, 1980, passim.

Land Reform and Colonial Parliaments

Colonial politics during much of the long boom (1860-1890) were shaped by individual and factional parliamentary alignments.¹⁰ Only in the 1880s was this parliamentary form of populist politics reorganised along more recognisable class lines.¹¹ With general prosperity, relatively high wages and an expanding private sector complemented by extensive public investment and extremely low levels of taxation, colonial capitalism appeared to avoid major contradiction until the 1880s. The mythology of an Australian colonial 'working man's paradise' had some empirical basis: the reality of colonial life for a large majority compared favourably with conditions in Europe and Britain. In many senses the Australian colonies came close to realising Mill's progressive liberal position¹²

In the 1890s the extraordinary prosperity and relatively unbroken growth pattern was checked. The pastoral economy reeled under a cost-price squeeze, the urban building and speculative boom collapsed, public accounts were in crisis and the enormous overseas indebtedness incurred by public and private borrowers placed a burden on the entire economy. Class conflict which had hitherto remained muted though detectable in the industrial and political struggles of the 1870s and 1880s, became manifest in the 1890s.¹³ The optimism of the long boom seemed curiously irrelevant as bankruptcy, unemployment, wage reductions and industrial bitterness spread. And while outside the

10. P. Loveday and A.W. Martin, Parliament, Factions and Parties: The First Thirty Years of Responsible Government in New South Wales, 1856-1889, Melbourne University Press, Melbourne, 1964; G. Serle, The Golden Age, Melbourne University Press, Melbourne, 1963, and G. Serle, The Rush to be Rich, Melbourne University Press, Melbourne, 1971. See also P. Loveday, A.W. Martin and R.S. Parker (eds), The Emergence of the Australian Party System, Hale and Iremonger, Sydney, 1977.

11. J.D. Rickard, Class and Politics, Australian National University Press, Canberra, 1976.

12. N.G. Butlin, 'Colonial Socialism in Australia 1860-1900' in H.G.J. Aitken (ed.), The State and Economic Growth, Social Sciences Research Committee, New York, 1959, pp.26-78.

13. The best study of this period remains R.A. Gollan, Radical and Working Class Politics, Melbourne University Press, Melbourne, 1960.

direct concerns of this thesis, the 1890s crisis inaugurated a new, reorganised system of state power, including direct intervention to structure the labour market.¹⁴

A large number of these historical phenomena can be explained by the role landed property played in the colonial economy, a role compatible with the requirements of capitalist relations of production. But for very important and understandable reasons, capitalist landed property in the colonies developed in ways considerably more advanced than occurred in Britain.¹⁵ Smith, Ricardo and Marx accurately understood the inhibiting role of non-capitalist relations in landed property and the non-productive (tribute-extracting) role of the appropriation and circulation of absolute ground rent under capitalist relations of production. However the Australian colonies created a form of landed property which, in the short term, was actually efficient in redirecting the social surplus into productive expansion. Simultaneously it opened up a complex range of avenues for British and colonial finance capitalism to exploit. This process produced appropriate property law and mortgage relations that ran well beyond imperial precedent. With regard to capitalist landed property and the new legal forms that were generated, the general validity of Marx's adage that more advanced capitalisms reveal the future to the more backward is substantiated.¹⁶

Victorian experience in land legislation differed in intention

14. N.G. Butlin, 'Long-run Trends in Australian Per Capita Consumption' in K. Hancock (ed.), The National Income and Social Welfare, F.W. Cheshire, Melbourne, 1965, pp.1-19.

15. A. Davidson and A. Wells, 'The Land, the Law and the State: Colonial Australia 1788-1890', Law in Context, Vol. 2, 1984, pp.112-114. See also the discussion in E. Mandel, Marxist Economic Theory, Merlin Press, London, 1971, pp.271-304.

16. With the formation of an imperialist world market system this notion assumes validity if we recognise that capitalist development no longer coincides with the configuration of national states. For Marx's views on the stages of capitalist development see K. Marx, 'Manifesto of the Communist Party' in his The Revolutions of 1848: Political Writings, Vol. 1, Penguin, Harmondsworth, 1973, pp.67-79 and K. Marx, A Contribution to the Critique of Political Economy, Progress Publishers, Moscow, 1970, pp.19-23.

and outcome from that in New South Wales. Prior to separation from the mother colony, the Port Phillip District had been largely monopolised by squatters. In 1851, for example, some 31 million acres were held by less than 1,000 squatting licences. While the 1847 Order-in-Council appeared to protect this squatting occupation, Governor La Trobe and Hotham, his successor, were anxious to interpret the order to maximise land available for sale. To an extent the restrictive attitude held by the Crown toward squatters in Victoria was a reflection of land hunger among miners, ex-miners and free settlers. The restricted nature of agricultural expansion was another factor.

The continuing controversy over land was evidenced in the 1854 Commission into Crown Land - which became deadlocked - and the formation of land leagues in 1858.¹⁷ The Victorian Constitution with its restrictive property qualifications for Legislative Council members and electors and a relatively democratic Legislative Assembly was an obstacle to parliamentary land reform. Between 1857 and 1860 a series of land reform Bills were defeated in the Upper House. In 1860 the Nicholson Land Bill finally passed through both houses, despite great bitterness.

The objects of the 1860 legislation were clear. It was claimed by reformers that the fourteen year security of leases provided by the 1847 Order-in-Council were to expire in 1861. Thus the squatter domination of land occupancy was considered legally terminated. The Crown Land of Victoria would be divided into special land of particularly high value (largely city and town allotments) which would be sold at auction, and country land which was to be surveyed and sold at a minimum fixed price of 20s. per acre and a maximum of 320 acres

17. T.A. Coghlan, Labour and Industry in Australia, Vol. 2, Oxford University Press, London, 1918, pp.659-660. The report was tabled in 1855. See The Report of the Commission into Tenure of the Waste Lands of the Crown, Government Printer, Melbourne, 1854, especially pp.5-24.

per selector. Only one selection per year was allowable.¹⁸ The unsurveyed land would remain available, but with resumption always possible, for short-term squatting leases. In 1862 and 1863 it had become apparent that too many selections were being taken up often illegally by squatters. In 1865 the legislation was revised and strengthened against abuse.¹⁹

The 1865 Amending Act required selections to be first leased for three years with an annual payment of 2s. per acre. Residential and improvement conditions prevailed. After three years the selector might buy the land at 20s. per acre or realise improvements by sale of the land at public auction. Alternatively the lease could be extended for a further maximum of four years. The lease could not be surrendered to a creditor in case of bankruptcy and the Land Board could revoke leases where dummyming had occurred. The 1865 Act also made provision for agricultural leaseholds of up to 160 acres at 2s per acre per annum. An extension ^{of} surveying and the appointment of thirty-six officers to the Lands Department aided the rapid expansion of selection. [^] Nearly four million acres of land became available for selection. To a considerable extent the 1865 Act achieved its objectives. The settlement of agricultural lands grew, agricultural production increased and the ability of pastoralist to gain easy and cheap access was heavily curtailed. Pastoral leases from the earlier Acts expired in late 1870. The Land Act of 1869 was therefore a revision of squatting and selecting arrangements. ✓

While squatting had grown in the 1860s, squatters had tenuous security. In 1869 squatting leases over fourteen years, with a legal maximum of 4,000 sheep or 1,000 head of cattle, were rented at amounts fixed by the Land Boards. Yearly leases were renewed with rents of 8p. per sheep and 4s. per head of cattle per annum (this was increased

18. T.A. Coghlan, *op. cit.*, p.660.

19. S.H. Roberts, History of Australian Land Settlement: 1788-1920, Macmillan, Melbourne, 1968, pp.252-253.

to 1s. and 5s. respectively in 1875). The number of squatting runs fell from 1,161 in 1863 (totalling 28,826,000 acres) to 974 in 1872 (27,970,000 acres).²⁰ This increased the predictability of squatting but still allowed government resumption of the lease.

The successes of the Victorian Acts were nevertheless marred by a major problem. Once freehold in small allotments was widespread the accumulation of large estates became possible. Successful farmers, town businessmen and pastoralists had the resources to expand their freehold lands. In an attempt to reverse this trend the 'progressive' Berry Ministry imposed land taxes in 1877 and set up a Royal Commission to investigate the Selection Acts.²¹ Evidence before the Commission, and its Report pointed to widespread indebtedness, extravagant interest commitments and accompanying foreclosures. In 1878 an Amending Act eased the repayment burden, increased the probationary period to help selectors and introduced conditional purchase schemes. Droughts in 1878-79 and 1881-82, rabbit plagues and an environmental debacle on the Mallee indicated the damage selection had created. To salvage the semi-arid Mallee lands, an 1883 Mallee Land Act was introduced under which 11.5 million acres were divided into large pastoral blocks and leased allotments for wheat growing. In either case the rabbits had to be eradicated by lessees.

The last major revision to land legislation came in 1884.²² All but the Mallee lands were included in this Act. The remaining usable unalienated land in the colony (excluding swamplands) was separated into five categories. Leaving aside reserves held by the Crown and gold-bearing areas, the three major categories were pastoral, agricultural and grazing, and land for sale by auction. The pastoral

20. See Progress of Victoria, Government Printer, Melbourne, 1872, p.58. See also H.H. Hayter, Victorian Year Book, Government Printer, Melbourne, 1873, p.52.

21. J.M. Powell, 'The Land Debates in Victoria, 1872-1884', Journal of the Royal Australian Historical Society, Vol. 56, Pt. 4, Dec. 1970, pp.263-280, and J.M. Powell (ed.), Yeomen and Bureaucrats, Oxford University Press, Melbourne, 1973.

22. S.H. Roberts, op. cit., pp.312-314.

lands of over 8 million acres were divided into 2,000-4,000 acre blocks for lease over fourteen years with rents of 1s. per sheep and 5s. per head of cattle. A 320 acre block could be purchased by the lessee. In the case of several buyers, the lease was auctioned; the value of improvements were compensated to the lessee. Agricultural and grazing land (8,712,000 acres) was divided into 1,000 acre blocks available for lease over fourteen years. When the lease expired, a sum of 10s. per acre was paid as compensation to the farmer for improvements to the land. Lease holders could select 320 acres. Otherwise, selection was ended. Land designated for alienation by auction (832,320 acres) was to be sold at no more than 100,000 acres per year at a minimum price of 20s. per acre.

In the early 1890s consolidation, amending and settlement Acts to assist urban unemployed, were enacted. Despite these closer settlement Acts a phase of colonial land legislation was ending; the bulk of good agricultural and grazing land had fallen into private ownership. Much of the private land had been consolidated into large farms and estates. Some 25,200,000 acres remained in public ownership. Of this, 11,600,000 acres were Mallee land and only 4,363,000 acres of agricultural/grazing and 1,931,000 acres of pastoral land remained for settlement.²³ The situation in New South Wales provided some interesting contrasts.

In New South Wales the squatting interest had achieved a powerful economic and political position; the 1855 Constitution was less representative than in Victoria (the Legislative Council was appointed not elected) and the social impact of gold seekers was considerably less far-reaching than in Victoria. Prior to self-government, squatter domination of Crown Land was nearly absolute. The 1847 Order-in-Council was interpreted in the pastoralist's favour. Surveying and leasing of pastoral runs under the terms of the 1847

23. H.H. Hayter, Victorian Yearbook 1892, Government Printer, Melbourne, 1892, pp.242-243.

Regulations were completed in 1854 but retrospectively dated to 1852. Thus squatters were reasonably secure until 1866. Land sales were minimal and where selectors did attempt to purchase land they were easily outbid.

After the new Constitution, a number of attempts at land reform were made before the actual passing of legislation in 1861. The Parker and Cowper Ministries proposed land reforms but were defeated in the Legislative Assembly. A new government elected in 1859 gained a popular mandate to effect land reform. The obstacle now was the non-elected Legislative Council. Attempts to swamp the Council with new members were unsuccessful, but in 1861 Parliament was prorogued and a new, more liberal, Legislative Council appointed. In 1861 Robertson, Minister for Lands, introduced two successful Bills:²⁴ the Crown Lands Occupation Bill which concerned squatting leases and the Crown Lands Alienation Bill which provided free selection before survey.

The Alienation Bill enabled selections between 40 and 320 acres to be made at the fixed price of 20s. per acre. Town and suburban land was specifically excluded; it was to be alienated at public auction. Selections had to be secured by a 25 per cent downpayment with repayment of the balance in the following three years. Repayment could be extended but then attracted a 4 per cent per annum interest rate. Selection could occur on unsurveyed Crown Land. The essential conditions were repayment, residential and improvement clauses. The result was a very generous concession to the spirit of homesteading, agricultural expansion and independent self-sufficiency.²⁵

The squatters were less pleased with the outcome. Squatting land

24. D.W.A. Baker, 'The Origins of Robertson's Land Acts' in J.J. Eastwood and F.B. Smith (eds), Historical Studies, Selected Articles, First Series, Melbourne University Press, Melbourne, 1964, pp.103-126.

25. J.M. Powell, The Public Lands of Australia Felix, Oxford University Press, Melbourne, 1970. See also J.M. Powell, 'The "Yeoman Farmer" and the Quest for Arcady' in Mirrors of the New World, Australian National University Press, Canberra, 1978, pp.49-83.

was divided into settled and unsettled districts. In the former, leases were annually renewable and cost £2 per square mile. In the latter, leases were for five years at rates fixed by the Commissioner for Crown Lands. But squatters now had to face the ever-present problem of the resumption of Crown Land for the expansion of smallholder agriculture. The Occupation Act was amended in 1865 to give squatters pre-emptive rights over improved land and thereby to increase their security against selectors.²⁶ The more than threefold increase in sheep numbers in the decade of the 1860s signified the specialisation in pastoralism that was occurring in New South Wales.²⁷

Meanwhile, alienation of land under the Selection Acts expanded modestly. By 1871 some 4,800,000 acres had been sold under the provisions of the new Land Alienation Act.²⁸ The lack of real agricultural expansion, reflected in expansion of cultivated land and output, made the developing conflict between selector and squatter all the more tragic. A commercial depression in the late 1860s, however, kept the struggle restrained.

After 1872, with the ending of the depression, finance became more readily obtainable. Land alienation was rapid. To a certain extent this was politically opportune because it vastly augmented public revenue. Land was alienated conditionally and absolutely under the terms of the various Acts. Between 1872 and 1876 some 7.5 million acres were conditionally alienated and 4 million acres absolutely alienated.

The bulk of this land was accumulated directly or indirectly, legally or illegally, by pastoralists. This was a predictable reaction to the potential loss of the most valuable portions of their runs to selectors. Owning freehold substantially increased overall

26. T.A. Coghlan, Labour and Industry, op. cit., Vol. 2, pp.975-976.

27. N.G. Butlin, Private Capital Formation in Australia: Estimates 1861-1900, Social Science Monograph No. 5, The Australian National University, Canberra, 1955, Table 41, p.157.

28. Statistical Register of New South Wales for the Year 1872, Government Printer, Sydney, 1872, pp.256-257.

costs for the pastoralists. More and more of their funds came from external sources and a great deal of the borrowings were for land purchase rather than for productive purposes.²⁹ Amendments to the Act in 1875 and 1880 further assisted the pastoralists in their expensive contest with selectors. Poor, over-worked administration and corruption also assisted pastoralists. By the early 1880s there was a glaring need for reform to the land laws.

In 1883 the Morris-Rankin Royal Commission was established to enquire into the land laws.³⁰ Evidence suggested that of the 170,000 conditional purchases a maximum of 20,000 resident selectors remained. The Commission's major recommendations became law in 1884. The 1884 Act divided New South Wales into the eastern, central and western divisions, each of which was divided into districts with local Land Boards. Leased squatting runs could be divided and one-half retained with varying leases depending on the division. Rent was the result of Land Board deliberation but minimum limits were fixed. The squatter could re-occupy the resumed area, which might be selected, by paying a licence fee (again fixed by the Board). The western division was largely exempt from squatting; elsewhere selection of 40-640 acres was possible. Conditions over improvements and repayment varied between divisions. Homestead leases were also available. Apart from modifications in 1889 when an independent land court was established, the 1884 Act was maintained until new settlement Bills to alleviate unemployment were passed in 1893.

Whatever the intent, these reforms came too late to change the basic pattern of alienation. Within three or four years the crisis in the pastoral industry became manifest. Political power in the legislature and superior economic resources in the market place had generally given squatters the opportunity to marginalise selectors.

29. This matter was discussed in Chapter Two, pp.50-108.

30. For a summary of findings, see Report of Inquiry into the State of the Public Lands and the Operation of the Land Laws, Government Printer, Sydney, 1883, pp.28-35.

It is useful to pause and examine the twenty-three year period of the Robertson Land Acts. Coghlan estimated that 39 million acres had been alienated (23.47 million acres conditionally, 15.57 million acres unconditionally). A little over 6 million acres had reverted to the Crown. Over the entire period non-pastoral rural occupiers increased from 19,000 to 40,000 and cultivated land expanded from 300,000 to 720,000 acres.³¹ The contrast with Victoria could not have been greater.

Like the earlier legislation the Acts of the 1880s failed to promote real agricultural expansion and even rural settlement.³² Despite the alienation of over 50 million acres of arable land, agricultural output rose very modestly. Compared with Victoria (or South Australia) the New South Acts failed badly. Pastoralism was entrenched in much the same way as it had been before the Robertson Acts. But now much of the vast estates were freehold. In 1895 some 137 pastoral estates comprised 11 million freehold acres.³³ The accumulation of freehold and leasehold was extraordinary.

The conversion of pastoralist dominance from a political to an economic right, based now on secure and irrevocable tenure, was not without cost. A concentration of borrowed funds and profit had to be outlaid to maintain ownership or access to pastoral leases. For many pastoralists the cost was the loss of complete ownership over their revenue and for a smaller group their total loss of economic ownership.³⁴ This was the unintended consequence of land reform in New South Wales.

Pastoralists had lost their privileged political right to the use

31. T.A. Coghlan, The Wealth and Progress of New South Wales 1895-6, Government Printer, Sydney, 1897, p.249.

32. Ibid., pp.270-275 and pp.304-310.

33. T.A. Coghlan, Labour and Industry, op. cit., Vol. 4, p.1970.

34. The concept of economic ownership is discussed more fully below. It refers to those who have legal access to surplus value. It is a concept related to the property connection of the relations of production.

of landed property: consequently they were forced to engage in market competition with other land users and to secure strategic freehold and meet larger leasehold payments. Political and economic advantage already at the disposal of pastoralists gave them considerable ability to modify and manipulate the new legislation. Nevertheless the colonial aristocracy was on the defensive. In constitutional deadlocks even the governors favoured the popular democratic sentiment. Whereas the ownership of rural and urban landed property in Britain was consolidated in relatively few hands and continued to generate an identifiable fraction of the economically and politically dominant classes, the Australian colonial legislatures undermined the basis of the 'bunyip aristocracy'.³⁵

Classical political economy reacted against the British landed class, correctly identifying it as parasitic, unproductive and an anti-democratic barrier to liberal capitalism. Liberal political economy was sufficiently militant (even extreme) on this issue to advocate state ownership of landed property.³⁶ Whereas Wakefield argued for greater equity in the distribution of landed property (essentially for smallholdings), the more perceptive critics of Wakefieldianism favoured nationalisation. In the Australian colonies, capitalist rationality, middle class morality, populist demands and liberal political economy apparently coincided on one essential point: property ownership, public and private, should generate rewards commensurate with the energy and sacrifice of the producer (i.e. the capitalist producer).

Initially, these innovations in land legislation failed to radically transform the position of the pastoralist. Smallholders

35. F.M.L. Thompson, English Landed Society in the Nineteenth Century, Routledge and Kegan Paul, London, 1963, and J. Scott, The Upper Classes: Property and Privilege in Britain, Macmillan, London, 1982. Both give a good account of the position of landed property in late nineteenth century British class relations.

36. J.S. Mill, Principles of Political Economy, Penguin, Harmondsworth, 1970, pp.169-174.

proliferated, taking advantage of the credit terms offered by the state or taking mortgages with colonial banks. As the major landowner, the state was thus able to appropriate directly or indirectly a portion of the smallholder's surplus labour and employ it on railway and other infrastructural development. And although a developed transport network was advantageous to the agriculturalist, it also enhanced the value (i.e. capitalised rentals) of public property. This issue is taken up in Chapter Nine.

The land legislation began to take effect in the early 1870s (accelerating after 1873). On expiry of their leases, squatters no longer had secure cheap access to pasture, and bitter competition between pastoralists and selectors developed. To succeed in this competitive environment both selector and squatter became reliant on borrowed funds for freehold purchase and subsequent investment in the means of production. In agriculture and pastoralism mortgage finance rapidly expanded. In 1843 the imperial government permitted the mortgage of liens on stock and crop. Mortgage of real estate, urban and rural, was expressly prohibited. Bank charters and the 1847 Imperial Banking Regulations forbade mortgage on land.³⁷ Well into the 1870s the legality of mortgage on land was doubtful.³⁸

From 1872-3 pastoralists were forced into widespread strategic purchases of their runs to ward off the ever-encroaching selectors. In this competition for access to agricultural and pastoral lands both selectors and squatters expanded their mutual indebtedness.³⁹ Banks, merchants and storekeepers extended credit to the selector, often at comparatively high rates of interest. The pastoralists were more

37. S.J. Butlin, Foundations of the Australian Monetary System 1788-1851, Sydney University Press, Sydney, 1968, pp.544-545. See also G. Blainey, Gold and Paper: A History of the National Bank of Australasia Limited, Georgian House, Melbourne, 1958, pp.52-55.

38. A.S.J. Baster, The Imperial Banks, P.S. King and Son, London, 1929, pp.259-261.

39. J. Lee, '"A Black Past, A Black Prospect": Squatting in Western N.S.W. 1879-1902', unpublished M.A. thesis, Australian National University, 1980, p.105.

fortunate. To begin with high wool prices generated the funds for pastoralists to obtain freehold. As wool prices fell and competition intensified external borrowings by squatters started to grow. Substantial amounts of British funds were channelled through Anglo or colonial banks and through the mortgage finance and pastoral houses.⁴⁰ A great deal of these funds were secured by the capitalist producers - selectors and squatters - not for the purpose of productive investment but to secure access to the natural preconditions of production.⁴¹ The high level of pastoral profits encouraged new entrants to borrow heavily to finance their purchase of existing properties. At inflated prices, some pastoralists sold their physical assets and titles and moved further inland.

The revenue from land sales and leases was accumulated by the colonial governments. Thus state-appropriated ground rent became a public fund largely employed for servicing the escalating debt for public communications expenditure. The state borrowed heavily on the basis of its revenues and on the implicit mortgage of the public estate to local and, increasingly, private investors in London. So although industrial capitalism in specific branches of production, notably pastoralism, mining, agriculture and transport, developed rapidly in the long boom, more traditional branches of industrial production, especially large-scale urban manufacture, were retarded. Where industrial capital did develop, or rather, where the imperial division of labour permitted development to occur, in both public and private enterprise, the dependence on British finance capital was strengthened.⁴² Paradoxically British capital in the public sphere was, by marxist criteria, productive (of surplus value) because it

40. J.D. Bailey, Australian Company Borrowing, 1870-1893: A Study of British Overseas Borrowing, unpublished Ph.D thesis, Oxford University, 1957; A.R. Hall, The London Capital Market and Australia 1870-1914, Australian National University, Canberra, 1963.

41. This point is discussed in Chapter Two, p.88.

42. Ibid., and N.G. Butlin, I.A.E.D., op. cit., pp.148-165 and pp.334-451.

expanded the exploitation of wage labour, whereas a good deal of private investment was oriented towards non-productive transfer of property ownership.⁴³

In a wider context these developments in Australian colonial political economy were a reflection of and a response to the changing structure of British imperialism. As we asserted earlier, political imperialism was supplanted by economic imperialism. After 1870 the epoch of British free trade imperialism based on British productive, mercantile and financial pre-eminence was in retreat. Imperial rivalries, a bout of mercantile colonialism and the formation of a specialised intra-imperial division of labour were occurring. In contrast to the earlier pace of industrial innovations in productive industries and competitive commodity trade, British imperialism after 1870 was characterised by the rise to economic dominance of the City financiers.⁴⁴ These financiers directed their expanding overseas portfolios increasingly within the safety of the formal and informal Empire. When Lenin called imperialism 'moribund capitalism', he simply meant that the productive capacities of British and European capitalism seemed exhausted - no obvious advances in reducing the value of commodities were occurring.⁴⁵ Furthermore, finance capital accumulated surplus value not through revolutionising the means of production but through cartelisation, protection, colonial possession and, decisively, through the purchase of titles to existing or future surplus value, irrespective of its initial form as rent, interest or profit. Finance capitalists conceived of capital as money and the rate of interest as the cost of money.

43. K. Marx, Theory of Surplus Value, op. cit., pp.152-304, and K. Marx, Capital, Vol. 3, Penguin, Harmondsworth, 1981, pp.751-952.

44. The theory of 'financial capital' was first advanced by R. Hilferding, Finance Capital, Routledge and Kegan Paul, London, 1981.

45. V.I. Lenin, 'Imperialism: The Highest Stage of Capitalism' in Selected Works, Progress Publishers, Moscow, 1971, pp.169-162. See also N. Harding, Lenin's Political Thought (Vol. 2), Macmillan, London, 1981, pp.41-70.

While British finance capitalists were obtaining ownership over colonial property rights, the prices of major colonial export commodities were falling. From the 1870s the terms of trade moved against the primary products of the lands of recent white settlement.⁴⁶ Cheap land, free (and immigrant) wage labour and abundant finance in the context of capital accumulation reduced the value (i.e. the socially necessary labour time expended in production) and thus the price of primary export commodities, including wool. By the late 1880s the combined effect of a massive growth in British and colonial claims for surplus value by finance capitalists and a lowering of export commodity prices produced a crisis of colonial capitalist accumulation.

The resolution of a crisis of accumulation generally involves change in the labour process, the intensification of the exploitation of wage labour, and often requires extension and reorganisation of the state, the reconstruction of excessively onerous claims on future surplus value and the intensification of class conflict.⁴⁷ In Australia in the 1890s all these aspects of a crisis in capital accumulation were evident. As a result the populist liberal consensus dominant in the 1850s, shifting in the 1880s, was forever transformed in the 1890s. From this point Australian history was more evidently the history of class conflict: the combined effect of British imperialism and the imposition of bourgeois property relations in the colonies had taken their toll.

Land as Security for Pastoral Morgages

From 1871 to 1890 there was a marked increase in the level of

46. E. Mandel, Long Waves in Capitalist Development, Cambridge University Press, Cambridge, 1980, pp.1-36

47. For a rigorous application of this process to U.S. history, see M. Aglietta, A Theory of Capitalist Regulation, NLB, London, 1979.

investment in the pastoral industry.⁴⁸ This was not a gradual and sustained increase but an uneven process which included dramatic expansion (1871-77) and mild recession (1878-80) prior to a serious slump (1891-97). The maintenance of high wool prices during the 1870s was obviously a major inducement for acceleration of the process of rural capital formation which commenced in the 1860s.⁴⁹ While this included technical and physical improvements in wool production a major aim of capital investment in the 1870s was to secure permanent tenure - necessitating ownership in many cases - in an increasingly unfavourable legislative environment. An important implication of large-scale borrowing to protect tenure was not just the cost for those already involved in the pastoral industry but the enormous sums now required by those who wished to enter the industry either to establish new runs or to take over existing ones.

In his study of the Riverina, Buxton takes issue with the interpretation of pastoralism advanced by Butlin and Barnard.⁵⁰ He claims they employed incorrect periodisation and inadequate explanation, and consistently failed to disentangle different forms of pastoralism.⁵¹ The 1847 Order-in-Council which came into operation in 1852 gave the squatters until 1866 to secure their land. Consequently the impact of the 1861 Robertson Land Acts did not have immediate implications. Further the inland drought of 1864-66 served to discourage free selection once the 1861 Acts came into effect (1866). Nonetheless squatters were aware of the need to make strategic improvements and purchases and to encourage the Land Commissions to interpret the laws in a sympathetic fashion. As Buxton puts it:

48. The level of comparative and absolute expansion in pastoral capital expenditure is discussed in N.G. Butlin, I.A.E.D., op. cit., pp.57-180.

49. For a reliable account of wool prices, marketing and transportation methods, see A. Barnard, The Australian Wool Market 1840-1900, Melbourne University Press, Melbourne, 1970.

50. G.L. Buxton, The Riverina 1861-1891: An Australian Regional Study, Melbourne University Press, Melbourne, 1967.

51. By this he means that a tendency to over-emphasise the wool industry has resulted in a failure to grasp the fact that cattle were the dominant livestock in the 1860s.

By the time they [i.e. the Riverina runs] were open for selection [in 1866], not only had the squatters been able further to consolidate their position by improvement, purchases and the declaration of reserves, but the prevailing drought served to stress the inherent hostility of the flat country to big and small men alike.⁵²

In the 1870s an attractive conjuncture of economic processes (and good seasons) placed pressure on the Survey Department to make farming land available and on the parliament to enforce the provisions and spirit of the 1861 legislation. This encouraged the squatters to purchase land, to resort to dummyming and to pressure the Lands Department to declare extensive reserves and thus block selectors. Growing commitment of squatters to financial institutions resulted. The Land Acts were amended in 1875 to restrict selecting to those over 16 years of age, to open up reserves and generally to tighten the law. The proposed 1882 amendment led to the defeat of the government; the political struggle between squatters and selectors mirrored the economic and administrative struggle over the pastoral lands.⁵³ The 1884 Act was clearly the most consistent attempt to ensure that the spirit of the Selection Acts was enforced. The Morris and Ranken Royal Commission had concluded its investigation by claiming the practical consequences of the Land Acts were compromised by significant flaws in their provisions, administration problems generated by an inadequate and under-staffed Survey Department, improvements made by pastoralists merely to retain tenure, and the difficulties of securing and retaining an adequate selection.

The 1884 Act went some considerable distance in overcoming these weaknesses while strengthening leasehold security for squatters. Meanwhile pastoralists who had undertaken capital investment in the 1860s were intensifying their expenditures on fencing, watering facilities, sowing of grasses, ring-barking and combating rabbits. Improvements in river and rail transportation and competition between

52. G.L. Buxton, op. cit., pp.151-152.

53. These amendments are discussed in T.A. Coghlan, Labour and Industry, op. cit., Vol. 3, pp.1356-1358.

the New South Wales and Victorian railways coupled with the relocation of the major wool marketing centres within the colonies, cheapened and expedited wool marketing operations.⁵⁴ Expanding capital costs of producing wool were incurred as questions of efficiency, productiveness, quality and profitability became central. Although squatters had commenced significant capital expenditure long before the 1870s on stock, fencing, water conservation and homestead construction, the need to protect these investments by committing capital to securing tenure paradoxically encouraged further investment to improve productivity and thus ensure financial viability.

The picture was complicated by individuals, partnerships and companies who believed large profits could be made in the wool industry and who purchased functioning properties at substantial cost. Those who sold could either reinvest in urban finance or secure larger, though more marginal, properties further inland in an attempt to repeat the process in expectation of huge capital gains. There were also those with relatively modest capital derived through successful selection, such as local traders and merchants, who attempted to break into agricultural and pastoral pursuits. Throughout the 1870s and 1880s there were many changes in registration of landowners and leaseholders in the Riverina. Individuals, partnerships and companies owned and operated most runs by 1890. Wool prices were declining and almost half the wool clip cheque was required to service growing interest payments. Pastoralism had become significantly more capital-intensive, labour relations were starting to deteriorate as pastoralists attempted to cheapen their production costs and the image of a privileged rural gentry was becoming anachronistic.

Although Buxton's sympathies lay with the squatters, he argued that the sustained pressure by radical land reformers and selectors was decisive in transforming pastoralism. Clearly some who had

54. A. Barnard, op. cit., p.147-178.

secured freehold or leasehold on attractive terms were in a position to take advantage of changing land values. Speculation and collapse had a major reallocative function. The pressure to increase capital expenditure in the period 1861-1891 occurred according to Buxton for two reasons: first, because of the struggle for ownership; and second, because of the need to increase yields. Further, in giving centrality to these two linked phases, Buxton maintained that a decisive explanatory factor for the transformation of the Riverina pastoralists was the land legislation.

Generally the evidence led me to conclude that a major factor contributing to the changes over the period was the much criticized 'free selection before survey' clause in Robertson's Acts, the consequent struggle for land and the changing patterns of land ownership and utilization.⁵⁵

Although N.G. Butlin's interpretation of capital investment in pastoralism did not ignore the consequence of land legislation, it was relegated to a secondary role in explanation. The political conflict between the squatters and selectors was not given clear focus. It might however be said that Butlin more clearly comprehended the eclipse of the old-style squatter by discussing the ramifications of intensive capitalist expenditure in the pastoral industry.⁵⁶ The more important revision in Buxton's account is the competition between the selector and the squatter, albeit one where the dice was always loaded. Throughout the 1870s and 1880s, 'It was not improvements that the squatter was protecting, but land, and it was this that led to his rising indebtedness'.⁵⁷ And more provocatively,

Recently N.G. Butlin has criticized the over-dramatization of the squatter-selector conflict largely by writers who have made unqualified use of the Morris and Ranken report. ... The failure of selection policy seems less interesting than the modesty of the outlays by pastoralists during the 'sixties on land purchase. But this very modesty of outlay in the

55. G.L. Buxton, op. cit., p.7.

56. N.G. Butlin, I.A.E.D., op. cit., pp.71-80.

57. Ibid., p.259. It should be said that there were environmental factors that gave the Riverina a unique position in Australian pastoral development.

