

Labor History, Railroads and Australia, 1880-1900

Abstract

This chapter explores how managerial attitudes to railroad labor during the late nineteenth century were driven by factors external to the national environment in which they operated, namely a global market in rural commodities, most particularly in wheat. Previously, most attention has focused on industrial conflict in the United States, most particularly the so-called Pullman Boycott; a national stoppage that brought much of the American rail network to a halt in May-July 1894. Most historians – Alfred Chandler, Richard White, Gabriel Kolko, Shelton Stromquist, to name a few – have associated this pattern of American conflict to falling freight rates associated with excessive competition between the United States' privately-owned railroads. If this assumption is correct than we would expect both of the problems – labor conflict and falling freight rates – would be absent in New World societies where railroads operated under public rather than private ownership. Among New World societies public ownership of the railways was arguably most significant in Australia; a continental society almost identical in size with the mainland United States where railroads played a similar role in national development. Despite this variance in ownership, however, Australian railroads were beset with similar problems to the United States. Per-ton freight rates declined in like fashion. As in the United States, Australian railroad managers responded to falling freight-rates by savage wage cuts and staff redundancies. The commonalties between Australia and the United States points to a common causal factor. It is argued that this common causal factor was the falling world price for grain, most particularly wheat, the London benchmark wheat price falling from US\$1.92 in 1871 to US\$0.81 in 1891.

KEY WORDS: railroads, management, commodities, global markets, trade unions, labor conflict

CROSS-REFERENCED: Competition; Labor Conflict; State Regulation; National Development; Commodities; Railroads; Australia.

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Introduction

In a society in which there is almost endless hype about so-called “disruptive innovation” it is useful to remind ourselves how the modern world remains utterly dependent on two nineteenth century technologies: steam power and railroads. Across the globe the great bulk of power used by businesses and households continues to come from steam-power, albeit in the form of electricity rather than direct motive power. In most cases the steam that drives the turbines still comes from coal-fired boilers. In transportation, almost all heavy freight – agricultural produce, machinery, building materials, bulk chemicals, containerized freight – is still moved from place to place by rail. Compared to every technology that came before and since, railroads and steam-power were truly disruptive and transformative. Whereas in the early nineteenth century most people lived and died within a short walk of where they were born, the arrival of a railroad brought once distant locations within easy reach. As employers the railroads were without peer in the nineteenth century, both in terms of the size of their workforce and the complexity of their webs of workplace regulation. In 1891, Chandler (1977: 204) observed, the Pennsylvania Railroad employed more than 110,000 workers, a number that exceeded the total employed by both the United States postal services and the combined defence forces. The United States railroad workforce also proved strike prone, a propensity that led to a prolonged national stoppage – the Pullman Boycott – in May-July 1894. Reflecting on the American pattern of conflict, Shelton Stromquist (1987: 24) recorded how the strikes by railroad workers “tended to be less localized, more disruptive ... and more visible ... than strikes in other industries”.

