Business and Politics in Queensland
1859-1895

Professor H. J. Hanham has recently drawn attention to the importance of the study of company investment in New Zealand during the last thirty years of the nineteenth century.\(^1\) The purpose of this paper is to give a brief account of company investment and examine the role played by business interests in politics during the same period in Queensland, where there were close parallels with the New Zealand situation. The subject is a particularly important one because of the close connection between business and politics that resulted from a situation where the main political issues and fields of business activity both concerned the utilisation and development of the land.

The economic development of Queensland passed through several well-defined stages after its establishment as a separate colony in 1855. Until the late eighteen-sixties it was little more than a vast sheep run, although there were pockets of agricultural settlement in the south-east, around Brisbane, where production of sugar cane had begun, and Ipswich, where cotton-growing was stimulated by the worldwide shortage resulting from the American Civil War. There was little demand for loan funds in the colony at this time, since the pastoral industry was still organised on a basis of extensive use of leased land, and required capital for stock purchase only, while agricultural development was on a very small scale. Most of the pastoral and agricultural enterprises were conducted by individuals or partnerships who raised whatever capital they needed through personal loans. These were obtained by means of bank overdrafts, or by loans from banks, private financiers, or mortgage companies, raised through liens on wool and stock. The banks and lending institutions were based mainly in Sydney or Melbourne, and they charged high rates of interest.\(^2\) Joint stock companies played little part in the development of primary industry at this time, though there were some exceptions. A number of land companies had pastoral holdings in Queensland, notably the Scottish-Australian Investment Co. Ltd., which took up 1,344,000 acres (2,000 square miles) at


Bowen Downs in the Mitchell district during 1861-63,\(^3\) while the Queensland Cotton Cultivation, Emigration, and Land Co. Ltd., with a capital of £100,000 was formed in England in 1862 to exploit the demand for cotton, but this company met with little success.\(^4\)

This situation changed during the eighteen-seventies and early eighties when several factors coincided to bring about both a need for investment funds and the opportunity for large-scale investment. Political changes led to the ending of the squatters' land monopoly, and from 1868 onwards vast areas were resumed from lease to be sold for agricultural settlement. Most of this land eventually fell into the hands of the squatters, who were forced into freehold purchase because of the loss of their leasehold rights. At the same time, changes in the pastoral economy towards more intensive methods of sheep-raising, brought a need for finance for fencing and other station improvements, which was increased by the expansion of the industry into the northern and western areas of the colony. In agriculture, the failure of the cotton-growing industry during the period was compensated for by the expansion of sugar-growing into North Queensland, for which a great deal of capital was required.

The need and opportunity presented by these developments in the Queensland economy were met by the emergence of three main channels of investment. The first of these was through the large British-based land mortgage and investment companies like the Scottish-Australian Investment Co. Ltd., the Australia and New Zealand Mortgage Co. Ltd., the North British Australian Co. Ltd., and the Australia and New Zealand Land Co. Ltd.\(^5\) They invested in station properties that they ran themselves, and also lent money on mortgage to the pastoral, meat and sugar industries.\(^6\) A second channel of investment was through lending institutions and individual investors from the southern colonies, particularly Victoria and New South Wales. These included banks, pastoral firms, mortgage companies, and the Colonial Sugar Refining Co. Ltd.,\(^7\) as well as indi-

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\(^{5}\) For a glossary of the major non-banking companies, British and Australian, see J. D. Bailey, 'Australian Company Borrowing, 1870-1893; A Study in British Overseas Investment,' doctoral thesis, University of Oxford, 1958, Appendix V. Dr. Bailey's thesis is the best study yet made of this subject.

\(^{6}\) Another type of company attracted to Queensland at this time was the Emigrant and Colonists' Aid Corporation Ltd., which attempted to establish a settlement in 1871. The Queensland government rejected its proposals. See *QLA, V and P.*, 1871-1872, for the correspondence. After making similar proposals to the South Australian, Tasmanian, and New Zealand governments through its agent, Col. (later General) W. A. Fielding, the company established a settlement at Feilding in New Zealand.

\(^{7}\) The C.S.R. Co. was given special land purchase privileges under the Colonial Sugar Refining Co. Ltd., Act of 1881 (45 Vic. Private Act). In return,
individuals who were attracted to Queensland by the colony's land legislation. Queensland itself provided the third means through which investment funds were made available. The Queensland National Bank was established in 1872 to provide a Queensland-based source of finance for development of the colony. It made loans for all forms of land purchase and development and included small selectors among its borrowers as well as pastoral, sugar and mining companies. A British associate company, the Queensland Investment and Land Mortgage Co. Ltd., was promoted in 1878, and the two institutions became the main lenders of investment funds in the colony. Local pastoral firms and individual capitalists provided another source of finance, while the special needs of new groups of Queensland borrowers were catered for by the emergence of other lending institutions in the eighteen eighties. Building societies played their part in the development of urban areas, and two other banks were established. The Royal Bank of Queensland was formed in 1885, to serve the needs of small farmers and businessmen, and the Bank of North Queensland was set up in 1888 to serve North Queensland interests.

Most of the funds invested by these companies came from Britain, through the medium of fixed deposits, in the case of banks, and the issue of short-term debentures by both the mortgage and investment companies and the banks. They called up only a small proportion of their share capital, and the uncalled portion served as security for the debentures. These funds were borrowed privately, the companies using solicitors and chartered accountants as their agents in raising the money they required. A very large proportion of it came from Scotland.

The growth of investment was gradual during the early eighteen-seventies and served to stimulate expansion without transforming the economy to any great extent. The position changed after 1879, however, when the government began to borrow on the British loan market, to raise finance for railway and other public works construction. Investment funds were readily available and successive governments continued this policy. Public borrowing was accompanied by increasing private borrowing, and investment funds flowed out from the company had to spend £200,000 in improvements in five years or forfeit the land.

