RELATIONS OF GOVERNMENT AND PRIVATE
ENTERPRISE IN NEW ZEALAND,
1860-1875:
A DOCUMENTARY STUDY
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NOTE ON SOURCES

The source of this thesis is the Appendix to the Journals of the New Zealand House of Representatives, 1860 to 1875. The Appendix contains official government correspondence, the reports of administrative departments and of Parliamentary Committees, the miscellaneous information prepared in answer to questions in the House and the petitions sent to Parliament by individuals and by groups.

The Appendix is an historical source limited in a peculiar way. Some governmental innovations appear without warning among the many dusty pages of these volumes, like the Government Life Insurance Office, founded in 1869 as the Government Annuities Office and introduced in the Appendix by its first annual report. In other cases, alarms and excursions herald nothing as, for example, the project of "Intercolonial Reciprocity", reciprocal tariffs among the Australasian colonies to encourage mutual exchange of produce. After years of conferences, lengthy memorials, arguments advanced and refuted ad infinitum, the desired permission for reciprocity was supplied when the Imperial Parliament passed, "The Australian Colonies Duties Act, 1873", but intercolonial correspondence quickly proved that any agreement acceptable to the other colonies involved such a loss of New Zealand
revenue as could not be borne.

The Appendix is valuable for being contemporary to the activities recorded in it, untarnished by the opinions and the forgetfulness of time. It is the raw output of the great business of government, bulky, because undigested, and as genuine as human records can be. Still it offers a lame approach to history, since motives and reasons do not appear—those circumstances which made any particular government action seem necessary or advisable—that thinking which led to its adoption.

Beyond the Appendix, I read to expand my understanding of topics brought to my attention by this source. I used secondary material (narratives of participants, their biographies, certain histories, particularly Condliffe's economic history) not to learn about what had happened, except outside the arbitrary limits of my topic, but to discover some of the opinions recorded by contemporary and later observers. At the end, I looked into the works of certain political economists whose theories might have been familiar to members of the New Zealand government and might have influenced their actions.

1. 1875:A:6. Note that this reference means Document, no. 6 in Section A of the Appendix for the year 1875. I have employed this abbreviated form in citing the Appendix throughout this paper.
I. INTRODUCTION

New Zealand's leadership in "state socialism" is commonly thought of as originating in the 1890's, the period of the Liberal-Labour coalition, though writers on the subject have generally made a passing bow to the 1870's when Sir Julius Vogel led the young colony out of economic stagnation by means of his program for opening the land with public works and government assisted immigration. In this paper I have undertaken to recount the story of that earlier development, together with its antecedents, as it appeared in those official publications of the successive Parliaments from 1860 to 1875 found in the Appendix to the Journals of the House of Representatives of New Zealand. I have limited my subject by omitting the tremendous question of land policy, although recognizing fully its influence on the state and economy of New Zealand. Too many factors enter into that problem for it to be viewed meaningfully from the economic angle alone.

I have sought to record, often in the words of the participants, the relationship between government and private enterprise however it appeared in the documents. The early years contributed little, since the colony was young, responsible government even younger. Official energies were largely concentrated on land acquisition and attendant difficulties with the Maoris. Permissory acts for corporations
and emergency regulations were typical manifestations of that relationship before 1870. The first extended contact recorded was that between successive administrations and the Bank of New Zealand, in which the former assumed the same position as a private firm of equal economic importance might have assumed toward its banking agent. Government participation in private enterprise fields began with the program of public works of the 1870's, which testified to a change in administrative concepts; the central government was no longer the arbiter of the economy, but its leader. It built railroads and imported labor, it encouraged diversification and increase of industry, both primary and secondary, it strove to break the power of English monopolies over the colony. Those who have written about New Zealand's history have tended to consider this development an aberration from British economic thought of the nineteenth century, requiring explanation or defense. Two economists who were in a position to influence the colonists, however, distinguished between government in a developed, "overpopulated" country, such as England, and administration of the empty spaces of a new land, providing theoretical justification for an active policy in the latter circumstances. Government construction of public works was no innovation in the Australasian colonies. On the continent, the separate colonies had faced the question of private or state railroads already and generally had settled on the latter. New Zealand's own provinces, not private enterprise, had built the colony's original telegraph lines and railroads as
their finances permitted. This history of the shift from provincial enterprise to that of the colony as a whole follows.
II. ATTITUDE OF THE EARLY GOVERNMENTS

A. RELATIONS WITH
THE COLONIAL OFFICE

Perusal of the Appendix from 1860 to 1864 and even later gives a picture not of a colonial government leading New Zealand into enterprise for the sake of expansion, but rather guarding its revenue as its very life. The question of which government should bear necessary expense crept frequently into the correspondence with the Colonial Office on the subject of Military Defence. The memorandum, dated 25th June, 1858, was a classic of the genre and may be quoted to typify the rest:

"With reference to Lord Stanley's Despatch, No. 2, of the 12th March last, His Excellency's Advisers have to remark that they still adhere to the opinion expressed in their Memorandum, marked Military, of the 6th May, 1857, that New Zealand is at present unable to bear the expense sought to be cast upon her, of providing Barrack accommodation.

"As however Lord Stanley has announced on the part of the Imperial Government that the Troops will be withdrawn if such accommodation is not provided, and as great calamities to the Colony must be expected to ensue if it be left without Troops, His Excellency's Ministers will propose to the Legislature, now in Session, to vote a sum on account
of the expenses of Barrack accommodation in New Zealand.

"At the same time, it is necessary to state that the charge thus imposed on the already heavily burthened resources of a young Colony, will tend materially to check its progress, and delay the arrival of the time when it will be able to make any large or permanent provision for its Military Defence.

(Signed) E.W. Stafford." 2

The same theme ran through official correspondence with the Colonial Office up to the day when the last Imperial Troops were withdrawn. The general attitude of the Colonial Office was most succinctly expressed in a letter by Governor Gore Browne of 13th September, 1858: "The Assembly refused payment: not because it disputed the necessity or the propriety of the expenditure, but because it desired protection without expense." 3 Sir G.C. Lewis, Colonial Secretary in 1860, lectured Stafford's ministers at length on what Great Britain expected of the New Zealand government. Pertinent paragraphs include:

"Meantime I must observe, that although it is the desire of Her Majesty's Government to provide fully for the performance of those duties which the Mother Country owes to her Colonies, I cannot silently accept what appears to be the Colonial estimate of their responsibilities.

2. 1860:A:6: p.6
3. Idem.
"England cannot undertake the defence, against a nation of warlike savages, of a number of scattered farms or villages, selected not with any view to such defence, but to the profitable pursuit of peaceful industry, and subject to the risks which necessarily attend the occupation of land in the midst of an uncivilized population...

"And I cannot refrain from observing that neither your Despatches nor Mr. Richmond's Memorandum, indicate any definite intention on the part of the Colonists to contribute to the expense of the Troops whom they demand...."

This sample of many interchanges between the respective governments of the youngest colony and the Mother Country hint at one of the anomalies of the position in which the Colonial government found itself prior to 1864, when Sir Frederick Weld formed a ministry on the basis of demanding from the Colonial Office complete responsibility for native affairs and for the prosecution of the Maori wars. The Constitution of 1852 had granted the colony the responsible government for which it had clamored, but had withheld for Imperial administration matters of Imperial moment, which were defined to include the administration of the Maori people. This meant that when trouble arose with the Maoris, the colonial government was able to state (and often did) that this matter concerned not New Zealand, but Great Britain, and that the latter's was the purse to be raided.

B. RELATIONS WITH THE PROVINCIAL GOVERNMENTS

Equally ill-defined was the relationship of the General and the Provincial governments. Rees in his biography of Sir George Grey, described the birth of the provincial system as follows: "Grey, desired to grant a constitution the provinces and provincial governments of which should not give (as in the case of America) power and authority to the Central Government, but should receive from the Central Government that jurisdiction and that legislative authority over certain matters which the central power thought proper to bestow."

Julius Vogel, in his first speech as Colonial Treasurer, demonstrated with the help of a series of tables the part played by the Colonial government in what he called "the progress of colonization". He pointed out that of nearly £7,000,000 collected by taxation up to 1869 in the various provinces of the colony, only £2,200,000 "exclusive of territorial revenue" had been yielded to their respective governments "for all those purposes for which the provinces have to provide--such as the maintenance of police and gaols, educational and charitable institutions, immigration, and the construction of roads, bridges, and public works of a reproductive nature."

To the Colony was left the unhappy field of tax collecting, together with justice, postal services and defence ("money thrown away in vain efforts to civilize or to conquer the Native race," as Vogel bitterly described the last, being himself from the peaceful province of Otago). This led to just that aggrandizement of local allegiances and lack of mutual cooperation which could have been expected. Its connection with the topic of this paper is indirect: the participation of the colonial government in public works was delayed until 1865, and effective participation until 1870, by the fact that this task was assigned to the provinces. Yet the spirit which led to the Vogel enterprises must have been born in the earlier years under the provincial governments, which are recorded in the Appendix as the builders of railroads as well as of telegraph systems and roads. Indeed a really exciting story appeared in 1863 and 1864, that of how Superintendent Menzies of Southland led his province into unheard of debt, with, at first, the full acquiescence of the colonial government, in order to provide it with railways "for development".


1864: B: 3: p. 33 ff.

The whole history of provincial loans, generally incurred for public works, is a fascinating one. I believe it must be approached from the publications of the Provincial legislatures to be studied in its entirety, but the Appendix provides a running commentary. To decide what should be done about provincial borrowing was clearly a problem from the first. The subdued tone used in 1860 by Mr. Stafford, ordinarily a formidable correspondent, in announcing that an Otago loan was to
be refused, suggests that his government felt the necessity for lenience toward the ambitions of the wealthier provinces: "The Ministry regret that the strict letter of the instructions contained in that despatch" - one from the Colonial Office regulating the Colony's ability to permit provincial loans - "should have had this effect in the case of the Province of Otago, as they consider the security of its Provincial revenue quite sufficient, and will be willing accordingly to give every facility to the raising of the proposed loan..." (1860:A:5: p.3)

Already in 1861, however, William Fox, then Colonial Secretary, was writing of the effect of provincial loans on the credit of the Colony as follows: "Every Provincial loan though primarily chargeable on the revenues of the Province, must necessarily affect and practically limit the credit of the Colony as a whole." (1862:A:3: p.9)

Following the splendid extravagance of Southland, the colonial legislature was moved to pass the Southland Provincial Debt act of 1865 described to the Colonial Office as including, in addition to the measures indicated by the title,...A general clause, restraining for the future Superintendents and Provincial councils from raising loans unless previously sanctioned by the General Assembly. This clause will have a most beneficial operation in regulating the finances of the Colony, and will improve the credit of its existing securities." (1860:A:1: p.56) This frame of mind lasted officially until Vogel's first speech as Colonial Treasurer, when he tentatively introduced the public works method of combating the colony's trade depression, advocating that the provinces enter upon such works and offering some faint hope of, though no practical plan for, the resumption of provincial borrowing. (1869:B:2: p.10-11) Again in his 1870 Budget speech Vogel discussed provincial finance and suggested changes. (1870:B:2: p.21-24) Not until that of 1873 did he carry the 1869 suggestion to its logical conclusion. At that time he stated his opinion that certain types of public works, which he called "local", were proper tasks for the provincial governments only; that they must be financed by borrowed funds; hence, that the provinces should have again the right to borrow. Since he recognized as a principle what he termed "an undisclosed guarantee" of provincial loans in the London money market on the part of the colonial government (a principle which the Colonial Office swiftly repudiated in connection with colonial loans to which Vogel had attributed an undisclosed guarantee on the part of the Imperial government; 1874:A:2: p.17) he proposed that provincial loans should be floated within the colony only and that each should be backed by securities related to the work undertaken, sufficient for the sum borrowed and applied only to that loan. (1873:B:2: p.10-14) Reasons for the extreme caution thought necessary in permitting the resumption of provincial loans abound in
FOOTNOTE (8) continued.

the documents which tell the sad, enlightening story of the New Zealand loan of 1863. Perhaps John Morrison, London agent of the New Zealand government, expressed the sense of these documents with the most brutal clarity in his letter of 24th June, 1865, saying,

"The money market has been favorably influenced during the past month by the directors of the Bank of England on two occasions having reduced the minimum rate of discount, viz., on 1st June, from four to three and a half per cent., and on the 15th instant, from three and a half to three per cent., at which rate it continues.

"The reduction of the bank rate has been followed by the introduction of an increased number of new companies and financial schemes, the price of money being now lower than it has been since May, 1863.

"Notwithstanding this favorable alteration in the state of the money market, it has imparted, I regret to observe, no improvement to the sale of New Zealand debentures.

"This has been unfortunately experienced in the non-success which attended the disposal of the balance of the debentures of the government of Otago.

"During the past month these securities were offered to the public by the Bank of New Zealand at the price of £ 90 for each debenture of £ 100, with interest from 1st January last.

"Although freely advertised (copy herewith enclosed) previous to the 15th instant, on which day the tenders were opened, only £ 17,200 out of the £ 300,000 was taken at and above the minimum price. Particulars of the amounts and prices of the tenders are likewise enclosed.

"The Bank has again advertised for sale the unallotted debentures, but without obtaining a more satisfactory result.

"The extreme apathy the public continue to evince towards investing in New Zealand securities is to be regretted, yet the manner in which the provincial loans are forced on the market when it is impracticable to float them unless at a most ruinous discount, partially accounts for this revolution in public estimation.

"It is therefore to be hoped the General Assembly may have adopted measures by which all will be withdrawn from the London market, for each effort to realize only unnecessarily depreciates their value, and inflicts damage to the Colony." (1865:B:7)

It is worth adding that these particular Otago debentures carried six per cent. interest, but that other provincial loans had offered as high as ten.

(continued)
III. EARLY GOVERNMENT ACTIVITY

A. 1856-1858
(DOCUMENTS FOR 1860-1861)

For the period, 1856-1858, the few examples of their relations which are to be found in the Appendix fail to indicate the dominance of either government or private enterprise in economic activity. In this section, my method has been to use the "Chronological Tables of the General Statute Law of New Zealand", Document A:5 of the Appendix for 1872, as an index to the lists of acts passed during each of the early sessions of Parliament, which were forwarded to the Colonial Office for imperial approval together with a covering document which described them and noted ministers' recommendations on each; e.g. 1860:A:4, listing the acts passed in 1858 by the second session of the second Parliament. The majority of the 1858 acts are shown by the "Chronological..."

8. Cont. from p.8-10.

Finally I shall quote the opening sentences of Treasurer Fitzherbert's financial statement of 1867 on the subject of the consolidation of provincial loans:
"It is almost unnecessary to say one word to prove the necessity of some such measure. Perhaps no measure has been more distinctly called for by considerate men of all parties, by the public press, and by those friends in England who watch the financial operations of the Colony with interest. It is sufficient to say that the appearance on the London market of a great variety of paper, all secured on different parts of the revenue of the Colony, all bidding against one another with the lender of capital, has had (as it must have had) a disastrous effect on the credit of the Colony generally and has resulted in a very serious loss and embarrassment."
Tables" to have dealt with land, with Provincial government affairs and with the courts. Not all were administrative in character. No. 52, "Savings Bank", and two others were designed to regulate private enterprise to some extent. No similar outburst of legislative activity occurred until 1865, when seventy-five acts marked the final efforts of the third Parliament. Among the Documents of 1861, is found a sample of early government activity and its fate, entitled, "Evidence Taken by the Bank of Issue Committee, 1856." This evidence related to a government sponsored bank established in 1847 with a monopoly of note issue. Far from demonstrating that there was general support for such activity at that time, the Committee under the Chairmanship of William Fox summoned only one witness, Charles James Fife Stuart, Inspector of the Oriental Bank, and then reported that all obstacles to the extension of private banking operations in New Zealand should be withdrawn, particularly the prohibition of note-issue.


10. 1861:D:3.
Again in 1862, the government recorded the passing of the "New Zealand Bank Act" and recommended its acceptance to the Colonial Secretary as incorporating a Colonial banking company, well supported and likely to be of considerable service to the Colony, "which at present has no Bank whose business is exclusively confined to this Colony." Published in the same volume was an earlier "Index to the Statute Law of New Zealand; with Tabular Schedule of the Ordinances of the Legislative Councils Thereof Passed before the Year 1853."

Among these Ordinances, the fewness of which made possible a fuller description than appeared in the similar table of 1870, was one for 1845 pertinent to this thesis. It empowered "Owners and Occupiers of Land, within certain districts, to repair and maintain Highways and Public Works within the same, and to make and levy Rates for defraying the expenses thereof." Here private enterprise was granted entrance into a field exclusively the government's according to the modern approach, though eighteenth and nineteenth century England seem to have thought differently. The 1870 Tables

11. 1862:A:2: p.3. For evidence that the Bank's service to the Colony was not always an unmixed blessing, see section IV, RELATIONSHIP OF THE GOVERNMENT AND THE BANK OF NEW ZEALAND, p.14-25 infra.

12. 1862:A:4: p.11 - listed as no.6 among Public Ordinances.

dismissed this ordinance with the note, "Not in force in any Province", which tends to indicate that nineteenth century New Zealand shared the modern opinion.

These two examples of permissory acts in encouragement of private enterprise appear in the same volume as three examples of interference with free action. The first was an act which restricted the importation of cattle from Australia where Pleuro-Pneumonia had broken out, a situation upon which a Select Committee of the House had reported in June 1861. This particular type of encroachment on the individual's freedom is a function of the state never questioned today. The Colonial Office accepted the act immediately, so Liberal England must have found it reasonable too. When, nonetheless, five years later a breath of suspicion arose that a similar cattle importation measure was being used for the discouragement of free trade, even of private enterprise, the Colonial Office was quick to accept the information as laid and to request a full report from the colony.

Also in this volume was a report by the Postmaster General to the effect that when the condition of the ships and of the accommodation afforded to passengers by the inter-provincial mail carriers proved unsatisfactory, "though not

17. 1862:A:2: p.3.
within the control of this department," a lengthened correspondence on his part led to a marked improvement. Here Government undertook to supervise entrepreneurial operations, rather than waiting upon the slow, perhaps uncertain, working of competition. Its authorization for the complaint, together with its power over the company, was, of course, the product of the mail contracts subsidizing these ships. A further step toward government enterprise appeared in the Report of the Board of Enquiry on a Government Printing Establishment. This report strongly recommended the establishment on the scores of economy, speed and accuracy of work, the convenience of a central mailing place for documents, and ease of publication. The only objection allowed to intrude was the difficulty of obtaining the requisite hands, but it was not found sufficient grounds for dropping the proposal. There was a sequel in 1874, entitled, "Report on


20. 1862:D:7. An interesting aspect of this whole thesis is whether New Zealand followed precedents when she undertook various government activities or whether the conception of these activities was due to the colonial climate. In this particular case, the Board corresponded with Tasmania and South Australia, which both reported satisfactory government printing establishments. The most respected leader, the mother country, was not yet engaged in government printing. In 1906, the British Parliament was making only tentative suggestions that H.M. Stationery Office should undertake certain types of printing. (Gt. Brit. Parliament. House of Commons. Select Committee on Official Publications, etc. 1906. Report. London, H.M. Stat. Off., 1906. 169 p. p. x-xi) The U.S. G.P.O. had been authorized in 1860 (U.S. Govt. Manual, 1948) but France's Imprimerie Nationale dated from the 17th century.
the Printing Department, by the Auditor General." This Docu-
ment, as usual, gave only a piece of the story, but the read-
er receives the impression that a question was raised in the
House on the instigation of Mr. McKenzie, publisher of the
Wellington Independent, as to the efficiency and economy of
the Government Printing Office. The verdict of the Auditor-
General, Charles Knight, was favorable, as was that of Mr.
McKenzie himself, who was called in as expert witness on the
technical side of the audit. "Nevertheless, he seems to be
of opinion that private offices could contract to do the
work at somewhat lower rates than those on which the value
of the work done in the Government establishment has been
computed," explained Mr. Knight. A factor not discussed by
McKenzie was brought up by Didsbury, the Government Print-
er, himself. "He states his conviction that the whole five
private establishments in town combined could not, along with
their own work, turn out more than from one-half to two-thirds
of the work done in the Government Printing Office." This,
it must be explained was in the Marshallian short-term, being
in the case of fire. Presumably Mr. McKenzie's interest ran
more to the long-term, or what would develop if there were no
Government Printing Establishment at all.

