Refinement and Refutation: N. G. Butlin’s 1959 Monograph “Colonial Socialism in Australia” and Explanations for Public Capital Formation, 1850 to 1890.

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Abstract

In 1959, an edited volume entitled The State and Economic Growth was published. It consisted of papers presented at a 1956 conference related to the same topic. Of interest here was the inclusion of N. G. Butlin’s paper entitled “Colonial Socialism in Australia”. The existence of colonial socialism has never been in doubt; nor has its importance to the development of the Australian economy ever been seriously questioned. What has been the subject of considerable contention has been the questions pertaining to what caused colonial socialism to be established in Australian colonies during a period of pronounced liberal thinking and what effects (good and bad) did the existence of colonial socialism have on Australian economic development generally and the development of private enterprise particularly? In this paper I review the position established by Butlin in his 1959 contribution and explore the subsequent discussion it generated both in terms of refinement and refutation. In doing so, I concentrate my discussion by reviewing the areas of employment, finance sourcing and railway investment in the context of the effects this activity had on the capacity of the private sector to develop in such an environment.

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I. Introduction

In his 1959 article, “Colonial Socialism in Australia”, Butlin neatly opens with a quote from the Queensland Colonial Treasurer of 1879 wherein that official is listing the various capital and recurrent expenditure types undertaken by the Queensland government in an effort to argue for the reduction of government expenditure (1959, p. 26). The quotation is of interest both because it contains an illuminating list of expense items, some of which might not be expected to be found on such a list of a nineteenth-century treasurer’s report, and also, in Butlin’s view, because of what the Treasurer neglects to mention. The identified expenses include government support provided to activities that would be considered today the proper province of government – education, poor relief, the provision of parks and road building - but were not so usually attributed to government responsibility in the nineteenth-century. The quotation also identifies those expenditure elements that would typically be identified as indicators of the existence of colonial socialism. Included in the Treasurer’s report were such things as the “supply of railway to districts at a price that does not pay the working expenses”, the payment of subsidies for land and sea transport, the subsidizing of half the cost of postal and telegraphic services, and the provision of roads and bridges “everywhere” while a “toll is a thing unknown”. Those items of government expenditure that were not listed but for which Butlin identified evidence that the government was paying included such items as the provision of capital grants for sugar mills and farms, assistance for the importation of Polynesian workers, government provision of artesian bores and the rabbit-proof fence, and water and sewerage facilities. Butlin explained that the later group of expenditure items were neglected in the Treasurer’s listing largely because they were items of expenditure that were undertaken in his and his class’ interest (1959, pp. 26-27). In other words, the Treasurer was keen to reduce expenditure where it did not impact on his interests and Butlin saw this as the “…common pattern of positive intervention, with the central feature of large scale outlays for capital formation [and which was typical of] colonial socialism” (1959, p. 27). An additional observation might be that the report is also an example of the complex nature of the relationship between government and the polity in Australia. As will be demonstrated in this paper, this complexity serves to make the analysis of Australian colonial socialism and its affects a very difficult one.

Britain settled and managed colonies of different types during the period from the early 1600s through to the third quarter of the twentieth–century (James 1994). The government of these colonies varied markedly according to the time period in which they were established and their essential purpose. Generally, though, the British colonies are divided into two sub-sets (Vries 2002; Frankema 2011). The first sub-set, being settler colonies, are those colonies which have as a dominating purpose the settlement of a significant number of British migrants who, effectively, dispossessed the local indigenous peoples and, ultimately, established nation-states the economic organisation and government of which reflected those of the British homeland markedly. These colonies eventually came to be called Dominions. The second sub-set, which can be termed colonies of occupation, were established not with a view to the re-settlement of British subjects but with a view to economic exploitation. The North American colonies, Australia and New Zealand are examples of the former sub-set, while Frankema (2011, p. 136) identifies sub-Saharan African colonies as examples of the later. India is, of course, a very important example
of an exploitative colony (James 1994). Expanding on this theme, it is instructive to consider Frankema (2011, p. 137-139) who identified four distinct colonial types. They are: 1) the Benign State – where low taxes are subsidized by a central government; 2) the Development State – where high taxes are used for the provision of public goods and the enhancement of economic development; 3) the Night Watchman State – where the primary concern of the colonial government is to serve the empire and secure order, taxes are low but so is government investment; and 4) the Extractive State – where the government seeks to maximize revenue, enrich the colonial elite and the provision of public goods is only made available to those elites.

It is with the Australian colonies that we are interested here and the application of Frankema’s model above suggests that these colonies were, initially, developed in the form of Benign States (due to the overwhelming necessity for government support). They then became Development States as the centre of government slowly shifted from the seat of Empire (London) to the colonies themselves and nation-building became central to all economic considerations. It was this latter form of colonialism that saw the development of colonial socialism and, like colonialism itself, colonial socialism also took on various forms.

The purpose of this paper is to review colonial socialism as it developed principally in the eastern Australian colonies during the period from 1860 to 1890 – a period in which direct Imperial government was exchanged for local government and in which the general expectations of government held by those governed appear to have taken shape thus informing public sector economic policy making until the end of World War II. Like colonialism itself, there was established a clear Australian form of colonial socialism and its central importance and profound effect on the development of the Australian economy has not been challenged. What has been debated during the last sixty years particularly is the cause of the development of the Australian form of colonial socialism and the effects it had on the development of the Australian economy generally and the private sector particularly. That is, why did Australian colonial economies appear to adopt economic policies at odds with the accepted wisdom of liberal thinking predominant throughout this period and did such policies retard or enhance the development of the private sector in Australian colonies? Butlin, in his 1959 article attempts to respond to these questions. The publication of this piece served to reinvigorate the debate regarding the form economic development took during the period under review as well as reframe it in an Australian context rather than the Imperial context that was central to the analysis of the Australian economy predominantly before World War II (Schedvin, 1979). Additionally, Butlin used this piece to examine quantitative data that was available from the colonial period and which laid the foundations for the subsequent debates. Finally, the piece was used by Butlin to demonstrate his views as to the economic and qualitative effects of colonial socialism as it was deployed in Australia. These were, in essence, to retard the development of private enterprise by crowding out competition via the public sector’s driving up of interest rates and employment costs; the increase in government economic activities having been undertaken due to political pressures applied once responsible government had been passed over to the colonies; and a lack of proper economic management within the public sector.

