

**The 'Australian Settlement' in the Countryside:
Small farmers and the rise of statutory marketing
in Australia.**

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Refereed paper presented to the
Australasian Political Studies Association Conference
University of Adelaide
29 September – 1 October 2004

Abstract

The institutionalisation and mediation of class conflict in Australia is conventionally understood to have been established in the first decade of the 20th Century, with the enactment of 'New Protection'. This 'Australian Settlement' provided tariffs to protect and compensate capital, and arbitration to provide a measure of protection and compensation for workers. This paper explores the dynamic behind the incorporation of a class that was left out of the original 'Settlement': small farmers. While the existing literature assumes that small farmers were incorporated and compensated in the 1920s, with the rise of the Country Parties, this paper argues that the incorporation of farmers did not occur until much later, in the 1940s. It was not until this late state that a bipartisan consensus finally emerged, supporting compulsory, grower-controlled, statutory marketing, with cost of production support for wheat and dairy farmers (the two largest groups).

This battle over 'compensation' for small farmers festered for three decades, and considerably destabilised the Australian political system until the end of World War Two. The cause of the destabilisation was that the Australian Settlement could not address the grievances of small farmers who faced the twin threats of exposure to the international market and exploitation by merchants and processors. Statutory marketing was pursued by small farmers as a solution to these threats. However, the Australian bourgeoisie opposed statutory marketing both because it threatened sectional interests within the bourgeoisie, and because it undermined 'free market' principles. This paper charts the struggle over statutory marketing during the inter-war years, outlining the underlying forces that drove and mediated this conflict.

Introduction

Between World War Two and 1988, the majority of Australian farmers had their income and livelihood protected by some form of statutory marketing.

Yet, the origin of statutory marketing in Australia is a much-neglected topic. As an aspect of the welfare state, it is rarely mentioned. As a form of industrial policy, it is treated as marginal, at best.

The rapid dismantling of statutory marketing over the last 20 years adds a sense of urgency to the task of redressing this neglect. The reserve price system for wool has been abolished, the Australian Wheat Board is listed on the stock exchange, the deregulation of the national dairy market is largely complete, and the single-desk marketing powers of the Queensland Sugar Corporation has been targeted by both the Productivity Commission and the US government.

This paper examines the forces that drove the rise of statutory marketing in Australia, with the perspective that statutory marketing was a mechanism that arose to ameliorate class antagonisms. The paper attempts to place this within the context of the broader struggles over New Protection and the Australian Settlement. This account ends at 1950 because at this point the major social forces within Australian society reached something of a compromise, and the basic shape of statutory marketing for the next three decades was set.

This paper begins with a short literature review, then examines the interests of the two major classes involved in this struggle: small farmers and the Australian bourgeoisie. Following this, the bulk of the paper is dedicated to understanding the more subtle factors which were crucial in determining the final outcome of this struggle, particularly (1) the counter (or anti-) free market tendencies with the Australian bourgeoisie, (2) the structure of the Australian state, and (3) the patterns of mobilisation of small farmers and their allies.

Down the memory hole? Locating farmers and statutory marketing in contemporary scholarship.

The politics and economy history of small farmers and statutory marketing in Australia, is a relatively neglected field. B. D. Graham has provided the most extensive treatment of the topic in *The Formation of the Australian Country Parties* (Graham, 1966). Graham demonstrates the centrality of the struggle by small farmers for statutory marketing in the formation of the Country Parties. This work is limited by the fact that statutory marketing is only addressed incidentally, insofar as the demand for statutory marketing was relevant to the rise of the Country Parties. Further, Graham's work provides an incomplete account, ending in the late 1920s.

Most recent scholarship has neither incorporated Graham's lessons nor attempted to complete his unfinished work. Thus within left-wing rural sociology, statutory marketing borders on non-existence (Lawrence 1987; Gray and Lawrence, 2001; Lockie and Bourke, 2001). Within theories of the Australian Welfare State and social protection, statutory marketing is treated as subset of protective tariffs, affecting only 'fringe rural production', despite the fact that statutory marketing evolved nearly three decades after the entrenchment of tariffs, and affected more than half of Australia farmers (Castles 1994, 124; Castles, 1985). More recently, Stokes' attempt to expand the notion of the Australian Settlement neglects the 'country' altogether, while Brett's attempt to correct this imbalance is notable for its failure to mention farmers at all (instead reducing 'country' issues to essentially regional services and regional development) (Stokes 2004a; Stokes 2004b; Brett 2004).

The scholarship that has incorporated a historical understanding of the origins of statutory marketing has a number of limitations. While statutory marketing does make a passing appearance in Kelly's *End of Certainty*, its origins are treated as a simple extension of 'protection' and seen as occurring in the 1920s with the rise of the Country Parties (Kelly 1994, 6). It is also notable that in total statutory marketing receives only five mentions (10 lines) despite the significant moves towards its dismantling during the period Kelly surveys (Kelly 1994).

Semi-official Country Party historians similarly perpetuate the myth that statutory marketing was the product of the unwavering struggle by the Country Parties, without mentioning that the Country Parties compromised their policy towards, and even opposed, statutory marketing during much of the 1920s and 30s (Ellis 1963; Ellis 1958; McEwen 1996; Bayley 1957; Mercer 1955). More recent accounts of the Country Party make little or no mention of statutory marketing, either as a historical or current issue (Costar and Woodward 1985).

The most substantial account of statutory marketing is provided by the school of neoclassical agricultural economics. The perspective promoted by this school is hegemonic with the two major political parties, most government bureaucracies, and

the National Farmers' Federation (NFF). Further, neoclassical agricultural economists have been intellectually and politically instrumental in driving the dismantling of statutory marketing in Australia since the mid-1980s. Their economic arguments are accompanied by a very particular history of statutory marketing which diminishes the significance (or makes no reference to) such market failures as the Great Depression, the monopolistic power of millers and refiners, and the instability of international agricultural markets. In addition, they neglect to mention the historical preference of farmers for the war-time economies of World War One and Two, or the long and often bitter struggles by small farmers for statutory marketing (see in particular Mauldon 1993, 311, 313 and Trebeck 1993, 127-31; also Campbell 1973a, 103; Davidson 1992, 365; Butlin, Barnard and Pincus 1982, 86; Williams 1993). The purpose of these 'histories' is rather transparent: to whitewash history to justify the neo-liberal remodelling of Australian agriculture.

Class Conflict and the Origins of Statutory Marketing.

While the key period of struggle over statutory marketing occurred during the interwar years, the origins of the conflict lies in the pattern of development of class structure in Australia prior to this period. The two key classes that provided the dynamic of this struggle were the Australian bourgeoisie and the small farmer.

The Australian bourgeoisie and Statutory Marketing

In relation to the development of statutory marketing, the role the Australian bourgeoisie¹ was twofold. First, from the late 1880s onwards it provided the major impetus to the development of an export-oriented, market-based agriculture built around the labour of small farmers. Second, throughout the interwar period it provided the major source of resistance to farmers' demands for statutory marketing, preferring instead a 'free market' in agriculture.

i. The strategy of export-oriented expansion of Australian agriculture

The Australian bourgeoisie essentially created Australian agriculture. Contrary to popular belief, Australian agriculture was created relatively late in Australia's economic development. Prior to the mid-1880s, Australian agriculture (as against Australian pastoral industries such as wool) was overwhelmingly underdeveloped,

¹ While not homogenous, the Australia bourgeoisie is a definable class force. At its leadership, at least during the period studied in this paper (1880-1950) are the key functionaries from the business community and the upper class, along with a steady stream of recruits from the middle class. Until the rise of the Labor Party, the bourgeoisie was hegemonic within the state, as illustrated by the fact that "in 1885, almost half of the New South Wales Legislative Assembly were businessmen in commerce, mining or manufacturing." (Connell and Irving 1980, 111) The rise of Labor, and the crisis of development presented by the depression of the 1890s forced a serious realignment within the Australian bourgeoisie, but left it, in large part, still in control of the state. When the conservative party/ies were in power, direct membership, shared values and control over party financing through such organisations as the National Union, ensured that the business community and upper class essentially ran the state (Graham 1960, pp.41-52; Connell and Irving 1980, 108-13, 208-219, 287-92). When Labor came to power, it largely came to terms, if at times uneasy terms, with much of the upper class and business community (Connell and Irving 1980, 198-202, 236-9; 282-5; Fitzpatrick 1944, p.132-42).

domestically oriented, and politically and economically marginal (Shaw 1993, 8). While the slow revolution of the 1850s and 1860s had bought self-government, land reform and the rule of the urban bourgeoisie, most of the land was actually sold at high prices to the wealthy. The real purpose of land reform was not to create small farmers or agriculture, but rather to use the revenue from land sales to finance railway building and state infrastructure, thereby fostering the urban bourgeoisie's desire for rapid economic development and the opening up of the 'rural market' (McMichael 1984, 210, 213; McQueen 1986, 155; Reeves 1968, 203-6; Lee 2000; 147, 217). By 1890, 30 years of 'land reform' had actually sent Australian agriculture backwards (Wells 1989, 74; Reeves 1968, 234, 249-50; Shaw 1993, 8).

In the 1880s and the early 1890s, gradual changes and then catastrophic crisis forced a rapid transformation of the bourgeoisie's approach to Australian agriculture. While many histories emphasises various gradual changes,² more important than any of these was the catastrophic balance of payments crisis of the 1890s, which brought the Australian economy to its knees. The crisis had its origins in the rapid expansion of Australian foreign borrowing during the 1870s and 1880s, and in the failure of the Australian economy to expand its export surplus at the same rate (Jackson 1877, 22-3). As can be seen in Table 1, whereas in 1861 interest and dividends due overseas were equal to just 4% of Australian exports, by 1890 this figure had risen to more than 40% (compiled from Butlin 1962, 410-1, 422).

Table 1: Interest and Dividends due overseas as a percentage of Exports.

	1861	1866	1871	1876	1881	1886	1890
(A) Exports (£ million)	17.4	19.5	22.9	25.6	26.9	20.8	28.2
(B) Interest and dividends due overseas (£ million)	0.6	1.53	2.22	3.32	4.86	8.09	11.74
B as percentage of A	3.4%	7.8%	9.7%	13.0%	18.1%	38.9%	41.6%

Source: Butlin 1962, 410-11, 422

The 'bank smash' and the Depression of the 1890s were, in large part the result of the expansion of the Australian economy through foreign loans without a simultaneous expansion in exports. The bursting of the property bubble (funded through overseas loans) and a fall in the price of Australia's primary export, wool, undermined

² The gradual changes which drove the rise of Australian agriculture included: (1) the increasing availability of foreign loans for the state, which decreased its reliance on land sales to fund state infrastructure (Reeves 1968, 218); (2) the continued development of a de-facto alliance between urban bourgeois developmentalism and populist forces favouring land reform; (3) the belief amongst sections of the urban bourgeoisie that intensive settlement of the land by small farmers was a mechanism for the further economic development of Australia; (4) the opening up of large corridors of agricultural land by state-funded railways between 1860 and 1890 (Davidson 1981, 175); and (5) important technological advances such as the advent of refrigerated transport in the 1880s and the development of the mechanised stripper (Davidson 1981, 200-1).