O. 1863

The volume for 1863 contributed to the subject of this
thesis the first record of immigration sponsored by the colo-
nial government as opposed to the Provincial governments.

W. Gisborne, long Assistant Colonial Secretary, later Colonial Secretary when that title no longer stood for Premier, wrote in 1888, "Many persons are under the impression that the public works policy of 1870, was altogether original and that a policy of the kind had never before been proposed in New Zealand. That impression is incorrect, for on three occasions previously a policy similar in principle, though differing in degree, had been proposed. Mr. Domett, a man of great ability, drew up, when he was Prime Minister of the Colony in 1863, a statesmanlike scheme for the settlement and self-defence of the North Island, based on the principle of borrowing money for immigration and public works. Mr. Reade-er Wood, when he was Colonial Treasurer in 1864, proposed a modified scheme to a like effect. ...Sir William Fitzherbert, in 1868, when, as a member of the Stafford Ministry, he was in England on a financial mission, recommended to his colleagues a policy in which immigration and public works were distinguishing features. But these three proposals were still-born. 'The trail of the serpent' was 'over them all;' the war absorbed all attention, and interposed insuperable obstacles to the proper undertaking of colonisation."}

Of the three proposals mentioned by Gisborne, only Domett's left a record in the Appendix. If fairly represented by 1863:A:8-8A, it projected military settlements for the North Island and the making of roads with the aid of a

£4,000,000 loan. Since its chief features were incorporated in the New Zealand Settlements Act, 1863, it cannot be said to have been completely still-born, as Gisborne contended. Probably it is safe to consider it the prototype of the others. If so, they lacked the semi-Keynesian implications of Vogel's scheme of 1870, since 1863:A:3, "Papers Relative to the Formation of Military Settlements in the Northern Island of New Zealand," showed that the dominating reason for the government's decision to sponsor immigration was defense. The following document showed that the roads to be built, too, were chosen for their military value. How little this project resembled Vogel's later scheme is demonstrated by the fact that one of the major sources of immigration upon which the Governor's Responsible Advisers relied was the gold-fields of Otago, where they hoped to find men tired of a digger's life, ready to establish a permanent home in the North Island when sufficiently induced. The plan as materialized by the New Zealand Settlements Act, 1863, caused years of grief for the Colonial government. Since economic motives do not

23. 1867:A:8A.
25. Among the problems raised was that of whether the general government or the provincial governments had the responsibility of financing and making preparations for the Military Settlers. An illuminating controversy on this subject appeared in 1865:D:2-2A. On p.21 of D:2, the Colonial Secretary stated that "opportunities of employment will present themselves in the ordinary course of things, and this coupled with that spirit of energy and self-reliance without which it is impossible that any settlement in a new Colony can hope to succeed" should forestall any need for aid. To this, Graham, the Superintendent of Auckland, replied, "Sufficient employment cannot be found save by the means I have suggested—government financed public works; nor can a starving population be supported through the winter by energy and self-reliance."
appear to have been involved in the decision to pass this Act, its importance to this thesis lies in the fact that the colonial government did make the decision to spend money upon immigration and public works, though, typically, no more money than could be avoided.

A clearer indication of things to come appeared in the Report by the Auditor-General, Dr. Knight, appended to the "Fourth Annual Report on Postal Services" for 1863. This dealt with regulations for money-orders, but concluded with a section on the value of Post Office Savings Banks, based on the success of the British system. Only two years later an act was passed which brought the banks into existence. Leslie Lipson in his recent book, The Politics of Equality, New Zealand's Adventures in Democracy, wrote of the savings banks that they were decided upon because the facilities of the private banks were available only in the few main centers. This was the chief of Dr. Knight's reasons, as given, but he added the advantage to the unsettled settler of being able to deposit or withdraw funds anywhere in the colony, while "The ordinary Savings Banks are confined to their own locality." Apparently he suffered no qualms at the possibility that his

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27. Act. no. 40, 1864.
recommendation might lead the Government into the realms previously occupied by private bankers. Why should he when Mother England had led the way under direction of William Gladstone?

D. 1864

The year 1864 offered comparatively little for the purposes of this paper. Included in Treasurer Reader Wood’s “Financial Statement” was a discussion of taxation, in those days nothing more nor less than the tariff. His words, "... Very exaggerated notions are abroad of the amount of taxation paid by the people of this Colony," suggest that the settlers felt the pinch—whether as consumers or as traders he did not make plain. It may well have been as traders, since even in 1864 there was a Chamber of Commerce in each of the major cities, acutely interested in tariff problems.

The title, "Panama Mail Service", revealed the successful culmination of several years of effort designed to place New Zealand at the head of the mail-receiving colonies of Australasia, instead of a belated last as she was with the

31. e.g. 1860:G:4.
   1865:G:1.
imperially sponsored Suez route. This result was achieved by offering a very large subsidy to the Inter-Colonial Royal Mail Steam Packet Company (the line which had been carrying the New Zealand mail from the Australian terminus of the ships from England) for which the Company was to establish a line to the Panama isthmus. To subsidize private enterprise in this fashion with mail contracts and money payments was, of course, the practice of free-trade England.

E. 1865

In writing of the year 1865, Leslie Lipson spoke of a pair of projects undertaken at that time which ushered in the lengthy series of experiments in public enterprise for which New Zealand later became famous. One of these was the public savings banks mentioned already. The other was the system of electric telegraphs, which the state entrusted to a new department separate from the Post Office though under the same minister.

32. 1864:D:1.

In pursuing the Panama Mail Service correspondence, I wondered whether New Zealand's burning ambition to put through an East-sailing line were not the product of national vanity, rather than response to economic or even political needs. Official letters placed weight on (1) the necessity for speedy communication with Great Britain, certainly a desideratum when government responsibility was shared with the Colonial Office, six months away by the Suez mail route; (2) the frequency of postal contact with England; and (3) the development of commerce with the American continents. In 1863, however, Postmaster-General Reader Wood said frankly that the 1862 Parliament had sponsored the Panama route so that New Zealand would be the first instead of the last of the Australasian group in its receipt of intelligence from Europe. (1863:D:2: p.8) What commercial advantage this held, I am not sure, certainly some, but it must have been hard also on the New Zealander's pride to be so far behind the Australians in learning of European and British events.
This, Lipson reported, was inaugurated because the military operations against the Maoris had been hampered by inadequate communications. Like Mr. Lipson, the ministers who described the Electric Telegraph Act of 1865 for the Colonial Secretary, Mr. Cardwell, as authorizing the Governor to establish series of communication by electric telegraph throughout the colony, failed to mention that telegraphic communication was initiated "under the guarantee or at the expense and under the control of the Governments of the Provinces of Canterbury, Otago and Southland" as Postmaster-General Richardson explained in his report on the Telegraph Department of New Zealand for the year 1864. The central government's assumption of control had been foreshadowed in 1863, however, by Reader Wood: "Should the General Government, as it ought to do, take this subject of telegraphic communication into its own hands, there can be no difficulty in making such arrangements with the Provincial Governments as will enable it to take up the work at any time and at any point."

On other subjects pertinent to this paper, the Documents of 1865 offered little. One sentence from the Postal Report of J. Richardson (the Teutonic grandeur of which might be due to the printer's omission of a period following Company)

33. Lipson, op. cit., p. 144-145.
34. 1866:A:1: p. 54.
hinted at the relationship between service to the Post Office and service to the passenger in the subsidized mail lines: "It must be admitted that the public derive great advantage from the admirable passenger accommodation afforded by the fleet of Colonial steamers, especially from those in connection with the Panama, New Zealand, and Australian Royal Mail Company, any change which would interfere with that efficiency would be reluctantly consented to; but it is presumed that the requirements of a postal service are entirely distinct from those of a passenger and goods service, and it may probably be a question, whether the former could not be more completely satisfied by a smaller class of steamers of considerable speed running continuously, without the present vexatious and expensive delays at the various ports." He added, "Passengers, as at home (England), might be obliged to move at inconvenient hours, but the short stay on board and the fewer expenses, would soon reconcile the public to the change which is in accordance with the spirit of the time." This suggests that the government felt itself in a position to dictate to its mail carriers the type of ship which they should use, as is natural with the Panama line at least, since it paid heavily for the service. But it also felt itself able to force the public to accept less comfortable accommodation and schedules.

37. 1865:D:1: p.4.
At first an innovation of the 1866 Documents promises to link this year with the great reform period of the 1890's by means of the "Report of the Select Committee on the Establishment of Courts of Arbitration." The courts are not defined adequately anywhere in the correspondence that trickled through the succeeding years, but perusal soon reveals that they were not the forerunners of New Zealand's famous Arbitration Court of 1894. These discussions dealt with civil cases and a method of avoiding the expensive ordinary courts, the delays of which had been immortalized in *Hamlet* nearly 300 years before. Citizens chiefly interested appeared to be "private merchants" according to a letter from a member of the British Government to the New Zealand Government Agent in London, replying to the latter's request for assistance in obtaining information about such courts.

More in the line of the Postmaster-General's application of pressure upon the steamship company was the discussion between the Colonial Treasury and D.L. Murdoch, Inspector of the Bank of New Zealand. Here was demonstrated a type of action

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38. 1866:F:12.
39. 1867:A:5A.
which appeared again during Vogel's premiership: the attempt by the government to use its position as a major customer to win concessions from reluctant private enterprise. The 1866 "Correspondence with the Bank of New Zealand" revealed the weakness of the government opposition to the power of the Bank, since the Treasurer capitulated at the end. The following quotations reveal the different positions of the two sides, together with their relative confidence each in its own strength.

In Letter 9, dated Dec. 16, 1865, Murdoch wrote, "In answer to the demands made by you, for various concessions in the management of the Government account, I have the honor to inform you:-

"1st. The Bank will be willing to transfer the Colonial Treasury Account from Auckland to Wellington on the lst proximo, it being understood that twenty-one days' notice is to be given by you, to the Manager of the Bank of Wellington, before any new business, involving advances, or any material change in the management of the account, can be entertained.

"2nd. On the minimum monthly balance of the Sub-Treasur-

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40. 1866:B:4. For earlier Bank activities, see 1864:B:2, particularly p. 17-18, 36-37, 40-41. The London branch at that time showed itself willing to cooperate with the government, but the Auckland office applied pressure following the failure of the 1863 loan.

41. Ibid., p. 3.

42. This transfer was necessary because the "seat of government" was removed from Auckland to Wellington early in 1865.
ers' account in the various Provinces, the Bank will allow the Government interest at the rate of three and a half per cent, per annum.

"3rd. Remittances to England and Australia will be made free of charge, providing the currency drafts on England be not less than sixty days, and on Australia fifteen days. If drafts at a less currency be demanded, the exchange to be for drafts on England or Australia one half per cent below the current rate, but never below par, and on Australia current rate.

"As you specially desire that the loan of £40,000, made by the Bank of Victoria, at ten per cent. interest, shall be redeemed, I propose that you now give the Bank an order on the Crown Agents at fifteen days' sight (or a longer currency if you prefer it) which will be transmitted for collection on account of the Government, and, pending advice of its payment, the debt now owing the Bank of Victoria will, on 31st instant, be transferred to our account with you.

"With a view to some reciprocity in this negotiation, I have the honor to request you will ratify that portion of the Bank's agreement with your predecessors, which provides for twelve months' notice before making any change in the present

43. The interest rates mentioned here and in succeeding paragraphs demonstrate graphically the shortage of capital available in the new Colony. The Government's eagerness to exchange a loan at 10 percent for an overdraft at 7 percent is understandable.
banking arrangements of the Government."

Colonial Secretary Stafford found that final paragraph more high-handed than reasonable as is shown in the following letter, no.10:

"Colonial Treasury, Dec. 18, 1865.

"Sir,-

I have the honor, sir, to acknowledge the receipt of your letter of the 16th instant, referring to certain demands made by me with respect to the arrangements of the Government account, and to reply to the respective propositions made by you.

"1st. As regards the transfer of the Treasury account from Auckland to Wellington, I agree to the terms specified by you, with the addition of the words, if the new business involves an advance exceeding five thousand pounds.

"2nd. The second proposition would have little or no practical effect. The amount on which interest is to be allowed must either be the average balance of the month, or the mean between the highest and lowest of the daily balances, and the rate of interest should be not less than five per cent. This would still give the Bank a clear gain of two per cent., besides the many other collateral advantages which the Bank derives from holding the Government account.

"3rd. The course you propose with respect to remittances would in practice be but a slight improvement on that heretofore followed, and in respect of Post Office money orders
(which are required to be at sight or at three days' sight) be scarcely a concession. It will be necessary that whenever remittances to England or Australia are required at a less currency than sixty days, they shall be made for one half per cent under current rates of exchange, but in no case under par.

"4th. Your proposal to transfer to the Bank of New Zealand the loan of forty thousand pounds from the Bank of Victoria will be accepted. An order on the Crown Agents at sixty days' sight will be given on the understanding that no interest is to be charged on the amount transferred after the date of the payment of the said sum by the Crown Agents to the Bank of New Zealand in London.

"With respect to the last paragraph in your letter now under consideration, while I am willing to admit that the Bank of New Zealand has on various occasions conferred obligations on the Government, I cannot consent, on the part of the Government, to make any engagement for a prolonged continuation of its present banking arrangements, and under no circumstances can any arrangement be entered into which should not be terminable at any time when the Bank was unable or unwilling to meet the requirements of the Government."

That this was a feeble bluff was demonstrated when Murdoch replied for the Directors of the Bank on January 3, 1866, that "in the present financial condition of the colony, they must decline to entertain the terms specified in your letter." As the correspondence continued, the government made another
unhappy discovery shown in Letter 22, written by Mr. Stafford on April 12.

"The Government cannot feel satisfied... with the mode of treating the credit balances of the Government. These balances are at all times very considerable, occasionally amounting to fifty thousand pounds, and are, virtually, for all operations, the account of the Colonial Treasurer of New Zealand, in like manner as the operations of the branches of the Bank are the operations of the Bank as a whole. It is impossible, therefore, to understand on what principle seven per cent. interest should be charged by the Bank on the debit balance of the Government, at one Branch, while three-and-a-half per cent. only is allowed on its credit balances at other branches of the same Bank.

"The inconsistency of such a system is transparent, in the proposal of the Bank to allow but three-and-a-half per cent. on the credit balance of the Colonial Treasurer, or what the Bank chooses to term 'his working account' while seven per cent. is charged against the debit balance of what the Bank now proposes to call the 'Treasury Advance Account,' but which is in fact one and the same account, and which was always so treated to the time when the Colonial Treasury was removed from Auckland, the Treasury Account being up to that time one account, charged with interest from day to day, as the overdraft was reduced or increased."

Surrender, but not unconditional surrender, followed as the letter drew to its end:

"I have alluded to a few of the many instances which might be adduced of the unsatisfactory nature of the Banking arrangements of the Government with the Bank of New Zealand, but as I do not desire at present to prolong this correspondence, I now accept the proposal of the Bank.

"In accordance with the understanding when this correspondence was initiated, the proposals of the Bank will be reckoned as having effect from the date of your letter on the 16th December, in which they were conveyed."

Murdoch, no sportsman, brought the correspondence to a triumphant close on April 21 as follows:

"Sir,—

"I have the honor, to acknowledge receipt of your letter of 13th instant, no. 507, in which you express your disappointment that the Bank has not acceded to your proposals, and, after remarking on some of the more objectionable parts of the existing arrangements, you accept the proposals of the Bank, not desiring at present to prolong the correspondence, and intimate that they will be reckoned as having effect from 16th December, the date of my letter in which they were conveyed.

"It is a matter of regret to the Directors that their efforts to answer the demands of the Government, and on terms which they believe will contrast favourably with those on which neighbouring Governments obtain advances, have not met
your approval; and that you fail to see the justice of the principle on which they decline to allow interest on casual credit balances equal to that charged for specific advances. I trust, on re-consideration, the proposals of the Bank will be deemed just and reasonable. The Directors, in absence of your acceptance of their proposals, had not reckoned on your claiming that they should take effect from 16th December, but from the date on which you might accept them. I am instructed, however, to respond to your desire by conceding the point."

It can be imagined that this story was continued as soon as the government felt its bargaining position improved. The tale can be taken up again in the Appendix for 1871 under the title, "Return Showing the Terms on which the Banking Business of the Colonial Government is Done by the Bank of New Zealand." Enclosure A, with the memorandum of the Treasury which listed these banking terms as of 25th September, 1871, showed that the Bank was offering a settlement less stern than that of Inspector Murdoch through Thomas Russell of Christchurch by March 29, 1867, who said he was taking into consideration the altered and improved position in which the Government Account would shortly be placed by the sale of Treasury Bills for £150,000. The letter concluded with a paragraph in which

45. 1871:B:13.
46. Russell was himself a member of the government from 1862 to 1866.
meeker terms than those of the previous year:

"In proposing the foregoing terms, the Directors have made their proposal upon such a scale as to leave to the Bank only a very moderate margin of profit; and the Directors of the Bank refer with confidence to the past dealings of the Bank with the Government as a guarantee that, at all times, the requirements of the Government will be met with the utmost liberality that prudent management on the part of the Bank will allow." The tone here suggests that the government had been able to exert substantial pressure on the Bank in the conferences which preceded this letter. If so, the Treasurer, William Fitzherbert, proved himself a far more gracious correspondent than Inspector Murdoch by writing, "... The terms as proposed are regarded by the Government as just and liberal, and... I accordingly, on the part of the Government, accept them without any modification, as from this date."

The remainder of this correspondence, in which changes

47. The historian would be illuminated and grateful if Russell had only seen fit to specify that "very moderate margin of profit" for posterity's sake.


49. The letter opened by referring to a recent interview and previous correspondence.

50. Fitzherbert achieves distinction to the reader of the Appendix, since he produced "Financial Statements" of genuine literary quality enlivened by well-turned phrases, allusions to literature (1867:B:1A:p.1) and jests, even shady ones (1866:B:8: p.3), over the four successive years 1864-1867.
of various details were proffered and accepted by the two parties up to 1869, maintained the same decent tone. The appendix for 1873, however, showed a tendency for the earlier roles to be reversed. This was the period of Vogel's Treasurership and New Zealand government business had become Big Business indeed. Parallel to the Colonial Account, so-called, ran the London Account, available to the Government Agent for all his heavy expenses in immigration, railroad materials, public works equipment in general, and shipping. At that time, G.M. Waterhouse, Prime Minister only in name, as he stated later on, wrote to the Bank in the absence of Mr. Vogel such stuffy sentences as, "I feel it, therefore, my duty to inform you that the Government will be forced to regard your failing to comply with the requirement of the Treasury, as a breach of that agreement under which its banking account is kept with your Bank," and, "I cannot, however, but express my regret that, during the very short time I have been associated with the Treasury, so many causes of complaint should have come to my knowledge." Samuel S. Revans, Acting Manager of the Bank, on the other hand, answered that he begged "to reply generally, that the contents of the letter which I have now the honor [sic] to acknowledge shall receive

52. Ibid., p.3, Letter no.8.
every attention from the Bank."

A succeeding document, entitled, "Banking Arrangements of the Government," shows how the arrangements made by Murdoch and Stafford in 1866 had changed in the 7 years past:

"The Colonial Account

"All moneys lodged to credit of the Public Account at the several branches of the Bank of New Zealand throughout the Colony are transferred every Monday morning to the credit of the Public Account at the Wellington Branch, whence they are withdrawn for expenditure as required.

"Interest is credited on the average balance of the account at the rate of 4 per cent. when the balance is under £50,000, and at 3 per cent. on the daily balance when above that amount.

"The London Account

"All moneys received in London are paid into the New Zealand Public Account at the Bank of New Zealand, whence they are withdrawn for expenditure as required. Interest is credited on the daily balances of this account at the rate of 1 per cent. below the current Bank of England rate of discount for the time being.

"Overdrafts

"Interest is charged on debit balances at the rate of

53. Ibid., Letter no.9.

54. This is a new item since 1866, at which time the London account may have been negotiated separately from the colonial arrangements.
6 per cent. when such balance is less than £50,000, and 7 per cent. when above that sum; with provision that if the discount rate of the Bank of England shall continue for two months in excess of 6 per cent., then an increase in the above rates shall be allowed for the whole period during which such excess is maintained, equal to the difference between 6 per cent. and 

"Remittances

"All remittances on Government account between the Provinces of New Zealand are made at par.

"All remittances between New Zealand and the Australian Colonies are made by draft at fifteen days at par.

"Remittances at shorter dates, at one-half the current rates charged to the public.