In this paper I shall show that, while the majority of writers agreed with Butlin’s quantitative estimates regarding the economic development of eastern Australia during this period, they were less unanimous in their support of his broader qualitative findings. The numbers were accepted but the interpretation of cause and effect as described by Butlin was problematic in so far as the
development of a universally acceptable thesis was concerned. In essence, the debate revolved around the specific causes of the Australian form of colonial socialism, the effects this economic arrangement had with respect to the development of private enterprise and the extent to which Butlin’s view that the development of colonial socialism during the period from 1860 to 1890 inevitably led to the bust of the 1890s and, more importantly perhaps, the economic policies adopted up until the end of World War II. I will demonstrate this by examining the arguments put forth by three key authors, those of H. M. Boot (1998), L. Frost (2000) and C. B. Schedvin (1979). These three authors review the arguments developed by many authors over the period since Butlin’s 1959 article was published but I have chosen the work of these three authors because Boot and Frost disagree with regard to the extent that colonial socialism retarded or supported the growth of the private sector in the context of Butlin’s interpretation while Schedvin takes an alternative view emphasizing Butlin’s own experience as a key to his interpretation of the evidence. To facilitate this discussion, the paper is divided into five sections. In section two I shall review the Australian form of colonial socialism; in section three I shall examine Butlin’s article in the context of this paper; in section four I shall examine the arguments of Boot, Frost and Schedvin in some detail and in section five I shall provide some closing remarks.

II. Colonial Socialism – An Australian Form?

In his article “Are We All Socialists Now?” (2012), Tragenza sought to anchor the rise and acceptance of socialistic economic policies in twentieth-century Australia to the peaceful establishment of the Commonwealth, the transfer of ideology and practical responses from the Imperial experience during the first decade of the twentieth-century, and as a result of what he saw as the common expectation that socialism would naturally follow the age of liberalism. While the existence of colonial socialism in Australia has never been challenged – this form of economic model had often been identified in the literature since the early twentieth century – its causes and its effects have been subjects of considerable controversy. Tragenza (2012, p. 92) refines his thinking by quoting Francis Anderson who, speaking in 1907, said that, by the early years of the twentieth century, the extant Australian form of practical state socialism was one in which the “demands of the ideal theory are subordinated to the necessities of the political situation”. This interpretation is an important one as the issue of whether state socialism was a response to changing ideologies over the first century or so of settlement or a response to the particular economic, geographic, social, historical and political nature of Australia is one major foundation of the discourse relating to colonial socialism as it applies in that country. Tragenza held that, by the late nineteenth-century, political doctrine followed rather than led political

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2 While Tragenza focuses primarily on the period 1890 to 1914, he describes socialism as having passed through three stages: the utopian stage (early nineteenth-century), the scientific socialism stage (mid-nineteenth century and focusing on Marxian thought) and the practical stage of state socialism (later nineteenth- and early twentieth-centuries).


4 Anderson, F. (1907), “Liberalism and Socialism”, Presidential Address to Section G of the Australian Association for the Development of Science. In this address, Anderson sought to make a case that state socialism superseded even the ‘scientific socialism’ of Marx. He believed that, by 1908 when he gave the address, many considered that state socialism had reached an “advanced stage” in Australian political practice (Tragenza, 2012, p. 92).
practice (2012, p. 93). Indeed, he believed that, by the end of the early 1900s, “…the dominant forms of both political theory and practice were located at the intersection of new liberalism and state socialism” (2012, p. 94). This thinking was also reflected in the discourse of the time. Like Tregenza, St Ledger (1909, p. 6) felt that socialism was “in the air” by the first decade of the twentieth-century but that it needed to be approach stealthily otherwise the polity could not be convinced of the efficacy of socialist policies. Therefore, both Anderson and St Ledger, taking a position reminiscent of that later taken by J. K. Galbraith, confirm that there was a disparity between acceptable economic ideology and the practice of governments (Gilchrist 2011).

While I will review Butlin’s perspective closely in section three below, it is important here to identify that he considered that the role of public expenditure (in terms of operational outgoings and capital formation) was fundamental to Australian economic development for the whole period from initial settlement until the establishment of the Welfare State after World War II (1994). Even though the ideological rhetoric changed throughout this long period, Butlin’s view was that the convict nature of the original colony established in 1788, the reliance on Imperial support as a key part of the development of the economy at and subsequent to settlement, and the pragmatic transfer of this economic reliance from the Imperial government to the local government all developed an underlying and often unremarked acceptance of the government’s role in maintaining and developing the economy (1994, pp. 54-92). This experience both served to establish colonial socialism in Australia and to mould the style of this type of government intervention into one with a peculiarly Australian flavour. In Butlin’s mind, this framing of the government’s role was based on a pragmatic acceptance of the needs of the colony. He described the initial colonists’ interest in passing on as much cost as possible to the Home Government. The colonists then sought to replace the Home Government with the local administration as the political maturity of the settlements on the East coast led to those colonies receiving responsible government in the 1850s (pp. 68-69).

In developing his argument with regard to the nature of Australian colonial socialism, Butlin (1994, pp. 80-93) emphasised the economic power wielded by autocratic governors, then local governments led by appointed legislative councils, and, finally, the representative governments

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5 For instance, St Ledger emphasised this dichotomy in Australian economic thinking:

“In no State Parliament has the Socialist party ever come forward with a definite proposal for the nationalization of any single industry...It dare not face the electors with such a proposal...The elector has an instinctive, that is, a natural horror of being taxed for unremunerative state enterprises, and still holds that speculation is the province, as it is the risk, of the individual and not the state.”

St Ledger (1909, p. 129)

6 He also stated that there was a nexus developed between liberalism and socialism where liberals in Australia considered that the responsibility for advancement of the standard of living was as much the province of parliament as it was of employers (1909, p. 29).

7 By and large, when discussing the Australian colonial experience, the colonial government and the Australian government, Butlin (and most others) were referring to the east coast settlements with a predominant emphasis on the New South Wales and Victorian experiences. There is some justification for this given that Western Australia was quite delayed in its development and, during the period reviewed by Butlin it was very under-developed and experiencing a long and very slow economic growth. However, a review of the Western Australian experience may have been a valuable one for Butlin’s argument as it was a colony founded on the principle of private enterprise but which required significant government support to survive its initial decades.
This economic power was, essentially, based on the capacity of those local political masters to make economic decisions and to distribute economic benefits via the creation of public capital and the devising of legal arrangements to the benefit of certain interest groups, and including to the benefit of themselves. In other words, the original desire to place expenses against the Imperial government was replaced by a desire to place those charges against the local government – often to the benefit of certain elements in society but, maybe, to the detriment of the polity as a whole (Butlin, 1994, p. 56). Additionally though, Butlin considered that the first 25 years of Australian settlement set the scene for the ongoing exploitation of public resources because, during that time, official positions were used to establish private enterprises and to “distort the disciplined penal structure” while the authorities took on the role of wages and price fixer, the largest employer, and as trader and land-broker (1959, p. 27). The practice of spending public money, to the advantage of the few but borne by the many, was well established by the time New South Wales, Victoria and Queensland were awarded responsible government in the 1850s.

