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Investing in a Wealthy Resource-Based Colonial Economy: International Business in Australia before World War I

The article is a rare investigation into multinational activity in a wealthy resource-based colonial economy toward the end of the first wave of globalization. It challenges the conventional wisdom that multinationals had a limited presence in pre-1914 Australia, where government loans and portfolio investment from Britain into infrastructural and primary industries dominated. Our new database of nearly five hundred foreign firms, from various nations and spread across the host economy, shows a thriving and diverse international business community whose agency mattered for economic development in Australia. Colonial ties, natural resources, stable institutions, and high incomes all attracted foreign firms.

Keywords: multinationals, Australia, colonial economy, natural resources, free-standing companies

International economic transmissions have played an important role in the long-term growth and fluctuations of the Australian economy.¹ In the nineteenth century, overseas investment, migration, and trade were all formative and interacting influences on colonial development.² However, overseas transmissions were constrained in several respects. Most migrants and imports arrived from Britain, to which

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¹ Ian W. McLean, *Why Australia Prospered: The Shifting Sources of Economic Growth* (Princeton, 2013).

² Barrie Dyster and David Meredith, *Australia in the Global Economy: Continuity and Change* (Cambridge, U.K., 2012); Brian Pinkstone and David Meredith, *Global Connections: A History of Exports and the Australian Economy* (Canberra, 1992).

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Australia's narrow range of exports (wool and gold) largely returned. Similarly, most investment came from Britain and, it is believed, took the form of government loans or portfolio private shareholdings.³ In these accounts, the foreign entrepreneur as a direct investor played a very limited role until after World War I when increased tariffs formed part of a policy of building manufacturing capacity.⁴

This article revisits that conventional wisdom of foreign investment in Australia up to 1914 by arguing that the presence of foreign direct investment (FDI) by overseas multinationals based in Australia has been largely overlooked. The existing literature, it is argued, also understates the breadth of such investment across the Australian economy and the continued high level of arrivals of foreign firms through the 1890s up to 1914. FDI is important for understanding the sources of a nation's economic development. It is associated with foreign control and decision-making over domestic production and marketing processes, which therefore brings with it the transfer of new technology and knowledge as well as capital funds. To understand how foreign firms mattered in Australia, the article is framed around several defining themes of Australian development as a natural resource-based British settler colony. Much of the existing historical and contemporary literature on foreign multinational enterprises (MNEs) focuses on host economies that are either developed manufacturing nations or developing natural resource economies.⁵ Therefore, we provide a study of multinationals in a different context: that of a wealthy resource-based economy.

The study of MNEs facilitates a closer understanding of many aspects of a host nation's engagement with the international economy. In contrast to the aggregative nature of FDI data, the study of MNEs reveals the agency of decision-makers—organizations and their key individuals—responsible for the management of these investments. Situating the foreign entrepreneur also matters in assessing the drivers of Australian economic development. Prior research has typically relegated the profit-seeking, market-responsive entrepreneur to a secondary role on the assumption that capital formation in the Australian economy predominantly found its way into nonproductive social investment, meaning residential construction and public infrastructure.⁶

³Noel Butlin, *Australian Domestic Product, Investment and Foreign Borrowing, 1861–1938/39* (Cambridge, U.K., 1962), chaps. 20 and 21.

⁴Colin Forster, *Industrial Development in Australia 1920–30* (Canberra, 1964).

⁵See, for example, Michael J. Twomey, *A Century of Foreign Investment in the Third World* (London, 2000); Mira Wilkins, *The History of Foreign Investment in the United States, 1914–1945* (Cambridge, MA, 2004); and Bruce McKern, ed., *Transnational Corporations and the Exploitation of Natural Resources* (London, 1993).

⁶The major contributions to this literature remain those of Noel Butlin: *Investment in Australian Economic Development, 1861–1900* (Cambridge, U.K., 1964), 49–52; and *Australian*

We have assembled a database of nearly five hundred MNEs operating in Australia in 1914. In the following section, we summarize the existing literature on foreign investment in Australia and note some of the problems in measuring FDI. Section 3 explains our principal sources and methodology, and section 4 reports and analyzes our main findings about the population of MNEs in 1914: their number, their structural form, the home countries from which they arrived, and the sectors into which they were distributed. Section 5 seeks to explain the presence of MNEs, while the conclusion suggests some future research directions, particularly comparative studies of similar hosts.

Foreign Investment in Australia before 1914

An extensive literature describes British capital flows into Australia before World War I. Investment focused on loans to colonial governments and city corporations to fund key infrastructure for the expanding colonial Australian economies, particularly railways, ports, and urban utilities. Australian banks raised deposits in Britain, and portfolio equity investments by British shareholders helped to fund land investment and mining companies.⁷ Most of this literature does not distinguish between direct and indirect (portfolio) forms of foreign investment. A major reason for this was that the Australian balance of payments data before the late 1940s identified total foreign investment without distinguishing portfolio from direct investment. Instead, estimates of pre-1914 data relied on available financial markets' new issues or movements in the capital account of the balance of payments.⁸ Neither method satisfactorily distinguished direct from portfolio investment. The same problems of defining and measuring FDI existed elsewhere and it was not until after World War II that supranational organizations, such as the International Monetary Fund, provided effective guidelines for the compilation of foreign direct investment data.

Domestic Product. A more recent major contribution to Australian economic history also overlooks the agency of entrepreneurship: McLean, *Why Australia Prospered*.

⁷ Lance E. Davis and Robert E. Gallman, *Evolving Financial Markets and International Capital Flows: Britain, the Americas, and Australia, 1865–1914* (Cambridge, U.K., 2001), 471–544; Michael Edelstein, “Foreign Investment, Accumulation and Empire,” in *The Economic History of Britain since 1700*, vol. 2, ed. Roderick Floud and Paul Johnson (Cambridge, U.K., 2001), 194–95; Ernest A. Boehm, *Prosperity and Depression in Australia 1887–1897* (Oxford, 1971), 279, table 67; Alan R. Hall, *The London Capital Market and Australia 1870–1914* (Canberra, 1963); John D. Bailey, “Australian Company Borrowing, 1870–1893: A Study in British Overseas Borrowing” (D.Phil. thesis, Oxford University, 1958); Butlin, *Investment*.

⁸ Roland Wilson, *Capital Imports and the Terms of Trade* (Melbourne, 1931); George Paish, “Great Britain’s Capital Investments in Individual Colonial and Foreign Countries,” *Journal of the Royal Statistical Society* 74, no. 2 (1911): 167–200.

Indeed, the term “foreign direct investment” only emerged with the development of theories of multinational growth by Stephen Hymer and others after World War II, and therefore it is not surprising that relevant data was rarely collected before then.⁹

These challenges have not discouraged several business historians from guardedly estimating FDI across many host nations around 1914. Mira Wilkins, an authoritative source, provided an ordinal ranking of FDI hosts in 1914 with no specific values, noting that they were “rough” and the data “fragile.”¹⁰ John H. Dunning and Sarianna Lundan have produced financial data on the global stock of FDI in 1914 but are also only comfortable with orders of magnitude in comparing hosts.¹¹ They draw upon a very large range of sources using different methodologies. Michael J. Twomey and Lance Davis and Robert Gallman have provided comparative data based on unpublished calculations by Davis, the origins of which are uncertain.¹²

In spite of these shortcomings, narratives have emerged comparing Australia with other hosts. Australia does not appear in Wilkins’s global ranking of the top 12 hosts in 1914, and Dunning and Lundan rank Australia lowly, responsible for only 1 percent of inward FDI stocks when combined with South Africa and New Zealand.¹³ Davis and Gallman state that few foreign company records survive and conclude that “overseas direct investment does not appear to have been important in the decades leading up to World War One.”¹⁴ Twomey suggests that the level of FDI in Australia was relatively low because railways were publicly funded.¹⁵ When this sector is excluded for all hosts, Australia had a relatively high FDI stock, especially when expressed per capita. There is general agreement among these authors that Australia’s FDI was lower than some other settler economies, such as Canada, the United States, South Africa, and Argentina, and its overseas public debt higher, owing to capital-intensive infrastructure projects.¹⁶ However, the host

⁹ Stephen H. Hymer, *The International Operations of National Firms: A Study of Direct Foreign Investment* (Cambridge, MA, 1976).