Australian credibility amongst London financiers (Shaw 1966, 89, 109).³

Consequently, the task of the next two decades was to place Australia's balance of payments situation on firmer footing.

The state-directed development of Australian agriculture.

This period initiated what was to be the Australian bourgeoisie's overriding strategy in relation to agriculture until the mid-1960s. The strategy was relatively simple: to develop, through widespread state activism, a market-based, export-oriented, intensive⁴ agriculture built around the labour of the small commercial farmer. This strategy had the aim of increasing and diversifying Australia's exports, thereby alleviating the economy's balance of payments constraint on growth. Between the mid-1880s and the beginning of World War One, state activism to achieve these ends took a number of forms, including widespread changes to land laws, expansion of state credit for settlers, state financed meat freezing facilities, state financing of butter factories and refrigerated storage, state financed sugar mills, state financed dams and irrigation facilities, and large-scale state support for agricultural research and technical education, including the creation of agricultural colleges, departments of agriculture and, later, the creation of the predecessor of the CSIRO.⁵

The structure of Australian agriculture: Export-oriented.

Table 2 demonstrates how successful state activism was in expanding and transforming Australian agriculture into an export-oriented industry. Between 1891 and 1931, Australian wool production increased by only 50%, whereas production of wheat and butter increased by 800%, and by 1911, nearly three-quarters of Australian wheat and half of Australian butter production were exported.

Table 2: Production and Exports of Selected Pastoral and Agricultural Industries

Year	Wool			Wheat			Butter			Sugar		
	Prod.	Exp	Ex as % Prod.	Prod.	Exp	Ex as % Prod.	Prod.	Exp	Ex as % Prod.	Prod.	Exp*	Ex as % Prod.
	(mill. lb)			(mill. lb)			(mill. lb.)			(mill. tons)		
1881	320	329	103%	0.53	0.13	24.5%	-	0.7	-	0.3	-	-
1891	634	641	101%	0.65	0.26	40.0%	47	4.2	8.9%	0.7	-	-
1901	539	529	101%	1.00	0.52	52.0%	103	35.0	34.0%	1.4	0.03	2%
1911	798	734	92%	1.98	1.43	72.2%	212	102.0	48.1%	1.7	0.01	1%
1921	723	946	131%	3.50	2.60	74.3%	267	127.0	47.6%	2.4	0.09	4%
1931	1007	903	90%	5.20	3.46	66.5%	390	202.0	51.8%	4.2	2.06	49%

Sources: Shaw 1993, 15; Morey 1959, 7.

³ British willingness to lend overseas had also been undermined by a temporary depression in the British economy and the widespread defaults that followed the Argentine revolution (Jackson 1977, 73).

⁴ 'Intensive' means various forms of agricultural activities such as wheat, dairy and sugar farming, as a contrast to 'extensive' agricultural activities such as pastoralism, which involve considerably less inputs of capital and labour, and required less development of the land.

⁵ For a more complete overview of the state-directed development of Australian agriculture during this period, see Harrigan 2002, 20-26.

The important role that these exports played in Australia's overall integration into the world economy can be seen in Table 3. Whereas in the 1880s, exports of wheat comprised just 5% of Australian exports, and dairy, sugar and fruit exports were negligible or non-existent, by the mid-1920s they collectively comprised nearly 30% of Australian exports (Jackson 1977, 71; MacKay 1967, 134). Wheat and dairy products were the second and third largest groups of exports, respectively. This trend was to continue until the mid-1960s.

Table 3: Composition of Exports 1923-24 to 1927-28

Item	1923-24 to 1927-28 %
Wool	45.3
Wheat and flour	19.2
Dairy products	6.2
Meats	4.1
Sugar	2.0
Fruits	2.3
Other agricultural products	8.8
Total rural exports	87.9
Minerals	2.1
Other	10.0
Total exports	100.0
Value of total exports \$Am.	272.7

Source: McKay 1967, 134.

The structure of Australian agriculture: Based on the small farmer.

The expansion of Australian agriculture was overwhelmingly built on the labour of the small, commercial farmer. A survey of major agricultural industries shows the significance of small commercial farmers. In 1905, the average sized sugar cane farm was just 41 acres; around the time of World War One, the average sized fruit orchid was between 20 and 100 acres; and in the wheat industry, as can be seen in Table 4, even in the mid-1930s after years of consolidation, more than 90% of wheat farms grew less than 500 acres of wheat (Davidson 1981, 158, 217; Dunsdorfs 1956, 318-9).

Table 4: Number of holdings growing wheat for grain in 1935-36.

Area under wheat (acres)	NSW		Vic.		SA		WA	
	No.	%	No.	%	No.	%	No.	%
1-19	938	5.9	1,729	12.6	823	6.4	353	3.9
20-49	1,108	7.0	1,472	10.7	1,018	8.0	569	6.3
50-99	1,562	9.8	1,820	13.2	1,403	11.0	736	8.1
100-199	3,851	24.2	3,392	24.6	3,016	23.6	1,720	19.0
200-299	3,553	22.3	2,875	20.9	2,657	20.8	1,979	21.9
300-399	2,335	14.7	1,479	10.7	1,764	13.8	1,582	17.5
400-499	1,174	7.4	560	4.1	994	7.8	963	10.6
500-599	580	3.6	241	1.7	487	3.8	497	5.5
600-699	325	2.0	125	0.9	247	1.9	249	2.8
700-799	183	1.1	39	0.3	139	1.1	128	1.4
800-899	107	0.7	16	0.1	83	0.7	78	0.9
900-999	55	0.3	14	0.1	57	0.4	62	0.7
1000-1999	142	0.9	18	0.1	95	0.7	113	1.3
Over 2000	10	0.1	-	-	4	-	10	0.1

Source: Dunsdorfs 1956, 318-19

The period between 1890 and 1930 even saw the rapid expansion of small farming in the wool industry. While the industry remained dominated by giant pastoral companies, the impact of the growth of small farming could be seen in the membership figure of the New South Wales Graziers Association (Table 5). By 1928, over 90% of members of the Graziers' Association of NSW owned only one property.

Table 5: Stock and Property owned by members of the Graziers' Association of New South Wales, 1891-1928.

Year	Members of G.A. of NSW		
	No.	Average number of sheep owned	Properties owned
1891	618	38,843	...
1900	275	24,984	...
1914	1,901	8,321	...
1928	8,247	3,777	8,920

Source: Graham 1962, 595

The question to be asked, though, is: Why was agriculture built around the labour of small farmers? One factor, no doubt, was populist agitation, and the 'land myth', which held considerable appeal amongst the general population. However, populism does not explain everything. Why did populist ideals of small farmer based cane growing have no impact until the plantation system went into crisis?⁶

⁶ Until the late-1880s, the vast majority of sugar cane in Queensland was grown on large plantations. The average plantation covered an area of 361 acres, employed over 70 'Kanaka' and Chinese labourers and had their own sugar mills. (Davidson, 1981, p.154; Graves 1993, 48) In the late 1880s the entire sugar industry was on the verge of 'extinction' because of a fall in international sugar prices, and the rising costs of Queensland labour (Graves 1993, 41, 44). During this period the entire industry was reconstructed, with considerable state financing, on the basis of central milling and small cane farmers (Reeves, 1968, p.352-354; Graves, 1993, p.45-48). Thus, while in

Similarly, why, when monopolistic tendencies were evident in almost all other sectors of the Australian economy, did the wheat industry have virtually no large corporate landholders (as the wool industry did), even in the mid-1930s?

The major reason was that farmers were given control over industries which corporate capital could not make profitable. Most agricultural farming was labour intensive, insecure, and only marginally profitable. Farmers only made these industries profitable through their own 'capacity for self-exploitation'. The restructuring of Australian sugar industry demonstrated the level of consciousness with which this principle could be applied. Discussions at the time were explicit about how small farmers would reduce labour costs by half, and this policy was backed by large-scale state financing to make small farmer based sugar growing possible (Graves 1993, 47-8; Burrows and Morton 1986, 34).⁷ In most industries, the decisions to construct farming in this way were not nearly as explicit or self-conscious, however the effect was the same. The Queensland Commissioner of Prices demonstrated this in his 1920 investigation of the dairy industry. He found that between 1914 and 1920, the average cost of production of butter was 1s 7d per pound. In contrast, between 1915 and 1930, farmers received only between 1s 1½d and 1s 5d. per pound, and in the years prior to 1914 prices averaged just 9d. per pound (Statham 1995, 17). This illustrates that for approximately twenty years from around 1910 to 1930 the price of butter was between 10% and 50% below the cost of production of most dairy farmers.

A similar example is that of the wheat industry. For 40% of wheat farmers, the price of wheat rose above their cost of production in only two years of the Great Depression (Shaw 1966, 160).⁸ The majority of small farmers only survived by working long hours, 'exploiting' the labour of their families, and enduring impoverishment during downturns in hope of making money in the good times (Graham 1965, 196).

Further evidence that the small farmer was a relatively late addition to the structure of the Australian economy and Australian politics can be found in Table 6, which shows that all but one of the mass-based farmers' organisations which eventually formed the Country Parties, developed in the second decade of the 20th Century.

1888 there were between 118 and 230 cane farmers in Queensland, by 1900 there were 3,300 farmers, each with an average of 41 acres. (Davidson, 1981, p.158)

⁷ While the central mills reduced costs through economies of scale and the utilisation of the latest technology, small farmers were thought to bring substantial savings in labour costs since they worked harder and more efficiently. It was estimated at the time of transition that the ratio of workers to cane acreage in plantations was 1:5, while on a farm this could be reduced to 1:10 (Graves, 1993, p.47-8; Burrows and Morton, 1986, p.34).

⁸ The 1934 Royal Commission found that two-fifths of wheat farmers had costs above 3s. 10d. a bushel. Only in 1936 and 1937 did the price of wheat equal or go above this (4s. 2d. and 5s.) (Shaw 1966, 160)

Table 6: Formation of 'mass-based' farmers' organisations that formed the Country Parties.