'sixties was largely the result of a lack of selector-squatter competition.⁵⁸

Lee recently investigated the pastoral industry in the Western Division of New South Wales between 1860 and 1890.⁵⁹ She claimed that earlier historians have incorrectly appreciated the centrality of proprietorial considerations in explaining the scale of pastoral investment and have underestimated the continuity that often existed between squatters and speculators. She noted the pressure that the provisions of the land regulations placed on the squatters. Some wealthy squatters outside the district accumulated further holdings in the western division, smaller squatters saw advantages in selling or sub-dividing their Riverina runs and obtaining larger and cheaper runs on what proved to be more marginal land. A third category, new entrants to squatting, had now to pay the Crown for the lease and the former owner for the imputed value of the property. By 1875 a process of consolidation of smaller blocks and runs was undertaken by those who were prepared to invest heavily in pastoral lands.

Although the large, established and prosperous squatters could generate their own capital, the moderate operators were likely to require loans to finance their capital expenditures. Capital was available from merchants, wool consignment agencies and increasingly from institutional sources. For these producers financing remained an intra-industry activity. New entrants into pastoralism had little option but to seek external financing for land purchase, stocking and equipping. Some holdings were jointly registered by financial and managing partners. Those who moved further inland, following the explorers and encouraged by unusually good seasons, were in the worst position. They had to purchase land at speculative prices and pay higher transport costs. Their capitalisation was increasingly heavy and their financial returns increasingly uneconomic. Bad seasons, pestilence and disease, or even a modest fall in wool prices (let

58. Ibid., p.258.

59. J. Lee, op. cit., especially pp.53-102.

along a cyclical downswing) would expose the ill-considered nature of their investments. However in 1878 the conjunction of increased wool prices, massive British capital inflow and favourable seasons encouraged expansion.

The drought from 1883-85 was a foretaste of the ravages of natural obstacles. The 1884 Land Acts were further evidence of the human obstacles to expansion. Much of the actual pastoral capital formation between 1885 and 1891 was undertaken by lessees; Lee concluded that much of this activity was protective investment and defensive development by those most seriously affected. The squeeze encouraged deforestation, overstocking and inadequate watering provisions, and discouraged measures against encroaching rabbits.

The 1861 Lands Acts which were designed to break the squatters' landed hegemony, aristocratic pretensions and political aspirations, inaugurated their drive to maintain their lands while simultaneously expanding the pastoral frontier. The market for wool in Britain and the availability of loan capital provided the incentive and means to protect their lands (albeit at an increasing cost). In the 1870s and 1880s natural barriers, droughts, rabbits, moderating wool prices and new Land Acts pushed the squatters more and more into the hands of pastoral finance companies and banks, forced them to intensify their exploitation of land and labour and to increase their indebtedness. By the late 1880s some pastoralists had little room to manoeuvre: they could confront the recently unionised shearers to reduce wage costs, lobby governments to reduce their rentals and negotiate with their creditors to restructure their debt.

The levels of investment in pastoralism, whether for maintaining proprietary rights, land speculation, pastoral expansion or for furnishing stock and equipment, cannot be exclusively explained within the parameters of the colonial economy. Rather, pastoral production in Australia was located within the broader economic context of an expanding and transforming imperialist capitalism. Throughout the Australian colonies economic activity, including pastoral production,

was becoming organised exclusively along competitive capitalist lines. Land had become an alienable commodity subject to normal calculations of value. Pastoralists, merchants, shippers and financiers in the colonies were thus 'economic agents' within a complex web of imperial-colonial relations. Furthermore, since London remained the centre of demand for wool, the major world commodity market and the source of the growing capital requirements, the expansion and contraction of pastoralism was a consequence of the Australian colonies' subordinate role in the imperial nexus. From this perspective the dynamics of pastoralism (and mining) were shaped by imperial factors. Causal primacy during periods of expansion and contraction was located externally. The conclusion of Lee's analysis threatens to restore the earlier perspective pioneered by Fitzpatrick.

In B. Fitzpatrick's account⁶⁰ the crisis of pastoralism was explained by external factors, falling commodity prices and the withdrawal of British funds. Local factors were incapable of reversing or ameliorating these developments. Butlin's more precise sequential explanation of the process of capital investment in the pastoral industry seriously undermined Fitzpatrick's and other 'imperial' accounts.⁶¹ By claiming internal economic disequilibrium had occurred through 'deteriorating colonial investment criteria', Butlin reoriented the explanation to an internal perspective. Lee overstated the position:

[Butlin's]... Investment in Australian Economic Development is in essence an attempt to prove the non-existence of absolute British control over the Australian economy by sheer weight of counter-example, framed within a marginalist preoccupation with the responsiveness of the rate of growth to 'external' and 'internal' factors at the immediate level of causation.⁶²

60. B. Fitzpatrick, The British Empire in Australia: An Economic History, Melbourne University Press, Melbourne, 1941, pp.188-198, pp.354-361 and pp.380-388.

61. See the comments on Fitzpatrick in N.G. Butlin, 'The Shape of the Australian Economy, 1861-1900', Economic Record, Vol. 34, No. 67, April 1958, pp.10-11.

62. J. Lee, op. cit., p.24.

The more difficult question, central to most accounts examined above but not coherently theorised, is the character of the structural imbalances created by the relationship between an imperial power and colonial dependencies where the colonies have considerably more advanced capitalist production relations. That both imperial and colonial political imperatives worked for such an end is paradoxical only if we underestimate the continuity in the radical liberal conceptions that unified the free trade imperial reformers and the colonial democrats and 'bourgeoisie'. The colonial middle class pursued, consciously or unconsciously, the objectives associated with the full development of capitalist production relations and social relations. These included a comprehensive assault on those who resisted or weakened such a development. The movement against transportation, and for democratic government, the separation of church and state and the assault on privilege, monopoly and aristocracy necessarily included the legislative attacks on squatters' land usurpation.

Those who favoured uniformity of bourgeois property rights and looked askance at a colonial aristocracy argued for two essential principles that were embodied in the successive land laws: land should be regarded as a commodity like any other and be accorded a price (or rental) appropriate to its value in production; and access to that land should be regulated like that of any other commodity, for consumption and investment, by free sale and purchase on the market.

However in a situation where unbounded and extensive land exists, the very creation of capitalist relations of production is problematic. Land is not the product of human labour and is thus not, strictly speaking, a commodity. It is a use value (like all naturally given resources) that takes on the form of an exchange value, a commodity, under capitalism. This situation must occur, otherwise labour power, the commodity bought by capital for the productive process, would not exist. The formation of a land price is the means of creating labour power because it excludes those who cannot afford

to purchase land from any means of social reproduction other than that of selling their labouring capacities on the market. The creation of free wage labour requires that land take on the commodity form.

In this sense the Victorian land laws and regulations more closely approximated these objectives than those in New South Wales. However the colonies and later the Commonwealth retained title to vast areas of land. Nevertheless, the effective alienation of enormous Crown Land had occurred, squatters had bought up freehold for protection and the selectors threat kept within acceptable proportions. Our final task is to examine the result of mortgage and credit relations over colonial landed property.

Mortgage and Credit Relations on Colonial Landed Property

According to Butlin the available historical evidence and an analysis of the legal and economic relations pertaining to land cannot sustain the 'Fitzpatrick thesis' regarding the transformation of individually owned pastoral properties into company ownership and operation.⁶³ Mortgage loans, often involving the surrender of leases to the lender, were the condition of access to the largely British capital inflow directed to the pastoral industry. The funds '... provid[ed] the financial means for greatly expanded pastoral assets which in turn laid the basis for increased incomes in the pastoral industry.'⁶⁴ The result was increased control by the financier through the diffusion of title over pastoral assets away from the pastoralist. Even though pastoralists were protected by legal rights governing mortgages, their position was transformed; they '... retained merely an equitable interest in mortgaged stations and

63. Fitzpatrick's position was outlined in The British Empire, op. cit., Appendix 20, pp.380-388. See also B. Fitzpatrick, The Australian People 1788-1945, Melbourne University Press, Melbourne, 1946, pp.61-68. For Butlin's critique, see '"Company Ownership" of N.S.W. Pastoral Stations, 1865-1900', Historical Studies, Vol. 4, No. 14, May 1950, pp.89-111.

64. Ibid., p.110.

became, technically, tenants or occupiers at will'.⁶⁵

Without detracting from the empirical research and the conceptual rigour of the discussion, Butlin's analysis contains several unexplored implications which this section attempts to make explicit. This requires some consideration of the relationship between political economy and the role of law. The argument assumes a materialist orientation towards law; law codifies the relations and the changing practices that arise from commodity production, circulation and exchange. In its classic bourgeois form it created the legal subject with enforceable rights over things. 'His [the subject's] will in the legal sense has its real basis in the desire to alienate through acquisition and to profit through alienation.'⁶⁶ With the commodification of all social relations, landed property also takes on the appearance of a commodity with the rights of acquisition and disposal presupposing the dissolution of feudal property rights.

Modern capitalism, where the forces of production are most developed, results in the individual property subject becoming incompatible with the capitalist conceived as an individual. Indeed the modes of appropriating of surplus value (as profit, rent and interest) are developed to include a variety of hybrid forms (shareholders, property speculators, futures' traders, government bondholders, etc.) signifying that those who perform the capital function are apparently separate and distinct from the property object. Once joint stock companies develop with dispersed ownership, 'the individual capitalist is merely the bearer of a title to a certain quota of unearned income'; property rights are increasingly separated.⁶⁷

The transformation of simple commodity production to modern

65. Ibid.

66. E.B. Pashukanis, The General Theory of Law and Marxism, Inks Links, London, 1980, p.121.

67. Ibid., p.129. See also K. Marx, Capital, op. cit., Vol. 3, p.830.

capitalist production is characterised by the separation, differentiation and specialisation of the property object and the capital function.⁶⁸ In the earlier phase of capitalist development, the owner (the legal subject) signified the appropriator of surplus value (the capital function). To own the means of production, to have the means to purchase labour power, denotes the capacity to own capital and produce (and appropriate) surplus value. However the production of surplus value and its realisation is a social activity based on the divisibility of capital into spheres and functions. A consequence of that division is that the property object has no individual or specific owner; rather it is the basis for a whole variety of claims which necessarily require legal (state-sanctioned) codification and regulation. Thus the once clear unity between object and reward (i.e. ownership), which was based upon a (mystified) relationship between the ownership of the property object and the labour power that worked on landed property or with the means of production to create new values/profits, is further occluded. This separation is simultaneously the premise for new areas of accumulation, distribution and speculation within the capitalist class.

With respect to landed property, relations between legal and economic ownership are particularly complex. To operate as capitalist farmers, farmers must first, have access to the appropriate land by means of purchase (freehold) or rental (leasehold); second, have the means to purchase the elements of constant capital and labour power to create surplus value; and third, have access to the funds to facilitate these when lacking sufficient resources on their own account. In the situation where the pastoralist/agriculturalist either owns or is in the process of gaining land ownership three possible situations can be differentiated.

68. This distinction is discussed in K. Renner, The Institutions of Private Law and Their Social Functions, Routledge and Kegan Paul, London, 1976, pp.104-158 and pp.195-209. See also the discussion in K. Jones, Law and Economy: The Legal Regulation of Corporate Capital, Academic Press, London, 1983, pp.71-104.

First, the pastoralist may have sufficient capital (the result of inheritance, grant or thrift) to purchase the land and to meet the capital requirement for that particular sphere of production. The pastoralist here simultaneously appropriates rent (from ownership of the land), profit (as capitalist entrepreneur) and interest (as owner of money, i.e. potential capital). The profit and interest are separate forms of the average rate of profit on capital invested in the process of capitalist production and circulation. From another perspective rent and interest could be grouped together, insofar as they both represent claims on surplus value which can be separated and become objects of the capital function (and speculation) seemingly disconnected from the process of production. A farmer who cannot generate surplus capital on his own account to purchase the new elements of constant capital to maintain his productivity and thus claims on the average rate of profit may borrow funds and thereby alienate a part of the capital function (rent and/or interest) from the property object.

Second, the farmer may have sufficient capital to operate the farm but requires money to purchase the land (money for the purchase of land cannot be considered as capital since land ownership is not an aspect of capitalist production but rather the securing of a future claim on rent).⁶⁹ To secure the land purchase the farmer mortgages his property to a bank or pastoral finance company (collectively known as finance capital) without forfeiting property ownership - that remains from the legal point of view with the farmer who retains detention and thus rights over the property object. The mortgage or a title to rent means, however, that one important aspect of the property function has been transferred to the finance capitalist. Of course the farmer may repay the mortgagee and unless he is unable to meet the legal conditions of the agreement the farmer retains rights to realise or transfer his property ownership. The precise conditions here are subject to specific legislative and legal definition.

69. K. Marx, Capital, op. cit., Vol. 3, pp.808-809.

Third, the farmer may own the land but borrow capital to operate the property on the basis of a mortgage. Although apparently paying interest on borrowed money, the mode of securing that loan (i.e. mortgage finance) means that this farmer has created exactly the same relationship between himself, his property object and the capital function as in second case.

These three cases do not exhaust the possibilities since the capital function may well fuse 'rent and interest' over time for a variety of reasons and leave the farmer with nothing more than profit of enterprise (even less perhaps as he becomes to approximate a wage labourer on his 'own' farm) as the capital function is almost totally separated from the detention of the property object. We shall return below to these issues.

With leasehold the relationship is more complex although the net effect is similar. A lease is posited upon the separation of the ultimate ownership of land and its temporary detention (for a fixed period at a given price) by the owner to the land user. The ultimate owner who has transferred the property into the farmer's detention combines his legal ownership with economic ownership insofar as he appropriates surplus value. Depending on well-defined and legally enforced guarantees the farmer, who is the tenant, can invest his capital, which is necessarily incorporated in the land, and can appropriate profit and interest (the average rate of profit). Thus we have on the one hand the situation of mortgage where the mortgagee takes on the position of economic owner; and on the other hand a leasehold system where the legal owner (who surrenders detention to the cultivator) combines the legal relationship with the economic relationship of ownership. Under a lease the property object (land) is detained by the lessee from its legal owner; under a mortgage the property object remains with the legal owner. From a relatively straightforward relationship between the property object and the capital function, the object under the transformation of property relations comes under simultaneous detention by a score of

individuals; 'The social aspect of an object that in itself is simple becomes complicated; various social relations are centred in it; it reflects its human surroundings like a spherical mirror....',⁷⁰

Both mortgages and leases separate the capitalist from the right to appropriate the surplus value created in production and the surplus value appropriated from society as a whole in the form of ground rent. The economic effect of mortgage and leasehold is the same from the capitalist farmer's position, although we can differentiate the landowner and/or the mortgage holder as the appropriator of the property function. 'Mortgage and lease therefore in most cases are nothing but two forms of the same thing. The farmer ..., is often expropriated to the extent of the economic function of his property and he retains only detention of the means of production.'⁷¹

And once property becomes increasingly separated from the actual production process itself then titles to surplus value signify the expropriation of the capital function from the property object. This has two important consequences; first, the elements of the capital function, such as the price of land, leases, shares, stocks, etc., may become the object of market transactions on the predicted future returns to their owner. This may lead to speculation in these future titles where their approximate future returns are difficult to ascertain and second, any depreciation in property value means the possible legal expropriation of the property object by those who hold the capital function. Where the capital function is undertaken by the finance capitalist, the ownership of the productive capital is now no longer vested in any specific individual but in the (typical) joint stock company with combined shareholders which retains rights to the average profit and in the money capitalist who obtains a share of those profits as interest payments. Paradoxically as capital has unified the means of production into ever larger units, it has

70. K. Renner, op. cit., p.196.

71. Ibid., p.158.

dispersed the claims to surplus value amongst various aspects of capital. Finance capital as the growing unity of interest-bearing capital through the legal relations of leasehold registration, transfers and mortgage finance, comes increasingly to appropriate rent and interest in an undifferentiated form.

Analytical priority remains with the capital function since this is '... its innermost and indestructible core'.⁷² Further this transformation occurs in a precise manner once the forces of production have become sufficiently advanced and concentrated to displace the individual capitalist with the joint stock company, to separate the components of capital into their specialised realms and therefore to require the transformation of capitalist property rights.

The consequence of developed mortgage finance is the expansion of a mode of appropriating surplus value that appears indistinguishable from interest. The landowner retains property rights (ownership) over his landed property, while its detention for an agreed sum over an agreed period passes to the lessee. Depending on the legal framework regulating the relationship between lessee and lessor, the value in the improvements made on the land may require compensation to the lessee or they may revert to the owner at the expiry of the lease. In the latter case the development of an advanced capitalist agriculture is severely inhibited. Where, as was the case in colonial Australia, the state is the lessee, direct political interventions by the capitalist farmer are more likely to secure the right of compensation for improvements when leases expire and to regulate land prices in a manner more advantageous to the user rather than the owner. This further reinforces the proposition that where the state is landlord the means of distributing freehold and leasehold land, the legislative and administrative conditions that prevail and the actual cost borne by the capitalist to gain access to landed property are subject to continuous political negotiation between social groupings.

72. Ibid., p.197.

The growth of mortgage finance in the Australian pastoral industry 1860-1890 did not have as its corollary the transfer of legal ownership of property and control of the industry to pastoral finance companies and banks. To this extent Butlin's analysis is sound.⁷³ Taking freehold and leasehold lands used by Australian pastoralists (and agriculturalists) in this period one can discern the separation of the property object and the capital function. It appears that such a separation was at one level the result of the capital requirements of the changing productive techniques during that period. In the earlier phase of pastoral development the expansion of credit to the squatter was restricted by the willingness of merchants and banks to use crop and stock as security against short-term loans associated with the circulation and realisation process. The size of these advances were limited by the value of specific assets that were legally accepted as collateral security.

As traditional mercantile activity became linked to the provision of expanding credit the merchants were vulnerable to bank competition. Higher rates of interest were charged on loan monies within the colonies by merchants, pastoral financiers, storekeepers, etc., to compensate for loans lacking full security. The available capital resources, the competition from mining companies, government floats and urban production and building meant that directly or indirectly the pastoralist had to pay high interest rates for money. The absolute limitations on credit especially from local sources in the first period (1860-1873) were reinforced by high interest charges. Until 1870, especially in Victoria, the legality of mortgage security was doubtful. From that time mortgage finance became increasingly widespread. The level of profits and the demand for pastoral products rose.

73. This discussion has concentrated on Butlin's Historical Studies article where the legal and economic relations are clearly discussed. His conclusions in this article are embodied in Investment in Australian Economic Development. The consequences of those mortgage relations are not fully explored in either place.

The inflow of capital into pastoralism was not homogeneous but included a number of components. First, the merchants who operated and increasingly dominated Australian pastoralism were major recipients. Merchants expedited the circulation process and thus were crucial to pastoralist expansion. Second, capital was secured by pastoral finance companies and banks to facilitate their mortgage finance activities. Pastoral profits or surplus profits were divided between profit of enterprise, rent and interest payments: the mortgage financiers appropriated rent and interest. The mortgage relations tended to combine conceptually distinct parts of surplus value. Third, some of the funds were employed as speculative capital, directed to already existing titles to surplus value; this did not produce new values but, rather, redistributed ownership to existing claims.

Paradoxically Butlin's critique of Fitzpatrick's thesis actually clarifies in a formal way the propositions necessary for a marxist analysis of the property relations of late colonial Australian capitalism. An explanation of the economic (and political effects) of British capital inflow into the colonial pastoral industry must be posited upon the differentiations of the forms of property that develop under the domination of finance capital. Further, it shows abstractly how crucial to the development, transformation and crisis in the colonial pastoral industry were the many connections with British capitalism. British imperialism and the expansion of the circuits of merchant and money capital assumed increasingly the role of extracting surplus value as rent and interest. Only when we have discussed the pastoral industry in greater detail in Chapter Eight will the overall dynamic of Australian capitalism be clearer.

Conclusion

From these complex relations several conclusions can be drawn. Landed property initially subject to the ownership and control of the imperial state, became entrusted to colonial governments. Marx

discerned in Wakefield's theory of systematic colonisation the essence of bourgeois landed property.⁷⁴ A natural resource had to be allocated so as to ensure that the majority of the population remained wage labourers. To produce this result complex legislative and administrative procedures were required. The imperial state and later the colonial state achieved these broad Wakefieldian objectives.

The transformation of land into a marketable commodity in the colonies was rapid. The Torrens system of land registration encouraged this process of commodification.⁷⁵ More important still was the de facto, then de jure, acceptance of mortgages as adequate security against loans by the initially reluctant Anglo banks. State agencies of titles registration and survey became necessary.⁷⁶

Capitalist private property has developed historically through progressively more complex patterns of ownership and control. An expanded state further complicated the picture. Landed property similarly evolved in increasingly complex forms. With the recognition of landed property as security against mortgage finance and the emergence of public registration of mortgages, a new stage arose. As Renner argued, mortgage on landed property represents an advanced separation of the property object (i.e. the actual land) and rights to revenues produced by human labour.⁷⁷ In such circumstances ownership of the property object initially vested in the colonial state, expropriated through freehold purchase or temporarily alienated by leasehold, ultimately assumes the form of a developed and divisible property right under the mortgage relation. Finance capital, colonial and imperial, claims ownership over rent, interest and even profit as

74. K. Marx, Capital, Vol. 1, Penguin, Harmondsworth, 1976, pp.931-940. There are numerous references to Wakefield in Theories of Surplus Value and the Grundrisse. See, for example, K. Marx, Grundrisse, Penguin, Harmondsworth, 1973, pp.275-279.

75. D.J. Whalen, The Torrens System in Australia, The Law Book Company, Sydney 1982, pp.3-11.

76. Ibid., pp.29-35 and pp.79-84.

77. K. Renner, op. cit. Especially relevant are pp.81-208.

an undifferentiated revenue.⁷⁸

In Britain in the same period, landed property was still encumbered by semi-feudal relations: private appropriation of ground rent was the prerogative of an unproductive class. Primogeniture, the social implications of land ownership at the local and national levels and the difficulty in establishing clear title, point to the undeveloped nature of capitalist social relations in British landed property. The powerful legacy of church and university landholdings and an entrenched legal profession with an interest in the complexities of conveyancy further constrained the pure commodification of land. It was well into the twentieth century before the system of landed property, including ownership rights over minerals, was modernised and rationalised. The landowning class in Britain was able to retain powerful political as well as economic influence and thereby prevent the undermining of its social base.⁷⁹

In Australia landed property did not originate from the same class and property structure. In the last half of the nineteenth century land became a commodity, one of the three 'factors of production'. The form of land ownership, alienation and legal ownership rights accruing to the producer encouraged rather than inhibited capitalist production in the pastoral industry and subsequently in agriculture (wheat, dairy products, meat, etc.). In contrast with Britain, improvements to colonial property temporarily alienated accrued to the producer not the state (as landowner) and political intervention was used to keep rentals down. Thus the form of landed property reflected and encouraged a developed colonial capitalism integrated into the imperial economy, albeit one without a well-articulated industrial structure.

78. K. Marx, Capital, op. cit., Vol. 3, Ch. 48: 'The Trinity Formula', pp.953-970.

79. An argument central to D. Massey and A. Catalano, Capital and Land: Landownership by Capital in Great Britain, Edward Arnold, London, 1978. The implications for mineral rights have been explored by B. Fine, 'Landed Property and the British Coal Industry Prior to World War I', Birkbeck Discussion Paper, No. 120, June 1982, pp.1-13.

Thus the view that the Australian colonies were initially subject to the tenets of British property law and that with self-government the nature of law became increasingly autonomous and adaptive is broadly true. But this picture lends itself to incorporation within a liberal historiography, built upon the notion of the stages of economic growth, political maturity and the assertion of an Australian 'national' ethos. Implicit in such a view is the growing emphasis on the political economy of state formation and national self-determination.

In rejecting such an interpretative schema, I have sought to emphasise, in general terms, the development of a specific Australian capitalism as both the direct and indirect result of British imperialism. Nevertheless the forms of the capitalism which evolved in New South Wales and Victoria were decisively shaped by the distribution, ownership and economic relations surrounding landed property.

CHAPTER 8

FINANCE CAPITAL IN THE PRIVATE SECTOR, 1860-1890

At the outset of capitalist production money capital, in the form of usurers' and merchants' capital, plays a significant role in the accumulation of capital as well as in the transformation of handicraft production into capitalism. But there then arises a resistance of 'productive' capital, i.e. of the profit-earning capitalists ... Usurer's capital becomes subordinated to industrial capital. As money-dealing capital it performs the functions of money which industry and commerce would otherwise have had to carry out themselves in the process of transformation of their commodities. As bank capital it arranges credit operations among the productive capitalists. The mobilization of capital and the continual expansion of credit gradually brings about a complete change in the position of the money capitalists. The power of the banks increases and they become founders and eventually rulers of industry, whose profits they seize for themselves as finance capital, just as formerly the old usurer seized, in the form of 'interest', the produce of the peasants and the ground rent of the lord of the manor. The Hegelians spoke of the negation of the negation: bank capital was the negation of usurer's capital and is itself negated by finance capital. The latter is the synthesis of usurer's and bank capital, and it appropriates to itself the fruits of social production at an infinitely higher stage of economic development.

(R. Hilferding, Finance Capital: A Study of the Latest Phase of Capitalist Development, Routledge and Kegan Paul, London, 1981, p.226.)

Introduction

This Chapter discusses the ascendancy of finance capital in New South Wales and Victoria between 1850 and 1890, a period in which it became the dominant form of private property in the colonial economies. The primary concern here is the growth of Anglo-colonial finance capital, its separation from commercial capital and its connections with

landed property.¹ Mortgage finance by banks and pastoral finance companies and their involvement in pastoral expansion was the most important colonial manifestation of finance capital.²

Financing Mining and Pastoral Developments: 1850-1872

In the 1850s the avenues available to colonial borrowers for raising funds were rudimentary. Finance was obtained from banks and merchant houses in the organised market. Banks were either imperial (Anglo) in origin or, like the Bank of New South Wales, colonial.³ The predominant business of banks was the discounting of merchant bills. Discounting of bills was an aspect of the expanding circulation of commodities, which expedited their conversion into money. Producers' ability to realise commodity capital and re-commence the circuit of productive capital at the cost of a portion of profit was thereby enhanced. As the bulk of colonial bills were drawn against internationally traded commodities (wool, for example) banks tended to organise themselves to correspond with trade patterns. Finance capital was subordinated to a merchant capital tied to British industrial expansion.

In 1851 a new avenue of accumulation became available to the banks. Indeed the initial discovery of alluvial gold in Victoria and New South Wales had lasting effects on most aspects of colonial economic and political activity. Throughout the 1850s and well into

1. Finance capital in the Australian colonies was heavily involved in landed property and pastoral production. Here lies some of the unique characteristics of Anglo-colonial finance capital.

2. Compare colonial finance capital with the German example; R. Hilferding, Finance Capital: A Study of the Latest Phase of Capitalist Development, Routledge and Kegan Paul, London, 1981, pp.208-226.

3. The origins of colonial banking are comprehensively examined in S.J. Butlin, Foundations of the Australian Monetary System 188-1851, Sydney University Press, Sydney, 1968, passim. See also S.J. Butlin, 'British Banking in Australia', Royal Australian Historical Society Journal and Proceedings, Vol. 49, Pt. 2, July 1963, pp.81-99.

the 1860s gold provided the single most important export of the Australian colonies, temporarily eclipsing wool.⁴ Banks did not initially finance production, since this was not required by the technical and organisational structure of mining. Some of the funds storekeepers loaned to miners originated in the banks. Banks concentrated on the purchase and resale of gold. Even though the Crown held property rights over the colonies' mineral wealth, access to land was relatively easy and mining did not depend greatly upon capital resources. The state taxed the miners, i.e. extracted rent, through the sale of annual licences, which regulated the size and registration of the claim and maintained government authority on the fields. The miners' need to transform their gold into legal tender provided the banks with a profitable activity. Immediately following the discovery of Victorian gold the local price of gold was £2.10s per ounce compared with £4 per ounce in Europe. In 1852 the discount rate on bills against bullion was initially 12 per cent then 10 per cent; by 1853 it had dropped to par.⁵

The Anglo banks, such as the Australasia, organised themselves at the imperial level from their inception. This was desirable at the level of financing intra-imperial trade. In the late 1840s major colonial banks like the Bank of New South Wales and the Commercial Banking Company of Sydney followed their example. London agents and branches were established. These simplified trade, greatly aided shipment of Australian bullion in the 1850s and 1860s and initiated the formation of 'London Funds'; liquid accounts held in London by banks operating in the colonies. Their importance lay as a regulating mechanism linking the colonial and imperial financial markets and thereby influencing colonial credit policy.

4. N.G. Butlin, Australian Domestic Product, Investment and Foreign Borrowing, 1851-1938/39, Cambridge University Press, Cambridge, 1962, Table 247, pp.410-411.

5. R.F. Holder, Bank of New South Wales: A History, Vol. 1, 1817-1893, Angus and Robertson, Sydney, 1970, pp.179-186 and pp.194-195.

Those colonial banks which developed the appropriate international organisational structure were able to become heavily involved in mercantile activity and bullion shipment. In the case of the Bank of New South Wales the development was followed by an extension of the shareholding base (with new shareholders in the Moreton Bay and the Port Phillip districts and in London), new branches and a powerful shareholding and directorship alliance between Sydney merchants, professionals and politicians.⁶ Banks purchased gold either directly on the goldfields or in their city offices. The discrepancy between the purchase price and the London bullion price was somewhat unpredictable until in 1857 a fixed price of £3.17.10^o per fine ounce was established.⁷ Funds accumulated in London were in turn used to finance the expanding import of British commodities into the colonies. These activities as well as financing merchant capitalists in the colonies enabled banks to accumulate profits through the major export commodities (wool and later gold) or by discounting bills and thus providing low risk short-term credit at high interest rates. The relationship between merchants and banks was strong and apparant. The National Bank, formed in post-separation Victoria, was created by Melbourne and Geelong merchants to provide cheap credit for their businesses.⁸

Traditional British banking, centralised in London, was integrated into the merchant houses and had a small but powerful shareholder base. In contrast Australian colonial banks followed the Scottish banking traditions. This meant the expansion of branch banking, and the attraction of savings deposits in what became interest-bearing accounts. Colonial banks were more forthcoming with funds (at least initially) for agricultural and pastoral pursuits and

6. Ibid., pp.169-174.

7. Ibid., p.208.

8. G. Blainey, Gold and Paper: A History of the National Bank of Australasia Limited, Georgian House, Melbourne, 1958, pp.3-8 and pp.11-34.

colonial opinion favoured government reliance on these banks to underwrite public loans. At least prior to the vast expansion of pastoral finance the Anglo banks were less favourably regarded.

Disturbances on the goldfields in the mid-1850s signified the deep resentment of miners against the mode of extracting rents by licence. Further, the easy discovery of alluvial gold had terminated. By the late 1850s the methods of obtaining occupancy of Crown Lands, the mode of taxation and the organisation of mining had changed.⁹ In 1858 the Victorian government issued leasehold tenure for mining and passed the Mining Companies Act.¹⁰ These measures were a response to changes in goldmining, yet anticipating a potentially new relationship between financial capital and industrial capital. Once deep shaft goldmining in the quartz reefs replaced the washing of alluvial gold the capital requirements of mining altered. The purchase of leases, mining equipment, production facilities and the employment of wage labourers demanded capital. This need was met by company formation and the floating of shares to prospective financiers. The shares themselves then became a marketable equity subject to changing valuations and speculation. The Companies Act made the mining industry analogous to the pastoral industry. It sanctioned the change in company form and allowed preferential liens on mortgages over plant, equipment, goldfields and gold mined. This provided security to banks against their advances and was a further step towards the control by mortgage finance over primary export-oriented industries.

This legislative change encouraged the formation of regional and Melbourne stock exchanges,¹¹ and thus provided a securities market where capital could be sought for private and public investment. Private property (in the form of ownership equity) could be more

9. G. Blainey, The Rush That Never Ended: A History of Australian Mining, Melbourne University Press, Melbourne, 1963, pp.46-58.

10. Discussed in A.R. Hall, The Stock Exchange of Melbourne and the Victorian Economy 1852-1900, Australian National University Press, Canberra, 1968, p.5.

11. Ibid., pp.1-12.

easily transferred, facilitating speculation on the equity's changing market values. However, as Hall has shown, the Melbourne Stock Exchange, formed in 1859-1860, was incohesive and conflict-ridden throughout the 1860s.¹² Its activities were strongly linked to the goldmining industry and many of its transactions were purely speculative in character. Undoubtedly the formation of a colonial securities market was important in centralising colonial money capital and in financing mining and subsequently urban expansion. However its direct impact on agricultural and pastoral expansion in the period 1860-1900, was minimal.