¹⁰ Mira Wilkins, “Comparative Hosts,” *Business History* 36, no. 1 (1994): 19.

¹¹ John H. Dunning and Sarianna M. Lundan, *Multinational Enterprises and the Global Economy*, 2nd ed. (Cheltenham, 2008), 173–75.

¹² Twomey, *Foreign Investment*; Davis and Gallman, *Evolving Financial Markets*. Their calculations were likely based on BT 31 (Board of Trade: Companies Registration Office: Files of Dissolved Companies), 1856–1931, The National Archives, Kew, U.K.; and listing applications, Guildhall Library, London Stock Exchange Archives. Mira Wilkins, personal communication, email, 30 Oct. 2018.

¹³ Wilkins, “Comparative Hosts,” 20; Dunning and Lundan, *Multinational Enterprises*, 174.

¹⁴ Davis and Gallman, *Evolving Financial Markets*, 543; Geoffrey Blainey, *The Rush That Never Ended: A History of Australian Mining*, 2nd ed. (Melbourne, 1969).

¹⁵ Twomey, *Foreign Investment*, 196.

¹⁶ Davis and Gallman, *Evolving Financial Markets*, 473.

FDI data is largely aggregative, providing little indication of how it was spread across the economy.

As an alternative to FDI, we estimate the population of foreign-owned firms operating a business in Australia in 1914. No previous study has analyzed the entire economy. Prior literature focuses mostly on individual industries and firms. Currently, the main sources are a handful of company histories, a recent summary chapter, partial coverage of a limited number of industries, including banking and wool, and the occasional mention of Australian experience in overseas studies.¹⁷

Methodology and Sources

We have situated our database of multinationals on the eve of World War I, which is sometimes regarded as a point of inflection for the Australian economy and its receipt of foreign investment at the end of the first wave of globalization. The resource industries, particularly wool and gold, drove Australian export-oriented expansion in the nineteenth century, relying heavily upon British trade, migration, and investment.¹⁸ The conventional wisdom holds that by the 1920s, the growth of consumer demand and the further raising of tariff barriers had contributed to an expansion of local manufacturing and an influx of multinationals.¹⁹ Concurrently, the years leading up to 1914 may also have signaled the beginnings of the era of the modern multinational.²⁰ We will examine whether these are accurate portrayals of the changes occurring in the Australian economy around the beginning of World War I and its interactions with international business.

We construct an organizational demography of the cohort of foreign firms in Australia in 1914 based on our research questions: that is, how

¹⁷ Geoffrey Blainey, "The History of Multinational Factories in Australia," in *Overseas Business Activities*, ed. A. Okochi and T. Inoue (Tokyo, 1984), 183–210; Blainey, *Jumping over the Wheel: A Centenary History of Pacific Dunlop* (St. Leonards, 1993); Blainey, *White Gold: The Story of Alcoa in Australia* (St. Leonards, 1997); David Merrett, "Big Business and Foreign Firms," in *Cambridge Economic History of Australia*, ed. Simon Ville and Glenn Withers (Melbourne, 2015), 309–29; Simon Ville, *The Rural Entrepreneurs: A History of the Stock and Station Agent Industry in Australia and New Zealand* (Melbourne, 2000); David Merrett, "Paradise Lost? British Banks in Australia," in *Banks as Multinationals*, ed. Geoffrey Jones (London, 1991); Geoffrey Jones, ed., *British Multinationals: Origins, Management and Performance* (Aldershot, 1986); Jones, *Merchants to Multinationals: British Trading Companies in the Nineteenth and Twentieth Centuries* (New York, 2000).

¹⁸ Jon McCarty, "The Staple Approach in Australian Economic History," *Business Archives and History* 4, no. 1 (1964): 1–22.

¹⁹ Forster, *Industrial Development*. For a summary of interwar structural change, see David Merrett and Simon Ville, "Tariffs, Subsidies and Profits: A Re-assessment of Structural Change in Australia, 1901–1939," *Australian Economic History Review* 51, no. 1 (2011): 46–70.

²⁰ Dunning and Lundan, *Multinational Enterprises*, 172–76.

many there were, where they came from, and the sectors in which they proliferated. In addition to a cross-sectional examination for 1914, we can contribute to understanding their longitudinal organizational ecology, particularly a knowledge of when MNEs first settled in Australia. Neither set of questions can be answered with absolute accuracy from our database; we will never have a complete list of firms operating in Australia in 1914 and any attempt to measure the ecology of MNEs before or after 1914 will include only firms active in that year.

We have selected a cross-sectional benchmark—in this case, 1914—from which to compile a list of MNEs operating in Australia in that year, which we refer to as our authors' database. The use of benchmarks to identify a population of firms is a common methodology in business history and management studies and provides a snapshot of their prominence at a particular time in history.²¹ Our definition of a multinational for this exercise is a firm operating in Australia whose head office and board of directors are located in a foreign country as the locus of control. While control is presumed to lie with the head office, this can be complicated where local and overseas boards of directors coexist but vie for influence, or if the multinational head office periodically migrates between home and host.²² Nationality of the firm is further complicated if the local office is accountable to a subsidiary of the parent company located in a third country. In these cases, we have selected the ultimate parent to define nationality.

To qualify for inclusion in our database, the firm had to have operated in Australia through its own branch or subsidiary, not via a non-equity arrangement with a local agent. An MNE did not have to be a listed company, but most in our database were incorporated. Detecting unincorporated foreign firms is a more difficult exercise. A final definitional question is whether the United Kingdom's investments in its colonies constitute foreign capital. "Within empire" investments come with a different set of relationships and risks than in other jurisdictions but these may shift over time.²³ However, neocolonial relationships exist along a continuum not always dependent upon formal annexation. The separation of Australian sovereignty from the United Kingdom has

²¹ Among the pioneers in business history, see Alfred D. Chandler, *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, MA, 1990); and Lesley F. Hannah, *The Rise of the Corporate Economy*, 2nd ed. (London, 1983). On Australia, see Grant Fleming, David Merrett, and Simon Ville, *The Big End of Town: Big Business and Corporate Leadership in Twentieth-Century Australia* (Melbourne, 2004).

²² Geoffrey Jones, "The End of Nationality? Global Firms and 'Borderless Worlds,'" *Zeitschrift für Unternehmensgeschichte* 51, no. 2 (2006): 157. A further control complexity, known as partial or functional control, exists where a firm invests in an overseas enterprise not for the purpose of management of that firm but to secure access to knowledge and other resources.

²³ Robert Fitzgerald, *The Rise of the Global Company: Multinationals and the Making of the Modern World* (Cambridge, U.K., 2015), 32–33.

been an incremental process, beginning with a degree of self-governance of the individual colonies in the 1850s, followed by their federation into a single Commonwealth of Australia in 1901, and then formal independence with the signing of the Statute of Westminster in 1942.²⁴ We follow the literature in recognizing British investment in Australia as foreign.