8 See the petition from 86 men who had sold their property in other colonies to select land in Queensland. They possessed capital of between £2,000 and £5,000 on average. QLA, V and P., Vol. 3, 1877. See also the speech by A. Meston, Queensland Parliamentary Debates (QPD) Vol. 30, 1879, pp. 1150-1151, referring to 30 selectors who had brought £40,000 to the colony from Victoria.

9 See G. Blainey, Gold and Paper, Melbourne, 1958, the official history of the National Bank of Australasia. The Queensland banks all eventually amalgamated with this bank. Chapter 12 gives an account of them.

10 See Bailey for a full account of how these funds were raised. The original stimulation for investment in Australia in the eighteen-seventies came from continuing high wool prices and the fact that money could be borrowed at 5% or less in Britain and lent at 8% to 10% or more in Australia. See also Blainey, p. 205.
Britain in a seemingly endless supply, to be used mainly for public works development and to finance land purchase and the primary industries. This plentiful supply of capital, added to the general favourable seasons, and the highly optimistic view held of the colony’s potential, led to the creation of boom conditions and widespread prosperity. Queensland’s experience was shared by the other Australian colonies, and the eighteen-eighties was the period of the greatest economic expansion in the country’s history until the Second World War. The prosperity was short-lived, however. It was accompanied by spiralling inflation and a gradual loss of confidence on the part of British investors, culminating in the financial crashes of the early eighteen-nineties and the bank stoppages of 1893.

This economic expansion led to a change in business organisation. Prior to 1880, as has been seen, the pastoral runs and sugar plantations were mainly owned by individuals or partnerships. They were usually financed on a basis of small, often insufficient capital, and improved gradually out of earnings, or by bank loans on the collateral of stock, crops, or any improvements that had been made. After 1880 this pattern of organisation changed. In the pastoral industry, the days of the unfenced, unimproved ‘run’ were over, and it gave way to the ‘station’, with its high initial capital costs. In the sugar industry, there had been a very high rate of plantation failures in the eighteen-seventies, largely because of under-capitalisation.11

The scale of investment necessary for the development of stations and plantations led to large-scale primary industry becoming dominated by joint-stock companies,12 a change that also occurred with the lending institutions themselves.

Throughout the period covered by this paper there was a close connection between business13 interests and politics, and there is no doubt that government policy was often strongly influenced by this connection. The nature of the franchise set out in the colony’s 1859 constitution had given the squatters a political predominance that matched their economic supremacy, a position they were able to maintain until the early eighteen-seventies. During this period, land policy was the main political issue. The particular problems were whether the land of the south-east should be resumed from lease and sold for small-farming settlement, and what the rents and occupation conditions for the leasehold sheep and cattle runs in the rest of the colony should be. Yet, a large proportion of the men who for-

11 Purchase of land and the construction of a crushing mill were the biggest items of expenditure. By 1880, out of about 114 mills and plantations established, 46 had failed. The industry presented a general economic picture of 40% success, 40% failure, and 20% hanging in the balance. See H. L. Roth, Report on the Sugar Industry in Queensland, Brisbane, 1880, p. 75.

12 For examples of company formation in Queensland see the reference below to the Darling Downs and Western Land Co. and Bailey, p. 192 fn. for a reference to the firm of Wienholt Bros.

13 ‘Business’ has been used in a very broad sense here to include pastoral, sugar planting, mining, commercial, and finance interests.
mulated land policy approached it from the position of a vested interest in land. R. G. W. Herbert, the first Premier,\textsuperscript{14} was the lessee of several runs, as was his successor, A. Macalister,\textsuperscript{15} while most of their cabinet ministers, half the members of the Legislative Council, and about one-third of those in the Legislative Assembly were also runholders.\textsuperscript{16} These interests were also strengthened by close family and commercial ties between the political and business communities. Colonel Sir Maurice O'Connell, the squatter President of the Legislative Council, and Acting Governor on various occasions, was an example of this. He was Administrator of the government from January to August, 1871, at a time when he was in debt to A. H. Palmer, the Premier, and two members of his cabinet.\textsuperscript{17} During a political crisis, he acted in a way which favoured Palmer's squatter-dominated ministry, and probably assured its continuance in office. Palmer had moved an adjournment of the Assembly for an unusually long period, after several months of political deadlock, without first consulting the Governor. O'Connell had then dissolved Parliament, and a general election was held under the auspices of the Palmer ministry, which was returned with an increased majority. The Colonial Office upheld the correctness of O'Connell's decision, as the 'man on the spot', but said that, strictly speaking, since the government had acted unconstitutionally in the first place, it should have been 'removed' from office, and the opposition invited to form a ministry. If it had been unable to do so, then a dissolution would have been in order.\textsuperscript{18} The squatter interest was also strongly represented in England, where Sir Charles Nicholson, one of the most prominent Australians of the time,\textsuperscript{19} and others with pastoral connections in the colony, continually pressed the squatter point of view on the Colonial Office and government circles generally.

There were many reasons for this situation. The population of the colony was extremely small,\textsuperscript{20} and the groups which formed the

\textsuperscript{14} As Sir Robert Herbert, he later served as Assistant Under-Secretary (1870-1871) and then Permanent Under-Secretary (1871-1892) at the Colonial Office. His runs were held in partnership with his friend John Bramston, then parliamentary draftsman, but later Attorney-General in a squattting ministry, and subsequently Herbert's colleague as Assistant Under-Secretary at the Colonial Office (1876-1897), and G. Mylne, a squatter MLC. See QLA, V and P., Vol. 2, 1867-1868, the return showing payments made by members of parliament for the occupation of crown lands, 1863-1867, for details of the runs.

\textsuperscript{15} Macalister was the Liberal leader. As a solicitor, he possibly leased the runs on behalf of clients whose money he had invested. See QLA, V and P., op. cit. for details.

\textsuperscript{16} See QLA, V and P., Vol 2, 1867-1868, op. cit., and Vol. 1, 1868, pp. 1043 ff., for the list of runs held by members of both Houses. The MLC's who were not runholders were mainly lawyers or businessmen with squatting connections, as were many of the MLA's as well.