"All remittances to London are made by draft at sixty days at par; remittances at shorter dates at a half per cent. below the current rate, but never below par.

"General Provisions

"The Bank is to be the Bankers for the Government until the arrangement be determined by six months' previous notice. All balances belonging to the Government are to be kept at the Bank of New Zealand."

This document was dated August 2, 1873. The final proviso,

55. The proviso covering Bank of England rates above 6 per cent. was not the product of excessive caution, since the Appendix records rates of 8 and 9 per cent. in August and September 1864. (1864:B:2A )
about all balances belonging to the Government being kept at the Bank of New Zealand, could have been expected to cause a certain amount of discontent in banking circles other than that so favored. This discontent achieved print in the Appendix in response to Mr. Rolleston's Order in the House of July 29, 1875:

"Ordered, That it be an instruction to the Public Accounts Committee to inquire into and report upon the conditions under which the Banking Business of the Government is conducted by the Bank of New Zealand, and whether these conditions imperatively required that so large a sum as between three and four millions should be deposited with one institution; and further to report whether it is not in the interest of the colony at large that other arrangements should be made for the future...."

It was, of course, that sum of three or four millions that precipitated the storm. Another storm of smaller compass had raged in London already over the same subject among the Loan Agents for the Immigration and Public Works Loan Act of 1874. Between the brilliant Premier and Colonial Treasurer, Sir Julius Vogel, on the one side, and, on the other, the London financial agents for New Zealand, Dr. Featherston, Agent-General, and the Crown Agents for the

56. Those conditions described on August 2, 1873, p.21-22 supra.

57. 1875:I:2B: preliminary page, unnumbered.
Colonies, Julyan and Sargeaunt, there was no love lost by the end of difficult loan negotiations. Vogel had seized the opportunity furnished by large government balances, to wrest a more favorable interest rate for the whole London Account from the Bank of New Zealand in London. The parties of the other part at once followed Vogel's announcement of this concession, with an announcement of their own to the effect that the impropriety of keeping so large an amount at any one Bank had led them to decide to divide it among "some of the large joint-stock Banks", as they had the power to do. The badgered Treasurer defended his actions to the New Zealand government:

"I felt no uneasiness about allowing the amount, which you will observe is mentioned, viz. £1,500,000, to remain with the Bank. On the contrary, I felt that, looking at the circumstances of the colony, the very high rate of interest there, and the consequent heavy charge for discount, that the colony would benefit by the Bank being enabled to enlarge its colonial resources. I do not doubt that the rates of interest and of discount in the colony have already been reduced,

58. 1875:B:5: p.16-17.

59. Ibid., p.17, Enclosure 6 in no.7. I lean toward the theory that the indefinite wording of this decision demonstrates that it was aimed at disconcerting Vogel, rather than at protecting colonial funds in any serious way. Perhaps the evidence is insufficient.
or are about to be reduced. The unexpected extent to which deposits on the loan have been paid up makes the amount in the Bank more than I had anticipated; and I shall endeavour to arrange for the investment in Exchequer bills of all sums in excess of the one million and a half." As Colonial Treasurer, Vogel took upon himself the responsibility of insisting that the others abandon their proposal, at least until receipt of further instructions from the colony. They acquiesced, after taking legal advice upon the responsibility thereby incurred.

What repercussions of this controversy reached the colony in the next two months to arouse Rolleston's question, there is, of course, no way of telling from the Appendix. The Public Accounts Committee examined at length Inspector Murdoch and Major Atkinson, of Continuous Ministry fame, who had become Colonial Treasurer when Vogel announced that he would be unable to return from London in time for the 1875 General Assembly. These were followed as witnesses by representatives of the Bank of Australasia, the Union Bank of Australia, and the Bank of New Zealand, together with incidental witnesses.

60. Ibid., p.15.
62. The National Bank of New Zealand was represented by Bridges, Director and Acting General Manager, who dragged red herrings across the trail with innuendos hinting at scandalous relationships between the Bank of New Zealand and members of the government. These the Committee explicitly refuted in its Report (preliminary page, 1875:I:25)
The Committee's conclusions were in favor of abandoning the arrangement with the Bank of New Zealand ("Any bank would deal more favourable," said Bridges of the National Bank of New Zealand) and inviting tenders from the several banks carrying on business within the colony. Since J.B. Condliffe wrote that the Bank of New Zealand was the Government's banking agent from 1861 to 1930, the General Assembly must have failed to reach the same conclusion.

V. VOGEL'S INTRODUCTION OF HIS PLAN
FOR GOVERNMENT CONSTRUCTION OF RAILWAYS

The topic of railway construction was introduced first in 1867 in the "Report of the Select Committee on a Uniform Gauge for Railways throughout the Middle Island." The Committee's task was to "consider the necessity of adopting one uniform gauge for railways," which they dismissed at the end by saying, "The question of gauge cannot, as it appears to your Committee, be satisfactorily settled, except by a Commission appointed specially to inquire into the whole subject, whose duty it should be to report, not only upon the

65. Middle Island was the early name for the South Island.
best gauge, but also upon the direction of the main trunk lines of railway throughout both the North and Middle Island, and to recommend the necessary reservation of land for this purpose." The report is of value to this thesis not for what it said (with one small exception) but as a symptom of the interest the General Government was beginning to take in railroads. Its existence suggests that the government was no longer willing to leave them to Adam Smith's invisible hand, but felt that a less general guide was needed to coordinate decision of private enterprise and of the provincial governments. The single reference by a witness to the topic of government control of private enterprise was the comment of R.M. Marchant, C.E., in his letter to the Committee: "I am of the opinion that whilst it is desirable to provide by legislation for a future connected system of railway communication, no hindrance should be thrown in the way of private enterprise, or the execution of works in what may be the only feasible manner at the time of their organization."

From this small beginning, the topic of railways leads this paper its climax, Julius Vogel's Financial statement of 1870. To read this long, ably reasoned, persuasive speech

67. Ibid., p.3.
68. Ibid., p.7. It may be worth adding that the succeeding document, 1867:F:5, is on the subject of providing additional railroads or other public works for the bankrupt province of Southland. No principles were discussed. The question probably arose only because of the Colonial Government's position in holding Southland's debts.

69. 1870:B:2.
is truly exciting, seventy-nine years after it was heard in the Committee of the whole House on June 28, 1870. Its impact must have been tremendous upon those first auditors at a time when, according to Gisborne, "Industry languished; capital was withheld; property was depressed; employment, except in the gold-fields and their vicinity, was difficult to be obtained." By the way everything subsequently moved as Vogel had advocated, his listeners must have been spellbound. To pick out sections confined to the part played by railroads in the complete plan seems sacrilegious, but so many statements have flown around on the subject as a whole, that a complete study of one aspect may have the virtue of originality. It is enforced by the fact that only railroads of the enterprises undertaken by the colony really fit into the field of private enterprise in common thought. It is true that Immigration was occasionally the subject of capitalists' interest, but it was ordinarily a government field, even though in New Zealand a field for the Provincial governments, rather than the colonial government prior to 1870.

71. Of course, Andre Siegfried might have attributed their response to the New Zealanders' susceptibility to logical-appearing theories, see Note 166 p. 68 infra.
72. New Zealand examples include the Emigrant and Colonists' Aid Corporation, the story of which appeared in part in 1875:D:7.
Vogel called his program "colonizing work" and laid down three principles on which it was to be based:

"1stly, That both Islands should aid in the colonizing work; both be placed in a position to contribute to the general requirements; both share in the results obtained.

"2ndly, That it is inexpedient to embarrass colonizing operations with unnecessary political changes; and that, therefore, it will be wise to adhere as closely as possible to the political institutions with the working of which we are familiar.

"3rdly, That the conditions and circumstances of different parts of the Colony vary widely, though there is throughout the Colony the same necessity for colonizing operations."

He then analyzed the position of the two Islands, so far as public works and population were concerned and continued:

"We propose that the Government shall be armed with power to conclude arrangements for the construction of certain railways within the different Provinces, as desired by their respective Governments. By 'certain railways,' I mean that the Legislature should indicate the direction of the railways for which it is proposed to allow the General Government to contract; and I think that, speaking generally, railways should, in each Island, be designed and constructed as parts of a trunk line. According to the nature of present traffic should be the immediate character of the respective railways.

73. 1870:B:2: p.12.
I hope the Provinces will recollect that the Colonial rate of interest on money is large, and that it is extravagant to look up more capital than is necessary."

He next suggested American and Welsh examples of cautious railway construction and went on:

"Now, as to the mode of paying for these railways. It is essential, in order that we shall not proceed too fast and undertake more than our means will justify, that we should fix a very effectual limit to the liabilities to be incurred. Speaking broadly, I contend that during the next ten years the Colony will run no risk, if it commit itself to an expenditure, or a proportionate liability for guarantee of interest, of ten millions for railways, and for the other purposes comprised in these proposals.

"This would mean an expenditure, at the rate of present population, of £40 a head; or for interest, at 5½ per cent."

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74. *Ibid.*, p.13. These and his subsequent warnings are slighted by those who like Condliffe (*op. cit.*., p.31-35, 270-271) tend to attribute to Vogel responsibility for the faulty carrying out of what Condliffe admitted to have been an inherently sound scheme. Even Vogel's plans, on the other hand, may have been affected with the general expansiveness as the influx of capital and population during the years immediately following brightened the economic picture. *Le Rossignol* (James Edward, and Stewart, William Downie. *State Socialism* in New Zealand. New York, T.Y. Crowell, 1910) contended that the soundness of the original scheme was sacrificed, in part, to the demands of politically influential districts (p.55, 82-88) He concluded, however, as he might not have concluded if he had written 20 years later, "Even the much criticised borrowing for roads and railways, while it involved the taking of a great risk, has proved to be a good investment; for the country has been rapidly developed and wealth has increased much more rapidly than the public debt," (p.294).
of about £2 per head per annum supposing the whole amount was expended, or an average on the ten years of, say, £1. This supposes that the cost is all to be paid in cash, and that there are to be no returns to reduce cost or interest. If the railways are inexpensively constructed and worked, I contend that a considerable portion of them will soon be self-supporting, that is to say, will yield sufficient, beyond working expenses, to cover either interest or guarantee, according to the principle adopted for raising the money for their construction.

"But there is another source from which to anticipate a reduction in the money cost - the land should be made to bear a considerable portion of the burden. We propose that authority should be given to contract for the railways by borrowing money, by guaranteeing a minimum rate of profit or interest, by payments in land, by subsidies, or by a union of any two or more of these plans. I am inclined to think that judiciously combined, they will enable us to obtain our railways to the greatest advantage. The contractors may want some money, but they should be glad to receive some land to yield them a profit consequent upon the effects of the railway; and, similarly, if the routes be judiciously selected, the contractors should be glad to keep the railways with the security of a minimum guarantee..."

These paragraphs show that Vogel had not said before

75. Ibid., p.13-14.
formulating his plan, "Now the state shall build and run railroads and private enterprise must step aside." On the contrary, he was willing to have the roads constructed by any means possible, including that system of guarantees to private companies made notorious through Indian history. It is possible to think of his approach to the public works problem as naive; note his remarks that "The contractors may want some money." The last paragraph quoted brought forward the necessity, as the speaker saw it, for concessions by the provinces which controlled the disposal of waste lands in supporting the development program. This provision the provinces discarded in the legislation finally passed, a deed for which Vogel is supposed to have decreed their end in 1875. The speech continued: "I now come to the question from what source the payments, if any, are to be made. We may at once concede that the Colony is to be primarily liable; but the question is, should the Colony find the money finally,

76. This readiness to allow the contractors to own the railroads and the fact demonstrated infra that private enterprise was willing, even eager to undertake the New Zealand railroads under the guarantee system weakens the argument frequently found in writings about this development of New Zealand history that private interests were unwilling to risk "these ventures from which profitable returns were a distant and dubious dream," to use the phrase of Leslie Lipson (op. cit., p.148) It is true that English firms might have been less enthusiastic if they had not expected a government guarantee. As Le Rossignol and Stewart pointed out there was little private capital in the colony and little to attract British capitalists "what must have seemed to them small and unpromising enterprises." (op. cit., p.54)

77. Condliffe, op. cit., p.100.
or should the charge be made a local one? I do not submit an arbitrary rule on the subject. Two courses suggest themselves:

"1st, That any money paid should be charged at once to the Provinces; or

"2nd, That if the Colony make the payments, it should, on contracting the liability, take possession of land of commensurate value.

"Against the first, it may be urged that a Province might be unable to meet its liability; that the Colony would have to pay it; and that the local charge would be merely one of account. I answer this objection by suggesting that in making any agreement the Government would not be bound solely by the wish of the Province. They would have to be satisfied that the work was one which it was prudent to undertake; and that the means of the Province justified it. I have already endeavoured to show that, spread over a term of years, the liability would not be enormous; and looking at the vast benefit each Province would enjoy, it seems to me that special taxation, to be resorted to if necessary, would not be a hardship.

"In some cases, the Government might take as a collateral security the results of a special tax, or a mortgage over particular properties, such as railways in course of progress, or over rents and tolls. If the Provinces are to be made liable, each work would have to be constructed in accordance with their wishes, the General Government approving. There
would, in fact, be at once constituted a mixed tribunal of the General and Local Governments.

"There is much to be said in favour of the second plan, that of the Colony taking land as security; but, on the other hand, there may be urged against such a plan, that it would involve, in each case, a duplication, so to speak, of Provincial Government."

Here followed what was unfortunately, a digression from the subject of this paper on the topic of Provincial governments after which the Treasurer returned to the question of finance:

"What we as Colonial legislators require to be assured upon is this: Supposing that, from various centres of population and of settlement, we allow local action, with the approval and assistance of the Colonial Government, to give life to a number of railway enterprises, all (within each Island) designed for an ultimate junction, is there reason to fear that the combined operations will prove too much for the Colony. So long as we know that, if necessary, the Colony may take the whole thing into its hands, we are safe in adopting that eventuality - in considering what may be the possible


79. The marginal summary may be quoted here: "Provincialism not inconsistent with proposed operations; but can be made most useful. Why Provincial feelings will continue; and why any Colonizing scheme must be a comprehensive one."
possible consequences. We want to know what may be the worst, the most burdensome, effects of the adoption of a railway policy. I am going to put before you a conjectural sketch of what might be the position, supposing the Colony sooner or later took the whole matter into its charge, or that it remained partly a Colonial and partly a Provincial matter. It does not signify that, in the meanwhile, the whole large result is built up little by little by the action of the General and Provincial governing bodies conjointly; nor does it signify whether the joint action continues, or in course of time becomes wholly or in part suspended. I want to trace aggregate results. I suppose that some 1,500 or 1,600 miles of railway will require to be constructed, and that this can be effected at a cost of £7,500,000, together with two and a half millions acres of land, and that in addition about £1,000,000 will be required to carry out the other proposals I am making. I leave on one side the cost of Immigration, because, as I have before remarked, that expenditure will be essentially and immediately reproductive. Suppose that this money is expended at the rate of £850,000 a year for ten years. It matters not, for the purpose of our inquiry, whether the money is procured by direct borrowing, by the security of a guarantee, or by the aid of payments in land, in excess of the two and a half millions of acres, which I have assumed to be part of the construction money. We suppose that, during ten years, eight and a half millions are expended, and that
the rate of interest is $5\frac{1}{2}$ per cent."

Here followed a series of calculations, finally summed up by the remarkable table:

| YEARLY PAYMENTS |  
|------------------|------------------|
| 5\% Per Cent.    | Interest, 12 Months on | Interest, 6 Months on | Total Interest |
|                  | £                 | £                   | £              |
| Lst Year         | ...               | 850,000             | 23,375         |
| 2nd Year         | 850,000           | 850,000             | 70,125         |
| 3rd Year         | 850,000           | 850,000             | 116,875        |
| 4th Year         | 850,000           | 850,000             | 163,625        |
| 5th Year         | 850,000           | 850,000             | 210,375        |
| 6th Year         | 850,000           | 850,000             | 257,125        |
| 7th Year         | 850,000           | 850,000             | 303,875        |
| 8th Year         | 850,000           | 850,000             | 350,625        |
| 9th Year         | 850,000           | 850,000             | 397,375        |
| 10th "           | 850,000           | 850,000             | 444,125        |

80. *Idem. p.16.*

81. The table appears on p.17. The Receipts item "Stamp Duties Estimated" refers to Vogel's proposal to divert one half the revenue from that source to railroad finance. In relation to "Receipts over and above Working Expenses on Railways", The Economist stated the railroads were repaying about one-half the interest charged on the capital spent on their construction in the year 1879 (v.38, p.1024). This corresponds with the 9th year in Vogel's estimates, when he reckoned that item at just over one-half Total Interest due, a closer result than the seemingly casual construction of the estimates would lead one to expect.
Following a discussion of the size of loan required for his program, the possibility of an Imperial government guarantee for £1,000,000 of the loan, and tax sources for financing the loan, in which the most notable statement is to the effect that he estimated the average cost of cheap railways at £5,000 per mile, Vogel went on with the subject of taxation to this effect:

"For the first three years, the payments will be so inconsiderable as to leave little room for apprehension of difficulty in finding the money. After three years, supposing that extraordinary sums are required, will it be a great hardship to increase the Stamp Duties, or to have a House-tax, or an Income-tax, or some tax which will touch that lucky class, the absentee, who enjoy all the advantages, whilst they share not
the burden of the hard colonizing labours without which the
most favoured country on the globe's surface could not attain
permanent prosperity?

"I do not desire to express an opinion that any such
taxation will be rendered necessary by a Railway system in
conjunction with Immigration on a large scale. My conviction
is in a contrary direction; but, looking to the worst, what
I wish to maintain is, that the fear of a mild and moderate
future addition to the taxation should not be placed in com-
petition with the great effects which will follow the con-
struction of railways, through the employment they will afford,
the immigration that will accompany their progress, the fa-
cilities they will render for bringing produce to market, and
the aid they will lend to the general settlement of the country.

"I have dwelt at great length upon the various sources
from which the railways can be constructed. I will only fur-
ther add, in regard to the subject generally, that the pro-
posals the Government are now making are too large to make
it either desirable, or I might add compatible, with a lib-
eral form of Government, that they should insist on deter-
mining all the details. The Government ask the House to as-
sist them. The broad features of the policy there will be
no difficulty in recognizing; to those, of course, the Gov-
ernment adhere; but the Government do not pretend to the
right to lay down the details so closely as to justify ob-
jection to those details being subjected to independent criti-
cism. At the same time, I am not making proposals to which
a specific form has not been given. On the contrary, so im-
possible, without reducing them to a compact form, would it
be to describe the nature of these proposals with sufficient
accuracy to enable you to understand all their bearings, that
I have had all the Bills prepared, and will without delay cir-
culate them.

"It is fortunate that the time for a General Election is
approaching. The Assembly may prefer that the country should
be consulted on the whole plan. Ministers could not object
to such a course; but if the Assembly, as now constituted,
is willing to deal with the question, Ministers do not shrink
from the responsibility of pressing it, for they are of o-
pinion that the state of the Colony is such that the sooner
measures of progress are matured the better will it be for
the Colonists."

At this point the speech left the subject of railway
construction to deal with a series of other interesting top-
ics, of which some items are mentioned later in this paper.
It is necessary to emphasize here, however, the fact that
immigration and the building of public works were for Vogel
inseparable companions:

"I have already said that the subjects of Immigration
and Public Works are most intimately allied. Because I deal
with them separately, honorable Members must not suppose that
we overlook the probability that the construction of railways

32. Idem, p.18.
will itself be a large and comprehensive means for promoting Immigration."

There was a powerful concluding paragraph to this Financial Statement:

"We shall be told that these proposals will entail on posterity an enormous burden. Granted, - but they will give to posterity enormous means out of which to meet it. Every Member has constituents whom he represents; he will be justified in assuring them that the measures we propose will benefit every person in the community, from the highest to the lowest, from the richest to the poorest. They will lead the Colony to prosperity, and enable it to do justice to its splendid resources."

83. Idem. p.19. It is worth pointing out in connection with the opprobrium later heaped on Vogel for the more unfortunate results of his immigration scheme (see, for instance, Sutch, W.B. The Quest for Security in New Zealand.Harmondsworth, Middlesex, 1942. (Penguin Special, S 108) p.58. "Unemployed immigrants in Christchurch resolved that Vogel, who was blamed for their plight, should be hanged 'not by the neck, but by the heels, for the lies he has told') that this first speech on the plan contained the words: "...It would be cruel to bring out immigrants, if you do not see the way to their finding the means of self-support."