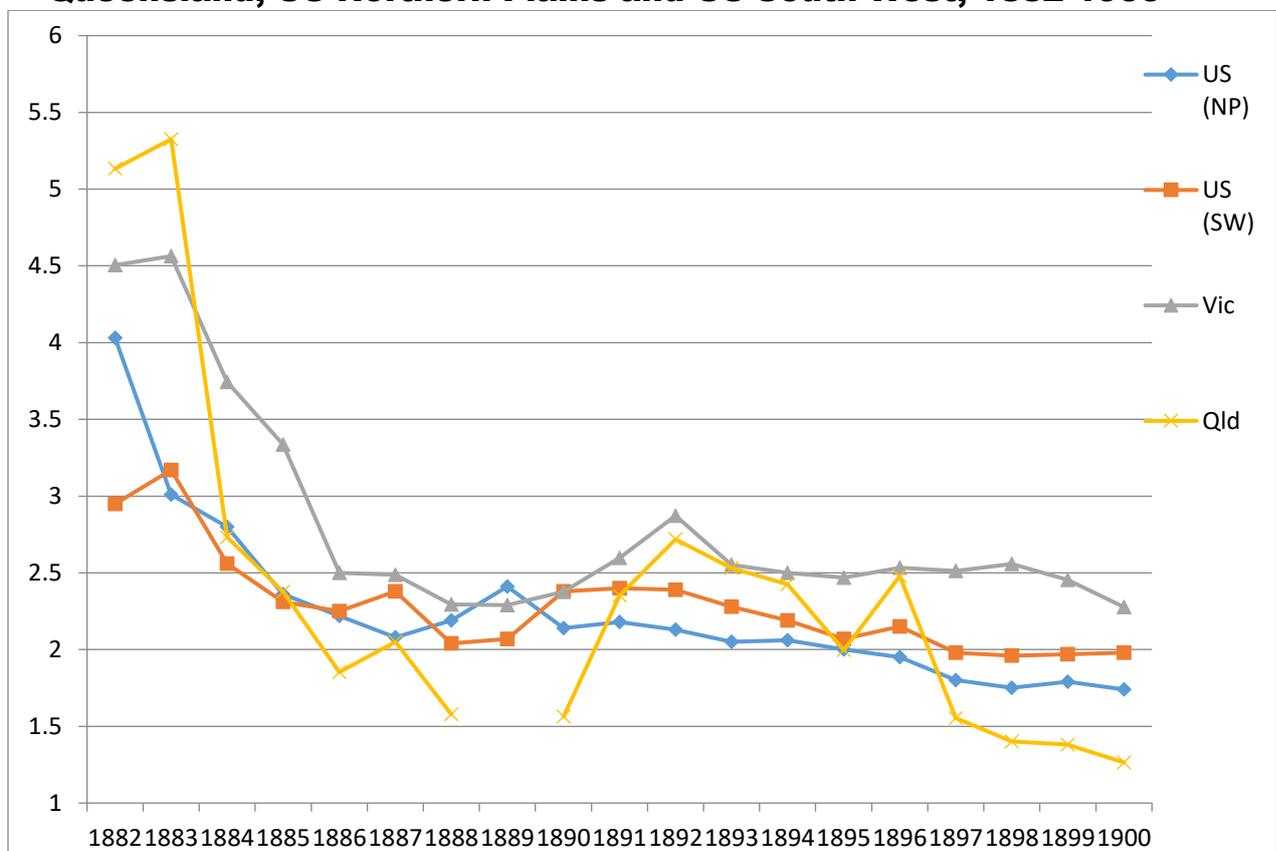
Among business and labor historians there has been an understandable temptation to regard the United States experience as the nineteenth century norm; a tendency reinforced by Chandler’s (1990) studies in *Scale and Scope*, within which he argued that differences in railroad development accounted for many of the divergences in global business practices. In labor history it is difficult to think of studies in other national jurisdictions comparable to those undertaken by Stromquist (1987), Herbert Gutman (1976) and Stephen Thernstrom (1968); studies that linked United States railroad conflict with patterns of residence, career progression and geographic mobility. Yet, although it is true that similarities in railroad technology produced similarities in railroad operations across the nineteenth century world, there were nevertheless profound differences in terms of ownership, financing and labor relations. Arguably, few countries differed from the United States experience to a greater degree than Australia. In Australia, with a few inconsequential and short-lived exceptions, all railroads were the property of the various colonial (subsequently state) governments; an outcome that made them central

to national patterns of employment and investment. In considering the Australian model of railroad development the nation's pre-eminent economic history, Noel Butlin (1972: 49) declared it to be "an exceptional experiment in government intervention in the economy." Admittedly, it would be wrong to conclude that railroad expansion in the United States occurred in a political or regulatory vacuum. On the contrary, initial railroad expansion in the United States was heavily dependent upon government subsidies and land grants, Ripley (1913:39) estimating that prior to 1870 the various local, state and federal governments funded 40 percent of the cost of American railroad development, "one way or another". Of the post-Civil War transcontinentals (i.e. the Union Pacific, the Central Pacific, etc), Richard White (2011: 24) similarly observed that they received federal land grants that were in size the "equivalent of small countries". State intervention in the United States was also directed towards the mitigation of "excessive" completion. Even before the establishment of the Interstate Commerce Commission in 1887, state railroad commissions – empowered in the Mid-West by the so-called "Granger laws" – sought to impose regulated freight rates within their area of jurisdiction (Parsons, 1906). Controversially, Gabriel Kolko (1965: 3, 5) claims that the railroads "positively welcomed" federal government intervention under the auspices of the Interstate Commerce Commission, supposedly operating under the assumption that "only through the positive intervention of the national political structure could the destabilizing, costly effects of cutthroat competition, predatory speculators, and greedy shippers be overcome". Whatever the veracity of Kolko's conclusions, what is nevertheless clear is that during the late nineteenth century the process of state and federal regulation did little to alleviate the continued decline in freight rates and railroad profitability; factors that remain seminal to the patterns of railroad bankruptcies and labor conflicts that blighted the railroads of the American West in particular during the 1890s. As William Robinson (1890: 23), the editor of a St Paul-based newspaper observed, in 1890, "the [economic] condition of the railroads is deplorable in each Western state". This problem, he added (Robinson, 1890: 23), was most pronounced in the Mid-West wheat-growing regions, it being the case "that those parts of them [the Western railroads] which run through Iowa and Minnesota and Nebraska and Wisconsin are all alike unremunerative property."

