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AUSTRALIA: VICTIM OR PARTNER OF BRITISH IMPERIALISM?

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Despite the fillip the Vietnam War gave to the Australian Left, there has been little subsequent interest in the re-interpretation of our past as a guide to the present and the future. Humphrey McQueen's *A New Brittasia* has had a considerable impact, but as an alleged piece of Marxist historiography it rather surprisingly pays little attention to the economic foundations of Australian development. In previous decades there was a similar dearth of historians with an interest in utilising a Marxist perspective; only the path-finder Brian Fitzpatrick stands out with his important contributions. To the more doctrinaire Marxist, Fitzpatrick was merely a neo-Marxist or neo-POPulist historian. Nevertheless he commenced an analysis of our past that was in the tradition of Marxist historical scholarship and which cries out for further development; an analysis that needs to be modified so as to incorporate more recent work in Australian economic history.

With the publication in 1964 of N. G. Butlin's *Investment in Australian Economic Development 1881-1950*, came a significant challenge to Fitzpatrick's interpretation and reputation. Further contributions by Butlin and other quantitatively orientated economic historians have added to this critique. Whereas Fitzpatrick stressed the impact of our links with Britain and her needs, this more recent work directs attention to developments at key periods of our history within Australia itself. The result has been a general derision of Fitzpatrick's approach and thus a more limited perspective on the past of many historians. How great a challenge this more recent scholarship with its introspective bias poses, deserves closer consideration. What follows is a critical assessment of the various attitudes expressed by Australian economic historians towards the costs and benefits of our economic links with Britain. As a preliminary, the relevance to Australian experience of the various Marxist theories of imperialism—from Lenin through to the Baran-Frank thesis
Marxian Theories of Imperialism

In asserting the value of Marxian theories of imperialism to the consideration of Australian development experience, some introductory comments on such theories and their interpretation are necessary. Discussions of the Marxian theory of imperialism are usually confined to demolishing V. I. Lenin's polemical pamphlet *Imperialism*, which he wrote in Geneva in exile. This treatment relied heavily on J. A. Hobson's more detailed study. Both writers stressed the importance of capital exports, the search for potential markets for manufactured goods, and the need for sources of supply of key industrial inputs to the advanced capitalist powers. The fundamental difference between Lenin and Hobson is that the latter believed that the inherent underconsumptionist trends within these powers could be ameliorated simply through a mere equitable distribution of income and wealth within their own borders. Lenin did not see such a relatively simple solution.  

Lenin's pamphlet is theoretically inferior to the treatises of other Marxists of his era such as Rosa Luxemburg and N. Bukharin because of his failure to utilize Marx's most important theoretical tool—the reproduction models. Yet the Marxist theory of imperialism is usually equated with Lenin's pamphlet. With the recent translation of key works by Bukharin and Luxemburg on this topic it is no longer possible for anti-Marxist commentators to equate a Marxian perspective with one based on a cyclical Leninist variety which rests simply on the key role of capital exports.

In their haste to discredit the Hobson-Lenin thesis conservative historians have tried to place the sins of his disciples on Marx himself or to interpret the thesis in a mechanical and myopic manner which obscures Hobson's and Lenin's awareness of the generality of their thesis. Those historians who argue that imperialistic activities in fact began before the era of monopoly capitalism (before the 1870s) seem to feel that they have refuted a Marxian approach to these questions, in fact they only denounce a strawman of their own fabrication. Marx, and other writers, certainly stressed the advantages of economic empires and capitalist economies possessed with their ever expanding demand for investment outlets offering higher returns than those available at home, but Marx did not construct a simplistic model. It is ironical and amusing that such a serious student of history is so often portrayed as someone naive or ignorant of the complexities of the past.

The Hobson-Lenin thesis with its emphasis on the period 1870-1914 has tended to obscure British interest in the advantages of a formal and formal empire earlier in the nineteenth century. Lenin especially was very interested in the activities of the continental powers, and in linking imperial interests with the rise of 'monopoly capitalism'. Yet in classic political economy there is a long tradition of debate about the advantages and disadvantages of imperial links, a literature which foreshadowed Marx's strictures concerning the need of capitalist economies to expand their external economic influence. Not surprisingly the 're-discovery' of these debates has settled once and for all the myths about Britain being anti-imperialist from Adam Smith's day through to the last quarter of the nineteenth century; a myth that had conveniently hidden the economic advantages that accrued to Britain from her formal and informal empire and which has been used to counter the emphasis of Marxists on the advantages of empire.

Interest in the possible economic benefit of empire did not disappear with the decline of imperialism in Britain. A close examination of British political economy from David Ricardo to J. S. Mill shows serious and widespread concern about British long-term economic problems such as unemployment, inadequate investment opportunities, and limited export markets for an ever expanding industrial output. This concern was battered by the economic distress that followed the Napoleonic Wars and was felt throughout the 1820s. The Reverend Thomas Mathus had awakened interest in the dangers of population growth, but he was sceptical about the effectiveness of exporting this pressure, as he believed any temporary hiatus would soon be eliminated by further population growth. Ricardo's *Principles of Political Economy* and *Treatise* was aimed at repeal of the Corn Laws to allow the free importation of grain into Britain so as to alleviate the pressure on domestic food supplies. This influential treatise also raised the possibility of declining investment opportunities in Britain and general stagnation. But it was implied that the removal of the Corn Laws was the crucial policy adjustment required.