Organisation	Year Formed	Issue/Struggle around which it formed
New South Wales Farmers and Settlers Association	1893	Land Reform
Queensland Farmers' Union	1911	Arbitration for Agricultural Workers
Western Australian Farmers' and Settlers' Association	1912	Arbitration for Agricultural Workers
South Australian Farmers' and Settlers' Association	1915	Wartime Wheat Pools
Victorian Farmers' Union	1916	Wartime Wheat Pools
Australian Federal Farmers' Organisation	1916	Wartime Wheat Pools

Source: Graham 1966, 58, 77, 79, 100.

This sudden appearance of small farmers on the Australian political landscape was a result of their recent formation.

ii. The Australian bourgeoisie's commitment to the 'free market'.

The Australian bourgeoisie's second major objective in relation to agriculture was to organise its marketing (that is, the sale and distribution of agricultural produce) on the basis of the 'free market'. Until World War One, the decision to organise agricultural marketing along free market lines was essentially unconscious. However, World War One saw the introduction of compulsory state-organised (statutory) marketing in many agricultural industries as a wartime emergency measure. From the last years of World War One and throughout the interwar years, small farmers mobilised for statutory marketing to retained or reimposed. From this time, the bourgeoisie's commitment to the free market in agriculture became explicit, and in practice it meant opposing the maintenance, reintroduction or extension of statutory marketing.

The hostility of the bourgeoisie – as represented by the Nationalist and United Australia Party (UAP) politicians, the bourgeois press, and major business corporations – cannot solely be understood as arising from the ideology of economic liberalism, with its opposition to monopolies, hostility towards the state, and belief in self-regulating markets. The bourgeoisie had come to terms with tariffs, with state monopolies in the railways and telecommunication, and with CSR's virtual monopoly in sugar refining. It had also mobilised against handing the Federal government powers to deal with private monopolies. If 'liberalism' could accept such 'pragmatism' in other parts of the economy, why now was it so keen to apply laissez faire principles to agriculture?

There seem to be two interrelated reasons. First, statutory marketing threatened the entrenched position of powerful fractions of capital, and these fractions of capital were very effective at casting their interests as those of the entire bourgeoisie. Merchants and processors gained handsomely from the free market in agriculture, and statutory marketing, especially compulsory pooling under grower control, threatened their position. Many of these merchants, in the wheat industry in

particular, were deeply entrenched and influential sections of the bourgeoisie. Daring and Co., Bell and Co., Dalgety and Co., Louis Dreyfus and Co. were all huge companies, with powerful connections, and they seem to have been particularly successful in transforming their sectional interests into a concern of the entire bourgeoisie.

The second reason for the bourgeoisie's opposition to statutory marketing was the perception that statutory marketing threatened the bourgeoisie as a whole, because it legitimised state action in the interests of a subordinate class. While in part, this simply reflected the success of merchants and processors at transforming their sectional interests into concerns of the entire bourgeoisie, at another level it was a genuine fear with a legitimate basis. The general principle of state action in the interests of subordinate classes (whether the subordinate class be workers, farmers or small businesses) had considerable support with significant sections of the population, including the labour movement, sections of the farmers' movement⁹ and some members of the 'petty' bourgeoisie. Thus, while communism was not on the cards, state action to control the upper classes was. Bourgeoisie support for the 'free market' was really support for the principle of non-interference in the rights of private property. The accusation by the Victorian Nationalist Premier in 1921 that compulsory wheat pools were 'syndicalism ... an extreme form of French communistic trade unionism' (McQueen 1986, 178), reflected real fears of the entire bourgeoisie that regulation of the market in the interests of one section of the oppressed could be extended and pose a grave threat to their privilege.

⁹ An example of this from small farmers' organisations was the Western Australian Wheat Growers Union (WAWGU) which in 1944:

[had] adopted a policy in support of the nationalisation of banking ... [and] acceptance of the ideas of nationalisation of key industries and the transfer of various powers from State to Commonwealth Governments... (Hyams 1964, 109)

While the WAWGU was on the more radical wing of the farmers' movement, the sentiments behind its policies were shared by large numbers of farmers, workers and sections of the middle classes.

Small Farmers and Statutory Marketing.

Small farmers' demand for statutory marketing was a response to the twin marketing problems they faced: vulnerability to exploitation by the 'middlemen' (merchants and processors), and exposure to the international market.

'Middlemen': The Merchants and Processors.

Farmers were small, atomised and numerous, and their product homogenous. In contrast, there were few merchants or millers for a given farm product. Farmers were the archetypal competitive producer selling to oligopolistic merchants and processors. Farmers' bargaining position was weakened by the tendency of agricultural products to be produced in glutting quantities during good seasons, and the perishable nature of agricultural products (Morey 1959, 4-5; Lawrence 1987, 108).¹⁰

Graham illustrates the problems in the pre-war wheat industry:

Each year the standard weight per bushel (known as the 'fair average quality' – f.a.q.) was fixed by the Corn Trade Sectional Committees of the various Chambers of Commerce. Only in Sydney were government and growers representatives present when the f.a.q. standard was fixed, and there were frequent complaints that it was often set below the actual average weight per bushel of the bulk of the harvest, to the advantage of the trader. Growers also suspected that the traders sometimes combined to fix prices: a South Australian Royal Commission reported in 1908 that nine Adelaide traders and millers had an 'honourable understanding' to regulate prices and a Victorian Commission of 1913-4 concluded that a similar understanding had been reached by Melbourne traders (Graham 1966, 36).

Percy Stewart, a founder of the Victorian Farmers' Union who became a Federal Country Party Minister, articulated the farmers' problem when he declared that 'outside the primary industries the law of supply and demand does not exist.' (Mitchell 1969, 3)

Farmers' solution was to attempt to, in the words of Percy Stewart, 'meet organisation with organisation' (quoted in Mitchell 1969, 3). In the late 19th and early 20th century, small farmers experimented with voluntary cooperative marketing, however, for the most part they were a failure. Cooperatives raised market prices for those inside the cooperative, but tended to raise market prices even higher, and thus they encouraged farmers to sell outside the cooperative system (Piggott 1993, 288;

¹⁰ The extent of these problems did vary across industries. In the dairy and dried fruit industries most of the processing was done by producer owned co-operatives, which raised the price farmers received for their raw product, and also gave them the benefit of collective marketing when selling the processed product. (Trebeck 1993, 131) In the wheat, sugar, and later the rice industry, the situation was almost the opposite, with large private corporations dominating the marketing and/or processing of these products. (Davidson 1992, 319; Lewis 1994, 80-1; Graham 1966, 65)

Campbell 1973b). Attempts at cooperative marketing were also undermined by large corporate interests, such as wheat merchants, who channelled huge funds into campaigns for 'free wheat' (Mitchell 1969, 8, 13; Graham 1966, 240; Dunsdorfs 1956, 231-2; Smith 1936, 245). This is not to say that voluntary cooperation did not have success, such as in the early years of the dried fruit and dairy industries, but even here the bonds of solidarity were too weak to overcome the vast expanse of the market economy.

The International Market.

The transformation of Australian agriculture into a predominantly export-oriented industry created three further marketing problems for small farmers.

The first problem was that farmers were exposed to the violent price fluctuations of international agricultural markets. Because the supply of agricultural products was highly competitive, oversupply of international markets produced dramatic falls in price (rather than increases in excess capacity, as in monopolistic sectors) (Lawrence 1987, 110). For small farmers who had few resources to draw on in hard times and often had substantial debts, these violent fluctuations in price threatened their very existence.

The second marketing problem was that, since farmers' prices were set in export markets, they were vulnerable to rising domestic costs. In Australia, the period after 1890 was a period of rising tariffs and the consolidation of the arbitration system, and the inability of farmers to pass on these costs in export markets explains many farmers' (and pastoralists') hostility to both arbitration and tariffs (Graham 1965, 196; Graham 1966, 12).

The third marketing problem was that farmers' export-orientation meant that traditional forms of Australian protection (such as tariffs and arbitration) could not protect farmers' incomes. Even the portion of farmers' produce sold on the domestic market could not be maintained at higher than international prices with a tariff, since in a competitive market, producers redirected any of their export production to the higher return domestic market, flooding it until prices equalised. Thus, at least until World War One, export oriented farmers had little recourse to state activity to directly increase their income.

The turn to statutory marketing.

Thus, the demand for statutory marketing – in its various forms of grower-controlled pooling and price supports – reflected, at its core, a near universal class interests of small farmers: protection from the exploitative and destructive consequences of the free market.

There were, however, differences amongst farmers. The demand was voiced most loudly amongst farmers who were most economically insecure: notably, relatively new wheat farmers in Victoria and Western Australia. They were heavily debt laden,

relied on just one crop per year, had few alternative sources of income, exported 75% of their crop, and were often located on marginal land. These farmers formed the vanguard of the movement for statutory marketing and the radical wing of farmers' movement generally, and historically have done so in similar circumstances in other countries, notably Saskatchewan in Canada, and North Dakota in the U.S (Lipset 1971). In contrast, more secure farmers, who had been established for longer and had less debt, such as wheat farmers in South Australia, were much less radicalised by the struggle over statutory marketing.¹¹

While wheat farmers from Victoria, Western Australia, and, to a lesser extent, NSW, acted as the vanguard of the small farmers' movement, the demand for statutory marketing was widespread across states, industries and types of farmers (with the obvious exception of large pastoralists). In 1921, after the experiences of war-time pooling, wheat farmers' organisations in every State except South Australia were demanding compulsory pooling. In Victoria, in a poll of 20,000 producers, over 80% supported statutory marketing (Graham 1966, 162). In the same year, in Queensland, prior to any government legislation on the issue, dairy, egg, maize and canary seed farmers were all demanding state sponsored marketing (Vinning 1980, 67). The demand for statutory marketing was also continual, and arose even when farmers were betrayed by their leaders in the Country Party. Thus, in the late 1920s and early 1930s, when the cooperatives and Country Party opposed the extension of statutory marketing, new farmers' organisations, such as the Wheat Growers' Unions, arose to take up the struggle (Hyams 1964, 60-103; Mitchell 1969, 1-2). Similarly, small graziers split from the pastoralists over the issue of statutory marketing, forming the Australian Wool and Meat Producers Association to campaign for a reserve prices scheme for wool (Chislett 1967, 108).

¹¹ Thus, no Country Party was seriously established in South Australia. One explanation is the pattern of land release by South Australian colonial government during the 19th Century, which was much more deliberately designed to encourage farming from the very beginning of settlement. This meant that farmers as a class had existed for a much greater period of time in South Australia. As such they had low levels of debt and general economic problems, and also had a more substantial layer of farmers with pre-existing representation within the conservative/liberal political culture a long time before the radicalisation of interwar period.