\textsuperscript{17} See the speech by C. Lilley, QPD, Vol. 13, 1871-1872, p. 13. J. Bramston, then Attorney-General, was one of the two other ministers concerned.

\textsuperscript{18} O'Connell to Kimberley, 8 July 1871, CO 234/26, No. 60, and Kimberley to the Officer Administering the Government, 18 September 1871, CO 423/3, No. 41.

\textsuperscript{19} He had been a member of the first New South Wales Legislative Council, and was the first Australian colonist to receive a knighthood.

\textsuperscript{20} It was 23,520 in 1859 and 107,427 in 1869.
pastoralist and business communities were also very small and closely connected. The absence of a leisured, moneyed class, and the fact that Members of Parliament were not paid, meant that only the wealthier squatters or professional and businessmen from Brisbane and the south-east could afford the time and expense of parliamentary life. Men like Herbert took up runs, because sheep-raising on leased land was practically the only form of speculative investment the colony afforded.

This domination of the colony’s economic and political life by a small, closely connected group was ended by the expansion of the Queensland economy in the eighteen-seventies and eighties, and the political changes that accompanied it. A much more complex situation emerged. Two types of business groups developed during the eighteen-seventies; one based in Queensland, dominated by a small number of businessmen-politicians; and the other based in the southern colonies or Britain, and not subject to political control in the colony. The two groups were not mutually exclusive, however, since each depended on the other to a certain extent, and the men who controlled them often co-operated with each other in a wide range of business enterprises.

The Queensland-based group formed around the Queensland National Bank. The bank had been founded in 1872 by a number of leading men representing the different economic and political interests in the colony, but by the middle of the decade it had come under the control of the leaders of the ‘conservative’ party, and their business associates. The most prominent of these was Thomas (later Sir Thomas) McIlwraith, a squatter and former Liberal cabinet minister, who was a strong believer in individual enterprise, and had grandiose ideas as to how the colony could and should be developed, without being over-scrupulous about how this was to be done since he considered the end to be more important than the means. His co-directors on the bank board were E. R. Drury, the bank’s general manager and McIlwraith’s closest business associate;

21 The provisional committee who promoted the bank included two members of the Palmer ministry: J. P. Bell, the Darling Downs squatter who was Colonial Treasurer, and J. Bramston, the Attorney-General. Their Liberal opponents were represented by Charles Lilley, the lawyer leader of the opposition, and George Thorn. Two of the most prominent Sydney merchant financiers, S. A. Joseph (of the Montefiore firm) and Henry Mort, were also on the committee. The other members were mainly Brisbane businessmen. See the advertisement in the Brisbane Courier, 16 April 1872.

22 The political groupings of the eighteen-seventies were extremely complex, and an analysis of them is outside the scope of this paper. The ‘conservatives’ were the representatives of the squatters, sugar planters, financial interests, various district interests, and the gold miners of North Queensland. They became the ‘Conservative Party’ in 1878, but the name was short-lived, and there was no formal party organisation.

23 See McIlwraith’s own expression of this belief in QPD, Vol. 18, 1875, p. 257.

24 C. A. Bernays, Queensland Politics During Sixty Years, Brisbane, 1919, describes him as ‘... a man who scorned little things. He was unhappy without having on hand something unusual or something colossal ...’, p. 56, and ‘... Australia was unaccustomed to his type. He should have lived in the United States of America.’ p. 57.
his brother-in-law, A. H. (later Sir Arthur) Palmer, the former Premier and leader of the squatting party; J. P. (later Sir Joshua) Bell, one of the wealthiest squatters in Queensland, and former member of Palmer’s cabinet; and F. H. Hart, a Brisbane solicitor, whose firm carried out McIlwraith’s, Palmer’s and Bell’s legal business. When the Queensland Investment and Land Mortgage Co. was set up in association with the Queensland National Bank in 1878, the bank’s existing directors became the local directorate of the mortgage company as well, and as such had full control over its activities in the colony. Political power was added to the economic power this gave them, when McIlwraith became Premier in 1879. His cabinet included Palmer and two other business associates; B. D. Morehead and P. Perkins, while Bell was President of the Legislative Council and ex officio Administrator of the government whenever the Governor was away.

Queensland’s economic boom began during McIlwraith’s period of office, stimulated by his ministry, whose policies were based on the businessman’s philosophy that what was good for business was good for the country. His personal and public interests were often indistinguishable, however, and he and his associates benefited from these policies as much as the colony did. In an opinion written many years afterwards, at a time when he enjoyed a very high reputation, the Brisbane Telegraph said of McIlwraith during this earlier period that, ‘. . . Sir Thomas McIlwraith and his friends were regarded as inveterate syndicate promoters, seeking to enclose all the commercial interests of Queensland within the far-reaching and all-embracing claws of a prodigious commercial octopus . . . . When men of large conceptions proceed to embody their ideas in corresponding methods of application, and those men are prominent politicians seeming to use the leverage of political power to promote the success of their methods, there is certain to be more or less cynicism or candid dubiety about their aims and projects.’

There was ample justification for this attitude. One of McIlwraith’s first acts after taking office was to give the Queensland National Bank the sole contract for government business. This included the raising of loans through the sale of government debentures, and paying

25 Much of the information in this article on the business relationships between McIlwraith and his colleagues has been drawn from the McIlwraith Papers in the Oxley Library, Brisbane.
26 The Bank had four directors. Up to the middle eighteen-nineties they were Drury, Hart, and two others, normally McIlwraith and one of his associates.
27 The Queensland Investment and Land Mortgage Co. Ltd. was registered in London on 24 June 1878, with a nominal capital of £1 million, divided into 100,000 £10 shares. The first issue was of 50,000 shares, of which 40,000 had been taken up by 6 November 1878. The original directors of the company in England were Sir Robert Torrens, A. B. Buchanan, Jacob L. Montefiore, G. N. Marten, and Colonel W. A. Feilding; and in Queensland, McIlwraith, Drury, Hart and Bell. See the company’s records in the Public Record Office, BT 31/14603.
28 McIlwraith resigned from the Bank board on becoming Premier. His place was taken by Palmer. Morehead later became a director in place of Bell.
29 18 October 1892.
British investors their half-yearly interest, as well as holding government loan money and other funds on deposit, and had previously been shared among a number of banks. McIlwraith's action made the connection between the bank and his public and private interests even closer, since he looked to the bank to give support and prestige to his political policies, in addition to financing his business activities. His relationship with the bank's autocratic general manager, E. R. Drury, ensured that both aims were achieved. Drury was an enthusiastic supporter of McIlwraith's development schemes and gave him both personal and official bank assistance in the negotiations with British financial interests over government loans and railway and other public works projects. The two men were also business partners, particularly in the promotion of Queensland mining companies. Free use was made of the bank's funds both for their combined activities and for McIlwraith's own use. When Drury died in 1896, his personal overdraft amounted to £46,700, while McIlwraith's various accounts were overdrawn by over £328,000.