Foreign companies attracted little or no regulatory attention for most of the nineteenth century with the result that major information sources are limited. Instead, our database is pieced together from information contained in a breadth of sources. Robert Lucas Nash, a financial journalist, subeditor of the *Economist*, and the *British Australasian's* inaugural editor, produced several editions of *The Australasian Joint Stock Companies Year Book*.²⁵ The final edition, published in 1914, includes the names, head office locations, directors, and some financial information for over 3,000 joint-stock companies in Australia.²⁶ This has enabled us to extract around 250 foreign MNEs from the work.²⁷ Nash was born in England but developed a strong interest in the business economy of Australia, which was reflected in a series of publications including several on the banking sector. His knowledge or interest in non-English multinationals, though, was less comprehensive, which led to significant omissions from his list.

Company law developed as a colony responsibility in the second half of the nineteenth century. Shortly before federation, individual colonies began to require foreign companies to register so as not to be excluded from new company listing, disclosure, and auditing requirements introduced after the boom-and-bust crisis of the early 1890s.²⁸ Firms provided a memorandum, articles of association, and often additional information relating to aspects of the firm's operations, public officer, location, and directors. A requirement of registration was that firms operate a branch in Australia and not merely act through an agent.²⁹ The register of foreign companies began in Victoria in 1897 and New South Wales in 1906, with regular annotated updates that indicated

²⁴ Stuart F. Macintyre, *A Concise History of Australia*, 3rd ed. (Melbourne, 2009), 193; James Curran and Stuart Ward, *The Unknown Nation: Australia after Empire* (Melbourne, 2010).

²⁵ Simon Sleight, "Reading the British Australasian Community in London, 1884–1924," in *Australians in Britain: The Twentieth-Century Experience*, ed. Carl Bridge, Robert Crawford, and David Dunstan (Melbourne, 2009).

²⁶ Robert L. Nash, *The Australasian Joint Stock Companies Year Book 1913–14* (Sydney, 1914).

²⁷ We excluded a small number of MNEs believed only to be operating in New Zealand.

²⁸ Phillip Lipton, "A History of Company Law in Colonial Australia: Economic Development and Legal Evolution," *Melbourne University Law Review* 31, no. 3 (2007): 822–28.

²⁹ See, for example, An Act to further amend the Companies Act 1890, 60 Vict. 1482, 24 Dec. 1896.

whether they were still in existence by 1914.³⁰ Distinguishing overseas firms in the registers from those with head offices in other Australian colonies or states has been necessary, since “foreign” included all firms with a head office outside that particular colony or state. The registers offered triangulation of sources by confirming most of the British firms listed in Nash as well as extending the list of MNEs from other nations by 1914. In 1915–1916, the Australian government compiled a list of forty-five companies, mostly German owned, that were deemed in breach of the Trading with the Enemy Act (1914) and placed under local control. Some companies ceased trading in the following years but others survived into the post–World War I period, most notably Siemens Brothers Dynamo Works. This list provides confirmation that some of the continental European companies on our list were still in operation in 1914.³¹

Some industries presented particular definitional issues, especially the operations of large numbers of insurance companies, some of which worked through local agents rather than setting up a branch in Australia. Royal Insurance was one of several firms that operated through an agent before setting up a branch; in its case, the agency was established in 1848 and not replaced by a branch until 1873.³² Many commodity-trading firms operated as unincorporated entities from small central business district offices. We have identified many of these through trade directories, especially for continental European wool buyers. Masurel Fils, a French wool buyer with a global network of branches, arrived in Australia in the 1880s and set up small offices in Sydney and Melbourne.

These principal sources have been supplemented by many others, including published lists of leading firms, industry handbooks, industry and company histories, company websites, a register of defunct companies removed from the London Stock Exchange, and information from contemporary newspapers captured digitally in the Trove searchable

³⁰ “Documents lodged under Companies Acts for Foreign Companies,” NRS 16383, Business and Company Records, New South Wales State Archives; “Registry of Foreign Companies,” VPRS 8272, Public Record Office of Victoria.

³¹ Pierre van der Eng, “A Case of Liability of Foreignness, or Something Else? Continental European MNEs in Australia, 1890s–1990s” (paper presented at World Economic History Congress, Boston, 2018).

³² The authors are fortunate in drawing upon the specialist knowledge and research of Gary Pursell and Monica Keneley in reaching conclusions about which firms were operating from company offices in Australia. Keneley, “British Fire Insurers in Australia 1860–1920: A Story of Enterprise, Luck and Resilience,” *Business History Review*, forthcoming. The authors are also grateful to other scholars who have shared their related work, including Pierre van der Eng, mentioned elsewhere in this article, and Zdravka Brunkova, David Round, and Martin Shanahan. Brunkova, Round, and Shanahan, “Attitudes and Responses to Foreign Direct Investment in Australia from Federation until World War II” (paper presented at European Business History Association Conference, Paris, 2012).

database.³³ While we cannot expect to have unearthed all relevant firms, the substantial overlap among our principal sources—Nash and the colonial registers—suggests sufficient coverage from which to draw broad conclusions about the population of international firms operating in Australia in 1914. Where we have been unable to validate a firm's foreign ownership in 1914 to our satisfaction, we have excluded it from our database. Thus, our estimate can be regarded as a lower bound. In a few cases, we have been unable to establish some of their features, particularly arrival date in Australia; in these instances, that information is omitted from the relevant tables. The necessity of drawing on a wide range of sources means that we have been unable to derive consistent financial values, employment numbers, or other measures of relative size for all firms. Our companies have been organized and categorized using the first Australian Standard Industrial Classification (ASIC), published in 1969. This provides a series of broad alphabetic sector divisions, each of which is subdivided into a numeric scale.

The Size and Scope of Multinational Activity

The results suggest that a substantial international business community existed in Australia prior to World War I. At least 477 multinationals operated in Australia in 1914. As a point of comparison, Frances Bostock and Geoffrey Jones found 685 manufacturing companies invested in the United Kingdom between 1850 and 1992, compared with 168 manufacturers in Australia in 1914. Given the considerably longer period and much larger British economy, this might suggest that the Australian figures were relatively large for their context.³⁴ At the same time, it is clear, as we will see, that some manufacturing MNEs in Australia operated selling branches from small city offices. Unlike Bostock and Jones, we include sales offices in our estimate of manufacturing MNEs, the relative importance of which is shown in Table 3.

Our MNE total represents more than one in seven (15 percent) of the 3,112 registered Australian companies listed in Nash.³⁵ However, only 250 MNEs were found in Nash, or about 8 percent of his total. If his

³³ Simon Ville and David Merrett, "Big Business in Australia" (Source Paper No. 21, Australian National University, April 2016), 1–34; J. R. Knight, ed., *Register of Defunct and Other Companies Removed from the Stock Exchange Official Year-Book, 1978–79* (West Sussex, 1979); and Donald Brash, *American Investment in Australian Industry* (Canberra, 1966). Trove, hosted by the National Library of Australia, is located at <https://trove.nla.gov.au/>.

³⁴ Frances Bostock and Geoffrey Jones, "Foreign Multinationals in British Manufacturing, 1850–1962," *Business History* 36, no. 1 (1984): 89–126.

³⁵ David T. Merrett and Simon Ville, "Financing Growth: New Issues by Australian Firms, 1920–1939," *Business History Review* 83, no. 3 (2009): 567.

omissions of foreign enterprise, particularly non-British firms, were greater than of local Australian companies, the share is likely to be closer to 15 percent than 8 percent. Moreover, as many of the Australian companies listed in Nash were very small local enterprises, we surmise that MNEs were probably larger, on average. In a 1910 list of the largest nonfinancial firms operating in Australia, MNEs numbered 31 percent and accounted for 49 percent of total assets, indicating a higher representation of MNEs among the largest cohort of enterprises.³⁶

As noted earlier, it is difficult to provide financial estimates of the size of the MNE sector given the diversity of sources used. Nash estimates that £95 million of £243 million of paid-up capital in joint-stock companies operating in Australasia in 1914 was British held. Assuming similar proportions applied to New Zealand companies, nearly 40 percent of investment in the incorporated part of the nongovernment sector in Australia by 1914 came from overseas. Again, this ratio applies to little more than half of our total count of MNEs. Nash's methods of allocating paid-up capital are somewhat oblique and, by his own admission, incomplete and approximate.³⁷

These alternative methods, therefore, provide a range of shares of MNEs in the Australian corporate economy ranging from about 15 to 39 percent.