84. Idem. p.29. A fascinating study on its own account would be that of whether the proposals of this speech, if carried out in the cautious way their author specified, and uninfluenced by violently changing outside factors, would have led on to their prosperity he expected. What Condiffe (op. cit., p.148) and others called with no complimentary intent, the "Vogel boom" followed, though with a lag, an extremely prosperous period for the British economy. This prosperity has been supposed to have ended in 1874, but W.W. Rostow contended in a recent book (British Economy of the Nineteenth Century, Essays. Oxford,
FOOTNOTE (84) continued.

Oxford Univ. Press, 1948, p.180-212) that what ended was, rather, a period of high prices and profits and that production and employment held up until the last quarter of 1877, following which a deep depression in the modern sense lasted through the first half of 1879. Condliffe recognized the effect of the British price level on New Zealand's economy and avoided the oversimplification involved in laying complete responsibility for the colony's fluctuations on any policy of its own. Other writers have been less cautious than he in their approach. I think it is correct to say that the average New Zealander today thinks of the boom as Vogel's creation and the depression which followed as the penalty the country had to pay for a bout of public works beyond what it could afford. It is certainly true that government spending helped to relieve the earlier stagnation and start the economy toward fuller employment, more prosperous activity, as Vogel had hoped and planned. The mutilation of his original scheme, however, together with the rising wool prices which were New Zealand's chief reflection of British prosperity, confused the picture completely. The land speculation, cited by Condliffe himself (op. cit., p.32-33; also Sutch, op. cit., p.58; and others) as the worst aspect of the boom, was foreseen by Vogel. His whole plan provided measures which might have prevented it. As if railway expansion was not enough temptation for such speculation, sheep, an extensive crop, became, at that same time, a highly valuable one.

Condemnations of Vogel are to be found also in Le Rossignol, who called him "gambler" (op. cit., p.57) and "daring, not to say reckless" (Idem. p.98). Though he admitted the end result of the public works policy to have been preferable to the probable result if roads had been left to private enterprise, Condliffe (op. cit., p.270) condemned the amount and the timing of the development. (op. cit., p.32-33), which latter can be recognized now as unfortunate with the benefit of the backward view, more readily than by the participants. Sutch was inclined to disapprove chiefly of the importation of laborers when continued employment for them could not be guaranteed and especially the failure to make land available for their settlement (op. cit., p.57-58) Reeves added good wheat markets to the factors leading to land speculation and blamed all excesses on the activities of individuals, rather than the government leaders (his, The Long White Cloud London, H. Marshall, 1898, p.326,332.)

My theory that New Zealand's prosperity and crash were largely the result of the fluctuations of the
British economy may be attacked on the question, "Why was New Zealand stagnating in 1870, when England was on the upward swing of her trade cycle?" I feel it is natural that the colony on the other side of the world should have a delayed response to British fluctuations, particularly since direct cable communication was still several years in the future. Table 6, infra, shows that if England's boom was largely due to exports of railway iron as Rostow indicated, it was at its beginning in 1870. Table 2, only a rough indicator of course, shows that wholesale prices for wool in England didn't leap upward until between 1872 and 1873, the period of intensifying public works construction in the colony. (note the flow of imports shown in Table 4). It is worth remembering, too, that the North Island had devoted a part of its manpower and resources to waging a long drawn-out war for the greatest part of the previous decade and was confronting the change to peace in 1870, a change which is still a problem to the modern world.

Mr. Rostow devoted much of his book to a detailed study of the "Great Depression, 1874-79". If a depression had cut England's buying power in 1874, the reasons for New Zealand's prosperity continuing until a date variably given as 1877, 1878 and 1879 would again seem to have little connection with the mother country. Mr. Rostow concluded, however, that the first phase of this "depression", 1874-77, was a period of maintained or slowly rising production and employment, although prices and profits were falling, with a running commentary from the producers. (See particularly the quotation from the Commission on Depression, op. cit., p. 105) This was because home activity took up the economic slack which resulted from a drop in railroad building in America and elsewhere (see Table 6, with its evidence that not all the Australian colonies together were an influential factor in the rising demand for British railroad iron, but that together they delayed the full impact of falling demand elsewhere). The textile industry retained adequate demand, though at lowered prices; home building enjoyed a most prosperous period, which left no trace in the money market; heavy industry was in the doldrums, but average overall employment remained above 95 per-cent. through 1877 (see Table 7) Labor was in the advantageous position of enjoying a steady or rising level of real wages. From the last quarter of 1877 to the middle of 1879, England knew real depression. (Rostow, op. cit., p. 180-212) If Sutch's account of distress beginning among New Zealand laborers in 1877 is accepted (op. cit., p. 57-58), then the colony's slump may be said to have begun seriously even before the mother country's. Apparently, the land boom remained flying until 1879 (Condiffe, op. cit., p. 149) I have stretched my studies far enough
from my source material, the Appendix, in pursuing the boom to its conclusion and I shouldn’t leave it farther behind in order to seek reasons for the colony’s failure to follow Britain in her recovery of 1879. No doubt, the severity of the financial crisis following upon land speculation was part of the picture, the government’s retrenchment program may have deepened the difficulty, while the weight of the public debt burden could have had an adverse influence. A thorough study would have to include the state of British demand for New Zealand’s staples, and the export statistics of rival producers, Without such study, statements about the adverse effects of the spending on public works are premature.

TABLE I

NEW ZEALAND’S CHIEF EXPORTS DURING "VOGEL BOOM" FROM REPORTS BY THE CUSTOMS DEPARTMENT; Appendix, 1873-1880.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gold Exports in Ounces</th>
<th>Gold Receipts £</th>
<th>Wool Exports in Pounds</th>
<th>Wool Receipts £</th>
</tr>
</thead>
<tbody>
<tr>
<td>1871</td>
<td>730</td>
<td>2,788</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>1872</td>
<td>445</td>
<td>1,731</td>
<td>41,887</td>
<td>2,538</td>
</tr>
<tr>
<td>1873</td>
<td>505</td>
<td>1,987</td>
<td>41,587</td>
<td>2,705</td>
</tr>
<tr>
<td>1874</td>
<td>376</td>
<td>1,505</td>
<td>46,855</td>
<td>2,832</td>
</tr>
<tr>
<td>1875</td>
<td>355</td>
<td>1,498</td>
<td>51,402</td>
<td>3,398</td>
</tr>
<tr>
<td>1876</td>
<td>318</td>
<td>1,269</td>
<td>59,853</td>
<td>3,396</td>
</tr>
<tr>
<td>1877</td>
<td>367</td>
<td>1,476</td>
<td>64,481</td>
<td>3,659</td>
</tr>
<tr>
<td>1878</td>
<td>311</td>
<td>1,241</td>
<td>59,270</td>
<td>3,293</td>
</tr>
<tr>
<td>1879</td>
<td>204</td>
<td>1,135</td>
<td>62,221</td>
<td>3,126</td>
</tr>
</tbody>
</table>
TABLE 2

FROM "WHOLESALE PRICES IN ENGLAND, 1845-78, Proportinate Results"; "Commercial History of 1870", The Economist, v. 37, p. 45.

1845-50 = 100.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sheep's Wool</th>
<th>Total Index No. for 22 Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1870</td>
<td>96</td>
<td>2689</td>
</tr>
<tr>
<td>1871</td>
<td>88</td>
<td>2590</td>
</tr>
<tr>
<td>1872</td>
<td>133</td>
<td>2635</td>
</tr>
<tr>
<td>1873</td>
<td>157</td>
<td>2947</td>
</tr>
<tr>
<td>1874</td>
<td>140</td>
<td>2881</td>
</tr>
<tr>
<td>1875</td>
<td>145</td>
<td>2778</td>
</tr>
<tr>
<td>1876</td>
<td>133</td>
<td>2711</td>
</tr>
<tr>
<td>1877</td>
<td>141</td>
<td>2715</td>
</tr>
<tr>
<td>1878</td>
<td>123</td>
<td>2554</td>
</tr>
<tr>
<td>1879</td>
<td>122</td>
<td>2225</td>
</tr>
</tbody>
</table>

* January 1 would be a poor date on which to reckon prices in England for New Zealand wool today and probably was equally poor during the last century. Modern wool sales take place in February, March and April. Transportation in the days of sailing ships took from 5 to 7 months, which must have brought New Zealand wool to the British market from June to September.

TABLE 3

NEW ZEALAND REVENUE, 1869-78; from The Economist, v. 38, September 4, 1880, p. 1024.

(to nearest 1,000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ordinary Revenue</th>
<th>Territorial Revenue</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1869</td>
<td>1,026</td>
<td>382</td>
<td>1,408</td>
</tr>
<tr>
<td>1871</td>
<td>922</td>
<td>378</td>
<td>1,299</td>
</tr>
<tr>
<td>1873</td>
<td>1,487</td>
<td>1,266</td>
<td>2,753</td>
</tr>
<tr>
<td>1875</td>
<td>2,047</td>
<td>689</td>
<td>2,736</td>
</tr>
<tr>
<td>1877</td>
<td>2,341</td>
<td>1,575</td>
<td>3,916</td>
</tr>
<tr>
<td>1878</td>
<td>2,659</td>
<td>1,509</td>
<td>4,168</td>
</tr>
</tbody>
</table>
FOOTNOTE (34) Continued.

### TABLE 4

**VALUE OF NEW ZEALAND TRADE WITH ENGLAND; from The Economist, v.38, Sept. 4, 1880. p.1024.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Gold</th>
<th>Wool</th>
<th>Other</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1861</td>
<td>£753</td>
<td>£524</td>
<td>£94</td>
<td>£1,370</td>
<td>£2,494</td>
</tr>
<tr>
<td>1871</td>
<td>£2,788</td>
<td>£1,606</td>
<td>£777</td>
<td>£5,171</td>
<td>£4,078</td>
</tr>
<tr>
<td>1873</td>
<td>£1,987</td>
<td>£2,702</td>
<td>£788</td>
<td>£5,478</td>
<td>£6,465x</td>
</tr>
<tr>
<td>1875</td>
<td>£1,408</td>
<td>£3,398</td>
<td>£670</td>
<td>£5,476</td>
<td>£8,029x</td>
</tr>
<tr>
<td>1877</td>
<td>£1,496</td>
<td>£3,659</td>
<td>£923</td>
<td>£6,078</td>
<td>£6,973</td>
</tr>
<tr>
<td>1878</td>
<td>£1,240</td>
<td>£3,293</td>
<td>£1,252</td>
<td>£5,781</td>
<td>£8,756</td>
</tr>
<tr>
<td>1879</td>
<td>£1,157</td>
<td>---</td>
<td>---</td>
<td>£6,185</td>
<td>£9,204</td>
</tr>
</tbody>
</table>

X

The Economist suggested that imports of railroad iron were responsible for the size of the 1875 figures. These imports were already under way in 1873, however, and I imagine that the same reason for the size of that year applies.

### TABLE 5

**NEW ZEALAND'S NATIONAL DEBT AND POPULATION, 1861-1878; from The Economist, v.38, p.1024 & The New Zealand Official Year-Book, 1946, p.17.**

<table>
<thead>
<tr>
<th>Year</th>
<th>National Debt</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1861</td>
<td>£601</td>
<td>99</td>
</tr>
<tr>
<td>1871</td>
<td>£8,901</td>
<td>255</td>
</tr>
<tr>
<td>1873</td>
<td>£10,914</td>
<td>298</td>
</tr>
<tr>
<td>1875</td>
<td>£17,400</td>
<td>412</td>
</tr>
<tr>
<td>1877</td>
<td>£20,691</td>
<td></td>
</tr>
<tr>
<td>1878</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
FOOTNOTE (34) Continued.

TABLE 6
VALUE OF RAILROAD IRON EXPORTED TO AUSTRALASIA
(INCLUDING NEW ZEALAND?) FROM ENGLAND, 1869-1879; from The Economist, "Accounts Relating to Trade and Navigation", 1871-1880.

(to nearest 1,000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports to Australasia</th>
<th>Total Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1869</td>
<td>94</td>
<td>846</td>
</tr>
<tr>
<td>1870</td>
<td>135</td>
<td>854</td>
</tr>
<tr>
<td>1871</td>
<td>150</td>
<td>8,085</td>
</tr>
<tr>
<td>1872</td>
<td>291</td>
<td>10,238</td>
</tr>
<tr>
<td>1873</td>
<td>505</td>
<td>10,419</td>
</tr>
<tr>
<td>1874</td>
<td>1,106</td>
<td>9,630</td>
</tr>
<tr>
<td>1875</td>
<td>619</td>
<td>5,454</td>
</tr>
<tr>
<td>1876</td>
<td>321</td>
<td>3,706</td>
</tr>
<tr>
<td>1877</td>
<td>694</td>
<td>3,868</td>
</tr>
<tr>
<td>1878</td>
<td>576</td>
<td>3,306</td>
</tr>
<tr>
<td>1879</td>
<td>419</td>
<td>2,877</td>
</tr>
</tbody>
</table>

TABLE 7

No base given

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1869</td>
<td>96.7</td>
</tr>
<tr>
<td>1870</td>
<td>101.9</td>
</tr>
<tr>
<td>1871</td>
<td>107.7</td>
</tr>
<tr>
<td>1872</td>
<td>107.8</td>
</tr>
<tr>
<td>1873</td>
<td>109.7</td>
</tr>
<tr>
<td>1874</td>
<td>111.5</td>
</tr>
<tr>
<td>1875</td>
<td>102.5</td>
</tr>
<tr>
<td>1876</td>
<td>104.6</td>
</tr>
<tr>
<td>1877</td>
<td>104.2</td>
</tr>
<tr>
<td>1878</td>
<td>97.3</td>
</tr>
<tr>
<td>1879</td>
<td>91.0</td>
</tr>
</tbody>
</table>
VI. RAILROAD CONTRACTS

It was inevitable that Vogel's speech should be followed by a flood of print on the topic of railroads in the Appendix; from this flood, it will be necessary to select some examples particularly pertinent to this paper, ignoring the rest. Already before the speech was delivered there had been forwarded from England a letter and memorandum from Sir Charles Fox and Sons, Railway Engineers, on the subject of "cheap lines of railway", more politely known as "light railways" throughout most of the correspondence. These gentlemen began their major letter, "Understanding that the Government of New Zealand and the Provincial Governments are again entertaining the question of railway extension..." Their estimate for safe and reliable railways of 3'6" gauge, such as they had helped to construct in Queensland, India and Canada, was between £3,500 and £4,000 per mile, so Vogel's quotation of £5,000 was shown to be a reasonable one. They offered themselves as Consulting Engineers or Engineering Agents in England for any works undertaken by the Government. Another

85. The Appendix fails to show how much discussed the projected "colonizing work" had been within the Colony, but the New Zealand Commissioners, Featherston and Dillon Bell, sent to London on other business, had been negotiating for an Imperial guarantee on a loan for that purpose during the month of May (see 1877A:1A: p.34; and others)

86. p.32 supra.
document of 1870, showed the readiness of the Provincial governments to accept assistance in railway building from the Colonial government. The Superintendents of Auckland, Nelson, Marlborough, Canterbury and Otago had all put in specific requests by the 6th of September, 1870; "So many mouths to feed, no longer belonging to nine little Oliver Twists asking for more, but to sturdy claimants, making as though they would seize whilst they seem only to solicit," as Treasurer Fitzherbert described the provinces in 1867. They retained their vigor in the years that followed.

In 1871 the Government sent Vogel to England on a variety of business, including the proposed railways. He reported in August of that year on the results of his negotiations:

"During the whole of my stay in London, I was actively engaged in negotiations with Messrs. John Brogden and Sons, respecting the construction of railways in New Zealand..." (In answer to a proposal by the firm) "I replied, that I was not prepared to make any recommendation on the subject...because it appeared to me that, were I to do so, something like an understanding would be established that his firm should have the first offer to construct the railways, and that, therefore, a very long time might elapse, whilst his agent was making investigations or surveys, during which the Government might be held bound not to take any other steps towards

87. 1870:D:30.
the initiation of a railway system. It was my impression (I told Mr. Brogden) that the Government were so bent upon proceeding with railway construction, that they would not be prepared to enter into any arrangements which from their very nature, would involve tediously protracted references to England...

"Although negotiations were uninterruptedly continued, it was only after very great difficulties on both sides, that the agreements were signed..."

"I may with confidence assert that I have, on behalf of the Government, concluded an arrangement highly favourable to the Colony, but one which should entail upon it the exercise of great forbearance and encouragement towards the Contractors, who, I am convinced, would not have concluded the arrangement, had they not calculated upon the Government affording to them all reasonable consideration and aid.

"The Government have the power of choosing between the two agreements, and of adopting either or both of them, and, whichever decision may be come to, it will be absolutely binding upon the Contractors..."

"In reality...what has been secured for the Colony is power for the Government to secure the construction of railways under the provisions of either or both of the agreements, or the holding of a position which enables the Government to ask Messrs. Brogden to substitute for the agreements specific arrangements for the construction of particular railways..."
"I may observe that, compared with the terms offered for the large number of colonial and foreign railway enterprises that are being floated in the London market, the agreements made with Messrs. Brogden are very favourable to the Colony; and I feel sure that, with proper precautions, they will lead to the construction of railways upon advantageous terms. It may be found desirable to make some alterations in the agreements; but I must repeat my conviction, that any wish in that direction on the part of the Government will be readily responded to by Messrs. Brogden, who, to the last expressed themselves strongly as to the terms being rather harsh towards them, and as to their hope that the agreements would be so worked out as to put them in as favourable a position as possible for giving effect to their various provisions.

"...No doubt very much interest will be manifested in comparing the arrangement now entered into with Messrs. Brogden, with the anticipations expressed last session as to the nature of the terms on which it would be possible to secure the construction of railways in New Zealand. It will be remembered that those anticipations were largely based upon somewhat unreliable evidence - such, for example, as newspaper reports, and brief sketches of the nature of certain arrangements proposed by other Colonies. I am convinced, by inquiries which I instituted in London, that we formed a somewhat too favourable estimate of the terms upon which we might secure the introduction of a large amount of capital for con-
structing railways, under either a system of guarantees or of
land subsidies. We were under the impression, for instance,
that a railway was to be constructed in Tasmania upon a bare
guarantee of 5 per cent. Although, on the surface, this will
appear to be the fact, I am led to believe that there are in
the agreement collateral provisions which materially alter
its nature. Thus, as I am told, something like £25,000 for
preliminary expenses and what is sometimes called 'promotion
money,' is to be put down to cost of construction. Further,
I am informed that the gentlemen who are entering into the
arrangement at home, have sent to the Colony insisting on a
 provision to the effect that the amount of discount at which
they may find it necessary to dispose of shares or other se-
curities, shall be considered as a portion of the construction
money. I do not mention these things with any view of reflect-
ing upon the agreement made by Tasmania; I merely desire that
New Zealand should understand that the assertions so freely
made that the construction of railways could easily be secured
upon a 5 or 5½ per cent. guarantee, may be very much affected
by other provisions contained in an agreement, the basis of
which appears to be simply such a guarantee. Many foreign and
colonial railway enterprises are being brought out in the Lon-
don market, upon terms which wholly put in the shade so low
a rate of guarantee as that just stated. After I left England,
I received from Mr. John Morrison, copy of a prospectus of the
Wellington, Grey, and Bruce Railway Company, of Canada,
announcing the intended issue of £71,000 7 per cent. first mortgage bonds, in which it is stated:

"Taking into account the dates of the payment of the instalments, and the fact that the full half-year's interest will be allowed on 1st January, 1872, the price of issue is in effect reduced to £8 3\(\frac{1}{2}\). At this price the bonds yield 8 per cent. to the investor, in addition to the advantage arising from the redemption fund provided under the agreements with the Great Western Railway Company, by the application of which the whole of the bonds will probably be paid off at par within fourteen years."

"In respect to the construction of railways for land grants, I have to observe that I am very doubtful whether we are likely to be able to arrange for the construction of any railway for such grants only, upon any approach to terms that would be deemed admissible. One of the alternative agreements with Messrs. Brogden does, as the Government will observe, provide for an arrangement based on land grants, coupled with a guarantee; only one-fifth of the land to be granted being such as would be classed as "good" land, the rest being such as it may suit the convenience of the Colony to part with; and there being a clear understanding that the two million acres which it was proposed to give for the Nelson Railway might be included in the amount. Should it not be desirable to part with the Nelson land, and with any other land of the same character, I do not doubt but that Messrs.
Brogden would consent to receive a very much smaller quantity of good land. The land-grant element in this arrangement is no doubt of very much importance, inasmuch as it represents the profit which Messrs. Brogdan hope to make, the cost of the railway being otherwise minimized as much as possible. Had I proposed that railways should be constructed wholly for land grants, I should have had to give, in some form, a guarantee as to the value of the land to be parted with..."