Such concern also produced G. E. Wakefield's theory of systematic colonization, which saw the need for special interest. Wakefield was concerned to make the safety and obscurity of a prison cell where he was incarcerated for publishing a book less of use, constructed a scheme which linked these teeth-stripping plans of British industrialization with the particular characteristics of the temperate zones of British political influence. By exporting surplus labour and capital, unemployment would fall and the tendency of the rate of profit to fall would be circumvented. What Wakefield added to the familiar schemes of J. Wiltmote-Horion and other contemporaries was a more attractive method by which this transfer could be assisted and assisted. Sales of land in the colonies would be used to pay for assisted...
emigration from Britain, and if these were made at a 'sufficient price' then a balance could be maintained between land and labour in the colonies, resulting in a period of apprenticeship which immigrants had to serve as labourers before they too could become landowners. By promulgating these proposals Wakefield made emigration more respectable and the end result of the adoption of his scheme would, he believed, be a microeconomic version of British society transposed to the colonies. It did not matter that Wakefield was imprecise as to how the 'sufficient price' would be set; historically what mattered was the fact that Wakefield widely impressed the society of his day with the viability of his theory.2

Here was a means by which the complementarity of British and colonial economic interests could be protected and expanded at a negligible cost to the British Treasury. More specifically, as Marr pointed out, this scenario encouraged the creation of capitalist production relations in the virgin territory and ensured the emergence of a colonial proletariat which would produce the necessary capital accumulation for further autonomous growth. Wakefield's theory implied a partnership of interest between a colony and its metropolitan one which would guarantee that the colony fell into the secure economic orbit of Britain and would be of future advantage to her. As will be noted below, this general form of imperialism was to prove especially important in the Australian experience.

The continuing value of the Hobson-Leith thesis is that it draws attention to developments within the advanced capitalist powers which necessitated imperial economic and political expansion. Until quite recently little attention had been given to tracing in detail the effects of such expansion on the economies subjected to it. The publication of Paul Baran's *The Political Economy of Growth* in 1957 generated interest in the subject economies amongst Marxist scholars and André Gunder Frank's seminal *Capitalism and Under-development in Latin America* has stimulated considerable interest and research. The Baran-Frank thesis disputes the notion of the underdeveloped country being in a state of static equilibrium which prevents development; it argues that underdevelopment is a result of imperial dominance and that truly independent development is only possible once colonial or neo-colonial dependence is broken. Frank has tested this thesis with considerable success against the experience of Chile and Brazil. But how does it fit the Australian development experience?

E. L. Whelewright has appealed for the testing of the thesis against the Australian experience; yet it would be most surprising if a perfect fit could be obtained given important differences between Australia and Latin America.3 The most important of these is the fact that the aboriginal population was easily crushed, resulting in the absence of any prolonged confrontation and symbiosis between a pre-colonial society and the new arrivals. In many respects Australia developed as a more

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appendant to the British economy. However the Baran-Frank thesis, together with earlier Marxist orientated scholarship in this area does help point to key relationships and in particular to the need to examine the effects of the kinds of dependent development we have experienced.

Dependent development describes a situation where the development of one economy is influenced if not conditioned by the development and expansion of another. In the Australian case we see a situation where its growth is impressive but at other times is sharply limited by our links with Britain; thus although we develop, the development process is only comprehensible in terms of our dependence in respect to Britain and the timing and needs of her development process.

To facilitate analysis some periodisation of our past is essential. This is relatively easy for the general historian, who can utilise the Gold Standards of the 1850s or Federalism. For the economic historian, however, simple turning points are harder to discern. Our economic history divides roughly into four main stages: 1788-1850, 1850-1890, 1890-1930, and a final stage (excluded from the scope of this chapter) involving the impact of World War II and the post-war boom.

1788-1850

This first period saw what was originally a small penal settlement quickly transformed into a colony closely allied to British needs and British supply of labour and capital. The miner in which this occurred and the forces behind it laid the foundations for subsequent capitalist development. By the end of this period the geographical boundaries of later pastoral expansion had been delineated, the result of perhaps the most extensive and rapid occupation of virgin territory in modern history. In this period the economic worth of Eastern Australia to Britain was clearly shown, together with forewarnings of some negative features of our growing dependency.

The reasons behind the decision made in the 1870s to send convicts to Botany Bay have been the subject of considerable debate. Prior to a challenge to the traditional view by K. M. Dallas, which has been expanded by C. Hallinan, there was little hint of possible economic gain to Britain in the traditional accounts.4 The suggestion that it was in Britain's interest to formally establish a settlement in Eastern Australia because of the strategic advantage to be gained in Pacific trade and commerce, has been developed by Hallinan into an argument that Botany Bay was chosen because it might become the possible future supplier of flux and timber for the British fleet. Traditional accounts reject such arguments as largely conjecture and insist that the historian must accept the bona fide of the document thus suggesting that because Riley was said at the time in official documents about such possible economic benefits, we must accept the traditional emphasis on the need to establish an isolated goal, that will not influece in life speculations.5 Throughout this interesting debate it is difficult not to feel that the traditionalists are omitting the men
behind the decision to use Botany Bay for the gaol. With the decline of French interest in the Pacific, with the growing influence of capitalist economic relations, tends to support the informed conjecture of Dallas and Blainey. The latter helped establish a settlement but it also provided the very needs of an eventual downturn. Australia's first capitalists quickly emerged from amongst the officers sent to manage the gaol, and the expiration of convict sentences helped build a free work force. The new settlement could not remain exclusively a gaol in such a situation.

The manner in which capital was accumulated by the first colonial capitalists is the subject of another chapter of this book and need not be discussed here. However, it may be noted that the rise of a class of petty capitalists was also fostered by the opportunities available to commence the export of locally obtained commodities. Trade with Melanesia in sandalwood, the gathering of *bêche-de-mer* and pelot shell in Northern Australia, and sealing and whaling around our southern shores all provided opportunities to obtain vital foreign exchange.