In exploring the ways in which Australia's unique pattern of railroad ownership impacted upon patterns of both labor relations and management this chapter seeks to avoid a common tendency in railroad studies, namely the propensity to view circumstances through a national rather than a global lens. Admittedly, the justifications for focusing on national peculiarities appears at first glance to be overwhelming. Railroads are place-based assets subject to legal regulation by the jurisdictions within which they operate. They employ local labour and are subject to the vagaries of local climate and geography. Despite the importance

of these place-based factors this study suggests that we need to be ever mindful of the fact that nineteenth century railroads were, in the final analysis, but one cog in a global system of production and exchange; a system which funnelled primary commodities in the direction of the great industrial districts of the North Atlantic littoral. Of particular importance in the development of New World railroads was the European demand for food and textile products, most particularly wheat. As the economist, Walt Rostow (1963: 14), correctly observed, it was the “rising world grain prices ... that made the massive laying of [New World] rail lines attractive.” The initial prosperity that New World railroads garnered from servicing increased global demand made them, however, captives of commodity price cycles. Consequently, the United States and Australia were subject – despite marked variance in terms of patterns of ownership – to markedly similar global forces that produced markedly similar outcomes in terms of railroad finances. As is evident in Figure 1, per ton freight rates in the Australian colonies of Victoria and Queensland moved broadly in line with those for the United States’ Northern Plains (Minnesota, Nebraska, Iowa, Wyoming, Montana and the Dakotas) and the United States’ South-West (Arkansas, Kansas, Colorado, Missouri, New Mexico, Oklahoma and Texas) between 1882 and 1900.

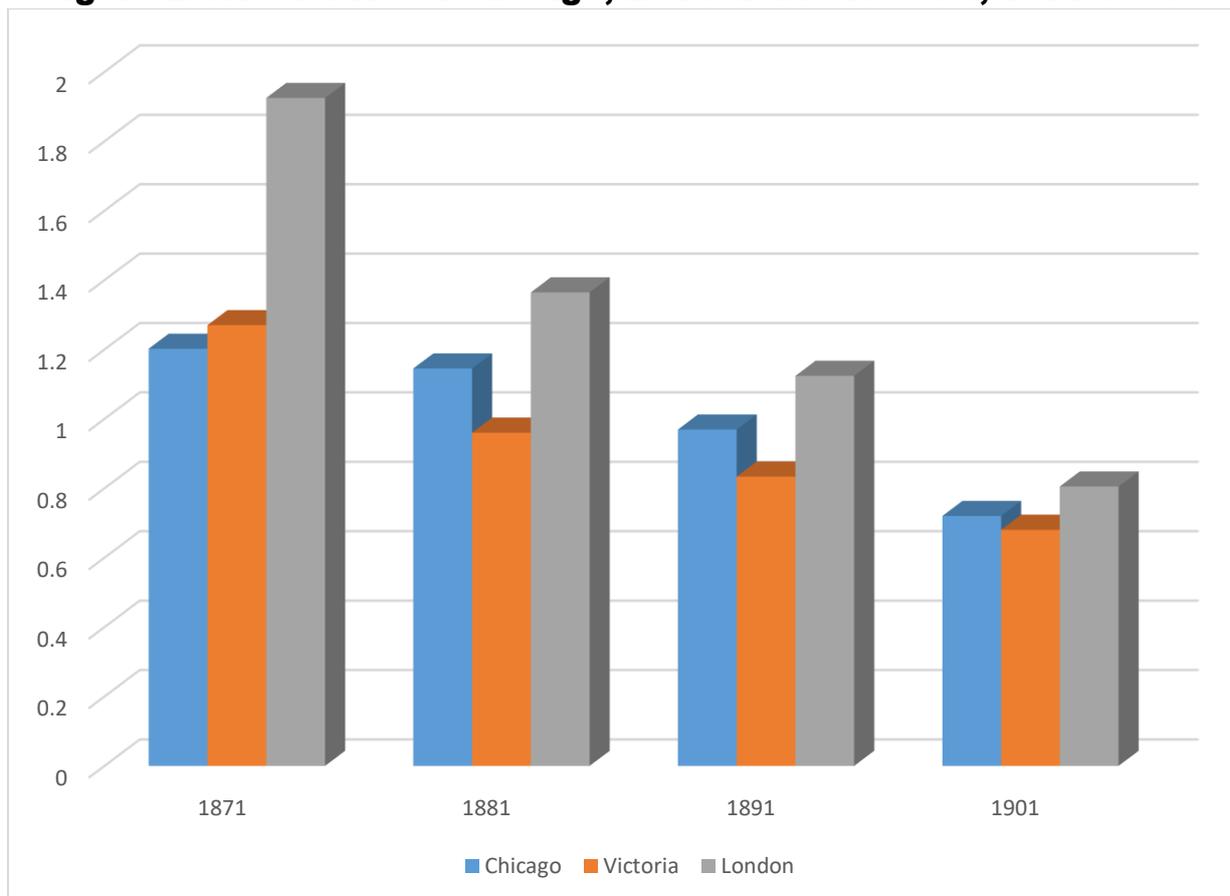
Figure 1: Per Ton Freight Income in US Dollars: Victoria, Queensland, US Northern Plains and US South-West, 1882-1900*



