Australia: Settler capitalism sans doctrines

Simon Ville
University of Wollongong, sville@uow.edu.au

David Merrett
University of Melbourne

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Abstract
Capitalism, or the system of business, varies between countries since it is the product of both local conditions and the transmission of ideas and practices from abroad. Attempts to generalise about capitalism are therefore, fraught with difficulties. The isomorphic notion that business systems in all countries would gradually converge to a single preferred best practice overlooks the uniqueness of locality. The varieties of capitalism (VoC) literature distinguished two different business systems, liberal market economies and coordinated market economies. While this provided pluralism with no convergence, many countries do not fit easily or solely into either camp. There are further complications both with dynamics-over time aspects of a nation's business system can change, and geographic unit there may be heterogeneity at the sub- or supra-national level such as one country two capitalisms.

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Australia: Settler capitalism sans doctrines

Simon Ville and David Merrett

Introduction

Capitalism, or the system of business, varies between countries since it is the product of both local conditions and the transmission of ideas and practices from abroad. Attempts to generalise about capitalism are therefore fraught with difficulties. The isomorphic notion that business systems in all countries would gradually converge to a single preferred best practice overlooks the uniqueness of locality.\(^1\) The varieties of capitalism (VoC) literature distinguished two different business systems, liberal market economies and coordinated market economies.\(^2\) While this provided pluralism with no convergence, many countries do not fit easily or solely into either camp. There are further complications both with dynamics - over time aspects of a nation's business system can change\(^3\) - and geographic unit - there may be heterogeneity at the sub- or supra-national level such as one country two capitalisms.

For several reasons, Australia was assumed to be a late adopter of best practice as embodied in American competitive managerial capitalism.\(^4\) The growth of a professional managerial class was slow to supersede family business in many firms and, as we will see below, competitive rivalry was often muted. Australia was defined as a liberal market economy in the VoC literature although with very little specific analysis or empirical detail. In fact, Australian business has shown institutional elements from both main varieties of capitalism, for example the prevalence of collaborative inter-firm behaviour fits the coordinated market economy. Both literatures, best practice and VoC, have been widely criticised\(^5\) and it is fair to say provide no more guidance for understanding and generalising about Australian business than they do for many other nations.

In this chapter we delve into the experience of Australian enterprise since about the middle of the nineteenth century when forms of capitalism began to emerge from the limitations of the prior convict economy. Our focus is on capitalist forms established by British settlers rather than indigenous enterprise. There have existed particular elements in the local operating environment and transmissions from overseas which blend into a distinctive set of Australian

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\(^1\) The extensive body of Alfred Chandler and some of his followers is the best example of isomorphism in business history.

\(^2\) Hall and Soskice, Varieties of Capitalism. The Institutional Foundations of Comparative Advantage. Some hybrids have also been introduced.

\(^3\) Fellman, Iversen and Sjogren, Creating Nordic Capitalism

\(^4\) Chandler, Scale and Scope: The Dynamics of Industrial Capitalism

\(^5\) For example, Chambers, The Workshop of the World: British Economic History from 1820 to 1880; Ward, The Australian Legend
practices. Taken together, these set of practices, we argue, form a distinctive brand of business in Australia that we refer to as Settler capitalism sans doctrines.6

Influences

Legacies and transmissions

Australia was bequeathed capitalism by Britain. This provided the security of the dominant world power, the stable political and commercial institutions of the most advanced economy, and access to plentiful and complementary export markets and sources of labour and capital as the Australian colonies began to expand. Besides the broad developmental benefits of a parliamentary democracy, an independent judicial system, and a free press, embryonic businesses were able to draw upon commercial law regulations that included enforceable property rights in factor and goods markets, and rules relating to the conduct of businesses and employment of workers. Finally, part of this package of institutions was the entrepreneurial ethos of the ‘workshop of the world’.7

Importantly, these institutions and values were gradually modified and adapted to suit local Australian conditions. Having had capitalism thrust upon them, Australians never uncritically accepted its logical outcome – wealth distributed solely through the mechanism of the market. Australia shunned the Dickensian world populated by the rich, an anxious petty bourgeoisie, and a desperate under-class. Under pressure from changing local and overseas imperatives, a contested narrative of capitalism plays out through Australia’s history – the free market versus the redistributive role of government. Land reform, public ownership, progressive taxation, competition law, social security and assistance to those suffering losses from drought, fire and flood tempered the notion of an unfettered market and offered a safety net to the ‘losers’.