Apart from their connections with the bank, McIlwraith and his colleagues also retained and even extended their business interests while they held cabinet office. McIlwraith, Bell and Palmer remained on the board of the Queensland Investment and Land Mortgage Co., McIlwraith and Bell making use of their position in the company and their connections with the bank to strengthen their pastoral businesses. They formed a holding company, the Darling Downs and Western Land Co. Ltd., which took over the pastoral properties owned by the Bell family and others held by McIlwraith in partnership with J. C. Smyth. The company raised capital funds in Britain, but also relied on the Queensland Investment and Land Mortgage Co. and the Queensland National Bank for much of its financial needs. It appears to have benefited from a large-scale exchange of land carried out with the government during 1881-1883, and from land auctions which the ministry engineered in 1881. Palmer had no direct financial interest in the company, but was made a director and become general manager after Bell's death in 1881. Morehead remained as manager of his stock and station agency, while serving

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30 See QLA, V and P., Vol. 2, 1879, 799-837, for the correspondence between the government and the various banks over this matter.
31 See QLA, V and P., Vol. 2, 1897, pp. 699-709, Further Report of the Committee of Inquiry into the Queensland National Bank, for details. McIlwraith claimed that some of his overdrawn accounts were those he held in partnership with Drury, either in their own interest or on behalf of the Bank. See McIlwraith to Sir Hugh Nelson, 25 January 1898, McIlwraith Papers.
32 The company eventually had a paid-up share capital of £425,000, with £149,000 in debentures held by British investors.
33 By 1885 the company had a bank overdraft of £100,000. See McIlwraith to J. A. Bell, 27 July 1885, McIlwraith Papers. This was secured by unsold debentures. The former Bell property, Jimbour station was heavily mortgaged to the mortgage company (McIlwraith to J. A. Bell, 20 January 1885, McIlwraith Papers).
34 See QLA, V and P., 1883-4, pp. 159 ff.
in the cabinet and acting as a director of the Queensland National Bank. His firm continued to do business for the government during his period of office and became involved in the Peak Downs land sales scandal in 1881.\textsuperscript{36} In addition to their interests in these companies, McIlwraith and his colleagues were also the owners of extensive areas of land much of which, in McIlwraith’s case particularly, was obtained during the period under discussion. Apart from his interest in the Darling Downs and Western Land Co., which had become one of the largest holders of land in the colony by the time he lost office in 1883,\textsuperscript{37} he was also a partner in the North Australian Pastoral Co., which owned stations in North Queensland, and possessed a cattle station and sugar plantation on his own account in the Burnett district. The latter was established in 1880, during a period when McIlwraith selected large areas of sugar lands in both the Burnett and Lower Burdekin districts. The North Australian Pastoral Co. increased its holdings in 1882, when P. Perkins, McIlwraith’s Minister for Lands was admitted as a partner.\textsuperscript{38}

McIlwraith’s business interests also extended to shipping, where he held shares in many of the ships owned by the firm of McIlwraith, McEachern and Co., in which his brother, Andrew, was a partner. The company had extended its operations to Queensland in the late eighteen-seventies, and, like the Queensland National Bank, was apparently given special privileges during McIlwraith’s term of office. On becoming Premier he had commenced a large-scale railway construction programme. The rails to be used for the new lines were purchased in England through a syndicate that included McIlwraith, McEachern and Co. They were bought at an inflated price, and the syndicate made a large profit. McIlwraith, McEachern was given the contract for transporting the rails to Queensland, and in fact appears to have had a monopoly of government freight business from the time McIlwraith took up office,\textsuperscript{39} in addition to their contracts for transporting assisted immigrants to the colony. The company also obtained the contract for insuring rails and other government owned freight shipped to Queensland in 1882.\textsuperscript{40} The Premier was accused of filling up the Queensland Agent-General’s office in London with his own relatives, thereby enabling such abuses to be carried out.\textsuperscript{41} Charges

\textsuperscript{36} See \textit{QPĐ}, Vol. 35, 1881, for details; and \textit{QLA, V and P.}, Vol. 2, 1882, for a progress report of the select committee set up to enquire into the charges. They were not substantiated and the matter lapsed.

\textsuperscript{37} The company held 62 leased runs with an area of 4,025 square miles, in addition to owning several thousand acres of freehold land.

\textsuperscript{38} This information is drawn from various letters and other documents in the McIlwraith Papers. For details of Palmer’s land holdings see J. X. Jobson, ‘Sir Arthur Hunter Palmer,’ Bachelor’s thesis, University of Queensland, 1960.

\textsuperscript{39} See \textit{QPĐ}, Vol. 35, 1881. Speech by G. Thorn. The Agent-General’s office negotiated government contracts in Britain. Its staff had been run down during the depression of 1879, and the office had been reorganised by McIlwraith when he visited Britain in 1880.

\textsuperscript{40} See \textit{QLA, V and P.}, 1883-4, pp. 1407-1420. McIlwraith, McEachern appear to have received privileged treatment in obtaining the contract, but they kept it for some time after McIlwraith ceased to be Premier because they offered the lowest rates.