The pastoral industry declined in the 1850s. The discovery of gold had reduced the size of the rural labour force and while new opportunities existed for farmers to supply foodstuffs to the colonial markets, the pastoral industry languished. Agricultural expansion occurred in 1855 and 1856 in Victoria and New South Wales. Some agricultural mechanisation following the South Australian experience was introduced into these colonies. Furthermore the granting of responsible government, a broader franchise and democratic agitation for wider access to landed property, put the pastoralists' access to land under threat. These changes did not threaten freehold land, granted or purchased. But the vast majority of pastoral land was licensed from the Crown. Until the issue of land tenure was permanently resolved for the majority of pastoralists, long-term security for loans was non-existent.

Banks were willing to adapt to the new avenues of mortgage finance in mining. Agricultural and pastoral production were also considered attractive. Legally, banks could only advance loans against liens on stock and mortgages. For example, the Bank of Australasia, an Anglo bank was prepared to lend at the rate of £100 per 1,000 sheep and £1 per head of cattle.¹³ The important - albeit

12. Ibid., pp.22-35.

13. S.J. Butlin, Australia and New Zealand Bank, Longmans, London, 1961, pp.130-131.

illegal innovation - was the increased acceptability of land as security against loans. In his work on the National Bank, Blainey noted, '[w]ithin a few years [of 1859] the title deeds of land had become the normal security.'¹⁴ As a colonial bank located in Victoria (and expanding into South Australia), well-attuned to its colonial environment, the National increased its loans to agricultural and pastoral producers throughout the 1860s.

The 1860s initiated transformations in the pastoral industry that continued into the next two decades. In the first phase of pastoral production (1830-1860) techniques were backward, productivity low and permanent improvement on the runs primitive. The major technical innovation was fencing. Coghlan estimated that fencing raised pastoral productivity by over 40 per cent.¹⁵ In 1861 some 27,000 persons were engaged in sheep management (the same number as in 1851) each on average tending some 780 sheep (as against 650 in 1851). In the next decade major changes occurred in pastoralism, especially in New South Wales. Dams were excavated for water conservation, large areas of trees were ringbarked and fences and boundary riders displaced shepherds and facilitated the pastoralists' improved control of pasture and water resources. These developments also increased control the pastoralist could exercise over their workers:

The expense of maintaining a station, completely fenced and cross-fenced, was about one-fourth of what it would have been if it had remained unfenced and the sheep shepherded; and the owner had the advantage of being able to devote his attention to improving his flocks and their environment, instead of worrying himself continually with the management of a scattered crowd of shepherds and hut-keepers.¹⁶

Improvement of pastoral runs was an expensive undertaking and often required substantial loans. While prices for wool on the London market remained buoyant, these loans were not an onerous burden on

14. G. Blainey, Gold and Paper, *op. cit.*, p.55.

15. T.A. Coghlan, Labour and Industry in Australia, Vol. 3, Oxford University Press, London, 1918, p.1196.

16. Ibid., pp.1196-1197.

pastoralists, although some were already facing difficulty in meeting their mortgage interest commitments.¹⁷ Generally, however, pastoralists were able to erect substantial fencing; N.G. Butlin estimates that 20,000 miles were constructed in New South Wales in the 1860s.¹⁸ These improvements together with new houses, sheds and plant, stock purchases and water conservation were paid largely from the proceeds of wool sales. Despite fluctuations in wool prices¹⁹ (with falls in 1861-62 and a severe decline in 1866-69), pastoralists could finance their own expansion or repay the short-term loans acquired for improvements.²⁰ Between 1867 and 1870 Victoria saw significant expansion relative both to the previous five years and to New South Wales, in gross capital formation in agricultural and pastoral investment. This first phase of pastoral development was largely built on reinvestment of profits and more efficient use of existing resources. Where outside finance was sought - merchant credit and bank overdraft for example - these were short-term: permanent indebtedness to financiers was relatively rare. It was not until 1872 that the major phase of externally financed pastoral investment began, with New South Wales the major recipient.²¹ From that year New South Wales surpassed Victoria in sheep population; by 1900 New South Wales had more than three and one-half times as many sheep as Victoria.²² In comparison Victoria developed more intensive

17. A. and G. Joyce, A Homestead History, Oxford University Press, Melbourne, 1956, pp.191-193.

18. N.G. Butlin, Investment in Australian Economic Development (hereinafter I.A.E.D.), Cambridge University Press, Cambridge, 1964, p.72.

19. Fluctuations in wool prices are set out in A. Barnard, The Australian Wool Market 1840-1900, Melbourne University Press, Melbourne, 1958, pp.229-230. See also B.R. Mitchell and P. Deane, Abstract of British Historical Statistics, Cambridge University Press, Cambridge, 1962, p.496.

20. N.G. Butlin, I.A.E.D., op. cit., pp.114-124. See especially Table 23, p.121.

21. N.G. Butlin, Private Capital Formation in Australia: Estimates 1861-1900, Social Science Monograph No. 5, Australian National University, Canberra, 1955, Table 37, p.140 and Table 40, p.153.

22. See ibid., Table 41, p.257 and A. Barnard, op. cit., p.216.

agriculture than New South Wales. This was a consequence of the relative size of the colony and the different method of the alienating the public estate.

In this first phase of development the major areas of fencing were the Victorian Western District and the Riverina. Individual station records show that indebtedness was short-term and colonial government statistics point to a low level of mortgage indebtedness.²³ Apart from banks, finance could be obtained from merchants, storekeepers and personal acquaintances at various rates of interest.²⁴ Producers became indebted to merchant houses and were financially dependent on merchants selling produce and providing stores and equipment; considerable room existed for exploitation. Merchant capitalists typically used their funds to strengthen their main source of profit - on the purchase, transportation, insurance and realisation of commodities - rather than on productive activity as such. Merchants were not keen to become too involved in mortgage finance; their traditional business was profitable and their funds limited. Still the activities of merchant capitalists, prior to the physical relocation of the major wool market and the expansion of pastoral credit, did correspond to the older forms of capital, merchant and usurers' capital, that preceded the establishment of fully developed capitalist production.²⁵

By 1865 the four major consignment agencies dominating the sale of Australian wool on the London market were Gibbs Ronald, Dalgety Blackwood, Elder & Co. and Hastings Cunningham. The Australasian Mercantile Land and Finance Co. (AML&F Co.), a London-based mortgage finance and real estate trader, government loan negotiator and general

23. N.G. Butlin, I.A.E.D., op. cit., p.123.

24. D.B. Waterson, Squatter, Selector and Storekeeper: A History of Darling Downs, 1859-93, University of Sydney Press, Sydney, 1968, pp.169-171.

25. See Chapter Six above for a discussion of merchant capital. For a Canadian discussion, see L.R. MacDonald, 'Merchants Against Industry: An Idea and Its Origins', The Canadian Historical Review, Vol. 56, No. 3, September 1975, pp.263-281.

investor, absorbed Gibbs Ronald in 1865.²⁶ In the first instance AML&F Co. was notable not just for its disparate activities but also for its unique organisation. AML&F Co was formed in 1863 under the provisions of the British Joint Stock Companies Act. Thus it was able to expand rapidly its financial base when circumstances in the 1870s and 1880s changed.

The consignment agencies concentrated on accepting bills drawn on growers' clips, discounting these at the banks, consigning wool to London, arranging land transport, shipping, insurance, warehousing, sale and provision of short-term loans. Throughout the 1850s and 1860s despite small growers selling locally, the major wool market was concentrated in London, the centre of the international wool market. Consignment agencies used their London offices and agents to sell and purchase on behalf of Australian pastoralists. Merchant capitalists took advantage of the time and space differential between producers and consumers of Australian pastoral exports. They also supplied much of the pastoral industry's imports. In the pastoralists' dealings with merchants the marketing and financial systems were linked. Moreover because banks discounted bills and financed trade, merchants became dependent upon them. As Barnard argued, until the links between finance and marketing were weakened, relocation of the major wool marketing to the colonies was unlikely: '... a relocation of the market back to the colonies - was dependent therefore on a basic readjustment of the financial structure of the wool trade'.²⁷ There was clearly a major incentive by European and United States purchasers to deal directly with the producer colonies.

The expansion of mortgage financing, an important change in pastoral financing, was initiated by AML&F Co. By 1866 the Company had floated debentures in Great Britain enabling it to advance large

26. J.D. Bailey, A Hundred Years of Pastoral Banking. A History of the Australian Mercantile Land and Finance Company, 1863-1963, Oxford University Press, Oxford, 1966, pp.14-23.

27. A. Barnard, op. cit., p.146.

sums to those Victorian properties either engaged in major investment or in the purchase of freehold. By 1866 it had advanced £576,000, and £686,000 by 1870. The Company raised £400,000 on the London capital market in 1868. Debentures were issued at 4.5-6 per cent, the interest rates prevailing on the British market.²⁸ This placed colonial competitors at a considerable disadvantage. The policy of the AML&F Co. had to become widespread for mortgage financing to expand. This meant company incorporation in London, recourse to fund-raising through shares and debentures, widespread acceptance of freehold and leasehold mortgage finance and an appreciation by British lenders that Australian pastoralism was a reliable and profitable avenue for investment. One further aspect of mortgage finance had to be considered; the vagaries of the Australian climate and the price for wool on the London market could transform a substantial mortgage into apparent total ownership. The AML&F Co., for example, foreclosed on eleven properties in the pastoral industry downturn of 1868-69.²⁹ Most financiers were unenthusiastic about foreclosures.

Banks were involved in this same area of finance by lending, often as overdrafts, to the major merchants and through direct advances to small and large agricultural and pastoral producers. Discounting bills was not foresaken but the banks extended their activities and became the source of interest-bearing capital. In 1864 the National Bank opened a London office, established a London Fund and sold 10,000 shares to London investors.³⁰ The National was thus organised to search for funds in London, to borrow from banks and discount houses, to rationalise its financing of trade and to take advantage of interest rate differentials between Britain and the colonies. Initially the Bank was not intending to raise funds in London for the colonies; rather it was hoped that liquidity problems

28. J.D. Bailey, op. cit., pp.37-42.

29. Ibid., pp.39-40.

30. G. Blainey, Gold and Paper, op. cit., pp.69-70.

characteristic of its discounting business could be overcome. The 1866 Overend Gurney crisis was the source of some difficulties for the National until the Bank of England extended credit facilities.

The de facto acceptance of land as security was given official sanction, despite controversy, when the Victorian Banking Regulations of 1869 recognised this practice. The National Bank was well-placed to expand its mortgage finance role. The 1864 London Board and its connections and the subsequent 1870-71 reorganisation of the Colonial Board and appointment of a new General Manager revealed strong connections with conservative colonial politicians and the London financial market.³¹ Paradoxically a bank created by local colonial merchants to finance their activities, built upon criticism of the power of Anglo banks, had followed their organisational form by the early 1870s.

The Bank of New South Wales followed a different route to a similar destination.³² As the largest, most powerful bank in the colony, it established a London office as early as 1852-3, recognising the advantages of London merchant and financial connections in contending with large Anglo banks. Indeed the goldrushes brought in two new competing Anglos, the London Chartered and the English, Scottish and Australian Chartered (ES&A). On establishing the London office, one-quarter of the Bank of New South Wales' shares were sold on the London Register. A London office aided the purchase and shipment of colonial commodities - especially gold - and the subsequent importation of commodities for the colonial markets. London funds and British connections were important here. At least until 1861 the New South Wales was extremely reluctant to lend to squatters since as Holder put it, '... the banking regulations forbade advances against the security of land, houses, ships, and on pledges

31. Ibid., pp.84-92.

32. R.F. Holder, op. cit., pp.255-391.

of merchandise, and the prohibition was embodied in legislation.³³ Nevertheless some loans were made.³⁴ The more important avenue of banking business compared with the relative fall in discounting was the expansion of loans to merchants, local businessmen and stock and station agents. Credit was made available to T.S. Mort, R., E. and F. Tooth, Colonial Sugar Refineries and to various companies in the coal, copper and gold extraction industries.

In the 1860s the Bank of New South Wales became more accommodating towards pastoralists. In 1864 it had its Act of Incorporation changed so as to accept mortgages as collateral. It was not until an 1870 Privy Council decision ruled that land was suitable security, that this provision of the Colonial Banking Regulations was formally overturned. Throughout the 1860s, however, as note issue and discounting became less attractive, squatting advances and merchant loans gained predominance. 'By 1870 for the Bank as a whole, bill discounting was about to give way to cash credits and the overdraft system as the largest means of advancing.'³⁵ In 1860 cash credits had been some 20 per cent of the Banks' advances. The 1864 Incorporation amendments had given the Bank larger reserves of paid-up capital enabling inter-colonial expansion to occur. In 1868 the formation of the Associated Banks provided the basis for banks operating in the colonies to come to some agreement on deposit, interest and advance rates.³⁶

Like the National, the New South Wales was well-organised to finance pastoral expansion by the early 1870s. It had the organisational, financial and legal structure to act as an important conduit for British capital. It retained strong links with colonial

33. Ibid., p.217.

34. For example to G. Ranken; however the Bank demanded security of bond or promissory note, with deeds to three properties and liens on 2,500 cattle. Ibid., p.220.

35. Ibid., p.364.

36. Ibid., p.285.

merchants, businessmen, pastoralists and politicians. This gave it an expanding clientele in the most dynamic sectors of private capital accumulation and a privileged status in securing and underwriting government loans. London funds, British shareholders, and a London Board emphasised the powerful imperial-colonial character of its activities.

The 1860s, while a period of changing bank practices, was not a time of significant net capital inflow. The expanding pastoral industry was broadly self-financing and the colonies as a whole were able to meet their capital requirements. British financial interests were largely occupied in providing the financial services for colonial-imperial trade. This should not obscure the fact that modest British investment did occur while interest and dividend commitments maintained a steady (but lower) outflow of funds.³⁷ In the 1860s the Anglos lost ground to their colonial competitors, the result of their greater hesitancy to finance the development of productive capital (their preference lay in the sphere of circulating capital), of government and private preference for colonial banks, of the closer linkage between Colonial Boards and the dominant colonial economic and political interests and of high (although fluctuating) British interest rates. The major advantage of the Anglos, their more comprehensive inter-colonial and intra-imperial operations, did not compensate for their disadvantages. Indeed the mid-1860s were somewhat insecure times for British and imperial banking. The 1858 Imperial Banking Act and the 1862 Consolidating Act had reduced imperial government controls over banking. Limited liability could be achieved by the appropriate formation of a company with more than

37. For estimates of British capital exports see A.H. Imlah, Economic Elements in the Pax Britannica: Studies in British Foreign Trade in the Nineteenth Century, Harvard University Press, Cambridge (Mass.), 1975, pp.42-57, and A.H. Imlah, 'British Balance of Payments and the Export of Capital 1816-1913', Economic History Review, Vol. 5, 1952-53, pp.218-239. For estimates of British capital inflow to Australia in this period, see N.G. Butlin, Australian Domestic Product, op. cit., Table 251, p.424 and Table 254, p.427.

seven partners (provided the general requirements of company registration and auditing were met) and banking charters were no longer required. Between 1857 and 1866 some 140 new British banks and finance companies, many designed to exploit colonial markets, were created.³⁸ The banking crisis in Britain in the mid-1860s led to the failure of many of these new financial operators. Pastoral, mortgage and finance companies like the AML&F Co. were neither immune to the difficulties in the London market nor the concurrent difficulties with their involvement in Queensland public finance.

The Anglo banks during the 1860s resisted direct involvement in pastoral and agricultural production. Nevertheless two major requirements for these industries were becoming apparent; funds to modernise technology and, second, finance to secure landed property by freehold purchase or by securing pastoral leases. In both areas the Anglos were hesitant. The fall in wool prices, recession and drought in the mid-to-late 1860s, the uncertainty over land policy, legal constraints over securities and unstable conditions in the London capital market strengthened their hesitancy.

In the context of the imperial financial system the transformation of colonial banking in the 1860s looks less unusual.³⁹ Colonial developments reflected the movement in the London market away from the discounting of commercial bills, premised on the growth of international commodity trade, towards a centralised joint stock London banking system providing bank loans and overdrafts on an international and national scale. Branch banking made redundant the use of discount bills within Britain. Furthermore, a fixed gold price, i.e. a gold standard,⁴⁰ facilitated the growth in the 1860s of

38. A.S.J. Baster, The Imperial Banks, P.S. King & Son, London, 1929, pp.126-129.

39. M. de Cecco, Money and Empire: The International Gold Standard 1890-1914, Basil Blackwell, Oxford, 1974, pp.22-61.

40. See W.M. Scammell, 'The Working of the Gold Standard' in J. Saville (ed.), 'Studies in the British Economy, 1970-1914', Yorkshire Bulletin of Economic and Social Research, Vol. 17, No. 1, May 1965, pp.32-45.

an international money market for private and public investments. Greater bank centralisation, new forms of credit, and the operation of the gold standard meant that by the late 1860s a new system of national and imperial banking had been initiated. The gold standard of which '... England was the centre and lynchpin, the Bank of England the virtual controller',⁴¹ meant that the mobility of funds and the financing of the public debt could be regulated nationally and internationally by changing interest rates.

While branch banking in the colonies corresponded to Scottish practice it was basically a product of the requirements of Australian pastoral expansion and the need for external funding.

An 1866 Order-in-Council established the Australian sovereign as equal in value to British sovereign. Thus the London financial market '... was in part an institution concerned with the relations between foreign buyers and sellers, with flows of international funds and with the relation in the international field between national rates of interest'.⁴² After 1872 British economic expansion and the attractive returns in overseas (and especially colonial) public and private securities were arrested.⁴³ The new organisational arrangements in the London capital market were now employed to great effect. The impediments to the integration of the colonial Australian financial market into the London market had been considerably reduced. Technical improvements in communications, especially the telegraph, removed or at least reduced another barrier.⁴⁴

In the first phase of the development of colonial finance capital (1850-1872), the provision of finance was strongly linked to the

41. W.M. Scammell, The London Discount Market, St. Martin's Press, New York, 1968, p.163.

42. Ibid., p.166.

43. See A.K. Cairncross, Home and Foreign Investment, Cambridge University Press, Cambridge, 1953, pp.187-208, and J.D. Bailey, Growth and Depression: Contrasts in the Australian and British Economies 1870-1880, Australian National University Press, Canberra, 1956.

44. G. Blainey, The Tyranny of Distance, Sun Books, Melbourne, 1966, pp.222-227.

dominant forms of commercial capital. The colonial and imperial mercantile bourgeoisie generated their revenues from the temporal and spatial dislocation between producer and consumer of major export/import commodities. This resulted in accumulation of financial resources which controlled trade and, to a certain extent, the producer also. The accumulation of capital from the circulation of commodities, and specifically the circulation of internationally traded commodities, did not depend upon the intensive and extensive development of capitalist production. Before the late 1850s neither wool nor gold production was fully capitalist in organisation.

Although we have seen some evidence that the provision of finance, the movement of the wool commodity market, the technical conditions of pastoral production and thus the organisation of the rural work force were in the process of transformation in the late 1850s and 1860s, the possibility of deepening capitalist property relations was premature. Furthermore financial relations with British imperialism were as yet undeveloped. But once the colonial land laws took full effect, capitalist production in pastoralism became universalised, the technical characteristics of pastoral capital equipment changed, the organisation of the rural work force altered, the marketing of wool was reorganised and relocated and the financing of the industry was fully transformed. From these changes came new capitalist relations of production and more complex property relations. It is to this issue we now turn.

Financing Pastoral Expansion, 1872-1890

Colonial financial markets were transformed in the early 1870s, mainly because of the large inflow of British funds. These funds came through a variety of institutional channels. Between 1870-1890 some £200million was invested by British capitalists, perhaps £84million (or about 42 per cent) in the private sector.⁴⁵ British funds

45. See N.G. Butlin, Australian Domestic Product, op. cit., Table 251, p.424.

contributed to the process of colonial capital accumulation (and the purchase of property rights). This investment phase of the 1870s and 1880s was beyond the capacities of the domestic capital markets. While the constraints and magnitude of these British funds is a crucial aspect of this discussion, their impact on colonial class relations remains the essential focus.

The importation of British funds was conditioned by at least three factors. First, the returns on funds invested in the London (and British) capital markets were declining. From 1872-3 new avenues for investment were being sought. Second, the potential for overseas investment by British fundholders was influenced by political, legal and institutional factors in the recipient country.⁴⁶ Last, profitable and secure spheres of investment had to be found within specific colonies. Clearly, for British investors the Australian colonies' political and legal structures presented few problems. The uniformity of company and banking laws, of currency, the operation of the gold standard and the general security felt by investors towards the Australian colonies worked to minimise the operational impediments of an open and free colonial financial market. This is not to imply that easy access to the Australian economy by British investors was synonymous with a perfect market. Communications, i.e. technical developments in the telegraph, the spread of knowledge about the Australian colonies and the creation of an imperial (and international) company structure had all improved significantly. Nevertheless serious difficulties for financial institutions occurred. Many had to co-ordinate a London board, a colonial board and a series of branch offices in other colonies.

In any assessment of the expansion of British capital into the Australian colonies one must recognise the haphazard, uncontrolled nature of colonial investment decisions and the relative separation

46. Ibid., p.153-170. An examination of Investors' Monthly Manual and The Economist during this period bears out these generalisations. See, for example, the Investors' Monthly Manual, 1884, p.3.

between those who owned and broadly directed the location of funds and those who actually committed the funds. Our concern is with the broad characteristics of those funds and more particularly the consequences of the overall process associated with their deployment. The 1870s mark an important period in the expansion of British overseas capital investment.⁴⁷

The 'depression' of the 1870s has given rise to a considerable academic controversy. We need not be detained here by that debate.⁴⁸ In the British agricultural sector prices declined. Land values fell, making this traditional investment for British fundholders less attractive.⁴⁹ Consequently interest rates were reduced. In this situation over-accumulation of capital occurred. British industry had traditionally been self-funded, lacking the modern joint stock company structure. Thus the London capital market was only weakly integrated into the funding of British industrial capital. London investors had favoured government securities (including consols and municipal securities), landed property, railway and canal building and mercantile pursuits. When it came to the floating of companies, trading in shares, purchase of debentures and depositing of funds, British traditions determined the appropriateness of colonial ventures and thus restricted choice.

47. There is a vast literature here. Valuable sources include A.H. Imlah, Economic Elements in Pax Britannica, *op. cit.*; C.K. Hobson, The Export of Capital, Constable and Co., London, 1914; J.A. Hobson, Imperialism: A Study, Allen and Unwin, London, 1938; M. Edelstein, Overseas Investment in the Age of High Imperialism, Columbia University Press, New York, 1982, and M. Edelstein, 'Foreign Investment and Empire 1860-1914' in R. Floud and D. McCloskey (eds), The Economic History of Britain Since 1700 Vol. 2, 1860 to the 1970s, Cambridge University Press, Cambridge, 1981, pp.70-98.

48. S.B. Saul, Studies in British Overseas Trade, 1870-1914, Liverpool University Press, Liverpool, 1960, pp.110-116, and S.B. Saul, The Myth of the Great Depression, Macmillan, London, 1969, especially pp.28-56.

49. See T.W. Fletcher, 'The Great Depression and English Agriculture 1873-1896', Economic History Review (2nd series) Vol. 13, No. 3, April 1961, pp.417-432; M. de Cecco, *op. cit.*, p.25; B.R. Mitchell and P. Deane, Abstract of British Historical Statistics, *op. cit.*, p.489, and A. Sauerbeck, 'Index of Food Prices', Journal of the Statistical Society, Vol. 49, 1886, pp.592-648.

British funds invested in the Empire in the 1870s were largely oriented towards the production and transportation of raw materials that would feed the British industrial system and population.⁵⁰ While investment in colonial banks may appear as an exception to this generalisation, most banks financed raw material production and mercantilist activities. In the Australian colonies British funds were oriented directly or indirectly towards the major primary export industries and the rural and urban property markets. Banks, pastoral finance and merchants were the recipients of a little over 75 per cent of the £84million invested between 1871-1890 by British investors in the colonial private sector.⁵¹ The overwhelming majority of these funds were used for pastoral and agricultural purposes against the security of landed property and liens on crop and stock. Less important, though gaining in importance in the 1880s, was investment in mining and urban real estate.

In the 1880s pastoral production in the Australian colonies, particularly in New South Wales where the industry was centred, was reorganised fundamentally. By the close of this decade pastoralists had come under the financial domination of a relatively small number of banks and mortgage finance companies (and merchant houses) which had access to British capital on an extensive basis. The entry of this British capital changed property relations in colonial pastoralism. Entry into the profitable wool producing industry was restricted in the 1850s and 1860s. It is difficult to identify those persons with the capital resources sufficient to purchase freehold or to pay for pastoral licences. Many had pioneered the wool growing

50. F. Crouzet, 'Trade and Empire: The British Experience from the Establishment of Free Trade until the First World War' in B.M. Ratcliffe (ed.), Great Britain and Her World 1750-1914, Manchester University Press, Manchester, 1975, pp.212-216, and A.K. Cairncross, Home and Foreign Investment, op. cit., pp.225 and pp.232-233.

51. See generally J.D. Bailey, 'Australian Company Borrowing, 1870-1893: A Study in British Overseas Investment', unpublished D.Phil. thesis, Oxford University, 1957, and N.G. Butlin, Australian Domestic Product, op. cit., Table 251, p.424.

industry in the 1830s and 1840s. Some were new arrivals from Britain, equipped with capital to establish a pastoral property.⁵² Some goldminers transformed their recently acquired capital into agricultural pursuits, but few entered the ranks of the pastoralists.

Our concern is not with conditions of entry to pastoral activity but with the conditions necessary to retain ownership, or at least equity, in pastoral production. This is not to imply that there were no new entrants into pastoral production during the 1870s and 1880s: evidence in Coward's analysis of Pratt's purchase of Myalla⁵³ (in the Monaro district), Brodribb's account of purchase and sale of properties⁵⁴ and Casey's involvement in Queensland squatting in the 1880s⁵⁵ all point to considerable circulation in property ownership. Still as a generality the increased reliance on external capital resources to retain ownership and control over existing pastoral runs was not so different from the indebtedness accumulated by new entrants. In the 1870s and 1880s the pastoral proprietors faced capital requirements well beyond their own resources. Funds were essential for the technical innovations in the pastoral industry, for securing permanent rights to landed property under the new land laws and for servicing a growing debt burden.

In the 1870s and 1880s, and especially in New South Wales, pastoral production became capitalist in character. This involved the concentrated ownership of the means of production, the transformation of the organic composition of pastoral capital,⁵⁶ greater concentration and financial commitment over proprietorship in landed

52. W.A. Brodribb, Recollections of an Australian Squatter, Queensberry Hill Press, Melbourne, 1976, passim.

53. D. Coward, 'Free Selecting on the Eumerella Shore', Journal of the Royal Australian Historical Society, Vol. 55, Pt. 4, December 1969, pp.355-379.

54. W.W. Brodribb, op. cit.

55. R.G. Casey, Australian Father and Son, Collins, London, 1966.

56. The organic composition of capital refers to the ratio of constant to variable capital; the lower the constant capital (means of production) the lower the organic composition. See K. Marx, Capital, Vol. 1, Penguin, Harmondsworth, 1976, p.762.

property, greater differentiation and organisation of the pastoral workforce, separation between the managerial and ownership functions of capital, and the imposition of greater market discipline in the production, marketing and financing of the wool industry. Throughout this period wool production in the Australasian colonies expanded rapidly to meet growing British and European demand. Whilst that demand remained unsatiated, the more marginal producers might survive. But new producers, notably South Africa and Argentina, entered the market to compete with the Australasian clip.⁵⁷ By the late 1880s the Australasian Insurance and Banking Record talked in its 'Pastoral Outlook' of over-production in the world wool market.⁵⁸

'Over-production' resulted in a fall in commodity price levels for Australian wool. From a different perspective, one might argue that in those spheres where capitalist production was more advanced, nationally and internationally, higher than average profit rates were achieved.⁵⁹ However, as capitalist property relations expanded (the commodification of land), company formation developed and money capital was centralised in banks, finance companies, the stock exchange and insurance companies. Centralisation facilitated greater national and international mobility towards those areas of activity where surplus profits were appropriated. Purchase and appreciation in equity in existing production and financing of new entrants reduced the returns to nearer the average for capitals as a whole. When returns on capital more closely approximate the average, or even go

57. See A. Barnard, op. cit., Table 13, p.222.

58. Australasian Insurance and Banking Record, February 16, 1889, p.75.

59. See K. Uno, Principles of Political Economy, Harvester Press, Brighton, 1980, pp.79-85.

below that level, then 'capital switching' to new spheres may occur.⁶⁰

As part of an international financial market, the Australian colonies were exposed to the enormous resources and expertise of British capitalists in determining the nature and location of investment. Geographical relocation to other parts of the Empire was also possible. In other words balanced and sustained growth within the colonies supported by a local capital market was not possible. In the 1850s and 1860s a local capital market organised around the Victorian goldfields had developed. But once British capital took on the form of internationally mobile interest-bearing capital (from the early 1870s), the local colonial financial market was poorly placed to compete.

From 1873 to 1890 colonial and Anglo banks took an increasingly important role in Australian economic developments. Compared with the colonial securities market which specialised in mining and locally generated funds, the banks offering mortgage finance and overdrafts concentrated upon rural and urban land development. They combined their locally derived funds with increasing amounts of British funds. The connection between the banks and urban land development, subdivision and speculation will be touched upon below. Here I concentrate on the issue of rural freehold and leasehold property as security against bank loans.

The 1870s was a period of directly productive investment in pastoral capital. Whereas 20,000 miles of fencing were constructed in New South Wales in the 1860s, 750,000 additional miles were completed in the 1870s.⁶¹ The high wool prices of 1871-2, coupled with the productivity gains from fencing, water conservation, improved

60. 'Capital switching' is discussed in D. Harvey, 'The Urban Process Under Capitalism: A Framework for Analysis', International Journal of Urban and Regional Research, Vol. 2, No. 1, March 1978, pp.101-131. It is also implicit in A.R. Hall, 'Capital Imports and the Composition of Investment in a Borrowing Country' in A.R. Hall (ed.), The Export of Capital from Britain 1870-1914, Methuen, London, 1968, pp.145-148.

61. Butlin, I.A.E.D., op. cit., p.75.

livestock, etc., encouraged the pastoral industry to intensify its capital basis and expand its geographical location. In the mid-to-late 1870s this phase of expansion saw pastoral stations established in the more arid western division of New South Wales and in the remote districts of northern New South Wales and central Queensland.⁶² Changes in transport technology, with the development of railway expansion and consequently less reliance on water transport, cheapened the costs of moving wool and supplies over large inland distances.⁶³

As the less reliable rainfall zones with precarious natural pastures and soils were occupied, greater outlays on dams, wells and associated equipment became necessary. Without the expectation of continuing high wool prices, rising land prices and greater productivity, this expansion might have been checked earlier. Pastoralism opened up many possibilities for capital gains. Established producers with freehold saw land values appreciate, stock prices rise, marketing and transport costs fall and the availability of funds on the capital market ease. The sale of stock to the newly established stations was often as profitable as wool sales. Land was sold at newly inflated prices and larger inland properties purchased. City financiers made loans to new pastoralists in the expectation of rapid capital gains. Pastoral stations were established, fenced, stocked and sold without any real intention to produce.

Pastoral properties provided a basis for access to bank and pastoral finance loans. Obviously the petty commodity producers who

62. See J.D. Bailey, A Hundred Years of Pastoral Banking, *op. cit.*, pp.85-103 and J. Lee, 'A Black Past, A Black Prospect: Squatting in Western N.S.W.', unpublished M.A. thesis, Australian National University, 1980.

63. Ibid., pp.358-370. For a more positive assessment of the returns from railway building, see B.R. Davidson, 'A Benefit Cost Analysis of the New South Wales Railway System', Australian Economic History Review, Vol. 22, No. 2, September 1982, pp.127-150 and A.L. Lougheed, 'Economic Effects of Railway Construction in Australia, 1861-1914', Working Paper No. 17, Department of Economics, University of Queensland, July 1977, pp.1-40.

had secured a selection and required finance to equip and complete their purchase could also provide modest security and might gain bank loans. However, the overwhelming majority of mortgage loans went to pastoralists rather than agriculturalists - especially in New South Wales - and often in large individual accounts. Pastoralists had access to finance on the basis of the capitalised value of their major property assets. These might include the anticipated value of stock and equipment (i.e. the market valuation of physical capital), livestock and crop/wool (the market valuation of production) and landed property (the market valuation of freehold and/or leasehold). Not surprisingly the values of these assets moved in the same general pattern. Both ownership and the requirement to gain or maintain access to land pushed the pastoralist toward the mortgage financier. Considerable financial resources were necessary in either eventuality. Many squatters were forced into indebtedness to purchase at least the strategic portions of their runs. Alternatively the prohibitive costs involved induced them to search for cheaper land in the remote areas. The introduction of new techniques or the cost of modernising existing equipment required large capital sums. Urban dwellers who had accumulated capital through merchant, professional or financial activities were also attracted to pastoral properties. Lastly, some British immigrants with sufficient funds entered the pastoral industry on the basis of high expected returns.