The Mediation of Class Conflict in the Struggle over Statutory Marketing.

While, the conflicting interests of the Australian bourgeoisie and small farmers were the driving forces in the struggle over statutory marketing, this struggle occurred in a unique historical context that had considerable bearing on its final outcome. In particular, the struggle between the bourgeoisie and small farmers over statutory marketing was mediated by: (1) the counter (or anti-) free market tendencies with the Australian bourgeoisie; (2) the structure of the Australian state; and (3) the patterns of mobilisation of small farmers and their allies.

Counter-market Tendencies within the Australian Bourgeoisie.

War and the regulation of the market.

Bourgeois support for state control during wartime derives essentially from the emergency situation. In agriculture particularly, war creates crises that market forces cannot resolve. In World War One, the problems of shortages and gluts were magnified by the lack of shipping (Morey 1959, 8-9). It was difficult to export agricultural surpluses, and to import during droughts. In some instances, high overseas prices threatened to divert necessary agricultural production to foreign markets (Morey 1959, 12). In the case of sugar, wheat and butter, the Federal and State governments intervened to prevent widespread crisis (Shogren 1980, 183-6; Morey 1959, 8-13).

Wartime regulation, however, had a number of unintended consequences. Using the state to rationalise the economy politicised economic relations. Thus, during World War One, prices were set by State boards and departments, which often had merchants on their boards of directors. The major antecedent to the formation of the Country Parties was the struggle by farmers for representation on these wartime boards (Graham 1966, 96). In addition, wartime marketing had a permanent 'demonstration effect'. Farmers' struggle for statutory marketing during the interwar years was largely based on their positive experience of statutory marketing during World War One.

These impacts are best illustrated through a series of examples.

Sugar

Federal statutory marketing in sugar was motivated by a desire to maintain low wartime domestic sugar prices during times of high international prices, while still importing enough to meet domestic demand (Shann 1963, 437-8). In two special agreements between the Federal and Queensland government and the two major sugar refiners, the state acquired the entire domestic crop at fixed prices and then sold it at cost to the refiners (Shogren 1980, 182-3; Shaw 1966, 143). At the same time,

the Queensland Labor government introduced the Sugar Cane Prices Boards to regulate the relations between growers and millers.

What is important to note is that while it was introduced as a wartime emergency regulation, the Federal-Queensland government agreements, which provided the basis for statutory marketing in sugar, continued for the next 74 years (Mauldon 1993, 311).

Wheat

Wartime pooling of wheat was introduced to deal with a shortage due to drought in 1914-15, and then in order to handle the record crop in 1915-16, which the private merchants would have been unable to cope with (Graham 1966, 97; Morey 1959, 9-11). The pooling was administered by the Australian Wheat Board (AWB), and associated boards formed by each State. Initially the AWB was composed entirely of government ministers, and had an advisory board comprising the four largest wheat traders (Graham 1966, 97-8; Wood 1928, 24).

In the early years of the war wheat-growers demanded an immediate return to the free market. However, by the end of the war, growers' attitudes had dramatically shifted, and they began demanding that the boards be maintained after the war, but under grower – not government or merchant – control (Graham 1966, 100; Mitchell 1969, 4, 6).¹²

Dairy

The pattern in the dairy industry was similar to that in the wheat industry, with initial strong opposition to wartime controls (Statham 1995, 11). The government introduced price controls, and then in response to the diversion of domestic butter onto world markets, instituted a 'butter pool' to prevent shortage in the winter (Morey 1959, 12-13). Later in the war, the British government commandeered the entire Australian surplus of butter and cheese, at relatively high prices (Smith 1936, 113). However, in contrast to wheat farmers, dairy farmers demands for statutory marketing arose only after the dismantling of wartime controls (Graham 1966, 28).

Wool

The wartime purchase of the entire Australian wool clip by the British government necessitated the abandonment of free market for wool sales (Smith 1936, 26-32). The

¹² Graham describes this transformation as "a fundamental change in rural values." (Graham 1966, 103):

Before 1914 ... the practices of grain merchants and wool brokers had been resented but there had been no widespread demand that the state should take over the sale and purchase of primary produce and eliminate the middleman ... It was their experience of compulsory marketing during the war which convinced many growers, particularly the small men, that security lay in a system of state-financed and grower-controlled marketing corporations, from which the old propriety trading companies would be excluded. (Graham 1966, 103)

Central Wool Committee was established,¹³ and instead of the pre-war auction system, three appraisers valued each lot according to its quality (Smith 1936, 27).

The wartime system brought significant gains for small graziers, whose crossbred wool was severely undervalued in the pre-war auction system. They also received a higher return than under the market system because the wartime system did not discriminate against small lots: it simply judged them on the quality of the wool (Graham 1966, 101-2). The effect was that small graziers demanded the extension of the wartime system, most notably within the Graziers' Association of NSW and the small growers in the Victorian Farmers' Union.

Economic stability and the regulation of the market.

Various forms of statutory marketing were supported by the Australian bourgeoisie because they had both beneficial macroeconomic effects on the overall economy, particularly in terms of inflation and the balance of payments, and also positive industry-specific microeconomic effects.

Inflation

The two main periods when statutory marketing was used to stabilise inflation were the years immediately following the two world wars. In these years, wartime dislocation of farmers and destruction of farming land in Europe caused a boom in international agricultural markets. Exposure of the Australian economy to these price rises threatened to fuel inflation. Statutory marketing was used to stop inflation by sheltering the domestic market.

The case of wheat pooling after World War One makes this trend particularly clear. In Australia, compulsory wartime wheat pooling was maintained until 1921, nearly three years after the end of the war, (Smith 1936, 8).¹⁴ The effect of the differential pricing produced by statutory marketing can be seen in Table 7, where returns to domestic growers are considerably below the prices in international markets (which is indicated by column six: 'Gross Price of British Wheat').

¹³ The Central Wool Committee was composed of representatives of growers, brokers, buyers, scourers, fellmongers and the government (Smith 1936, 27).

¹⁴ The purpose was obvious. It allowed the continuance of price controls – in the form of state based Profiteering Prevention Acts – in order to lower domestic food prices below international markets, while preventing redirection of wheat away from the domestic market (Smith, 1936, 8). Price control plus a free market would have meant merchants would have simply sold virtually the entire wheat crop overseas, creating shortages or possibly a black market at home. Statutory marketing, in the form of wheat pools and the Australian Wheat Board, allowed the segregation of the two markets (domestic and overseas), and the maintenance of differential pricing.

Table 7: Net Returns to Growers (per bushel) during the Pooling Period (prices in s/d)

	Vic.	NSW	S.A.	W.A.	Gross Price of British Wheat
1915-16	4/10.64	4/10	4/7.5	4/7.819	6/7
1916-17	4/4.65	3/3	3/3	4/3	7/3½
1917-18	5/2.96	4/9.08	4/9	4/10.26	9/5½
1918-19	5/6.61	5/1.09	5/4	5/7.81	9/1
1919-20	8/1.88	8/4.22	9/1	9/6.44	9/1
1920-21	7/8.81	7/6	7/4	7/9.59	10/1

Source: Smith 1936, 13

Balance of Payments

Another role that statutory marketing played was to make 'dumping' profitable. In times of low international prices, pooling and export quotas allowed the maintenance of a high domestic price and the sharing of the below cost returns from export markets. Thus, statutory marketing maintained an important export industry despite the destructive conditions in the international market. This was no doubt part of the motivation behind the Export Control Boards created in 1924/5, and also the Paterson Plan for stabilising the dairy industry in 1926 (Smith 1936, 125-6).

Microeconomic stability

The need to protect individual industries from certain destruction by market forces was an additional factor that has motivated the Australian bourgeoisie to break with their commitment to the free market. Whereas economic liberal orthodoxy holds that market forces promote economic efficiency through driving uncompetitive industries and firms from the market, the reality has been that market fluctuations and highly competitive markets can drive even the most efficient industry into ruin.

Almost all statutory marketing arrangements, through their provision of shelter from market forces, played a significant role in promoting microeconomic stability. Thus, the 1915 statutory marketing arrangements for the sugar industry brought to an end nearly a decade of stagnation and, by guaranteeing higher prices, encouraged expansion (Shann 1963, 439). Similarly, the fruit and dried fruit Export Control Boards of 1923/4, were implemented during a period of declining overseas prices, which threatened to 'demoralise' the local industry, and possibly drive farmers off the land altogether (Smith 1936, 125-6).¹⁵ However, the most notable examples of

¹⁵ "The vicissitudes which the trade had undergone in the 'nineties, when surplus production and price-cutting appeared in Victoria, were repeated in the post-war years, owing to increased output and falling prices. Under the disturbed conditions, growers in many cases, did not observe the quotas fixed for export, and dealers were often able to evade the [Dried Fruit] Association's restrictions. In 1924, the industry had become so depressed that the Commonwealth Government came to its assistance ... [by establishing] the Export Control Board ... The

state intervention in the interests of microeconomic stability have been the two post-war wool schemes, which after World War One operated until 1924, and after World War Two operated until 1951 (Smith 1936, 37-41; Mitchell 1969, 105,120).¹⁶

*Corporatism: Political stability and the regulation of the market*¹⁷

Between 1915 and 1950, small farmers generated considerable turbulence within the Australian political system. Statutory marketing was the major form of state corporatism used by the bourgeoisie (and by Labor governments) to demobilise and defuse this threat. Statutory marketing worked as a form of corporatism because, while leaving the major pillars of state and capitalist power intact, it provided small farmers with material benefits (higher, stable prices, and protection from abuse by the 'middlemen'). In addition, it provided them with elements of industrial democracy and self-management of their industry (albeit in a highly bureaucratised form), and because it granted these concessions, it defused the political threat posed by small farmers.

The corporatist motivations of statutory marketing legislation are best illustrated by examining the political threat posed by farmers.

control of trade is, however, a safeguard against [the industry's] demoralization rather than a means of increasing the average return." (Smith 1936, 125-6)

¹⁶ Following both the World War One and World War Two, the British government was left with huge surpluses of wool from its dominions, in particular, Australia. The disposal of this wool surplus threatened to destabilise world wool markets, to the detriment of all woolgrowers but, most importantly, to the detriment of the powerful pastoralists. The solution was state regulation of the disposal of the surplus. After World War One, the British-Australian Wool Realisation Association Ltd. (BAWRA) was established. It operated from 1921 to 1924, and BARWA disposed of the surplus and maintained the buoyancy of the market by setting minimum reserve prices (Smith 1936, 37-41). After World War Two, the pattern was the same, with the 'Joint Organisation' established – a body comprised of representatives of the New Zealand, South African and Australian governments. It operated until 1951 in a similar way to BARWA (Mitchell 1969, 105, 120).