\textsuperscript{41} See \textit{QPĐ}, Vol 32, 1880. Speech by G. Thorn. The Agent-General’s office negotiated government contracts in Britain. Its staff had been run down during the depression of 1879, and the office had been reorganised by McIlwraith when he visited Britain in 1880.
of corruption were made against McIlwraith in 1881 over the circumstances surrounding the purchase of the rails, but a Queensland government Royal Commission of Inquiry into the matter exonerated him and the other accused. McIlwraith later faced a court action brought against him by a Liberal member of Parliament, acting on behalf of the opposition, after he had voted in Parliament on charter contracts for one of McIlwraith, McEachern's ships in which he held an interest. The case went to the Privy Council in 1883, which decided in McIlwraith's favour, though on rather specious legal grounds. McIlwraith had previously asked the firm on various occasions to ensure that he did not profit in any way from such contracts, but he did little to see his requests were carried out.

McIlwraith's business interests and political policies came together in yet another way, in the attempts to develop a frozen meat industry. The first shipment of frozen meat from Australia in 1879 was a combined venture between McIlwraith, Morehead, and some of their Queensland business associates; McIlwraith, McEachern and Co.; a group of pastoralists and businessmen from Victoria; and several British businessmen prominent in Australian financial and pastoral circles, including Sir Robert Torrens and A. B. Buchanan of the Queensland Investment and Land Mortgage Co. In the following year, while on a visit to Britain to negotiate a government loan, McIlwraith made an arrangement with the British-India Steam Navigation Co. in which the company agreed to run a direct service between the United Kingdom and Queensland via Torres Strait in return for a heavily subsidised government mail contract. McIlwraith intended that the institution of a quicker, more direct route than the existing one, which terminated in Brisbane after calling at Melbourne and Sydney, would stimulate the frozen meat industry he hoped to see established in the colony. This visit to Britain marked the beginning of a long period of close collaboration between McIlwraith and Drury, who visited Europe several times during this period, and a small group of British businessmen with colonial interests, who, in turn, extended their activities to Queensland on a large scale, apparently as a result of the association. These men included members of the London boards of the Queensland National Bank and the Queensland Investment and Land Mortgage Co., such as Feilding, Buchanan, Torrens, and the Montefiores, with whom McIlwraith and Drury had been associated for some years, but there were others as well. The main ones were E. S. (later Sir Edwyn) Dawes, chairman of Gray, Dawes and Co., the managing agents of the British-India line, and also the London agents of the Queensland National Bank;

42 The best accounts of the rails case are in two University of Queensland Bachelors' theses; D. K. Dignan, 'Sir Thomas McIlwraith', 1954, which is sympathetic to McIlwraith, and J. C. Vockler, 'Sir Samuel Walker Griffith', 1953. which supports the views of the opposition leader who was the Premier's main critic.

43 See QLA, V and P., Vol. 1, 1883, pp. 57-60, for details of the judgment.

44 McIlwraith to McIlwraith, McEachern and Co., 27 March 1881, McIlwraith Papers.
William (later Sir William) Mackinnon, chairman of the British-India Co.; the Duke of Manchester, chairman of several colonial companies, including the Emigrant and Colonists' Aid Corporation, and speculative promoter of many others; and Henry Kimber, a solicitor and company director. Andrew McLlwraith, who was resident in Britain, was also a member of this circle of men with Australian business interests. Stimulated by McLlwraith's schemes for the development of Queensland, these men formed the nucleus of two syndicates that were set up to investigate the construction of the so-called Transcontinental Railway across the western part of the colony and a submarine telegraph cable linking Ceylon with Queensland. Some of them also joined McLlwraith in his private business ventures. Mackinnon and the Duke of Manchester, for example, joined the board of the Darling Downs and Western Land Co., the Duke taking up £20,000 worth of shares in the company. Dawes and Mackinnon also helped McLlwraith to get Stock Exchange quotations for the company's debentures when they were issued in 1884, and later used their influence in selling them to the British public. McLlwraith's association with British financial interests led to even greater distrust of his actions than did the jobbery associated with his Queensland ventures, and public lack of confidence in him was an important factor in the defeat and resignation of his ministry in 1883, over the final proposals for the construction of the Transcontinental Railway.

Although it is clear that McLlwraith and his cabinet colleagues made use of their official position to further their business interests, it is not so apparent that the policies of his government were influenced by these interests. Many of McLlwraith's contemporaries thought they were, but without further research into the subject, it can only be assumed that his government's policies were conditioned by this background of active participation in business. The McLlwraith group did make an attempt to retain some of their political power when their ministry was faced with certain defeat in 1883. Palmer had succeeded Bell as President of the Legislative Council and was then Acting Governor. He appointed two of McLlwraith's supporters to the Legislative Council, to preserve the latter's majority there, immediately before the government resigned. On the other hand, McLlwraith did make use of his business connections to further his political interests. In Queensland, for example, two of his main business partners, apart from Drury—J. C. Smyth and William Forrest

45 The Duke of Manchester was chairman of the Transcontinental syndicate, while Feilding, Torrens, and J. and S. Montefiore were also members.
47 Dawes to McLlwraith, 18 and 20 March 1884, McLlwraith Papers.
48 As an example of this feeling see the speech by G. Thorn, QPD, Vol. 32, 1880, p. 56.
49 Musgrave to the Colonial Secretary, 9 April 1884, CO 234/44, No. 35. A Legislative Assembly resolution against this type of action, and a letter from Griffith, the new Premier, opposing Palmer's holding the position of ex officio administrator of the government, were enclosed with this despatch.
were appointed to the Legislative Council in 1882 and 1883 respectively. In England, he supplied Henry Kimber, who was solicitor to the Transcontinental Railway syndicate, with confidential information on the colony’s finances in 1885. It was to be used to discredit the Griffith government’s attempts to float a £10 million loan, and bring about their defeat. Kimber’s letters to the London Press caused consternation in Queensland, but failed to have the desired effect for long. Kimber later became Conservative MP for Wandsworth, and with several other Conservative members, helped to rally support for the McIlwraith ministry in its dispute with the Colonial Office over the appointment of Sir Henry Blake as Governor in 1888.