Overall, the establishment of the British convict settlement in New South Wales in 1788 set the scene for the establishment of Australian colonial socialism. As Butlin pointed out, “[t]he British convict settlement of Australia represented a major act of public investment” (1994, p. 54; see also McLean, 2004 p. 331) and the public funded transfer of people, equipment as well as the value of the convict settlement to the colony all served to establish public finance in the centre of the colonial economy. Grants in aid and the salaries of soldiers and administrators all served to build the economy. Particularly in the early decades of the New South Wales settlement, this public funding and support was undertaken to the advantage of the governor and other leaders within the colony. The ability to make decisions regarding land alienation, the allocation of convict labour, the prioritisation of public works and the establishment of the commissariat as a pseudo bank - as the shortage of specie meant it had to facilitate transactions within the colony and for external trade purposes - all meant that public assets could be relatively easily converted to private assets by those in charge (Butlin, 1994, p. 132). This expectation was thus established early but carried on in the psyche of the colony into the twentieth century. The local administrative arrangements were the focus of Imperial reform once the conclusion of the Napoleonic Wars had been reached and the Colonial Office could, at last, develop more substantial instructions for governors, establish land alienation arrangements designed to increase local revenue and oversee the activities of those in charge more closely. However, by that time, the culture of public support and the enduring practice of privatizing public goods had been established. This thinking was reflected in the writings of H. M. Boot (1998, pp. 75-77) when he identified that, while the New South Wales government never “scaled the heights it scaled in the first decade of settlement” in terms of public expenditure as a proportion of the total economy, the gradually falling share of government expenditure to the total “masks” the increase in the absolute size of the government.

Boot (1998, p. 77) considers that the differing arrangements established in the Australian convict settlement, as compared to those arrangements previously in place in the American settlements, to be a major cause of the establishment if not of colonial socialism in Australia then the development of the principal conditions necessary to making it possible to develop. Like Butlin before him, Boot (1998, p. 79) considers that the comparative ease experienced by the colonial government and the colony’s leading classes in expropriating public assets (via the alienation of
land on easy terms, the allocation of convict labour and the access enjoyed to Imperial money amongst other things) all set the scene for the acceptance and development of colonial socialism over the next century or so. Indeed, he identifies that fortunes were made in privatizing government resources (1998, p. 79). Boot expands on this thinking though by demonstrating that, not only was it comparatively easy to appropriate these government assets, but the government also assisted in setting the scene for the development of colonial socialism itself by undertaking a wide variety of roles within the colony of New South Wales:

“Special problems of remoteness, the physical character and climate of Australia, the absence of municipal and other local institutions, and the limited amount of private capital also made it necessary for the administration to undertake an unprecedented range of responsibilities…the colonial government administered and controlled harbours, ran farms and factories, supplied building materials, constructed roads, bridges and public buildings, laid out towns, administered and controlled the disposal of land, licensed businesses and professions, regulated prices, wages, and working conditions, and regulated the currency and banking.”

Boot (1998, p. 80)

In describing the nineteenth-century role of government in Australia, Boot identified three distinct periods: that from 1786 – 1822, wherein the government is the dominant provider of resources; 1822 – 1856, being the period of Britain’s financial withdrawal from the colonies and the transfer of responsible government; and 1856 – 1891, which Boot describes as the period of colonial socialism. It is the final period, from around 1860 to 1890 that is of greatest interest in this piece, as this is the period considered in Butlin’s 1959 article. In essence, this is a teleological description of the development of colonial socialism and Butlin, Barnard and Pincus (1982, p. 13) reinforce this development story by asserting that, in Australia by 1900, a “basic pattern of relationship between public and major private interests had long been established.” This relationship depended upon large-scale public action to attract resources into the colony from outside and upon the direct participation by public institutions in investment and the delivery of marketed output.

While Frankema (2011, p. 136) identifies that colonial state development embodied some typical features when considering settler colonies as compared to what he calls the “extractive colonies”, the identification of a model of colonial socialism that was distinctly Australian is a difficult task. Butlin et al (1982, p. 10) identified that it was complex, confused and not uniform in that, even within a colony, the same government might hold different policies at the same time toward different industries – the political doctrines following political practice. However, key elements of Australian colonial socialism included: an initial period in all colonies where survival and subsequent economic growth depended upon public sector investment; the application of government resources to capital formation activities that would have been undertaken privately in other countries; as a direct result of operating businesses that would have otherwise been

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8 This was even true of the Swan River Colony which was originally established along liberal and commercial lines as the third such colony in Australia in 1829.
9 Railway development, road building, telegraph development and supplemented postal services and harbour development and management are significant examples of this type of activity undertaken by government rather than
privately run, governments became major employers and users of capital; and, the focus on land alienation to the benefit of larger-scale landholders (see for example McLean and Pincus, 1983; Butlin, 1994; Boot 1998 & 2000; McLean, 2004). Indeed, that colonial socialism existed in Australia was not the issue.

What is central to the discourse that has been underway since the publication of Butlin’s 1959 monograph is the identification of the causes of colonial socialism and its effects. Why was colonial socialism such an important and constant part of the Australian economic landscape for so long and how did it affect the Australian economies? In terms of the second question, the principal concern is stated in terms of how colonial socialism supported or retarded the development of private enterprise in Australia. In the next two sections of this paper I shall review Butlin’s 1959 consideration of these two questions and then consider some of the responses to Butlin’s position outlined in subsequent literature.

III. Butlins’ 1959 Article

Noel G. Butlin (1921-1991), made an enormous contribution to our understanding of Australian economic development. From his post, held at the Australian National University over a 32 year period, he reinvigorated and refocused the discourse which saw an increase in activity and nuance in this important area of Australian history. However, Schedvin (1979) argues convincingly that it was Butlin’s early career that impacted most on his interpretation of the evidence he later used to describe colonial socialism, its causes and effects, in his writings from the 1950s onwards and which was central to the 1959 article. Schedvin (1979, p. 524) reviewed the perspectives of several writers regarding colonial socialism in Australia following what he terms the “…decisive reorientation in the early 1960s towards uncovering the mechanism of economic growth and development” which Butlin led. While nuancing the arguments and comments made above, the element of Schedvin’s contribution of most importance to our immediate discussion are his comments regarding Butlin’s early experiences, which created a frame through which Butlin considered the evidence he gathered. In essence, because Butlin was an Australian government official during the post-World War II reconstruction period, and because he had experienced the economic effects of the inter-war period, he saw investment as critical to the future prosperity of Australia. As such, he was a Keynesian (1979, p. 546) and the development of a set of national accounts and the emphasis on economic investment was fundamental to his thinking. In relation to his historical studies, Butlin’s interest developed while he was studying entrepreneurial history at Harvard in 1949-50. In that environment, he alighted on a key issue which set the scene for his subsequent analysis: the Australian development story held a place for government that was central and in which government was seen as an investor and business manager of such activities that were undertaken by the private sector in America. He was also imbued with the sense of a need to tell the story of Australian economic development from an Australian perspective (p. 546).