The head of BAWRA, Sir John Higgins, attempted to transform it into a permanent co-operative wool-marketing organisation. However, powerful pastoralists and brokers defeated Higgins' proposal (Graham 1966, 147-51; Smith 1936, 48).

After World War Two, the struggle for the maintenance of wartime pooling culminated in the 1951 referendum of growers on the establishment of an empire-wide reserve-price scheme (Ellis 1963, 289). Within Australia, there had been widespread agitation for the scheme by small graziers, in particular the Australian Wool and Meat Producers Federation (AWMPF). Since its formation in 1939, the AWMPF had been agitating for wool marketing and since at least 1946, had been building a campaign for the reserve price scheme (Mitchell 1969, 105; Chislett 1967, 108). In New Zealand and South Africa, where there were significantly more small growers and greater quantities of crossbred sheep, the referendum was successful, while in Australia it was comprehensively defeated by an alliance of large pastoralists, wool brokers, and the support of key sections of the 'conservative' business community (Mitchell 1969, 105, 120, 129-46). It is worth noting that 1951 referendum produced a division between the political and economic wings of the Australian bourgeoisie. Menzies and the Liberal Party supported the plan (Mitchell 1969, 145), while quite significant parts of the business elite opposed it heavily. Opposition came not just from pastoralists and brokers, but also the Bank of NSW, CSR and other key corporate powers within the business community (Mitchell 1969, 142).

¹⁷ Corporatism is a term that is not often used in relation to Australia. However, this term captures an important aspect of the dynamic of statutory marketing, particularly its role as a mechanism for stabilising the political system through providing subordinate classes with a degree of power and material concessions, while maintaining state and economic power in the hands of the bourgeoisie. On corporatism see Milliband (1991, 127) and Kriesler and Halevi (1995, 218).

The threat of parliamentary action

One of the first instances of parliamentary action by small farmers was the defeat of the Queensland Liberal government in 1915 because the Government failed to support a Labor initiative to establish a board system to regulate sugar cane prices. Angry cane growers defected in droves to the Labor Party at the 1915 election, delivering them all but two northern sugar electorates (Shogren 1980, 181-2).

After the war, the rise of the Country Party was the major vehicle for farmers' political activism. The Country Party threatened political stability in several respects. In December 1919, the Country Party gained the balance of power in the Federal Parliament and to demonstrate its power, it restricted Supply to just six weeks (Clark 1987b, 134). In October 1920, the Victorian Farmers Union won the balance of power in the Victorian lower house and in the subsequent battle over the break-up of wartime wheat pools, it brought down the Victorian Nationalist government, forcing an election on the issue of the wheat pools (Paul 1958, 9-10).

The concessions won by the Country Party during this period, from the major bourgeois party, were significant. Nationalist Parties across the country conceded the principle of *voluntary*, state-supported, wheat pooling as a mechanism for winning over the Country Parties and avoiding the alienation of small farmer voters,¹⁸ and later, when the Country Party entered into the first Federal coalition, they won further concessions in the form of the Export Control Boards (Ellis 1963, 116; Graham 1966, 162).¹⁹

The Country Parties posed a significant threat to the ALP as well, and the ALP subsequently responded with its own strategy of cooption and concessions to stabilise the political landscape. The most notable example was the introduction of the 1922 'Queensland Plan' which was probably the single most important piece of statutory marketing legislation in world history, since it acted as the prototype for much of the subsequent Australian, New Zealand and Canadian legislation. The motivation behind the legislation was clear. The Labor Party was almost defeated in 1920 by the rise of the Country Party: its majority was reduced to only four seats (Shogren 1980, 186; Wahid 1958, 138). The 'Queensland Plan' was announced in an election year, and was a bold attempt to smash the small farmer sections of the Country Party's industrial wing – the Queensland Farmers' Union (QFU) and the United Cane Growers' Association (UCGA) – and to win the small farmer vote. The

¹⁸ They provided the voluntary wheat pools with large quantities of state financing, and they provided a 3-shilling per bushel guaranteed price for the pools (Graham 1966, 162).

¹⁹ The corporatist aims of statutory marketing legislation can also be seen in the failure of the conservative parties to rollback any (non-wartime) statutory marketing legislation during the entire interwar period. The reason was simple: it would have been electoral suicide. Thus, the entire period is marked by sharp changes of position by the conservative parties. While the Nationalists and UAP sharply denounced most attempts by Labor governments to introduce statutory marketing, they came to terms with the principle almost the moment it became law (Graham 1966, 242). Thus NSW Nationalist and Country Parties swore against 'compulsion' and denounced Lang's introduction of statutory marketing in 1926/7, when they attained power a year later they did not roll it back (Graham 1966, 242)).

Queensland Plan involved the creation of the Council of Agriculture, a form of free state-sponsored unionism for small farmers and the *Primary Producers' Pools Act* which created a mechanism whereby farmers could introduce compulsory statutory marketing (Shogren 1980, 188; Morey 1959, 46-7).²⁰ These two forms of corporatism had their desired effect. The QFU and, later, the UCGA went into decline and then collapsed (Wahid 1958, 138).²¹ The small farmer vote was stabilised, and farmer radicalism significantly curbed, and the ALP vote in the next election recovered (Wahid 1958, 114).

During the Great Depression and World War Two, the 'independent' farmers organisations (that is, those outside of the Country Party), particularly the Victorian Wheat Growers Association (VWGA), played an important role in the electoral system. The movement around the VWGA was instrumental in realigning the strategy of the Victorian Country Party, which resulted in the Dunstan Country Party government coming to power in Victoria in 1935, with the support of the ALP. The VWGA was also the primary force behind the 'independent Country Party' candidate for Wimmera in Victoria, Alexander Wilson, who along with another independent, played a decisive role by voting to bring Labor to power in 1941 (Ellis 1963, 220; Mitchell 1969, 33, 64).²²

The threat of direct action.

Farmers also threatened political stability through their attempts at direct action. For wheat farmers, hit hard by the Great Depression and receiving virtually no meaningful state support, the 1930s was the decade of mass meetings, rallies, wheat strikes, and threats of 'black banning' particular traders and picketing ports to stop wheat exports (Mitchell 1969, 19-21, 44; Hyams 1964, 104-18). In Western Australia and Victoria, where mass-based wheat-growers' organisations were most militant, the tactic of the wheat strike was seriously attempted. The VWGA attempted wheat strikes in 1931-32, 1932-33 and 1939-40 and the Western Australian Wheat Growers' Union (WAWGU) did the same in 1931-32 and 1932-33 (Mitchell 1969, 19, 20-1, 44; Hyams 1964, 104, 105). The Victorian growers were particularly militant, with the state executive and a mass meeting of over 1,500 wheat growers in November 1939 –

²⁰ The Council of Agriculture was designed along the lines of the American Farm Bureau – grassroots organisation of farmers to assist in solving problems of production and marketing. (Shogren 1980, 187) It involved the creation of local producers' associations of 15 or more members, and allowed farmers to elect district councils of agriculture, and representatives to the Council of Agriculture. While legislation was being prepared, provisional councils of dairy, sugar, fruit growing, wheat growing, were established. By end of 1922 – 707 local associations had been formed, with 18,361 members. Four hundred producers nominated for elections for district councils. Each of the 19 district councils had a district agent appointed to help them prepare submissions on issues to represent the district to the government, and to act as a secretary. Each District council also had a district organiser. (Shogren 1980, 188)

²¹ "The Q.F.U. was driven into the wilderness when the Labour Premier, E. G. Theodore, instituted in 1922 the Council of Agriculture ... Seeing that the Q.F.U., the U.C.G.A., and the U.G.A could present a threat to Labour's supremacy, as shown by their success in the 1920 elections, Theodore sought a means to destroy or at least weaken the primary producers' organisations ... Hence the Q.F.U.'s swift passage to oblivion." (Wahid 1958, 138)

²² Wilson had regularly denounced the Country Party, saying that it "had never shown any inclination to support the fight for the life of the [wheat] industry." (Mitchell 1969, 33)

after the outbreak of World War Two – calling on all growers to refuse to deliver wheat unless the government guaranteed a return of 3/8 per bushel (Mitchell 1969, 44). While none of these strikes seem to have had immediate success, the first strike (1931/32) seems to have been crucial in pushing the Federal government to introduce the first non-wartime subsidy for wheat farmers (the four pence a bushel grant from the Federal Coalition government), while the 1939/40 strike was part of a campaign, which led to, amongst other things, the Coalition government increasing grower representation on AWB, and granting a 3/10 per bushel guarantee (Dunsdorfs 1956, 291-3; Mitchell 1969, 45; Hyams 1964, 105).

The Structure of the Australian State.

Farmers' desire for state protection drove them to parliamentary action, but in doing so it forced farmers to confront the structure of the Australian state, with its entrenched bias towards conservative forces.

i. The conservative bias of the state

In the struggle over statutory marketing during the first half of the 20th Century, the democratic possibilities and conservative bias of the Australian state, proved to be important mediating factors.

Parliamentary democracy in eastern Australia, in a pattern similar to that found in the United States, has its origins in the patterns of class struggle in the 1850s and 1860s (Moore 1974, 125-7; McMichael 1984, 248; Connell and Irving 1980, 113-9).²³ This quite revolution of the 1850s and 1860s laid the basis for parliamentary democracy in Australia. Parliamentary democracy proved to be important in the struggle for statutory marketing. Through providing the space for popular elections, party formation, and inter-elite competition, parliamentary democracy provided an important vehicle for the rise of the Country Party, and also provided a framework with which the two major political party formations (the Labor and non-labor parties) competed for the small farmer vote.

Parliamentary democracy in Australia did, however, contain a number of conservative biases. One bias, which is rarely mentioned, was simply the effect of the structure of capitalist society – the bias of property – which was translated into political power both through direct ownership of most media, funding of political parties, funding of extra-parliamentary campaigns, and control over investment (which placed sharp constraints over government policy), and also at a broader

²³ A liberal urban bourgeoisie, supported by populist forces, broke the power of the squatters, and opened the way to representative democracy (McMichael 1984, 204-6). Representative democracy was functional to the liberal urban bourgeoisie, since its political program (land reform, ending transportation, economic development) had a popular appeal. The election of the executive by the lower house of the parliament gave the urban bourgeoisie control over the executive wing of the state (McMichael 1984, 209-10).

sociological level, where members of the upper class receive training and access to powerful networks simply by virtue of their economic and social position.²⁴

Another important conservative bias of the state was the Legislative Councils. The conservative bias of the Legislative Councils had its origins in the compromise brokered by between the urban bourgeoisie and the squatters in the 1850s and 60s, which left the latter largely in control of the Legislative Councils of most of the colonies. This represented both a compromise between the two wings of the bourgeoisie, but also a desire to entrench bourgeoisie control of the state, as an insurance mechanism against the democratic system getting out of control (McMichael 1984, 211-2).