(Source: Poor, *Manual of the Railroads of the United States*, 1883-1901; *Queensland Railway Commissioners' Reports*, 1882-1901; *Victorian Railway Commissioners' Reports*, 1882-1901) * No Queensland figures for 1889 due to change to financial year measurement.

What explains the marked similarities in per ton freight rates in Australia and the American West; similarities which were to drive both Australian and United States into similar strategies for cost reduction that were to profoundly affect their labor relations with their workforces? Explanation, it is argued, is found in understanding the global production and logistics system which the railroads themselves did so much to foster. As Figure 2 indicates, in 1871 there was a significant price difference between what wheat wholesaled for in London when compared to either Chicago or Melbourne, then Australia's largest city (and the second largest in the British Empire). Whereas the London benchmark price averaged – when expressed in historic US dollars - \$1.92, the benchmark price in Melbourne and the other port towns of Victoria averaged two-thirds of this (\$1.27). In Chicago, the benchmark wheat price (\$1.20) was 62.5% of the London wholesale price. This price differential made the growing, export – and transport – of wheat and other grains (barley, corn, oats, etc.) a highly profitable affair. As railroad expansion brought every increasing amounts of agricultural and pastoral land into production, however, the world grain market came to favor buyers rather than sellers. By 1881 the London benchmark wheat price (\$1.36) was down by 29.1% from its 1871 highs. By 1901 the London benchmark (\$0.81) had lost 58.2% of its 1871 value (Wallace, 1930; Dunsdorfs, 1956; Victorian Parliament, 1872, 1902). As falling London prices rippled through the global market it had three obvious effects. First, there was a marked price compression. Reflecting on this price compression in 1892, in an article entitled *The Price of Wheat Since 1867*, Thorstein Veblen (1892: 82), identified 1882 as the “turning point” after which date prices were determined by “the aggregate volume of the world's crops”. In Australia, Dunsdorfs (1956: 166) similarly noted that by the early 1880s “the price in the world market became the determining factor influencing the [Australian wheat] industry”. The second notable consequence caused by the emergence of a buyer's market was the way in which the declining London price dragged down the Chicago and Victorian benchmarks. In consequence, by 1901 the Victorian and Chicago benchmark wheat prices were, respectively, a mere 46.4% and 40.1% of their 1871 levels. The third, and for railroads all important, effect of the decline in the price of wheat and other rural commodities was found in the undermining of the per ton freight rates upon which railroad profitability was premised. As Albert Fink (1875: 33), the head of the Louisville and Nashville Railroad, observed in 1875, the most basic fact of railroad economics was that the “value of an article ... determines the charges for transportation it can bear”.