The McIlwraith-Drury-Palmer combination remained dominant during the eighteen-eighties in spite of the emergence of other Queensland-based financial institutions, such as the Royal Bank of Queensland and the Bank of North Queensland, both of which had strong links with political groups. The Royal Bank of Queensland, for example, included the Liberal leaders, W. Miles and J. R. Dickson, among its directors, while the Bank of North Queensland was apparently intended to serve as the main bank for the projected new colony of North Queensland, and was backed by the separation movement. This domination broke down gradually, and did not end until the middle nineties. The first stage came with the growing concern of the London board of the Queensland Investment and Land Mortgage Co. over its investments in the colony, after a policy split among the directors. This led it to investigate the operations of its Queensland board in 1886 and 1888, after which it began legal proceedings against the local directors, McIlwraith, Drury, Palmer, and Hart, and an accountant, S. Grimley, the former secretary of the Darling Downs and Western Land Co. The company wanted Grimley or the other defendants to make good loans which had been advanced to Grimley to buy out dummy land selectors. It originally sued on the grounds that the loans were made on insufficient security, but later changed this to a plea that they were made on land fraudulently obtained. Some of the selections had been bought by Grimley on his own account, and some in his capacity as a go-between for squatters, among them J. P. Bell and the Darling Downs and Western Land Co. The defendants eventually won their case before a special court in 1892, after the Chief Justice of Queensland, the

50 McIlwraith to Kimber, 6 and 8 February 1885, McIlwraith Papers.
51 McIlwraith to Kimber, 17 July 1885, ibid., and QPD, Vol. 46, 1885, pp. 7-9, and 15.
52 Kimber to McIlwraith, 8 February 1886, McIlwraith Papers.
53 ibid., W. Pritchard Morgan, MP, and J. Henniker Heaton, MP, to McIlwraith, 16 November 1888.
54 Jobson argues that Palmer was not directly involved in McIlwraith’s schemes. The evidence in the McIlwraith Papers supports a view of him as a figurehead in companies controlled by McIlwraith and Drury.
55 Norman to the Secretary of State for the Colonies, 15 September 1893, CO 234/57, No. 164. A letter from McIlwraith on the separation issue was included with this despatch.
56 McIlwraith to J. A. Bell, 20 January 1885, McIlwraith Papers, for details.
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former Liberal leader, Sir Charles Lilley, had given a highly controversial judgment against them. The political association of the members of McIlwraith’s group also dissolved during these years, when McIlwraith and Morehead split after McIlwraith’s second, brief, premiership in 1888. Although McIlwraith returned to government office again, in his coalition ministry with his former rival Griffith, from 1890 to 1893, and was Premier for a further short period in 1893, he was not able to include his business associates in his cabinets to the same extent as before. A later example of his close identification of public and private interests was the appointment of his partner, William Forrest, as Agent-General in London in 1893. One of Forrest’s main official duties was to stimulate the import of Queensland frozen meat into Britain. However, he also acted as a selling broker for the meat, particularly that processed by the Queensland Meat and Export Agency Co., a McIlwraith company that had Forrest as managing director, and meat sold for the North Australian Pastoral Co. and the Queensland National Bank, which acted on behalf of the Darling Downs and Western Land Co., and other stations owned by McIlwraith, Forrest, and their associates.

McIlwraith and Drury’s dominance was finally brought to an end in the mid-nineties. They incurred heavy losses over their mining speculations in the late eighties, while the succession of bad seasons and falling prices that struck the Queensland pastoral industry after 1883 left the Darling Downs and Western Land Co. in the hands of the Queensland National Bank, which held its freehold land, debentures, and other assets as security for its overdraft. A similar situation occurred with other properties and shares owned by McIlwraith, which were held either by the Bank or the Queensland Investment and Land Mortgage Co. The financial crisis of the early eighteen-nineties and the failure of the bank in 1893 completed the process. McIlwraith retired from public life in 1895, because of ill-health, and lived in virtual seclusion in England and the Continent until his death in 1900. Drury died in 1896, and the reorganisation of the bank that followed brought to light the abuses he had practised as general manager. He had exercised autocratic control over the bank, which had made huge losses in the eighteen-eighties and nineties. These were concealed until Drury’s death, as were many other facts concerning McIlwraith’s overdrafts and Drury’s own speculation with the bank’s money, since only Drury had access to the books, and he issued false annual balance sheets. McIlwraith’s English friends attempted to salvage what they could from the wreckage. E. S. Dawes, as a member of the London board of the bank and representative of the British shareholders, worked out a reconstruction scheme for the bank, in consultation with McIlwraith, but this was

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57 He was succeeded by Morehead, who was Premier from 1888 to 1890.
58 McIlwraith and Forrest had a serious quarrel over selling policy in 1895-6. See the correspondence relating to this in the McIlwraith Papers.
not acceptable to the Queensland board or the Queensland government. He also made attempts to reach a settlement with the bank over McIlwraith’s debts, but the publication of the Royal Commission of Inquiry Report prevented any agreement that would have been acceptable to public opinion at the time. Dawes, McIlwraith, and several others also offered to float a new company to take over the Darling Downs and Western Land Co., but this scheme was also rejected by the bank, since it was expected to take out shares to discharge the company’s bank debt.