In addition to the Legislative Councils, the time lag built into the electoral system for the Senate had a conservative effect, especially during the first term of an elected government. In relation to statutory marketing, the effect of the Legislative Councils and the Senate can be seen in Table 8.²⁵

Table 8: Statutory Marketing Legislation vetoed by the Legislative Councils and the Senate

Legislative Council			
State	Government	Year	Nature of Legislation
Vic.	*	1921	Compulsory Wheat Pooling
NSW	ALP	1921	Compulsory Wheat Pooling
WA	ALP	1925	omnibus – similar to Qld Primary Producers' Pools Act
WA	ALP	1934	omnibus – similar to Qld Primary Producers' Pools Act
Tas	ALP	1935	omnibus – similar to Qld Primary Producers' Pools Act
* ALP and CP had a majority in the lower house, but the Nationals were a minority government			
Senate			
Government	Year	Nature of Legislation	
Scullin – ALP	1930	4s. per bushel Guarantee to Wheat Growers	
Scullin – ALP	1931	Compulsory National Wheat Pool	

Sources: Morey 1959, 118-9; MacGreggor 1928, 137; Vinning 1980, 269; McRae 1961, 9

²⁴ Direct evidence of the effects of this on the Country Party and small farmers' political activities are difficult to gauge or measure. Some evidence does exist of the manipulative role of the National Union towards the Country Parties (Graham 1960, 43) (see rest of this note, below), but this is likely to be just one part of the story, as rural property and business owners and their political allies are likely to have had just significant effects on the political activities and mobilisations of small farmers and the Country Parties as the urban bourgeoisie (see section on 'The Country Parties' in this paper).

The most notable example of the effect of the urban bourgeoisie on the farmers' movement is the experience of Harold Glowrey, the Farmers' Union acting secretary in 1917, who told Victorian Parliament about his dealing with John West, the secretary of the National Union. Mr West proposed the amalgamation of the Victorian Farmers Union with other conservative parties. West was asked how he would make this happen and he said: "It is simple. We find the money that enables these parties to function, and if they do not do it voluntarily we will cut off their sources of supply, and they will go out of existence." Later Mr West made a new offer to the Victorian Country Party. He said "My executive has considered the matter ... There should be a Farmers' Union to go round the country and organise the farmers for a nominal sum. If your executive will do that, we will give you as much money as you want, but there is to be one condition. It is that every politician elected under your auspices will accept dictation of our body in regard to matters brought before Parliament." (Graham 1960, 43)

²⁵ This list is almost certainly incomplete, as failed legislative attempts rarely make history.

Thus, it was the Legislative Councils that prevented the implementation of omnibus statutory marketing legislation in two of the three states that never ultimately implemented omnibus statutory marketing legislation (WA and Tasmania) (Vinning 1980). In two of the three states where omnibus legislation was implemented, Queensland and New South Wales, the implementation of omnibus statutory marketing legislation only occurred after the Labor Party in each state had, through a full frontal assault, eliminated the conservative power of the Legislative Assemblies.²⁶

ii. Federation, the Constitution and the centralisation of state power

For Australian farmers, the irony of Federation was that while it was designed to provide a framework for the negotiation of a 'deal' between major elements of the Australian bourgeoisie (over questions of protection, wages and unions, and immigration), Federation also fragmented state power in Australia in a way which greatly limited governments powers to protect small farmers through statutory marketing. In particular, two key clauses of the Constitution, Sections 51(i) and 92, have severely hindered the Australian States' and Federal governments' ability to address these marketing problems.²⁷ Section 51(i) provides for the division of powers over trade and commerce, and effectively meant that any nationally integrated system of State marketing of primary products requires the cooperation of all seven separate governments, thereby making it almost impossible (Piggott 1993, 290). Section 92 states that 'trade, commerce, and intercourse among the States ... shall be absolutely free.' (Smith 1936, 66). While this clause was intended at Federation to ensure the removal of protective barriers between States, it has been interpreted as preventing State and Federal governments from legislating for any restrictive barrier to free trade between States, thereby undermining many state and federal attempts at statutory marketing legislation during the interwar years.²⁸

²⁶ Thus the *Primary Producers' Pools Act* of 1922 was only passed after the Queensland Legislative Council had been abolished in October 1921, while the *Primary Producers' Organisation and Marketing Act* of 1926, was only passed after the power of the NSW Legislative Council was broken in December 1925 (Murphy 1980, 115; Nairn 1995, 105). The entrenched conservatism within the state conservatism within the Legislative Councils and the time lag built into the Senate, also had the effect of giving conservative forces the power to veto the two major wheat pooling schemes prior to World War Two. The vetos of the Victorian and NSW Legislative Councils destroyed any hope of a national wheat pool in 1921 (because it required the support of all states). In addition, the Senate blocked almost every measure the Scullin Labor Government attempted to introduce for wheat farmers (Roberson 1974, 234) and thus was largely responsible for leaving large numbers of wheat farmers poverty stricken during the Great Depression.

²⁷ For an overview of these two sections of the Constitution, see (Harrigan 2002, 60).

²⁸ This clause has, at various key points in the twentieth century, provided producers and merchants with the power to avoid and undermine both State and Federal statutory marketing schemes by transferring their produce across State boundaries. In doing this farmers and merchants have avoided export quotas and threatened to flood domestic markets, thereby threatening to undermine 'home consumption price' schemes by eliminating any price differential between domestic and export markets. The practical importance of Section 92 in undermining moves towards statutory marketing of agricultural products is difficult to gauge. It certainly has made Federal governments' wary of introducing marketing legislation, and it has also undermined the ability of State Governments to raise domestic prices for agricultural products within their own State. However, since 1919, many State and national marketing schemes have operated, despite the provisions of Section 92. Through a combination of State and Federal regulation, through the use of Federal taxation powers, and relying on a degree

The main lesson of this is that the issue of timing, in particular the late formation of the Australian farmer as a class, was crucial for the subsequent pattern of development of statutory marketing. The problem for farmers was that they appeared on the Australian political scene late. The Depression of the 1890s not only gave rise to Australian agriculture on a sizeable scale, but it also drove the formation of the Australian Settlement (or, more accurately, its system of 'domestic compensation'), which was essentially framed by the Australian Constitution. While the Australian Constitution was designed to ameliorate and incorporate labour, and also resolve conflicts between the free trade and protectionist wings of the bourgeoisie (Castles 1994b, 12; Wells 1989, 159-60), it was blind to future problems of farmers. This left farmers and their allies with very few mechanisms to win material concessions, and gave their opponents well-entrenched constitutional mechanisms to defend their privilege. This explains in large part the reason why the struggles over statutory marketing dragged on for nearly thirty years.

The pattern of attempted amendments to the Constitution also indicated the crucial role that the Constitution played in the struggle over statutory marketing. Table 9 demonstrates this by detailing the six Commonwealth referenda that would have increased the powers of the Federal government to make laws with respect to the organised marketing of agricultural products.

What makes these six referenda remarkable is that they represent more than a quarter of all referenda in the first fifty years after Federation. The first three referenda were not specifically aimed at solving the problem of agricultural marketing. They do show, however, that there were strong trends with the Labor movement and sections of the bourgeoisie towards deeper rationalisation of the economy through the state, and that to a very significant extent, the success of small farmers struggle for statutory marketing was contingent on the success of these forces within the state.

The second three referenda, however, were clearly aimed at overcoming the barriers in the Constitution to statutory marketing of agricultural products. The 1937 Lyons (UAP-CP) referendum demonstrates the significant political shift which was occurring within the Australian bourgeoisie by the late 1930s, in response to the renewed political pressure of small farmers organisations and the Great Depression (see next section). Thus, at the very least, elements of the political wing of the bourgeoisie wanted to ameliorate and incorporate small farmers into the Australian state, and realised that to do this they needed to change the Australian Constitution.

of extra-parliamentary voluntary cooperation, the threat of Section 92 to statutory marketing was held at bay, at least until the 1980s (Morey 1959, 18; Piggott 1993, 290).

Table 9: Commonwealth referenda which would have increased the constitutional powers of the Federal Government to make laws with respect to the organised marketing of agricultural products.

Year	Federal Government	Success	Proposed Amendment
1911	Fisher (Labor)	Defeated	Amend Section 51 so as to grant the Commonwealth the power to make laws with respect to the whole subject of trade and commerce.
1913	Fisher (Labor)	Defeated	As 1911
1919	Hughes (Nationalist)	Defeated	As 1911
1937	Lyons (UAP-CP)	Defeated	Add Section 92A, excluding laws by Federal Parliament with respect to marketing from the 'free trade' provisions of Section 92.
1944	Curtin (Labor)	Defeated	Grant the Federal Government post-war reconstruction powers which included '(iii) Organised marketing of commodities'.
1946	Chifley (Labor)	Defeated	Amend Section 51 to grant the Federal Government power over 'organised marketing of primary produce', 'notwithstanding anything contained in Section 92 of this constitution.'

Sources: Morey 1959, 18-19; McAllister 1992, 8, 80.

The failure of all these referenda, however, also signifies the powerful entrenched position of opponents of statutory marketing within Australian society and the Australian state.

The Patterns of Mobilisation of Small Farmers and their Allies.

i. The Country Parties

The rise of the Country Parties

The major organisational form which small farmer radicalism took in the 1920s was the Country Party movement. From their inception, the Country Parties were characterised by a tension between two elements of their membership: a 'rural conservatism', comprised principally of a wealthy elite from different sectors of rural society, and an 'agrarian radicalism', comprised predominantly of small farmers.

The social base of 'rural conservatism' was the rural elite in country areas: wealthy established farming families, large pastoralists and business people in country towns (Graham 1962, 593-4). This rural conservatism also received considerable support from the middle classes in country towns and more established small farmers and small graziers who, being relatively free of debt and well established, had few gripes with the status quo. While not homogenous movements, the Graziers' Associations and the New States' Movement were indicative of this trend. The political interests of the rural elite were to defend their position of privilege from emerging challenges from unions, Labor governments, rising land taxes and pastoral rental, rail freights and centralised urban development in the capital cities (Graham 1962, 593).