The Institutional Avenues for Anglo-colonial Finance Capital

The Bank of New South Wales was heavily involved in the financing of the pastoral industry. The importance of bill discounting declined as commercial loans and squatting advances grew in significance. Companies like Colonial Sugar Refinery, coal producers, mining companies and food exporters were Bank customers. Since 1889 the Bank of New South Wales had used its own funds and those borrowed on the British capital market to secure the largest single number of property

mortgages. Despite its overall importance as the largest colonial bank, the New South Wales was not really inter-colonial in operation; it concentrated its activities in New South Wales and Queensland. Despite its substantial London shareholding, it was not until 1878 that the Bank took deposits in London, thereby expanding its capital resources. The expansion of its capital base meant the Bank was able to make funds available for pastoral requirements. The late 1870s and early 1880s was indeed a time of rapid development of pastoralism in the western division of New South Wales and in Queensland. Easy access for pastoralists to British funds channelled through the Bank helped fuel those developments.

The Bank of New South Wales not only financed capital expenditure of land purchase and speculative activity in the pastoral industry, but had used these financial resources to capture the profits from wool marketing. In the 1880s it became the largest single consignee of wool and was by the end of the decade, the most important holder of New South Wales pastoral leases.⁶⁴ Further, in the 1880s urban land in Sydney and Melbourne had appreciated rapidly, in part due to the increased urbanisation of colonial populations. Banks and fringe banking companies (including building societies) became land developers and suppliers of mortgage finance.⁶⁵ Larger banks less willing to engage directly in land speculation made overdrafts available to smaller operators and thereby participated indirectly. By 1893 the bank had accumulated a considerable number of failing customers:

The overdrafts were all considered to be well secured mainly on city property and farming and pastoral lands in Victoria, New South Wales, and Queensland, but at such a time and for a number of years to come, property was virtually unsaleable.⁶⁶

The same practice occurred in financing urban and rural property. The

64. R.F. Holder, *op. cit.*, pp.370-372.

65. See M. Cannon, The Land Boomers, Melbourne University Press, Melbourne, 1966.

66. R.F. Holder, *op. cit.*, pp.531-532.

bank had access to domestic and British savings. In the colonies the major security against advances had become freehold or leasehold landed property. While some part of these funds were expended on productive investment, much was used by the borrower to secure permanent access to landed property or simply for property speculation. Insofar as the creation of new values (the source of future profits, interest and rents) depends upon the extended reproduction of productive investment, sustained appreciation and speculation on equity in landed property and productive capital is ultimately constrained. The productive development of pastoralism, major improvements in technology, husbandry and productivity occurred in a contradictory process of changing property relations. Without integrating the two aspects - the appropriation of nature and the appropriation of surplus labour - the analysis becomes confused. However, failure to disentangle the two aspects makes the phases of expansion and contraction difficult to explain.

Many of the Bank's accounts were loans for large sums. Although the Bank had sought to avoid foreclosure, some management of pastoral properties became unavoidable; and from 1886 many were taken over as mortgages in possession. In 1889 the Bank of New South Wales was the registered holder of 5.4 million acres in 127 stations.

Throughout this period Victorian developments contrasted strongly with those in New South Wales. Gold had been more important in Victoria, the demand for land more sustained, and the development of agriculture more important. This meant that Victoria had seen the accumulation of greater financial reserves in its banking and financial institutions than had New South Wales. Opportunities to finance Victorian pastoralism were comparatively fewer. Pastoral expansion in the Riverina, where numbers of Victorian pastoralists had migrated to avoid Victoria's new land laws, and in Queensland was often financed from Melbourne. Within Victoria agriculture became increasingly prominent in the 1870s and 1880s, ultimately widening the primary export base. Most farmers began as selectors requiring

perhaps £250-£300 initial capital.⁶⁷ Many of those who selected their 320 acres overcropped and undercapitalised their land. They relied upon family labour and some seasonal workers. Credit from large financial intermediaries was difficult to obtain. The successful minority expanded their land holdings, relied increasingly on agricultural machinery and had collateral for bank loans.⁶⁸

The National Bank centred its branches in Victoria and South Australia. Transformed into an Anglo bank in 1870, the National was able to gain access to British funds. It specialised not so much in pastoral finance but in financing capitalist agriculture. Selectors had few assets to use as security. More prosperous and successful agriculturalists in South Australia were considered attractive by the Bank, at least until 1884-86 when bad seasons, insolvencies and banking problems caused considerable revision of the National's policy. Only after considerable conflict was the South Australian Board made subordinate to the Melbourne office.⁶⁹ In Victoria agricultural production and urban land had become major avenues for the National Bank. However, rather than involve itself directly in the property boom, the National, like other established banks, assisted the forty-nine building societies, six mortgage banks and fourteen property companies (in Victoria in 1888) by providing large overdrafts.

The Bank of Australasia, a major Anglo, concentrated its activities in the pastoral industry. Using funds accumulated on the London market it made large loans to individual squatters. Emphasis on squatting advances conferred less flexibility upon the Australasian

67. G. Blainey, Gold and Paper, op. cit., pp.51-66.

68. On the class dimensions of these producers, see H. Friedmann, 'World Market, State, and Family Farm: Social Bases of Household Production in the Era of Wage Labour', Comparative Studies in Society and History, Vol. 20, No. 4, October 1978, pp.545-586, and W. Roseberry, 'Peasants and Proletarians', Critique of Anthropology, No. 11, 1978, pp.3-18.

69. G. Blainey, Gold and Paper, op. cit., pp.114-121.

compared to other banks in the 1890s depression. With British investors and depositors heavily underwriting the Bank's activities, it became vulnerable when the Australian colonies (and pastoralism) lost their attractiveness and funds were withdrawn.

In general, both Anglo and colonial banks evolved similar structures and became dependent on British funds. Local investors and depositors combined their resources with these overseas funds to finance directly and indirectly pastoral, agricultural and urban land development. Banks were subordinate to their British financiers, although decisions about to whom and where loans should be directed were generally made in the colonies. Until the mid-1880s banks left management and investment decisions over properties to the legal owners. Despite producer autonomy, growing financial dependence was changing ownership patterns in Australian land.

By the mid-1880s the important wool merchants were facing competition from pastoral finance companies and banks. Access to the British capital market had required incorporation, a London headquarters and board, and British shareholders. Merchants like Goldsbrough and Dalgety, lacking those features, found it difficult to retain their wool purchase, marketing and consignment businesses. Although Goldsbrough and Mort had dominated wool marketing prior to the 1870s they were handicapped in their operations by financial limitation and the relocation in the colonies of wool marketing.⁷⁰ Colonial auctions attended by English importers and the increasingly important European purchasers in the 1870s and 1880s reduced the overall costs involved in marketing wool.

Merchant capital was changing into commercial capital, thereby extracting profits closer to the average rate for all capitals, and industrial capital had penetrated the colonial and international transportation business. However, the new sources of finance did

70. N. Cain, 'Capital Structure and Financial Disequilibrium: Pastoral Companies in Australia 1880-1893', Australian Economic Papers, June 1963, pp.7-14.

weaken the nexus between the producer, the traditional merchant, the location of the market and the purchaser. And overall marketing costs did fall.

The two major merchants, Dalgety and Goldsbrough, lacked capital and consequently were at a competitive disadvantage. New Zealand Loan and Mercantile Agency Co. Ltd. (NZLMA Co.) and AML&F Co., the most aggressive pastoral finance companies, were able to secure debentures in Britain at 4 per cent. Meanwhile the colonially financed merchants relied on bank overdrafts and interest-bearing deposits simply to maintain their competitiveness. Ironically, just as pastoral station values were beginning to decline (from about 1884) both Goldsbrough and Dalgety gained access to British debenture funds. While the general trend in wool prices had been downward since 1873 (or perhaps the impact of the Franco-German War had earlier pushed wool prices to unrealistically levels), the reduction in ^{high} marketing and transportation costs together with rising productivity and growing capital intensity had tended to compensate at least until the mid-1880s. The droughts in New South Wales in 1883-85 also reduced property prices. Nevertheless, from 1886 to 1889 the western division of New South Wales continued to undergo rapid pastoral expansion. Although Goldsbrough was not actually incorporated in London in 1885, a director was sent to London in search of funds. Between 1886-1891 some £2million in terminable debentures (4.5 per cent over five, seven and ten years) years was raised.⁷¹ At the time of the Company's suspension from operations on 26 June 1893, according to Cain's calculations £2,091,470 in debentures had been secured; the bulk at 4.5 per cent, the remainder at 5 per cent. Of these £1,757,700 were terminable and £333,770 were perpetual. Most of these funds were committed as mortgage finance on New South Wales western division properties. Once able to gain overseas funds, Goldsbrough pushed expansion aggressively: 'With debenture money, in short, the company

71. Ibid., p.12.

could expect a larger profit upon station advances and set about extending its broking business at the expense of its rivals'.⁷²

Goldsbrough suffered the consequences of an unfortunate conjuncture of events. First, by relying on terminable debentures (obviously attractive in a situation of apparently falling interest rates) the Company's financial position became vulnerable when these debentures fell due and mortgages had depreciated. Second, along with the majority of lenders - particularly the pastoral financiers - the policy imposed few constraints on lending. The relations linking management responsibility, shareholders, boards, debenture holders and mortgagees were tenuous. Personal connections appeared to compensate for general ignorance of particular financial, property, market and climatic conditions: funds were loaned in large quantities to few clients. Last, funds were loaned to producers on the most marginal pastoral lands. Relying on its own resources, deposits and bank overdrafts, Goldsbrough advanced £1,124,000 prior to 1883; 80 per cent in New South Wales and one-third of them in the western division and 52 per cent elsewhere in the colony.⁷³ Advances made in the subsequent decade were largely in the western division.

Goldsbrough found itself less able to withstand competition in its mercantile activities in the 1870s and 1880s. The increased financial requirements of the pastoralists had overreached Goldsbrough's internally generated resources. Although Goldsbrough acquired Mort's mercantile interests in the 1880s, this was not a great advantage because funds were insufficient to secure access to Mort's traditional source of profit. Goldsbrough was to survive the 1890s but not without major financial and organisational reconstructions.⁷⁴

72. Ibid., p.11.

73. R.M. Hartwell, History of Dalgety, unpublished manuscript, Oxford University, Oxford, c.1978.

74. N. Cain, 'Financial Reconstruction in Australia 1893-1900', Business Archives and History, Vol. 6, No. 2, 1966, pp.167 ff.

Dalgety's history was somewhat similar. From its inception in the 1840s the Company had prospered as an importer, purchaser and advancer against wool. In the 1850s the gold exporting business was profitable and encouraged Dalgety to establish a London headquarters. The Company was established as a partnership with F.G. Dalgety the major shareholder. While the wool market was located in London, Dalgety could profit from the clip's six month realisation period. Money was advanced against the clip, the Company endorsed the bill of lading so the grower could discount it with a bank, wool was purchased and consigned to Britain and imports on behalf of pastoralists and agriculturalists were arranged. As early as 1849 stock and stations had been accepted as security against advances but these were an adjunct to the mercantile business.

From 1875 Dalgety's merchant activities began to be undermined by competitors' large advances to pastoralists and by the growing dominance of the colonial market for the realisation of the wool clip. With new marketing circumstances Dalgety became a wool broker with the appropriate sale, finance and marketing sources. Company warehouses, showrooms and auction rooms were acquired. In order to retain this business the Company was forced into providing mortgage finance. In a sense what would become a period of foreclosure, ownership and management was the unintended consequence of measures designed to protect its mercantile position. Hartwell summed-up the position well:

Whereas lending money as a pastoral banker was at the centre of the development of such land mortgage companies [e.g. NZLMA Co. and AML&F Co.], with collateral activities developing later, Dalgety began as a merchant and only gradually became a lender.⁷⁵

Pastoralists' financial demands were beyond Dalgety's resources and organisational structure. Despite Company indebtedness regularly reaching £500,000 in the 1880s (much of this in bank overdrafts),

75. R.M. Hartwell, op. cit., pp.232-233.

F.G. Dalgety resisted extending the Company's financial base, since this necessitated loss of his personal managerial power. But by 1883 he was ready to concede incorporation to protect the Company's market position. The Company placed 200,000 shares; 100,000 to the old partners, 46,000 to Australian subscribers and 34,000 on the London market. These shares were paid up to £5 each. The nominal share value was £20; the nominal capital, a basis for securing further funds, was then £4 million. To augment this new capital base, £500,000 perpetual 4.5 per cent debentures were floated in 1884. In the subsequent decade £2,819,315 was raised via debentures: 78 per cent were perpetual debentures and 22 per cent terminable. Eighty-five per cent were secured at 4 per cent or less and the balance at 4.5 per cent. The debenture was the favoured device to channel funds into the colonial pastoral industry:

The advantage of the debenture was its attraction for the increasing rentier class of Britain to whom it gave a fixed return, often for a limited number of years, secured against the assets of the company, including the uncalled capital, and also for its shareholders, because of the 'gearing' effects it had on dividends.⁷⁶

The high proportion of perpetual debentures put Dalgety in a more advantageous position than Goldsbrough. Further, Dalgety had given greater attention to the management of its large pastoral accounts. Since 1885 it had inspected its pastoral property accounts every six months. It valued stock, equipment, freehold and leasehold, and examined pastoralists' balance sheets. By 1890 Dalgety had advanced £4.6 million directly to pastoralists and had acted as agents for other investors (for example, Dalgety organised in 1888 the Scottish Equitables' advance of £120,000 to the Tubbs Pastoral Company at 4.25 per cent). The Company's commitment to the pastoral industry was large. Most of its loans had been made to pastoralists at 6 per cent (over the period 1884-1895 mortgage rates were between 4.75 and 8 per cent, the bulk at 5-7 per cent) against the preferred security of freehold to leasehold and land over livestock.

76. Ibid., pp.306-307.

Goldsbrough's activities took on many similarities. Of the £4.6 million advances between 1855-1891, some £1.8 million were made as long-term loans and as much as £700,000 was loaned on just five accounts. By 1888 foreclosures and the resultant acquisition of marginal properties began. The Accounts Committee made decisions to foreclose with reluctance since Goldsbrough's policy was to avoid direct property ownership and management if at all possible. A weakness in the Dalgety business was the number of large personal accounts held by members of the Colonial Boards.⁷⁷ Like Goldsbrough, Dalgety was forced into foreclosures, ownership, management and thorough investigation of clients' accounts in the 1890s. Major debts were written-off and Company affairs were reorganised.

N.G. Butlin has calculated that pastoral advances by non-banking mortgage lenders totalled about £23 million over this period; of that sum, Dalgety and Goldsbrough (the merchants-turned-financiers) provided some £6.7 million.⁷⁸ The two dominant pastoral finance houses, NZLMA Co. and AML&F Co. together provided a similar amount. The mortgage pastoral and finance companies constituted the third major source of potential capital for the pastoral expansion. Their resources tended to be larger in phases of expansion when the non-incorporated merchants were unable to enter the British capital market. AML&F Co., for example, incorporated by 1863 with quite diverse aims, had raised £400,000 in 1868 through the sale of debentures in Britain.⁷⁹ Through absorption of R. Gibbs & Co. (London) and Gibbs, Ronald & Co. (Aust), AML&F Co. was able to share in the merchant activities of the specialised consignment agencies. In the 1860s, while the major wool market was in London, consignment was undoubtedly an attractive and secure activity.

77. One notorious instance was Blackwood whose financial speculation, generous advances to personal acquaintances and involvement with J. Robb & Co. led to his dismissal in 1893. Ibid., pp.276-280.

78. N.G. Butlin, I.A.E.D., op. cit., Table 28, p.143.

79. J.D. Bailey, A Hundred Years of Pastoral Banking, op. cit., pp.37-42.

Although the 1860s saw the AML&F Co. extend large loans to Victorian and Riverina pastoralists (and subsequent foreclosures in the 1868-9 droughts), it was in the 1870s and 1880s that mortgage finance dominated the Company's activities. Between 1870 and 1893, AML&F raised £2.4 million through debentures on the British market. These debentures were raised at 4 per cent and 4.5 per cent, the majority as perpetual rather than terminable debentures. Indeed by 1892 only 20 per cent of the AML&F Co.'s debentures were terminable; this became a major advantage in the 1893 financial crisis. The geographical location of the Company's major investments shifted from Victoria in the 1860s into the Riverina in the 1870s and in the 1880s into the western division of New South Wales. In the 1880s some 50 per cent of loans were made to major clients in the western division of New South Wales.

Throughout this period when British funds were channelled to Australian pastoralists, two major aspects of AML&F Co. should be emphasised. First, the Australian operations were profitable for shareholders. From 1871 to 1896 dividends ranged from 10 to 20 per cent.⁸⁰ With comparatively low British interest rates and depressed activity in many areas, these rates of profit were high and the risks apparently low. For those who lent interest-bearing capital to AML&F Co. in the form of debentures the results were also good. Debentures were secured from London, the south of England and Scotland at around 4 per cent on average.⁸¹ Meanwhile consols were yielding 2.5 to 3 per cent over the same period. Thus in the case of the AML&F Co. neither shareholders nor debenture holders were subject to dramatic losses, debt reconstruction or poor rates of return. Admittedly share dividends fell below 10 per cent in the last half of the 1890s, till no dividend was paid in 1901.⁸² Despite Company

80. Ibid., p.116.

81. Ibid., pp.61-69.

82. Ibid., pp119-123.

rationalisation and economising, and the considerable ownership and management of foreclosed properties, the high levels of perpetual debentures protected the Company when a major liquidity and profitability crisis occurred. Unlike other pastoral financiers AML&F Co. maintained ownership and management of some large foreclosed properties. Second, a large part of AML&F Co. funds were used by pastoralists to purchase freehold and to expand their leaseholdings. According to Bailey this form of expenditure by pastoralists did not directly expand the productive capacity of the pastoral economy:

The capital stock of the colonial economy was not increased when woolgrowers purchased freehold, since this represented a transfer of ownership. In order to acquire land in freehold possession, squatters borrowed from pastoral finance companies or from banks and insurance companies, all of which drew the greater part of the funds used for this purpose from Britain.⁸³

Consequently, the diverse characteristics of the major pastoral financiers converged on one point in the 1870s and 1880s. Larger sums, concentrating in fewer individual properties, were being lent to finance the simultaneous expansion of the industry and the rotation (at appreciating prices) of pastoral properties. External funding was necessary to continue the investment in new productive capital initiated in the 1860s and simultaneously to finance the acquisition of permanent or temporary title to landed property. And while landed property remained the single most tangible security against loans, 'ownership' over that property as mortgage tended to subsume all forms of revenue produced by productive capital upon that landed property. This was especially the case when wool prices maintained a downward trend.

83. Ibid., p.54. Bailey has also drawn our attention to the significant levels of Scottish funds directed towards Australia; see J.D. Bailey, 'Australian Borrowing in Scotland in the Nineteenth Century', Economic History Review (2nd series), Vol. 12, No. 2, 1959-60, pp.268-279.

Anglo-colonial Finance Capital in Pastoralism

The conditions for the expansion of British and colonial financial interest in pastoralism were complex, the constraints and criteria applied to the use of those funds somewhat unpredictable and the consequences often unintended by the major actors. The expansion and qualitative improvement in flocks, like the physical improvements (in fencing, water conservation, buildings, equipment, etc.), were part of the expanded reproduction of the means of production. However, while extensive investment in transforming the means of production tended to reduce the cost of producing, new constraints were created. Wool was an internationally traded commodity. In the period under discussion both supply and demand conditions changed. New producers entered the market, existing producers like Australia rapidly expanded production while the demand by European and American purchasers of wool operating directly in the Australian wool market, widened the demand for wool and weakened British control over what had been a profitable re-export trade. Hence there was instability in the international wool market.

The last part of the nineteenth century was a period of considerable relocation of world primary commodity production and a concomitant increase in world commodity trade. The most important aspect of this movement was the experimentation in extensive capitalist production on previously 'vacant' land in the new countries, colonies or regions. In the case of Australia, these new spheres of capitalist production - mineral and pastoral - were dependent for their market realisation on British conditions. Further, capital expenditure in mercantile, transport services and pastoral production were partly financed from Britain. Under these circumstances many constraints placed upon Australian producers were determined by changes in the structure of the imperial political and economic system, centred on Britain.

In the 1870s a growing proportion of British money capital became internationally mobile, searching for new investment avenues. While a

proportion of those funds were derived from the southern English and Scottish middle classes, the source was either some form of prior property ownership or income derived from a privileged occupation. The vast mass of wage earners simply could not accumulate savings. British capitalists' savings were mobilised for redeployment in the colonies through various agencies. Different agencies gained funds from different investors on different terms and for ostensibly different purposes. Small investors retained little direct control over their funds once having committed them. Larger investors who organised on the London capital market and linked into landshare and commercial interests were economically powerful.⁸⁴ With interlocking directorships and large shareholding these were the capitalists most likely to appropriate the greatest rewards and maintain legal (if not actual) control over the use to which these funds were directed. The direct owners of large financial capitalist organisations (banks, pastoralist financiers, insurance companies, etc.) were able to augment their shareholding base through share issues and making calls. But most importantly they encouraged smaller investors to transform their accumulated funds into interest-bearing capital.

Financial capital was able to aggregate and centralise money capital on a scale hitherto impossible. Funds were amassed for a variety of ventures, some with considerable risks attached. Some of these funds were simply bank deposits, others purchased debentures while others took the form of insurance policies. The small investor could be guided by the information available from the company, financial advisers and press commentary or by taking cognisance of the company's record, share yields and debenture rates and presumed soundness. But this guidance could hardly protect the investor from speculative use of funds in a pastoral industry or real estate market on the other side of the world.

84. W.D. Rubenstein, 'Wealth Elites and the Class Structure of Modern Britain', Past and Present, No. 76, 1977, pp.94-126.

These financial connections were further complicated by the spread of British and colonial shareholding and directorship boards and the tensions that existed between them and the lending policies practised in the colonies. These patterns varied between groups of financial capitalists (banks, merchants, mortgage financier, etc.) depending on their origins, size, location and when they began borrowing and lending. Despite a tendency towards uniformity in the spheres and activity where greatest returns appeared likely, considerable heterogeneity occurred in the financial market.

Throughout the 1870s and the 1880s, British and colonial capitals were mobilised to expand the area and the technical characteristics of pastoralism. A basis for this mobilisation was the enforcement of the commodity form over landed property. Once this occurred the transformation of property rights became entwined in the process of the expansion in productive investment. However, the last phase of pastoral finance prior to the 1890s depression and consistent with the same pattern in urban land transactions was an appreciation of property values, and the speculation in and change of title to landed property.⁸⁵ Much of this involved the expansion of 'fictitious capital,' i.e. future claims on surplus value beyond the capacities of production to generate or realise those new values. Under these circumstances a devalorisation (or devaluation) of capital occurs as property values are more carefully scrutinised in the national or international capital markets. Ironically, the commodification of land and the reproduction of capitalist social relations of production in pastoralism, in the urban property market and in mining ventures rapidly expanded productive investment (the creation of surplus value). This in turn led to unproductive speculation (the appropriation of present and future surplus value). The property relation (relations of production) and the technical relation (forces of production) were thus given their distinctive shape during colonial capitalist expansion.

85. M. Cannon, The Land Boomers, op. cit., pp.69-114.

In the 1880s the geographical expansion and financial viability of pastoralism had been reached. The appreciation of urban land prices, first in Sydney then in Melbourne, was halted. Despite rapid appreciation and expansion the urban property market was ultimately limited by population growth, the demand for housing and the ability of companies and individuals to pay rising rentals or mortgage payments. Furthermore, the high levels of public borrowing and expenditure generated some concern about the fiscal responsibility of colonial governments. Some new avenues for capital were opened by mining ventures in Queensland and at Broken Hill.⁸⁶ With this exception a major phase of rapid investment in productive capital and in the non-productive possession of revenue-generating property objects had reached objective limits. The cessation of growth was doubtlessly exacerbated by world demand for Australian exports and increased disquiet about the condition of colonial finances. While these external factors influenced the timing of the depression, fundamental structural characteristics were its cause.

In the last phase of pastoral expansion, the late 1880s, the decline in pastoral profitability was particularly acute. Butlin noted, 'It was rare, in 1889-91, for station interest bills to be less than half gross wool proceeds of these encumbered properties'.⁸⁷ Without major technical innovation, a more efficient use of existing resources or a fall in pastoral workers' wages, pastoralists were faced with inflexible costs. They could not simultaneously pay interest on money capital borrowed from British and colonial investors and make satisfactory returns as profit on their own accumulated capital. Indeed some pastoralists were well beyond making profits.

Financial capital was heavily involved in all these spheres of

86. Mining investment is discussed in J.W. McCarty, 'British Investment in Overseas Mining, 1880-1914', unpublished Ph.D thesis, University of Cambridge, 1960, pp.111-133 and Table 4, pp.262-263. See also G. Blainey, The Peaks of Lyell, Melbourne University Press, Melbourne, 1954, p.67.

87. N.G. Butlin, I.A.E.D., op. cit., p.168.

Australian economic activity. Banks were amongst the most powerful and prestigious colonial private institutions. Insofar as numerous financial institutions in the colonies found themselves directly or indirectly dependent on the security of urban or rural land, an asset quickly depreciating in value by 1890, then generalised economic recession in the colonies became unavoidable. The intensity, sequence and consequences of this depression were not uniform between the colonies.⁸⁸ Victoria, the dominant Australian financial centre and the colony in which the land boom was most volatile, was the most seriously affected.

Conclusion

This Chapter has concentrated on the development of finance capital in the Australian colonies during the period 1850-1890. Finance capital is an advanced form of capital. In combination with industrial capital and commercial capital it encourages the production and reproduction of self-augmenting value. While the existence of total social capital - the unity of the three forms of capital - is posited upon the extraction and division of surplus value between these essential forms, we cannot assume simple unanimity because they follow their own particular circuits. The process of the valorisation of finance capital in the Australian colonies was increasingly internationalised. To some extent that process extended well back into the first phase of British investment in the pastoral, merchant and banking industries. From about 1872-3 a qualitative transformation occurred with the exodus of British capital searching for overseas investment avenues. The Australian colonies provided one attractive outlet for overseas investment.

88. See generally E.A. Boehm, Prosperity and Depression in Australia 1887-1897, Oxford University Press, Oxford, 1971. Specifically for Victoria, W.A. Sinclair, Economic Recovery in Victoria, Social Science Monograph 8, Australian National University, Canberra, 1956, is helpful.

The discussion in this Chapter has examined the growth of interest-bearing capital as a form of property ownership in the colonial pastoral industry. There is little evidence to suggest strong connections between the major financial institutions and manufacturing industry. Indeed one can find expressed in the Australasian Insurance and Banking Record the fear that colonial tariffs might cause investment to shift from agriculture/pastoralism and mining towards urban manufacture. This viewpoint may not have been universal but it did express an important conception; manufacturing investment was not appropriate given the overall imperial division of labour.

Between 1860 and 1890 the Australian colonies underwent a series of economic changes, which expanded and intensified the development of colonial capitalism. To simplify, that development involved two linked processes. One process was the expansion of intra- and inter-colonial commodity production to meet the expanding population's requirements for the means of consumption, dwellings, transport, etc. The other process was connected with the production of major export commodities which were the circulating elements of constant capital in the reproduction of British industrial commodity production. In turn these colonial export commodities paid for the importation of industrial products, including the means of production for colonial industries, and goods for (luxury) colonial consumption. Gold, which evades the categories used to analyse general commodities because of its position as a store of value and as the basis for the universal equivalent, made an especially profitable export.

Imperial and colonial political and judicial frameworks maintained uniformity and openness for British investors. Some colonial capitalists invested their fortunes in Britain. Typically however, funds were invested by Britons in the colonies. At a less formal level banking traditions and practices originating from Britain, considerably modified by Scottish experience, were adapted to the structure of Australian colonial capital requirements. The

distinctive colonial requirements reflected in the style of banking, forms of security, periods of loan, etc., were integrated into a wider, more powerful British imperial banking and financial system. Without coherent policy coordination or centralised state regulation, colonial financial systems were vulnerable to changing British conditions, and the withdrawal of funds by British investors as they responded to some real or imagined change in the national or international environment. And even if the picture presented by Baster of interlocking directorships in London financial circles is broadly accurate, that does not resolve the question of colonial financial vulnerability. Clearly the 1893 banking crisis and the differing government responses in New South Wales and Victoria demonstrated the need for increased colonial regulation over banking. Consequently we could conclude that Australian colonial finances were controlled by imperial control over the banking system and by the market forces that operated through Anglo-colonial financial institutions. On balance it was not so much direct British political domination that produced the results discussed above but the evolving financial linkages; the relative openness of the Australian economy meant that higher returns for imperial investors attracted funds.

In the last quarter of the nineteenth century, the equity held by British capitalists in the Australian colonies was dramatically enlarged. As Bailey argued, this capital movement was advantageous to Australian balance of payments and sustained economic growth while exacerbating the British recession (1873-96). While this conclusion is valid from an economic perspective - i.e. in terms of aggregate economic indicators - it tends to occlude other ramifications. As shareholders, debenture holders, insurance policy holders and bank depositors as well as investors or short-term speculators, British capitalists were owners of enormous revenue-generating assets throughout the Australasian colonies.

The revenue sustaining the British capitalist class (London financiers, landowners, retired colonial officials) and undoubtedly

the middle classes was not merely from the exploitation of the British working class. Direct and indirect ownership of colonial private property meant that within the context of capitalist class relations a portion of the surplus value created in Australia was appropriated in Britain. The significance of this does not lie in calculating the 'exploitation' of the Australian colonies by Britain. At least between 1860 and 1890 the Australian colonies as a whole gained considerable benefits in sustained public and private capital accumulation. While it might assuage nationalist sentiment to argue that Australian prosperity between 1860 and 1890 had been destroyed by ruthless British financiers, this could not pass as an adequate theoretical explanation of prosperity and depression (and the linked nature of these processes). Rather more important was the interlocking of a dynamic export economy (especially pastoralism but also mining and agriculture) through major financial intermediaries with a powerful imperial-colonial 'Anglo' capitalist class possessing very considerable political power. One fraction of Australian capitalists linked through ownership of landed property, financial capital, merchant capital and state property derived its revenue through its close integration with and dependence upon British capitalists. The production and reproduction of the capitals from which their mutual revenues were derived was posited upon the maintenance of a particular relationship and traditional role for the Australian colonies in the imperial economic and political system. The reproduction of the imperial capitalist class (or a major fraction of that class) was posited upon the colonies performing some but not all metamorphoses in the reproduction of British international capitals. And in that process a considerable fraction of Australian capitalists was prepared to cooperate. Insofar as this fraction of Australian capital was an aspect of a larger British imperial dynamic, it perceived Australian developments within the context of maintaining colonial dependency in an imperial division of labour.

By the 1890s the 'Anglo-colonial' fraction of the Australian

colonial bourgeoisie would have to contend with these urban and rural capitalists who, oriented to colonial or intercolonial markets were less enamoured with subordination under British imperialism. Furthermore, by the 1890s the colonial working classes were becoming better organised. The complex relations within the propertied classes and their struggles with the colonial working classes would determine the basis of decisive political battles and the relative dominance of the imperial linkage in future forms of capital accumulation.

The wider implications of finance capital and the pastoral industry on class relations will be taken up in Chapter Ten.

CHAPTER 9

FINANCE CAPITAL IN THE PUBLIC SECTOR, 1856-1890

Present-day highly complicated economic life knows a great variety of forms behind which production relations are hidden When a Russian city obtains a loan from a London capitalist and pays interest on the loan, then this is what happens: part of the surplus value expressing the relation that exists between the English worker and the English capitalist is transferred to the municipal government of a Russian city: the latter, in paying interest, gives away part of the surplus value received by the bourgeoisie of that city and expressing the production relations existing between the Russian worker and the Russian capitalist. Thus connections are established both between the workers and the capitalists of the countries. Of particular significance [for these connections] is the role of the ever growing movement of money capital

(N. Bukharin, Imperialism and World Economy,
Merlin Press, London, 1976, p.26.)

The contradictions inherent in the modern system of foreign loans are the concrete expression of those which characterise the imperialist phase [of capitalism]. Though foreign loans are indispensable for the emancipation of the rising capitalist states, they are yet the surest ties by which the old capitalist states maintain their influence, exercise financial control and exert pressure on the customs, foreign and commercial policy of the young capitalist states.

(R. Luxemburg, The Accumulation of Capital,
Routledge and Kegan Paul, London, 1971, p.421.)