The articles of agreement covered by this letter provided that the government should do the planning and surveying of the railroads, and provide all land required, that the Contractors should provide all plant (engines, rolling stock, etc.) paying for it themselves, should work the railroads, running the trains and charging fares and rates within maxima and minima determined by the government, while furnishing it with accounts. The Contractors were allowed a profit of £5 per cent. on railway material purchased by them plus land grants of 3/4 of an acre for each pound sterling of the total cost of each section opened. Further, according to the first of the tentative contracts, the government was to pay to the contractors half-yearly for forty years following the opening of the first section of any railway a sum sufficient to secure to them interest or a dividend of £5 5s per cent. per annum when added to their net receipts from the whole railways completed, unless the Colony should buy the road at cost plus 5
per cent. profit in the meantime. Receipts sufficient to return to the Contractors more than 8 per cent. were to be divided equally between government and contractors, once the government had been returned the whole amount paid over according to the above conditions. At the end of 40 years, the government was bound to purchase the railways.

According to the second tentative contract, the Contractors were to lease from the government the railway as completed for 99 years at a nominal rent of 1s per mile, after which time all roads were to revert to the government, without further payment. For 35 years the government guaranteed the contractors 5½ per cent. interest or dividend, while any receipts above that went toward reimbursing these government payments. Continued excess when repayment was complete was to go one-fourth to the colony, three-fourths to the contractors.

Vogel was congratulated on the terms of the contract by the solicitor who had acted for him in drawing it up, not perhaps the most disinterested party to be found. He based his approbation on the fact among many others that the government could place the railways with "regard to the requirements of the Colony irrespective of the remunerative character of the railways," with which privilege he contrasted railway construction in India where, "The Railway Companies select their own lines of railway, and, of course, select only those which are

90. Idem. p.2241.
likely to be most remunerative, not regarding what may be required to develop the resources of the country."

Another opinion was sought from J. Dennistoun Wood, (whose identity I've been unable to discover through the ordinary biographical sources). He was asked to compare directly the proposed contracts with those for the construction of railways in India. On the whole, he, like the solicitor, declared that Vogel had done very well. One trap, as he saw it, which the New Zealand government had avoided was that "under the Indian Contract, the purchase money is to be 'the full amount of the value of all the shares or capital stock calculated according to the mean market value in London of such shares or stock during the period of twenty-five years or fifty years', at which alone the East India Company had the right to purchase. The shares may have risen considerably above par, and it is quite possible that the belief of an intention on the part of the Government to purchase, may of itself raise the value of shares above what it otherwise would be, and so

91. 1871: A: 6: p. 41-45. In his comparison of railway building in New Zealand and in India, this legal light seems to have failed to recognize the large differences between an almost entirely undeveloped colony and ancient, over-populated India. I feel that the emptiness of the internal spaces of New Zealand must have meant that wherever the railroad was placed so long as the colony "required" it, remunerative traffic would follow it. Traffic had been limited to the rivers and the sea before that time. Wisdom and profit could work together in that situation, better than in the Indian one.
increase the amount of the purchase money. Under both the New Zealand Contracts the purchase money is to be merely the amount of the capital expended by the Contractors in making the railways and providing the plant, with a profit of 5 per cent. added, after making a deduction for the deterioration in value of the lines and plant, through wear and tear, and want of repair.

Wood made one other noteworthy remark, this time in connection with the 99-year lease clause, "It is, however, unlikely - having regard to the policy of the Australian Colonies, in which the Government is almost universally the owner of the railways - that the Government of New Zealand would not acquire the railways at as early a period as possible, so that a provision as to a reversionary interest at the end of ninety-nine years would be practically of little value." This is indeed pertinent to the topic of this paper, the more so since the contracts finally made by the New Zealand government with Messrs. Brogden were not those arranged by Vogel at

91a Mr. Wood's suggestion that expectation of government purchase might possibly raise the prices of shares and stocks demonstrates a typical legal conservatism. He failed to note that unlike the Indian scheme the requirement of paying the mean market value of securities immediately prior to the notice of purchase would have been of real advantage to the New Zealand government, whose contracts gave it the option of buying the roads at any time on twelve months notice. Messrs. Brogden had almost certainly observed this point.

92. Idem. p.46.

92a. Ibid.
all, but a version so "modified" as to be based on entirely different principles. Forecast of this change was made in the first speech of the newly established Minister for Public Works, William Gisborne:

"The question next in importance to the determination of the railways to be constructed, and the principle (guarantee or otherwise) on which their construction is based, is the contract for that construction. The Legislature last Session evidently favoured the principle of guarantee, and the adoption of that principle in a new country with limited means, and with large claims on those means for immigration and other essential purposes, seems to be a prudent course. But if the guarantee principle is adopted, it is indispensable, with a view to economy, efficiency and despatch in the construction of the works, that the contract should be made with persons 93 possessed of extensive means and credit. To give the Colonial guarantee to the lowest bidder, or to speculators without

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93. This viewpoint on the dangers of contracting with "the lowest bidder or ... speculators without means" might have resulted from the colony's experiences with the Californian Mail Service, which in less than the two years before this speech had run through one improvised company. Up to the time when I reluctantly left the Service's erratic story, as of August 1875, (1875:F:30) no contract had been made with persons of sufficient "repute and responsibility" to ensure adequate performance over the full period of the contract. These negotiations, improvisations and fiascos appeared in the Postal Section of each volume of the Appendix from 1870 to 1875 and presumably thereafter, usually under the title, "San Francisco Mail Service", following the earlier enterprise, no more successful, known as "Panama Mail Service". Note, however, that these were not guaranteed but subsidized services.
means and with no capital at command, would be false economy, and
lead to delay, confusion, and probably collapse. In cases
of cash payment, private contract need not, and as a rule
should not, be resorted to; but where a guarantee of interest
is to be given, it is, I believe, the invariable practice,
and one no doubt adopted on strong grounds, to select and
make private arrangements with contractors of reput and re-
sponsibility. With that view, my honorable friend the Colo-
nial Treasurer, when he was in London, anxious to give the
best practical effect to the Railway Act of last Session,
which required in nearly all instances the guarantee prin-
iple, entered into two alternative contracts with the eminent
firm of the Messrs. Brogden, for the construction of railways
in New Zealand...

"After careful consideration, the Government are of
opinion that Contract No. 2 should be so far extended as to
embrace the construction of the railways already authorized,
and which this Session may be authorized, on the principle of
the guarantee. It will probably be also necessary to some-
what modify the terms of the contract. As Mr. Brogden may
soon be expected to arrive in New Zealand, a favourable op-
portunity for such modification will occur, and the House will
be invited to intrust to the Government authority for that
purpose. The Government will state the limits of the modifi-
cations which they propose to entertain. I may say that, af-
ter careful consideration, we have arrived at the conclusion
not at present to make payments for railways in land. It may in the future be desirable to make such payments; but, in the meanwhile, we desire to put to the use of bona fide settlement the land which may be acquired."

The contracts as signed reveal that instead of one general contract, the decision was to sign a separate one for each railway, running true to one type, of course, in which the Government provided materials and rolling stock and paid a pre-arranged sum for each road as it was completed. The contractors were to run each section for three months after its completion. They worked under strict conditions and specifications, were, in fact, reduced to the position of constructors merely. Mr. James Brogden, who was sent by the firm to New Zealand to negotiate the contracts (being the Mr. Brogden mentioned in Gisborne's speech supra) had apparently decided before the new-style contracts were signed that there was good business in New Zealand railways. He offered (1872:D:14) to exchange the tentative contracts for one which gave a new company, to be formed by Messrs. Brogden, all the responsibility for placing and building the railways, with the government to determine only the termini and certain other points to be touched by the main lines. The Company was to require no land

94. This decision was related as much to Vogel's discussion quoted on p.41-42 as to provincial recalcitrance, in all likelihood. 65-66

95. 1871:B:2A:p.11.

96. 1872:D:19.
grants, nor other concession except for a 5½ per cent. guarantee for forty years, but the lines constructed were to belong to it in perpetuity. This offer was made in late July, 1872; the contracts were signed August 10 and in October the breath of scandal suffused the scene as W.H. Harrison, M.H.R. and editor of the Wellington Independent testified that Mr. James Brogden's secretary had tried to influence his parliamentary activities. The evidence before the House Privileges Committee was confused and conflicting as human evidence tends to be. If Mr. Harrison's story was true, Brogden and Sons hoped to be able to work out an arrangement with the brief Stafford Government (in during September, out during October) more favorable to the firm than they had won in the recently signed contracts. The secretary was quoted as having said, "We have no desire to control your vote in any way, but we thought you might use your influence to prevent any motion being brought forward by the Opposition this Session which might lead to a change of Government. You have considerable influence with Vogel and you can persuade him not to bring any vote against the Government this year. Hang it, man, you have had your turn; let them have their innings. We want no further change to take place this Session. Mr. Brogden had kept aloof from party politics during the late debate; but now that they had got a Government that they could work with, they were anxious that they should remain in power this
The Report of the Committee consisted chiefly of a reprimand to Harrison for scaremongering and exonerated James Brogden, although admitting that the evidence raised "a suspicion of an unhealthy state of things."

It may seem unnecessary to bring this more or less shady affair into this paper, but it offers a clue to the intensity of the interest felt by this particular private enterprise in running the New Zealand railways. Nor was Brogden's firm the only one to nurse such ambitions. Document D:6 of the 1871 Appendix consisted of correspondence between the government and other eager firms with varying proposals. The list

98. Idem. p.3.
99. P.14-15 offer a curious view of the experimental nature of the times as well as of the enterprise of private enterprise. Two different agents offered to build railways for the government according to the new system perfected by J.B. Fell, Esq. According to one offer, "The chief deviation of this principle, from the ordinary system consists in the elevation of the permanent way from three to four feet above the surface of the ground, supported by piles of timber firmly fixed, and of adequate strength.

"The permanent way itself is formed by a continuous beam of timber placed upon the piles, and of a size sufficient to carry two lines of rails eighteen inches apart on the surface, and one line of guide rails on each side of its two sides, twelve inches below the upper surface, distances which not only correspond with but also yield the full carrying power and safety of a gauge of 3 feet 6 inches on ordinary railways.

"Accidents will be rendered almost impossible with trains carrying 100 tons, exclusive of weight and carriages, and a speed of twenty miles per hour will be obtained with ease.

"The Association is desirous of entering into negotiations with your Government for the construction of such railways, upon terms to be agreed upon; these terms may
of contracts concluded between 1 July 1872 and 30 June 1873 showed that while the Brogden firm received the majority of the construction jobs in the North Island, Marlborough, and three in Otago, there were other contractors even in the North Island. Canterbury, with many jobs to do, employed Brogden 100 on none.

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FOOTNOTE (99) Continued.

99. consist of either payments in cash, a contribution of land, or a guarantee of certain interest on the part of your Government.

"As proof of the bona fide character of their proposal, the Association hereby offer to construct at their own expense, risk, and responsibility, in any locality they may be directed to, a section of railway three or four miles in length, in order that the superior qualifications and capacities of their system may be fully tested before its adoption; and they engage not to prefer any claim whatsoever for payment for such construction in case their system is found ineffectiive, or wanting in other respects."

100. 1873:E:5.
Vogel's Financial Statement of 1873 threw light on many topics connected with the railways. In speaking of the original proposals made in his speech of 1870, he said, "It was a portion of the proposal that the railways should be constructed partly by cash, partly by guarantee, and partly by land payments; and whether or not there were land payments, it was proposed there should be extensive land reserves. It would have been deemed unwarrantable presumption at the time, to have trusted to the Colony being able to make cash payments for the extensive works proposed. Indeed, it was contended by some that the Colony would find it difficult to procure even the comparatively small amount in cash originally asked for. As during the next two years it became evident that the Colony could pay in money if it desired to do so, the conviction gained ground that the guarantee system and payment by land ought not to be employed; so that payment in money is the one system employed, and under it demands are springing up in every direction not only for railways but for all descriptions of Public works..."

"It may be said, we have not the land returns that were anticipated. If this is alleged, may I not ask honorable Members to consider the unusual demand that has sprung up for land. True, the proceeds have not passed direct to Railway
Account, but the Provinces that are to pay for the Railways have received the revenue... We feel that the land question cannot remain as it is. We cannot tell the source, nor the duration, nor the result of this great demand for land. We know that the products of land - food, wool, timber, iron, and coal, in short, almost everything on which depends the necessities and the comforts of life, and the realization of the wonderful advantages which science has given to civilization - have risen in value: that is, to say, a sovereign possesses in respect to them less purchasing power, and the value of the land from which alone they can be obtained must rise with them.

101. This, Vogel's one speech on theory and practice of economies has a naive ring odd in one with shrewd financial insight. If the price rises to which he referred were within the colony, which seems probable, the almost Keynesian note of his 1870 speech had disappeared. At the earlier time he sought prosperity for New Zealand by means of government spending on government works. This meant that occupation for more laborers was to be supplied outside the activities of private enterprise. Putting unemployed labor to work on capital enterprises, meant a raised wage level. His importation of additional people to share the colony's limited supply of the good things of life (since production was unlikely to increase pari passu with immigration) together with these higher wages was certain to raise prices. What, indeed, is "prosperity" but good returns for labor and investment, after idle, though available, resources have been absorbed? His very program of land reserves had appeared to be a safeguard against speculation, that frequent sequel to better prices (e.g. the land boom of the First World War period).

It would be unwise to gauge Vogel's mind on the basis of this speech. Perhaps he, as politician, was playing a subtle game, pretending surprise over the very results he had sought in one additional effort at putting through his own land policy. The rest of this quotation
FOOTNOTE (101) Continued.

could be considered evidence that this was true. Perhaps, on the other hand, the swiftness of prosperity really had amazed him (here the influence of the concurrent British boom may have entered) and the speech was a sincere attempt at solving a dangerous situation. The answer may be in the parliamentary debates, which lie outside my material.
"Land, wherever situated, is beginning to command a value for its produce and for the facilities it offers for bringing that produce to market, quite irrespective of its suitability for residence. The land which amongst the everlasting snows and ice of the far north yields coal and timber has its value - commerce is cosmopolitan - and the capitalist will buy it without thinking of ever visiting it. Attention is being turned to Colonial land; and though I will not say it has yet been the case, it may and will be, that land in large tracts will be bought for mere speculation. We do not want this; but if we do, are we not entitled to ask for the land the land's worth? To the **bona fide** occupier - the person who takes no more land than that on which he can make two blades of grass grow where one grew before - we may give the land and profit by the transaction. But to speculative capitalists is it right that land should pass for such prices only as it commanded when the land products were less valuable, when money was dearer, when the country was not opened up by railways, or population settled on it? We do not wish to interfere with the land laws in the various Provinces, but if it is the wish of those who control those laws that land should pass away in huge quantities, we cannot forget that it is right we should require that some of the land should be set apart as security for the Railways. I have asked the Committee to follow me to two conclusions - That we must not forget the essentially Colonial character of the
Public Works Department and that we must take land as security for the Railways we are constructing. The Committee will, therefore, be prepared to hear that the government will not seek the sanction of the Assembly to the construction by the Colony of Branch Railways, and that they will only ask for authority to construct other Railways, in addition to those already authorized, upon the condition that land be given as security... We do not propose that this land security should supersede the liabilities of each Province for its Railways; we do not propose that the lands of one Province should become security for the Railways of another; nor do we propose arbitrarily to alter or to interfere with land laws. We express the opinion for what it is worth, that, except for purposes of actual settlement, it is now wise in a pecuniary sense to charge for land a higher price than the early settlers paid for it. Indeed, the early settlers would have the right to complain if speculators thousands of miles away could now, after the lapse of years, command, for the mere purpose of speculation, land which the labour of the settlers has made valuable, at the same price as the pioneers had to pay for it when they redeemed it from the wilderness...

"It will be asked, Why do all this now? Why not let well alone? I answer, The well of the present will not be the well of the future, if we neglect to scan with vigilant eye the

102. Proven on p. 14 of the speech.
necessities of the position. I might compare the Public Works Policy to the setting in motion of a highly-powerful and carefully-constructed piece of machinery. As safe and wise would it be to set that machine in motion and allow it to work on untended, as it would be to refuse to recognise the necessity of carefully guiding and watching the vast machinery which, properly worked, will prove as valuable as otherwise it may prove injurious. The question must be dealt with now, for demands are being made on every side, and Parliament must meet them. The question is one which belongs to no party — it would equally beset any Ministry. It is the question of wisely restraining the healthy exuberance which makes each village think itself of such Colonial importance that it should be connected by railway with the next hamlet..."

Most interesting of Vogel's later remarks was that made in discussing the financing of the program, "...it was found to be not desirable to secure expenditure upon works by giving guarantees upon such expenditure, nor to make payments in land; and the intention of setting apart land as railway estates has, for reasons which need not now be dwelt upon, been only carried out to a very small extent." All this gigantic quotation applies to my thesis chiefly in connection with land speculation, something which the Vogel government was unwilling—

103. 1873:B:2: 15-17. This speech was, of course, a major gun in the attempt to get the provinces to buy their railroads out of their waste land supply.

104. 1873:B:2: p.17.
ing to condone, which it was even willing to take drastic measures against. This was recognition of speculation as a normal activity of unregulated private enterprise, but an activity dangerous, even virulent, for the society which suffers it, what might be called a virulent one. The suggestion has been made that the heavy burden laid by the Vogel boom upon the colony was not the burden of interest charges for the railroads, which were costly but also valuable, but of the mortgages put upon land good for production following commercial development of refrigeration, but not good enough, at the ruling prices, for the produce marketable in the 1880's.

The whole course of the Brogden contracts suggests to the modern reader that the story of government in the field of railways was not one of socialistic tendencies on the part of the Parliamentary leaders, nor one of belief in the colony as a co-operative society, which Reeves offered as a possible explanation of the social legislation of the 1890's. Much more it seems to have been inspired by what he described in one sentence: "The intervention of English syndicates was feared and resented."

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VIII. RAILWAY MISCELLANEA.

The railroad material in the Appendix is so bulky that
the preceding pages have only touched on it. The subject must
be closed with a few added notes on subjects and sources.

(1) 1871:B:2: p.9. Railroads having for their object
the development of the coal mines of the country were listed
by the Minister for Public Works as a distinct category among
the proposed lines for the colony. We specified that they
were exceptional in the nature of their traffic, "as well as
in their territorial belongings." Their purpose was to pro-
vide cheap coal for the colony; their cost was to be laid on
the coal mines concerned, "But not too immediately." This
project might be classed as one which encouraged private enter-
prise to do that which was good for the colony, but not with
gifts. There were many more references to this topic in the
succeeding years. Coal was much sought after in the early
steam era, as now, and New Zealand with deposits which tested
well according to numerous reports by James Hector, Director
of the Geological Survey, was importing appreciable quantities;
92,587 tons in 1869 and 128,719 tons in 1874. The Public
works program also included loans to assist in the development of coal mines under favorable circumstances.

(2) 1872: DSA. A railroad in the process of construction by the General government was to be turned over to the Canterbury provincial government for its working. It is noticeable that the latter was reluctant to have the men and materials required for the completion of the line carried free, so long as it could take in money by carrying them at a mere fifty per cent reduction from the usual rates. This indicates a financial shortsightedness in complete agreement with that which rejected land reserves in financing railroad construction. In trying to persuade Canterbury to make the temporary sacrifice, the general government reasoned, rather than commanded.

(3) 1873: E:1: p.7. The arrangements made to purchase private railroads in operation before the government undertook

109. 1871: B:2A p.9. An early example of what might be considered favorable circumstances appeared in 1863 (B:5: p.12) when J.P. Robinson, Superintendent of Nelson, wrote, "...In order to reduce the cost of conveying the Coals from the mine to the place of shipment to the lowest possible amount, it will be necessary to construct a tramway...

"In order that no delay may arise in working the mines and bringing the Coal to market, it is proposed that this Government should commence the required works, and if necessary carry them on until a suitable company may be found willing to do so on terms mutually advantageous to themselves and the Public."