Figure 2: Wheat Prices: Chicago, London and Victoria, 1871-1901



(Sources: *Victorian Statistical Register 1871-1902*; Wallace, *Agricultural Prices*).

For the railroads of the United States, Australia and elsewhere, the decline in commodity prices – and hence in railroad rates – created one overriding imperative: a need to reduce costs. By the 1890s, it was this imperative that drove labor relations, regardless of national variations and patterns of ownership. In the United States, railroad management indicated it was no longer willing to tolerate industrially militant manifestations of trade unionism, crushing the American Railway Union (ARU) and its strike-prone allies in the Knights of Labor. In reflecting on his union’s crushing defeat in the Pullman Boycott, the socialist head of the ARU, Eugene Debs, declared that the employment circumstances of railroad workers would be “infinitely superior ... if the people [i.e. the state] owned and operated the railroads” (cited Stromquist, 1987: 39). The Australian experiences belie this expectation. In Queensland, the northernmost and largest of Australia’s eastern colonies, parliament mandated wage cuts of between 15% and 30% in July 1893 (Queensland Parliament, 1894: 1188). In Victoria, the populous southernmost mainland colony, railroad staff numbers were cut by 39.6 percent between 1890 and 1897 (Mathieson, 1898). The number of train-miles operated was slashed, those in Victoria falling from 12.9 million in 1890-91 to 9.0 million in

1895-96 (Mathieson, 1897). In summing up management's approach to labor relations, the Chief Victorian Railway Commissioner, R.H. Francis (1894: 14), declared that,

The first duty incumbent upon us was, and still is, to retrench in every direction ... We have had to dispense with a large number of employees, retire old and faithful officers, increase duties, reduce salaries and wages, and curtail privileges.

In Queensland the Railway Commissioners issued a directive in August 1891 that station masters and other officers – who tended to make up the senior leadership of the colony's principal railway union, the Queensland Railway Employees Union (QREA) – resign either their union membership or their jobs; a directive that effectively destroyed the union (*Worker*, 1891). It is therefore evident that state ownership *per se* did little to differentiate Australian labor relations from the pattern which prevailed in the United States. In the final analysis, the summation of the Victorian Railway Commissioners in 1895 (Syder, Woodruffe and Lochhead, 1895: 6) that “the prosperity of the railways” was “inextricably linked” to “the [agricultural] producer” was as true of the American Midwest as it was of Australia

To explore the effects of state ownership on management and labor relations in the Australia's nineteenth century railroads this chapter focuses on the experiences of Victoria and Queensland. Victoria is chosen because it was the most urbanized Australian colony, boasting 1.13 million people in 1891. Queensland, whose economy was rurally-oriented – claiming a mere 392,116 inhabitants in 1891 despite being roughly two and a half times the size of Texas – stands at the other end of the Antipodian spectrum. In exploring the experiences of these two colonies, however, it should be emphasized that even in the case of Victoria the fate of the railroads was tied to the fortunes of the rural sector. As late as 1895, as an official inquiry revealed, cereals, timber, wool and coal made up 78.9% of Victorian freight tonnage (Lochhead, 1895: 72). To place the Australian experience within a broader context comparison is made to the United States, most particularly the Southwest and Northern Plains regions; regions which, like Victoria and Queensland, witnessed both rapid railroad expansion in the 1880s and a crisis of railroad finances in the ensuing decade. In undertaking this comparison, United States railroad statistics cited are primarily drawn from Poor's annual series, *Manual of the Railroads of the United States*. The American grain prices cited are those paid by wholesalers in Chicago and are drawn from Wallace's (1930) *Agricultural Prices*. Victorian and Queensland railway statistics are primarily drawn from the annual reports of the colonial railway commissioners. Australian agricultural statistics are calculated from the colonial *Statistical Registers* of Victoria and Queensland, respectively.