These early stipends have been often overlooked in the rush to glamorise John Macarthur's experiments with wool, but their importance can be seen in the fact that it was not until 1834 that the value of exports from the fisheries exceeded the value of wool exports. Before the wool boom of the 1830s Australia was well on the road to a capitalist future. Under Governor Macquarie's currency reform and the encouragement of local capitalists to set up the Bank of NSW, which opened its doors in 1817, clearly indicated the inevitability of a capitalist Australia. It is one thing to begin such developments as Fitzpatrick does; it is another to imply that Australia faced any real alternative. The NSW colony was established as a good offshoot of Britain; it is no surprise that it quickly began to develop similar institutional arrangements. Right from the earliest days capitalist forms of development were inevitable. The real significance of these trends lies in the rapidity with which capitalist activities transformed and subsequently replaced the post-colonial economy. The appendage nature of this subsequent development was logical product of even the first three decades of European settlement. Thus efforts to describe our early years as 'communism' or a slave society are nonsensical.

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Australia: Victim or Partner of British Imperialism?

The emergence of capitalist productive relations did not mean a sudden end to the dominance of the public sector. As late as 1836 the value of convict and store receipts issued was still greater than the value of NSW wool exports. The level of convict inflow and hence the level of convict expenditure remained important determinants of NSW growth right through to the 1840s. In the 1830s, NSW experienced a pastoral boom; a rapid and massive alienation of much of the land of Eastern Australia seized by British capital, immigrants and convicts on assignment to rural producers. To finance this boom British banking companies established themselves in NSW and commenced their future domination of Australian banking.

With the introduction of land sales, a product of both Wakelinian influence and the need for government revenue, assisted immigration could be financed without any real cost to Britain. The post-Napoleonic war period had helped soften British attitudes in favour of assisted emigration, especially if the growing number of locally-supported emigrants could be deposited on the colonies. Wakelinian political economy with its stress on complementarity of interest between mother country and colony was well suited to both British needs and the economic potential of the Australian colonies, although only in a general sense. Concentration of settlement, with agriculture as the primary land use, conflicted with the extensive use possible with pastoral activity. The relatively slow development of agriculture in Eastern Australia before 1850 was basically a product of the greater attractiveness of pastoral investment which in turn was related to the limited market for agricultural products in the colonies. The foundation of a settlement at Adelaide by a group of Wakelinians in 1834, in a region highly suited for wheat and well located to overcome transport costs, ensured greater interest in agriculture. In South Australia then in the Eastern Colonies and in the 1840s limited exports of South Australian grain commenced.

In Eastern Australia wool reigned supreme. Land laws for the taking, a government incapable of stopping the grazing movement, a regular supply of assisted convict labour at low cost to the pastoralist, and most importantly an assured market for our wool in Britain, guaranteed wool's greater comparative advantage over other activities. By the 1830s, our ability to supply large quantities of wool of a type demanded by the British textile industry had been proven. Moreover the traditional external sources of raw wool for British industry, Spain and Germany, were easily replaced by the Australian colonies. German dominance has been only as a result of rising competition from Australia but because of the pressures of German industrialisation which forced a switch in focus from wool growing to a greater emphasis on meat production. Wool prices rose rapidly in the first half of the 1830s, peaked, and then began to offer a warning to Australian optimism in the form of price stabilisation. Yet the boom continued. As long as geographical expansion of the industry continued, so did a heavy demand for live-
stock, keeping the price of livestock high. The value and volume of wool exports continued to rise but the pastoral prosperity of the late 1830s rested on shaky foundations. This was clearly shown when the boom collapsed in the early 1840s. The high level of optimism could not have continued and the dominance of wool in the NSW economy ensured that the collapse was extensive, affecting the urban economy, with its dependence on links with the boom, as well as the rural sector.

In the various contemporary and modern debates about the causes of the 1840s crash, can be seen that fundamental question which has persisted all our economic history: how important were developments outside Australia, outside our control, when compared with internal developments? Fitzpatrick stressed a short-run explanation based on a cut in British capital inflow. S. J. Bithin has rightly suggested the need for a broader perspective, one which places major emphasis on the nature of the 1830s boom and the false optimism of the late 1830s.

Yet the primary cause of the collapse must rest with extended fronts. Without British demand for our wool, without British labour and capital, there would not have been a pastoral boom. The real significance of the 1840s collapse lies in the demonstration it provided of the dangers of dependent development, of the simple fact that Australian capitalism was coming of age. It provided a forewarning of similar shocks to come, of the inability of Australia to avoid such shocks, given the close links with Britain.

The glitter of the Australian colonies had been tarnished in the eyes of the British investor and the potential immigrant. With the consolidation of the police, the abolition of transportation to NSW in 1840 further reduced the growth of the work force and domestic demand. By the late 1840s, an upturn had commenced but no return to the optimism of the late 1830s eventuated. Almost fortuitously a more glamorous export was to replace wool: a commodity which restored British interest and confidence in Australia and which provided a new boom to Australian development.

1850s to 1890s

The short-run economic effects of the gold rushes of the 1850s have been well documented by historians. A mass exodus from Sydney and Melbourne to the fields produced labour shortages and wages rose in these centres. However the massive inflow of immigrants constituted the most important population movement in the 1850s, adding over half a million persons to the Australian population. This rapid influx of largely adult males helped produce a three-fold increase in local Australian population, and a seven-fold increase in Victorian population over the decade. The long-run effects of this increase deserve more attention than has usually been afforded them. Such a rapid increase in adult males produced a linked age distribution of the Australian population which was to reverberate into subsequent decades, with appropriate lags. For example the high demand for housing and public utilities in the 1870s and 1880s was partly a product of the offspring born to the 1850s immigrants.

In the short run such a jolt to our aggregate population created severe pressure on housing, food supplies, social utilities and the demand for manufactured goods. As gold exports rose our propensity to import increased, with the result that potential backward linkages from the rushes were reduced in their impact by the easy import of capital goods and manufactured goods generally. The local market for manufactured goods had expanded greatly but the British manufacturer had the comparative advantage over the local producer in most cases, and had much to gain from the rushes. In 1853 Australia purchased 15 per cent of the total value of goods Britain exported, thereby providing a timely boost to an economy that was experiencing serious recession. The impact of the rushes on colonial manufacturing was limited by import competition.