The sources of international transmissions gradually shifted in the twentieth century, or at least diversified, as America, Japan and then China increasingly entered the picture. Australian capitalism again responded to these impulses, reshaped and modified business methods balancing local needs with overseas ideas and practices. McLean has reminded us of Australia’s close synchronicity in economic vicissitudes with other major nations.8 In spite of the tyranny of distance, or maybe the perils of proximity in recent decades, Australia has become increasingly integrated into the wider international economy on which it draws for sources of labour, capital, innovation, and manufacturing goods, supplying in return the products of its resource-based industries to the world.

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7 Chambers, The Workshop of the World: British Economic History from 1820 to 1880
8 Iain, Growth in a small open economy: an historical view, Ibid. pp. 7-10.
Environmental forces

In spite of the institutional legacy, the British settlement of Australia in 1788 as a convict colony was not a propitious starting point for modern enterprise. Even when some of the constraints of the convict period, such as unfree labour and legal limitations on forms of enterprise and overseas trade, began to atrophy by the mid nineteenth century, the business challenges were still immense.

The populations of each of the Australian colonies were small and scattered. Their capitals were remote from one another and much more so from the main foreign centres of economic activity and population concentrations. Small and remote populations impacted adversely on both factor and product markets. Labour and capital were in short supply, and export markets far off. Distance and poor communications also presented challenges of internal corporate control for the more geographically diverse enterprises.

Domestic population expansion, by natural increase and immigration, and improved connections to the outside world through many advances in transport and communications in the course of the nineteenth and twentieth centuries have done much to mitigate the constraints of erstwhile limited internal and external markets. The economic rise of the Asian giants has brought major economies closer to Australia’s door. The multiculturalisation of Australia, of which this was part, challenged the largely Anglicised nature of enterprise.

Each colony emerged as a separate political entity through the nineteenth century, particularly as a result of the granting of self-government in the 1850s. The sense of regional particularism translated into economic life as colony-based changes to land tenure laws and mining leases widened access to resources. The nature and availability of productive natural resources also varied between colonies. Such distinctiveness remained a feature of Australian development with the conversion of colonies into states at Federation in 1901.

The climate and terrain were unfamiliar to early British settlers and survival itself was a day to day battle. It was a common struggle against an apparently harsh and alien environment where ideologies and belief systems, including doctrinaire forms of religion, played second fiddle to practical secular needs at work and play. Australia lacked the powerful influence of religion among its earliest settlers that the Puritan ideals of the earliest British settlers had carried to the American colonies. The church was instead viewed, in secular fashion, for its educative role and as ‘a source of stability, civilisation and public good’. Equally, attitudes to politics veered towards the pragmatic in most cases with ideology never occupying the central place it did in Europe. Political conflict, as it evolved in Australia, focussed on practical matters with ideology largely an opportunistic handmaiden of such needs. Nonetheless, a tacit sense of egalitarianism ran through these developments even though it was rarely rationalised as an underpinning ideology. Observant visitors, including Anthony Trollope, D. H. Lawrence, and Mark Twain, observed the elevation of secular and practical forms of behaviour over political ideology or religious doctrine.

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The natural resource riches were rarely understood by the earliest generations beyond basic fishing and hunting. This began to change as settlers acclimatised and embraced the business opportunities provided by the natural environment. Australia gradually built a modern wealthy economy based upon a set of primary industries that regularly reinvented themselves in new products—wool from the 1840s, a variety of mineral discoveries from the 1850s, thence to wheat production, dairying and an ever widening set of resource-based industries in the twentieth century. Somewhat surprisingly, though, Australia soon developed as a highly urbanised nation since these industries required long and complex supply chains to bring the product to market; many of the nodes on these chains were set in an urban environment and involved labour intensive service providers—transport from rail to ship, insurance, marketing, storage, loading and overseas shipment.

Some distinguishing features of Australian capitalism

This pattern of local conditions and international influences shaped the exceptionalism of Australian capitalism in several important respects. Small local markets required firms to maximise available economies of scale either internally, through aggressively horizontal expansion, or externally, by cooperation to share scarce resources of capital and information. Moreover, the small scale of economy and society and its relative cultural homogeneity, for at least the first century of British settlement, facilitated a range of structured inter-firm relationships at low transaction costs such as business groups and industry associations. Both strategies, however, also led to anti-competitive behaviour through concentration and collusion.

Government’s important ongoing role included addressing these sources of anti-competitive behaviour. They also responded to sources of market imperfections facing small remote colonial economies by connecting firms with, and sometimes protecting them from, external factor and product markets. They funded, built, and operated costly infrastructure that was unlikely to be provided privately in a small economy, and offered advice to firms on how best to exploit their resource rich environment.