Railroads, National Development and Employment

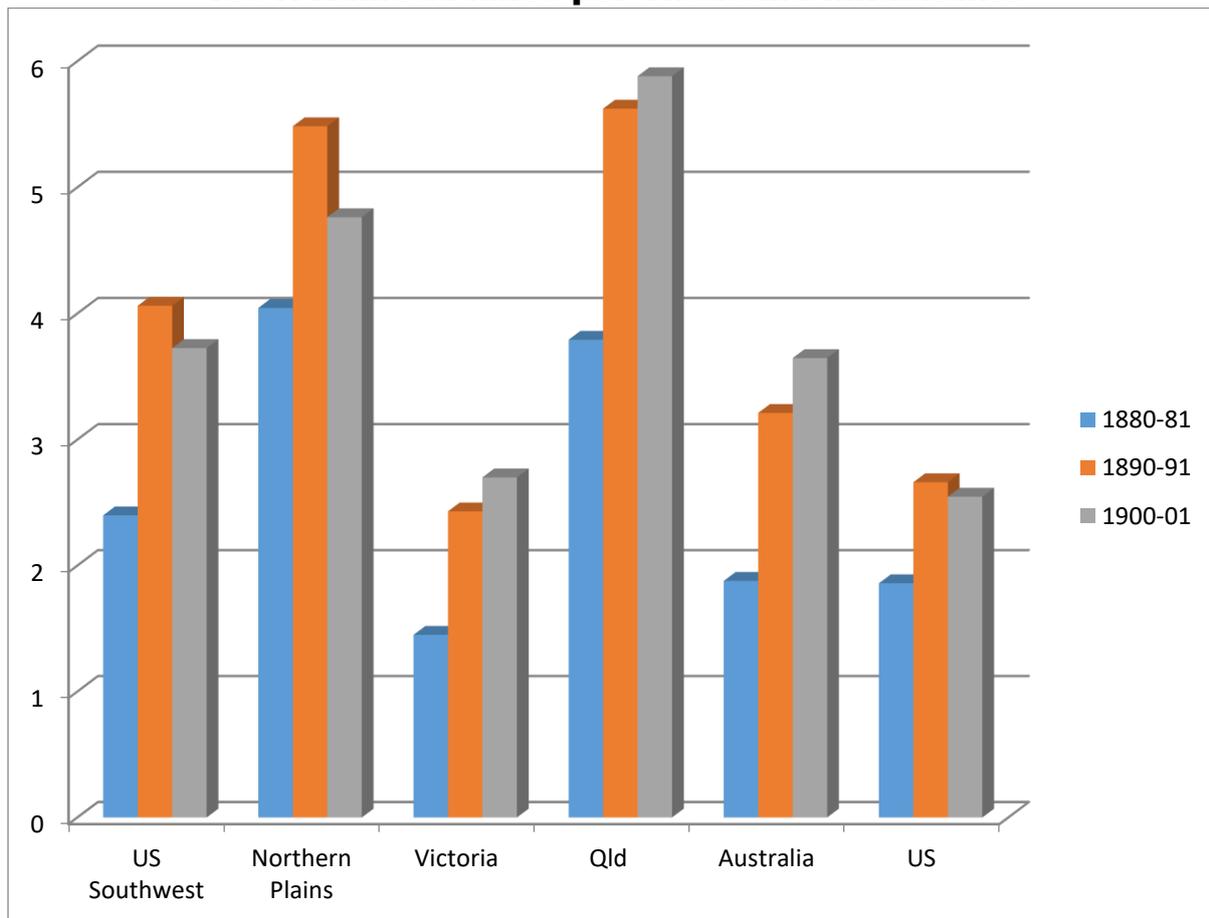
In the second half of the nineteenth century the railways were everywhere at the forefront of economic advancement. In the vast continental spaces of North America and Australia the railways assumed particular importance, pushing back the frontier of European settlement and linking agricultural, pastoral and mining endeavours to the international marketplace. For those who entered into railway service, whether in America or Australia, working life was shaped by where one stood in a complex job hierarchy. At the bottom of the pecking order was a host of semiskilled occupations that included the navvies and fettlers engaged in constructing and maintaining the road (called the Permanent Way in Australia), the porters and freight handlers in the Traffic Departments, and the tradesmen's assistants and cleaners who toiled away in the railway workshops. Above them were the guards who, at least nominally, controlled each train in its journey across the road and the switchmen who directed rolling stock across the tracks. At the top of the job hierarchy were the skilled craftsmen in the workshops and the engine-drivers on the locomotives. While the former secured their privileged position by completing the time-honoured rituals of an apprenticeship, the latter gained their jobs by progressing up a promotion ladder that was peculiar to the railways. This involved working one's way from a locomotive cleaner's position to a firemen's job before, finally, securing a vacancy as a locomotive driver.