The financial and business groups that were not either based in Queensland or centred on the Queensland National Bank, were made up of a large number of companies from Britain, Victoria, and New South Wales, and also included Queensland concerns, as has been seen earlier. Although the interests of the British companies were dispersed throughout the Australian colonies, and they did not have the close connection with Queensland politics that the locally-controlled companies had, there were important links between them and the McIlwraith group. Their share and stock holdings were owned by large numbers of shareholders in relatively small amounts, but the men who promoted them and many of the Australian-based companies, and who formed their boards of directors, were drawn mainly from a fairly small circle of businessmen. As has been shown already, many of these men were associated with McIlwraith and Drury; either in a direct business relationship, as with their connections with the Queensland National Bank, the Queensland Investment and Land Mortgage Co., the Darling Downs and Western Land Co., and mining ventures such as the Mount Perry Copper Mining Co., or in a relationship that was connected with McIlwraith’s political schemes, as with the Transcontinental Railway and Telegraph Cable syndicate. Such an association was logical for men with large-scale business interests in Queensland, in view of the combination of political and financial influence represented by the McIlwraith-Drury partnership. But these men also had wide interests independent of McIlwraith and Drury. The Duke of Manchester, General W. A. Feilding, and Sir Robert Torrens were all directors of the Emigrant and Colonists’ Aid Corporation, which had made several attempts to establish settlements in Queensland, and their membership of the

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60 Dawes to McIlwraith, 30 December 1896, McIlwraith Papers, gives the fullest details of the scheme.
61 Dawes to McIlwraith, 21 November 1897, ibid.
62 Dawes to General Manager, Queensland National Bank, 29 April 1896, and General Manager to McIlwraith, 3 January 1897, ibid. The company was eventually put into liquidation. See W. Collins to McIlwraith, 12 March 1900, ibid.
63 See, for example, the lists of shareholders in the records of certain companies in the Public Record Office, London: the Queensland Investment and Land Mortgage Co. Ltd., BT 31/14603, the British and Australian Trust and Loan Co. Ltd., BT 31/14604 and the North British Australian Co. Ltd., BT 31/1429.
64 The Duke of Manchester, Dawes, Kimber, Feilding, Andrew McIlwraith, and many more of McIlwraith’s British associates appear to have been members of the syndicate formed to float the Mount Perry company.
Transcontinental Railway syndicate appears to have arisen partly out of the corporation’s interests in the disposal of the land the syndicate would have received in payment for the construction of the railway.\textsuperscript{65} Another man who co-operated with McIlwraith in various business ventures, A. B. Buchanan, also had links with the Australia and New Zealand Land Co.\textsuperscript{66} Their interest in pastoral investment or shipping led many in the Anglo-Australian business circle to a similar interest in the frozen meat trade, and in mining coal for the fuel to power the ships used in the trade; and this in turn led to investment in other forms of mining as well. As has been seen, Torrens and Buchanan were connected with the ‘Strathleven’ experiment in 1879, and Dawes and Mackinnon, through the medium of the British-India Co., purchased the Poole Island freezing works at Bowen in 1884.\textsuperscript{67} His interest in North Queensland led Dawes into the setting-up of the North Queensland Loan and Investment Co. in 1886.\textsuperscript{68} Feilding and the directors of the British-India Co. also had numerous mining interests in the colony. The most important of these was the Vernon Coal Co. in the Maryborough district. Their connection with the Transcontinental Railway syndicate led to opposition to a private Bill that the company sponsored in 1888 to enable it to construct a railway linking its mine with the main government line.\textsuperscript{69} Mining interests merged into smelting and refining, and the same group appear to have controlled the Queensland Smelting Co., of which Feilding was managing director.\textsuperscript{70} Dawes’ firm, Gray, Dawes and Co., was also the London agent of the Royal Bank of Queensland and the Bank of North Queensland, in addition to performing that function for the Queensland National Bank. Other British and Australian businessmen and companies who had little or no connection with the McIlwraith-Drury group also operated in Queensland. In addition to the three Queensland-based banks, at least eight other Australian banks had branches in the colony, and pastoral and investment companies such as the North British Australian Co., the British and Australian Trust and Loan Co., the Trust and Agency Co. of Australia, the Australia and New Zealand Land Co., the Scottish-Australian Investment Co., and the Union Mortgage and Agency Co. of Australia, as well as the Colonial Sugar Refining Co., all had extensive interests there as well. Individual businessmen from Victoria and New South Wales were also attracted to Queensland, and men like Frederick Dalgety, George Fairbairn,\textsuperscript{71} James Tyson, C. B.

\textsuperscript{65} Kimber to McIlwraith, 20 July 1880, McIlwraith Papers.

\textsuperscript{66} See below.


\textsuperscript{68} It was originally intended that the company would take over the Bowen meat works from the British-India Co. See Dawes to McIlwraith, 26 March and 5 November 1886, McIlwraith Papers.

\textsuperscript{69} Feilding to McIlwraith, 8 October 1888, ibid.

\textsuperscript{70} ibid.

\textsuperscript{71} Fairbairn and a group of Victorian businessmen bought up the bankrupt Lake’s Creek freezing works at Rockhampton in 1886, in a financial coup that
Fisher, and the Tooth family had large pastoral holdings or other interests in the colony, while many of the biggest pastoral firms were controlled by local Queensland grazier-businessmen like James Taylor and the Wienholt family. None of them, or the large Queensland companies like the Mount Morgan Mining Co. and Burns, Philp and Co., had any direct business connections with the McIlwraith-Drury group.

It is difficult to assess the political influence of these varied business interests in Queensland. Where the men connected with them resided in the colony, they often took part in political life, as might have been expected, but none of them matched McIlwraith's position in both business and politics, or so closely identified their business activities with their political careers. Leading Queensland pastoralists and sugar planters were members of the Queensland Parliament in the eighteen-eighties and nineties as they had been in the sixties and seventies. Some, like Sir Hugh Nelson, Premier from 1893 to 1898, Archibald Archer, and M. Hume Black, held ministerial office; while others, such as Thomas Archer and William Forrest, represented the colony in Britain as Agents-General. William Pattison, one of the co-owners of the Mount Morgan mine, held a cabinet seat from 1888 to 1889; and Sir Robert Philip, the principal partner in Burns, Philp and Co., was Premier from 1899 to 1903 and 1907 to 1908. Companies based outside the colony had less direct connection with politics, although B. D. Morehead, the political and business associate of McIlwraith, Drury, and Palmer, who was Premier from 1888 to 1890, was employed by the Scottish-Australian Investment Co. as manager of Bowen Downs station for the first few years he sat in parliament; and A. B. Buchanan, who was a member of the Legislative Assembly from 1870 to 1874 and the Legislative council from 1874 to 1879, was connected with the Australia and New Zealand Land Co. The Melbourne firm of William Sloane and Co., which had extensive interests in the colony's sugar industry, was unsuccessful in attempts it made to intervene in politics. Its chairman, R. J. Jeffray and J. E. Davidson, the managing director of its subsidiary, the Melbourne-Mackay Sugar Co., who was also chairman of the Mackay Planters' was possibly designed to prevent McIlwraith or his associates gaining control of the company. See T. B. Robinson (Rockhampton agent of McIlwraith, McEachern, and Co.) to McIlwraith, 27 July and 10 August 1886. McIlwraith Papers.