This letter showed a combination of Robinson's recognition that private capital was either not available to undertake necessary public work or else was not interested in investing for slow, though safe return, together with his opinion that such capital would be available and interested later on.
to supply the Colony's transportation were shown in the "1873 Public Works Statement" by Edward Richardson as exemplified by the Dunedin and Port Chalmers Railway. The government had been forced to pay much more than it had intended, £175,000, which extra expense Richardson justified: "It was considered, after most anxious deliberation, and taking into account the engagements made by the Province with the owners of this line, that no other course was open to the Government than the one they took, that any delay in the purchase would have very largely added to the value of the property, and that sooner or later it would have to be bought by the Government, as it is the key to the railway system of Otago... Immediately on the line being purchased, the Government had a substantial offer to lease it for a period of years, at a rate which would have given 7½ per cent. on the outlay..." The deed of purchase for this line was printed as 1873:E:7, while E:7A was correspondence about the purchase, in which was included the arrangement described succinctly by Richardson as follows: "The line was handed over to the Province at the date of the purchase, and is leased by it from the General Government, under terms of the Act, from year to year, the Province being charged with the interest on

110. 1873:E:7 showed how the Port Chalmers Railway had been constructed on the basis of an 8 per cent guarantee from the Otago Provincial government and how the New Zealand Loan and Mercantile Company had taken over the railway from the contractors.

111. Gossip about the price of this purchase appeared in 1875: I:2B.

112. Railways Act, 1872.
the cost of the line."

(4) 1875:E:4B This document showed that private enterprise had not given up entirely so late as 1874. A company had been formed to build what was to be known as the Dunedin, Peninsula, and Ocean Beach Railway from Dunedin to Forbury. This company not only felt no fear of government suppression, but clamored for assistance in completing the line in time for the race course traffic (truly! even though the original request was based on "the sanitary point of view"; p.1) the returns from which were expected to pay a good percentage on cost for the whole year. The colonial government received the request from the company with shock, even stupification. Its response was not wholly negative, it seems, for page is to be found a telegram from Richardson, saying that he had been "making inquiries". The end result was much the same; the government found that its duty didn't permit it to allow the company to proceed without proper legislative authority.

(5) 1875:E:6, particularly p.3, contains the story of certain efforts by private companies to build railroads, with the consent of the Otago provincial government, but not of the Colonial government. Apparently the plan was to have the former take over the lines when they had been constructed.


114. Ibid., p.5, letter 15. "As this is the first case that has occurred of a private Company having been started to construct a railway, and as it must more or less affect
IX. AUSTRALIAN EXPERIENCES WITH RAILWAYS

My picture of colonial railway building was enlarged, when I was led (by a contradiction between the Appendix and a New Zealand historian) to investigate the beginnings of Australian railroads. In 1871, at the very beginning of the Vogel expansion, J. Denistoun Wood of London spoke of "the policy of the Australian Colonies, in which the Government is almost universally the owner of the railways." Yet in 1902, W. P. Reeves published his explanation of the Australasian colonists: they resolved to be their own exploiters, building railways and laying telegraph lines for themselves. He said, "New Zealand, persuaded by Julius Vogel, took the plunge in 1870, and Australia followed." My source concentrated on the history of Victoria's railways, which typically demonstrated

114. Continued.

the Southern Trunk Line, and is, moreover one which is only brought under the immediate notice of the General Government in order to obtain their assistance to enable the Company to construct its line more cheaply and expeditiously, and to insure the early working of the railway by using the rolling stock and appliances belonging to the General Government..." See also the Attorney-General's Memorandum (no. 14) in which he proved that the company was doing everything possible wrong. In truth, this whole correspondence is comic literature of some merit - the temptation is to copy the whole verbatim, which would tend to prove several things about the young colony, but not much about my thesis.

115. p. 44, supra.

colonial problems and the debates on their every aspect.

I learned first that the Colonial Office had circulated its colonies with advice on railway building in 1846. A letter, signed by W.E. Gladstone, had recommended that the State retain the right to limit railroad profits by scaling "tolls" downwards, as well as the right to purchase any railway after a certain lapse of time, "if it shall be thought fit." These recommendations were not directed at colonial, in contradistinction to home, enterprise, for they were based on Statute 7 and 8 Victoria, chapter 55, section 1 and 2, dealing with English railroads.

The original railways of the colony of Victoria were three for which permissory acts were passed in 1853. The Melbourne, Mount Alexander and Murray River Railway Company was in financial straits from the first, because colonial capital couldn't be interested in railway shares. When the company cited its financial difficulties in response to complaints that construction was late in starting, the government considered purchasing "the rights, title and interest of the Shareholders" in order to build such lines as seemed necessary. After construction was

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117. (on page 87)

118. Ibid., p.239-243.

119. Ibid., p.122.
begun in June 1854, with appropriate ceremonies, an agent sent to England succeeded in persuading an entrepreneur to take over shares worth £100,000, but payment failed to reach the company in Australia because of a commercial crisis. When the government purchased assets of the road, in May 1856, the first private line had failed and become Victoria's first state railway.

The permissive act of the Geelong and Melbourne Company included the proviso that there must be no level crossings, though a later act permitted them in certain places. In 1857, following the line's completion, the company engineer testified before a Parliamentary Committee that level crossings had been constructed wherever advisable, "It was contrary to the Act, but the Act is absurd: if we had worked according to the Act, we should have had no railway at all." This company was able to sell only such shares as were covered by a government guarantee of interest. Its finances were delicately balanced from the beginning (e.g., in May 1856, total intake had been £315,834/15/2 and total expenditure only £20/3/4 less) so the government had to back its guarantee with steadily increasing payments. Finally in 1860 the government arranged to purchase the railroad's assets, paying all debts pending except those incurred for the opening festival, dinner and ball. The colony's

Board of Land and Works was incorporated to take over and manage this line.

A later company was the Melbourne and Suburban Railway Company, an amazing enterprise. One of the conditions of its incorporation had been the building of a double track for the main line. This condition was neglected and, since the government had no practical way of enforcing safety measures, the traffic of 90 trains per day led to a serious accident in 1861. The company's financial manipulations were truly wonderful. Contractors employed in construction were paid in bonds, which were reckoned as capital for loan purposes. In 1862, the company appeared before the Insolvent Court, claiming that only by the sale of its fixed and rolling stock could it pay off its debts to contractors and others, so sale was facilitated in order to maintain the colony's credit in England.

Finally, in 1859, the Melbourne and Essendon Railway Company was incorporated with capital of £75,000. In 1862, already, Victoria's Engineer-in-Chief reported the line to be so flimsily built that, if the government were to purchase it, he could recommend payment only for the value of the materials, about £26,000.

During the 1864/65 session, a Parliamentary Committee was

122. Ibid., p.124-131.
123. Ibid., p.137-138.
124. Ibid., p.142-143.
told by an engineer, Pollard, that private enterprise was a most pernicious means for colonial railway building, a slow and expensive way of getting bad work done. He pointed out how the chequered careers of the Victorian lines proved that private enterprise had to pay more for capital than the government would, that it charged higher fees, failed to carry out its commitments, and, finally, directed colonial capital from fields where it belonged to that of communications, which, he felt, properly should be controlled by no power but the state. He condemned the financial manipulations of the Suburban, the Brighton and the Essendon Railways, as well as the shabby construction of certain lines which the government would have to tear up and rebuild from end to end before using. He had himself been paid £700 for performing a construction task for a private line upon which he had expended £150: "... My reason for mentioning the above cases is that some people who had a finger in this abominable pie now talk about the extravagance of the Government railways..."

Pollard's testimony on the subject of railway building succeeded that of many other witnesses before Parliamentary committees and government commissions given from 1854 on, as Victoria studied the necessity for a logical railway system.

On the one hand, those who favored private construction and operation, often civil engineers or members of companies

125. Ibid., p.144-145.
already formed, advised following the example of Mother England. They said joint-stock companies could build better and cheaper than the government, which was "fair game" for contractors. Companies could be persuaded to build where and as required by means of land grants and guaranteed interest. Even if land grants led to speculation, a recurrent fear, that would help to speed the colony's development. They demonstrated the government's incompetence in enterprise with its mismanagement of roads. Other witnesses, like Herbert Hoover, feared the stifling of private enterprise, the growth of centralised power in the colony and an oversized civil service: "It is contrary to the spirit of the Anglo-Americans to have Government interfering with them in commercial enterprises, such as railways, etc; and when such takes place the people are continually grumbling at the Government - I believe that the only way the Government should interfere in such undertakings is to lend its aid for the purpose of borrowing money, to see that every reasonable protection is afforded the travelling public, to supervise the accounts in such a manner as to prevent fraud, and to see that the interest upon the money borrowed by State aid is paid for before any dividend is declared." In 1857, witnesses even affirmed that Belgian railways succeeded in spite of state ownership, rather than because of it.

126. Ibid., p.149.

127. Ibid., p.171.
Those, on the other hand, in favor of state railways spoke often of the difficulty joint-stock companies had in raising capital in the colony, explaining that settlers were interested in their individual pursuits and had neither time nor money for corporate enterprises with their comparatively slow return on investment. They felt the public had greater trust in government than in company performance, that, unlike companies, the government would be able to undertake non-remunerative works needed for the colony's development. These witnesses repeatedly mentioned state railways in Europe, sometimes in derogation of the English system. In 1856, Andrew Clarke, Surveyor-General, compared the success of state railways in France and Belgium with the results of land-grants to private enterprise in the U.S.A., quoting from the New York Tribune of 28 May, 1856, "In its eager grasping after lands to build railroads, the State itself has overlooked its own vital interests." Some testimony compared Victoria's sad private railways and the successful state post office system. One speaker said, "We may often deplore the deficiency of departmental administration under the Government, although the Colony abounds in intelligence and business power; yet if we take the experience of the mother-country, joint stock companies give no triumph in the superiority of commercial integrity or adroitness over the integrity and skill of the

128. Ibid., p.168.
Government, notwithstanding their vast field of administration in banks, railways, etc."

Interesting recommendations outside the immediate question of state and private roads include that of 1854 that government loans be raised in England upon the security of the Crown Lands. Reminiscent of Vogel's original plan of 1870 was the first Commission's conclusion that railroads should be contracted for at a cost of £35,000 per mile with a government guarantee of interest for a certain period following their completion, during which the contractors would operate under supervision. After that the roads would revert to the state. A later committee advocated sending an agent to England to get an Imperial government guarantee for the loans required to build railways. There were strong expressions of the necessity for a planned railway system, linking the harbors with the back country. Generally witnesses were willing to leave branch line construction to private enterprise. Some recommended the importation of labor, others felt there was enough in the colony. At the close of the 1857 Parliament, the governor praised the railway acts passed during the session, not only because of the benefits of "cheap and rapid" internal communication, but also as affording employment to large numbers of immigrants, current and future.

129. Ibid., p.170.
130. Ibid., p.183. This whole discussion is reviewed by Kandt, p.147-183.
Particular interest for New Zealand history centers in these debates, because Julius Vogel was in Victoria from 1852 to 1861. He was writing for and editing newspapers much of this time, so he must have been familiar both with the mis-haps of private enterprise and with the arguments against and for state railways. Most interesting, he contested a Parliamentary seat on a platform of constructing railways by means of grants of land, forecasting his New Zealand interests. It must not be assumed that Vogel alone observed Australian events. The flow of "diggers" from Victoria to Otago and Westland during the 'sixties must have brought New Zealand many colonists already convinced of the advantages of state railways, having "had" private enterprise in transportation.

X. GOVERNMENT AND SHIPPING

The topic of railways has monopolized so much of this paper that the other interesting subjects offered it by the Appendix for this period must be brushed over lightly. The most important of them is Vogel's battle against the shipping monopoly. This tale began with a letter dated Dec. 23, 1871 from W. Reeves, Resident Minister for the Middle Island, to Featherston, Agent-General in London, enclosing another from Coster of the Christchurch branch of the New Zealand Loan and Mercantile Agency Company (1872:D:1: p.22). Reeves' contribution was,

"However necessary it might have been, in times past, to entrust the shipping business of any part of the Colony to one particular firm, I think the time for such an arrangement has long passed, and that its continuance can only serve to hamper the progress of commerce and impose a burthen on the public. Though not personally engaged in commercial affairs, I have long been aware that the monopoly enjoyed by Messrs. Shaw, Saville, and Co. has exercised an adverse influence on public and private interests, and has tended to divert our trade, to some extent, into the hands of the Victorian merchants.

"I think, therefore, that if the large freight require-

132. Reeves was publisher of the "Lyttleton Times."
ments of the Government can be used in the direction of opening the shipping trade, and inducing other ship-owners of repute to send their vessels to New Zealand, a very great boon will be conferred on the public.

"Without absolutely indorsing Mr. Coster's opinion that the monopoly enjoyed by Messrs. Shaw, Saville and Co. is so powerful as to render it necessary for the Government to offer distinct and special terms to some other firm of ship-owners in order to induce them to enter the lists, I am inclined to favour that view from the fact that attempts on the part of individuals to enter into competition with Shaw, Saville and Co. have repeatedly failed. If your inquiries lead you to this conclusion, I think it would be wise for you to give such

133. Shaw, Saville's methods of meeting competition were described in a letter from D.L. Murdoch, managing director in Auckland of New Zealand Loan and Mercantile: "...Their policy being, as soon as an opposition vessel is put on the berth, to drop freights to a rate which inevitably leaves a loss to their opponents; but no sooner is the opposition withdrawn than rates are raised to reimburse any temporary loss sustained by Shaw, Saville and Co." (1872:D:1: p.40) Compare this account with an earlier description of the practices of another shipping company, "The conduct of the Peninsular and Oriental Company, in reference to the Australian Mail Service, between 1853 and 1860, proves that their object has been to gain a close monopoly of steampacket traffic in the Indian Ocean. When the market has been thrown open to competition, they have tendered at a price at which the service could not be profitably worked, and having run competitors off the line, they have made their own terms with the Government..." This was written by Edward Hamilton, Representative Agent of New South Wales during the correspondence on the establishment of a Panama mail service. 1863:D:7: p.41.
encouragement as will induce some responsible firm, in addition to Messrs. Shaw, Saville, and Co., to run a regular line of vessels, for a year or two, to the chief ports of the Colony; after which it would be possible for the Government to submit its wants to public competition, with the certainty of having them supplied on the most advantageous terms."

From this mild opening, a crescendo of correspondence followed. Vogel's entrance into the battle, a telegram to Featherston, read:

"Government prohibit contract with Saville, whose arrangements are unsatisfactory. You are not to call for tenders; when you do, Saville persuades off opposition. Do not let Saville know when you want ships, but arrange for each, as wanted, privately, through respectable owners or brokers. Tell them and all your officers not to communicate with Saville..."

The Agent-General in London, Dr. Featherston, was cooperative toward the government's desire to dispense with the monopoly at first, but later in the correspondence allowed his


135. 1872:D:1: p.65(?Citation illegible) To this Featherston replied from London that the suggestion was wholly impracticable. Any brokers he employed would refer to Saville, because of their size, control of the New Zealand trade, and "because they are their best customers." 1873:D:20: p.8.

136. see 1872:D:1A: p.12.
decisions to be influenced by the prices offered instead of the simple necessity of breaking the monopoly, as his government saw the situation. Vogel retaliated by making a contract with the New Zealand Shipping Company for six months. The effect of this move proved to be an offer from Shaw, Saville to carry the government's immigrants at a rate far less than previously demanded, but Vogel refused to commit the government business to any one firm when the contract was up. He told Featherston to divide the trade between Shaw, Saville, the Albion Company, another newly fledged concern, and the New Zealand Shipping Company: "The Government are willing that you should pay a fair price for emigrants' passages. They neither want the shipowner to lose nor to gain inordinately. They desire that the business should be divided between distinct proprietaries engaged in the trade, working without collusion... You are to pay what you consider fair rates, and to require the accommodation and the ships you think desirable. The Government wish you to take a commanding position. This you can do if you will recollect that you are empowered to expend money, if necessary, to prevent your being subjected to another monopoly."

137. 1873:D:1: p.90-91. The Company was established in 1873, to break the Shaw, Saville monopoly (1874:D:1: p.41) As such, Featherston derided it, saying that its London representative negotiated with Shaw, Saville to raise freight rates, and had to charter his ships from the rival firm. 1873:D:20: p.8.

Then followed directions for combating another monopoly if it should threaten. This exhibited forethought worthy of its author, for according to Featherston the three firms named by Vogel promptly combined to demand a uniform and increased rate. By complying with Vogel's desire that he charter ships, Featherston was able to reduce the companies' demands to what he considered a reasonable amount, although the three continued to work together. One of his comments in the report of his negotiations with the combination is interesting: "... The firms soon became convinced... that they would be playing a losing game - a game which would entail far heavier losses upon them than upon the Government..."

In 1875 Sir Julius Vogel himself had the opportunity to negotiate with the shipping companies, reduced to two, Shaw, Saville and the New Zealand Shipping Co., and granted them concessions which he called reasonable in writing to the government. Other sources would be needed to determine how successful the Colony's battle against the shipping monopoly

140. 1874:D:3A: p.5-6.
141. To be fair, it is necessary to add that J.L. Coster, formerly encountered as representative of the New Zealand Loan and Mercantile Co., but now appearing as Chairman of the New Zealand Shipping Company, denied at great length any combination with the other firms and proved that appearances of such a combination were the result of unfortunate accidents. 1875:D:1: p.25-27.
142. 1875:D:1B: p.2-5.
had been, and the account needs to be brought up to more recent times. To this thesis the controversy contributes double witness; 1) that the government was willing to go far in resisting "English syndicates" even to refusing the services of the lowest bidder; 2) that the government was perfectly ready to interfere with the operations of the "invisible hand".

143. Above, p.51. I have omitted discussion of the correspondence between Vogel and Featherston relating to the possibility of establishing a government steamship line for carrying immigrants and freight. See 1873:D:1: p.59-60; D:2E: p.3; D:2E: p.7. The discussion ended where Featherston had begun - it couldn't be done.
XI. GOVERNMENT ENCOURAGEMENT OF INDUSTRIES

At this point a number of topics appear in the Appendix under the heading, "Encouragement of Industries". The subject arose in 1869, when there appeared, "Correspondence relative to Premiums on New Industries and Manufactures in the Colony of Victoria." Apparently the Legislature of that colony had granted in 1865 the sum of £5,000 for the reward of "novel industries". In the regulations for the distribution of this grant, precedence was given to the following industries: Woollen goods, paper, glass, crockery, leather, olive oil, flax, linseed oil, hemp, cotton (lint), hops, and silk. Only the first five of these seem to have been "industries", but the remainder might fairly have been called "novel cultivations." This correspondence was what the Victorian government forwarded to New Zealand's Colonial Secretary in response.

144. 1869:D:23. The evidence of this whole section tends to disprove the remark of W.H. Blair, quoted with apparent approbation by Condliffe (op. cit., p.147) who said in 1887 that the question of promoting colonial industries had become prominent only in the last five or six years. Actually that second depression period repeated the pattern of the earlier one in this respect. A clear picture of Vogel's activities requires recognition of his great interest in colonial manufactures and in the diversification of agriculture, even though posterity may find the schemes of his period to have been visionary rather than practical.

145. Idem. p.3.

146. Idem. p.5 ff.
to a request for information about "local industries" in Victoria. It consisted of reports on enterprises begun and regulations under which such reports were to be made.

In the same volume appeared New Zealand's primary efforts in the same direction, the first of two reports on the New Zealand fisheries, in which the Commissioners reporting had a tendency to expound on the possibility of setting up a preserved fish industry as well as covering their terms of reference, "the state of existing fisheries". 1869:D:15 was the first "Return of Wool Exported from the Various Ports of New Zealand", showing, perhaps, a growing interest in the chief source of the Colony's revenue. In answer to a motion by Mr. Potts, M.P., of October 1868, each Provincial government reported on the "present condition of the forests of New Zealand... with a view to their better conservation." Several of the correspondents took exception to the thought of conserving their local "bush", saying, as did Robert Townsend of the condition of Banks Peninsula, "...It is the object of all upon the Peninsula to get rid of the timber from the ground and have grass in its place," or, like Malcolm Fraser, Chief Surveyor of Westland, "...It must be evident to every inhabitant of the County that systematic clearing is wanted; and I do not see the necessity of protective measures, at any rate for the

147. 1869:D:15: p.3; 1870:D:9.
The usual recommendation of those reporting who did favor conservation was that only by allowing forest-land to pass into freehold was it likely to be preserved for future generations. A later move along the same lines was shown in the Forest Trees Planting Encouragement Act, 1871, which proffered free rural lands to those who planted trees under certain conditions, though these were ordinarily exotic trees, rather than the New Zealand natives which had demonstrated already their reluctance to re-establish themselves once wiped out.