Home country nationality. Our results confirm that British capital dominated foreign investment in Australia but that firms from a range of other nations were also found. Of 477 companies, 353 (74 percent) had British head offices (Table 1). The United States comprised 9 percent; 13 percent came from continental Europe (France, Belgium, Germany, the Netherlands, Sweden, Switzerland, and Austria); 1 percent from Asia (Japan and Hong Kong); 3 percent from New Zealand; and 1 percent from Canada. Several firms were characterized by indirect nationality; for example, Ford entered Australia in 1910 but as the Canadian subsidiary of the American parent company. The top four sender countries, including their rank order, are identical to Dunning and Lundan's estimates of their share of the total global stock of outward FDI in 1914.³⁸ However, the United Kingdom's share of firms in Australia is higher than its overall global share, reflecting the close imperial and trading relationship between the two countries.

The conventional wisdom, reported in section 2, holds that most British foreign investment was indirect, particularly through public

³⁶ Fleming, Merrett, and Ville, *Big End of Town*, 17.

³⁷ See Nash's discussion in the preface to the various editions of the *The Australasian Joint Stock Companies Year-Book*, including those published in 1902, 1907, and 1913–1914.

³⁸ Dunning and Lundan, *Multinational Enterprises*, 174, table 6.1.

Table 1
Home Country Origins of Multinationals in Australia, 1914

<i>Home country</i>	<i>Number of MNEs</i>	<i>Home country</i>	<i>Number of MNEs</i>
United Kingdom	353	Sweden	3
United States	41	Canada	2
Germany	25	Switzerland	2
France	19	Ireland	2
New Zealand	13	Hong Kong	1
Netherlands	7	Austria	1
Belgium	4	Total	477
Japan	4		

Source: Authors' Database.

and private stock.³⁹ This included the portfolio capital of British investors in companies operating in Australia but headquartered in the United Kingdom.⁴⁰ However, business historians, particularly Wilkins, have identified such arrangements as a form of MNE known as free-standing companies, whose home country presence often consisted of little more than a “brass plate” head office and a share register. These were largely British MNEs that focused their operations on the host nation, drawing on the United Kingdom as the source of funds and a strategic head office team who directed the local office or board in Australia. Many operated in a single host nation. As long as these firms were under the control of a London head office, their investments in Australia are regarded as direct in nature.

Wilkins believes that the pre-1914 period was the heyday of the free-standing company, after which many failed, passed to local control in the host economy, or grew into “full” multinationals.⁴¹ Our data enables us to estimate the number of free-standing companies in Australia. Most of the land and natural resource companies, including many gold miners, with British head offices took this form given the limited opportunities for production in Britain as a small industrial nation. Many can also be inferred from the local reference in their name, such as the Perth Electric Tramways. A number of financial institutions also fell into this category. Overall, we estimate that about 38 percent of MNEs took the form of free-standing companies, with the great majority being British.

³⁹ See also Edelstein, “Foreign Investment,” 194–95; and Dyster and Meredith, *Australia in the Global Economy*, 40–41.

⁴⁰ Mira Wilkins, “The Impact of Multinational Corporations,” *South African Journal of Economic History* 4, no. 1 (1989): 9.

⁴¹ Mira Wilkins, “The Free-Standing Company, 1870–1914: An Important Type of British Foreign Direct Investment,” *Economic History Review* 41, no. 2 (1988): 259–82.

However, they were far from a homogeneous group. While many were the initiative of U.K.-based entrepreneurs and investment groups, some resulted from the actions of existing private Australian firms seeking assistance for expansion or riding a crisis.⁴² All five major pastoral agency firms, providing services to rural producers, were free-standing large-scale enterprises. Nonetheless, the founders of two of them, Australian Mercantile Land & Finance and Dalgety, had lengthy experience in the Australian wool trade prior to listing as British firms in 1863 and 1884, respectively.⁴³

By 1914 Australia began to play host to American multinational manufacturers, some of which met Dunning and Lundan's criteria of being "modern" multiregional firms whose competitive advantages were derived from their firm-level innovations in new products and processes.⁴⁴ For many of them, operating in Australia before 1914 may have been far down their list of priorities. They had "colonized" the geographically proximate developed markets of North America and western Europe before moving farther afield.⁴⁵ They would have found Australia in 1914 too small to commit to local production and therefore entry often took the form of marketing, sales, and distribution activities. Lack of local production reduced their visibility and may help to explain why they have been largely overlooked before the interwar period.⁴⁶ General Electric was an important case of an emerging modern American MNE. By the outbreak of World War I, it manufactured, often through agreements with local companies, in the major markets of Canada, France, England, Japan, and Germany. In other regions with smaller markets, it primarily operated through the sale and distribution of its imported products, including a branch in Australia in 1898, the same year it entered South Africa, with Mexico following in 1911.⁴⁷

The presence of American firms in Australia before 1914 is consistent with the idea of a tilt toward closer relations between the two nations. Trade and shipping connections across the Pacific had grown

⁴² A wide-ranging discussion of the concept can be found in the chapters of Mira Wilkins and Harm Schröter, eds., *The Free-Standing Company in the World Economy, 1830–1996* (Oxford, 1998).

⁴³ W. Vaughan-Thomas, *Dalgety: The Romance of a Business* (London, 1984); John D. Bailey, *A Hundred Years of Pastoral Banking: A History of the Australian Mercantile Land and Finance Company* (Oxford, 1966).

⁴⁴ Dunning and Lundan, *Multinational Enterprises*, 156.

⁴⁵ Mira Wilkins, *The Emergence of Multinational Enterprise: American Business Abroad from the Colonial Era to 1914* (Cambridge, MA, 1970), 186.

⁴⁶ Multinationals after World War I are discussed in contemporary works such as Ambrose Pratt, *The National Handbook of Australian Industries* (Melbourne, 1934) and later by scholars Forster, *Industrial Development*, and Brash, *American Investment*.

⁴⁷ Wilkins, *Emergence*, 93–95.

in the later decades of the nineteenth century.⁴⁸ Concepts of economic and social modernity were associated with the emerging global power of the United States and contrasted with the older modes of thought of British imperialism.⁴⁹ The growing number of American firms entering Australia in the decade before World War I, compared with British, may further reflect changing loyalties and moods in the wake of the federation of the Australian states in 1901.

The increasing presence of firms from continental Europe was particularly associated with the growth of a foreign wool-trading diaspora in Sydney and Melbourne. European wool buyers arrived in Australia from the 1880s as the auction system relocated from Europe. Many came from the Roubaix-Tourcoing towns of the historic Flanders region, a major center of textiles production. Their immense expertise was best exercised by being present at the auction and interacting with brokers and other buyers. These entrepreneurial firms established small offices in Sydney and Melbourne, which largely operated below the radar of lists of joint-stock companies.⁵⁰ While wool was one of Australia's major commodity trades, and has been studied extensively, there may be other sectors in which unincorporated foreign firms are yet to be discovered. Several European firms were also to be found alongside American firms in the manufacturing sector, including a German presence in electrical equipment, metal products, rubber, and smelting.