Just as pre-1850 manufacturing development had been restricted by the small size of local demand, so too had agricultural development. Fortunately the local agriculturalist did not face massive import competition and was able to prosper from the demand stimulus of the rushes. Transport problems and high transport costs encouraged closer settlement adjacent to the Victorian fields, and local farmers as well as producers in the other colonies set out to meet the miners' needs. Grain and meat production increased their attractiveness relative to wool production, making the structure of the rural sector more diversified. Banking activity expanded, new banks opened for business, and the consequential rise in liquidity from the increasing production of gold influenced interest rates and the capital market generally. The colonies, temporarily at least, lost their dependence on foreign capital inflow; domestic capital formation fuelled by the rushes spilled over into a wide range of activities, in both the urban and rural economies. As the technology of gold mining became more capital intensive (the result of attempts to exploit the richer, deeper deposits) and as disillusioned diggers drifted away from the fields the cry arose for a distinguishing the squatters' monopoly of the land. In the Selection Acts of the 1860s these demands were given legislative recognition. Sales of the public domain, particularly in NSW, were to provide an important source of revenue which was to be used to help finance investment in useful overhead capital. But the aim of unlocking the land was easily circumvented by the squatters. Loose administration of the Acts, 'parking' where the squatter took up selections along the rivers and in key sections of his run thereby making selection unattractive—and the economic reality of the greater advantages in extensive, capital-intensive land use for pastoral activity meant that Australia did not become a land of yeoman farmers. Existing economic interests and economic rationality ensured such a result.

Other examples of the impact of the rushes include the fact that the value of gold exports exceeded the value of wool exports for most of the
1860s as well as the 1850s and the attention that gold brought to the Australian colonies from British interests. The stage was set by the early 1860s for a prolonged inflow of British capital and labour, encouraged not only by continuing pastoral expansion but also by the urban demands in the cities for the State to provide key social utilities and to bridge the vast distances with railway tracks.

The 'Long Boom' that followed reinforced the already well-developed economic linkages with Britain. In the period 1861-91, Britain took over three quarters of our exports and provided the same proportions of the total value of our imports. A great deal of our total output passed through international trade, the result of our high propensity to import and indicative of a tight dependence on the condition of overseas markets. Capital inflow helped stabilise the general course of capital formation, and approximately two thirds of all new capital formation was the product of this inflow. Population increase was closely related to immigration and the level of sustenance provided to immigrants depended, according to colonial economic conditions, the level of farm sales being an important determinant. Once railway construction began to accelerate so too did the importation of railways. The problem which has occupied some British historians, as to what happened to the British navy in perhaps mutually favorable conditions. The immigrants once again were overwhelmingly British in their origin, with an increasing proportion of them from urban centers; North American agricultural opportunities appeared more favourable to the potential British rural emigrant. Even with a declining death rate and a high net reproduction ratio in Australia, immigration accounted for between a quarter and a third of successive intercensal increases in our population between 1861 and 1891.

British capital inflow grew rapidly from the early 1870s, reaching its zenith between 1886 and 1889. The Australian colonies constituted the most important single borrower of British capital over the period late 1883, absorbing between a third and a half of total net British lending overseas in these years. Our share of total British emigration during the 'Long Boom' was nowhere near as great, partly because the long distance to Australia was unable to compete with the much shorter and cheaper hop across to North America. It is also important to note that these inflows of capital and labour were not evenly dispersed between the colonial economies; instead, NSW and Victoria received a very disproportionate share of the total whilst Western Australia and Tasmania received very little, a result of their inability to compete for these key inputs.

If Australian development in this period is correlated with British fluctuations, then some interesting points arise. Unlike American bank and investment and Canadian borrowing, Australian borrowing did not behave inversely with the level of domestic capital formation in Britain. Similarly the relationship shown by Brimley Thomas between Australian immigration from Britain and the level of American building activity was not exhibited in the Australian experience. Domestic capital formation and the level of immigration into Australia followed a parallel course. These examples of dependence upon British supplies of labour and capital reinforce Fitzpatrick's emphasis on the importance of imperial capital reinvestment. But N. G. Butlin has seriously challenged his claim that economic links. Butlin's re-interpretation of the 'Long Boom', and particularly on the quantitative estimates he has constructed to substantiate his arguments. Nurturing his own words 'heroic reconstructions', he has assembled a most valuable and extensive range of estimates of the course of key economic aggregates, the most important of which are gross domestic product at factor cost and his estimates of gross capital formation. Any serious use of these estimates must be prefaced with a thorough understanding of the problems he faced in their construction; they are not 'pure' historical facts. Nevertheless two rough rules of thumb can be applied. As aggregates they are most useful for the tracing of long-run trends rather than short-run fluctuations. Additionally, in the economy they relate to becomes more complex over time, the role of other limitations in the estimates. His estimates of Gross Domestic Product (GDP) and Gross Domestic Capital Formation (GDCF) became particularly questionable from the 1896 onwards. Moreover the absence of detailed price series makes his attempt to deflate GDP to account for price changes an unsatisfactory exercise, whilst his estimates as national aggregates tend to obscure the different growth experiences of the various colonial economies.