While governments played an important role in attracting foreign labour and capital, overseas multinationals found an attractive home in Australia, especially in the manufacturing sector where few local firms had the scale or technological connections to compete with them. The influence of multinationals stretched to helping shape business cultures and organisational structures in Australia. The economic focus on primary industries further shaped the nature of Australian capitalism including its international connection through exporting. Manufacturing firms were less common among the largest enterprises than in industrialising nations like USA, Japan and Britain. Mining companies, pastoral financiers, and other service industries supporting those

10 Ville and Wicken, The Dynamics of Resource-Based Economic Development: Evidence from Australia and Norway
11 Brash, American Investment in Australian Industry
sectors were among the largest and most influential corporations in Australia. Mostly, they were capital intensive, highly innovative, and spread along complex international supply chains requiring careful coordination but prone to unstable export markets.

The distinctive regional elements of Australian capitalism had more to do with differences in the natural environment than in political particularism. Those states to the west and north (Western Australia, South Australia and Queensland) suited more to mining than pastoralism and agriculture experienced greater uncertainty due to the risks associated with prospecting and unstable export markets. This may have attracted more risk taking forms of entrepreneurship although unpredictable rainfall also periodically unsteadied grain and wool markets in the south-east with reverberatory effects for local consumer industries.12

Organisational and governance structures continued for long to embody personal systems associated with family and trusted employees to counter the risks of opportunism in remote environments with poor communications. While big business dominated the corporate landscape to a degree uncommon elsewhere, even the largest firms were minnows compared with those of other nations such as USA where scale drove changes in firm strategy and structure. Inter-firm relationships and structures also mattered for the reasons we saw above.

In the following section we will analyse how these distinctive elements of Australian capitalism played out in practice and shifted over time.

**Phases of Capitalist Development**

1. **Foundations of a settler corporate economy (c. 1850-1900)**

By the middle of the nineteenth century the embryonic Australian colonies had begun to break from the shackles of the convict economy where opportunities for conducting business were limited and the few successful firms had to diversify across a wide range of products and services to survive.13 Rapid mid-century expansion – economic, demographic and geographic – provided opportunities and challenges that began to shape the long term pattern of business enterprise in Australia. Central to the early stages of growth were the resource industries, which flexed their muscles with the pastoral boom beginning in the 1830s and the gold rushes from the 1850s. The production and trade in raw and processed wool spawned a long supply chain of specialist firms in transport, marketing, finance, and equipment. Each deployed their own proprietary knowledge base in the service of an heterogeneous commodity. Central to the supply chain were the stock and station agents who conducted livestock and property auctions, consigned wool to London markets, and facilitated rural finance. They were the conduit between the

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13 Ville, *Business Development in Colonial Australia*
farmer and the national and international commodity and financial markets. The gold rushes, beginning in Victoria in the 1850s, spurred corporate growth and specialisation, initially through small individual prospectors and partnerships.

These industries motivated the first wave of internationalisation of business - rapid increases in resource exports, investment, and the development of regular overseas shipping routes. The earliest British multinationals began to arrive primarily based in resource-related enterprise such as land ownership, mining, commodity trading, and service industries particularly banking, stock and station agency, utilities, and transport. Many took the form of ‘free standing companies’, whose operations were largely based outside Britain but drew finance, business connections, and entrepreneurial expertise from a physical presence in the City of London. British banks, for example, arrived to help fund the wool trade to London, notably the Bank of Australasia (1835), the Union Bank (1837), the Bank of South Australia (1851), English, Scottish and Australian Bank (1853) and the London Chartered Bank of Australia (1853).

These developments raised incomes, produced a larger, more skilled and mobile workforce, an improved supply of good quality entrepreneurs, and the early stages of a domestic capital market. Larger, more specialized firms emerged as strategies shifted from scale to scope economies in response to expanded markets. New industries came into being, others subdivided into specialisations. Specialist financiers proliferated — savings banks, building societies, friendly societies, insurance, investment, and land companies — tailored to serve a widening range of funding needs. Retailing, stockbroking, and ship owning were among other service industries affected by the growth of scale and specialization in business. Manufacturing industries emerged as domestic demand rose to the minimum scale often required and the urban concentration of the growing population, particularly in Sydney and Melbourne, meant larger, denser markets. Food, drink, tobacco, clothing and textiles drew upon the rising population, building materials on urbanization, and metals and machinery from the need to service and repair engineering equipment in transport, mining and pastoralism. However, this is a gradual story. Most industries remained atomistic in structure, and firms were located at just one or several sites. The average factory employed only 17 people by 1891 and factory production mostly relied on minimal technology and resembled an agglomeration of individual workshops.