In his 1959 article entitled “Colonial Socialism in Australia”, N. G. Butlin analysed the significant economic data series available from the colonial period. This allowed him to focus on

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privately. Additionally, activities such as building public buildings and assisting immigration were significant roles assumed by governments (Boot, 1998, p. 89).
developing an understanding of the causes and effects of colonial socialism. What was of interest to Butlin was the cause of the long period of economic growth between 1860 and 1890 in Australia and this interest led him to examine the effects that colonial socialism had upon the development of the Australian colonial economies. Indeed, Butlin saw the speed and constancy of growth of the Australian economies as being the “striking feature” between 1860 and 1890 (1959, p. 45). The literature describing colonial socialism itself has been discussed in section two above and so it will not be reprised in this section. Rather, the purpose of this section is to discuss the major points relating to the effects of colonial socialism in Australia as Butlin saw them and, particularly, whether or not colonial socialism supported or retarded the growth of the private sector in Australia. As indicated, Butlin’s analysis is undertaken within the context of explaining the long period of continual economic growth experienced in the Australian colonies during the period 1860 to 1890. Indeed, this was a period identified by Butlin as a time when Australia enjoyed “…sustained, stable growth without pronounced cyclical movements until 1889” (p. 34).

To Butlin, this period – 1860 to 1890 - was an important period in the development of an Australian version of colonial socialism. Indeed, he sees the period as one in which the Australian form of colonial socialism was embedded, establishing the parameters of economic policy settings from 1890 until after World War II. Up until 1850, a foundation for colonial socialism was built through, initially, the self-interest of the colonial authorities and the desire of the colonists to lay-off expense to the Imperial government (p. 27) and then, as a result of the “pastoral eruption” of the 1830s “…strong pressures were exerted by private individuals to induce governments to provide the conditions suitable to the growth of free enterprise” (p. 37).

By 1860, the maturing economies of the main Australian colonies were bolstered by gold discoveries, increasing land sales and a dramatically increasing population (p. 37 – 38). 1860 is also an important starting point because the separation of Queensland and Victoria from New South Wales combined with the awarding of responsible government to these colonies during the decade of the 1850s, saw the transfer of political control of local issues to the local government and the termination of the authoritarian, convict supported, colonial government. Overall, these economic and political changes meant, in Butlin’s view, that “…there were now required positive policies to facilitate growth” (p. 38) and the local authorities could be placed under political pressure to ensure they met the requirements of the elites. Further to this, Butlin saw a fundamental problem that set the tone for the remainder of the period under review:

“The basic facts seem to be that, at a critical time, private individuals were unable to develop adequate business organisations for railway operation, and that the governments, with access to capital were able to overcome the immediate obstacles that checked private promoters.”

As identified above, by Australia, Butlin is talking about New South Wales, Victoria and Queensland. He introduces some comments relating to other colonies but his real focus is on these three eastern colonies. In terms of Western Australia, for instance, the end of the period reviewed by Butlin (1889) coincides with the major gold strikes which occurred in the West from around 1887 onwards. Western Australia was, to a reasonable extent, a beneficiary of the downturn on the Eastern seaboard as London money and other resources (including human) were redirected to the new goldfields (Gilchrist, 2011). It is interesting to consider that, while the Swan River Colony was established with the intention of being less state orientated that those on the Eastern seaboard, it failed and colonial socialism was the essential ingredient necessary to ensure the colony’s survival.
He contended that “[i]t was the orientation, not the fact, of extensive government intervention in the Australian economy after 1860 that was new” (1959, p. 27). During the period between 1860 and 1890, Butlin considered that the long period of Australian growth was achieved as a result of the development of labour-saving investment (due to the more intensive use of lands, the introduction of technology and the heavy capital outlays spent on fencing and water schemes), the growth of transport, the development of cities, the steady rise in money wage-rates and real wage-rates and the fact that the rural workforce was highly mobile not only within colonies but also between them (p. 30). All of these elements were affected by significant government activity. However, he refined his arguments regarding the causes of growth to two key issues – the high and sustained process of capital formation (both private and public) and the fact that technological change meant the relatively simple public and private nation-building activities were able to be carried out by unskilled labour (p. 30).

“The outstanding change to be explained is the fact that between 1860 and 1890 governments came to be as important quantitatively as private enterprise in Australian capital formation” (p. 38). By 1890 another crucial change had occurred which closed this period of sustained economic growth on the eastern seaboard of Australia and established the temporal boundary for Butlin’s discussion. This change is not the subject of this paper. However, it is important to identify what Butlin considered to be the substantive difference between the period before 1890 and that afterward. In essence, the collapse of the economies in eastern Australia as a result of the bursting of a speculative bubble led to significant monetary difficulties until 1893 when Butlin contends the very slow recovery began as a result of the effects of agricultural rather than pastoral expansion, the development of non-auriferous mining and a “critical diversity of export commodities” (1959, p. 30). According to Butlin, critically, by the end of the 1850s, there had grown a “belief in the superior ability of the government to raise capital in London”, to secure “navies” through assisted migration schemes and to develop railways between the goldfields and major ports (p. 40). It is in the context of these three areas of significant public sector economic activity, as undertaken by colonial governments during the period 1860 to 1890, that I shall review the 1959 work of Butlin and then consider the responses of Boot, Frost and Schedvin.

i) Railways

The development of government railways throughout the eastern colonies has always been taken both as an indicator of the existence of colonial socialism and as a point of contention between economic historians as to the causes and effects of this government involvement in what would, at that time, be seen to be very much the province of private capital. Railway investment was considerably expensive, politically charged (primarily due to the placing of lines and spurs and the timing of that placement rather than whether government should invest or not) and one of the largest projects with which government could become involved. While the traditional areas of government investment – bridge and road building, harbour building and management – were maintained, it was railway building and management that really set the scene for the development of Australian colonial socialism. The sums of money involved and the labour
required set Australian colonial governments well on the path to being the major employers and investors. Indeed, Butlin contends that the setting up of government railways, along with the establishment of telegraph facilities, “…constituted a significant departure from tradition…to the exclusion of private enterprise” (1959, pp. 38-39). Governments became entrepreneurs, large employers, providers of durable assets and major clients of the London money market.