By showing the sectoral shares in GDP and the shares of particular varieties and sectors in total domestic capital formation, he argues (in *Investments in Australian Economic Development 1861-1900*) that the contribution of growth to the growth process has been exaggerated and that investment in the urban sector in manufacturing, residential construction and in the provision of social utilities, deserves special attention. Whether Fitzpatrick says little about development in the cities, Butlin argues that they possessed the key growth industries. Australia at this time was one of the most heavily urbanised countries in the world—by
Pastoral investment for much of the period was not the only key form of capital formation. The bulk of the population was not directly involved in pastoral pursuits. Butlin has provided an important service in making such things crystal clear. Yet wool still assumes a crucial role. Without its contribution to our export cheque and hence to our propensity to import, and without the pull it provided to British capital and labour, urban growth could not have proceeded at the pace that it did. This is not to deny the decline in importance of the contribution of international trade to GDP over the boom, but at the same time the rise in wool's contribution to total export income to a level well above its contribution at the start of the boom should not be ignored. Australian prosperity seemed very heavily on the continuing success of wool. Our imperial partnership remains the crux of any explanation of the Long Boom.

To be completely fair to Butlin's extensive contribution to our knowledge of this period, the relative emphasis he places on external versus internal developments deserves close consideration. Despite his apparent desire to overthrow the traditional emphasis on our external dependence, he does not deny the facilitative role that the ready availability of British capital and labour played. What he claims is that the use made of these inflows was largely a product of decisions made within Australia; that all the important decisions were not made by British financiers. In drawing this distinction Butlin is adding to the argument for seeing Australian development as a partnership, rather than a simple victim of British imperialism.

In his latest contributions to this debate Butlin shows that he has carefully considered the criticisms made of his *Investment in Australian Economic Development*, and in fact he stresses the need to set Australian development in an international setting by considering "international factor reward differentials." Clearly responding to the impact of the work of A. R. Hall in particular, he seems prepared to retire some of the emphasis Fitzpatrick placed on British influences. British capital and labour had to be available and their availability has to be adjusted to the nature of Australian economic development. The concern of the Classical economists, and later the Marriettes, with developments within the imperial partner still remains the necessary starting-point for any explanation of the economics of Empire. Nevertheless, this is not simply a matter of relationships between Australia and Britain. Given that surplus capital and labour were available in large quantities, why were we able to compete with other possible recipients for a significant part of the outflow, especially if wages of capital? Thus it was not just a matter of production possibilities within Australia, but of our comparative advantage in particular types of economic activity over other holders for the key British outputs. The timing of our boom must also be related to the changing interests of the London capital market in particular regions of the world at particular times. Australian economic development can only be discussed in a
context of developments within the international economy, with the
relationships between Britain and her formal and informal empire as a
focal point. The real danger with Butlin's investment volume is that one
can lose sight of this need. For this reason Fitzpatrick's less quantitative
work still deserves close scrutiny.

On a more technical level certain criticisms of the way in which Butlin
constructs his estimates of private capital formation and of GDP point
doubts. E. A. Beaver has shown that Butlin at times underestimates the
value of the wool clip and when this is combined with additional
problems associated with Butlin's manufacturing estimates, a challenge
can be made to his assessment of the relative importance of rural versus
urban economic activity. In addition his implicit theoretical model, of a
Harrod-Damcard inspiration, is subject to various criticisms that can be
raised against such models, with their emphasis on the key significance of
capital-output ratios. This is not the place to elucidate this point; yet it
must be included as a further warning of the need to be critically aware
of the complexity of his analysis.

In providing a reinterpretation of the Long Boom, Butlin also re-
examined the causes of the disastrous crash in the 1890s that marked its
end. As with the 1840s depression, the 1890s collapse was largely seen
by contemporaries as the product of external events, as a product of our
economic dependence. Butlin has challenged this view by pointing to the
particular pattern of development within Australia during the Long
Boom, which he claims was largely determined by decisions made within
Australia. Fitzpatrick and other historians placed major emphasis on
external causes, such as the Baring Crisis of 1890 which affected the
willingness of British investors to invest overseas and hence the flow of
capital into Australia, and the fall in wool prices in the early 1890s.
Once again the role of external influences looms large. Butlin takes a
longer-run view. Poising to what he believes is a key turning point in the
boom in the mid 1870s, he argues that after this point all forms of
investment became less profit-orientated and more speculative. Invest-
ment criteria in railway construction were little concerned with short-run
returns or their absence; pastoral investment became more centered on
stocking up new stations in more marginal areas, encouraged by the
usually long spell of optimism-inducing weather; and residential
building became more and more a speculative venture, especially in
Melbourne.

Whether the mid 1870s marked such a distinct change is open to
debate, particularly in the manufacturing sector, but the 1880s un-
doubtedly saw more emphasis on speculative ventures. Butlin equates
these developments with a 'long-run structural disequilibrium'. In such
a collapse and drastic readjustment was inevitable; external shocks set
off the process, that is, determined the timing of the re-adjustment, but
they were hardly the root cause of it. This seems to be a fair summary of
his argument. The external-internal categorisation of causes, however,
the welfare of the great majority of Australians must be sought in a context of our imperial links. As Britain experienced growing economic problems we did not remain unaffected. Our continuing heavy dependence on Britain made us especially vulnerable to the eventual economic holocaust.

Recovery from the 1890s collapse was spectacular though there was some diversification in the pattern of our export trade. Dairy and meat exports expanded, utilizing techniques of refrigerated shipping that were developed by T. S. Morri as early as the 1870s, and once again gold came to the rescue of our balance of payments problems (this time from Western Australia). Despite these stimuli, permanent and sustained recovery rested upon improvements in pastoral productivity and upon a substantial expansion of wheat production into areas formerly dominated by wool growing.