The emerging shape of modern capitalist enterprise in Australia not only took its form from new opportunities but also from the fresh challenges that expansion drew forth particularly capital shortfalls, operations control, and refocussed entrepreneurial values. Continued expansion in mining required large injections of capital as shafts deepened and more equipment such as rock crushing batteries were needed. Mining dominated the incorporated enterprises that flowed from the new company legislation of the 1860s and 1870s. Once the most apparent sources of ores had been quickly exploited, prospecting became far more risky. While the general incorporation Acts (1864 in Victoria and 1874 in New South Wales)

14 Ville, The Rural Entrepreneurs: A History of the Stock and Station Agent Industry in Australia and New Zealand
16 Butlin, Investment in Australian Economic Development, 1861-1900 p. 207
closely followed British legislation, the higher risk environment of Australian mining necessitated a more specific measure. The local innovation of ‘no liability’ companies, beginning in Victoria in 1871, where partly paid shares imposed no further liability on investors, reflected the high risks and stakes faced. Most likely this only helped to fuel a get rich quick mentality that was reflected in the appearance of 1 000 companies in Bendigo alone by the end of that year.¹⁷ Most remained small, and many were speculative ventures, until the Broken Hill boom of 1887-8 that attracted significant inter-colonial investment.¹⁸ The West Australian gold rushes of the 1890s, that left many ghost towns in their wake, repeated this pattern of behaviour by investors.

An appetite for risk permeated other areas of enterprise such as during the Melbourne land boom of the 1880s when speculative, indeed fraudulent, behaviour reached epidemic proportions. This created agency problems between lenders and borrowers, buyers and sellers. For banks it deepened the control risks associated with serving disparate pastoral and mining communities. Internal controls were tightened in the wake of the 1893 bank collapses – decision-making became more centralised and ‘inspectors’ paid more regular visits to the branches. Although increasing numbers of firms took advantage of the general incorporation laws to raise funds and claim limited liability, concerns about agency limited the locus of ownership in many cases to family, friends and business associates. Shipowner and trader Burns Philp offered shares to branch managers and followed this up with regular branch inspections. Wool broker Dalgety addressed managerial opportunism by making important branch appointments from among experienced and well-known staff in its Melbourne head office. In a small relatively homogeneous society, personal associations and contacts were easier to develop and maintain. Personal capitalism, viewed as a source of inefficiency in the Chandlerian framework, was thus a rational response to the operating environment.

The value of personal connection came more clearly to the fore as an element of Australian capitalism in the final decade or so of the nineteenth century when the booming economy of previous decades began to run out of steam and firms faced a deadly cocktail of financial crisis, drought, and industrial conflict. The economic uncertainty encouraged industry and firm level cooperation. The rise of large scale trades unions in the 1870s and 1880s had prompted the formation of employers unions to address industrial issues in Victoria (1885), South Australia (1887), and New South Wales (1888) (Matthews, 1983, 116-20). The 1890s industrial unrest and strikes of shearmers, maritime workers, and miners encouraged greater cooperation among regional employers associations leading to the creation of national bodies – the Australian Chamber of Commerce, the Associated Chambers of Manufactures (1908), and the Australian Council of Employers Federations – that could more effectively negotiate with trade unions and lobby governments. At the same time, the rich vein of social capital running through Australian society moderated the natural competitive corporate instincts and facilitated such coordinated strategies.

Many firms reverted to cooperative behaviour in industries that produced staple homogeneous goods or services for whom product differentiation and output reductions were

not promising strategies in times of reduced demand: agreements mitigated the risk of price wars. By the end of the century, inter-firm agreements had spread widely including the brick, confectionery, sugar, tobacco, dried fruit, fresh produce, mineral oil, coal, beer and shipping industries.¹⁹ Their size, formality, and entry barriers varied between industries and over time. Cooperation also had constructive motives in building markets and strengthening supply chains. The repatriation of the wool market from London to Australia provided strong economic stimuli for the export ports of Sydney, Melbourne, Adelaide and Brisbane with the arrival of overseas buyers, the establishment of auction rooms and of display warehouses. Associations of wool brokers were established at each of the regional centres in the 1890s to coordinate cooperation.