Introduction

This Chapter discusses the transformation in the economic basis of one aspect of class relations in colonial New South Wales and Victoria, 1856-1890. Transformations in class relations are approached here by focusing on government ownership and alienation of the public estate, revenue raising and expenditure, the growth of public ownership in the means of communications and the growth of

public indebtedness to private (predominantly British) creditors. These dimensions of state involvement in economic relations and processes had consequences for the nature of colonial class relations. The ramifications of public economic activity include ownership over revenue rights in property, the subordination and control of wage labour in the process of commodity production and the specific forms of revenue appropriated by private and public economic agents. Thus the Chapter examines the economic role of the colonial state, the direction and rate of public economic initiatives and the developing linkages (especially in the public sector) between colonial capitalism and British finance capital.

The economic basis of class relations under capitalism revolves around three related sets of distinctions (collectively, the relations of production). First, class refers to large groups of economic agents defined by their ownership or non-ownership of property (public or private) and the revenue appropriation rights embodied therein. This definition distinguishes all property owners, (the bourgeoisie) from all non-owners (actual and potential wage labour). Second, within the bourgeois class of property owners the capitalist class refers to those economic agents who have ownership or control over value-producing means of production (i.e. productive capital). This is the site of capitalist domination of the labour process, the exploitation of productive wage labour and the immediate appropriation of surplus value. Third, class may be used to grasp the divisions within the bourgeois class between productive capitals (which directly exploit wage labour, create new values and thereby appropriate surplus value) and unproductive capitals in the sphere of commodity circulation (which appropriate surplus value as profit), money capitals (which appropriate interest) and landowners (who appropriate rent).

The second distinction, emphasising the location where means of production combine with labour power to produce exchange values embodying surplus value, is the conception of class least intelligible

to contemporary economic orthodoxy. Nevertheless, the marxist premise is that, strictly speaking, capital refers to purposive activity of concrete human labour employing the means of production (i.e. the instruments of labour) to create new values beyond those initially outlayed.¹ Surplus value is created in the production process, appropriated by industrial capitals - as the immediate owners of the new commodities - and the new value (i.e. the socially necessary labour time embodied in the commodity) is validated in the market at the point of realisation.

Productive capitals (which directly appropriate surplus value) are not synonymous with all branches of capitalist activity necessary for the (expanded) reproduction of social capital as a whole. Moreover, capitalists as a social class do not include all forms of property (public and private) which have legitimate and thus legally enforceable claims on surplus value. The legitimate claimants may be separated as follows.

First, capitals as a whole appropriate surplus value proportional (tendentially) to their production prices, i.e. their costs of purchasing labour power and means of production plus the average rate of profit. Thus market values (prices of production) in marxist analysis deviate from values (embodied labour time) in two important ways. Capitals that specialise in commodity circulation appropriate but do not produce surplus value. As well those capitals with a relatively high technical composition of capital (i.e. those capitals which produce below average production prices) appropriate surplus value at a rate greater than the norm; they earn surplus profit. Only on the level of social aggregates do the magnitudes of surplus value

1. I.I. Rubin, Essays on Marx's Theory of Value, Black and Red, Detroit, 1972, pp.259-275; G. Pilling, Marx's Capital: Philosophy and Political Economy, Routledge and Kegan Paul, London, 1980, pp.116-157, and A. Shaikh, 'National Income and Marxian Categories', unpublished paper, New School for Social Research, New York, December 1978, pp.6-11.

and total profit, interest and rent, coincide.² As a consequence capitals involved in circulation (i.e. the transfer of titles to ownership), collectively known as commercial (or merchant) capital and interest-bearing (or historically, usurer's) capital, though necessary for the reproduction of capital, share but do not create surplus value.³

Second, productive capitals and unproductive (commercial) capitals in the process of competition and concentration borrow from the owners of money capital. As capitalism develops, money capital becomes concentrated in specialised financial institutions, particularly banks. These institutions centralise and channel money capital, advancing it to industrial and other capitals. Access to external sources of money capital enables capitalists to vastly augment their purchase of means of production and labour power; in its most developed form the individual capitalist is superseded by the modern joint stock corporation.⁴ Although retaining legal control over the means of production and surplus appropriation, borrowers must now divide their claim to surplus value between entrepreneur's profit and the repayment to interest-bearing money capital. The rate of interest signifies the return to interest-bearing capital.

Third, a portion of surplus value is appropriated by the state (taxes, revenue tariffs, rentals, royalties, etc.) to finance the unproductive costs associated with its coercive, political and administrative activities.⁵ The state's interventions (transfer payments, subsidies, protective tariffs, etc.) will also redistribute surplus value within and between classes. Moreover, as we see below,

2. I.I. Rubin, *op. cit.*, pp.223-253.

3. See Chapter Six for a discussion of merchant capital.

4. See T. Hadden, Company Law and Capitalism (2nd ed.), Weidenfeld and Nicholson, London, 1977.

5. On this point marxist and neo-classical political economy share a view that the state is an unproductive drain on the economy. See A. Shaikh, 'Towards a Critique of Keynesian Theory of the Role of the State', unpublished paper, New School for Social Research, New York, September 1980, pp.1-72.

some states assume the ability to purchase means of production and labour power, and hence assume the function of capital.⁶ However, as a borrower from money capitalists to finance unproductive or productive activity, the state must meet interest obligations: this redistributes surplus value between the public and private sectors. Beyond emphasising the repressive function of the capitalist state, few marxists have explored the complex economic relations between the state and private accumulation of capital.⁷

Fourth, there are important and expanding claims on surplus value by bourgeois property owners who, although necessary to the reproduction of capitalist social relations, are parasitic. The most striking candidates here are those agents (public and private) who hold monopoly rights to naturally given use values - agricultural and pastoral land, mineral deposits, forests, fisheries, etc. - and appropriate surplus value in the form of rentals or royalties.

Finally, claims to surplus value become individualised and transferable as capital is concentrated; for example, company shares are bought and sold on the stock exchange. This enables speculation in future claims to surplus value, the result of which may be what Marx called the expansion of 'fictitious capital'.⁸ This over-production of 'capital' (i.e. the expansion of future claims to surplus value) is facilitated by an expanding credit system.⁹

The following discussion demonstrates the following propositions.

6. See C. Barker, 'The State as Capital', International Socialism (Series 2), No. 1, July 1978, pp.16-42, and D. Harvey, The Limits to Capital, Basic Blackwell, Oxford, 1982, pp.276-279.

7. For surveys, see J. Harrison, 'State Expenditure and Capital', Cambridge Journal of Economics, Vol. 4, No. 2, 1980, pp.37-392, and D.K. Foley, 'State Expenditure from a Marxist Perspective', Journal of Public Economics, Vol. 9, 1978, pp.221-238. The most developed marxist analyses are J. O'Connor, The Fiscal Crisis of the State, St Martin's Press, New York, 1973, and I. Gough, The Political Economy of the Welfare State, Macmillan, London, 1979.

8. K. Marx, Capital, Vol. 3, Penguin, Harmondsworth, 1981, pp.525-542 and pp.595.

9. For the notion of over-production of capital, see M. Aglietta, A Theory of Capitalist Regulation, NLB, London, 1979, pp.353-365.

The colonial states engaged in large-scale investment based on borrowing funds. The borrowed funds were largely British; this helped tie the colonial economies to British capital. Several consequences followed. The overall scale of colonial commodity production, and therefore total surplus value, was greatly enhanced. The state had to raise revenue through taxation or land sales to service this debt and to subsidise losses incurred in communication construction and operation. The provision of railway services enhanced the opportunities for rural capitalists and landowners to expand and protect their capital and their ability to generate surplus value. Because publicly owned communications were operated at a loss, part of the surplus value in the public sector was appropriated in the private sector. The costs of providing these services were transferred to taxpayers and then to consumers of these services as prices were raised in the 1880s and 1890s.

While these generalisations are especially pertinent to Victoria the New South Wales' story is similar. The major difference was the higher land revenue in New South Wales, which meant that pastoralists contributed more in that state to the costs of railway building. But this was offset by the non-protectionist tariff which kept material and equipment costs down. In both colonies the revenue raising of governments helped transfer debt servicing and railway losses away from rural capitalists. Thus, public policy reinforced private expansion of commodity production and surplus value appropriation.¹⁰

This Chapter is an attempt to apply the theoretical distinctions drawn above to the analysis of the public sector in New South Wales and Victoria, 1856-1890. Although the state in capitalist society and the colonial states in Australia engaged, in multiple functions, I concentrate here on the purely economic dimensions. The colonial state and behind it the imperial state had an important role in

10. This explains the vitality of capitalist expansion despite an unusual level of state economic activity.

establishing a generalised commodity economy in New South Wales and Victoria. The impact of the state within commodity relations and to a certain extent in the provision of non-commodified services after 1856 is my particular focus. To that end an analysis of revenue, expenditure, borrowing and loan repayments is presented before the full ramifications are addressed. Because the New South Wales' and Victorian stories have some distinct characteristics the Chapter examines each colony separately. The last section makes the theoretical implications explicit.

Victoria, 1856-1890

Taxation

In Victoria the source of governmental receipts took a different direction from New South Wales. Several general characteristics are worth noting. The availability of agricultural and pastoral land was much more restricted than in New South Wales. Land laws were more successful in favouring the expansion of a class of selectors in Victoria. In combination these factors limited available land revenues. Whereas the free trade policies of New South Wales were in the main predicated on large-scale land alienation, this option was largely unavailable in Victoria. Moreover, Victorians embraced tariffs after 1871 in a manner anathema to New South Wales. The justification for Victorian tariffs was partly to protect native industry but the revenue aspects cannot be ignored.

The importance of the Victorian tariff is quickly apparent when we compare the proportion of taxation to total revenue. Between 1871 and 1880 taxation contributed some 40 per cent of total Victorian government receipts (compared to 24.2 per cent in New South Wales), and in the 1880s the Victorian percentage remained constant while there was a further decline to 18.2 per cent in New South Wales. In both colonies about 75-85 per cent of total taxation revenue came from customs duties; Victorian customs duties tended to make up a slightly

higher proportion of total taxation.¹¹

Following self-government, agitation in Victoria proposed protectionist measures to foster colonial manufactures and to solve the budgetary deficits.¹² A tariff league was established in 1859 and gained working class and goldminers support. As in New South Wales, the promotion of protectionism in Victoria was often allied to support of liberal land policy and a declared intention to protect grain and flour producers. This gave the tariff some credibility among farmers and pastoralists. Squatters held an ambivalent attitude towards protectionism but their mercantile convictions pushed them towards free trade. The debates resulted in a protective tariff in 1861 despite governmental instability. Ad valorem duties were imposed on various manufactured items, and fixed duties imposed on selected foodstuffs. A modified tariff policy was introduced in late 1861, but not passed until early 1862. In 1865 new tariff proposals were modified substantially in the Legislative Council.¹³ A major constitutional deadlock on the fiscal issue erupted in 1865-66. As a result the Colonial Office intervened to recall Governor Darling and the McCulloch Tariff Act was passed in 1866.¹⁴ Protectionism thus became associated with the democratic-liberal political cause, the protection of industrial workers and a policy of easy land access.

11. These percentages have been derived from the calculations by P.N. Lamb, 'The Finance of Government Expenditure in New South Wales 1856-1900', unpublished Ph.D thesis, Australian National University, 1963, pp.90-153; Statistical Register of Victoria, 1871-1891 and Victorian Year Books, 1871-2 to 1891-2.

12. The Victorian tariff is discussed in G.D. Patterson, The Tariff in the Australian Colonies 1856-1900, F.W. Cheshire, Melbourne, 1963, pp.12-21 and 48-60. See also C.H. Chomley, Protection in Canada and Australia, P.S. King and Son, London, 1904, and C.D. Allin, 'A History of the Tariff Relations of the Australian Colonies', University of Minnesota Studies in the Social Sciences, No. 7, University of Minnesota, Minnesota, 1918.

13. For the complete tariff schedule, see An Act to Amend the Laws Relating to Customs, 25 Vic. 144, 18th June 1862.

14. G.D. Patterson, op. cit., pp.18-21, and T.A. Coghlan, Labour and Industry in Australia, Vol. 2, Oxford University Press, London, 1918, pp.1143-1148.

In 1867 falling revenues from land sales and rentals resulted in the doubling of duties on many items under the 1866 Act and a 5 per cent ad valorem duty was placed upon other goods (with special exceptions).¹⁵ By the 1871 election the tariff issue was central to political debate. The Victorian Industrial Protection League was established with the express object of agitating for effective tariffs. Although McCulloch, the leader of the successful faction, resigned, the Duffy/Berry Government was able to pursue consistent tariff policies. The essential features of these were the increase in specific duties, the raising of 5 per cent ad valorem duties to 10 and 12 per cent and the introduction of a 20 per cent group of finished or nearly-finished manufactured items. The commodities dutiable at 20 per cent included footwear, clothing, woollen, silk and cotton goods, iron, steel and copper manufacture and leatherware.¹⁶ These were items where Victoria had established or was establishing manufacturing industries. Manufactured goods requiring further value added were placed in the lower tariff category. Some items were made non-dutiable.

In 1874 some modifications were made by the Service Government to tariff policy. However, the attempt to remove or reduce tariffs provoked a strong electoral reaction. A policy of encouraging manufacturing, ending assisted immigration and minimising other areas of taxation had become popular amongst manufacturing, farming and working class constituencies. As part of Victorian public policy this fiscal regime remained central until the end of our period.¹⁷

In 1877 and 1878 the tariff went through two minor revisions, and a major review in 1879 increased many 20 per cent tariffs to

15. For the 1866 and 1867 schedules see G.D. Patterson, *op. cit.*, pp.20-21 and 50-51. The relevant Acts are An Act for Granting Her Majesty Certain Duties of Customs and for Altering Certain Other Duties, 29 Vic. 393, 18th April 1866, and An Act for Granting Her Majesty Certain Duties of Customs and for Altering Certain Other Duties, 35 Vic. 400, 23rd November 1871.

16. T.A. Coghlan, *op. cit.*, pp.1151-1153.

17. See G.D. Patterson, *op. cit.*, pp.48-59 and pp.87-97.

25 per cent and 10 per cent tariffs to 20 per cent. Excise duties were introduced for tobacco and alcoholic products, and stamp duty was introduced as an additional revenue-raiser. Although the revisions in 1877 and 1878 had removed some commodities from the tariff schedules, by 1879 tariffs were widespread and many goods were taxed at the higher rate of 20 per cent. There were also specific duties for a wide range of manufactured goods.¹⁸

The two periods of significant tariff increase 1871 and 1879 have common characteristics. Both were periods of budgetary problems when public expenditure was escalating: hence it has been argued that Victorian protectionism was really a revenue device.¹⁹ This conclusion seems justified for the 1870s.

There were further revisions in 1881 and 1883. In 1889 substantial upward revisions were again made but in circumstances where a revenue explanation is less plausible. In 1883 a Royal Commission, established to investigate all aspects of the tariff, collected a mass of first-hand evidence.²⁰ From this we can see that the tariff was having an impact on the direction and pace of manufacturing and that some firms had become dependant on the tariff system.²¹ Whilst the Commission's recommendations for rationalising the tariff were not fully implemented, they do make one conclusion unavoidable. By the 1880s the tariff supported various branches of Victorian industry and growing foreign competition required its maintenance and extension. In general there is no reason to reject the view of Butlin and Patterson that revenue was the primary factor in explaining the Victorian tariff:

18. Ibid., pp.53-56. See An Act for Granting to Her Majesty Certain Duties of Customs for Repealing and Altering Certain Other Duties, and for Other Purposes, 43 Vic. 646, 17th December 1879.

19. See T.A. Coghlan, op. cit., pp.1140, 1150 and 1156.

20. 'Report of the Royal Commission on the Tariff', 31 October 1883, Votes and Proceedings Vic. LA, 1883, 2nd Session, Vol. 4, No. 50. See also the Minutes of Proceedings, Votes and Proceedings Vic. LA, 1884, Vol. 4, No. 9.

21. See the assessment by W.A. Sinclair, 'The Tariff and Manufacturing Employment in Victoria, 1860-1900', Economic Record, Vol. 31, No. 60, May 1955, pp.100-104.

... with the exception of 1889, all major tariff increases [in Victoria] occur in a period of deficit. Further, it appears that in the 'seventies and 'eighties there was no other source of revenue. Land resources were limited and income tax was apparently a political impossibility.²²

It is nevertheless too easy to ignore the ideological aspect of Victorian tariff policy. By the 1870s a sizable portion of the organised political groupings in Victoria embraced David Syme's colonial nationalist and industrialising ideology.²³ Behind the ideology were manufacturing, primary producer and even commercial interests. The more advanced democratic political system and the strength of colonial liberalism in Victoria helped to sustain this distinctive Victorian ideology and policy. The consequences of Victoria's embrace of protectionism were felt in the shape of the Victorian class structure and its distinctive approach to public policy.²⁴

Service Charges

In Victoria service charges increased from about 25 per cent of total revenue in 1865-1870 to about 45 per cent in 1885-1890. Thus the bulk of revenue by the 1880s (80 per cent) came from service charges and taxation.²⁵ This points to the exhaustion of alternative sources of public finance and the revenue that was derived from the massive expansion in public investment in the 1860s, 1870s and 1880s.

Service charges were derived from various sources. Basically they came from charges levied on passenger and freight services provided by the railway system, and those levied on users of the water

22. G.D. Patterson, *op. cit.*, p.165.

23. The outstanding discussion of Syme's ideology remains J.A. La Nauze, 'David Syme' in his Political Economy in Australia: Historical Studies, Melbourne University Press, Melbourne, 1949, pp.98-135.

24. The strength of this view and its subsequent attractiveness to capital and labour was shown by the acceptance of its basic tenets by the infant Commonwealth.

25. R.W. Connell and T.H. Irving, Class Structure in Australian History, Longman Cheshire, Melbourne, 1980, pp.118-119.

supply, telegraph and postal services and port and harbour facilities. Railways were the largest revenue earner. In 1877, for example, railway revenue provided 75 to 80 per cent of total service charges.²⁶ As in New South Wales the charges for railway services provided grounds for political and financial intrigue. There were several related matters for controversy. First, rate setting to generate revenue was in theory related to current, capital and loan servicing costs. Second, the distribution of revenue between passenger and freight charges was subject to dispute. Last, the variation in charges by distance was contentious. I return to these issues below. Suffice it to say that the revenue generated was not geared to the full cost of service provision. In other words railway use was publicly subsidised.

Land Revenue

Victoria's land resources were modest compared to those of New South Wales and the effort expended in encouraging small settlers was more sustained. Land revenue was a modest and falling part of total public income. Land sales and deferred payments occasioned by the Victorian Land Acts did generate valuable public revenues in the 1860s and 1870s. However there was a decline from over 25 per cent of total revenue coming from land to less than 20 per cent by 1879-80. By 1885-86 the figure was less than 10 per cent, and continued to decline for the rest of the decade. Public appropriation of ground rent was modest in Victoria and the result of private purchase of the public estate less dramatic for revenue purposes than in New South Wales.²⁷

Apart from borrowing which is examined next the remaining but very minor revenue source, was various miscellaneous receipts,

26. These percentages have been calculated from Victorian Year Books, Government Printer, Melbourne 1873-1891.

27. For land sales in the 1860s, and 1870s see 'Statistical Summary of Victoria from 1836 to 1879 Inclusive' appended to Victorian Year-Book, 1879-80, Government Printer, Melbourne, 1880.

charges, rents, fines, recouped monies from loans and interest due. Typically this source of income accounted for around 5 per cent of public revenue.

State Expenditure in Victoria, 1856-1890

Public revenues were appropriated for diverse activities. In an attempt to draw some general conclusions about the size, direction and impact of public expenditure the following distinctions are useful.

Expenditure on social reproduction

This involves expenditure on wages, salaries and capital cost to maintain the political, juridical, bureaucratic and educational institutions of the state. On the one hand we can separate the appropriations required to pay for executive, legislative, administrative and the judicial personnel. This group of state outlays includes the cost of police, prison and defence establishments and those governmental departments such as Chief Secretary, Agent-General, Treasury, etc., directly involved with governmental functions. On the other hand, there are the areas of public funding of educational, scientific, charitable and other commitments, where the appropriation of public funds is more ideological in intent. Together the state executive, coercive and ideological personnel work to protect dominant forms of property and the social relations that support them. Thus collectively I have called this an outlay on social reproduction.²⁸

Capital and current costs of public assets

Here we group the expenditure required to maintain and administer

28. This explains the different options for public finances in Victoria and New South Wales.

public facilities and to collect revenue. This includes the survey and administration of Crown Lands, and the provision of communications and navigation services. Further, expenditure on capital works to increase the value of public assets - railway, telegraph, port, water supply and public buildings - might be separated from running expenses. The distinction conventionally employed to separate capital and current expenditure is helpful here. However, for reasons made explicit in the concluding section of this Chapter, I reject the uncritical use of the term capital expenditure. It is in this second area of public expenditure where we can discuss the state's direct involvement in commodity production and relations. It is possible to talk in terms of the provisions of state services either tending towards the provision of use values or the provision of exchange values. Any gross measure of public expenditure cannot distinguish these fundamental differences.

Repayment of the public debt

This last head of expenditure is directly related to the improvement and expansion of public assets where funds have been borrowed. Borrowing on a sufficiently large scale from private sources places pressure to improve the accounting employed in public enterprises and to manage assets and workers as well as price commodities within normal market-style considerations. This works to commodify economic relations in the public sector and bring the process of value and surplus value appropriation in the public sector within access of the private sector. The need to maintain careful management of public assets and the need to meet financial obligations removes the operation and management of public property outside the purely public realm.

To show the general direction of state expenditure I have grouped these outlays according to my three headings and calculated their

total amounts and proportions over the period 1856-1891 on a five yearly basis.²⁹ Two general points are clear. The increase in per capita public expenditure in Victoria declined from 1856 to 1871-72 (from around £6.8s. to £4. 16s. per head) and thereafter rose gently to £7. 9s. per head in 1891-2. This of course does not take into account the rising public debt which we will discuss below. The second point concerns the growing proportion of expenditure directed towards railway construction and running costs and the related growth in interest payments on the public debt. For example, by 1881-82 nearly 27 per cent of all expenditure was on railways a little over 22 per cent of expenditure was for interest repayments, while the total public debt was over £22 million.³⁰ All the interest charges and the public debt on which they were incurred were basically for railway construction. This presents a very marked contrast with the rather erratic phases of early rail building in the 1850s and 1860s.

If we examine the area of social expenditure, the cost of government did not actually expand. Indeed the proportion of total expenditure allocated to government, narrowly defined, decreases between 1856 and 1891. On the other hand the development of a public education system after the Education Act of 1872 resulted in increased expenditure. In 1872 some 1,049 schools employing 2,416 teachers with 136,000 enrolled scholars were either state schools or schools receiving state aid.³¹ By 1890 all three indicies of educational expenditure had approximately doubled. In 1880-81 the public expenditure on primary education was just over £500,000; by 1890-91 it was close to £725,000.³² With some public provision for the financing

29. See A. Shaikh, 'Towards a Critique of Keynesian Theory of the Role of the State', op. cit., pp.6-15, and J. O'Connor, The Fiscal Crisis of the State, St Martin's Press, New York, 1973, pp.150-178.

30. These calculations are derived from Victorian Year Books and Statistical Registers of Victoria, 1856 to 1891.

31. Victorian Year Book, 1873, Government Printer, Melbourne, 1874, p.43.

32. For a discussion of educational outlays, see Victorian Year Book 1890-91, Vol. 2, Government Printer, Melbourne, 1892, p.412.

of charitable institutions - hospitals, insane asylums, homes, refuges and orphanages - the government's social welfare budget was exhausted. In 1889-90 about 58 per cent of total receipts of all charitable institutions was paid by the government.³³ The running of these institutions remained, however, in private, religious and charitable hands for the most part.

Government services other than communications also employed public servants and financed capital outlays. Public servants were employed in the Lands Department and Customs and Excise, for example, to oversee the provision of land, collection of land payments and public monies and rentals and to calculate rates owing. An evaluation of the class position of persons employed in the public service will be made in Chapter Ten.

Although capital expenses account for the vast proportion of the Victorian government's outlay on the communications system, expenditure on wages and salaries was far from negligible. In 1890, for example, the Railways Department paid out £1.2 million in wages to the maintenance, traffic and locomotive branches. In all about 1,300 persons were salaried and 10,500 were on wages. In total a little less than one-third of railway expenses were accounted for by wages and salaries.³⁴ In the post and telegraphic services and ports and harbours the costs for wages and salaries were likewise important.

The final and important area of growing public expenditure was payment of interest on debentures and stock raised locally and overseas. This is considered below.

Local and Overseas Borrowing

Government borrowings were secured for the construction of telegraph, water supply, sewerage and other infrastructure;

33. Ibid., p.438.

34. Ibid., p.148.

nevertheless the bulk was for railway building. Indeed over 70 per cent of loans were secured for this purpose. The following argument concentrates therefore on borrowing for railway construction.³⁵

Various private attempts to construct railway lines, despite public guarantees on interest for borrowings and land grants failed.³⁶ By 1855 the Victorian government had acquired two of the three concerns after two years of private operation. In 1861 the remaining private company came under public ownership and control.

To obtain finance for railway building the Victorian government sought to raise £8 million through the sale of 6 per cent debentures. Six Associated Banks were invited to procure these funds; £1 million to be raised in Victoria and the balance in London. By 1861 a little over £5.5 million had been raised and some 110 miles of railway track was open for passenger and freight traffic.³⁷ The transfer of operations from private to public ownership came not from any political pressure favouring public ownership (if anything the reverse was the case) but through the lack of private resources to construct and operate what was a very long-term venture. Public ownership had a major advantage for private interests wanting to use rail transport; rates would be subject as much to political as economic considerations. The result was that the burden of public losses were transferred away from direct users towards consumers of protected commodities.

In the 1860s railway expansion was modest. Railway track

35. For a selection of and introduction to Marx's writings on communications see Y. de la Haye (ed. and Introduction), Marx and Engels on the Means of Communication, International General, New York, 1980.

36. C.C. Singleton, 'The Beginning of the Railway Age in Australia', Royal Australian Historical Society, Journal and Proceedings, Vol. 41, Part 6, 1955, 267-283. See also the The Progress Report from the Select Committee of the Legislative Council on Railways, Government Printer, Melbourne, 1844, and The Report of the Royal Commission on Internal Communications, Government Printer, Melbourne, 1854.

37. T.A. Coghlan, op. cit., pp.838-840.

increased from 214 miles in 1862 to 276 by 1871.³⁸ Passenger miles travelled also rose modestly. There are a number of factors which explain this period of slow growth. After the successful loan raising of 1857-1862 when £1.3 million was raised in Melbourne and £7 million in London, funds became more difficult to procure. Moreover, interest rates tended to rise. From 1863-71 the total of loans, local and British, was a little over £3.5 million.³⁹ At the same time bad seasons with droughts and fire undermined confidence in agricultural and pastoral expansion. Victorian rail charges were changed to reflect actual economic costs: this brought rail freight charges to a figure not greatly different from horse and bullock rates. The special low wool rate of 4.75p. per ton per mile remained cheaper than the alternatives. Coghlan claimed that railways were not fully exploited in this period and freight charges were partly to blame. He regretted that:

The railways were in fact worked as a private company might have been expected to work them, the possible future gain to the whole community not being thought sufficient compensation for the adoption of a policy or principle of action entailing large immediate sacrifices.⁴⁰

In the period after 1872 a new phase of railway building and overseas public borrowing began. As with pastoral and financial loan raising in the same period, the combination of local expansion and profitability together with the availability of large amounts of low interest overseas loans were the crucial factors. The Victorian public debt was close to £12 million at the close of 1872. By the close of 1890 this had escalated to nearly £41.5 million. About £30 million of this total was procured specifically for railway and tramway construction. The next largest amount was for less than

38. Victorian Year Book, Government Printer, Melbourne, 1872, 1871, pp.73-74.

39. Victorian Year Book, 1887-8 (Vol. 1), Government Printer, Melbourne, 1872, pp.224-225.

40. T.A. Coghlan, op. cit., Vol. 3, p.1219.

£6 million for water and sewerage works.⁴¹

From 1872 to 1880 railway building and other public works expanded. Railway construction created jobs, opened-up new territory and helped fuel economic expansion. By 1880 there were nearly 1,200 miles of rail track. To build this track a number of debentures were floated in London. Between 1874 and 1880 nearly £10 million were raised, about one half at 4.5 per cent and the balance at 5 per cent. A little over £1 million was also floated in Melbourne. In organising this borrowing and railway construction the government was reliant on private banks to arrange the loans and private contractors to construct much of the line.⁴² The Department of Railways had the responsibility for running, maintaining, planning, employing and advising on loan raising and rate charging. Although subject to direct political control and to indirect pressure and patronage, railway commissioners, engineers and administrators still retained a substantial amount of autonomy.⁴³

The autonomy of the Railway Department, political pressure and easy loans pushed railway expansion, rate setting and accounting beyond any obvious economic (and even social) justification. In the 1880s more loans were secured - some £23 million mostly at 4 per cent - and more track laid. Despite an attempt in 1884 to bring the railways into a more accountable position, extravagance was widespread. In 1884 a Railway Commissioner, Speight, was appointed to control railway expenses. Unsuccessful and later dismissed on grounds

41. Victorian Year Book, 1890-1891, pp.163-171.

42. For a discussion of railway contractors, see D. Rowe, 'The Robust Navy: The Railway Construction Worker in Northern New South Wales 1854-1894', Labour History, No. 39, November 1980, pp.28-46.

43. The role of engineers in the design and construction of colonial railways is the subject of P.J. Rimmer, 'The British Expert Cometh' in J.N. Jennings and G.J.R. Linge (eds), Of Time and Space: Essays in Honour of O.H.K. Spate, Australian National University Press, Canberra, 1980, pp.48-71. See also P.J. Rimmer, 'Politicians, Public Servants and Petitioners: Aspects of Transport in Australia 1851-1901' in J.M. Powell and M. Williams (eds), Australian Space Australian Time, Oxford University Press, Melbourne, 1975, pp.182-225, and N.G. Butlin, I.A.E.D., op. cit., pp.352-357.

of mismanagement, Speight was replaced by a Board of three Railway Commissioners, charged with responsibility to oversee all facets of the railways.⁴⁴

Wettenhall examined these innovations in Victorian railway management and concluded that the innovations were successful, emulated elsewhere and provided the model for large-scale private enterprises in the twentieth century. His major point, which is consistent with the argument developed here, was that the public corporation was a new organisation needing time to find an appropriate structure: a structure freed from undue political control, patronage and direction.⁴⁵

At the close of our period the Victorian railway had become extensive and impressive public enterprise. By 1890 some 2,471 miles of railway track extended throughout the colony; nearly 12 million train miles were travelled each year, and an extensive suburban railway system had been constructed. Overall this rail network had an important effect on industrial location, trade and economic prosperity. Contractors building lines, bridges and stations, and suppliers of an enormous range of commodities were benefiting from this growth.⁴⁶ A workforce of many thousands were employed on the railways: in 1891 it included 7,676 persons connected with railway traffic (station masters, clerks, drivers, stokers, cleaners, porters, signalmen, etc.) and more than 9,000 persons working as railway and roadway contractors and navvies. Skilled tradespeople employed in railway workshops added to this number. Probably 15,000 or so people

44. R.L. Wettenhall, Railway Management and Politics in Victoria 1856-1906, Royal Institute of Public Administration, Canberra, 1961, pp.13-31, and T.A. Coghlan, Labour and Industry in Australia, Oxford University Press, London, 1918, Vol. 3, pp.1420-1421.

45. Ibid., passim.

46. A.L. Lougheed, Economic Effects of Railway Construction in Australia, 1861-1914, Working Paper, No. 17, Department of Economics, University of Queensland, July 1977, pp.27-32. See also T.G. Parsons, 'Government Contracts and Colonial Manufacture: the Example of Victorian Railways in the 1870s', Australian Journal of Politics and History, Vol. 26, No. 2, 1980, pp.242-253.

were employed in the running, maintenance and construction of railways.⁴⁷

Although the 1884 reforms of railway administration were a notable failure, by 1892 further reforms were implemented. In short a phase of easy borrowing, slack administration, politically influenced track location and non-economic employment and rate practices had to cease. The result was a railway administration insulated from manifest political interference and more closely subject to Treasury and financial scrutiny. This early form of public corporation, setting the pattern for reform elsewhere, returned railways to the profit and loss concerns that Coghlan had criticised in the 1860s.

In this period of rail expansion, Victoria's public debt soared. In the financial year 1889-90 the public debt reached almost £41.5 million, or nearly £37 per head.⁴⁸ Most of this amount had been raised as stock with the remaining one-third in the form of debentures. About two-thirds of the stock was obtained at 4 per cent, a sixth at 3.5 per cent and the balance at up to 6 per cent. The general pattern of indebtedness was broadly similar to that in New South Wales. The crisis in the colonial finances of the early 1890s ended easy access to London borrowings and made the problem of debt servicing all the more pressing.

I shall now try to put the material discussed into a wider explanatory framework.

The State as Capital

In the overtly political, coercive and ideological functions of

47. See Census of Victoria 1891, pp.445-447 for the division of railway workers. A somewhat lower figure (12,304) has been calculated by Docherty from Annual Railway Reports. See J.C. Docherty, 'The Rise of Railway Unionism: A Study of New South Wales and Victoria c.1880-1905', unpublished M.A. thesis, Australian National University, Canberra 1973, Table A.1.1, Appendix I, p.181.