While the traditional justifications of government involvement in the development and operation of railway systems – long distances, sparse populations and the underlying risk and unprofitable nature of railways in Australia – were considered in the 1959 piece, Butlin did not believe this was the real reason that governments became involved in this area. Rather, he considered that there were profits to be made in railway investment and operations (1959, pp. 40-41) but contended that there were other reasons as to why private capital did not establish railway assets in Australia. In essence, he believed that the act of nation building saw a need for the development of a “…partnership of private and government institutions…” which was not based on “doctrinaire attitudes” but was an ad hoc solution to the problem of the development of local resources (1959, pp. 35-37). In other words, the act of nation building at the speed that was universally acceptable required both the government and the private sector to undertake a share of the work. The sheer magnitude of the project meant that both government and private capital were fully employed in their respective spheres. Government was occupied with railway development and operation, telegraph and postal development and operations, as well as the traditional areas of road and bridge building. Private enterprise was involved in residential housing in cities (city-building), developing commercial enterprises and establishing manufacturing assets while farmers were investing in fencing and agricultural machinery. Additionally, Butlin contends that there was a paucity of knowledge in the private sector relating to the building and management of railways whereas government had this capacity (1959, p. 41).

The development of this economic “settlement” was gradual and was presented in the 1850s and 1860s as a necessary unpinning of national development at a speed acceptable to the polity. However, public sector railway developments were considered and accepted in the early part of this period on the basis of profitability. This focus was crucial in the mind of Butlin to ensuring the “…favourable reaction of private individuals to this policy…” and it “…clinched the place of governments in the field…” thus ensuring that the possibility of private investment here was reduced markedly (1959, p. 41). In other words, government took the role away from private enterprise by establishing a bridge-head which ensured private enterprise could not take on the cost and risk associated with investment in potentially less profitable lines. The focus shifted from profitability over time. Once the principle of government investment and operations of railways was accepted, the road was clear for the expansion of the role of the public sector beyond what might have been conceivable during this first decade of responsible government. Indeed, Butlin (1959, p. 41-42) described a “timeline” over which the development if public railways went from being profit focused in the 1860s to being concerned to meet a “social purpose” in the early 1870s, and then one which was distorted by the later building of public railways for political rather than economic ends in the 1880s. The social purpose of railways in the 1870s meant that profitability was subordinated – though not wholly disregarded – to the provision of rate reductions, the planning of new lines based on economic development objectives and the provision of transport to support the expansion of cities in the south east corner of Australia. While, by the 1880s, the private sector’s reliance on publicly funded and
operated railways meant there was neither private sector capacity nor interest in building railways.\footnote{This analysis confirms Pratt’s contention in his 1908 work that the only profitable government run railway was that of Western Australia (1908, p. 78).} As such, in the mind of Butlin, a major effect of public involvement in railway building and management was to effectively exclude the private sector from that field. This allowed the private sector to focus its attention on other areas of development. It also made it possible for the public sector to undertake investment in railways during the later part of the period for assumed social reasons rather than economic reasons. This major infrastructure investment also meant that governments needed to enter the finance markets in London in order to access sufficient capital and had to employ a considerable workforce.

\textbf{ii) Sourcing Capital}

Government activities in the areas of raising overseas loans and employment also had significant and somewhat similar effects with respect to the development of private enterprise within the colony. Indeed, Butlin considered that government capital formation may have impeded private capital expansion by “poaching” resources of labour and capital – both in terms of competing for access to capital but also by effectively raising the cost of labour and passing the cost of interest on to the private sector via taxation arrangements\footnote{The interest rate cost was increased as a result of demand for capital but the private sector also felt it because of the ability of government to lay off its interest bill via tariffs and taxes (1959, p. 47).} (1959, p.47). Indeed, governments used the income derived from protective tariffs and land sales, while purporting to pursue economic policies, toward balancing their budgets as economic conditions changed but interest bills still needed to be paid.\footnote{For instance, while railway development was labour intensive, the capital obtained for the purchase of equipment was actually spent in the United Kingdom where the capital equipment for the operation of the railways (such as engines and coaches) were built. Indeed, barely 10% of public sector demand for railway equipment was placed in the colonies. (Butlin, 1959, p. 72).} The fact that the profitable operation of government businesses began to be less important over time meant that the relative costs associated with loans and labour were also less important to government than to private enterprise, the latter needing to return an adequate profit or move its capital elsewhere. Overall, Butlin maintained that the formation of public sector capital had limited expansive influence on the private sector and that it increased costs (via labour and interest rates\footnote{The interest rate cost was increased as a result of demand for capital but the private sector also felt it because of the ability of government to lay off its interest bill via tariffs and taxes (1959, p. 47).}) had limited effect on demand with regard to manufacturing and reduced the output of traded goods.\footnote{For instance, while railway development was labour intensive, the capital obtained for the purchase of equipment was actually spent in the United Kingdom where the capital equipment for the operation of the railways (such as engines and coaches) were built. Indeed, barely 10% of public sector demand for railway equipment was placed in the colonies. (Butlin, 1959, p. 72).} The effects of the above were to retard private capital formation. However, this is to simplify the economic development effects of the Australian form of colonial socialism. Butlin identified positive effects associated with significant government capital formation resulting in the pragmatic partnership also described above but governments

\begin{itemize}
  \item Protective tariffs and land sales were identified as important policy levers in Victoria and New South Wales. In the case of Victoria, protective tariffs were intended to protect the nascent manufacturing industries developing during this period. On the other hand, free-trader New South Wales sought to use land alienation policy as a mechanism for establishing small holders on the land and increasing agricultural as opposed to pastoral activities. Butlin argues that, regardless of the apparent overt intention of these policies (and considering for instance that New South Wales was not particularly attached to free trade beyond the rhetoric) neither Victoria’s protective tariffs nor New South Wales’ land policies resulted either in a more substantial manufacturing sector or the development of small land holdings. In fact, quite the opposite occurred – large pastoralists in New South Wales reinforced their control of land while manufacturers in Victoria did not grow other than at an unsteady rate. What he does emphasise is that the income from these activities was increased or decreased depending on budget needs from year to year. Thus they were essential in ensuring the capacity of governments to meet their interest bills as economic conditions changed (1959, pp. 30, 43-45).
  \item This analysis confirms Pratt’s contention in his 1908 work that the only profitable government run railway was that of Western Australia (1908, p. 78).
\end{itemize}
were also able to use their considerable administrative and policy making capacity to compete effectively with the private sector for capital.