The distinctive role of government in the corporate economy began to take shape in this period. We saw above the particular forms of legislation that assisted the funding needs of mining but government adopted further measures to address failures in the market for public infrastructure in a small economy by attracting overseas funds on the collateral of state revenue raising. Besides funding, Australian entrepreneurs lacked experience operating large scale enterprise. Thus, as part of this ‘colonial socialism’ movement, colonial government also owned and operated natural monopoly enterprises in critical network industries, particularly the railways and postal services. The New South Wales Government Railways (1855) and Victorian Railways (1859) assumed control of railway building and operation in their respective colonies over the following decades with similar experiences elsewhere.²⁰ Their capitalization and labour force towered over private enterprise. By 1900 New South Wales Government Railways employed over 14 000 workers at a time when most large enterprises would have counted their workforce in hundreds (Railways Commissioners 1900, 24). By 1910 the asset value of Victorian Railways was nearly six times the largest private non-financial firm, Dalgety.²¹ Colonial postal and telegraph departments were similarly huge enterprises that stretched over vast areas and counted many hundreds of branch offices. By 1891 Victoria had 1 729 post offices in its network and New South Wales 1 384 (Year Book of Australia 1912, 755). When the state offices merged in 1901 the new federal Post Master-General employed nearly 16 000 workers across some 7 400 offices.²²

2. Big business and multinational enterprise (c.1901-70)

Government network monopolies continued to outsize the largest private enterprises for most of the twentieth century: it was not until the 1980s that BHP had become larger than any government corporation. Nonetheless, a series of factors together shaped the growth of the size and geographical reach of leading firms after Federation: improvements in transport and communications; developments in scale-based production technologies; the expansion of domestic capital markets; the growth of per capita incomes and with it a consumer society;

¹⁹ Wilkinson, The Trust Movement in Australia
²⁰ Ergas and Pincus, Infrastructure and Colonial Socialism
and the tariff protection of some infant industries. Federation brought nation building strategies that helped to drive the growth of large scale enterprise particularly by access to larger more unified inter-state domestic markets and through external trade protection. Domestic capital markets strengthened by the 1920s and 1930s, stimulated by the opportunities to adopt foreign innovation and to cash in on the growth of consumer society as reflected in rising expenditures on household durables. While many of these benefits flowed to a burgeoning manufacturing sector, resource firms continued to play a distinctive role.

All of these factors contributed to the emergence of big business in Australia, both domestic and multinational. The growth of large scale enterprise has been analysed in detail elsewhere. A number of distinguishing features, though, should be briefly noted. The largest firms were more commonly found in, or supporting, resource industries than elsewhere with Dalgety (pastoral agent), Colonial Sugar Refiners, BHP (mining), and Burns Philp (South Seas trader and plantation owner) persistently among the very largest firms for much of the century. British Tobacco and Shell were examples of the importance of multinationals in this group. Some of these firms were also characterised by their longevity at the top of the list of the largest firms. To prosper these ‘corporate leaders’ needed to be adaptive and agile, responding to changes in their environment. In the early decades of the twentieth century, successful large firms aggressively pursued horizontal growth to leverage economies of scale by capturing share in small markets and exploiting new mass production technologies. In some cases diversification, with the promise of economies of scope, followed. This was especially the case for resource-based firms conscious of the need to pursue growth opportunities away from crowded resource markets into expanding manufacturing sectors such as building materials (CSR) and fabricated steel products (BHP).

Australia’s firms were minnows compared with the largest in countries such as USA or Britain. This may help to explain why they were slow to adopt modern governance and organisational structures associated with the divorce of ownership from control and the development of systematic managerial hierarchies. In many cases, the founding families continued to exert ownership and management influence into the post-World War Two era. There was little evidence of hierarchies of salaried managers outside banks, pastoral companies, or mines. There were no educational programs to train managers, and the universities and schools of mines generated only limited numbers of professional engineers, industrial chemists, metallurgists, and the like. In the early 1950s a study of the largest 102 companies in Australia, including financial institutions and subsidiaries of foreign firms, indicated that founding families were able to control the majority of those companies through their positions on boards and through stockholdings. Only a third of domestic companies could be identified as management controlled.

At the same time, it is striking that big business was actually more dominant domestically than in these other nations. The smallness of the local market and the presence of foreign

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23 Fleming, Merrett and Ville, *The Big End of Town: Big Business and Corporate Leadership in Twentieth-Century Australia*; Merrett, *Big Business and Foreign Firms*


multinationals are a big part of the reasons for this dominance, which has led to the coining of the term *Big End of Town*. The epithet has also been taken to imply that the largest firms tended to keep themselves apart from the main stream of corporate Australia and perhaps even that they colluded together. Given the degree of concentration and that some were controlled from abroad or survived in the elite list for a long period of time, lends credence to concerns about their exclusivity. It also helps to explain the belated changes to governance systems.