48. Victorian Year Book, 1889-90, Government Printer, Melbourne, 1891, pp.166-167.

the Victorian colonial state the protection of private property and capitalist exploitation was clearly assumed. As we have seen in the debate over mineral leases, land alienation and rental, government policy favoured the growth of an agricultural and mining petty bourgeois class. The need to employ greater mechanisation and scientific techniques in production, both requiring access to funds, quickly undermined many in this class.⁴⁹ But some negative claims have been made about the role of government in inhibiting private capitalist development. The most sophisticated exponent of these claims is N.G. Butlin.⁵⁰

Butlin advanced a number of arguments suggesting that the state retarded short-run private sector growth.⁵¹ First, he maintained that the beneficial effect of railway orders on suppliers in the private sector was small. Second, the public sector 'poached' capital and labour from private capitalists. Third, generous public sector wages increased the private wages bill. Last, the entry of public borrowers onto the local and London capital markets affected the chances of private borrowers. The inference is that the availability and cost of borrowing was damaged.

The arguments advanced by Butlin all require important qualifications or re-assessment. His first point underestimates the

49. For the role of machinery in agricultural development, see I.W. McLean, 'Rural Output, Inputs and Mechanisation in Victoria 1870-1910', unpublished Ph.D thesis, Australian National University, Canberra, 1971, pp.217-247. Table 6.5 in *ibid.*, pp.233-234, is especially helpful.

50. See N.G. Butlin, *op. cit.*, pp.399-404. Loughheed, *op. cit.*, engages in a point by point critique of Butlin's arguments. The similarities between Butlin's conclusions and those of R.W. Fogel are interesting. Compare Butlin, *op. cit.*, with R.W. Fogel, Railroads and American Economic Growth: Essays in Econometric History, The Johns Hopkins Press, Baltimore, Maryland, 1964, p.235. See also B.R. Davidson, 'A Benefit Cost Analysis of the New South Wales Railway System', Australian Economic History Review, Vol. 12, No. 2, 1982, pp.127-150.

51. Butlin maintains a short-run inverse movement existed between public and private growth; the public sector 'crowded-out' the private sector. His long-term judgement about public investment in railway expansion was, however, less unfavourable.

importance of railway orders and repairs on the developing manufacturing industry. It also underplays the role of contractors in building railway line and facilities. The second may have some validity with regard to labour, especially skilled labour, but overestimates the ability of public loan activity to change the conditions for private borrowers on the London market. The third point seems based on an over-generous assessment of public wages and conditions policy. Last the less immediate benefits of cheaper transport, industrial sophistication and access to the public estate are insufficiently assessed. But an even more important point needs emphasising.

In Victoria the state had become a (perhaps the) major employer of wage labour and the most sophisticated commodity producer. It was not as fully enmeshed in the system of commodity relations as private entrepreneurs for various reasons. Once land and water transport became ineffective competition to railways the government was in an advantageous position. But rather than exploit this situation to generate sufficient revenue to moderate borrowing levels, rates in the 1870s and 1880s were kept low and line expansion was not carefully controlled. The government could also use its ownership of public assets (land, buildings, capital works) and its power to tax as security for borrowings. This opportunity was more limited for private borrowers. And despite the claims by the Railway Commissioners that charges were set to realise a sound return on capital outlays, before administrative changes started in 1884 and the overhaul of public finances in the 1890s, the lack of careful control over public finances was notable.⁵² In combination these factors weaken the claim that the railway system was owned and controlled as a state capitalist corporation.

Some of these exceptions to the rigours of competition likewise existed in the speculative ventures of private entrepreneurs in

52. R.L. Wettenhall, op. cit., Ch. 2.

pastoralism, urban real estate and mining. A rapidly expanding capitalism did not yet operate as a well-oiled market mechanism. At a more profound level the control of wage labour by the public enterprises and the nature of employer-employee relations demonstrated the existence of capitalist-style relations of production. The communications systems met all the criteria of a commodity system of production. It was not, however, fully subject to market discipline. The ability of the state to accumulate surplus value was very limited; the reason was twofold: the state set the price of publicly produced commodities below their production prices, and whatever surplus value was available for accumulation was re-directed as interest payments to private creditors. The call for private ownership of railways would probably have intensified had these circumstances not prevailed. There is nothing intrinsically inefficient about public enterprises. What was significant in the colonial railways was their dual control: production was organised along capitalist lines but accumulation and control over surplus value was privately appropriated.

A parallel transformation in the public and private sectors occurred in the 1890s. Work discipline was tightened; concern with profits and returns on capital procured and invested intensified. The public corporation had to acknowledge its responsibility to external financiers. Private banks could not foreclose on the state but they could and did refuse further loans till economies were made. The state as organiser, employer and direct exploiter of wage labour grew increasingly analogous to a productive capital in the private sector responsible to its overseas and local financiers. The implications of these relations for the nature of class relations, capital accumulation, the state and British imperialism will be drawn in Chapter Ten.

New South Wales, 1856-1890

The public finances of New South Wales in the second half of the

nineteenth century were broadly similar to those of Victoria.⁵³ Rapid land alienation, low taxation, large-scale public works expenditure, steadily increasing overseas borrowing and the resultant overseas debt escalation followed the same overall pattern. There were, however, important variations in the pace, character and direction of expenditure and some significant differences in revenue raising and overseas borrowing. There was also a very important difference in political attitudes towards protectionist measures in New South Wales. The entrenched conservative interests in New South Wales were better equipped to stem the democratic and reforming tide sweeping colonial Australia than was the case in Victoria. But New South Wales also had the advantage of a considerably larger resource base in pastoral, agricultural and mineral lands. Thus the variations in the public finances of Victoria and New South Wales along with their similarities are worth pursuing because they help explain the pattern of class relations within and between New South Wales and Victoria.

Taxation

Conventionally, late nineteenth century New South Wales is seen as pursuing free trade policies in contrast to protectionist Victoria. This difference in the two colonies is, moreover, often explained as the result of ideology and political persuasion. In New South Wales throughout this period the bulk of taxation revenue came from customs duties. The nature of these duties vacillated between specific duties on luxury items (spirits, tobacco, etc.) and other commodities, and modest ad valorem tariffs. The balance, about 25 per cent, comprised

53. The outstanding source on New South Wales public finance is P.N. Lamb, 'The Financing of Government Expenditure in New South Wales 1856-1900', *op. cit.* Lamb does place considerable emphasis on the importance of land policy in New South Wales as a source of finance: see P.N. Lamb, 'Crown Land Policy and Government Finance in NSW, 1856-1900', *Australian Economic History Review*, Vol. 7, No. 2, 1967, pp.36-68.

excise duties, stamp duties, licences, and gold, land and income taxes. Over the entire period, per capita taxation remained reasonably constant. As a proportion of total government receipts the period saw a substantial fall from 35-50 per cent (1856-1872) to 20 per cent or less (1873-1890). These trends miss some important changes over time.⁵⁴

Well before self-government, strong opinion was expressed in New South Wales, especially in mercantile circles, about reducing taxation and public expenditure. The desire to end the preferential system of ad valorem tariffs was embodied in Deas Thomson's 1850-51 free trade provisions.⁵⁵ By 1854 an expansion in public expenditure caused a revision of this policy with the introduction of selected items with ad valorem tariffs. Further revenue problems exacerbated by increased government expenditure produced new revisions in 1865. Leaving aside the increased reliance on borrowings, the introduction of stamp duties and an expansion of tariffs was the preferred fiscal solution. In 1866 an ad valorem tariff of 5 per cent was imposed. The free trade lobby reacted strongly and by the early 1870s had, under Parkes' leadership, proposed a politically attractive if fiscally dangerous solution to maintaining free trade and public expenditure increases.⁵⁶

Following his electoral victory in 1872 Parkes oversaw the 1874-1883 free trade regime in New South Wales. The idea was to keep imports cheap by removing tariffs, to promote public developmental expenditure and to employ land revenues and borrowed funds to balance the budget. This solution worked as long as land alienation and land prices were buoyant - which meant an expanding pastoralism - and loan

54. P.N. Lamb, 'The Financing of Government Expenditure in New South Wales 1856-1900', op. cit., pp.90-152. See Tables 4-8, pp.96, 112, 123, 128 and 137.

55. Edward Deas Thomson was Colonial Secretary. He strongly supported free trade. See J.A. La Nauze, 'Merchants in Action: The Australian Tariffs of 1852', Economic Record, Vol. 31, No. 60, 1955, pp.77-89.

56. P.N. Lamb, 'The Financing of Government Expenditure in New South Wales 1856-1900', op. cit., pp.121-126.

repayments manageable. A crisis in public finance, loss of confidence by overseas lenders and a balance of payments problem were all bound to ramify on each other. By 1884 the Parkes solution ran into its inherent limitations: falling export incomes, drought and over-reliance on borrowing, and fears among creditors were evident.

An attempted solution was the re-imposition of a broad 5 per cent ad valorem tariff. This departure from the Parkes free trade style provoked a divisive parliamentary struggle, a clear parliamentary factionalising along protectionist and free trade lines and strong extra-parliamentary activity to transform the public debate. In 1887 Parkes was re-elected and ad valorem tariffs were removed, excise duties increased, pastoral leases raised and public retrenchment initiated. Despite the suspension of assisted immigration, unemployment rose and Parkes lost much of his working class electoral support. Dibbs, Parkes successor, introduced new tariffs in 1891.

The turmoil over tariffs was linked to several other important issues. There was widespread support for reducing all forms of taxation. Alternative revenue sources enabled the government to maintain low taxes for a relatively long period. With low taxation, free trade and expanding public employment, wages and conditions for workers in New South Wales were among the world's best. In extracting its taxation levy the state appropriated surplus value in circulation.⁵⁷ The success of this fiscal regime is explained less by the persuasiveness of colonial politicians than by the alienation of Crown Lands in New South Wales and the import of British capital. I return to these issues below.

57. The intricate means of state appropriation and their changing patterns has rarely had the attention it deserves in marxist literature. For a brilliant outline of the sociology of public finance, see R. Goldschild, 'A Sociological Approach to Problems of Public Finance' in R.A. Musgrave and A.T. Peacock (eds), Classics in the Theory of Public Finance, Macmillan, London, 1958, pp.202-213.

Service Charges

Apart from taxation and land revenue there were several other means by which the New South Wales government could raise income without recourse to borrowing. Over the period various rents and charges made only a small overall contribution to the total. On the other hand fees for various government services expanded over the course of our period. In the main these charges were for railway and tramway charges, and postal and telegraphic services. In total these amounted to over 90 per cent between 1856-1890. This income was supposed to provide a return on outlays, maintain modest passenger and freight rates and assist the general developmental requirements of the colony. The charges were not, however, sufficient to compensate the New South Wales government and its creditors for the capital and current costs of providing these services. But the nature of government attempts to recoup their costs did signify the growth of the commodification of public economic activity.

The level of service and miscellaneous income increased from an annual average of less than £500,000 between 1856-70, to £2.8 million between 1881-85, to nearly £4 million between 1886-1890. As a proportion of total revenue (excluding loans and trust funds) this was an increase from less than 20 per cent before 1866, to between 20 and 35 per cent in the 1870s and to 40 to 50 per cent in the 1880s.⁵⁸ In other words the pattern in this regard was similar to Victoria. The level of public expenditure, the necessary condition for these charges, will be discussed below.

Land Revenue

Land alienation was exploited in New South Wales to keep taxation low and helps to explain its 'free trade' ideology. The story of land

58. P.N. Lamb, 'The Financing of Government Expenditure in New South Wales 1856-1900', op. cit., p.307.

sales in New South Wales is of sufficient importance and difference from Victoria's to warrant extended treatment. Between 1856 and 1890 more than £42 million was appropriated by the government from land sales and rentals. During the 1890s it remained a valuable source of income.⁵⁹

The first period of land alienation coincided with the operation of the Robertson Land Acts. For reasons associated with the bad seasons, the operation of the selection provisions of the Acts and the difficulty of obtaining finance, land revenues were initially modest. A total of £6.8 million was raised between 1856 and 1871. The anticipated income from land sales to finance railway construction had not materialised. Because land revenue failed to meet expectations, the taxation debates were sharpened. For a time the expansion of public works was curtailed. Nevertheless between 1872 and 1882 the revenue potential of the sale and lease of the public estate forecast by freetraders like Robertson and Parkes was actually realised.

While some 13.5 million acres of land in New South Wales had been alienated (by grant, sale, auction and conditional purchase) between 1788-1871, from 1872 to 1882 more than 25 million additional acres were alienated. This enormous purchase of land was partly premised on escalating wool prices; a trend which started to reverse in the mid- to late-1870s.⁶⁰ Pastoral productivity slowed and the borrowings discussed in Chapters Seven and Eight caused massive private indebtedness to British financiers.

Monies raised from land sales were employed to build the railways and other public works and indirectly the public estate provided security for public borrowings. The New South Wales government became adept at regulating land disposal in accordance with its revenue requirements. Criticism of this use of land revenue and the call for

59. *Ibid.*, pp.245-230.

60. A. Barnard, The Australian Wool Market 1840-1900, Melbourne University Press, Melbourne, 1968, Table 24, p.227; Table 25, p.228, and Table 27, p.229.

a more restrictive land policy favourable to small landowners helped undermine the Parkes-Robertson governments. In 1882 the Stuart government, which promised wide-ranging reform of land policy, was elected. In early 1883 the Morris-Ranken Royal Commission on Crown Lands was established to collect evidence about the inadequacies of previous land legislation.

To achieve its promised reforms the Stuart government suffered falling land revenues, compensated by heavier overseas borrowing and eventually by increased taxation. Land revenue which provided nearly £3 million in 1882 fell to almost one-half this amount in 1883 and remained at low levels until 1887.⁶¹ This new fiscal order, although more cautious in its policy of land alienation, was bound to generate an unfavourable reaction. In 1887 Parkes was re-elected.

Under Parkes, land revenues grew, averaging about £2 million per annum. Despite expectations the previous fiscal order of the 1870s could not be fully restored. Government expenditure was cut-back, land rentals increased and concern over public indebtedness grew. The need for more judicious use of public landed property was now apparent; lease charges were raised (to the chagrin of increasingly desperate pastoralists) and measures to increase agricultural settlement pursued. Land revenue by the late 1880s was treated in an altogether more sanguine fashion.

State Expenditure in New South Wales, 1856-1890

Expenditure on social reproduction

A similar proportion of public expenditure was required for the provision of the machinery of government in New South Wales to that in Victoria. The cost of education became a major area of government concern in New South Wales and its evolution was quite distinctive.

⁶¹. P.N. Lamb, 'The Financing of Government Expenditure in New South Wales, 1856-1900', *op. cit.*, pp.281-291.

In 1866 schools were separated into a public system financed from general revenue and a subsidised denominational system. In 1880 state aid to religious schools was abolished and education made compulsory. These changes in the direction of a primary state-supported education system involved considerable expense. By 1890 some 3,134 schools with over 240,000 enrolled students had been established in New South Wales. According to Coghlan's estimates the costs per school child in New South Wales and Victoria were comparable by the late 1880s. The New South Wales expenses were quite variable over time and tended to be greater than in Victoria.⁶² This result may be explained by the more comprehensive public system attempted in New South Wales.

Whereas assisted immigration ended in Victoria in 1872, in New South Wales it continued throughout our period, despite periods of suspension. Between 1873 and 1893 about 58,000 persons - 20 per cent of the total immigrants - came to New South Wales with public assistance. Various systems involving colonial nominations and English despatches as well as schemes to alleviate English and Irish poverty were attempted. In 1867 the scheme that had encouraged pauper immigration was suspended. In the late 1860s and early 1870s pressure for the resumption of assisted immigration was exerted on the Australian colonies by Britain. In New South Wales public opinion about immigration was decidedly lukewarm; debate over the resumption of immigration, in 1869-72 was inconclusive.⁶³

In 1873 a new immigration scheme was devised by the Parkes Ministry. Quite precise identification of proposed immigrants was embodied in the scheme to assuage working class resistance. Until 1877 the actual number of assisted immigrants was small, and any attempt to increase numbers produced strong reactions. Although

62. T.A. Coghlan, Wealth and Progress of New South Wales, 1890-91, Government Printer, Sydney, 1891, pp.547-555.

63. On the topic of immigration see A.A. Haydon, 'New South Wales Immigration Policy, 1856-1900', Transactions of the American Philosophical Society (New Series), Vol. 61, Part 6, 1971, pp.5-60.

erratic, numbers did increase in the 1880s but by 1886-87 the fear of rising unemployment led to a phasing out of assisted immigration. Overall immigration expenses had been small, rarely exceeding £120,000 in any one year and typically much less.

Capital and current costs of public assets

The major items of public expenditure which expanded in the 1870s and 1880s were the construction of communications and the related pay-out on the local and overseas interest bills. In the 1880s annual expenditure on railways and tramways averaged nearly £1.5 million. Education by comparison accounted for less than £750,000 per annum. The combined provision for railways and tramways, post and telegraphs and other public works and services combined accounted for around 75 per cent of total New South Wales public expenditure in the 1880s.⁶⁴

Repayment of the public debt

A growing area of public expenditure was the servicing of the public debt. By 1890 debt servicing accounted for almost 20 per cent of total expenditure. The percentage and absolute amounts grew quickly in the late 1870s and 1880s, reflecting the expansion in borrowings. In 1879 debt repayments were less than £600,000; by 1890 they had more than trebled to nearly £1.9 million. In part this increase was incurred because of the need to rapidly expand public infrastructure in a growing colony. Natural population increase and immigration (assisted and otherwise) from Britain and the other colonies was brisk. Per capita public expenditure was rising slowly. Per capita interest on debt, however, was rising fast.

By the late 1880s this pattern of public expenditure could not be

64. P.N. Lamb, 'The Financing of Government Expenditure in New South Wales 1856-1900', *op. cit.*, pp.368-269.

sustained. The interest on the private and public overseas debt was simultaneously mounting; the price of export commodities was falling and returns on public outlays were insufficient to service these commitments. A review of expenditure reflecting more adequately the straightened circumstances was required.

The striking feature of the previous decades of public expansion was the creation of a profitable environment for private entrepreneurial activity in New South Wales.⁶⁵ This was achieved with a remarkable level of social consensus about the best methods of financing the outlays. But the level of growing overseas indebtedness had serious implications. The full ramifications of this level of borrowing were not apparent to the participants and organisers until the 1890s.

Local and Overseas Borrowing

New South Wales' loan raising occurred on a very large scale over the entire period. The borrowing pattern was erratic and rather different from that of Victoria. The bulk of loans was ostensibly raised for capital works (about 60 per cent for railways and tramways). Public loan raising in New South Wales, indeed public finance as a whole, left considerable room for criticism. First, parliamentary control over loan authorisations was not matched by detailed control over loan floatation and its subsequent expenditure. Executive and bureaucratic control rather than parliamentary scrutiny appeared more important. Second, land revenues and borrowing overseas enabled successive New South Wales governments for two decades to avoid assessing the direction of public finances. Finally, local loan raising was higher than in Victoria; some 25 per cent of loans,

65. An important aspect is discussed in G. Wotherspoon, 'The "Sydney Interest" and the Rail 1860-1900' in M. Kelly (ed.), Nineteenth-Century Sydney: Essays in Urban History, Sydney University Press, Sydney, 1978, pp.12-36.

debentures and stock were raised from within the colonies.⁶⁶

The early phase of public finance in New South Wales followed the Victorian pattern. Nevertheless, concern with revenue deficiencies rather than the benefits of public works was more pronounced in New South Wales. And rather than raise large amounts, the New South Wales government raised relatively small loans before 1862 and modest ones thereafter. Between 1853 and 1855 loans were raised locally, but the lack of colonial investors, rising interest levels and more favourable circumstances in London changed this orientation. The establishment of a London branch by the Bank of New South Wales in 1854 provided an institutional mechanism for selling government debentures. The Bank typically advanced 90 per cent of the purchase price before sale and then slowly sold the debentures in London. According to Lamb, the buyers included speculators, wealthy expatriates and banks with colonial connections. The pattern was interrupted between 1857 and 1864 when the London business was undertaken by the Oriental Banking Corporation.

The pattern of loan raising in London continued until 1869, and despite financial problems in the London market, the 1868, £1 million issue was successfully raised. From 1856 to 1868 a total of nearly £9 million in loans had been raised. Because of several loan conversions the actual addition to revenue was somewhat less, nearer £7.5 million. About 25 per cent of these funds were raised in the colony and the balance in London.

The next distinct phase of loan activity was 1869-1878. In this period the reliance on London borrowing was not great. Loans were floated in London in late 1870, 1875 and 1876. There were various reasons for the reduced reliance on overseas funds. The availability and price of colonial issue improved so that they were able to borrow locally from 1869 to 1873. Land revenues expanded rapidly so that

66. The discussion and data in this section is heavily based on P.N. Lamb, 'The Financing of Government Expenditure in New South Wales 1856-1900', op. cit., pp.153-244.

railway and other public works could be more easily financed. In these circumstances and with a buoyant private sector, pressure was exerted in the mid-1870s from banking, business and political circles to encourage the government to resume overseas borrowing. There is clear evidence that public finance was a matter of concern amongst banking and commercial circles, colonial and imperial. After all, Parkes had been encouraged by the Bank of New South Wales to combine land sales with London borrowings years earlier. In this second phase nearly £6.5 million in loans were floated (around £5 million net allowing for conversions) of which 40 per cent was raised in New South Wales.

The period of really heavy borrowing was 1879-1886. In that period almost £37 million in loans were authorised by parliament and £26.7 million actually raised. In securing these loans the government transferred its London agency to the Bank of England. It was hoped that the prestige of the Bank of England would make borrowing easier and appear more secure to investors. The justification for such extensive loans was the rapid expansion of the railway network. An apparently inexhaustible supply of overseas funds enabled the building of uneconomic 'political' railway lines in the 1880s. The loans were now offered in London as inscribed stock rather than debentures.

While the Parkes Ministry was responsible for this extraordinary borrowing programme, the Stuart-Dibbs government after 1883 aggravated matters. The more restrictive land policy was compensated by more loans. Inevitably a major balance of payments crisis led to a loss of investor confidence and no monies were borrowed in 1887. New loans were successfully secured in 1888, 1889 and 1890. The object of these loans was as much the conversion of maturing debentures as further public works. By the early 1890s the crisis of colonial finances was evident and London loans were, for a period, impossible to secure. Retrenchments, financial reorganisation and local borrowings were the immediate consequences. Net receipts for loans between 1879 and 1890 were a little over £35 million. In 1885 they amounted to £6.3 million

and in the following year almost £7.3 million. With a total population in New South Wales of about 1 million these were heady years. By 1890 the circumstances pertaining to New South Wales borrowings, communication expenditure and employment were similar to those in Victoria. In the next section we explore the consequences of this pattern of revenue and expenditure more fully.

The Colonial State in Capitalist Relations of Production

As we have seen, Victoria and New South Wales followed different courses to broadly similar outcomes. Here I shall indicate the major characteristics of these public revenue and expenditure patterns. In Chapter Ten the consequences of this outcome for colonial capital accumulation and class relations will be explained.

The colonial states began our period with considerable resources in land and mineral ownership. By 1890 the most fertile and accessible of these resources had been alienated to private ownership. Where Crown ownership remained the land was leased at low rates to private entrepreneurs, being generally suitable only for stock grazing. Mineral leases were also quickly alienated. The state had divested itself of much valuable property or had made access available on the most advantageous terms to private interests.⁶⁷

The colonial states were not involved in a very significant way with direct public welfare.⁶⁸ Colonial prosperity was based upon public and private sector expansion and thus on security of work, reasonable pay and conditions, and comparatively cheap food and

67. This bears out Goldschield's point 'The bourgeois classes have conquered the State by stripping it of its wealth ... A propertyless State may be politically conquered by the workers for a time but it cannot be economically held in the long run': see R. Goldschield, loc. cit., p.209.

68. Nevertheless there was some strong criticism of public railway building. For a fascinating example see, M. White, 'Jevons in Australia: A Reassessment', Economic Record, Vol. 58, No. 16, March 1982, pp.32-45. See also S. Glynn, 'Private Enterprise and Public Policy', University Studies in History, Vol. 4, No. 4, 1966, pp.41-61.

housing. The circumstances of life were shaped by market relations or the position of supporting 'bread-winners'. While some public resources were directed towards educational ends, welfare as such was a largely private and charitable matter. The colonies were decidedly not welfare states, as the pattern of government expenditure makes clear. The reformism of the Labor Party became evident after 1890 as the break in the previous prosperous conditions of the 1870s and 1880s changed the political environment.

The main object of public policy was the construction of a communications (railways, roads, telegraph, bridges and harbours) infrastructure which was, as experience in the 1850s demonstrated, beyond private initiative and resources. It is doubtful that even careful attempts to foster private entrepreneurial activity, such as loan guarantees, land grants and protection of private monopolies, would have been successful. There was a widespread and realistic perception that economic prosperity required that the government undertake these improvements in communications. One benefit was to make more land, mineral and timber resources available for private exploitation. This made the public estate both more accessible and thus more valuable. Had colonial governments followed socialist economic policies, the ownership of land and communications would have provided very powerful means at their disposal.

This public policy objective was to be achieved with minimal taxation. A corollary of low levels of public welfare was the desire for minimal taxation levies. The free trade versus protection debate should be viewed in this light. Even the protectionist solution in Victoria was understood within laissez-faire terms and the 'infant industries' ideology used to justify the tariff was within the ambit of classical Millsian free trade rhetoric.⁶⁹ Both colonies were concerned to develop their pastoral, agricultural and mineral

69. The flirtation of David Syme with F. List's economic theories was exceptional and largely irrelevant.

resources for imperial markets and to purchase British manufactured goods in return. Modern communications were fundamental in reaching the maximum economic efficiency. Even where modest protection did occur, as in Victoria, it was not to create a manufacturing economy as such but to process some of the raw materials for colonial consumption. Given the population and market constraints applying in the colonies, any other course was probably unwise. The industrialisation of the United States could not be emulated in the Antipodes.

Modest taxation and land revenues were insufficient to provide the broad apparatus of government and to build this infrastructure. It was to local and largely British lenders that the colonial governments looked. There was nothing remarkable about this means to generate revenue. What was notable was the extent of borrowing, especially in the 1880s, and the casual administration of these resources. Enormous public borrowings had been undertaken by a number of governments and London was the major international source for government loans. Governments faced serious problems in borrowing on the capital market. If the loans were directed into general revenue and then allocated to unproductive ends (especially for administrative or military costs), the repayment of the loan and the interest placed further pressure on taxation. Borrowed as capital and employed as revenue, public borrowing forced taxpayers to channel funds to public creditors. This has consequences for the circulation of surplus value. While some New South Wales borrowing fell into this category, this was not typical of Australian colonial borrowing.

The bulk of government borrowing was employed in 'reproductive' works. In other words the money was employed as capital in the broadly accepted sense of that word. Consequently the construction and operation of these communications infrastructures was organised by public authorities, though reliance on private contractors and suppliers meant that much of the effect of public expenditure was felt in the private sector. By the completion of these public works there

is no doubt that governments owned and operated the largest and most productive industrial systems in the colonies. In early 1891 Coghlan estimated the value of revenue-generating public works in New South Wales at nearly £45 million.⁷⁰ This figure could be contrasted with the total value of privately owned machinery and implements of trade of some £10 million.⁷¹ For this reason the systems devised to manage the public sector were considerably more extensive and complex than in the private sector. Public corporations separated organisational functions, co-ordinated complex chains of command, streamlined bureaucratic procedure and published annual reports. That these innovations were often haphazard was not simply a consequence of public ownership but resulted from the formation of large, centrally controlled organisations. It was the tension between control and efficiency that came to characterise public ownership.

In the developmental stages the operation of these public enterprises did not meet the criteria of private firms. In part this reflects the dual responsibility faced by these ventures: political masters demanded national development which would enhance their electoral standing while economic and financial advisors and creditors sought adequate dividends and balance sheet propriety. Clearly while funds were easy to secure and general prosperity was widespread, the political pressures were irresistible. By the 1890s the autonomy of public enterprises from direct political interference and patronage and their concern with return on investment predominated. Public property was now increasingly managed as private capital.⁷² The reason for this stems from the nature of the debt incurred in building this infrastructure.

At the close of 1890 the New South Wales public debt totalled about £48.5 million of which £43.5 million was raised in London. The

70. T.A. Coghlan, Wealth and Progress in New South Wales, 1890-1891, Government Printer, Sydney, 1892, pp.630-631.

71. Ibid., p.632.

72. C. Barker, op. cit., pp.27-33.

bulk of this money was in inscribed stock (£30.5 million) with much of the balance (nearly £15 million) in debentures. Because of the increased use of inscribed stock maturing in 1918, 1924 and 1933 (over £30 million in total), the immediate interest problems were less severe.⁷³ However if interest is calculated on an annual basis, the 1890 public debt required an interest payment of £1.84 million (given the various rates, ranging from 3.5 to 6 per cent on the loans raised). It can be easily seen that the value of the productive public works and the level of the overseas borrowing nearly coincide for New South Wales. Thus in practical terms the economic ownership of 'the public' enterprises in New South Wales was not with the public at all but with London investors. The alienation from public ownership of much of the public estate had not resulted in effective public ownership of government enterprises. Both the colonial public estate and government enterprises had been mortgaged.

Unfortunately the Victorian Statistician's Reports do not facilitate comparable precise calculations. Although the Statistician did not estimate public wealth, he noted that the Victorian railways cost £33 million and this alone '... would probably be simply sufficient to extinguish the whole [public] debt'.⁷⁴ The public debt of Victoria in mid-1890 was nearly £41.4 million and interest calculated in the same way as New South Wales came to £1.69 million. Despite the less precise nature of Victorian statistics the same general picture is revealed.

Finally if we examine employment practices and trade union response in public corporations, by 1890 workers were confronted by an employer as remote, as profit-oriented and as unyielding as most private employers. The link between the circumstances of the public sector worker and the overseas financier was completed. The state operated as capital and that capital was closely linked to Anglo-colonial finance capital.

73. T.A. Coghlan, Wealth and Progress 1890-1891, op. cit., pp.621-623.

74. Victorian Year Book, 1890-1891, pp.164-165.

Conclusion

From 1855-1889 (and dramatically between 1878-1886), while divesting itself of the public estate, the New South Wales state became progressively indebted to local and overseas money capitalists. A similar outcome resulted in Victoria. As noted above, pastoral, agricultural and urban landed property and the means of production situated thereon were mortgaged to secure funds. This demand for funds generated an inflow of money capital to private capitalists similar in size to the public borrowing. Loans to the state were secured against public assets - productive capital (railways, for example), revenue-generating property (especially the remaining public estate) and the taxing capacity of the state. But as suggested above, the state was not just the site of changing patterns of property ownership and revenue appropriation; the state was also a producer and appropriator of surplus value.

The building of railways enhanced the market value of public and private landed property, made more land available to commodity producers and greatly reduced the costs of moving commodities and passengers within the colony. Railways changed the economic significance of physical location and in so doing changed the pattern of differential rentals.

Problems of management, supervision and planning arose as the state amassed a complex productive system, employed large numbers of workers and engaged private contractors to build the track, rolling stock and stations. These complexities involved the supervision of some 10,000 railway employees in New South Wales alone by the 1880s. An attempt to minimise political interference in the siting of new lines and the determination of freight rates necessitated a new organisational form. This was done in 1884 in Victoria and in 1888 in New South Wales. Both colonies created a public corporation with three Commissioners and a complex hierarchical division of functions and duties to control the system.

The new organisational form coincided with rationalisations, wage reductions and intensification of work duties, a process which was accelerated in the 1890s. Railway workers, the largest single group of colonial productive workers, were supervised in a complex division of labour by public officials and engaged in a series of worker-employer struggles over unionisation, conditions, work practices and wages. Thus relations between railway workers and the state was a mediated form of the capital-labour relationship.

Through alienation of the public estate, the state gained ownership over the means of communications. In managing those means of production and organising a significant fraction of the working class, the state created a complex public bureaucracy. Insofar as the colonial state employed productive wage labour, controlled the labour process, planned the pace of capital accumulation (means of production) and priced the resultant commodity, it was connected by overseas borrowings to British money capitalists. In other words, while the relationship between productive capital and the industrial working class employed by the state was physically located in the colony, the ownership of private property rights and the specific form of revenue appropriation (i.e. interest payments) existed on an inter-colonial, intra-imperial basis. Production relations in the broadest sense operated, as Bukharin argued, within the world capitalist system, insofar as surplus value was internationally mobile.

I would like to return to the three aspects of class relations noted in the introduction to this Chapter. The bourgeois class with rights of revenue appropriation (i.e. with capitalist property rights) was consolidated and concentrated in larger economic units. The most powerful holders of property rights were the various banks, finance, insurance and merchant houses. Collectively they could be described as finance capital. But finance capital as a concept does not simply describe the institutions that draw together the holders of money capital; it is the articulated combination of bank and industrial

capital. As finance capital existed and operated on an inter-colonial and intra-imperial basis, the space in which surplus value was appropriated and then re-invested or consumed had no necessary correspondence with the space in which the exploitation of wage labour occurred. From this point of view there was no autonomous Australian colonial bourgeoisie; rather there was a regional bourgeoisie of a more complex imperial system.