Sectoral distribution of MNEs in Australia. In 1914, MNEs operated across a wide range of industries in Australia (Table 2). Of the twelve broad alphabetic sectors in ASIC, ten included at least one MNE, with the majority concentrated in manufacturing (168), mining (130), agriculture (56), and finance (53). This extends our understanding of the nature of foreign equity investment in Australia before 1914, which had largely emphasized banks, land mortgage, pastoral, and mining, with the rest of the economy at a "very low ebb."⁵¹

The leadership of manufacturing as the host to multinationals is consistent with the role of American and continental European, as well as British, firms discussed above. Within the omnibus of manufacturing, firms were spread across the twelve subsectors, particularly in industrial machinery, appliances, food, chemicals, textiles, and metal products. British firms made up barely 60 percent of manufacturing, compared

⁴⁸ Frances Steel, "Re-routing Empire? Steam-Age Circulations and the Making of an Anglo Pacific, c.1850–90," *Australian Historical Studies* 46, no. 3 (2015): 356–73.

⁴⁹ For an excellent summary of these trends, see Anne Rees, "Travelling to Tomorrow: Australian Women in the United States, 1910–1960" (PhD diss., La Trobe University, 2016), 11–13.

⁵⁰ Simon Ville and Claire Wright, "Buzz and Pipelines: Knowledge and Decision-Making in a Global Business Services Precinct," *Journal of Urban History* 45, no. 2 (2019): 191–210.

⁵¹ Hall, *London Capital Market*, 91.

Table 2
Industry Composition of MNEs, 1914

<i>ASIC</i>	<i>Sector</i>	<i>Number of firms</i>
A1	Agriculture (pastoralism)	15
A2	Services to agriculture	40
A3	Forestry and logging	1
A	Agriculture, forestry, fishing, and hunting	56
B11	Gold	89
B11	Base metals	24
B12	Coal	12
B15	Other non-metallic minerals	1
B16	Services to mining	4
B	Mining	130
C	Manufacturing (Table 3)	168
D36	Electricity and gas	5
D	Electricity, gas, water	5
E42	Special-trade contracting	1
E	Construction	1
F46/7	Wholesale trade	25
F48	Retail trade	3
F	Wholesale and retail trade	28
G51	Road transport	1
G52	Rail transport	5
G53	Water transport	26
G	Transport and storage	32
H56	Communication	3
H	Communication	3
I61	Banks	6
I61	Non-bank financial intermediary	14
I62	Insurance	33
I	Finance, insurance, real estate and business services	53
L91	Entertainment and recreational services	1
L	Entertainment, recreation, restaurants, hotels, personal services	1
Total		477

Source: Authors' Database.

with 74 percent of the whole cohort, reflecting the increased role of American capitalism, especially in new high-technology industries such as pharmaceuticals (Grove Labs, Smith Kline), consumer goods (Kodak, Singer), and office equipment (NCR, United Typewriter). British firms, though often innovative, clustered in some of the more traditional areas of manufacturing such as textiles production (Jaeger, John Paton), foods (Distillers, Fry), engineering equipment (Cammell, Rylands), and publishing (Cassell, Butterworth).

Many manufacturers restricted their activities in Australia before 1914 to sales (Table 3). In contrast to the free-standing structure of many natural resource firms, manufacturers often served as local subsidiaries importing the products of their parent company located in the home country. Only about a quarter (40 of 168) produced locally, mostly in food, beverages, and tobacco. This included seven meat processing firms, largely operating freezing works. This first-stage processing had to be undertaken locally but would serve a large overseas export market, thereby justifying investment in new capital-intensive technology. In areas requiring substantial fixed capital to produce for the small local market, such as industrial machinery, paper, and chemicals, there was little production in Australia. Vacuum Oil, the precursor of Mobil, established a branch in Melbourne in 1895 for the distribution of kerosene and other imported oil products. Before 1914 it had also established a similar presence in Asia, Africa, and Latin America.⁵² However, local refining in Australia did not occur until 1949 at the company's new Altona refinery. While Ford had established a sales branch in Melbourne in 1910, its first locally manufactured vehicles were completed in 1925.

Several firms that did manufacture locally were influenced by tariff policies. Australia introduced its first federal tariff, the Lyne Tariff, in 1908.⁵³ Eastman Kodak illustrates where a local firm also held ownership advantages to bargain. Having established an importing branch in Melbourne in 1900, it faced stiff competition from established Australian firm Baker and Rouse, which had built up a network of fourteen outlets across Melbourne, Sydney, Adelaide, Hobart, and Brisbane to supply a mixture of its own photographic products and imports from Eastman Kodak's British factory. Eastman Kodak therefore came to an agreement with Baker and Rouse in 1905 to appoint the latter as sole agent for its products with the Kodak branch being sold. The agreement included a clause that Kodak might purchase the local firm in the future. When tariffs were imposed in 1908, Kodak products could no longer

⁵² Wilkins, *Emergence*, 209.

⁵³ John Wilson, "Government and the Evolution of Public Policy," in Ville and Withers, *Cambridge Economic History*, 334.

Table 3
 Manufacturing MNEs 1914: Industry Distribution, Local
 Production, and Selling Offices

<i>ASIC</i>	<i>Number of</i>	<i>Factory production</i>	<i>Selling</i>
	<i>firms</i>		
C21-2 Food, beverages, and tobacco	26	15	11
C23 Textiles	12	0	12
C24 Clothing and footwear	3	0	3
C25 Wood, wood products	3	3	0
C26 Paper, products, printing, and publishing	15	1	14
C27 Chemical, petroleum, oil	34	6	28
C28 Glass, clay, and non-metallic mineral products	4	1	3
C29 Base-metal products	16	5	11
C31 Fabricated metal	4	2	2
C32 Transport equipment	9	1	8
C33 Other industrial machinery, equipment, and household appliances	34	5	29
C34 Leather, rubber, and plastic	8	1	7
Total	168	40	128

Source: Authors' Database.

compete successfully. A merger with Baker and Rouse was arranged to manufacture Kodak's products locally by expanding the Australian firm's existing Abbotsford factory.⁵⁴

In mining, foreign investment extensively supported the capital needs of the industry, in both exploration and production. Around twenty-two of the largest and most productive companies on the Western Australian (WA) goldfields were owned by British investors. Many other MNEs, though, came and went rapidly, with most mines producing little or nothing while enriching the promoters and vendors.⁵⁵ Speculative behavior was facilitated by low barriers to entry. Colonial

⁵⁴ Angeletta Leggio, "A History of Australia's Kodak Manufacturing Plant," in *AICCM Symposium 2006: Conservation of Books, Paper and Photographic Materials* (Wellington, NZ, 2006), 149–51.

⁵⁵ M. K. Quartermaine and E. McGowan, "A Historical Account of the Development of Mining in Western Australia," in *Mining in Western Australia, Perth*, ed. Rex T. Prider (Nedlands, 1979), 12; Jean Jacques van Helten, "Mining, Share Manias and Speculation in British Investment in Overseas Mining, 1880–1913," in *Capitalism in a Mature Economy: Financial Institutions, Capital Exports and the British Economy, 1870–1939*, ed. Jean Jacques van Helten and Youssef Cassis (Aldershot, 1990), 159–85; Charles Harvey and Jon Press, "The City and International Mining, 1870–1914," *Business History* 32, no. 3 (1990): 98–119.

mining laws, in many cases, restricted the size of claims, meaning there were multiple mines on most fields. Lower-value base-metal and coal mining often produced somewhat larger, more enduring capital-intensive operations in order to extract sufficient amounts of ore to operate profitably. Investors in mining adopted a British free-standing mode. Virtually none of the mining firms entering the Australian market up to 1914, including gold, base metals, tin, copper, and coal, operated elsewhere in the world. Exceptionally, British firm Bewick, Moreing & Co. employed mining engineers providing technical and managerial services to numerous mines in Western Australia and at Broken Hill in New South Wales and whose operations were spread across the world.