The continuing influence of several key business families in running several leading corporations, sometimes as part of a formal or informal business group, pointed in the same direction. A literature on Australian groups and business families implies insidious forms of control exercised by elite groups of entrepreneurs and their families. Books, often running to multiple editions, with titles like *Who owns Australia; The 60 rich families who own Australia;* and *The Controllers* are, on one level, polemical attacks on the wealthy. They reveal much about interlocking directorates, share ownership, and business influence exercised by individuals across groups of firms. One particularly intriguing piece of research by Rawling produced a complex network diagram for 1939 entitled ‘Seventy-nine men and some of the companies they control’. More specifically, he described the ‘Kingdom of 360 Collins Street’. Seven leading mining companies, including the Collins House group, occupied this building. 30 men occupied the 63 directorate seats on their boards, 14 sitting on more than one of these companies. Many of these directors held shares in, or sat on the board of, companies from other sectors including brewing, finance, pastoral agency, textiles, paper, vehicle production, chemicals, glass, rubber, packaging, engineering, and transport. In a similar vein, Campbell identified key groups of families in Melbourne, Sydney and Adelaide who were intertwined through business (shareholdings and directorships), intermarriage, social ties (religion, clubs), attending the same schools, and living within the same residential areas. Thus, for example, the ‘Main Sydney Group’ consisted of 10 families who between them held directorships in 40 companies with a total paid up capital of A$155m that spanned a wide range of industries including sugar, banking, insurance, beer, gas, textiles, chemicals, finance, industrial, pastoral, rubber, coal.

Inspite of this colourful literature, the ‘robber baron’ tag never stuck in Australia. Campbell’s work for example, which drew upon American writings, had little leverage beyond the Communist Party. Until the 1960s there was no push for the type of anti-trust legislation adopted by American governments since the turn of the twentieth century. Australia’s Industries Preservation Act (1910) soon became a dead letter. As part of the ongoing contested narrative, business broadly defined created a story of pioneering, nation building and job creating enterprise – business of whatever size and hue was contributing to ‘progress’.

Another aspect of disputation was the multinational. They continued to play a central role in the Australian corporate economy in the twentieth century: on average, multinationals constituted about a quarter of the top 100 non-financial firms. The opportunity to jump tariff barriers, tap into an expanding market with good levels of per capita income, and utilise a trained, educated workforce were now more appealing than the search for natural resources
that had driven the free-standing companies of the nineteenth century. As a result, multinationals clustered in manufacturing rather than primary and increasing numbers, especially from the 1920s, arrived from the United States as the principal industrial nation. By the post-World War Two era increasing numbers of Japanese firms also arrived on the landscape. Multinationals often occupied a central position in industries associated with progressive scientific, administrative, managerial and technical capabilities that were transferred to Australia. By the 1960s several expanding Australian industries were dominated by global firms such as Shell, BP, Mobil, Esso (oil refining), Ford, General-Motors Holden, Toyota (vehicle production), and Nestle, Unilever (food processing).

While local competitors, suppliers, and customers benefitted from spillover effects from multinationals, their presence also raised the ire of some contemporaries. It was argued that they suffocated the ability of some local firms, lacking scale and experience, to establish themselves. This may explain, in part, the paucity of Australian firms internationalising before about the 1980s. However, there were other factors including the smallness of the local market as a launching pad for international expansion and high wages compared with many newly-industrialising nations. Australia’s comparative advantage, as we have seen, lay predominantly with resource industries for whom exporting was often the preferred mode of internationalisation. The contentious issue of transfer pricing, wherein ‘adjusted’ internal costs facilitated tax minimisation, and the influence of international business on government macroeconomic policy were also hotly debated.

3. *Competition, de-regulation, modern business practices* (c.1970-)

The post-Federation policy environment that had focussed for decades on the broad objective of growth moderated only by egalitarian values underwent several phases of change after World War Two. Government in Australia, as elsewhere, took centre stage after 1945, seeking to extend state ownership and pulling their Keynesian instruments of macroeconomic policy in pursuit of full employment, growth with low inflation and external balance. However, by the 1970s, protection, regulation, state enterprise, subsidies, and centralised wage determination were viewed as among the main culprits for a decline in international competitiveness alleged by national inquiries and international bodies including the OECD. The decline in economic performance in the 1960s and 1970s – slowing growth combined with stagflation – further motivated a re-evaluation of economic and business conventional wisdom. Borland has described the fundamental changes in policy from the 1970s designed to shift from growth to efficiency in firms and markets particularly through the introduction of competition policy, tariff reduction, financial deregulation and privatisation.²⁶ How has this affected the nature of enterprise in Australia? Certainly new opportunities were presented to business from deregulating financial and exchange markets and aligning wages more closely with productivity. Competition policy, privatisation, and tariff reductions,

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²⁶ Borland, *Microeconomic reform*
promised increased efficiency by exposing and driving out lazy monopolists and colluding associations.