Only one other 1869 document need be mentioned in this connection: D:6, Essays written for a prize on the subject: "The Means for Securing the Permanent Settlement of the Mining Population of New Zealand, and for fixing within the Colony the Capital Which is Being Constantly Drained Away from the Gold Fields, as Shown in the Great Excess of Exports over Imports at the Ports of the Exclusively Gold-Mining Districts."

The year 1870 saw the establishment of New Zealand's own Committee on Colonial Industries. It agreed to the desirability of encouraging the mining of gold, tin and coal, the planting of timber, sericulture too. Also, "that there are

152. Interestingly enough it was Mr. Potts of the forest conservation motion, who also proposed the essays.
many industrial pursuits peculiarly adapted to the Colony which might be introduced with advantage, and would become sources of wealth to the Colony if adequately protected during the period of infancy," notably brewing and malting, woolen textiles, rope and cordage, soap, starch, and leather. They were ready also to have the government offer a bonus for the production of glass bottles, paper, woolpacks, cornsacks, scrim cloth, beet sugar. Reports by later Committees on Colonial Industries appeared annually until 1873. In connection with them there were various other papers printed about coal, iron, grain, and, with particular emphasis, Phormium, New Zealand flax. This literature showed the government's strong interest in stimulating private enterprise operations, often without particular care as to how the stimulation should be applied. The long correspondence with the Colonial Office on the subject of intercolonial reciprocity brought out the fact that some New Zealanders were not averse to protective tariffs, in spite of the report of the first Colonial Industries Committee. Strenuous efforts were made at the same time to have the United States wool tariff reduced in the Colony's favor.

153. 1870:F:1: p.iv. The Committee added, "That an indiscriminate system of protective duties is undesirable and would be injurious to the Colony; but that a temporary protection to certain specified articles would develop many manufactures, peculiarly adapted to the Colony, and which once thoroughly established would be self-supporting and cease to require the fostering aid of protective duties," which sounds like a quotation from a text-book.


155. See particularly 1870:D:2; 1871:A:6: p.4 and repeated references during the correspondence about Webb's contract to carry the mail to San Francisco.
The relation of the government to private enterprise reappeared in negotiations for what was known as the Inter-colonial Submarine Cable, which was to connect New Zealand with the Australian colonies. Mention of such a project was first made in the Appendix for 1860, document D:2, entitled, "Papers Relative to the Establishment of Lines of Electric telegraph." Pages 3-11 contain correspondence initiated by Mr. Lionel Gisborne of the Australian Telegraph. Two years almost to the day after Gisborne's first letter was written to Lord Stanley, Secretary of State for the Colonies, the then Colonial Secretary, Mr. E.W. Stafford, had written, "This Government fully recognises the importance of the projected Telegraphic Communication between Europe and Australia, both as a means for the present of greatly accelerating Communication between England and New Zealand, and, especially, as offering an almost certain guarantee, if successfully established, that complete Telegraphic Communication would, at an early period, be secured to this Country. "The Government will accordingly submit the subject to the consideration of the Legislature, with a view to provision being made, in the meantime, for a contribution on the part of New Zealand towards any subsidy paid on account of the proposed Communication, so long as it is maintained. The amount,
however, which this Colony may be expected to contribute will manifestly be governed by the circumstance to which I have before referred, viz., - whether the Telegraphic Line is carried to its Coasts or terminates in Australia. In the latter case, although the Colony would undoubtedly be benefitted, its contribution cannot be so large as it might fairly be required to be in the former case."

The return to an earlier day is revealed in the tone of Stafford's letter, more concerned with saving as much money as possible than with getting things done. This project which was based on extracting subsidies from all the governments, but particularly the Imperial government, apparently fell through. Vogel wrote a memorandum for an abortive Intercolonoial Conference, which was to have been held in 1869: "The Telegraph lines in the Colonies are in the hands of the respective Governments. The Imperial country has lately seen the wisdom of following the same course. Why should the line to connect Great Britain, India, and Australasia, be permitted to pass into private hands? Essentially the line is one concerning which it is unwise to grant a monopoly. It is undesirable that the cost of intercommunication should be taxed with the profits of a private undertaking..." This was written in November 1869, but in June 1870, he smiled upon a private concern's offer to lay the Australia-New Zealand cable for

either a 6 per cent guarantee or a 21 year monopoly. Again in August he headed a committee which reported on the subject of such a cable that government ownership was best, and second best was a monopoly for a specific number of years under fairly stringent conditions. A permissive act was passed following this report. To this Act the Colonial Office objected on the score of government permitted monopolies being "so obviously calculated to interfere with the free development of enterprise that Her Majesty's Government have steadily refused to be party to any arrangements which involved them, or to grant privileges to any Company which contemplated obtaining them."

Lord Kimberley suggested finally that the Colonial Government should not be invested with power to make such an arrangement. Further discussion of the subject was held before another House Committee in 1872, at which time the report was in favor of cooperation with Australian governments in laying the cable and against accepting offers involving guarantees to private firms. So too, the Interccolonial Conference held at Sydney in 1873 decided in favor of government-controlled cable communication with Great Britain, particularly if the latter were willing to plan

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158. 1870:F:4: p.3.
and help finance the cables. Nonetheless, the final appearance of this topic in the Appendix for 1875 was the report by Vogel on his success in negotiating for the laying of a cable from Australia to New Zealand during his trip to London. The arrangement was made not only with a private company, but with the company which had control of the Indo-Australian system, the Eastern Extension Telegraph Company (Limited). It was true that he had obtained for the Government very favorable terms — no monopoly, a ten-year subsidy of £7,500 instead of the £20,000 for 35 years which the government had been prepared to pay and reduced rates on official communications.


XIII. THEORIES OF GOVERNMENT PARTICIPATION

Calling a halt to this review here means neglecting a number of fascinating topics, such as the Government Life Insurance Office and the Public Trust Office, but is necessary in order to reach a conclusion at all. The theories offered on the reasons for the New Zealand government's intervention in private enterprise fields include:

(1) An inherent tendency toward dependence among the colonials of New Zealand. This theory was neatly expressed by J.C. Beaglehole; "...Nor, in spite of traditional belief, has the unaided individual had overmuch to do with the development of New Zealand. The colony was founded too late; the era of collectivism was too close at hand; and by the side of economic imperialism went a process which may be taken as a colonial commentary on Dicey. If the 'forties were the heyday of utilitarianism, yet the greatest good of the greatest number, applied to colonization, involved a considerable amount of corporate action and State intervention; and in the colony's history every crisis - and there were not a few - was the signal for vociferous demands on Government. Neither does it appear that when Government action was favourable to the aggrandizement of any sectional interest, that interest ever opposed such action on broad philosophical grounds. The corporate colonization and State-encouraged settlement of the early period was
followed by the halcyon days which Vogel inaugurated; the
collectivist institutions of Vogel were continued by his
successors and the bursting of the boom led on to the efforts
of Reeves; Seddon wielded the State as his party or his pity
suggested, but with no reluctance to utilize its force...”

To this theory Leslie Lipson contributed, "Founding a
colony was itself an experiment in social planning. The settle-
ment of New Zealand particularly was inspired by men like
Wakefield who were anxious to avoid the dangers of haphazard
and unsystematic colonization which they had studied elsewhere.
From 1840 onward the young country was treated to a higher de-
gree of controlled management than many other overseas enter-
prises. Thus its modern characteristic of governmentalism
was part of its natal endowment. Several features in the ad-
ministrative structure of today have continued unbroken from
the middle of last century. A tradition so formed and so per-
petuated is difficult to shake even in a Dominion which cele-
brated its hundredth anniversary of organized government as
recently as 1940. Administration in this twentieth-century
democracy is that of Stafford, Vogel, Atkinson, and Stout -
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writ large.”

Andre Siegfried offered a variant in his famous ‘Democ-
racy in New Zealand’. In explaining what he called “this

164. His New Zealand, a Short History. London, Allen & Un-
win, 1936. p.150-151.

165. op. cit., p.143.
perfect mania for appealing to the State, which has become one of the characteristics of their public life," he cast back to the early days of any colony, when, he felt there was little cooperation between individuals, who found in the government their chief bond. Hence the only active combination of individuals, the government, had to replace private initiative when enterprise was desired. New Zealand's readiness to experiment he attributed to the comparative ease of legislative activity for a small population, over a large one with established institutions, as well as to political naivety and to her realization that nothing very bad could follow even audacious ventures, so long as the mother country stood behind. 166

(2) A feeling of unison among the colonists acting as the state for their mutual good, "A citizenry newly enfranchised in a country which was theirs for the building sought to remedy economic abuses by the power of a state which they could command." The same author speaking of modern New

166. p.52-55. Another contribution was his explanation of the success of state interference in New Zealand, where it met with no opposition from vested interests in the early days of small population and had acted then in such a way that those interests grew only within the government itself. Possible adverse criticism of Siegfried's suggestions based upon the different growth of institutions in those other English colonies, Canada and the Union of South Africa, would have to deal extensively with their different situations, circumstances and political history.

Zealand wrote in a vein which might have applied to the earliest days, "It is this characteristic of plentiful participation by its citizens which is both an effect of the extensiveness of state enterprise and a reciprocating cause. The people, or at any rate most of them, look upon the state quite healthily as being themselves under another form. When it acts, they feel that they are acting. What it owns, they own. They do not endow it with metaphysical properties or ascribe to it any transcendental personality. To them it is simply a utilitarian instrument for effecting their will. If something requires doing which cannot be suitably undertaken otherwise than by organized public endeavor, then let the state do the job."

William Pember Reeves, too, contributed to this theory, although as applied to Australiasia as a whole: "To express the kind of profession of faith to which most of them - Australians - would subscribe is not easy; to do so in two or three sentences is hard. They look upon their colonies as cooperative societies of which they, men and women, are shareholders, while the governments are elective boards of directors. They believe

168. Idem. p.482. He has a further sentence which I find inconsistent, "The attainment of the adult franchise led irresistibly to cumulative measures of state intervention in what had erstwhile been the sphere of private business." This seems reasonable enough of itself, but on p.20 he had shown that so late as 1879 less than one-fifth of the population was enfranchised, "Participation in politics remained a class privilege." This means that the whole period of this thesis, when, as I have tried to show, the practice of intervention constantly increased, preceded the period of "plentiful participation."
that by cooperative action through the State they can compete with trusts and other organisations of capital abroad, and dispense with great companies and corporations within their own borders. They see in their half-empty territories undeveloped estates which require capital as well as labour to work them. Either this capital must be obtained and used by the community or the financiers will exploit land and labour both. If the small man is to exist, it must be in union with his fellows; otherwise he will be crushed in these days of giant combinations. American individualism has produced Frick, Rockefeller, and Pierpont Morgan, also Tammany, the slums and rookeries of New York, and the mortgaged farmers of the West. Therefore, say the Australians, we will not trust to the competition in which the political economists trusted. We will try something else. The State is showing that it can undertake task after task, much to the benefit of society. We will go on enlarging its functions. Mistakes may be made, but we can restrain the State. Trusts and combines we might not be able to control. Moreover, newspapers criticise the public service in a way in which they will not or dare not criticise

169. Siegfried too wrote that capitalists were always disliked by New Zealanders (op. cit., p.203) Again, his discussion of the shortage of capital in Australasia (p.196-197) casts some light on the difficulties of private enterprise, of all types, not only the agriculturalists to whom he referred. The vicissitudes of the New Zealand government loans, recorded in the Appendix, 1863-1875 in the London money market help to show how expensive private borrowing would have been. For Siegfried's view of government credit in London, see Democracy in New Zealand, p.239.
private enterprise. State management, therefore, carries with it the great guarantee of publicity."

(3) Another point that Lipson made was the colony's delight in leading the way: "Already were heard in New Zealand the arguments, so powerfully proclaimed in the nineties, that a young colony should be eager to experiment with novelties. As Fox expressed it: "He trusted they would not be found to be lagging behind the old country - the old conservative country - but were still prepared to go ahead as they ought to do as a young country, even though they passed the old country." Elsewhere he spoke of the colony's "creditable boldness in experimentation, particularly during the years 1865-72; and, even though many of the enterprises commenced at that time had been originated elsewhere, the settlers in the Colony were quick to welcome a novelty and give it a trial."

This theory was, of course, a favorite in Andre Siegfried's explanation of the developments of the 1890's, and was supported by quotations from W.P. Reeves and Sir William Russell of the Conservative opposition. This writer called New Zealand's eagerness to be first in political innovation both a mission and a means of self-advertisement.

172. Idem. p.147. I have tried to indicate precedent for New Zealand's enterprises throughout this paper.
(4) "The fear of monopoly control of industry, and especially of financial monopoly, has also been a definite factor in New Zealand public opinion," suggested Condliffe. "New Zealanders ... are conscious that their isolation and their extreme dependence upon overseas trade leaves them peculiarly open to monopoly depredations. Import monopolies of consumers' goods, export monopolies of the great staple products of the country, or a straddling of communications by a great shipping combine - any or all of these prospects will arouse alarm even among Conservative politicians." Here, too, fit Reeves' words, already quoted, "...The intervention of English syndicates was feared and resented."

(5) Reeves offered another, much quoted theory about state activity in Australasia, saying, "The State has always been the great colonial landlord, and like other landlords, has been called upon to do its duty by its estates. When, in addition, the State took up the work of providing transport and of borrowing great sums to build railways, roads, and bridges, the die was cast. Government with a partial grip of the soil and a complete grip of land-transport, held a position

too commanding for any private capitalists to challenge. It could borrow money much cheaper in London than any colonial financiers - which is mainly why it undertook to construct public works. Colonial financiers could not do the work; the intervention of English syndicates was feared and resented. So the colonists, acting through their Governments, resolved to be their own exploiters, and to build railways and lay telegraph lines for themselves. New Zealand, persuaded by Julius Vogel, took the plunge in 1870, and Australia followed. Among many consequences of this momentous departure not the least was that it accustomed colonists to great and ever greater measures of State industrial enterprise. State education and 177 Protective tariffs had, it is possible, a share in habituating the public to governmental activity, but it was the State ownership of land, and, above all, of the means of transport, which really set the colonists' feet on the road they are now treading. For the departures I have spoken of were all taken by the middle classes before Socialism or Labour parties were heard of. So when, after 1890, middle-class spokesmen confronted with the new forces would fain have harked back to the principles of individualism, they found the past policy of their class rise up in judgment against them."

177. Both followed the period of this thesis.
Le Rossignol's book also expressed this conception of the state in the role of landlord, saying that the initiation of road and railroad building by the provincial governments was due to their control over the Crown lands, as well as to the shortage of capital available for private enterprises of any size. He pointed out the importance of the Crown lands in securing the public credit of the provinces.

(6) The "empirical" or "pragmatist" theory of state activity, finally. This is the one which Condiffe stressed throughout his chapter, "The Economic Functions of Government".

Lipson, too, emphasized this thread. He quoted what he called a typical opinion of 1869, "The real desire of all true Englishmen must be not to reduce the powers of the people, not to monopolize them in the hands of a few, but really to minimize the operations of the Government to the greatest degree... For once the word government is mentioned by the public at large in England it is mentioned a hundred times in New Zealand. I should like to forget the name of government as much as possible."

Then Lipson endeavored to show why the practice of the New Zealanders has always tended to deviate from the men-

179. Le Rossignol. op. cit., p.54.


181. Op. cit., p.148, quoting from Parliamentary debates, V, (1869) p.542. This quote can be referred to theory 1 and 2 with interesting, though somewhat confusing results. It tends to verify 1, while 2 is remarkably disproved by the speaker's obvious opinion that the "powers of the people" are the property of individuals, not of the corporate state, which consists of "a few".
tal attitude they were supposed to have brought from England, concluding, "The contrast between the theories of colonial politicians and their actions were due not so much to time lag as to space lag. Geographically removed to the South Pacific, they remained psychologically in the English Channel."

This was also Andre Siegfried's chief contention throughout Democracy in New Zealand, his projection of theory 1 and 3 being supplementary. Some of his harshest words on the colony were in support of this belief in regard to the Lib-Lab experiments: "Cynically practical and opportunist the New Zealanders certainly are, and the traveller who comes from France must accustom himself to this way of looking at things, under penalty of being perpetually misunderstood. When he rises to abstract generalisations, he very soon sees that he is becoming incomprehensible..."

182. *Idem*. p.147-148. See also Brady, Alexander. Democracy in the Dominions, a Comparative Study in Institutions. Toronto, Univ. of Toronto Press, 1947. p.252-253. "Vogel possessed no formal philosophy of state socialism like that in contemporary Europe, but merely a conviction that action by government was necessary in order to meet the current needs of settlers..."

183. *Op. cit.*. p.91. Again he called the colonials susceptible to the first theory offered them so long as it appeared logical, implying that their contempt of theoretical thinking fostered this weakness (p.53) On page 54, too, he wrote of the relationship between New Zealanders and the theories of the Manchester school. He contended that these Liberal theories represented a modest approach toward the relationship between man and the natural laws of his economy, which the colonials had not only abandoned, but tended to despise in their belief, not formulated as a theory, that man could mold the economy according to his desires.
XIV. EVIDENCE FROM THE APPENDIX APPLIED TO THEORIES

The Appendix to the Journals of the House of Representatives offers evidence for (and, in truth, against) each of these theories, other than no. 3, which is not the type of thing that would be likely to raise its emotional head in public documents. Against it, in regard to this period, is the fact that few of the New Zealand government’s activities were really innovations. For Theory no. 1, the tendency of the colonists to depend on the government when in need, I may cite 1873: D:1: in which the government was asked by New Zealand entrepreneurs to provide the labor required in their operations and eagerly undertook to do as requested. Again, 1872:D:13 described how the government provided tramways on the Thames Gold Field for the assistance of the claim-owners, in response to certain representations. Sadly enough, of the "reported thousands of tons to be brought down" only 755 tons travelled on the way in the first three months of its operation.

184. p.42, 86-87, particularly p.86 on which is a telegram from Immigration Minister, W.H. Reynolds, to the New Zealand Agent in London saying, "Forward hundred coal miners, Otago, immediately."


186. p.3.
I should like to add to the evidence for this theory such items as 1872:H:12, in which a tramway concern of Westland petitioned for relief because the County and General Governments had constructed a road along the route of their line and caused them loss, and an acrid correspondence between New Zealand distillers and the Customs Department culminating in a Select Committee's report, because the distillers felt that the original difference between Import duty and Excise duty on "spirits" was a Parliamentary encouragement for distillation within the colony, and a subsequent proposed raising of the excise was a "breach of faith" with those who had been lured into the field. Perhaps such items are not fair evidence, since these people may have felt honestly that the government had done them wrong and owed them recompense.

On the whole, theory 1 received little support in the Appendix before 1870. Beaglehole's suggestion that dependence on corporate action was inevitable in the time and the circumstances of the colony's founding might still be justified, however, by supposing that the early stage of pioneering agriculture and simple artisan work could be carried on by the settlers individually in natural sequence to the really primitive days of the pakeha Maori and no organized government. Then, when growth and modernisation of the economic organization became New Zealand's objective, the implicit dependence would

188. See particularly 1874:I:2, but also 1874:A:7; 1871:G:47.
have manifested itself. Since essential capital was lacking from the young society, where such wealth as had been import-
ed was invested in land and flocks, no body of colonial en-
trepreneurs could call forth the resources required. Only the
community, incorporated, commanded the credit needed in capi-
talising the unformed land. On the other hand, it could be
maintained that the later dependence was the natural conse-
quence of the government's own setting out on the road of en-
terprise. To illustrate once more from Vogel's 1870 Budget
Speech, he suggested there that the Colony and its parts must
prepare for the coming immigrants even to the extent of "es-
tablishing manufactures" for their employment. With such
energy of action before the eyes of the citizens, it might
have become easier for the latter to unborden themselves of
their problems onto the new force in their world. This sug-
gestion receives support from 1875:J:1, "Petition on Behalf
of the Early Settlers in New Zealand." The survivors among
the earliest colonists apparently looked at the land grants
being given immigrants particularly the "military settlers"
during the Vogel period and felt they, too, had helped in the
pacification of New Zealand and in more trying circumstances.