Agricultural and pastoral production was largely owned and operated by Australians with a few distinctive exceptions. Lever is a rare example from this period of vertical integration; its Pacific coconut plantations produced copra for soap production in Sydney. Bovril operated estates in Australia and overseas.⁵⁶ Australia has never had a plantation economy, in contrast to some of the settler economies in South America. Instead, it was the national and international supply chains of agricultural and pastoral production—broking, buying, shipping, banking, and insuring—that were frequently under foreign control. Taking the numeric ASIC codes for those four service sectors (A2, G53, I61, and I62, respectively) aggregates to 119 firms, compared with only 16 primary producers. British shipping lines were foremost in lifting exports of frozen meat, dairy products, and fruit: the Peninsula and Oriental Company (P&O) entered the trade in 1887, Houlder in 1890, and Federal Line in 1893.⁵⁷ German shipping companies were also prominent.⁵⁸

Multinationals were also largely absent from infrastructure. Government borrowing in London to finance public works programs reduced the scope for foreign firms to operate in those industries.⁵⁹ Nearly half of this investment occurred in the construction of public rail networks.⁶⁰ The New Zealand rail network was also largely government owned. In the United States and Canada, governments provided land grants as an incentive to railway building by the private sector.⁶¹ David Boughey nonetheless estimates that as much as a quarter of British FDI in the

⁵⁶ Derek K. Fieldhouse, *Unilever Overseas: The Anatomy of a Multinational, 1895–1965* (London, 1978), 65; L. Jock Makin, *The Big Run: the Story of Victoria River Downs Station*, 2nd rev. ed. (Marleston, 1999), chap. 15.

⁵⁷ James T. Critchell and Joseph J. Raymond, *A History of the Frozen Meat Trade* (1912; London, 1969), 46–59, 128–29, and 420, appendix 3.

⁵⁸ Jon Perkins, “German Shipping and Australia before the First World War,” *Australian Economic History Review* 29, no. 1 (1989): 42–59.

⁵⁹ Butlin, *Investment*, part C; Hall, *London Capital Market*.

⁶⁰ Davis and Gallman, *Evolving Financial Markets*, 493–95.

⁶¹ Davis and Gallman, 482–83.

early twentieth century was in railways, none of it to Australia. Argentina (39 percent), India (19 percent), and Brazil (11 percent) were the main hosts.⁶² This is consistent with Twomey's calculations, noted in section 2, which place Australia high in FDI rankings if railways investment is excluded. Foreign ownership of utilities was relatively uncommon, with only 15 percent of the electricity industry under foreign ownership in Australia, which was similar to the Canadian experience of about 13 percent but a contrast to South Africa at 78 percent and Argentina at 85 to 95 percent.⁶³

Geographic location. The mining industry, as we might expect, had the most geographically diverse and extensive location for foreign investment. The plethora of foreign gold-mining companies were to be found particularly in Western Australia during the 1890s rush, coal production was more concentrated around New South Wales, and the other base-metal miners were distributed quite broadly across the continent.⁶⁴ Banks and stock and station agencies built substantial national branch networks across states in support of the pastoral expansion. Between them, the leading five stock and station agents occupied 165 branches in 1915 with the market leader, Dalgety, operating across five states.⁶⁵

Beyond these sectors, MNEs conducted their business largely in the capital cities, particularly Melbourne and Sydney. They included commodity traders, financial institutions, shipping offices, wholesalers, urban transport networks, and the local sales branches of overseas manufacturers. Many operated from modest premises and benefited from the close connection to other firms in, or related to, their industry. Australia was already becoming a highly urbanized society by 1914, which might be partly explained by the economic activity generated by the proliferation of MNEs.⁶⁶

Timing. Most of our 1914 MNEs arrived after 1870 and especially from the last decade of the nineteenth century (Table 4). Among the earliest arrivals were a handful of British banks and land companies responding to the pastoral boom of the 1830s to 1850s. This relative paucity is partly due to our choice of cross-section year, meaning that fewer will have survived the further back one goes.⁶⁷ But it may also

⁶² David Boughey, "British Overseas Railways as Free-Standing Companies, 1900–1915," *Business History* 51, no. 3 (2009): 484–500.

⁶³ William J. Hausman, Peter Hertner, and Mira Wilkins, *Global Electrification: Multinational Enterprise and International Finance in the History of Light and Power, 1878–2007* (Cambridge, U.K., 2008), 31–33, table 1.4.

⁶⁴ Blainey, *Rush*.

⁶⁵ Ville, *Rural Entrepreneurs*, 35–43.

⁶⁶ Lionel Frost, "Urbanisation," in Ville and Withers, *Cambridge Economic History*, 249.

⁶⁷ For a discussion of longevity among Australia firms in the early twentieth century, see Laura Panza, Simon Ville, and David T. Merrett, "The Drivers of Firm Longevity: Age, Size,

Table 4
Arrivals of MNEs by Date and Industry

	<i>Agric</i>	<i>Mining</i>	<i>Manufg</i>	<i>Financial servs</i>	<i>Rest D, E, F, G, H, L (Table 2)</i>	<i>Total</i>
Pre-1850	4		1	3		8
1851–1880	7	2	8	16	5	38
1881–1890	5	9	17	10	7	48
1891–1900	19	53	33	10	20	135
1901–1914	19	49	72	13	25	178
Total ^a	54/56	113/130	131/168	52/53	57/70	407/477

Source: Authors' Database.

^aTotal is arrivals as share of total firms in that sector.

be due to the underreporting of those earlier generations of MNEs that Dunning and Lundan describe as “individual entrepreneurs,” often members of extended families on scouting expeditions, who transferred savings and knowledge that built local businesses. Where they succeeded, older members of the family often returned to Britain, leaving the next generation or a wider circle of partners to manage the business in Australia while registering the firm in Britain and securing a listing on the Stock Exchange of London to provide funding.⁶⁸

Many wholesale mercantile businesses were begun by immigrant entrepreneurs who managed the operations from Australia with an office and warehouse in Britain. Some had lengthy nineteenth-century histories during which they had switched between British and Australian domicility, reflecting the fluidity of MNE status among firms. They progressed in some cases from partnerships to listed joint-stock companies several decades later. Large merchant firms were key intermediaries in the import and export trades and grew to considerable size with branches in other Australian colonies, New Zealand, and Fiji. Some integrated backward into local manufacturing. Scottish migrants D. & J. Fowler had kept a general store in Fifeshire before emigrating to Adelaide to establish a trading business around 1850. In the 1880s they integrated backward into manufacturing to overcome South Australian import tariffs, and in 1899 registered as a limited company.⁶⁹ By 1914 Fowlers

Profitability and Survivorship of Australian Corporations, 1901–1930”, *Business History* 60, no. 2 (2017): 157–77.

⁶⁸ Farmer and Company, a business begun in Sydney in 1840, was registered in England in 1897. H. Mortimer Franklyn, *A Glance at Australia in 1880* (Melbourne, 1881), 346–49; Robert L. Nash, *The Australasian Joint Stock Companies Year-Book* (Sydney, 1907), 179.