With the formation of the ALP in 1891 and its growing political influence, a consensus emerged across a broad spectrum of Australian society in favour of more direct state regulation of economic activity. State owned enterprises were established, usually the product of a desire to reduce State government costs, rather than of a view that such activities constituted a first step towards a socialist Australia. The effect in many cases was to assist private enterprise by providing cheaper inputs, for example, building materials; no real threat was posed to the private sector. Amongst a wide range of other institutional developments, which included the establishment of the Commonwealth Bank in 1911, perhaps the one with greatest long-run impact on future growth was the creation of a nexus between the demands for a basic wage and increased protection for infant manufacturing industries. As a result of the Harperate judgment of 1907, protection against the onslaught of competition from British manufactured imports was accepted as economically and socially desirable as long as some of the benefits of this protection were passed on to employees in the protected industry. A formal legal nexus was not maintained for long but the principle behind it was, assuring the manufacturer of the continuing support of organized labour for his demands for protection whether he faced serious import competition or not. The interests of Australian workers in having their jobs protected coincided with the development of the now familiar argument for protection based on the need to foster local industry. The manufacturer not only benefited from the customs union that Federation had created between the states, which had widened the market for his products, but he could now argue for measures to protect and foster his activities which would help in the growth of import replacement. In the long run this was to prove antithetical to British economic interests.

The formation of an international division of labour resting on the doctrine of free trade from which Britain had gained so much economic advantage in the nineteenth century. To indicate why this proved to be the case and to show the long run causes of the 1930s collapse it is necessary to examine general developments in the international economy in this era.

Generally speaking, the period from the 1870s through to World War I saw a growing international division of labour, with the more advanced and industrialized economies expanding the export of manufactures to the less industrialized economies. These imports were balanced by the export of food and raw materials to the more industrialized powers, and often also by heavy capital transfers from the developed to the less developed economies. In such a situation, any serious change in the terms of trade, of level or exports transfer could seriously affect the recipient countries. For example, any serious deterioration in a recipient economy's terms of trade would tend to affect its propensity to import, given the dependence on export income to facilitate import trade. Such a move would also reverberate on the economy of the more industrialized nation by reducing the outflow of manufactures. Fortunately for international economic and political stability the terms of trade did not fluctuate greatly between the 1870s and 1914, and a crude form of equilibrium was maintained.

World War I severely upset this equilibrium in the following ways. With the disruption of European agriculture, a stimulus was provided to the newer areas of settlement to further expand their rural production. When European agriculture began to recover after the war, the stage was set for a possible over-supply of food and other key raw materials. The newer areas responded to such a threat, which began to show itself in increasing price instability as the 1920s proceeded, only by further exacerbating the world over-supply problem in the long run. On the demand side, growth in demand in the more industrialized countries was restricted by the general economic problems these economies faced in the 1920s. Countries like Australia were heavily dependent on a continuing growth in demand from these countries for their primary exports. Such a situation helped to encourage Australian prosperity to that of Britain in particular, but any serious cut in demand for world exports of primary staples would also affect Australia.

The industrialized nations were also highly vulnerable as World War I had encouraged another destabilizing problem. Countries such as Australia, cut off from traditional suppliers of manufactured goods by the exigencies of war, were forced to become more self-sufficient and to expand import-replacing industries. Once this boost had begun, the end of hostilities did not produce a reaction in the process. Quite naturally, there was no desire in the less developed countries to destroy these new and expanding industries. Instead, the tendency was to ensure their eventual survival and growth by raising tariff barriers against import competition. In brief, the grand design of Empire economic harmony, between Australia and the 'Mother Country', was threatened by such developments. The international economy was facing increasingly dis-equilibrative forces, which had been generated by these dialectical...
relationships between the more advanced and less advanced powers. Such a situation would eventually require serious adjustments, and the need for such became obvious in the international monetary problems of the 1920s.

This outline of the growing disequilibrium in the international economy is unavoidably terse, and rests on extensive generalization. There are many other aspects calling for elaboration, perhaps the most important being the place of the United States in this scheme. Development within the US economy were able to influence other Western countries because of the former’s increasingly important position in the international economy as a whole. The US was a key purchaser of raw materials and was itself contributing to the growing world over-supply of foodstuffs. Any serious fluctuations in her economy would therefore have serious repercussions on other economies. The most obvious was the growing economic power of the 1930s came from the Wall Street crash of October 1929, but this was simply an overt indication of basic structural problems in the US economy.

It was then the turn of the rest of the capitalist world to suffer. The fact that the US had become a massive lender to Europe in the 1920s provided one automatic transfer mechanism; as capital exports fell so did the moves of European stability. The London capital market, subservient to Wall Street, fell into chaos. Imports of food and raw materials into the UK were cut by 40 per cent; thus the time bomb of world over-supply was set off. Australia was virtually unprotected from these economic shock waves which were to threaten the very continuance of the Western economies.

Such an international scenario provides an explanation as to why Australia received two severe external shocks in 1929: the cessation of capital inflow to the London capital market collapsed; and the drastic fall in the prices received for our exports. Why these particular shocks occurred when they did, and why they were of a particular magnitude, is only answerable through reference to the broad international developments outlined above.

The reason why Australia was so heavily affected by these external developments is undoubtedly related to our lack of economic independence at this time. Because our growth had been so connected, and dependent on, British demands, we were automatically vulnerable to external shocks. In the 1930s and the Great Depression sets out to upgrade the importance of internal developments, and suggests in considerable detail the major features of Australian development in the 1920s. The stronger role of domestic developments rests on the possibility that external influences on the actual pattern of internal development may be obscured. To illustrate this conclusion, some comments will be made on Australian-British economic relations in the 1920s.

The periods of Australian history when economic growth has been most marked have been periods of heavy capital inflow and high rates of immigration. The 1920s were no exception to this maxim. With our ability to produce profitably, we were able to escape the trap in many Third World countries and themselves in today. Moreover, the exploitation of our comparative advantage was greatly assisted by mass immigration of British capital and labour. In the 1920s the imperial link with Britain was conveniently summarised in the expression ‘Men—Money—Markets’. The intention was that Australia would provide an outflow surplus to British labour and thus help to reduce the high unemployment levels in the ‘Mother Country’. This labour, it was hoped, would be gainfully employed in the production of foodstuffs and raw materials for Britain and would in turn help expand the demand for British manufactured goods. Britain would provide a market for Australian exports, while Australia would provide assets for British investments. The third section of the trilogy, capital, would be provided by Britain to assist rural development in Australia. Thus such a strategy constituted an attempt to maintain the international division of labour upon which British eighteenth century growth had so conveniently rested. To oppose such a strategy was anti-imperial, and branded one a disloyal subject of the King, if not a subversive. This defence strategy was considered politically as well as economically advantageous to Britain. In 1919 a senior official in the Colonial Office urged a massive programme of emigration to the Empire because you would not have the Bolshevik and the very real trouble you will have if you are prepared to cope with the period of congestion which must come.