In terms of access to loan funds, the private sector had to compete with the public sector on very uneven terms. The public sector had centralized the investment “decision making machinery” in its hands, it dominated the employment market and, argues Butlin, it had the administrative and budgetary capacity to curb private activity directly if it chose (1959, p. 47). The loan requirements of governments were such that the colonial public sectors had accrued considerable expertise in managing their financial arrangements and in negotiating for the best rates either locally or internationally – regardless of the effects on local private enterprise. It has already been identified above that Butlin contended that governments used taxation and land alienation policies to maintain sufficient income to meet interest payments. However, they also played local banks off against British funders in a “…most business-like manner…”, so that, by the mid 1870s, they had become very adept at it (1959, pp. 56-59). Indeed, “[t]he problem of investing budget surpluses and unspent loan proceeds was continuous…” perhaps assisting in the focus on social outcomes rather than economic outcomes when appraising investment options (p. 60). Governments’ activities also had a significant effect on labour demand and increased the costs to the private sector.

iii) Labour via Migration

Additional to the effects of public capital formation already described, a basic economic reality faced by the Australian colonies was that the local supplies of labour and capital were inadequate and this meant that the “…scale of Australian activity and the rate of growth was limited…by the supply of British capital and migrants” (1959, 31). Additionally, as a result of the ad hoc partnership between private and public activities, capital formation and immigration moved in an inverse pattern in the short-run, producing a very stable aggregate. Private capital formation was much less stable and followed the economic climate while public sector capital formation was more stable over the longer term (1959, pp. 45-47). As a result of the significant public capital formation that occurred during the period 1860 to 1890, Butlin argues that the flow of funds to Australia from Britain was maintained at a steady and increasing rate regardless of long- and short-term economic fluctuations in Australia or internationally (1959, pp. 32-35). This sustained expansion ensured three decades of stable British financial support from private institutions as well as sustained immigration notwithstanding the considerable competition represented by the more proximal destinations from Europe of Canada and the United States of America. Both America and Canada were, prima facie, competitors with Australia for British immigrants and capital. However, importantly, the proportion of immigrants entering Australian colonies was stable while the effects of periodic fluctuations in numbers of emigrants from Britain appear to have been borne by Canada and the USA (1959, pp. 33-35).\footnote{Butlin also argues that the Canadian and US experiences in relation to British funding were different to Australia as Canada and the US as destinations for British capital seem to have fluctuated with British investment at Home – that is, increased investment at Home meant reduced investment overseas - while capital flows to Australia were stable regardless of the state of British home investment (pp. 32-33).} Immigration numbers from Britain to Australia were much less than those heading to the North American destinations and so Butlin expresses a need for caution in overemphasizing this relationship. However, given the significant risks associated with coming to the Antipodes as compared to those alternative destinations
(Blainey, 1993), it is a likely explanation for the constancy of immigration numbers over such a long period.

In the Australian context, the immigration numbers during this period were considerable and the building of cities took up a significant proportion of the private capital deployed in New South Wales and Victoria particularly. As such, while it was unusual during this period for the governments of other countries to become involved in such activities as rail building and management, in the eastern colonies the rate of development meant that resourcing was difficult and the ad hoc partnership between government and private enterprise saw the private sector focus on city-building while leaving the government to concentrate on its own development activities. Indeed, Butlin considered that:

“[q]uantitatively, it was the building of cities and interurban railways, rather than the extension of rural settlement, that absorbed Australian resources.”

Butlin (1959, p. 29)

Overall, Butlin argues that while government behaviour may have influenced the “climate of enterprise” by facilitating such a long period of continuous growth and by effectively excluding private enterprise from a number of fields, allowing it to focus on city-building for instance, in reality this limited stimulus was offset by the negative outcomes derived from such profound public sector involvement in the developing economies. Indeed, he argues that government activities were successful in confining the economies to a “pastoral mould” and making it harder for the establishment of agricultural and industrial activities. He also believed that the governments’ activities effectively established a sellers’ market for labour, thus driving up the costs of hiring labour for both public and private sector operators. However, the public sector operators had the capacity to operate without emphasis on making profits and governments were able to off-set the costs of their activities by raising taxes. Of course, the private sector had to make an adequate return on their capital employed and also had to foot the bill for taxes levied – particularly in relation to tariffs and land sale values. Finally, the establishment of a transport monopoly by governments also reduce the capacity for the private sector to become involved in the major economic activities of the day and cemented the reliance of the private sector on the governments’ business activities (1959, pp. 71-72). The overall effects in the labour market caused by government activity included an increase in unionism, an emphasis in the reduction of hours of work (due to high rates of pay), an increase in attempts by wage earners to use government policy to achieve social gains and marginal increases in pastoral activities needing less labour (pp. 73-74).

Overall, Butlin argued that one major effect of colonial socialism in the Australian context was the crowding out of the private sector as a result of the public sector limiting access to labour, capital and by undertaking commercial and investment activities that would usually have been considered the province of private sector operators. Principally, it was the nuances which were subsequently debated in the context of Butlin’s original and important contribution to Australia’s economic history and his explanation of the causes and effects of the Australian version of colonial socialism. However, the article did elicit strong responses in support of Butlin’s views and in opposition to them. It is to three of these responses that I now turn.
IV. Refinement and Refutation

In this section I shall review the arguments put forward by Boot (1998), Frost (2000) and Schedvin (1979) in support of their reading of Butlin’s (and others’) analysis of the development and effects of colonial socialism on the economies of colonial eastern Australia in the period 1860 to 1890. In undertaking this task, I examine the extent to which Butlin’s interpretation was accepted by all three authors and the areas where the authors’ views differed from each other and from Butlin himself. I have focused on these three writers because their pieces serve to demonstrate the major arguments and, in the case of Boot and Frost, they specifically look to refute the other’s position.

According to Schedvin (1979), Butlin’s article was important because he produced “reasonably reliable” estimates of productivity. He then used those estimates, combined with qualitative data, to develop a “novel and persuasive” interpretation of the economic causes and effects associated with the period 1860 to 1890. Finally, the data developed by Butlin was then able to be used to fill in the missing pieces of economic data predominantly relative to the second half of the nineteenth-century (1979, p. 545). Importantly, Butlin’s style was one that was focused on Australian causes and effects rather than the view of Australian economic history as an appendage of Imperial economic history as floated by Coghlan (1918), Shann (1948) and Fitzpatrick (1949) (Schedvin, 1979, p. 546).

Additionally, Butlin’s central observations, including that the public sector had an exceptional role in Australian development as opposed to the role of the public sector in, say, the United States, were never objected to. Indeed, Boot (1998, p. 75) identifies that “…government expenditure on capital formation reached extraordinary levels by the 1880s”, and he reported that by 1890 total public sector employment for all colonies had reached an incredible 270,000 (1998, p. 77). Nor was Butlin’s observation that the public sector’s involvement in economic activity was central to Australian economic development and represented about half of the total capital formation in the period 1860 to 1890 objected to by any subsequent writers [see for instance, MacLean and Pincus (1983), Boot (1998 & 2000), Frost (2000) and Tregenza (2012)]. Activities such as railway development and management, communications investment, harbour works and management, all financed via loans on the London money market, were acknowledged as central to the public sector’s role in the emerging Australian economies and as fundamental to the development of economic policy up to the end of World War II. What was at issue was the extent to which this period of significant public capital formation was undertaken with a view to building the economy via strategic public investment that would not be undertaken otherwise (and the extent to which it was successful in this regard) or the extent to which this investment was actually undertaken instead of private capital formation which was crowded out as a result. In other words, subsequent authors did not take issue with the quantitative elements of Butlin’s arguments but with the qualitative elements – how the statistics should be interpreted.