The second form of class relations suggests a somewhat different conclusion. Control over value-producing means of production, particularly in the most intensive branches of capitalist production (communications, pastoralism, mining and to a lesser extent in manufacturing and agriculture), was passing to a corps of capitalist managers and supervisors, and financial and technical specialists: we might call these managers the functionaries of capital. These developing relations of control, which engendered complex hierarchies (especially in public bureaucracies) in which financial constraints were registered and recognised by separation from the owners of property rights of those who organised, supervised, administered and planned the course of capitalist expansion, was most developed in the Railway Department, it was occurring at a more modest level in the pastoral industry.

The third dimension of class relations, the forms of revenue appropriation, is more difficult to specify. Although productive capitalists retained their profits of enterprise, and circulating (commercial) capital retained a strategic position in surplus appropriation, the key development was the ability of finance capital to intercept surplus value in the form of ground rent and interest. Henceforth the state could appropriate modest rentals through taxation or borrow from finance capital. At the empirical level, these concepts are of limited usefulness because they cannot distinguish productive and unproductive activity.

In conclusion, then, three points need to be emphasised. First, private economic agents coalescing around colonial and imperial

financial institutions were the most advanced spheres of surplus value appropriation and subsequent re-direction. Nevertheless the very power of these institutions ultimately rested on private property and the generation of surplus value by productive capital. Finance capital was dominant over but dependent upon productive capital. Second, these economic relations with their private, public and imperial connections are outside substantial parliamentary modification. The rise to political dominance of the labour movement meant they would be constrained within the relations and structure of international capitalism. Last, the first long boom of capitalist expansion (1860-1890) and the subsequent depression were both the product of colonial adaption to and integration within the imperial division of labour and the expanding and deepening forms of capitalist production and property rights. In the development of those forces and relations of production the colonial states were of great significance. So while Federation might be seen as signifying the assertion of national independence and maturity, the economic relations that would dominate the 'young nation' were powerfully articulated into the contradictory dynamic of imperialism and international capitalism.

CHAPTER 10

CLASS RELATIONS IN LATE NINETEENTH CENTURY

NEW SOUTH WALES AND VICTORIA

The specific economic form in which unpaid surplus labour is pumped out of the direct producers determines the relationship of domination and servitude, as this grows directly out of production itself and reacts back on it in turn as a determinant. On this is based the entire configuration of the economic community arising from the actual relations of production, and hence also its specific political form. It is in each case the direct relationship of the owners of the conditions of production to the immediate producers - a relationship whose particular form naturally corresponds always to a certain level of development of the type and manner of labour, and hence to its social productive power - in which we find the innermost secret, the hidden basis of the entire social edifice, and hence also the political form of the relationship of sovereignty and dependence, in short, the specific form of state in each case. This does not prevent the same economic basis - the same in its major conditions - from displaying endless variations and gradations in its appearance, as the result of innumerable different empirical circumstances,

(K. Marx, Capital, Vol. 3, Penguin, Harmondsworth, 1981, p.927.)

Introduction

The precise object of this Chapter is a marxist presentation of the dominant class relations in late colonial Australia. The Chapter also seeks to explain why the class structure can be understood as shaped by the hegemony of Anglo-colonial finance capital. The presentation attempted here is not directly concerned with the wider questions of class organisation, ideology and consciousness. In order to give systematic focus to class within the relations of production and distribution, a necessarily restrictive analysis is attempted.

The Chapter has seven sections and a short conclusion. The first

section re-introduces and extends the previous comments on the production, circulation and appropriation of surplus value. It is this self-expanding though unstable process that lies at the heart of capitalist accumulation and periodic crisis. It is also the structuring process of class relations and the basis of political and ideological developments. Superficially the marxist model of economic growth appears as a circular and expansionary process closely related to the Keynesian investment model of growth.¹ However the historical emphasis on forms of private property, the exploitative and thus limited nature of surplus appropriation - the secret of capitalist profit and revenue - and the related distinction between productive and unproductive labour create a very different orientation. Central to marxist thought is the premise that without specific class relations and forms of property incorporated into the explanatory mechanism, the model is at best simplistic. The importance of this notion is discussed below. Sections Two to Four discuss and develop the conclusions of Chapters Seven, Eight and Nine. The private sector, the public sector and landed property are treated consecutively. Their general purpose is to identify the three major areas of value creation and surplus value appropriation. Section Five shows how the well-known patterns of capital accumulation are consistent with and explained by the colonial relations of production. Though a fully developed model of marxist accumulation is not attempted here, some pointers in that direction are made.

Section Six elaborates the imperial (and international) nature of colonial class relations, justifying the attention we have given throughout this thesis to colonial-imperial, political and economic relations. The conclusion to this section defines our concept of imperialism and dispels a significant confusion in the literature between the imperialism of underdevelopment and expansionary

1. J.A. Kregel, The Theory of Economic Growth, Macmillan, London, 1972, pp.28-44.

imperialism. Britain did not fundamentally exploit the Australian colonies. Perhaps the reverse was true. But as we shall see this is not the essential question for marxist analysis; it is at best a subsidiary issue. The last section sketches the implications for an analysis of the state, of politics and of ideology of the dominant relations of production. The traditions of socialist labour and trade union historiography are assessed within the framework developed throughout this thesis. Finally a few brief conclusions about class relations in colonial Australia are advanced.

Class in Marxist Historiography

Marxism claims to represent a method by which to grasp the essence of social relations, in a non-metaphysical, structural and dynamic manner. Further, it attempts to identify the key transformative processes and agencies in social change. These claims follow from a critique of major competing attempts to describe and explain social relations. Briefly, marxism argues that the reified notions of social processes and consequent positivist social theories are inadequate to explain a fluid, relational and conscious social object.² The construction of taxonomies devoid of clear principles of determination, dominance, causation and contradiction limits any attempt at historical explanation. According to marxist principles the adequacy of social theory lies in its ability to account for and explain long-run social trends. Marxists are concerned that explanatory principles of social differentiation should be commensurable. In other words the mere juxtaposition of class, gender, racial, income and occupational divisions cannot explain the course, pace and characteristics of social dynamics. This is not to demand a rigid determinism but a requirements of any theorisation; a limited field of determinations.

2. An argument central to G. Lukacs, History and Class Consciousness, Merlin, London, 1972.

Finally marxism claims to embody the extended lines of determination and the subordinate concepts to approximate the peculiarities of the society it seeks to comprehend. In contrast to semiotic and post-structuralist theories, materialist historical analysis constantly re-affirms the necessary (i.e. non-arbitrary) relationship between accurate historical interpretation (signs) and the social object being represented (the signified). The preservation of a productive unity between form and content, theory and history, concept and practice, is fundamental to an historiography concerned with transformative human practice.

The marxist theory of class meets these criteria but at the same time places firm limitations on what class can and cannot explain. It negates speculative and moral interpretations as vigorously as it does empiricism. This aligns marxism with experimental-hypothetical enquiry as against ideological critique. As we saw in Part One, Australian marxist writings have failed to combine concepts operating at high levels of abstraction, with an empirical research method. Non-marxist, especially economic, historiography has had the obverse difficulty: sophisticated practical concepts, an enviable capacity to organise a mass of empirical data but a lack of a wider social theory. To overcome these criticisms we require a concept of class that can address these divergent issues.

Class is a concept employed by marxists to grasp the contradictory relationship involving the persons in a system of social production able to appropriate the surplus labour of society's direct producers.³ Thus ownership and non-ownership of the means of production and exchange are not the essence but the manifestation of class relations in capitalist society. Until the concept of ownership is linked to surplus creation and appropriation it can be misleading. The capitalist form of surplus appropriation manifests many

3. A concise presentation of this formulation is presented by G. de Ste Croix, 'Class in Marx's Conception of History, Ancient and Modern', New Left Review, No. 146, July/August 1985, pp.94-111.

combinations and permutations. Classes exist where exploitation occurs enabling one class to appropriate a social surplus. Relations of production and forms of property indicate the organisation of production and the more or less legally defined mode of surplus appropriation. Production relations determine the essence of property in capitalist society.⁴

Production relations are the relations linking the direct producer to the controllers of the production process and in turn the direct producers to the wider class of persons who appropriate portions of the social surplus through their ownership of private property. The core of production relations is the appropriation connection (in other words, the organisation of the labour process). The next stage in their specification is the property connection or the separation between the producer and exploiter classes. The two dimensions of relations of production may be examined in great detail and their reciprocal influence observed. The labour process is the basis of the appropriation connection and not vice versa; the former remains determinant if not always dominant. Rooted in the dual dimensions of production relations, class becomes a means to follow the course of productive social labour and its subsequent circulation, consumption and re-deployment as value and surplus value.⁵

Developed political economy, with its sophisticated treatment of state finance, international trade, working class differentiation and an assessment of domestic labour, cannot exist before the mechanisms of surplus production and circulation are developed. Control over the labour process, the means of exploiting the direct producers, and the identification of claimants to surplus product (or labour) as well as the technical aspects of production, constitute a mode of production. A mode of production defines the relations of production, the labour

4. E.O. Wright, Class Structure and Income Determination, Academic Press, New York, 1979, especially pp.3-112.

5. G. Carchedi, On the Economic Identification of Social Classes, Routledge and Kegan Paul, London, 1977.

process and the forces of production thereby mobilised. The forces of production are not simply the techniques of human production in a narrow sense but the social and technical organisation of production. Within actual societies variations and combinations of modes of production occur (social formations) and these exhibit distinctive dynamics.

Capitalism is a distinctive mode of production. It has evolved into regional, national, and international manifestations. As Wallerstein has stated, it is the dominant world mode of production substantially shaping all other, including socialist, modes of production.⁶ Surplus value is the typical form of surplus appropriation under capitalism but is not the only means of exploitation. Surplus value is created by labour organised to produce commodities in a labour process dominated by capital. The persons who organise and control production may not be capitalists in the sense of actual owners of the means of production, but are the effective agents of capital (capital as a system of production) in the primary sphere of exploitation.

Capitalist proprietors are a much wider class than the agents of capital in the productive sphere. These proprietors include owners of landed property and other natural resources capable of being monopolised; the owners of circulating commodities; those who own and control the means of exchange and socially recognised tokens and stores of value, and those with various rights to rents, interest and profit. At the same time a differentiation exists within the working class along lines of skill, gender and ethnicity. Indeed the original distinction between capital and labour can appear to be lost with the incorporation of greater diversity. At the empirical limits of this diversity marxist class analysis begins to look like the more

6. E. Wallerstein, Historical Capitalism, Verso, London, 1983, pp.107-108.

heterogeneous notion of social differentiation it sought to combat.⁷ But class relations are regulated by the relations of production (in a way analogous to the regulation of price by value); thus the explanatory significance of class exploitation is re-asserted in long-run analysis. This preserves the distinctiveness of marxism.⁸

It was noted earlier that the capital-labour relationship does not exhaust or subsume exploitation under capitalism. Outside the sphere of commodification, but strongly influenced by it, several other arenas of appropriation of surplus labour occur. From the perspective of capital these are not arenas of commodity production where value is produced and surplus value created: for capital, but not necessarily for society, these activities are unproductive. Domestic economic relations may exemplify these characteristics. Property rights, extra-economic coercion and unequal exchange often exist outside the dominant relation of production. They are nevertheless shaped and re-shaped by commodity relations.

Although not discussed in this thesis, a comprehensive class analysis would need to consider all forms of labour and surplus appropriation. Marxists have been slow to confront this issue.

Value and Surplus Value in the Private Economy

Any sketch of commodity production and capital accumulation in colonial Australia must ignore some complexities. Colonial capitalism exhibited some of the following characteristics.

1. Commodity production, exchange, consumption, etc. occurred within each colony and even within regions of each colony. Increasingly, however, as the purchase of labour power, its combination with

7. E.O. Wright, 'Varieties of Marxist Conceptions of Class Structure', Politics and Society, Vol. 9, No. 3, 1980, pp.323-370.

8. An argument developed in J.E. Roemer, A General Theory of Exploitation and Class, Harvard University Press, Cambridge (Mass.), 1982.

capital and the conversion of commodity capital into money capital occurred on an inter-colonial basis.

2. Commodity production, exchange and consumption including the movement of labour and money capital, the division of labour and commodity realisation helped integrate the colonial economies.
3. The colonial and national economies existed within an imperial and international economy. The circuit of capital was spatially and even nationally divided.
4. The imperial and colonial states in combination affected the social relations, legal relations and the direction of accumulation.
5. The entire reproduction of capital through the linked processes of colonial, national and imperial economies occurred because factors of production were increasingly mobile. The result of the capitalist production process was internationalised. At the same time developed property rights to means of production, land and public property expanded with the use of shares, debentures, stock and bonds.

These distinctions help us comprehend the process of value augmentation that lies at the heart of colonial capitalism. With imported labour and capital requirements and output and profits repatriated, the extent to which we can define this as local production becomes less clear. When international considerations influenced the availability of money capital to purchase means of production, and influence commodity demand, realisation prices, relocation of profit, direction of investment and techniques of production, the difficulty is compounded. In colonial Australia in the 1870s and 1880s most, if not all, of these factors operated: the point at which colonial economies began and ended was unclear.

The conventional construction of national accounts attempted by N.G. Butlin is instructive here. An account of the market value of commodities produced in a given year in various categories, the level of capital inflow and outflow, the movement of commodity prices, the distribution of labour or even an input/output analysis of value added

in each industry has serious limitations. The accumulation of statistics and their interpretation, no matter how illuminating, was ultimately limited by the concepts and theory which selected particular magnitudes as significant. To transpose such figures into explanations of growth and recession, property ownership and the interplay of colonial and imperial forces, is to require a consistent theory hitherto eluding most economic historians.⁹

In late nineteenth century Australia the bulk of society's labour time was organised to produce the means of subsistence. The bulk of rural production was directed to colonial or intercolonial trade and to consumption - a part of production which does not enter the commodity market. Urban manufactured goods were produced for domestic consumption; for example, food, beverages, tobacco, clothing, processing and building materials. Numerous services, ranging from laundries to hairdressers, were likewise meeting local needs. Most of these enterprises had low capital-to-labour ratios. Many were small unlisted companies or partnerships with a primitive division of labour, minimal external finance and a degree of protection.¹⁰ The potential for the accumulation of capital was strictly limited for a number of reasons. First, access to the means of production was none too difficult as evidenced by the movement of master craftsmen to petty proprietorship. Second, technological development, the basis of surplus profit, was greatly inhibited. Finally, the scale of the market precluded a developed division of labour.¹¹

By the 1880s some important exceptions became evident. Larger factories which employed imported technology and a complex labour

9. See N.G. Butlin, Australian Domestic Product, Investment and Foreign Borrowing 1861-1938/39, Cambridge University Press, Cambridge, 1962, pp.3-35.

10. This modest scale of production explains the continuing significance of outwork. See E.C. Fry, 'Outwork in the Eighties', University Studies of History and Economics, Vol. 2, No. 4, July 1956, pp.1-17.

11. See V.I. Lenin, The Development of Capitalism in Russia, Progress Publishers, Moscow, 1971, pp.169-263.

process emerged and resulted in greater efficiency. Some recourse to external finance, bank overdraft, mortgage and listing on the colonial stock exchanges occurred. Despite the differing tariffs and free trade regimes, specialisation and competition on a national scale became important.¹² Slowly a class of urban entrepreneurs began to emerge; some employed profits or fortunes made elsewhere, many combined a variety of interests. But an industrial bourgeoisie was difficult to identify in colonial Australia. The Victorian Chamber of Commerce embodied the growing consciousness of a national manufacturing interest and the need to influence the course of public policy. Nevertheless, constraints on accumulation were real.

In primary industry, a large employer of labour, certain similarities existed. A large but diminishing self-employed group without widespread recourse to wage labour produced a limited marketable surplus. This class of petty commodity producers was the legacy of the 1860s land reforms. By the 1880s many of these selectors were overshadowed by the consolidated land holdings specialising in capitalist agriculture. In Victoria and to a lesser extent in New South Wales, dairy and cattle farmers as well as horticulturalists produced for local, colonial and imperial markets.¹³ To cater for this development specialised equipment importers and manufacturers and mercantile businesses were established. Smallholders with mortgages, overdrafts and debts to local merchants laboured long hours as de facto wage labour for finance capital and seasonal labour for capitalist farmers and pastoralists.¹⁴ Even the larger landowning capitalist farmers operated on a modest scale while the potential market was limited by transport costs.

12. The Minutes of the Victorian Chamber of Manufacturers are clear on this point, see V.C.M. Minutes, 1 October 1894, pp.455-456.

13. E. Dunsdorfs, The Australian Wheat-Growing Industry 1788-1948, Melbourne University Press, Melbourne, 1956, pp.114-186.

14. K. Kautsky, La Question Agraire: Etude sur les Tendances de l'Agriculture Moderne, V. Giard and E. Briere, Paris, 1900, pp.250-292.

By the 1880s the urban industrial workforce and the agricultural workforce, the paid and unpaid domestic workforce (including the service and commercial sectors) and their employers combined to present the following characteristics. Production was labour-intensive, relatively simple (in the technical sense) and intended for local consumption. Ownership relations were basically uncomplicated, the extraction of relative surplus value limited, class differentiation muted and the conflict over wages and conditions undramatic. This group of employers was not able to muster the economic and political resources to constitute a dominant fraction of the bourgeoisie. Their large numbers were a sign of their economic weakness. Conversely their numerical strength gave them influence in the electorate and in colonial politics. Nevertheless they remained a secondary, though in the 1890s an increasingly significant, grouping.

The areas of real accumulation and thus economic power were twofold: first, amongst the producers of pastoral, agricultural and mineral commodities, especially those destined for the world market; and second, in the financial, commercial and real estate concerns established around these industries. These interests extended into the urban property and finance markets. Together they sat astride the commodity markets of greatest value to the colonial imperial commodity systems. They marshalled resources from local and overseas sources, took advantage of favourable conditions of production and realised value and surplus value both in the colonies and overseas.¹⁵ The economically dominant fraction of capital was not colonial or national; it was international. But it was contradictory. Productive industrial capital resided in the colonies whilst financial dominance was external. In the crisis of the 1890s this tension and loss of profitability undermined the authority of Anglo-colonial finance capital. The most complex and developed of colonial class relations

15. See M. Cannon, Life in the Country, Nelson, Melbourne, 1973, pp.177-195.

is of sufficient importance to warrant further attention in Section Six.

It follows from our premises that the basis of class relations did not reside simply in the colonial economy. Needless to say the class positions of the majority of the colonial population were outside the export economy. But until the vital sphere of value production is considered, the direction of the colonial economy is impossible to explain. It is the international commodity and value relations that are of major theoretical interest. Here the real peculiarities of colonial capitalism lie. But we need to delineate other aspects of the political economy of the Australia colonies before we can return to this issue.

Value and Surplus Value in the Public Sector

The determination of class relations as they exist within, and are influenced by, the public sector present some problems for marxist analysis. If we broaden our concerns to include the consequences of the state's activities in shaping the direction, pace and features of accumulation, the difficulties grow. Nevertheless some generalisations about state-mediated class relations can be made.

Initially state workers may be divided into those who produce use values - albeit of a political and administrative kind - and those who produce exchange values. The former can be separated, as we have done in Chapter Nine, into the state employees who produce publicly provided use values and public officials employed within the state - executive, parliament, judiciary, administration, police, goalers and armed forces. To provide for the ruling personnel, revenues need to be appropriated through taxation. As we have seen taxation for this purpose was largely derived from customs and excise duties, and minimal property taxation. Land revenue might also be seen as an additional tax base. The major levy was on commodity circulation and this has an impact, often a contrived impact as in the case of

Victoria, in determining profitable areas of accumulation. The potential of total social surplus value is reduced by this public levy. In aggregate terms the total population employed as public officials in colonial society was less than 1 per cent.

The second, larger group of public workers was involved in the administration of public facilities and property and the remainder in the socialisation of reproduction costs. The latter include those public provisions definable as aspects of public welfare. The growth of public involvement in education is the most striking illustration in the colonies after the 1870s. Health and charitable institutions were marginal; they were likely to be private or religious organisations with public subsidies.¹⁶

The service and administrative structures of the state was organised along formal Weberian lines, involving status distinctions, written directions and a military-like chain of command. They resembled large private firms in their organisation. They produced no exchange values, were unproductive of value and embodied non-commodity relations of subordination, control and power. Wage labour was employed on a large scale with greater security but fewer political and industrial rights than the equivalent private sector workers. With the use, increasingly in the late nineteenth century, of competitive entry examinations the worst features of bureaucratic recruitment and promotion on the basis of patronage were overcome. In this regard bureaucratic reform in Britain was emulated in the colonies.

Those public employees providing particular services, in the Lands or Services departments, for example, represented an intermediate case in the partial commodification of their activities. The services were often provided to users at a nominal charge which rarely covered the entire production costs.

16. This suggests the limitations of Foucault's influential interpretation of public institutions as threatening sites of state coercion and discipline. As Gramsci points out private institutions are just as capable of performing these functions. For Foucault, see M. Foucault, Madness and Civilization, Tavistock, London, 1971.

Commodity producers were the last major category of public employees, examined at some length in Chapter Nine. These workers were concentrated in communications. The experiences of the 1850s demonstrated that railways were unattractive to private entrepreneurs yet their importance to overall economic expansion required public intervention. The construction, operation, financing, pricing and organisation of railways, roads, telegraph, tramways and postage were government responsibilities. The bulk of these workers produced commodities for market realisation and therefore were exploited by the state. The workers, and the commodities they produced, were not disciplined by the normal requirements of capitalist competition. Wages, conditions and prices could be adjusted bureaucratically for political ends. Although employment conditions were changing by the 1890s there were two features of public employment that remained.¹⁷ Working conditions were more secure and better paid than might have occurred in private employment. The residential concentration of railway workers near their workshops gave them electoral power. Second, pricing policy ensured a net subsidy to rail users especially for long-distance bulk freight. In this way a transfer of profit from public enterprises to private capitalists was achieved. In marxist terms prices for public exchange values were set below the prices of production: this had serious longer term implications for the declining productivity of public assets; for example, the failure to adequately maintain track and running-stock was a consequence of generating the necessary returns to private creditors who financed the railway construction. In this way public productive assets were administered in a manner beneficial to private accumulation. The values produced in the public realm were not accumulated to form an investment fund for future production and expansion, but to repay private creditors.

17. J.C. Docherty, 'The Rise of Railway Unionism: A Study of New South Wales and Victoria, c.1880-1905', unpublished M.A. thesis, Australian National University, 1973, pp.65-123. and R. Markey, 'Labour and Politics in New South Wales 1880-1900', unpublished Ph.D thesis, University of Wollongong, 1983, pp.161-171.

At the level of production relations, the state operated as a large private employer. To accumulate the resources for public commodity production overseas borrowing was sought. Thus to grasp the implications of this borrowing a wider set of production relations must be described. Public revenue, especially land revenue in New South Wales, and increasingly local and overseas borrowings were accumulated for communications infrastructure. The complex means of production for transport were assembled, according to British precedent, over several decades. A large organisation had to be created to organise line construction, technical operation and the supervision of traffic. The wider set of production relations increased debts accruing to largely overseas financiers. State provision of exchange and use values was posited on easy foreign borrowings. The states' finances were consequently integrated into colonial and imperial credit relations. Viewed from a perspective of capitalist relations of production the public-private distinction did not hold.

The public debt remained comparatively modest until the late 1870s and 1880s when it rapidly expanded. Most of these public borrowings were debentures and stock at interest rates between 3.5 per cent and 5 per cent, raised on the London market. To illustrate these assertions the following comparative magnitudes are relevant. In 1889 the total revenues raised by the Australasian colonies were £28.5 million or £7.13s.6d. per head. This contrasts with £2.6s.6d. per head in the United Kingdom, £2.16s.6d. in France and £1.5s.9d. in the United States; the colonies had amongst the world's highest per capita public debt. Taxation was extracted at the rate of £11.5 million or £3.1s.6d. per head. This compares with £1.18/s.2d. in the United Kingdom, £2.4s.1d. in France and £1.4s.5d. in the United States. But taxation was only 40 per cent of Australasian revenue, while in the United Kingdom it was 82 per cent, France 78 per cent and 95 per cent in the United States. Finally public debt in the same year had escalated in the colonies to

£175 million or £46.5s.1d. per head as against £17.18s.11d. in the United Kingdom, £30 in France and £5.3s.6d. in the United States.¹⁸

Colonial finances were thus quite distinctive and made a major contribution to economic processes as a whole. Land revenue accounts for over one-third of New South Wales' revenue and about one-fifth of Victoria's. The actual construction of new public assets was the result of overseas borrowing. But the crucial point is that the relations of production at the appropriation connection (the direct exploitation of wage labour) were shaped increasingly by the imperial financial dealings integrated into the property connection. Class relations in the public sector were unusual in the circumstances of colonial development. They were nonetheless commodity relations.

Colonial Landed Property and Capitalist Ground Rent

In his unfinished chapter on classes in Volume Three of Capital, Marx noted that landowners were one of the three great classes of contemporary capitalism.¹⁹ In Capital and Theories of Surplus Value, Marx spends hundreds of pages examining capitalist and precapitalist ground rent and its treatment by classical and 'vulgar' political economists.²⁰ Marx explored the contradictory implications of private land ownership on commodity production. He saw private land ownership as a necessary but retarding factor in the development of the forces of production and in the accumulation of money capital by industrial capitalists. The class able to monopolise naturally given use values was able, according to Marx's assessment, to appropriate a portion of society's surplus labour without making any direct contribution to production. Like Lenin's 'coupon clippers' they were parasitic upon

18. Victorian Year Book 1890-91, Vol. 1, Government Printer, Melbourne, 1891, pp.186-192.

19. K. Marx, Capital, Vol. 3, Penguin, Harmondsworth, 1981, pp.1025-1026.

20. Ibid., pp.751-950 and K. Marx, Theories of Surplus Value (Vol. 2), Progress Publishers, Moscow, 1969, pp.15-372.

workers and capitalists alike. Nevertheless, they were necessary to ensure the private monopolisation of the instruments and objects of labour and thus the position of wage labour. Commodity production required private property in land but was severely hindered by its existence.²¹

In precapitalist societies ground rent existed in various forms. In capitalist society Marx separated the tribute extracted by landowners into three categories; differential rent I, differential rent II and absolute rent. The first, differential rent I, arose from natural conditions of fertility or locality; the second, differential rent II, arose from the unequal application of capital to land; absolute rent, a more complex notion, occurs because production built on natural use values had higher values (i.e. they embody more labour) than their production prices indicated. Because capital was hindered by rent relations, primary production under capitalism experienced a lower organic composition of capital (less technology in production) than was common for capitalist industry as a whole. Because landed proprietors appropriated differential rents the branches of production did not enter the general equalisation process that occurred between capitals. So absolute ground rent was reproduced from year to year.²² Here Marx was generalising from British and European experience. No serious attempt has been made to assess the implications of landed property in the very different Australian colonial circumstances.

Two interesting dimensions of commodity production and relations of production emerge. The premise of capitalist relations of production, the purchase of wage labour and the instruments and objects of production by the capitalist, is vitiated without restricted access to land. The appropriation of rent directly impinges on the labour process and technical and social organisation of primary production and also shapes the wider pattern of

21. B. Fine, 'On Marx's Theory of Agricultural Rent', Economy and Society, No. 8, 1979, pp.241-279.

22. Marx, Capital, op. cit., Vol. 3, pp.882-907.

appropriation relations. Landed property is thus an intimate aspect of production relations.²³

In Marx's examples land (or minerals) was held in private monopoly ownership. This landowning monopoly, extending into ownership of urban industrial and residential land, was distinguished from commodity production. Capitalist producers paid for access to these resources so they could temporarily alienate the objects of labour. A further problem was that expensive and inefficiently produced raw materials and foodstuffs increased the costs of industrial capitalists. This was especially pressing for those capitalists engaged in international competition. The contradiction for the capitalist class was how to preserve capitalist relations of production and regulate the price of land to prevent serious distortion in the operation of capitalist market relations and levels of profitability.

As, we have seen in earlier chapters land ownership and alienation in colonial Australia did not follow the pattern described by Marx. The implications for class relations, the technical development of primary industry and the pattern of accumulation were not as Marx predicted. Nevertheless we can explore the colonial case in directions he did not foresee within his general framework. To anticipate a conclusion, it was the peculiar pattern of land ownership access and the resultant primary-export production that explain the economic dominance of finance capital in colonial Australia.²⁴

To strengthen my contentions that ground rent and primary production were fundamental to colonial capitalism, some estimates by Coghlan are apposite. In 1892 (when pastoral, agricultural and urban

23. P.-P. Rey, 'Class Alliances', translated by J.F. Becker, International Journal of Sociology, Vol. 12, No. 2, Summer 1982, pp.1-120.

24. See E. Mandel, Marxist Economy Theory, Merlin Press, London, 1968, p.301, and R. Murray, 'Value and Theory of Rent: Part 1', Capital and Class, No. 3, Autumn 1977, pp.100-122 and Part II, Capital and Class, No. 4, Spring 1978, pp.11-33.

land prices were depressed) Coghlan estimated the market value of all New South Wales wealth, public and private, at nearly £600 million. Public ownership accounted for about 33 per cent and the balance was in private hands. Of the £200 million in public ownership, well over 50 per cent was attributable the value of the public estate (this compares with productive assets and public buildings totalling less than 35 per cent). In private ownership, £180 million out of £400 million was accounted for by private land ownership.²⁵ Aggregating the value of mineral wealth, livestock buildings and other improvements, the improved value constitutes well over half (perhaps approaching 65 per cent) of the total private wealth. On the other hand tools for industrial production are valued at less than £10 million.²⁶

Even allowing for errors in such estimates we can still assert that the key to colonial wealth was land-based activity. Unfortunately the Victorian Statistician does not make similar calculations, but claims that Victorians were slightly wealthier than residents of New South Wales. Victorian manufacturing was more developed; the total value of land, buildings, machinery and plant involved in manufacturing was less than £17 million.²⁷ Land was less important in Victoria and the distribution of wealth somewhat more egalitarian.

The peculiarities of colonial landed property arose from the initial public ownership and subsequent alienation of these resources. The result was that capitalist producers, whether farmers, pastoralist or miners, were able to get access on the basis of freehold or through advantageous leasehold arrangements. This enabled producers to invest large amounts on stock and equipment and improve their productivity without higher profits being lost in rental appropriations. In these

25. T.A. Coghlan, op. cit., pp.673-677.

26. Ibid., p.673.

27. Victorian Year Book, 1891, Vol. 2, p.347.

circumstances the barriers to capitalist development, such as in the British and European examples cited by Marx, did not operate in the Australian colonies. Differential ground rent was appropriated by producers rather than landowners in colonial Australia.

The reason for these characteristics lies in the politics of land alienation, rentals and lease arrangements to encourage private, not public, appropriation. It must be said that the situation in New South Wales was complicated by revenue requirements. Placing land ownership on a fully capitalist basis and enabling capitalist production to expand rapidly resulted in an increase in the financial barriers to entry. The Selection legislation may be viewed as the only acceptable political device to bring about rapid large-scale property ownership. Thus the nature of colonial landed property enabled producers to own their own estates, favoured the application of capital intensive techniques and thereby had a powerful impact on agricultural and pastoral labour processes. This was also true for mining. In this way the prices of production for colonial primary commodities remained comparatively low and the appropriation of absolute ground rent inoperative.²⁸ In fact the price-value differential central to Marx's argument was reversed in the colonies. And differential rentals were not so much extracted by landowners though this was occurring in the urban situation, but reflected in the rapidly appreciating marginal values of agricultural and pastoral properties. This resulted in large capital gains, speculative trading and rapid accumulation for some landowner-producers. Again the barriers to primary production were not apparent.

Two major implications for colonial relations of production were created. The state divested itself of landed property on advantageous terms and spent a large proportion of its revenue in the construction of railways. Railways raised the value of landed property in general and reduced production prices for land users. Despite the antagonism

28. E. Mandel, op. cit., pp.278-301.

thereby generated, state policy was posited on private accumulation. In its land and communications policies some important class relations were created, as we saw in the last section. In the private sphere the momentum towards land purchase, capital investment and speculation on rural, urban and mineral lands resulted in massive borrowing largely from London sources. The appropriation connection was a colonial affair: the property connection extended to Anglo-colonial finance capital.

Colonial primary production had profitable access to imperial and international markets and contributed a significant boost to British industrialisation. But these cheaper raw materials and foodstuffs were not restricted to the imperial market. At the same time British food and raw material prices, and ground rents were depressed.²⁹ It has only to be expected that financial resources would move from London to the colonies because colonial capitalists welcomed them and London investors were in search of outlets.