The problem with such a strategy in the 1920s was that the general disequilibrium in world trade was already collapsing. Australia had gained greatly from this type of relationship in the previous century, but with growing world over-supply of rural products, the demand side of the equation was virtually ignored. Moreover, such a strategy encouraged heavy investment in economically doubtful rural schemes, in increases marginally marginal areas. Whilst rural export prices remained fairly stable, the strategy could be maintained, if export prices dropped seriously or suddenly, or if capital inflow was suspended, it would be in ruins. This problem of potential long-run instability was compounded by the tariff structure in Australia, which expanded in breadth and height as the 1920s progressed. The main arguments for protection were an infant industry type approach, combined with an emphasis on the ‘employment creating’ effects of the tariff; the labour movement supported protection as long as wages and employment were shielded from overseas pressures. The nexus created in 1907 between wage fixation—the basic wage—and the level of protection continued to operate. Protection was approved by the labour movement in the 1920s as long as the wage-earner gained his share of the advantages it produced in the form of higher wages and guaranteed employment.
What this helped to produce was a high cost structure in the industry relative to that prevailing in Britain in the 1920s, and hence even more protection. It was argued, was necessary.

With high levels of protection, Australian manufacturing was not encouraged to improve its efficiency, extensive restrictive practices were given a fillip, and foreign investment was stimulated, as foreign firms found it more convenient to hurdle the rising barriers and establish plants in Australia. In brief, the rural and industrial sectors both faced problems that would demand eventual resolution. Some adjustments were made in the industrial sector before compulsory adjustments were forced on the economy by the Great Depression. Manufacturing investment reached a peak as early as 1933-4, and a general levelling off in this sector occurred from the mid-1920s onwards. Whilst capital inflows continued to enable heavy public investment, these forewarnings were easily ignored. Whilst Empire strategy was still supported and being put into effect in Australia, a breathing-space was possible. Yet the extension of the crash to come was very much a product of the tightness of these Empire bonds.

By the late 1920s it was clear that the 'More-Money-Markets' strategy would have to be suspended, but even then the British were still keen to keep their surplus unemployed on to Australia. Late in 1939 Australia was faced with an offer of hundreds of thousands of coal miners with the suggestion that they be turned into wheat-farmers. This was at a time when Australia was furiously trying to grow more wheat, in a futile effort to counter-balance falling grain prices. This eleven-hour offer personalised the limited impact the Empire Settlement schemes had on Australian development in the long run. Our population was expanded, necessitating capital widening which was heavily financed through overseas borrowing. But unemployed coal miners did not make good potential wheat-farmers. In fact those British workers actually unemployed as a result of the problems of the old British export industries proved reluctant to emigrate to places like Australia; the solidarity of the mining community even in times of hardship proved a powerful force against emigration. Australian schemes to assist agricultural development proved equally doubtful in their long-run effects. The relatively few farmers who, despite little capital or expertise, made a success in areas of largely marginal quality, found themselves trapped once the price of their output collapsed with the depression. 'More-Money-Markets' had not solved Britain's unemployment problems and most importantly the key variable—markets—did not even exist in any permanent sense, Empire loyalty had led us to become enmeshed in an Empire strategy which did not produce a permanent market for our exports. Nevertheless, many Australians, refused to accept such a conclusion. As late as 1936 Earle Page, leader of the Country Party, made loud exhortations to the British for their continuance of the strategy of the 1920s. The British reacted with surprise and then disinterest.
some British capital assisted manufacturing development. Of considerable significance is the fact that the technology that came with this capital, or was imported by other means, was falling behind that utilised in the USA and Germany. On the limited work done in this area it appears that this disadvantage of our links with Britain grew in importance as the 1930s proceeded. At a stage in our development when we should have introduced the most advanced technologies we were relying heavily on a source that was lagging behind in the technology race. This is another clear disadvantage of our political and economic links with Britain at this time. The almost total disinterest by policy makers in directly assisting manufacturing development in the twenties was very much a product of the hegemony of feeding towards Empire cooperation, as was the usually limited interest shown in the growing overseas ownership of this nascent but key sector. Recovery from the crisis was slow, and by the middle of the 1920s, only 1929 levels of unemployment and low levels had been achieved. There was no return to the optimism that had dominated the first half of the twenties. Agricultural recovery first had to pull the farmer out of the deep liquidity trap that he had been placed in. The decade saw a continuing emphasis on ‘populate or perish’ philosophies, the fall in the birth rate being of special concern to the more xenophobic members of the community. Our greatly decreased ability to import, the devastation of our currency, and depressed wages and hence costs of production, assisted manufacturing growth as did increased in the level of protection. Nevertheless, Australian manufacturers still faced heavy import competition, which was not alleviated by the 1934 Ottawa agreements. Certainly, the entry of overseas firms in the 1920s and 1930s reduced some of the drain on our balance of payments from the import of manufactured goods. However, the need to import capital goods to service industrial expansion, as well as manufactured inputs for the manufacturing sector, counterbalanced this advantage to a considerable extent. Despite a lack of drama in manufacturing development in the 1930s, this sector was quietly expanding. An example of this can be seen in the fact that in 1935 the Australian demand for iron and steel had at last reached a level that made local production economically attractive and feasible. Small market size, import competition and displaced markets for iron and steel had all facilitated 1931’s assumptions of a monopoly position in this central industry. A great deal of work remains to be done on industrial development in the 1930s; at this stage we can offer little more than conjecture. On the eve of the outbreak of World War II Australia was still primarily an exporter of primary products and a recipient of manufactured items. Our industrial base had been widened during the war and depression, but our economy was still closely tied to British interests. Once again it was the extrasensory intervention of war that was to speed-up and assist our slow crawl towards becoming a small industrialised state.