Building on Butlin’s considerable contribution to our understanding of economic development during the period under review, Boot (1998) sought to provide nuance to Butlin’s underlying thesis by emphasizing the foundational effects of the original style of settlement, the place of governors and the role subsequently assumed by inexperienced politicians who sought to respond
to the economic development challenge but who he considered were not well placed to develop
the necessary economic policy prescriptions (1998, p. 83). By dividing the period of his analysis
into two distinct temporal elements, Boot argued that the period 1822 to 1856 saw the central
and authoritarian role of government establish expectations in private citizens (or at least those
that mattered, being the leading classes) that government’s role was to establish and then
facilitate the growth of the private economy, but to retain a number of key responsibilities,
including the provision of the framework for a free economy such as protecting property rights
and maintaining taxation at manageable levels (1998, pp. 81-83). The second period, from 1856
to 1891, saw the establishment of responsible government and the transfer of expectations
previously held of the Imperial Government to the local governments. These expectations were
easily translated as those elites who had been demanding economic support and patrimony from
the Imperial government became the political heads in the colonial government. Further, the
pattern of government involvement in economic matters had been set. These expectations related
to the transfer of public assets to private hands, the use of public sector resources to undertake
capital formation that might otherwise be undertaken by the private sector and to drive economic
expansion. This economic expansion was to be fuelled by large-scale capital projects
“…designed to accelerate the pace of economic development by improving the main avenues of
communications…” (1998, p. 89). While Butlin contended that the public sector had the decision
making capacity and that, over time, a social objective outweighed the need for an economically
appropriate return for public sector investments, Boot argued very differently. He contended that
the public sector was in fact low paid, inefficient and poorly placed to make economic decisions
(p. 89). While Butlin had argued that the social return became central after about 1870, Boot
argued that, in fact, political leaders “…ignored ideas of social service, independence and
patronage in appointments and promotion was widespread” (1998, p. 89).

Building on a theme, Boot argues that it was both the scale of public sector capital formation and
its complexity that was a central feature of this period, not just the increasing share of economic
activity undertaken by government (1998, pp. 89-90). While Butlin points to the place of
political pragmatism in the placement of railway infrastructure to be important (focusing on the
perceived social imperatives as opposed to the profitability of the rail network), Boot indicates
that by the 1880s economic criteria were abandoned to political criteria for decision making
regarding rail investment (1998, p. 91). He contends that the costs of running the railways were
never covered and that “…pork barreling and rivalry between…” Victoria and New South Wales
drove capital investment decision making. Indeed, he believed that:

“… by the early 1880s, governments were borrowing heavily to build lines into areas
where they had little immediate potential to enhance export growth.”

Boot (1998, p.94)

However, he also points out that private investment in housing and pastoral activities were
abundant during this period. Acknowledging Butlin’s point that tariffs were used to flatten
income to ensure governments could pay their interests bills, Boot also indicated his belief that
the improvements coming out of government investment assisted greatly the development of
colonial resources and social benefits that “…would not have been realized had matters been left
to private enterprise”. However, he mitigates this point by adding his view that as the investment
grew over time it was increasingly ineffective in terms of removing the natural constraints on growth (1998, pp. 97-98). Indeed, while Butlin seeks to balance the advantages and disadvantages related to the dominating role of the public sector in capital formation and operating businesses, Boot maintains that it was not government investment that “unlocked” the Australian resources but, rather, access to reduced costs of production due to government subsidized inputs (in the form of cheap transport and communications due to the socializing of capital and excessive operating costs across the entire population rather than it being borne by those who benefited), migrant labour and the “…development of a vigorous private sector capable of adapting these to the unique demands of the Australian environment” (p.98). As such, the central differences between Butlin’s and Boot’s analyses are, generally, matters of emphasis within an agreed framework of cause and effect. Frost (2000), on the other hand, took a considerably different view of the qualitative causes and effects associated with colonial socialism in Australia.

In his refutation of Boot (1998) and Butlin (1959), Frost (2000) focuses on the discussion surrounding public sector investment in railways, contending that, in fact, economic imperatives were actually the drivers of railway development rather than political imperatives as described by Boot. He considers that parliaments actually adopted market-based criteria for assessing public projects including the issues relating to the timing and placement of railway development (2000, pp. 74-75). As such, Frost considers that the failure of these investments to generate economic growth should be re-examined. While he accepts that politicians did, to some degree, “…rent seek the same as everyone else…” (2000, p. 75), he contends that Boot’s and Butlin’s emphasis of development on political over economic imperatives as drivers of parliaments and governments was, in fact, the exception rather than the rule. Indeed, he drives home the argument by stating that the fallacy is embedded in the national story:

“Here Boot is expanding on an old argument, indeed, the view that public investment was authorized for non-economic reasons – to buy votes – has been part of the conventional wisdom for so long that most writers have accepted it uncritically.

Frost (2000, p. 73)

In support of this argument, Frost provides as an example the Victorian politicians’ placing of rail lines next to their investment land in the late 1880s, which he describes as exceptional behaviour but which seems to be a story constantly referenced by those who argue the conventional wisdom. He cites Perth and Adelaide as examples where mass transit systems were established cheaply and without political corruption. Indeed, the number of voters who could be bribed by local public works was quite small, predominantly due to the competing interests of the politicians hailing from differing electorates and the limited pool of investment funds (2000, pp. 75-76). Additionally, he argues that the levels of government debt in Australia worried the London money market and that, therefore, money was not as freely available to colonial governments as is often suggested. Nor were farmers happy with the idea of government funded railways losing money as he argues that they became concerned that such inefficiency naturally caused freight costs to increase (p. 77). As such, colonial parliaments “…had much to lose and relatively little to gain…” by rent seeking. He considers that Butlin’s examples of unproductive railways accounted for a small proportion of rail constructed. Instead, they were seen as an
investment that would help to create a secure farming sector which would generate increased economic activity and taxes into the future. In this respect, Frost agrees with Boot and Butlin, that there was an expectation that investment in rail would, ultimately, provide a return for colonies at some future point.\footnote{The timing of this dividend was not expected to be as delayed as reported by Butlin and Boot who both considered that the full potential economic benefits were not realized by the investing governments until well into the twentieth-century (Butlin, 1959; Boot, 1998).}

Frost argues that there were, in fact, two elements in public policy that were designed to open up areas for increased development. These were the establishment of property rights via land sales in the initial part of the period under review and the provision of public railways and the subsidizing of transport and other costs were intended to allow the producers to stay on the land even when prices for produce were unfavourable (2000, p.80). In this thinking, he agreed with both Butlin and Boot. However, he extends the argument beyond that made by them when he states that this policy setting led to the less economically efficient outcome of marginal producers staying on the land when their capital could have been better used elsewhere. Additionally, the fact of such marginal producers remaining on the land effectively retained “downward pressure” on prices (p. 80). Thus it was a misguided but generally accepted economic policy setting at that time. Indeed, following Frost’s argument to its conclusion, while the preference may not have been the right one, it does not follow that parliaments and governments acted irresponsibly or eschewed market tests in decision making.