There was a dramatic upsurge in the number of Australian firms establishing overseas in the 1980s. Major firms, including, miners, builders, retailers and transport firms, ventured overseas. These included NewsCorp, Lend Lease, Fosters, CSR, WMC, BHP, and AMP. Only a handful of manufacturers made the move, mostly restricting their advances within the south Pacific region. Many of these ventures ended unsuccessfully with forced divestments from later in the 1990s. The advantages accruing from the changed conditions in the local market, it seems, rarely translated beneficially into overseas expansion. Merrett has observed that these firms were novices at internationalisation and had diversified rather than built up core strengths in particular products and industries that could be leveraged to effect in overseas markets. Successful exceptions such as CSL (plasma products) and Cochlear (hearing devices) have focussed on a specific research intensive product and built alliances to assist the development of overseas marketing and production.

The deregulation of financial and exchange markets and the close policy scrutiny of market share in particular industries may have contributed to the rise of large diversified business groups in the 1980s. This conglomerate ‘fad’, though, also drew upon trends in overseas markets in Europe and North America. Prominent examples included Adsteam, Elders IXL, and Bond Corporation. There were plenty of others! Many sought ambitious and over-reaching expansion, appropriately captured in the title of Trevor Sykes account, *The Bold Riders*. Their rise and fall was dramatic – by the turn of the twenty-first century most had disappeared from the landscape of Australian corporate leadership with the dismantling of the groups. ‘Charismatic’ entrepreneurs controlled most groups – Alan Bond (Bond Corporation), John Elliott (Elders IXL), and John Spalvins (Adsteam). They controlled large sections of the economy in the 1980s including all beer production, the largest pastoral companies, the second largest retail chain, and a similarly substantial presence in industrials, food, textiles, property, mortgages, and car dealers.

Researchers have been highly critical of the impact of most of the groups, arguing that they destroyed far more wealth than they created. Between them they lost an estimated A$16bn and inflicted serious damage on many Australian corporate icons. The prudential standards of banks, non-executive directors, lawyers, accountants, and brokers have all been brought into question. Politicians accepted ‘donations’ and many journalists feared libel cases or merely held these groups in misplaced admiration. Tax payers, shareholders, and bank customers paid a heavy price for years to come. The verdict on these groups has focussed on their speculative nature driven by pragmatic entrepreneurial practices, subsequently revealed as unethical if not illegal and earning for this generation of entrepreneurs the epithet, ‘corporate raiders’. There was a failure to nurture the skills, culture, strategy and structure that underpin the long term success of business groups. They overestimated their ability to manage effectively over a diverse range of industries and hold together a large group.

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27 Merrett, *Big Business and Foreign Firms*
28 Sykes, *The Bold Riders: Behind Australia's Corporate Collapses*
29 Sykes, *Bold Riders* ch. 17.
The microeconomic reforms, by leading to greater openness and enhanced competition, also helped to modernise business practices in Australia in a manner not dissimilar to some of the precepts of the liberal market economy described in the VoC literature – competitive market arrangements, anti-trust policies, formal education, and enterprise level wage bargaining. Business practices in general moved towards modern best practices with the spread of human resource planning, marketing strategies, and management accounting tools. Organisational structures also matured – the separation of ownership from control in more cases, and the development of rational hierarchies supported by enhanced management training.

All of this might suggest that the distinctive local flavour of Australian capitalism, drawing heavily on the local operating environment and enriched with international influences, has atrophied in recent decades by converging to an international model particularly associated with so-called liberal market economies of the Anglo-Saxon world. This would overstate the case significantly. Many of the local defining characteristics have persisted. Resource-based industries continue to play an important role in shaping the business community as indicated by their role in the sustained secular boom in the 1990s that far outstripped the performance of most economies. Large scale enterprise, both foreign and domestic, continues to cast a long shadow over the competitive structure of markets. Relationships among firms continue to be negotiated as much through networks and associations as the competitive location of the marketplace. Governments have largely forsaken their operational role in network industries but directional policies supported by the work of research entities, such as the Productivity Commission, continue to have a major influence on the future direction of business.