Conclusions

From this survey of Australian economic development up to World War II certain conclusions can be deduced. ‘Primary capitalist accumulation’, to use Marx’s well-known concept, had not seen the product of a relative increase on consumption. In the long run, Australia was able to industrialise without having to rely heavily on domestic savings produced from restrictions on domestic consumption, nor had we collected large quantities of surplus from colonies. Undoubtedly, we gained indirectly from British exploitation of colonial surpluses from export from such as the Sudan or New Guinea. Some of the surplus extracted must have indirectly influenced our ability to borrow on the British capital market and the cost of that borrowing—though this kind of link remains unresearched. At the same time, import competition, limited local demand, and the existence of geographically differentiated colonial markets within Australia provided disincentives against the growth of Australian industry. Moreover, as has been suggested in the discussion of twentieth-century developments, the early stages of our transition towards a small industrial economy produced serious effects on our growth performance. The failure of GDP per capita to rise significantly in the first four decades of this century was the result of the respective levels of productivity prevailing in the rural and industrial sectors. With diminishing returns from rural sector investment by the twenties, combined with relatively low levels of productivity in the infant industrial sector, the transition towards a more industrialised economy was not a simple process of the transfer of factors from an area of low productivity to one of high productivity, as has been evident in European industrialisation experience. The era of pastoral capitalism in Australia had in fact produced labour-saving techniques of production which in turn helped facilitate high per capita levels of income and consumption. It was only when external factors supplied turned against our interests that the Australian worker suffered from the development process.

Given such relationships, it is little wonder that most Australians have not seen themselves as simple victims of our links with Britain. The process of exploitation has been subtle and difficult to discern except in terms of depression. Our original inhabitants disappeared quickly from the scene with the cruel assistance of the settlers, and the crucial role that immigration from Britain played meant a diminution in possible opposition to imperial economic and political links. In the Long Boom the advantages of our partnership with Britain were clear. Yet from the 1920s the partnership showed signs of stress; the Great Depression of the 1930s set the seal on the widespread belief that the partnership offered nothing but advantage to Australia. It took the forced lessons of war and depression to provide a challenge to the continuance of this falsely optimistic perspective. Australian experience does not fit a vulgar model of imperialism.
where foreign investment did nothing but untrammeled harm. Nor does it fit the model of André Gunder Frank developed from Latin American experience. But this should not blind the commentator to the disadvantages our close ties with Britain produced. Radian Fitzpatrick remains basically uncorrected in his starting points. He drew attention to the need to see our development as very much an appendage of British development, and three decades of post-Fitzpatrick scholarship have not seriously challenged this need. Where necessary, certain degrees of emphasis should be changed as a result of our greater knowledge of the past. Here the radical scholar should not by-pass the monumental impact of N. G. Butlin's work—but neither should the conservative scholar dismiss Fitzpatrick simply because of his radical allegiances or because his emphasis on the disadvantages of our links with Britain suggests that not all the fruits of our development accrued to Australians. We were both victims and partners of British imperialism and its neo-mercantilist schemes of the twentieth century. Instead of the benefits of these policies going only to a class of comprador capitalists, they were shared more equally amongst the members of Australian society. In the absence of a heavy inflow of British capital and labour, Australian development, apart from the periods assisted by gold production, tended to stagnate. It was no coincidence that the only reasonably prolonged period of depression in the first four decades of this century, that of the twenties, also corresponded with heavy capital and labour inflow. But as with the Long Boom before it, this expansion was short-lived and we once again had to pay the consequences of our dependence. The British investor certainly lost capital on occasions, especially in mineral booms, but the massive investments in public sector activity by British investors were never seriously challenged; strong feelings of political loyalty and common heritage meant that Australia constituted a safe haven for British overseas investment. At no stage were serious moves made to expel or even buy out British economic interests and our banking system has always been heavily dominated by British interests. We know little about the net benefit of British activity in Australia to the British economy and it would be impossible to quantify it in any real sense. Without much of the present ambivalence about overseas domination and ownership of key sectors of our economy is a product of the subtle manner in which British interests have exploited our development. Until a clearer historical perspective on the British role has been widely accepted, we cannot expect too serious an interest in the negative features of US and Japanese influence, from broad sections of Australian society.

NOTES

1 Fitzpatrick's most important work is his *British Empire in Australia 1836-1936* (Melbourne reprints, Melbourne, 1969).


3 The best survey of the various theories of imperialism is T. Kemp, *Theories of Imperialism* (London, 1967).

4 Major contributions to the re-evaluation of British colonial policy are included in A. G. L. Shaw (ed.), *Great Britain and the Colonies 1815-1865* (London, 1970).


9 See the list by K. Buckley in this volume.


13 G. C. Biddle, *Colonial Socialism in Australia*, Inc. col., p. 27.


18 See the last chapter of *Investment in Australian Economic Development*.

19 E. A. Boden, *Prosperity and Depression in Australia 1887-1937* (Melbourne, 1971) is a useful study of the 1930s.


25 *N. G. Butlin, Economic History of Australia* (Sydney, 1936).

26 These claims are discussed in B. J. McFerran, *Professor Ewen's Economics'*. *A Great Deal of Work* (Melbourne, 1936).

27 C. B. Svedenhag's discussion of the recovery process is useful but needs more elaboration.