Turning to the issue of competition between public and private sector employment, Frost also finds fault with both Butlin’s and Boot’s analyses. In essence, their contention that public sector competition drove up employment costs and prevented the private sector from expanding due to the difficulty in accessing sufficient labour at a sustainable price, was reviewed and Frost argues that the private sector investment undertaken in capital cities was, in fact, a major source of demand for labour. He considers that the private investment undertaken in rural areas reduced the need for labour (for instance the investment in fencing) and that the unwillingness of labour to move out of the cities shows that, in fact, the demand for labour there was sufficient to allow people to stay rather than move in accordance with government investment to where Booth and Butlin contend that labour was required (2000, p. 81). In other words, Frost argued that the evidence was misread by Butlin and Booth. Overall, he contends that it was important to all sections of the community that market criteria were used to evaluate proposed public sector investments as the alternative was that government investment would crowd out private equivalents and the level of taxes would have needed to be increased to pay for it (p. 83). While it ended in the economic disaster of the 1890s, Frost argued that there was an ideological rationale for the decisions being made by governments not that that ideology was necessarily the right one. He considers that there was a symbiotic relationship between government and the private sector built on mutual reliance. The former provided a secure, low-cost business environment (which was taken advantage of) and the latter provided government with increased income as a result of their profitable activities building the economy.

Boot responded to Frost in his monograph entitled “Government and the Colonial Economies: A Reply to Frost” in 2000 in which he refined and reinforced his arguments. It is not my intention to review this paper as it largely rebukes Frost via an enhanced discussion of Boot’s positions.
formulated in his original 1999 paper. Indeed, setting aside the argument between Boot and Frost as to how best to interpret the data derived by Butlin, I now turn to Schedvin’s contentions regarding Butlin’s personal experiences and the key deficiencies those experiences realized in Butlin’s explanation.

It has already been expressed in section 2 above that Schedvin places considerable emphasis on Butlin’s background when considering that author’s view of the development of colonial socialism and its effects in Australia. This background led Butlin to interpret the economic growth experienced during the period under review as the source of the future economic disaster that befell the eastern colonial economies after 1890 (1979, pp. 546-547). Schedvin considers that Butlin’s discussion centres on a teleology that saw the 1860s and 1870s as a period of sound development, the 1880s as a period of growing instability (primarily due to the private sector’s swift response to short-run shifts in the market as compared to the public sector’s unwillingness to deviate from “…a preordained development path…” and the inevitable collapse of the 1890s, which Schedvin argues Butlin saw as a collapse of Australia’s own making. It was an inevitable collapse because the public sector caused wage rates and interest rates to increase through competition, established large fixed charges on the government account and effectively delayed rural diversification until the government’s dominance was broken after 1890 (1979, pp. 546-547). Schedvin argues that Butlin saw the centre of responsibility resting with the government rather than entrepreneurs – the public sector was responsible notwithstanding the entrepreneurs also failed. He indicates that Butlin’s interpretation is flawed because he over-emphasises the role and, particularly, the effects of government activities in ultimately causing the economic crash of the 1890s. He places this flawed interpretation squarely at the foot of Butlin’s experience and sense of economic priorities developed out of his experience in post-war Australian public administration:

“The interpretive defect seems to be that [Butlin had]...an undue concern with what should have happened according to certain value ideals and not sufficient attention to what did happen, and why.”

Schedvin (1979, p. 548)

Schedvin’s analysis is very much centred upon the effects of Butlin’s personal experiences and the influences that he was subject to both in America and in Australia. Overall, he provides a review of some of the literature relating to the causes and effects of colonial socialism in Australia but does not provide his own position, preferring instead to identify the dominant issues by reference to other writers.

V. Concluding Remarks

There is little doubt that the unique nature of the original colony in New South Wales, the subsequent political and economic development of the colonies and the economic stimulus of nation-building served to create an Australian form of colonial socialism. Additionally, there is little doubt that public capital formation and the public sectors’ operating businesses placed the public sector in a central role with regard to the development of the Australian economies during the period from 1860 to 1890. However, this period of development and, particularly the role of
government, also set the scene for closer government involvement in economic affairs in the period leading up to World War II.

What was in contention – and remains in contention to this day – is the extent to which the economic arrangements and the place of government during this period effectively prevented the private sector from taking up roles that would have been taken up by that sector in another country. The usual example of an alternative model is that provided by the US. However, Britain also serves well in this regard with the government standing aloof during this time from direct economic activities in accordance with accepted liberal economic doctrine. The development of self-help socialist entities such as co-operatives in Britain benefitted greatly from this policy setting. The extent to which the development of colonial socialism was driven by self-interested politicians who were keen to retain public investment and accrue political power as a result of wielding economic power, or by politicians who were, in fact, community-minded and made decisions on what they thought was best for all – however misguided their economic thinking might have been – is a question yet to be settled. The cost of capital and labour were seen to be driven up by government involvement and the lack of profit motive within government meant that the control of these costs was not as important for governments as it was for private enterprise. The alternative view was that these costs were elevated due to the nation-building project itself and the overall demand for labour and capital made by a partnership between government and private sector. These partners were then focusing on their respective contributions and mutually supporting each other – the one by establishing rule of law and reduced costs for important public goods such as transport while the other paid more taxes as it built the economy.

While it is ultimately unlikely that a universally acceptable explanation regarding the development and effects of colonial socialism in Australia will be found, there remains a considerable body of work to be undertaken in the examination of qualitative evidence which is likely to lead to a refinement of the possible explanations if not an acceptable answer in itself. However, it is equally probable that the complex relationship between the public and private sectors in Australia, a muddied and opaque one given the tendency for ideology to follow action as described in section two above, will ensure that the full story eludes those examining the evidence for some time to come.
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