Was there a distinctive variety of Australian capitalism? Pragmatism over ideology

When French socialist writer Albert Métin visited Australia in 1899 he was impressed at the advanced social development (for example in the franchise, education and social security) that had been achieved through practical and empirical rather than theoretical or ideological impulses, which he described in his book Le Socialisme sans Doctrines. The intervention of government in the economy and society was not driven by ideology or philosophy in contrast to Socialist France. Instead, socialism sans doctrine followed what was pragmatically needed.

Similarly, Australian enterprise was not predominantly the product of a particular ideology but rather the response to conditions in the local environment and a range of overseas influences. Australian enterprise, with the exception of the convict and wartime eras, was capitalist in nature, in its pursuit of profit, but this included, nonetheless, an important role for government as we have seen. Intervention, however, was not borne of ideological underpinnings as had been the case of government economic intervention in France. Nor, despite the broad institutional inheritance from Britain, was Australian capitalism the product of Smithian laisser-faire and free trade policies that had permeated the UK and found nineteenth-century expression in the Manchester School beliefs of Richard Cobden and John Bright that the private market would bring benefits to all.

30 A. Métin, Le Socialisme sans doctrines (F. Alcan: Boulevard St Germain, 1901).
Strategies of firms and their structures were therefore largely the product of the pragmatic and practical requirements of a settler society. A ‘here and now’ response was called for in the battle against unfamiliar, often undeveloped and remote, surroundings faced by new settlers. As we have seen, the extent and nature of central intervention in the free market and redistribution of its riches was continually debated and adjusted in response to the changing needs of the Australian economy and society. This has led us to deploy the epithet “settler capitalism sans doctrine”. Like some other settler societies, this led to entrepreneurial responses that included government intervention to resolve market failures, the influential hand of multinationals, cooperative behaviour to engage common threats and opportunities, and the embracing of an economically beneficial natural environment.

Can we be more specific – has the flavour of Australian capitalism differed from that of other, similar, settler societies? We might expect the degree of convergence to be greatest with similar British colonies such as New Zealand given the role of the imperial power. The precise nature and timing of British influence, though, varied between countries, and indeed among states/colonies within Australia, as did the nature of the natural environment that settlers faced. Moreover, important though British practices, institutions and personnel were important, local adaptations to particular Australian conditions occurred such as differences in corporations law and lending practices. Cooperative behaviour among firms on the other hand, arguably had more of a Continental European coordinated market economy edge to it than British individualist capitalism.

Another way of looking for quintessential elements to Australian capitalism is through the lens of entrepreneurship. We know that Australian business for most of the last two centuries has relied heavily upon entrepreneurs operating family-controlled firms and cooperating with other business leaders. Individual and collective character traits matter. There is a growing historical and psychological literature that seeks to identify behavioural traits common to particular societies. Two common themes for Australia have been ‘larrkinism’ and ‘mateship’. A larrkin is associated with someone who is considered irreverent, challenging of conventional wisdom, and sceptical of hierarchy. Mateship addresses the idea of close, reliable friendships particularly to help each other out in hard times. The origins of both of these values have been variously associated with the convict past, the challenges of working in the bush or behaviours, ‘nourished throughout our history’.31 While often the caricature of a larrkin has been a low life figure, maybe a youth, almost a social outcast, Bellanta in her recent history notes, “the first larrkins hankered after small-time capitalist enterprise”.32 This link to the world of business also emerges from Dyrenfurth’s very recent history of mateship.33 While erstwhile associated with worker solidarity, he shows that the first Australians to call each other ‘mate’ were business partners.

Understanding the origins of such personality traits is beyond the scope of this chapter. However, their association with challenging authority, conventional wisdom and through cooperation with others can be related to a corporate culture that favoured shared risk-taking.

31 Crawford, Australia, p. 152; Ward, The Australian Legend; Watson, The Bush. Travels in the Heart of Australia
33 Dyrenfurth, Mateship: a very Australian History
adaptiveness, and inventiveness. All these are quite positive attributes of entrepreneurship although each has its darkside especially when cooperation becomes anti-competitive collusion and risk-taking becomes risky business. As we have briefly highlighted in this chapter, the history of Australian enterprise has been a narrative of both inspired risk-taking and ignominious backsliding.

Wilkinson, H. L. (1914) *The Trust Movement in Australia* (Sydney: Critchley Parker Pty Ltd).