⁶⁹ Franklyn, *Glance at Australia*, 240–43, 243–45, 257–61, 346–49, 352–58, 381–85, 386–88; Wikipedia, s.v. “D. & J. Fowler Ltd.,” last modified 20 Mar. 2020, 08:11, https://en.wikipedia.org/wiki/D._%26_J._Fowler_Ltd.

had an extensive foods business with a branch in London, various production sites in Australia, and a strong consumer brand in Lion. However, many of the old merchant houses faced challenges by 1914 as larger department stores integrated backward, opening their own buying offices in Britain, and rising tariffs diverted customers to more direct dealings with local producers.⁷⁰ Further, manufacturers, particularly in the technological industries of the Second Industrial Revolution, undertook the distribution of their goods where specialized after-sales services were beyond the capacity of a generalist middle merchant.⁷¹

Several authors have argued that foreign investment in Australia reached a climacteric in the 1880s, peaking around 1892, but then collapsed in the troubled 1890s.⁷² Thereafter, Phillip Cottrell writes, “the Baring Crisis, the Wall Street panic, the end of the land boom in Australia, and the collapse of the banking system in 1893 conspired to shake confidence in all foreign securities, but especially Australian.”⁷³ Foreign investment, it has been argued by Samuel Saul, remained subdued until a year or two before World War I, denying Australia a share in the turn-of-the-century investment boom.⁷⁴ There was growing concern in Britain about the size of the public debt, the unprofitable uses to which it had been put, and Australia’s ability to service it.⁷⁵

Our data reveals an overlooked aspect of Australian experience in the decades leading up to World War I. About three-quarters of MNEs operating in Australia in 1914 had entered in the previous couple of decades. The most active entry sector in the 1890s was mining, and between federation and 1914 it was manufacturing. While many speculative gold miners came and went with the WA gold rush, several miners became more enduring participants in this highly cyclical sector. Sons

⁷⁰ One of Sydney’s leading department stores, Anthony Hordern and Sons Ltd, opened its London buying office in 1886. Melbourne’s Myer Emporium opened its London buying store in 1914. Thomas J. Redmond, “The History of Anthony Hordern and Sons Limited,” *Hordernian Monthly*, Jan. 1938, 85; S. M. Barbour, *Sidney Myer: A Life, A Legacy* (Prahran, 2005), 76.

⁷¹ Alfred D. Chandler Jr., *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, MA, 1977); Glenn Porter and Harold Livesay, *Merchants and Manufacturers: Studies in the Changing Structure of Nineteenth-Century Marketing* (Baltimore, 1971); Stephen Nicholas, “Agency Contracts, Institutional Modes, and the Transition to Foreign Direct Investment by British Manufacturing Multinationals before 1939,” *Journal of Economic History* 43, no. 3 (1983): 675–86.

⁷² Edelstein, “Foreign Investment,” 195.

⁷³ Phillip L. Cottrell, *British Overseas Investment in the Nineteenth Century* (London, 1975), 39–40.

⁷⁴ Samuel B. Saul, *Studies in British Overseas Trade, 1870–1914* (Liverpool, 1960), 79–86.

⁷⁵ Alexander J. Wilson, *An Empire in Pawn* (London, 1899), chaps. 5 and 6; Carl Bridge, “Australia, Britain and the British Commonwealth,” in *The Cambridge History of Australia*, vol. 2, *The Commonwealth of Australia*, ed. Alison Bashford and Stuart Macintyre (Melbourne, 2013), 518–36.

of Gwalia was listed on the London Stock Exchange in 1898 with Herbert Hoover (later U.S. president) appointed as its initial superintendent in Western Australia. The company continued until 1963 and was revived in a new iteration in 1981. Manufacturing multinationals, often only selling locally, included pioneers of American firms that endured for much of the twentieth century, expanding globally to exploit ownership advantages developed in their home economy. About 30 percent of our 1914 foreign manufacturers were still in business here half a century later.⁷⁶ The third main source of MNEs after 1890 related to the influx of wool traders discussed earlier. Much of the focus of declining foreign investment in the 1890s has been associated with changing attitudes among investors on the London Stock Exchange.⁷⁷ It is significant, therefore, that while 74 percent of companies in our 1914 database were from Britain, this share falls sharply to 53 percent when focusing on MNEs that arrived in the decade before 1914.

Explaining the MNE Presence in Australia

There are four main explanations for the presence of MNEs in Australia in 1914: a benign attitude to foreign investment; stable yet flexible institutions; a comparative advantage in resource industries; and high per capita incomes.

Multinationals frequently incur the wrath of local populations and policymakers who fear, for example, their potentially deleterious effects on domestic firms, national security, and independent policymaking. These were frequent concerns in Australia in the 1970s and 1980s.⁷⁸ In the pre-1914 period, however, opposition to foreign firms was rare and normally connected to a specific case rather than being systemic. There were no controls over the entry of foreign capital, nor a hostile local response to rapid fluctuations in investment in several industries, particularly gold mining in the 1890s. Zdravka Brunkova, David Round, and Martin Shanahan argue that any antagonism was mostly confined to perceived threats by a specific MNE to an established local industry.⁷⁹ American companies were periodically investigated under the 1906 Australian Industries Preservation Act, the earliest example of competition law in Australia, but that legislation was permissive and the focus was

⁷⁶ Australia, Department of Trade and Industry, *Directory of Overseas Investment in Australian Manufacturing Industry* (Canberra, 1966).

⁷⁷ A point picked up by Nash in his estimate of British capital in Australia. Nash, *Australasian Joint Stock Companies*, 1914, xxxi.

⁷⁸ For example, Gregory J. Crough and Edward L. Wheelwright, *Australia: A Client State* (Ringwood, 1982).

⁷⁹ Brunkova, Round, and Shanahan, "Attitudes and Responses."

more often the behavior of local firms. Similarly, Brunkova, Round, and Shanahan analyze the views expressed through the media and conclude that negative concerns about the diversion of economic activity were largely offset by positive views that foreign investment was aiding economic growth in Australia.

Benignity was also a function of the close relationship with the countries investing in Australia. Deploying the CAGE (Cultural, Administrative, Geographic, and Economic) distance framework, one can argue for the lack of friction over British investments in Australia.⁸⁰ Cultural similarities derive from the predominance of British settlers before 1914 and administrative similarities through the shared government institutions between imperial power and colonies. Economic differences were complementary, which facilitated trade between the two countries and attracted resource-seeking investments from a country short on the natural resources found in Australia. While geographic distance was extreme, the two countries had developed regular and relatively direct transport and communications connections and payment systems based on trade and empire. Similarly, Gary B. Magee and Andrew S. Thompson draw attention to the commonalities of language and political and legal systems that characterized the “British world” in this era.⁸¹

The CAGE framework suggests that greater distance existed between Australia and America. Although Australia was not a first-order priority for modern American firms seeking to exploit their ownership advantages globally, there appears to have been a period of convergence between the two nations by the late nineteenth century based on growing trade and shared values of modernity. In the case of continental European firms, many were French and German wool traders that had become part of close-knit, social-capital-rich business communities in the center of Sydney and Melbourne following the relocation of the international wool market. It has also been suggested that some European-owned firms may have routed their Australian investments via London to take advantage of the colonial “closeness.”⁸²

Investment generally follows low-risk stable environments where the threat of sudden policy changes or the sequestration of corporate assets is improbable. Australia experienced bouts of turbulence

⁸⁰ Pankaj Ghemawat, *The New Global Road Map: Enduring Strategies for Turbulent Times* (Boston, 2018).

⁸¹ Gary B. Magee and Andrew S. Thompson, *Empire and Globalisation: Networks of People, Goods and Capital in the British World, c. 1850–1914* (New York, 2010).

⁸² Van der Eng, “Case of Liability.” French and Belgian firms sometimes followed the practice of incorporating in London free-standing subsidiaries destined for Argentina. Norma S. Lanciotti and Andrea Luch, “Investing in Growing Markets: Opportunities and Challenges for Multinationals in Argentina, 1900–1960,” *Management & Organizational History* 10, no. 2 (2015): 124–25.

particularly in the 1890s as a result of a financial crisis, a drought, and the rise of organized labor. Changes in land laws and land tax may also have deterred some investment. However, the unpredictable effects of these disturbances were constrained within a stable environment. Australia provided a highly stable but also flexible set of institutions. It inherited modernizing British institutions that had provided the political, legal, and commercial foundations for Britain's economic hegemony in the mid-nineteenth century. At the same time, the Australian colonies successfully modified some of these institutions to make them more appropriate for a different national setting. Two important changes were the introduction of no-liability company legislation from 1870 to encourage mining investment and greater accommodation of lending on rural land to facilitate agricultural and pastoral development from the mid-nineteenth century.⁸³

A variety of resources in the host economy can be attractive to foreign firms, including natural resources, skilled labor, and government incentives. Australia possessed an abundance of natural resources, which provided a substantial comparative advantage in the production of resource industries, including a wide range of pastoral products and mining ores.⁸⁴ Since most of Australia's extracted resources were exported, this provided opportunities for MNEs with extensive geographic reach to value add in distributional channels along the supply chain to and from Australia as well as in production and financing. We saw above that substantial FDI found its way into these industries, particularly under the aegis of British free-standing companies specifically targeting Australia.