Rural conservatism had been closely linked to the major conservative urban parties. However, from 1910 onward they became considerably alienated from the increasingly protectionist, Deakinite, Liberal Party, which was dominated by urban manufacturing and mercantile interests (Graham 1966, 78; Graham 1962, 601). This provided the impetus for various fractions of the rural elite to throw their weight behind the Country Parties. Their role, however, was essentially conservative, aiming to defeat Labor, and win administrative concessions (such as roads, railways, ports, and tariff reductions on key inputs) from Nationalist governments.

While rural elites may have thrown their weight behind the Country Parties at opportune moments, the crucial driving force behind the Country Party movement was the small farmer. This 'agrarian radicalism' has already been touched on briefly. Its social base was primarily small wheat farmers, as well as dairy farmers, fruit growers, sugar farmers and small graziers. The crucial difference between the interests of small farmers and the rural elite was that small farmers were strongly opposed to the status quo. They were driven to politics primarily not because of a desire to defend existing privilege, but instead to demand a radical transformation of the existing system, through sweeping state action. They demanded state credit, land reform, statutory marketing, bulk-handling, and tariff protection (Wahid 1958, 78; Graham 1962, 592-5).

The conflict between the interests of these two broad classes within the Country Party manifested as a conflict over strategy. The rural elite saw their objectives of defeating Labor and winning administrative concessions as best achieved through a coalition with the urban bourgeois party (Liberal/National/United Australia Party). In contrast, the small farmers saw their objective of radical state action as best achieved through a conditional support strategy, where the Country Party supported whichever party delivered the greatest concessions (Graham 1966, 143). This conflict over strategy was initially played out within the Country Party in the early 1920s. In some states, such as South Australia, the pull of rural conservatism, and the incorporation of small farmer interests within the existing bourgeois party was so complete that a Country Party did not exist except momentarily. In other states Country Parties formed, and in all of those except Victoria, the coalition strategy gained hegemony. The key event that cemented this hegemony was the formation of the Bruce-Page government in 1923, and the consequent electoral coalition of the 1925 Federal election. Since the formation of this government, the Federal coalition has continued virtually unbroken ever since.²⁹

The degeneration and cooption of the Country Parties.

The 1920s were also a period of degeneration and cooption of the Country Parties. The 'iron law of oligarchy' was in operation and, as the spurt of radicalism in the early 1920s faded, conservative forces within the Country Parties gained further ground. This rising conservatism undermined the Country Parties' commitment to statutory marketing, and meant that by the end of the 1920s, many Country Party politicians were actively denouncing the concept. Alongside the forces of 'rural conservatism' outlined earlier, two other forces within the Country Parties drove this process: the parliamentarians and the cooperatives.

The parliamentarians were a conservative force because they acted as a transmission belt between the bourgeoisie and the Country Parties (Graham 1966, 236-49). This occurred, first, because parliamentarians' careers as ministers in coalition governments relied on the maintenance of the alliance with the National Party/UAP. Radical demands for statutory marketing threatened this alliance, and the parliamentarians, in general, opposed any party policy in favour of statutory marketing. Second, parliamentarians' careers also depended on the defeat of Labor.

²⁹ The irony of the Bruce-Page coalition was that while, at one level, it represented a victory for small farmers, who won a degree of political integration and concessions from the bourgeoisie, at another level, it also represented a partial victory for conservative sections of the ruling class, i.e. the pastoralists and their allies in the urban bourgeoisie, over more pro-state, Deakinite liberalism. The evidence for such an interpretation is substantial. First, the one definite achievement of the Country Party in achieving its coalition was the removal of Hughes as Prime Minister. This was largely motivated by opposition to Hughes because he was ex-Labor, he supported the 1919 Federal Powers referenda and because he supported a substantial increase in tariffs in 1921. Second, Page became Treasurer and was committed to less government spending. Third, another key part of the coalition was the appointment of a rural representative to the Tariff Board. This said, the victory over more pro-state liberalism was only partial, and the formation of the Federal Coalition just as equally represented the reincorporation of rural conservatism within the Australian establishment after a momentary exclusion during the 1910s.

This led them to regularly oppose and demonise pro-small farmer statutory marketing legislation put forward by the ALP, just so as to ensure their own short-term electoral success. Third, as has been alluded to earlier, it seems likely that the Country Party parliamentarians were dependent on the financial support of both urban business, through such organisations as the National Union, and also on large rural business and farming interests. It is important to note that the most radical wing of the Country Party movement – the Victorian Country Party – also had the highest membership fee, which they stated quite clearly was necessary to ensure their financial independence so that they could maintain their political independence (Paul 1958, 8-9).³⁰

The directors of cooperatives were a conservative force because they too, in general, saw their power as threatened by compulsory state marketing authorities (Lipset 1971, 83-4; Graham 1966, 239). In each state the leading executives of the Country Parties and the cooperatives had considerable overlap in membership, particularly the Country Parties and the boards of the large voluntary wheat pools. These directors exercised a decisive, anti-statutory marketing influence over the Country Party throughout the 1920s.

These conservative forces had a significant impact on the approach taken by Country Parties to statutory marketing in the late 1920s. While the pattern was replicated across the country, a case study of NSW is illustrative. Whereas in 1921 the NSW Country Party had supported the formation of a grower-controlled compulsory wheat pool, in February 1927 the Country Party campaigned for a 'No' vote in a compulsory wheat pool referendum initiated by the Lang government (Bayley 1957, 134, 15; Graham 1966, 243).³¹ Later that year, when the Lang government passed the *Primary Produce Marketing Bill* – a near identical replica of the Queensland *Primary Producer Pools Act* – the parliamentary leader of the Country Party, Buttenshaw, condemned it as 'nothing less than the socialisation of industry' (Graham 1966, 242).³² Similarly, in October 1928, when a ballot on a compulsory butter pool was held in NSW, the Country Party member of Lismore, W. T. Missingham, worked with the most powerful cooperative dairy manufacturing company on the North Coast, Norco Ltd, to persuade producers to vote 'No' (Graham 1966, 245).³³ This was despite the Primary Producers' Union (later to become the NSW Dairy Farmers Association) and the smaller cooperative factories in

³⁰ See footnote on page 2 for more information.

³¹ Bayley (1956, 155) claims that the Country Party and Farmers and Settlers Association opposed the 1927 ballot because it did not provide for majority of producers on the board. This is incorrect, and probably the perpetuation of a lie created by the Country Party at the time (See Morey 1959, 56).

³² Buttenshaw also called it an "unwarranted interference with the rights and privileges of growers" and complained that the principle of one man, one vote, unduly favoured the small grower: "I do not want to see a man with 300 acres of wheat or 500 sheep empowered to outvote the man with 3,000 acres of wheat or 100,000 sheep, especially as those men in the bigger way are to have certain conditions forced upon them." (Graham 1966, 242)

³³ 59.6% of producers voted in favour of the pool, despite only 24.1 and 30.2 per cent voting in favour in Lismore and Byron (where the Country Party and Norco campaigned for 'No'). This was, however, just short of the 2/3rds majority needed to establish a pool. Graham says that if the Country Party MPs had backed the compulsory pool, then the result quite probably would have been different. (Graham 1966, 245)

the Central West, South Coast and Manning regions running a 'Yes' campaign (Graham 1966, 245).³⁴

Thus, by the late 1920s the Country Parties were refusing to take up the very demands that had been their lifeblood just five years earlier (Graham 1966, 244).

ii. Independent farmers' organisations

The rise to prominence of a new generation of 'independent' farmers' organisations from the late 1920s onwards was a direct reaction to the conservative hegemony over the Country Parties, and also the devastating effects of the Great Depression.

These independent farmers' organisations rose to prominence in a short space of time, in a variety of industries, and had a considerable number of common characteristics. These characteristics included a strong commitment to statutory marketing and an animosity towards politicians and political parties. A considerable number of these organisations (though not all) also displayed (1) a commitment to organising based in single industries, such as wheat or dairy; (2) a hostility to directors of cooperatives and to 'big' farmers; and (3) a conscious endorsement of the strategy of 'direct action'.

The most important independent farmers' organisation was the Australian Wheat Growers' Federation (AWGF), which formed in 1930. The most important affiliates off the AWGF were the Victorian Wheat Growers' Association (VWGA) and Western Australian Wheat Growers' Union (WAWGU), both of which formed out of a direct split with the Country Party over the Country Party's failure to support compulsory wheat pooling (Hyams 1964, 94-5; Layman 1979, 164). Both the VWGA and WAWGU banned parliamentarians and directors of cooperatives or processing firms from sitting on their executives or acting as delegates to their conferences. The WAWGU limited full membership to 'growers residing on their farms and to those who in the main were dependent on their farms as a source of income ... [while] absentee farmers ... were subject to the same restrictions as those applied to politicians.' (Hyams 1964, 101). Both the VWGA and WAWGU endorsed the concept of 'direct action', culminating in the wheat strikes of 1931-2, 1932-3 and 1939-40 (Mitchell 1969, 19, 20-1, 44; Hyams 1964, 104, 105).

Just as important, however, were the developments that occurred in other industries. Most notably, the period saw the rising importance of independent dairy farmers' organisations, such as the Primary Producers Union in NSW, which, while mostly formed during earlier periods, gained legitimacy through their support for statutory marketing. Similarly, in wool, the Australian Wool and Meat Producers Federation

³⁴ Across the rest of the country, similar tendencies were displayed. In Victoria, Country Party parliamentarians sided with the Nationalists, opposing the creation of a compulsory wheat pool in 1925; Federally, all but one radical Victorian member (Percy Stewart) pleaded that Section 92 of the constitution stopped them from implementing a compulsory national wheat pool, and then, in 1929, vehemently opposed ALP attempts at introducing compulsory pooling legislation (Graham 1966, 244).

(AWMPF) was formed in 1939, as a split from the major graziers and pastoralists association because of the AWMPF's support for a permanent reserve price scheme for wool (Chislett 1967, 125). Alienation also boiled over the formation of the Australian Primary Producers Union in 1944 (no relation to the NSW PPU), which attempted to forge all farmers into one union. This organisation took the principle of anti-politics the furthest, declaring in its constitution: 'No question of a party political nature shall be entertained or discussed at a meeting of a Branch, a District Council, a Sectional Committee or the Central Executive.' (Chislett 1967, 125).