Colonial specialisation in primary production was very advantageous for the capitalist and colonial producer classes while the prices of production compared favourably to those of other producers. The price paid for exported commodities exceeded their value. The level of colonial exploitation could be moderated. But just as surely as values and prices were tenuously related, so local and international competition intensified. The movement of new investment and property ownership and the relocation of production ended these advantages. The 1890s were a watershed for the Australian colonies. In this process the exploitative nature of the relations of production emerged.

The focus of foreign, i.e. British, investment, interest in primary industry and the form of security offered meant that property relations took on new, sophisticated forms. Interest payments

29. T.W. Fletcher, 'The Great Depression and English Agriculture 1873-1896', The Economic History Review, Vol. 13, No. 3, April 1961, pp.417-432.

circulating internationally were but a new manifestation of ground rent. We return to this in Section Six.

Forms of Capital Accumulation and Production Relations

After 1860 a mature capitalist society started to evolve in the colonies. The principal site of accumulation shifted from commodity and property circulation, to the areas of commodity production and the financial relations which engendered them. Our interest here is where and how capital accumulation occurred in the late nineteenth century. We can begin by excluding the state; state policy was more the divestment of rights to surplus value. Whatever profit, rent or revenue the state was initially able to control was re-allocated by political and economic processes. The urban manufacturing and rural agricultural interests, though gaining some prominence in Victoria and to a lesser extent in New South Wales, were not at the centre of the accumulation process. They were a necessary aspect but not the key actors in the reproduction of colonial capitalism. There was, as we have seen, no separate landowner class. Some renting of agricultural land and sharecropping occurred but it was of no great significance. The construction industry was also prominent in colonial society but not central to economic momentum.

The areas where large profits were made were the commercial, financial, and export-producing industries. In these activities accumulation was possible, surplus value was amassed and investment decisions that shaped the colonies' futures were made. And it should be emphasised that the financial and production crises in the 1890s had their origins in these industries.³⁰ The crisis of the 1890s also revealed the economy's vulnerability, despite the previous three decades of growth, to internal and external disequilibrium. The crisis was partly resolved with the weakening of this unstable

30. E.A. Boehm, Prosperity and Depression in Australia 1887-1897, Oxford University Press, Oxford, 1971.

economic power bloc, the espousal of a contradictory nationalism, and the strengthening of an indigenous manufacturing and agricultural capitalism. This ascendant set of interests partially offset the financial, commercial and export interests that had dominated colonial political economy.

Before pursuing this argument further an explanation of how this assessment of capital accumulation here diverges so strongly from the one presented by N.G. Butlin in Australian Domestic Product, Investment And Foreign Borrowing 1861-1938/39 is made.³¹

The value of comparing Butlin's approach, which is indeed the normal method adopted in national accounting, with a marxist approach will become apparent below. The way of calculating the contribution of various sectors to the economy in the Keynesian-style accounting employed by Butlin is relatively straightforward. Adapting the categories to the colonial economy and accumulating the relevant data or producing credible estimates was a work of great ingenuity and industry. The object of the exercise was to calculate the value added of each sector of the economy to total national product. Gross domestic product includes the actual and imputed value of goods and services produced and is divided into six major divisions (productive enterprise; government business undertakings; government services; professional, personal and domestic services; property and finance; and house rents). The productive enterprises are subdivided into eight categories (pastoral; agricultural; mining; miscellaneous primary products; manufacturing; private water transport, and distribution). These goods and services are valued by the total wages, profit and rent in the productive sector, and by the cost of providing services in the non-entrepreneurial government area. Government business computations follow the same procedure as the

31. N.G. Butlin, Australian Domestic Product, op. cit., pp.3-35. A marxist agenda for national accounting is given in A. Shaikh, 'National Income Accounts and Marxian Categories', unpublished paper, New School for Social Research, New York, December 1978, pp.1-62.

private sector. Individually provided services are valued at the sum of wages or salaries paid or received. Property and finance are similarly treated and rentals are an imputed earning figure. A final complication is the practice of estimating the value of products (e.g. agricultural produce and structures) that do not enter the market but are consumed by the producer.³²

There are several major problems here when assessed from a marxist position. The most serious is the conclusion that can and has been drawn from the resulting picture of growth and its sectoral characteristics. Butlin's estimates placed considerable emphasis on urban manufacturing and construction. Coupled with house rents, services and distribution, the overall 'urban' contribution to gross domestic product was given greater prominence than in earlier writings. While the 'rural' economy was thus reduced, the position of the pastoral industry was deflated within the primary production.³³ The financial sector is assessed as quite modest. These conclusions do not appear to bear out an analysis of the economy dominated by a pastoral economy linked to a commercial and financial system. Indeed the figures suggest that the empirical basis for various assumptions about the colonial-imperial economic relationship are invalid. These statistics derived from the concepts of modern economics also have implications for class analysis.

The major objections to these estimates from a marxist viewpoint are twofold. First, they do not employ a consistent definition of a commodity or of commodity production. The inclusion and exclusion of some non-marketed goods and services seems to be justified on grounds of practicality. There seems no reason in principle why all domestic, even leisure, activities should not have imputed values. We have

32. Ibid., pp.7-8.

33. The statistical series built upon special theoretical premises laid the basis for Butlin's critique of Fitzpatrick. See N.G. Butlin, 'The Shape of the Australian Economy 1861-1900', Economic Record, Vol. 34, No. 67, April 1958, pp.10-12.

already advanced a definition of a commodity; the provision of a wide range of use values, individual and social, are not commodities and thus do not contribute to the generation of value and surplus value.³⁴ Furthermore commercial and financial involvement with commodity circulation result in the exchange of ownership rather than value production. At least for marxist they cannot be grouped with productive activity: they are, however, a necessary component of a commodity economy. In short the concepts of accounting are flawed.

Second, the 'value of production' does not effectively indicate the distributional aspect of social value. This follows from an initial confusion of production and circulation and then a failure to assess the impact of private property ownership relations on the relocation of surplus value. If in the 1870s, the bulk of agricultural output resulted from petty-commodity production, then the potential to accumulate surplus value was small. This would be true even if Butlin's estimates showed the bulk of gross domestic product came from this sector. On the other hand, a limited branch of commodity production might capture the largest proportion of surplus value. There is consequently, an enormous distance between the conclusions that are drawn from Butlin-style estimates and those that could be drawn from marxist national production and income accounts.

Lacking the precise calculation of value magnitudes in a marxist system of estimates, we remain at a disadvantage in debating these points. However, most non-quantitative evidence of our period points to the economic dominance of pastoral, financial and commercial sectors. Figures on the accumulation of means of production (livestock, fencing, machinery, etc.) point to the backwardness of manufacturing compared to the rural export economy. The employment of inanimate power in industry shows again the low levels of capital accumulation. Literary evidence of those who lived ostentatiously on their pastoral properties and moved to Sydney or Melbourne for 'the

34. See the discussion on pp.113-120.

season' points the same way.³⁵ Blainey's comment on the architectural style of banks and finance houses reinforces the point.³⁶ Finally the distribution of property ownership in the colonies and the distribution of incomes suggest that the notion of an hegemonic Anglo-colonial finance capital is empirically justifiable.

The class structure of colonial Australia and the relations of production on which it was built cannot be derived from the economist's accounting concepts. The analysis of value and surplus value can be used to explain the surface phenomena of capitalist society while simultaneously pointing back to the exploitative class structure that underpins the process.

International Class Relations: the Political Economy of Imperialism

Capitalist relations of production include two related dimensions. Production and the labour process have inherent locational constraints. These limitations were more pressing in the last century. The essential condition was access to labour power: the general requirements included private ownership of the means of production, access to the object of production and the ability to realise the resultant commodities at profitable prices. The beginning and end of this process did not imply a fixed location; people and commodities were transported. But the establishment of considerable means of production on or in the physical environment together with communications, commercial, marketing and financial systems strengthen the locational factor. Where economic resources are moved from one location to another new opportunities must be available as an incentive. As a new area of settlement is opened we can see, on the

35. R.E.N. Twopeny, Town Life in Australia, Penguin, Ringwood, 1973, p.11. See also W.D. Rubinstein, 'The Distribution of Personal Wealth in Victoria 1860-1974', Australian Economic History Review, Vol. 19, No. 1, March 1979, pp.26-41.

36. G. Blainey, Gold and Paper: A History of the National Bank of Australasia Limited, Georgian House, Melbourne, 1958, pp.130-135.

one hand, the growth of an organic system of economic relations within the new region and, on the other, the retention of linkages with the society from which it originated. As has been noted before, a home market can be distinguished from an international one.

Capitalist society no more reflects natural human desires than other forms of production; it has to be consciously created. Its formation may be long and bloody or short and relatively peaceful. When one state employs its coercive, legal and administrative powers to form a new settlement built upon distinctive relations of production, we talk about colonialism. Administration of new possessions by the dominant state represents direct colonial control. Colonialism also implies the subjugation of native peoples to alien state control. According to conventional wisdom, settler colonialism as occurred in Australia was less violent because of enthusiasm for the new colony by the settler population and because coercion directed toward the control of indigenous peoples was modest.³⁷ A large percentage of free settlers would have accepted the economic relations established by the British state in Australia.

This image of settler colonialism, the relocation of people with British values, institutions and aspirations to the new world, is flawed in various respects. The Australian colonies were not empty. A bloodier colonialism was an important part of white settlement. The original settlers were convicts, considered deviants, outcasts and threats to the established order. A proportion of free settlers were Irish and English assisted immigrants fleeing poverty and pauperism in the transformation of agrarian Britain; they were not necessarily favourably disposed to the reconstruction of a British class structure in the Antipodes. So the benign image of a settler colony, a fragment of British civilisation, needs to be modified to incorporate the

37. For an excellent comparative study see D. Denoon, Settler Capitalism: The Dynamics of Dependent Development in the Southern Hemisphere, Oxford University Press, Oxford, 1983.

realities of imperial domination.³⁸ For this reason our reassessment of the shaping of an Australian capitalism starts with the creation by the imperial state of a commodity economy. Between 1788 and 1855-56 the formation of capitalist relations of production was hastened and channelled by the exercise of British imperial state power. I call this process of forging a commodity economy, political imperialism. It is a phenomena which could easily be called colonialism; however, I think the term colonialism is better reserved for forms of imperialism where the subordination of indigenous populations is the principal political problem facing the colonising power.

To be precise, in the colony of New South Wales in the period of direct British control a political imperialism concerned to produce a society with capitalist private property was manifest. There was no simple path to this end; it was complicated by the convict system, problems of distance and the impossibility of transposing the economic relations of British capitalism in their totality.

Allied to this political imperialism, which became effective after 1830 was an economic imperialism. This economic imperialism encouraged surplus labour and product appropriation through commercial relations in the 1830s and 1840s. This phase of capitalist development, its characteristic production relations and the imperial-colonial financial, commercial and commodity links has been discussed as an unstable hegemony of Anglo-colonial merchant capital. By economic imperialism I mean the interpenetration of the new relations of production in the colonies with those of the imperial metropole. Imperialism in this sense implies no negative connotation; the economic costs and benefits were not necessarily distributed in ways disadvantageous to the colonies.³⁹ Rather it meant the insertion

38. The fragment thesis is developed in L. Hartz, The Founding of New Societies, Harcourt, Brace and World, New York, 1964, especially pp.275-318.

39. See N. Poulantzas, Classes in Contemporary Capitalism, NLB, London, 1975, pp.37-88.

of the colonies into the wider imperial economic system. Depending on the natural resources, location, property relations and availability of labour in the new area of imperial control this insertion might promote rapid growth or retardation. Indeed the irony of this conception of imperialism is that a colonial conquest not followed by throughgoing transformation of class relations will engender economic retardation because capitalist production will not be promoted. As Kay put it, underdevelopment is caused by too little rather than too much capitalism.⁴⁰ The Australian colonies demonstrates the validity of that argument.

The term economic imperialism does however preserve the idea that the colonising power, or rather private economic interest in the colonising power, retains (or gains) control over the allocation of new values and hence over future production in the colonies. And because British mercantile, commercial, financial and technical expertise was so much more advanced than those a new colony could hope to establish, the economic dependency had a permanent character.

In the second half of the nineteenth century the political struggles and economic changes in the colonies gave the imperial-colonial relationship a new basis, i.e. the loosening of political domination and the creation of colonial self-government. British economic imperialism from the 1850s has been stressed in this thesis. This modern form of British imperialism was posited on the establishment of a productive and advanced primary producing colonial economy. Connections with British imperialism were intensified by a high level of public communications investment financed by borrowing on the London capital market. By the 1880s, while the commercial and political links with Britain were still present the colonial relations of production were fully commodified and largely self-reproducing. The full pattern of colonial relations of production were mediated through the Anglo-colonial financial system into the imperial economy.

40. G. Kay, Development and Underdevelopment: A Marxist Analysis, St Martin's Press, New York, 1974, p.x.

The hegemony of Anglo-colonial finance capital, however, was precarious by the early 1890s because of the substantial separation of ownership and control (production process and appropriation connection) and also because the limits to the appreciation of property values was reached. In a sense the crisis pointed to the centrality of production and the creation of new values at the heart of capitalist development.

A final important point is that imperialism and its capitalist form does not signify exploitative relations between countries. The 'victim or partner' theory of Australia's link with Britain in this period is misplaced.⁴¹ Imperialism was exploitative in the sense that it reproduced the capital-labour relation on an expanding geographical basis; it also brought workers and capitalists alike under the impersonal impact of international market relations and created uneven regional development within the imperial system. Imperialism is thus the geographical expansion of combined and uneven capitalist development. And for those who claim that socialism grows out of advanced capitalism it is a progressive phase of social development. In the Australian case the idea of imperialism fostering a capitalism with enhanced human productiveness and modernised forces of production cannot be easily dismissed.

The State, Politics and Class Relations

The pattern of class relations in colonial capitalism after 1860 is best approached from the relations of production. We have maintained that these relations were nevertheless politically determined and subsequently protected by imperial and colonial state power. But the modification of class relations after 1860 was not

41. D.L. Clark, 'Australia: Victim or Partner of British Imperialism', in E.L. Wheelwright and K. Buckley (eds), Essays in the Political Economy of Australian Capitalism, ANZ Book Co., Sydney, 1975, pp.47-71.

free from politics. This can be seen in two major struggles of the period. The first which we have discussed at length was over land ownership. This struggle to a certain extent changed property relations. But their overall effect was not of great consequence to private property. The second major struggle was one we have rather deliberately ignored to this point in time, the rise of the labour movement. The role of the labour movement, industrial and political, in shaping Australian capitalism has been neglected so as to stress labour's general subordination to capital. Needless to say the growing strength of the industrial labour movement in the 1880s started to challenge capital's control of the labour process. There was a three-pronged struggle by labour: to have unionism accepted as legitimate; to reduce the rate of exploitation by raising wages, and to challenge the power of capital to shape production relations.⁴²

The struggle was also taken, at first slowly, then expedited by the 1890 strikes, into the parliamentary chambers.⁴³ In politics certain concessions and social reforms could be won by tight organisation and hard negotiation. But parliament was as much a constraint on as an opportunity for the labour movement. It was a system for administering the contentious issues generated within capitalist relations of production, ownership and distribution. It was not a forum through which those relations could themselves be changed. State power was an altogether broader and more obdurate system of domination than parliamentary power. Even some co-ordination between industrial and political labour did not amount to a serious threat to private property. Indeed it is hard to find much conscious intent on the part of the labour leadership to overturn private property. This is not altogether surprising.

42. R.A. Gollan, Radical and Working Class Politics: A Study of Eastern Australia, 1850-1910, Australian National University Press, Canberra, 1967, pp.85 ff.

43. N.B. Nairn, Civilising Capitalism: The Labor Movement in New South Wales 1870-1900, Australian National University Press, Canberra, 1973.

The experiences of the labour movement and labour's work place situation were not of ruthless exploitation. Much of the organisation and ideology came from skilled workers protecting their position in the social hierarchy. Even 'new unionism' was not so much a campaign for fundamental change as a reaction to the new discipline and erosion of wages and conditions which occurred in the 1880s as the rate of profit started to fall. Few within the old or new unions wanted to overthrow the wages system. They were attempting to protect themselves, within what had been an unusually vibrant and moderately egalitarian capitalism. Their material circumstances and their organisations had not propelled them to fundamental social change, nor had there been theoretical reflection on how this object might be accomplished. To be fair, the problems in transforming Australian capitalism in this period were insurmountable. The imperial relationship itself was an immense barrier. But no such desire was evident. There has been more than a little mythology and myopia in the radical critiques of the early labour movement.

So the entry of labour, especially in New South Wales, into politics in the 1890s was not a watershed in Australian capitalism. The state exercised control over the labour movement through parliamentary participation and the formation of industrial conciliation and wages boards. Labour leadership's active involvement in this process is merely a recognition of the generally accepted reformist tone of working class politics. In return for minor concessions and a voice in the formulation of future government policies the labour movement was further enmeshed in the commodity economy and the state that supported it.⁴⁴

In my analysis I have focused on the pattern of the colonial relations of production, emphasising their imperial dimensions. The

44. A point made by many commentators on the labour movement. See R.A. Gollan, op. cit., pp.128-150; S. Macintyre, 'The Making of the Australian Working Class: A Historiographical Survey', Historical Studies, Vol. 18, No. 71, October 1978, pp.233-253.

commodity system and the class relations it generated were not the product of any single individual or group of capitalists conspiring to pursue self-interests. The evolution of capitalism in the colonies was to reinforce the proposition that capitalism is a process without a fully conscious organising subject. As a corollary the labour movement has been from the establishment of capitalist production relations in the colonies a more or less willing participant. To attempt, along Thompson's lines, to constitute the Australian working class as the active historical subject is to give it both too much responsibility and too much power.⁴⁵ In our period there is little organisational, ideological or strategic evidence that the transformation of the relations of production was the object of working class activity.

Conclusion

In this Chapter I have tried to explain the approach employed within marxist historiography, and to show how those central concepts may be used to explain the structure and dynamics of colonial capitalism. This has been attempted by concentrating on key processes and relations within the colonies and their links British connections. Further, I have tried to show how these relations of production were distinct from the conceptions held by mainstream economists and sociologists.

In each section the centrality of Anglo-colonial finance capital has been noted. Anglo-colonial finance capital gave colonial political economy its coherence and central contradictions.

45. E.P. Thompson, The Making of the English Working Class, Penguin, Harmondsworth, 1969.

THESES CONCLUSION

Three sets of conclusions follow from the discussion in this thesis. First, conclusions about the implications of the thesis for Australian historiography are of special interest and point to innovations in approach and substance developed in the preceding chapters. Second, the dialogue between theory and history characteristic of the work calls for an assessment of the relevance and limitations of historical materialism for writing Australian history. Finally, the thesis opens up many avenues for future research while provisionally resolving others. It is now useful to indicate just where these unexplored and unsettled questions might lead.

While the subject of the thesis has been nineteenth century Australian history, its particular object was specified in the Thesis Introduction and in Part One as the identification of the dominant colonial relations of production. It was claimed that these relations could provide a coherent explanatory framework for major processes, economic and political, colonial and imperial, in New South Wales and Victoria, 1830-1890. It was suggested that the relations of production, the essential aspect of class relations from a marxist perspective, could be used to draw together seemingly disparate elements in colonial and imperial history. This study has been concerned more with establishing relations and principles of causation between well-known phenomena, than with the production of new facts. To that end the discussion commenced with a review of the factual parameters of colonial history and then introduced those general theoretical concepts subsequently employed. The simultaneous historical review and theoretical introduction attempted in Chapter One produced further problems for consideration.

From this discussion four sets of central issues emerged. These issues directed the discussion towards its principal concern; namely, the presentation of a marxist analysis of the establishment and development of nineteenth century Australian capitalism. The four sets of issues were as follows.

First, a broad empirical understanding of the establishment and evolution of Australian capitalism including the first long boom (1860-1890), and of the changing political institutions and the nature of the colonial-imperial connections was advanced. This was not so much an 'innocent' summary of the primary and secondary literature as a selective interpretation. The idea was to link the thesis to a recognisable body of historical research while emphasising problems and issues inadequately dealt with by the major extant interpretive schemes.

Second, the discussion considered the most persuasive and developed theoretical traditions in Australian historiography. For historical and theoretical reasons I deemed four key processes, three subordinate and one determinate, central to a discussion of the structure of colonial political economy. The subordinate processes were capital accumulation, the state and imperialism; the determinate process was the specification of colonial relations of production. For reasons related to the intellectual environment and discipline within which the bulk of research and writing was undertaken, but more directly related to the distinctive concerns of that discipline, I examined Australian economic historiography with particular care. From that historiography four distinct approaches, especially pertinent to my themes, were selected for exposition and critique. The purpose was to advance my empirical understanding of nineteenth century Australian history and to assess the contributions and limitations of the most theoretically ambitious branch of Australian historiography. My assessment is recorded in Chapter Two.

Third, I needed to elaborate and develop those marxist theoretical concepts appropriate for this particular historical

interpretation. Faced with the task of setting out the basic premises, fundamental concepts, their relations of causation and demonstrating their efficacy, several major dilemmas were encountered. There was a clear need to avoid a priori dogmatism in introducing a frequently misunderstood and unpopular theory. There was also an obvious need to make the assumptions of the study clear, without writing an exegesis on marxist historiography. The Introduction, Chapter One and various introductions and conclusions to Parts and Chapters all attempted to draw out the premises, concepts and implications of marxism for historical research. Undoubtedly the unresolved tension between theory and history is a difficulty with a work of this kind; yet it is one source of whatever originality the argument achieves.

The ultimate concern of the thesis, for which the other three sets of issues were preliminary, was the presentation of a marxist interpretation of the making of an Australian capitalism. The bulk of Parts Two and Three are taken up with that problem. In dividing the historical material into two separate parts, a clear distinction was made between the formation of a colonial capitalism and the direction of subsequent expansion. As a result, not only have I been concerned with the determining relations in these two 'moments' in the formation of Australian capitalism (merchant capital and Anglo-colonial finance capital) but also with the process of transition from commodity circulation to commodity production.

Because the substantial findings of Parts Two and Three have already been made explicit, they are not re-stated here. Chapters Six and Ten define and explore the implications of the dominant relations of production in these two 'moments' of colonial capitalism. The conclusions to Part Two and Part Three encapsulate these findings in a more theoretical and abstract manner.

In attempting to grasp the inner logic and linkages of political-economic processes in what seems to be two distinct phases, I have brought to the surface patterns of causation which present a

new interpretation. To be more precise, I have advanced an interpretation of a number of key political, economic and colonial-imperial processes and relations.

In the discussion of these processes and relations the concern has always been to search for the class relations that have been determinate in the particular moments or transformations under discussion. In so doing the failures of earlier (or even current) marxists to identify what was fundamental to class analysis was striking. Rather than engage in a long and possibly tedious discussion of class in marxist historiography, I simply noted how Australian marxists, old left and new left, had underestimated Marx's innovations and left themselves unable to account for all but the most obvious manifestations of class conflict. The old left's pre-occupation with labour history seemed a manifestation of that weakness. This was the justification for introducing the marxist concept of the 'relations of production' at the commencement of the thesis and the subsequent frequent elaborations. Once defined, the relations of production provided me with the means to consistently address my four themes. Moreover, they opened a forum for discussing the central political-economic processes in Australian colonial capitalism and their interaction with British imperialism. The importance of the colonial-imperial relationship to explain Australian political economy had been my starting point.

In focusing on the relations of production I could see how seemingly discrete or simply adjacent processes might be more clearly articulated. It should be stressed that this result was only achieved at the most basic level; a more complex and advanced set of determinations is alluded to periodically. Furthermore, this understanding of the full implications of Marx's concepts and the importance of the relations of production was as much a conclusion as a premise of my thinking. Historical research helped establish for me the major innovations initiated by marxist historiography.

The extended concept of the relations of production has

significant advantages over other non-marxist or quasi-marxist formulations. Most importantly this marxist concept overcomes the restrictive notion that the major insight of historical materialism was the central role of class struggle between capital and labour in capitalist society. Were that the most important marxist contribution to historiography the result would verge on the trivial. The major advantages in a careful elaboration of the relations of production, advantages exploited throughout this work, are set out below.

The relations of production enabled me to distinguish the purely capitalist process of exploitation and the means of surplus appropriation from those in non-capitalist social formations. From this perspective the tendency to see Marx's mature writings as a largely economic analysis of capitalism was checked and the necessary emphasis on the mechanisms of capitalist surplus appropriation emphasised. The abstract theory assumed the prior existence of unfettered capitalist relations of production, before the internal mechanisms and the trajectory of capitalist production became operative. But when the actual empirical circumstances of transitions to capitalism, the continuous presence of non-capitalist modes of production, the state of the world market and the nature of state intervention are all incorporated in the specification of actual relations of production, bounded in space and time, the pure theory requires modification; we move to discussing empirically determined social formations. The relations of production as historical and theoretical concepts are, however, simultaneously capable of taking on a theoretical role in an abstract conception of capitalism while demonstrating sufficient flexibility to grasp concrete peculiarities. It was toward the issue of the concrete peculiarities of colonial capitalism that the analysis was directed.

Second, the relations of production place important emphasis on the process of appropriating ownership and exploiting the wealth provided by nature. The labour theory of value, or rather the marxist theory of value, does not claim that commodities are the source of all

wealth. A mass of use values capable of assuming the commodity form are a necessary prerequisite for the capitalist appropriation of human purposive activity. These use values constitute a powerful arena of struggle in the formation of a commodity economy. The struggle for the commodification of social relations is as much concerned with the control capitalists exercise over the objects of production, natural means of production, as it is with the capitalist combination of the direct labourer and the instruments of production. To be clear, the transition to a market economy, the precondition of a commodity producing economy, is a process centered as much on the establishment of exclusive ownership over nature as with the exploitation of wage labour. There is also a clear link here between a 'primitive' form of mercantile imperialism and capitalist development. It is this aspect of the relations of production that has justified a pre-occupation in Chapters Three and Seven with colonial landed property. The very process of commodifying colonial landed property had wide-ranging implications for the nature and direction of colonial capitalism. The essential point was that capitalist landed property in the colonies was functional to the maximisation of private surplus value accumulation. This proposition has been exhaustively discussed throughout the thesis. The full details and ramifications of the historical process still require further investigation.

Third, from the relations of production an analysis of the commodification process is easier to understand. The process of establishing the minimal but essential conditions for capitalist production can occur in various ways but is rarely comprehensive. In other words, the full commodification of social relations consequent on developments in the labour, property and financial markets, as well as in state policy, does not follow any universal course. Depending on how the initial and subsequent elements of commodity relations are introduced and on the form of integration into the international commodity system that occurs, the course of particular capitalisms takes different directions. I have argued that the process of

commodification, discussed in Part Two, was extremely favourable for capitalism in the Australian colonies. Despite the crisis of accumulation in the 1840s, the retarding role of merchant capital and conservative aspects of class relations, the 1850s saw the rapid and peaceful establishment of all the key economic and political practices and institutions for universal commodity production. The role of British imperial power in encouraging the most suitable form of landed property and political institutions was crucial. The ascendancy and eclipse of merchant capital marked the successful establishment of a market, if not fully capitalist, society in New South Wales and Victoria. Thus a major finding of this thesis has been in discerning the particular transition to capitalism that occurred in Australia.

Fourth, the relations of production bring together two important dimensions of class in colonial Australia. First, they focus attention on the mode of extracting surplus value. According to marxist theory, surplus value is the unpaid labour of the producing classes. This labour is distributed in a monetary form between various holders of private property. There is of course no simple connection between the actual site of exploitation (where labour is performed) and where rent, profit and interest are appropriated by property owners. In his closed theoretical analysis Marx emphasised the determination of value magnitudes in the production process and the dependant nature of the circulation and distribution processes. Relations of distribution were seen as the manifestations of relations of production. Marx's object, and indeed the object of subsequent marxists, was to prioritise production, the labour process and exploitation in the production process. This emphasis characteristic of marxist scholarship is related to a fundamental concern with the first premise of socialist strategy; the emphasis on the transformation of production relations rather than distributional ones. But a fundamentalism in applying Marx's argument to colonial Australia needs to be resisted.

If one considers the pastoral, agricultural, mining or even

manufacturing industries in colonial Australia, it is clear that the labour process was subject to substantial modification. In Chapter Eight I examined some of these changes in technology and labour organisation. In the government-owned and operated means of production, as was observed in Chapter Nine, rationalisation, supervision and intensification of labour occurred. The rise, direction and strategy of the union and labour movement is difficult to explain without focusing on the principal site of exploitation. However substantial qualifications are needed. First, the export industries took advantage of the advanced property rights over natural use values. Second, the process of commodity circulation and realisation did not occur within a closed economy. Thus we must avoid the temptation to over-emphasise production and the labour process in colonial Australia.

The other dimension of the relations of production places the capital labour relationship at the point of production within a much wider ensemble of commodity relations (the subject of Volumes Two and Three of Capital). In colonial Australia before national and international competition and the tendency towards international prices of production occurred, the wider ensemble of relations was, if anything, more important than the narrower conception. The 1890s mark the period when that proposition is substantially weakened. But while colonial prices of production and ground rents were well below international precedent, the distributional dimensions of the relations of production (the property relation) and the imperial and international nature of those relations were of more importance than the labour process. Thus our focus on property, finance, commerce and colonial-imperial linkages is not fortuitous; it derives from the actual nature of colonial capitalism.

This means the examination of colonial capitalism cannot follow the seemingly theoretically ordained set of priorities that marxist premises might suggest. Indeed it requires marxist investigation precisely into those areas where it is least equipped to operate.

This explains why an adequate theory of imperialism is the necessary condition to the analysis of colonial capitalism, and helps explain some of my preoccupations. I have tried to sustain the discussion along the lines suggested by a specification of the Australian colonial relations of production.

From these characteristics of the colonial political economy a particular definition of British imperialism could be advanced. Under the rubric of Anglo-colonial finance capital, the determinant moment in the property connection in the 1880s, a clear statement of what constituted British imperialism was advanced in Chapter Ten. This definition cut through many of the confusions and unresolved debates generated by earlier formulations. The reason colonial integration with British imperialism secured (at least in the nineteenth century) a particularly advantaged position for Australia in the international capitalist division of labour became clear. The analysis also opened up some interesting questions about the economic underpinning of the advanced liberal constitutions in colonial Australia, the peculiarities of the labour movement and the nature of a colonial labour aristocracy. These questions remain for future consideration.

At the same time the re-affirmation of the marxist proposition about 'the combined and uneven development of international capitalism' raised further problems. First, the labour theory of value, already notoriously difficult to employ on a national level, becomes impossible to employ in a context of international value movements. The theoretical research initiated by Emmanuel and Amin is as yet inadequate to solve the problem of analysing colonial Australia in the imperial economy.¹ This weakness, though not fatal, is substantial. Second, the theory of nationalism, the nation state, the capitalist state and their relationships to imperialism is not well served in marxist thought. Colonial Australia is a particularly

1. See A. Emmanuel, Unequal Exchange, NLB, London, 1972, and S. Amin, Accumulation on a World Scale. A Critique of the Theory of Underdevelopment, Monthly Review Press, New York, 1974.

interesting yet under-researched illustration. I have attempted to show the constitutional and economic limitations to the exercise of political autonomy in the colonies and thereby the restricted nature of a highly developed bourgeois democracy. The discussions in Chapters Five and Nine are suggestive rather than conclusive.

At a more profound level the tensions between history and theory remain. But my exposition and critique of non-marxist economic, political and imperial historiography and the first tentative steps towards a marxist conception could not be taken to fruition immediately. Once this initial research has been undertaken further developments are suggested. I would see those next steps as the following.

First, a move beyond the structural constraints of the relations of production to a more detailed (and contradictory) assessment of the organisations, linkages, ideology and consciousness of the major agencies of capital and labour. More attention to the political and ideological dimensions of class relations is needed. In the process the role of economic determination would require relaxation.

Second, my focus on the property connection in the relations of production was essential to the location of Anglo-colonial finance capital; nevertheless greater detail in the intricacies of the financing, monetary and marketing relations and magnitudes had to be put aside. On this question of property, financial and distributional relations the marxist literature is slim and the quantitative problems enormous. Insofar as technical strength in this literature is the domain of non-marxist economic historians and applied economists, the need for competent marxist investigation is pressing.

Third, the appropriation connection of the relations of production and the labour process in colonial commodity production has been assumed rather than examined in detail. This is justified to the extent that questions of private property, surplus value appropriation, circulation and ultimately imperialism were not clearly addressed in the Australian marxist literature. That is not to assume

that a complex and changing struggle at the point of production was irrelevant to the nature of colonial capitalism, but only to note that it could not be pursued here.

The thesis stops short of presenting, though it does suggest, an interpretation of the 1890s depression. It clearly rejects some widespread arguments about responsibility and causation. Nevertheless, without a thorough consideration of those neglected issues noted above a definitive interpretation of the 1890s could not be presented as a conclusion to this work: it demanded a major study in its own right. What might be concluded from this thesis is that a variety of theoretical and empirical avenues await research. It is perhaps to this open-ended mode of historical enquiry that marxists should stress their commitment. The development of Australian marxist historiography remains in its infancy.

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