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N. G. Butlin

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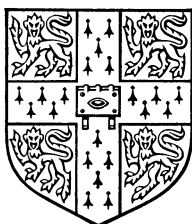
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# INVESTMENT IN AUSTRALIAN ECONOMIC DEVELOPMENT 1861-1900

BY

N. G. BUTLIN

*Professor of Economic History in the Institute of Advanced Studies,  
Australian National University*



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## PREFACE

In the century and three-quarters of Australian history, a quite remarkable adaptation to a strange new environment has led from an inauspicious convict beginning to the creation of a stable new western community, democratic, relatively egalitarian, highly urbanised, heavily industrialised, one of the richest nations on earth. If the past three-quarters of a century have been preoccupied with the deliberate fostering and perfection of this urbanised society, these modern achievements still rest heavily on the remarkable performance in the first century, the period of the first pioneering trials and the later massive efforts to come to terms with and to control, for highly productive economic purposes, the vast resources of the Australian continent.

It is possible that the problems of control and utilisation of territory will again become an important issue in Australia and that not only the experience of the earlier attempts to develop technical and physical control but also the basic pattern of resource allocation in this process will become increasingly relevant. This book deals with the final forty years of the nineteenth century, the phase of Australian economic development dominated by the problem of utilising these natural resources. Although the study of this phase necessarily touches on many facets of Australian economic history, I have focused attention on the process which appears central to the success of these efforts, the creation of physical assets in the provision of large-scale rural equipment, the construction of new communications, especially railways, together with some other types of social capital and, finally, the establishment of urban assets of houses, factories and shops. These simple objects determined not merely the economic success but the basic security of the new Australian society; and they remain the base on which much of modern Australian life depends.

Technical economic history of any country, in the sense of economists' appraisal of actual realised processes of growth, is still unfortunately rare. I have found even less guidance in the few essays which exist elsewhere examining the sequence of economic growth in terms both of aggregate behaviour and the performance of major investment components. The story of Australia which emerges is the over-all sequence of development in the economy as a whole and the role of the main sectors of investment in this phase of growth. Since this covers so many new issues, methodologically and in the actual circumstances of Australian history, I have been conscious of the need to try to communicate with both historians and economists. Perhaps, at times, the story becomes a little technical for the former and unnecessarily dull for

the latter. But I am convinced that, if the problems of economic development are to be elucidated, it is essential to heed the invitation of Joseph Schumpeter, to encourage historians and economists to take a mutually profitable walk together.

In conjunction with my statistical volume, *Australian Domestic Product, Investment and Foreign Borrowing, 1861-1938/39*, this book now provides a narrative account to supplement the statistical description of the former volume. The two books have been written together, though the statistical volume is designed to be essentially a reference source of statistical estimates. The present book is not an analysis of time series. Statistical analysis cannot be very meaningful until the quantities are tested by alternative evidence, interpreted in terms of institutional and human behaviour and, in particular, supplemented by non-quantitative experience. Nor can analytical study be very meaningful without understanding institutional behaviour. This book is intended to be primarily an institutional and historical account of Australian investment and economic development. I hope to follow it with a third essay, a strictly analytical study of growth. For the moment, chapter 1 is a brief sketch to provide a more concrete but preliminary background to the main parts of the present book and is based mainly on the estimates in my *Australian Domestic Product*.

My interest is in the general process of growth, the dominant sequences of change in Australia as a whole. I have not attempted, therefore, to deal seriatim with the different colonies nor to provide, in any sense, a complete economic history of institutions, industries and areas. The quest for dominant processes has meant that I have concentrated on eastern Australia and, indeed, on Victoria and N.S.W. As the occasion demands, the scene does sometimes shift to other less central areas. It would be neither practicable nor meaningful to attempt to incorporate the history of all the colonies in this book.

I have not made much use of secondary sources and for the most part have gone to a mass of manuscript business records of quite a large number of firms, to detailed reports, inquiries and discussions of government authorities and political representatives and the contemporary comment as it appeared in current newspapers and journals. Certainly, chapters II and IV would have been impossible tasks without the co-operation and generosity of the business firms whose records are listed in the bibliography. In practice, only one secondary source covers this field in a substantial way, T. A. Coghlan, *Labour and Industry in Australia*. It is, perhaps, something of a tragedy that, for purely pedantic reasons, this great work has been disregarded by Australian economic historians. Traditionally, the failure by Coghlan to acknowledge sources of information, together with some errors of detail, has cast suspicion on the whole work. Returning to *Labour and Industry* after working in detail over the

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period, one cannot fail to be struck by the greatness of this work, by the grandeur of Coghlan's mind, the keenness of his appreciation, his essential accuracy of both fact and judgment and his obvious fascination with his theme. No book before or since has matched Coghlan's in Australian history and there can be little doubt that had these volumes been given serious academic attention as they warranted, there would, today, be a much greater appreciation of the problems and processes of change in the Australian economy.

In a pedantic view, I have, myself, committed a number of heresies. The text contains a large number of abbreviated names of institutions, places, areas and, also, of source material and I have, on occasion, in dealing with references in the text and in footnotes, been content to use everyday titles of books or series of which the titles have, in reality, a number of subtle variants. In using abbreviations, I have endeavoured to introduce the full title first and I hope that, given this introduction, the letters A.M.L. & F., for example, will be clear and less cumbersome than the full Australian Mortgage Land and Finance Company Limited or, as it became, the Australian Mercantile Land and Finance Company Limited. I hope, too, that titles such as *Victorian Year Book* (which will certainly identify the relevant series) can reasonably be used for a series which, while containing these words, actually has at least eight detailed changes in title in this period. In practice, if absolutely meticulous references were made, this volume would be overwhelmed with detailed variants of titles without in any way assisting the reader. A little more complicated is the question of defining certain areas. In this sort of study, it is essential, at times, to have fixed areas as units of comparison. I have used areas and titles which were not formally recognised throughout the whole period; for example, the three territorial divisions of N.S.W. are adopted for discussion of periods before these divisions came into being. There is no realistic alternative to this procedure.

This book was begun at the Australian National University and some of the contents have been presented in seminars of the university, particularly over the years 1954-58. I have to thank members of these seminars for their comments and criticism. The preparation of material was made with the help of Mrs Ruth Inall and Mr G. Pursell. The writing was completed while on study leave at the Department of Applied Economics, Cambridge, England and I have to thank the Department for its kindness in providing congenial circumstances for this work and in helping in the final stages of preparing the manuscript. I am also indebted to my colleagues Professor G. Tucker, Dr A. Barnard, Dr N. Cain and Dr J. McCarty for many helpful comments on the manuscript.

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N. G. BUTLIN