The impact of these movements can be seen in several crucial events. In Victoria, the independent wheat farmers drove a realignment of the Victorian Country Party strategy, which subsequently gave rise to the eight year (1935-42) Dunstan Country Party State government, held in power by the support of the ALP (Paul 1958, 19-20). This resulted in the only the third set of omnibus statutory marketing legislation (i.e. similar to the Queensland ALP's *Primary Producers' Pools Act*) ever introduced in Australia, and the only set of omnibus legislation ever introduced by a Country Party government, either on its own or in coalition (Vinning 1980, 206).

The impact of independent farmers organisations can also be seen in the national Wheat Growers' Federation (WGF) campaign against the Federal Country Party. This campaign particularly targeted John McEwen, who the Victorian Wheat Growers Association saw as too closely tied to the UAP (Falla 1983, 8; Mitchell 1969, 40). The campaign resulted in the expulsion of McEwen from the Victorian Country Party in 1937, the federal wheat strike of 1939-40 (which won a 3/10 per bushel guarantee) and, most importantly, the election of 'independent country party' member for Wimmera, Alex Wilson, who voted to defeat the Coalition government, and bring the Labor Party to power in 1941 (McEwen 1996, 113-23, 137; Ellis 1963, 220; Mitchell 1969, 33). Once elected, the Curtin government rewarded wheat and dairy farmers with the implementation of grower controlled, compulsory, nationwide statutory marketing, with government subsidies so as to ensure farmers were paid at least their 'cost of production'.

In the context of the entire WGF/VWGA campaign against the Federal Country Party, the vote by Alex Wilson to defeat the Country Party/UAP Federal government appears not as a freak accident that changed the course of history, but rather as the final straw 'which broke the camels back'. It was one small part of a much larger campaign, and reflected the final success of this campaign. Another example of the impact of this struggle was the meeting of the Federal Country Party in Melbourne in the days before World War Two broke out. According to McEwen, the meeting was overwhelmingly resolved that the Country Party should split from the UAP and 'vote out the Menzies Government because of its failure to do the proper thing by the wheat industry.' The only thing which stopped this course of events from occurring was the outbreak of World War Two in the last hours of the meeting (McEwen 1996, 122-3):

when it adjourned for afternoon tea ... all that remained was the formality of going back to vote this overwhelming request to the Federal Parliamentary Party. While were taking tea, the Melbourne Herald came out on the street carrying the headline – 'Hitler Bombs Warsaw' ... The move to defeat the government was, of course, abandoned. (McEwen 1996, 123)

Outside of the wheat industry, independent dairy organisations pushed for and won during World War Two, payment according to their 'cost of production', while from 1939 the Australian Wool and Meat Producers Federation (AWMPF) was the force behind the reserve price scheme for wool, which culminated in the (unsuccessful) 1951 referendum of growers (Mitchell 1969, 64).

More important than any one individual victory by the independent farmers' organisations was the paradigm shift they created. By challenging the hegemony of the Country Party within the farmers' movement, the independent farmers' organisations forced the Federal Country Party to either abandon the coalition and support radical statutory marketing – which it would have done had World War Two not broken out – or be defeated by an alliance between Labor and independent farmers' organisations and see them implement radical state marketing legislation – as ultimately occurred in 1941.

iii. The Labor Party

The Australian Labour Party was the major parliamentary force that implemented comprehensive statutory marketing legislation.

Table 10 shows that the ALP was responsible for all attempts at state omnibus statutory marketing legislation, except in Victoria, where the legislation was introduced by a minority Country Party government held in power by ALP support.

Table 10: Attempts at State Omnibus Statutory Marketing Legislation

State	Government	Year	Success
Qld.	ALP	1922	Passed
WA	ALP	1925	Rejected by Legislative Council
NSW	ALP	1927	Passed
WA	ALP	1934	Rejected by Legislative Council
Vic.	minority CP, with ALP support	1935	Passed
Tas.	ALP	1935	Rejected by Legislative Council

Sources: Morey 1959, 118-9; MacGregor 1928, 137; Vinning 1980, 269; McRae 1961, 9

The enshrinement of the principle of payment according to 'cost of production', regardless of the market price, was a similarly revolutionary policy of the Labor Party. The three key pieces of 'cost of production' legislation attempted by ALP Federal governments were Scullin's unsuccessful 4s. per bushel guarantee to wheat growers in 1930 (which was rejected by the Senate), and the Curtin government's 1943 and 1947 guarantees that wheat and dairy farmers would at least get their 'cost of production' regardless of export prices (Morey 1959, 118-9; Robertson 1974, 234).

Why was the Labor Party so committed to radical statutory marketing legislation? The key reason was that to win and maintain government, the ALP needed to win small farmers away from the Country Party. The ALP did have a membership and electoral base amongst small farmers, but the major farmers' organisations were tightly controlled by committed Country Party cadre. Unlike the Country Party, the ALP could not simply rely on the support of large grassroots farmers' organisations and a supporting rural media to gain legitimacy. Typically the ALP had exactly the opposite problem: it had to fight to gain legitimacy and overcome demonisation by grassroots farmers' organisations and the rural media. To win small farmers' votes, the Labor Party needed to be more radical than the Country Party, and the ALP attempted to do this through positive legislative change, because they had few other methods of proving their legitimacy.

The ALP had additional characteristics that made it suited to implementing radical statutory marketing legislation. While committed to capitalism, the ALP was free from the constraints of particular fractions of capitalism, such as merchants. The

ALP was also ideologically more committed to the state as an instrument for overcoming the irrationality of the market and the political incorporation of subordinate classes.

One aspect of statutory marketing - grower control - did conflict with the ALP's ideology and interests. The ALP's original preferred model for statutory marketing was state control, not grower control. This came from the ALP's belief in government control over state monopolies, and from the ALP governments' desire to ensure that any power granted to farmers was not used to undermine the ALP electorally. This preference for state control was demonstrated in the 1921 conflict between the Country Party and the ALP in Victoria over the form that any compulsory wheat board would take. It was also demonstrated in the reformation of board structure under the Curtin and Chifley governments, where the government appointed the Chair of all boards, and the Minister had the power to overturn any decision of a board if the appointed Chair dissented in the decision (Morey 1959, 158-67). The closest thing to a full-blown Labor government legislated state controlled statutory marketing regime occurred in New Zealand following the election of the Labour Party (with a large degree of small farmers support) in 1935. In 1936, the New Zealand Labour government abolished all forms of grower-controlled marketing and bought the marketing of key agricultural products, such as wheat and dairy products, under direct departmental and ministerial control (Evans 1969, 77, 185).

There are, however, very few examples of the ALP implementing state-controlled statutory marketing. The reason for this seems to be that the Queensland Labor government discovered early, in 1922, that grower-controlled marketing was not a major threat to ALP governments' power, and could actually considerably reinforce ALP governments' power by providing electoral stability. Thus, the ALP's ideology was largely abandoned for electoral pragmatism, and the ALP embraced the concept of grower-controlled, compulsory marketing. From 1922, ALP policy, both federally and in all States, was essentially an attempt to replicate the success of the Queensland government by implementing a carbon copy of its statutory marketing legislation.

Conclusion

An important implication of this study is that the 'country' and even 'farmers' are not a unified movement, and in particular, that small farmers have different interests to both larger graziers and pastoralists, and from the broader rural bourgeoisie. This is not just of historical importance, but also has significance for understanding contemporary politics.³⁵

A further implication of this study is that small farmers pattern of voting, political organisation and coalition formation was not automatic. Particularly in the case of their alignment with the major bourgeoisie party, small farmers politics were a contested politics, with other potential outcomes. The prospect of a coalition between labour and small farmers was very real, particularly during the Great Depression. The election of the Dunstan and Curtin governments, the politics of the Victorian and Western Australian Wheat Growers organisations, and the election of the New Zealand Labor government in 1935 by a large small farmer vote, are all examples of this trend. While this coalition was only partially and momentarily realised, this should not prevent us from understanding its significance.

The major conclusion of this study is that the volatile role played by small farmers in the interwar period arose because the remedies of the original Settlement could not address farmers' grievances. The depression of the 1890s had accelerated the trend towards Federation, and Federation itself provided a framework for the class compromise and system of domestic compensation based around arbitration and tariffs. The depression of the 1890s also drove the creation of Australian agriculture as a method of solving the balance of payments crisis, but unfortunately for farmers, their late formation as a class meant that they were left out of the original Australian Settlement.

To achieve statutory marketing, small farmers mobilised to form the Country Parties, and attempted to align the Country Parties towards a 'support in return for concessions' strategy. Later, when farmers lost control of the Country Parties to conservative forces, significant numbers of farmers split and formed independent

³⁵ The National Farmers' Federation (NFF) is a case in point. The formation of the NFF in 1979 was the first national peak body which brought together both pastoralists, and the traditionally militant small farmers organisations. The politics of the NFF be understood outside of its class struggle context. The early 70s saw the major source of conflict between small wool growers and large pastoralists – the reserve price scheme for wool – resolved with the adoption of the reserve price scheme (a form of statutory marketing). While this paved the way for the formation of the NFF in 1979, the NFF did not simply embody a united 'farmer' interest. In many ways the formation of the NFF represented the rise of the conservative forces of Australian pastoralism to hegemony of the Australian farmers' movement. At its first conference, in October 1979, 'the NFF became the first industry lobby in Australia to embrace the free market philosophy.' (Kelly 1994, 43-5, 253-4) The forces behind this neoliberal ideology had a class basis, epitomised by the intellectual leadership of it's full-timed deputy director David Trebeck, who had spent ten years with the major pastoralists association the Australian Woolgrowers' and Graziers' Council, and the president of the NFF during much of the 1980s, Ian McLachlan, who came from a very large, establish pastoral family from South Australia. While the hegemony of pastoralists within the NFF is only part of the story of the rise of neoliberalism within the farmers' movement, and within broader Australian society, it is an important one, and one which can only be understood with finer understanding of class in rural Australia.

farmers' organisations. Eventually these movements succeeded, first, in electing the minority Dunstan Country Party government in Victoria in 1935 (held in power by the ALP for eight years), and then second, in the late 1930s and early 1940s, seriously destabilising the Federal Coalition and helping to bring the Curtin ALP government to power in 1941.

The ultimate effect of small farmers' campaigns of the interwar years was a paradigm shift, which resulted, by the late 1940s, in a bi-partisan consensus that small farmers had the right to compulsory, grower-controlled, statutory marketing. Further in the case of the two most important industries, wheat and dairy, there was a consensus that farmers had the right to be paid their cost of production, regardless of export prices. This consensus, should be properly understood as an additional pillar of the Australian Settlement, since the purpose was the incorporation of a major class – small farmers – through a unique system of domestic compensation – statutory marketing.

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