72 See G. C. Bolton, A Thousand Miles Away, Brisbane, 1963, pp. 163-167, for an account of this firm.

73 McIlwraith and Drury invested heavily in Mount Morgan shares, but had no control over the company.

74 See Macmillan.

75 See QPD, Vol. 12, 1871. A Liberal member, Dr O'Doherty, described Buchanan as '... the representative of the great Australian and New Zealand Pastoral Company who had secured his election to a seat in the House to look after the interests of that company...' p. 49. Buchanan denied this, but said that '... he was a large shareholder of the company, and simply in the colony to advance the interests of the shareholders.' p. 53.

76 This company merged with another firm to form the Union Mortgage and Agency Co. of Australia in 1884.
Association, were among the leaders of the opposition to the Griffith Liberal government's legislation against the use of coloured labour in the industry. They appealed to the Colonial Secretary, Lord Derby, over the issue, but without success. 77 Another sugar company, the Colonial Sugar Refining Co., withdrew from its Queensland operations in the nineties because of the lack of support from either of the two main parties for the policies it wished to follow. 78 The British financial interests involved in the colony were able to exert influence through their business and political connections in England, which were considerable. In addition to British M.P.s with Queensland interests, who were on the boards of companies, fairly large stock and share holdings were held in pastoral and investment companies by prominent ministers connected with colonial policy. For example, Joseph Chamberlain was a large investor in the North British Australian Co. and the British and Australian Trust and Loan Co., as were several other members of the Chamberlain family; while Lord Ripon was also a shareholder in the latter company. 79 However, it is doubtful if this influence had any direct effect. Sir Robert Herbert, the Permanent Under-Secretary at the Colonial Office made this clear in 1884, when representations were made against the Liberals' coloured labour policy. He wrote, '... those who invest their capital in a Colony under Responsible Govt., must accept that Govt. "for better or for worse" and we cannot undertake a quarrel with the Colonial Legislature on their account'. 80

The economic influence of these companies was very great, however, particularly as far as the pastoral industry was concerned. J. D. Bailey has described the situation that resulted from the heavy borrowing of the seventies and eighties, and the effects of this on the depressed conditions that followed:

A small group of banking, mortgage, pastoral and investment companies gained control of the majority of large Australian pastoral stations in this period and have retained their strength to this day. By the end of the century most of the large pastoral runs were encumbered to the firm through which the station's wool was sold. The companies for their part adequately secured themselves by mortgages over freehold land, livestock, and improvements to property, and by registering themselves as the lessees of pastoral runs. The fact that they were the registered lessees of leasehold runs placed them in much the same position in relation to their leasehold clients as with

79 Joseph Chamberlain's stock holding in the North British Australian Co. ranged from £2,000 worth in 1875 to £1,713 worth in 1898 (see BT 31/14297, Pt. 1) while he had 500 shares in the British and Australian Trust and Loan Co. in 1878, and had increased his holding to 2,000 shares by 1903. Lord Ripon's shares ranged from 500 in 1888 to 2,000 in 1893. See BT 31/14604.
80 See the minute to Musgrave to the Colonial Secretary, 10 March 1884, CO 234/44, No. 25.
mortgages vis-à-vis freehold property; it did not mean they were the owners and operators of the stations.\textsuperscript{81}

As far as Queensland was concerned, it would appear that this situation applied particularly to the leasehold pastoral lands of the west and north,\textsuperscript{82} but that the older-established pastoralists of the richer areas of the central and south-eastern districts of the colony, who had been able to purchase the freehold of their land, were able to retain control over it.\textsuperscript{83} This domination did not extend to the sugar industry, where company investment had also been of great importance. There, the decline of the plantation system, and the extension of government financial assistance to producer-cooperative milling companies, led to the gradual withdrawal of the investment and mortgage institutions from the industry during the eighteen-nineties.

The depression of the early nineties marks a watershed in both the economic and political development of Queensland. After the middle of the decade the conditions in which the dominant economic groups were able to exercise a controlling influence over the politics of the colony as well, no longer existed. Although businessmen remained in close association with politics, the main financial element in the Queensland economy ceased to be locally based or under the control of local politicians, and it would appear that after the bank failures of 1893 and the reconstruction that followed non-Queensland institutions were to dominate in the investment and mortgage field. At the same time, the expansion of the economy, and the diversification that accompanied it, was reflected in politics, with the emergence of Liberal, Labour, and Country parties, and an increase in the part played by the State in economic affairs, which served to lessen the political influence of vested economic interests.

\textit{University of Waikato}

\textsuperscript{81} See Bailey, p. 179.
\textsuperscript{82} See \textit{Queensland Government Gazettes}, Pastoral Rent Lists, for details of station ownership. A. C. B. Allen, in a paper presented to the 1967 ANZAAS Conference, ‘The Sequence of Settlement in the Channel Country of South West Queensland’, has shown that between 1885 and 1900 leases held by private owners in this area dropped from 84.7\% of the total to 45.6\%, while bank and mortgage company ownership increased from 8.6\% to 52.3\%. Pastoral company leases changed less dramatically, decreasing from 6.7\% to 2.7\% over the period.
\textsuperscript{83} There were approximately 68 owners of 20,000 acres or more in Queensland in 1888. Of these 58 were individual owners, 6 companies (including the Colonial Sugar Refining Co.), and 3 banks. See the return in \textit{QLA, V and P.}, Vol. 3, 1888, p. 351.