Multinationals found their way into many nations that were abundant in natural resources but often still at an evolving stage of economic development.⁸⁵ Australia, by contrast, was by the late nineteenth century already emerging as a successful resource-based economy whose population, though relatively small and scattered, enjoyed one of the very highest per capita incomes in the world.⁸⁶ With plenty of residual income in their pockets, Australians sought a wider range of consumer goods than supplied by the small domestic manufacturing sector. The development of regular oceanic liner trades in the second half of the

⁸³ Simon Ville, "The Institutional Legacy and the Development of an Australian National Innovation System," in *Institutions and Market Economies: The Political Economy of Growth and Development*, ed. W. Rick Garside (Basingstoke: 2007), 120–22.

⁸⁴ Simon Ville and Olav Wicken, "The Dynamics of Resource-Based Economic Development: Evidence from Australia and Norway," *Industrial and Corporate Change* 22, no. 5 (2013): 1341–71.

⁸⁵ Twomey, *Foreign Investment*.

⁸⁶ Jakob Madsen, "Australian Economic Growth and Its Drivers since European Settlement," in Ville and Withers, *Cambridge Economic History*, 36, fig 2.2.

nineteenth century, including those operated by such multinationals as P&O shipping to Australia, provided increased cargo space. In some cases, Australian imports also provided a return cargo for oceanic vessels carrying commodity exports, thus exerting downward pressure on freight rates.⁸⁷ By 1889 more than half of the imports into New South Wales and Victoria were consumer goods, which by the end of the century included, for example, a wide range of textiles, food, drink, drugs, jewelry, furniture, and books.⁸⁸ Foreign manufacturers sought to supply the Australian market, sometimes by export but also through a local sales presence, to build and service a loyal consumer following for their products. The actions of a series of firms including Nestlé, Cadbury, Schweppes, Parke, Davis and Co., Lever Brothers, Ford, General Electric, Continental Rubber, and Eastman Kodak laid the foundations before 1914 for more extensive local production of new consumer goods from the interwar period in what Gregory Whitwell terms the beginnings of a consumer society in Australia.⁸⁹

Conclusion

Australia was no distant backwater relying solely on economic management by remote control from the United Kingdom during the first era of globalization, circa 1870 to 1914. A thriving and diverse business community existed in Australia before World War I where local firms competed and cooperated with enterprises from Britain, America, France, Germany, Japan, New Zealand, and beyond. Improving communications in the second half of the nineteenth century facilitated international business as well as trade. Many of these firms deepened and broadened Australia's links with the international economy encouraging receptiveness to new ideas and technologies and offering wider markets abroad.

Multinational firms have been overlooked, we believe, for three main reasons. Many firms with head offices in the United Kingdom that operated only in Australia are now recognized as a particular type of multinational: the free-standing company. Second, many continental European wool traders were small unincorporated firms that have only recently

⁸⁷ A good account of the integration of international markets is Steven C. Topik and Allen Wells, *Global Markets Transformed, 1870–1945* (Cambridge, MA, 2014).

⁸⁸ Robert V. Jackson, *Australian Economic Development in the Nineteenth Century* (Canberra, 1977), 69; *Official Year Book of The Commonwealth of Australia*, no. 1 (Melbourne, 1908), 501–4.

⁸⁹ Gregory Whitwell, *Making the Market: The Rise of Consumer Society* (Melbourne, 1989), 11–15; Robert Crawford, "More than Froth and Bubble: Marketing in Australia, 1788–1969," in *The Routledge Companion to Marketing History*, ed. D. G. Brian Jones and Mark Tadajewski (New York, 2016), 297–314; Forster, *Industrial Development*, 230–32, appendix 3.

come to light through studies of that industry. Studies of other industries or business districts may reveal additional groups of unincorporated businesses. Third, aided by state registries of foreign companies, it is possible to identify foreign manufacturing companies with local operations, such as sales and marketing offices, that often did not produce locally until a later date.

There are some compelling reasons why we should discover an active international business community. Australia offered many benefits to overseas firms, as we have noted: supportive attitudes, strong institutions, a flourishing resources sector, and high per capita incomes. Although rarely studied, there were many reasons to set up business in a successful resource-based colonial economy. At the same time, there were upper limits to the scope of these investments. High wages and a small population scattered across a large continent meant that forms of manufacturing production requiring scale economies were unlikely to occur. In some of the natural resource industries, notably farming, we also find that production by MNEs was uncommon; there was no plantation economy. Instead, MNEs played important roles in connecting Australian production and consumption with global markets through supply chain services such as trade finance, marine and general insurance, overseas shipping, telegraphic cables, merchanting, commodity trading, and meat processing.

While we have uncovered many firms, it may be the case that most were relatively small as single-country free-standing companies, as unincorporated trading firms, and as sales branches of much larger global firms. The stable environment and institutions that attracted MNEs to Australia also enabled colonial governments to raise infrastructure funds on foreign bourses with relative ease. Network infrastructure, such as state-owned railways and utilities, part of so-called colonial socialism, denied an important channel to foreign firms that was more common in some other nations.⁹⁰ Loans to colonial governments comprised the majority of foreign investment flowing into Australia but the extent of FDI was much greater than formerly assumed. The importance of this finding, however, extends beyond orders of magnitude of investment. The involvement of foreign enterprise, broadly across the economy, was important in transferring skills and knowledge and building producer and consumer markets. Future studies might build upon our work to investigate more closely the behavior and impact of foreign firms in Australia.

⁹⁰ Noel Butlin, "Colonial Socialism in Australia: 1860–1900," in *The State and Economic Growth*, ed. Hugh G. J. Aitken (New York, 1959), 26–78.

How do these features differ from what we know about similar host economies to MNEs? Other successful resource-based economies have played host to multinationals, such as Norway or Sweden, and some were also British colonies such as Canada. New Zealand possessed these qualities together with a similar geographic location to Australia. Other nations have had quasi-colonial relations and more muted resource-based development such as Argentina or South Africa.⁹¹ Pre-1914 calculations of the magnitude and weighting of FDI suggest some similarities with other settler economies such as Canada, the United States, South Africa, and Argentina as hosts but that greater reliance on government-owned infrastructure may have reduced its importance in Australia. However, FDI data for this period is precarious. Future research might instead focus on closer examination and comparison of the populations of MNEs in these countries and thus build our overall understanding of neglected, but possibly very important, types of host economies to multinational enterprises.

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⁹¹ There is some multinational literature on each of these countries but little attempt to compare across nations in a generalized fashion. See, for example, Andreas R. Dugstad Sanders, Pål Thonstad Sandvik, and Espen Storli, “Dealing with Globalisation: The Nordic Countries and Inward FDI, 1900–1939,” *Business History* 58, no. 8 (2016): 1210–35; “Business Imperialism in South Africa,” special issue, *South African Journal of Economic History* 11, no. 2 (1996); Donald G. Paterson, *British Direct Investment in Canada, 1890–1914* (Toronto, 1976); and Stephen. R. H. Jones, *Doing Well and Doing Good: Ross and Glenelg Scottish Enterprise in New Zealand* (Dunedin, 2010).