189. e.g. When young Samuel Butler reached Canterbury in 1860
he was advised by other colonists that buying 1000 ewes
and running them on a "squatter's" station would return
double his investment at the end of seven years. Alter-
natively, should he buy the goodwill of a run and pas-
ture his own flock £6,000 should return £2,000 net per
annum after only a few lean years. His A First Year in
Canterbury Settlement, and other Early Essays. London,
They petitioned the government, therefore, to reward them even so late with grants of good land. The tardy appearance of this request suggests that the colonists were quick to recognize a changed spirit in the government and to ask themselves the classical question, "What's in it for me?" Beaglehole was certainly right in stating that it was no part of human nature to refuse benefits on theoretical grounds.

The Appendix offers some evidence that dependence on government was not great in the early days of the colony. Private enterprise is well known to have intervened in one of government's most jealously guarded fields, coinage, by supplying tokens for business convenience when official money proved inadequate for commercial requirements. So late as 1874, C.T. Batkin, Secretary to the Colonial Treasury, reckoned that of the bronze and copper coins circulating in the colony, up to one-half, or £2,000 worth, were the tokens of private firms.

Theory 2, while it blends in with 6 to a certain extent, lacks appeal on its own at least for the early period. Certainly the elaborate "profession of faith" suggested by Reeves has all the air of an afterthought, a literary one, at that. For Reeves, himself, it could have been the truth. He seems to have been a highly literate, intelligent and talented person,

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190. Quoted p. 62 *supra*.

191. Citation for this not available.

192. p. 64-65 *supra*. p. 113-115 *supra*. 

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such as might seek to formulate his reasons before acting. For the average member of the government during the period with which I am dealing I doubt that the profession is applicable, except insofar as it melts into the pragmatic approach.

Theory 4 is a definite factor as revealed in the documents repeatedly. My earlier discussion of shipping and cables has shown evidence for this.

Theory 5, too, has a pragmatic twist. On that assumption of the landlord's responsibility the Appendix contributes nothing verbally. Perhaps the implication runs throughout its pages.

Theory 6, which is really no theory, is the one which stands out above the rest in reading the Appendix. Probably the clearest evidence in its favor is to be found in the story of the railroad contracts, how the original proposal was changed by circumstances and repeatedly adapted to fit the political or economic situation. The Intercolonial Cable history, too, is one of shifts and changes, with original theories being sacrificed for the opportunity to get something done or, better still, to save money. Another Lipson has written, "It is seldom that governments are entirely free agents. As a rule they are confronted with practical problems

193. This estimation was written after reading Reeves' books on New Zealand. Since then I have found Siegfried's admiring description of the Labour leader which included the statement that he was "devoted to theories." op. cit., p.98.
which they can only handle within the limitations set by the circumstances of their age. (Note: The rulers of a country seldom enjoy the opportunity of creating a new social fabric, and normally they are constrained to act on 'short-term' considerations...)" This was written in connection with the growth of the state in Europe at the close of feudalism, but it seems perfectly applicable to New Zealand of 1860-1875. It can be added that when the opportunity was present, the man appeared who fitted into the situation and led the small young country along the road which is still considered primarily its own. Whether the times provide the man or the man moulds the times, the leader for this time was Vogel, "an imaginative materialist who was a Conservative Protectionist with a belief in State enterprise, a constructive financial administrator and an Imperialist somewhat ahead of his time." "Vogel's was the brain, and his the driving power, which designed and directed most of this expansion" of state activity. Among a population so small as New Zealand's was, personal leadership must have been a very real and important thing, in spite of the divided loyalties of the various provinces. That the leader was the man he was, the imaginative materialist with, as the speeches and letters published in the Appendix show, a passion for accomplishment, has shaped New Zealand's state and economy ever since.

194. Lipson, E.A. A Planned Economy or Free Enterprise, the Lessons of History. London, Black, 1944. p.27.


196. Lipson, Leslie. op. cit., p.144.
The writers whose theories have been quoted and discussed above all tended to think of the New Zealanders as requiring theoretical explanation, as being brave little socialistic fish swimming against the great tide of British Liberalism. To complete the study of the times I thought it well to turn to two of the thinkers whose ideas might have been expected to influence the New Zealanders, including Vogel. Remembering Lord Keynes' contention that the ideas of economists and political philosophers, whether right or wrong have more power than is acknowledged or even realized approximately twenty-five or thirty years after their promulgation, I looked not among the writers of the sixties but of the late forties, Edward Gibbon Wakefield, whose relation with New Zealand was so intimate that his influence must have lingered, and John Stuart Mill, who synthesized classical economic theory for his generation and several more.

A. Wakefield

Far from finding that the government of 1870 proceeded against the doctrines of Wakefield, I found enough resemblance between the works of the latter and the plans of the former

to suggest that the New Zealand leaders had read, perhaps studied, Wakefield's works. *A View of the Art of Colonization* contended that it was impossible to oversupply either labor or capital in new colonies, except for such temporary gluts as might result from too hasty action and which would cure themselves soon. In fact, as Wakefield saw it, the more the capital and the greater the population of a colony, the faster each would grow, because of the great productivity of new unexploited land and because its product was divided between capitalist and laborer, with only minor tribute paid to landlords and tax-collectors. He went on to state that more government intervention was needed more constantly in "The multifarious business of constructing society, then in that of preserving it." The form of intervention which he preferred was, of course, government sponsored immigration, financed by sales of the colony's waste lands. To get the program under way, he thought government loans secured against these lands both wise and safe. As immigration proceeded, land values would rise, until buyers would be eager to pay the "sufficient price" already established by the planners of the colony.


199. Idem. p.82.


Similar reasoning appeared throughout Vogel's speeches already quoted. Evidence could be drawn, too, from a speech by M.P. Charles Buller, which Wakefield had printed as part of his book. In discussing the necessity for anticipating land sales in the earliest development of a colony by floating a government loan secured against future sales, Buller spoke of requesting aid from the mother country in the form of a guarantee for the loan, which would enable the colony to raise the necessary money at a more moderate interest rate than would be granted its own security. Again, Wakefield's Letter from Sydney, the forerunner of all his colonizing activities, incorporated recommendations which became part of New Zealand's immigration plans. In it, he advocated that an agent of "emigration" be placed at each settlement, his duties being (1) to supply the home government with accurate information as to the local demand for labor, so that the supply would not exceed what could be absorbed; (2) to receive the immigrants upon their arrival at the settlement and assist them in meeting the capitalists who needed them; (3) to furnish them with "very moderate provision" until they had found employers. During

203. Idem. p.498-499. Evidence that Vogel and his fellows didn't work with Wakefield or Mill in hand was their failure to use such arguments as these in asking the British government for guarantees of New Zealand loans.

204. His A Letter from Sydney, the Principal Town of Australasia; & other Writings on Colonization. London, J.M. Dent, 1929. p.102.
the 1870's, such agents were active in New Zealand, under the
title "Immigration Officers". They inspected the ships on
which the trip from England had been made, reviewed the qual-
ity of the immigrants themselves, housed them in barracks and
gave potential employers access to them (at one time the Dunedin
officer established a formal employment office), reported
to the Immigration Department on the condition of the labor
market in each settlement, sometimes on living costs as well. 205

It may be objected that the New Zealand procedure placed
some immigrants on the land right away, which missed the chief
point of Wakefield's scheme, the necessity for providing suf-
cient labor in order to attract capitalists to the colony
at all. Immigrants treated in this manner, however, were of
special classes; some "military settlers", subject to service
for defence, some those who came in groups from non-English
speaking countries. These last might have had difficulty as
laborers, but were expected to prove good small farmers and
happy settlers when allowed to form their own communities.
Other land grants were offered to encourage the migration of
wealthy farmers together with their friends and laborers.
This would have met with Wakefield's approval - the encourage-
ment of capitalists, the importation of a section of the es-
tablished English society. Another objection could be that

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205. See "Reports of the Immigration Department; e.g. 1873:
D:3; 1874:D:1-1a, and 5.

206. e.g. 1871:D:3A "...Introduction of Scandinavian Immigrants."
Charles Buller's speech included a brief survey of the advisability of applying part of the land fund to opening up the colony by means of roads and public works instead of spending it all on immigration. This was, of course the second and equal part of Vogel's plan. Buller found against such an enterprise, saying that colonial authorities would spend such money with shameless extravagance as was their custom. Naturally the New Zealanders could not be expected to agree with this opinion of their capabilities, particularly since Buller was not referring to responsible governments.

B. MILL

John Stuart Mill's Principles of Political Economy might be expected to prove the Bible of the Manchester School, whose political triumph corresponded in time with its writing and publication. True enough, Mill found protective tariffs abominable, and free, unhindered trade between nations, as between individuals, the source of the greatest good for all mankind. Nowhere, however, did I gather that the subscribed to Thoreau's dictum that the best government is the least government. The two volumes of the treatise closed with a lengthy discussion on the functions of government in general, in which an early contention was that government undertook a Multitude of functions for no reason other than the general

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convenience, including the function of coinage. These were
undertaken with general approbation, even from those most
jealous of state interference in community activities.
Throughout the whole work, there were more or less casual
mentions of the possibility of government enterprises. For
instance in describing the effect of government borrowing
for the purpose of constructing works not immediately pro-
ductive, Mill said, "If the government employed the money in
making a railroad, this might be a productive employment."
In the chapter on capital development he mentioned the possi-
bility of a government creating additional industry by tax-
ing the populace and employing the proceeds in creating capi-
tal. He deplored the dangers of monopoly, saying that a
business of real public importance, only to be worked advan-
tageously on so large a scale as to render liberty of competi-
tion almost illusory (here he cited railroads) should be treat-
ed at once as a public function. If the government itself
couldn't or shouldn't undertake the work, it should at least
maintain complete control over its rates and performance.
In his lengthy digression on the theme of Ireland's poverty,

208. Mill, John Stuart. Principles of Political Economy, with
some of their Applications to Social Philosophy. Boston,
C.C. Little & J. Brown, 1848. v.2. p.347.
209. Idem. v.1, p.77-78.
211. Idem. v.1, p.174. Here it is pertinent to refer back
to Section VIII. If Vogel had studied and accepted Mill,
his would have found a way to avoid the long struggle
against the shipping monopoly. He wouldn't have been a
protectionist, either.
he recommended that waste lands should be prepared for peasant settlement through government drainage and roads, to be financed by a perpetual quit-rent, redeemable at a moderate number of years' purchase. He accepted Wakefield's suggestions for government financing and controlling great national measures of colonization to ease the labor shortage in the colonies, while relieving England of her surplus population. He mentioned favorably the government-owned railroads of Belgium and Germany, which even though not monopolies, did pay their way. Even after making out a strong case for leaving enterprises to private initiative whenever at all possible, he advocated government control in certain cases, particularly when the enterprise had monopoly characteristics, so that the public should obtain such profits as resulted from the necessities of the situation.

Mill's reasons against government undertakings were based more on psychological and political than on economic principles, though he mentioned the unfairness of taxing a whole community to perform services which benefitted only a part of it. For him, a major reason was that excessive government activity tended to stultify the faculties of the general populace, taking from it the habit of spontaneous action. This danger

was not eliminated by a democratic constitution if the central government had great powers, since, "In some countries the desire of the people is for not being tyrannized over, but in others it is merely for an equal chance to everybody of tyrannizing. Unhappily this last state of the desires is fully as natural to mankind as the former, and in many of the conditions even of civilized humanity, is far more largely exemplified."

He summarized his opposition: "The mischief of overloading the chief functionaries of government with demands on their attention, and diverting them from duties which they alone can discharge, to objects which can be sufficiently well attained without them; the danger of unnecessarily swelling the direct power and indirect influence of government, and multiplying occasions of collision between its agents and private citizens; and the still greater inexpediency of concentrating in a dominant bureaucracy, all the skill and experience in the management of large interests, and all the power of organized action, existing in the community..."

When all this was said, however, Mill admitted that anything advantageous for the general interests of mankind or of future generations, or for the present interests of those members of the community who required external aid, but which would not prove remunerative to individuals or associations was

suitable for the government to undertake. He concluded, "It is, ... necessary to add, that the intervention of government cannot always practically stop short at the limit which defines the cases intrinsically suitable for it. In the particular circumstances of a given age or nation, there is scarcely anything, really important to the general interest, which it may not be desirable, or even necessary, that the government should take upon itself, not because private individuals cannot effectually perform it, but because they will not. At some times and places there will be no roads, docks, harbors, canals, works of irrigation, hospitals, schools, colleges, printing presses, unless the government establishes them... In many parts of the world, the people can do nothing for themselves which requires large means and combined action; all such things are left undone, unless done by the state... Government aid, when given merely in default of private enterprise, should be so given as to be as far as possible a course of education for the people in the art of accomplishing great objects by individual energy and voluntary cooperation."

This last paragraph if familiar to Vogel and his contemporaries might have been considered a carte blanche for all their undertakings, even without the specific acceptance of public works enterprises already mentioned. On other questions, Mill might have been quoted on either side. Vogel has

been called reckless and unwise in building up the colony's public debt for the construction of public works by contemporaries and by more recent writers. At that time, he could have

219. The Economist of 1876 commented that Vogel's financial policy was leading New Zealand into too heavy a public debt, saying that it was time to develop resources, but if the debt were brought to its proposed total of £20,000,000, the annual interest would equal one-half of the colony's total annual expenditure. It advised that Vogel should heed the lesson of England, whose railway expansion of the 1840's had an aftermath of extreme depression for years. "More, in fact, was suddenly sunk in fixed capital than there was the floating capital to turn to account, and the result was that when the railways were constructed and the wages of the labourers who had constructed them suddenly ceased... there was not nearly enough wealth to make adequate use of the great machines for saving labour, and assisting labour, and encouraging labour, which had been so precipitately brought into being." It was easy for New Zealand to pay interest on her debt so long as further loans were flowing in, but the end of the borrowing would reveal the size of the burden she had assumed and its weight. (v.34, Oct.7, 1876, p.1168-69).

Le Rossignol, op. cit., p.7, said too, "Vogel---was as much gambler as statesman." He conceded that the results were worse because Vogel's original plan was allowed to succumb to local demands in many cases.

Finally Condiffe, op. cit., p.32 (with similar comments elsewhere) "There was no inherent economic fallacy in this Vogel's policy, and all that can be said against it and its proponent was that it came at an unfortunate time and was carried to lengths beyond economic defence. Borrowing for development is perfectly legitimate and economically sound policy in a young country provided the loans are floated conservatively at opportune moments and the expenditure from them is carefully controlled." I have discussed already some of the reasons why I think the poorness of this time for colonial development was a matter beyond Vogel's control, or even his possible knowledge when he first suggested the plan; a thought I am ready to defend in spite of the seeming accuracy of The Economist's prophecy. Condiffe continued by acknowledging the price vagaries of the period and the changes made by the New Zealand Parliament in the original plan promulgated by Vogel.
quoted in support of his policies Mill's statement, "...It may reasonably be taken into consideration that in an improving country the necessary expenses of government do not increase in the same ratio as capital or population; any burden, therefore, is always less and less felt; and since those extraordinary expenses of government which are fit to be incurred at all, are mostly beneficial beyond the existing generation, there is no injustice in making posterity pay a part of the price, if the inconvenience would be extreme of defraying the whole of it by the exertions and sacrifices of the generation which first incurred it." His opponents could have quoted back at him another comment to the effect that a country which made regular (e.g., interest) payments to foreign countries, beside losing what it paid, lost too because it had to lower the price of its goods in the foreign markets in order to sell there the quantities necessary for providing the paying country with exchange to make the payments. On the other hand, Mill acknowledged the difficulty the colonies had in obtaining capital for enterprises, a difficulty which might have been considered justification for the government's undertaking the loans when the colony felt that the works were really necessary. Mill showed that capital, like labor, tended to stay at home,

220. Mill, op. cit., p.435. v.2. See the concluding paragraph of the 1870 Budget speech quoted on p.33 supra, where Vogel expresses a similar idea.

"even if there be no mode of employing it in which it would not be more productive elsewhere." To discourage capital beyond its natural inertia, New Zealand had high wage rates and where laborers received more of the produce of labor, a small percentage remained for profits. If, however, population were to increase where capital and the arts of production remained stationary, wages must fall and the state of capitalists be improved. In poor countries the legislator was bound to refrain from encroaching upon native capital and to encourage both its accumulation and the importation of capital from abroad. Finally, "I do not believe that as things are actually transacted, improvements in production are often, if ever, injurious, even temporarily to the laboring classes in the aggregate. Even if improvements did for a time decrease the aggregate produce and the circulating capital of the community, they would not the less tend in the long run to augment both."

Just as the saint or the devil can quote the Bible to his purpose, so a student of Mill could have justified Vogel's

223. Idem. v.1, p.550. See also, however, v.1, p.501 in which Mill contended that real wages were high in the U.S.A. and Australasia because of cheap production, so that profits were really higher than in England. He gave as example the comparatively high rate of interest in New York over the London money market.
scheme with some such summary as that above or have condemned it with one slanted the other way. Somehow, I don’t see Vogel himself as such a student. I believe he was too much the practical man of affairs, had enjoyed too various a career (one which began with the study of chemistry rather than economics) to appeal to theory in planning his moves. That the theory of the age was not completely opposed to government enterprise makes his advocacy of the public works program and the Parliament’s acceptance appear less daring and unorthodox than historians have tended to call it.

227. Scholfield, G.H. *op. cit.*, v.2. p.419.
XVI. CONCLUSION

The period 1860 to 1875 was for New Zealand a period of rapid growth and change. The change was concentrated in the last five years, when a different concept, government in an active economic role, led the colonists, acting through the central administration to hasten growth of capital, by financing railroads and other forms of public works, and growth of population, by financing immigration. Writers about the period have tended to consider these activities radical and unprecedented. The fact is that the colony had established already a tradition of government financed immigration and public works within the separate provinces. The innovation of the 'seventies was that the central government assumed the functions of local governments, not those of private enterprise. The engagement of the Provinces in economic development was not itself unique or radical. Economic theorists in a position to influence the colonies had concentrated their advocacy of laissez-faire policies on economically developed countries. They recognized the different position of a land potentially rich, but under-populated and under-capitalized. As in New Zealand, so in Australia the governments of the various colonies had found it necessary to undertake their own capital development, particularly in transportation and communication. There private enterprises
had attempted to supply needed services, but failed repeatedly through irresponsibility or lack of financial support. In Victoria almost everything had been tried and almost everything had happened. The population flow to New Zealand via Victoria made the latter's experiences politically significant to the former. It undertook voluntarily and as a whole to do what Victoria was forced to bit by bit.

The documents which appear in the Appendix to the Journals of the House of Representatives from 1860 to 1875 do not indicate that state enterprise was a deliberate policy formulated by the colonial government. Rather, when they felt something had to be done, administrators undertook to do it. Repeatedly their basic plans were changed by circumstances or by conflicting Parliamentary forces, without any record of their dissatisfaction appearing. Accomplishment was what they sought; the means were of minor importance.

If New Zealand can not be said to have led the nations of the world in undertaking state enterprises, she may still claim preeminence in the method of undertaking them. When the colony was suffering economic stagnation, the government formulated a well-rounded plan of capital development, financed by deficit spending. The communication and transportation systems constructed at that time served the country as they were planned to do, opening for settlement areas formerly economically inaccessible. Discussion has raged as to whether the development was too largely conceived and too rapid for
the good of the community. Those who claim it was have tended to ignore in their arguments New Zealand's economic dependency on England, attributing hardships which followed the prosperity of the construction years to that development as a necessary sequel. Further inquiry, particularly into the changes made in the original government scheme and into the trends of the economy and of government policy after 1875, would be necessary to establish the truth of their assertions. If the evidence, thoroughly examined, seemed to substantiate these assertions, modern governments which met the depression of the 1930's with a policy of public works financed by deficit spending would do well to compare their position with that of their small predecessor. My own conclusion is not in that direction. I feel that the original plan was soundly conceived. Political forces within the colony and economic forces from without worked to change it partly to its detriment, yet the resulting expansion added less to the economic ills of the succeeding years than to the economic gains.

Whether or not the progenitors of state development stumbled upon its entirety blindly and at random, as documentary evidence tends to indicate, they molded New Zealand's economy and state to the forms found today. Later policies have simply worked upon these basic materials adding only one important ingredient, a strong concept of social justice. If modern residents of the Dominion look upon their country and find it good, they owe their satisfaction to Vogel and his co-workers first, the Lib-Lab government second.
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