The job hierarchy that characterized railroad employment differentiated it from other areas of blue-collar work in that it offered workers a lifelong career with promotion prospects. In Australia, the conservatizing tendency that inevitably ensued from such circumstances was reinforced by *de facto* public service employment conditions. To reduce or eliminate outside interference in recruitment – most particularly by colonial politicians seeking to curry favour with their constituents by placing local family in much coveted railroad jobs – from 1883 the Australian colonies brought railroad employment and management under the control of nominally independent Railway Commissioners. Hiring and promotion were both made subject to performance in exams administered by an independent board. Once appointed, a worker was subject to a six-month period of promotion which, if navigated, led to permanent tenure. All jobs were formally classified and linked to government-mandated pay scales. In outlining the benefits of this system, the Queensland Minister for Railways declared that the reforms endowed railroad men with “rights and privileges they have never enjoyed before” (Queensland Parliament, 1889: 127).

The significance of railroads in the Australian experience is best understood by looking at the amount of mileage per thousand inhabitants and comparing the resultant figures with those for the United States and, most particularly, the American Southwest and Northern Plains: regions where the railroads were playing a similar development role in the late

nineteenth century. As is evident, by 1900-01, even the smallest and most urbanized mainland Australian colony of Victoria boasted more mileage per thousand inhabitants (2.7 miles) than the United States as a whole (2.55 miles). In Queensland, even in 1890-91, the colony's mileage per thousand people (5.62 miles) comfortably exceeded that for either the United States Southwest (4.1 miles) or the Northern Plain (5.48 miles).

Figure 3: Australian and United States Railroads, 1880-81 – 1900-1901: Railroad Miles per Thousand Inhabitants



(Source: Poor, *Manual of the Railroads of the United States, 1881-1901*; *Queensland Railway Commissioners' Reports, 1882-1901*; *Victorian Railway Commissioners' Reports, 1882-1901*)

The high Australian mileage reflected in large part the importance of rural pursuits in national economic output. However, a peculiarity of Australian society was that even though a disproportionate share of national wealth was produced by the pastoral and mining sectors their high productivity meant that most people lived in the cities rather than the countryside. As Butlin (1972: 6) records, "By 1891, two-thirds of the Australian population lived in cities and towns, a fraction matched by the United States only by 1920 and by Canada not until 1950." In Victoria, more than a third of the population – 387,000 out of a total of 1.13 million people –

lived in the metropolis of Melbourne. Thousands more lived in adjacent urban areas. Even in Queensland, with its vast pastoral spaces, the metropolitan population in Brisbane (93,657) represented 23.9% of the total. One of the consequences of this high level of urbanization was that it made passenger transport a key contributor to railroad employment and finances. In Queensland, where separate passenger income was only reported from the mid-1890s, this revenue stream made up 45.6% of total railroad receipts in 1894-95. By century's end, passenger services were making up 51.2% of the gross revenues of Queensland rail system (Gray, 1901). In Victoria, even in 1890-91, passenger transport brought in considerably more income (US\$8,312,131) than did the movement of freight: US\$7,751,890 (Speight, 1892). Typically, passenger transport was less important in the United States than Australia. In 1890, it provided only 27.8% of total gross revenue across the national network (US\$290.8 million compared to freight's \$754.2 million). In the newly settled districts west of the Mississippi the movement was, unsurprisingly, more important in the more densely settled Southwest – where in 1890 it provided 41.6% of gross revenues (US\$28.9 million versus freight's US\$40.5 million) – than it was in the Northern Plains, where in 1890 it contributed 23.8% gross revenues (US\$22.6 million versus US\$72.4 million (Poor, 1891).

Theoretically, a significant stream of passenger revenue should have strengthened railroad finances, thereby allowing for stable employment and labor relations. This supposition, however, only applied in practice if passenger revenues were associated with *long-distance* transport where passengers were willing to pay substantial fares on trips that entailed few stops (and thus few costs). Unfortunately for Australia's railways the more urbanized nature of their societies increased their exposure to suburban rail systems that entailed a great number of short trips with an associated increase in costs. The consequences of this were most evident in Victoria, where Melbourne's suburban network was pushed into the city's working-class outer suburbs during the 1880s. A boon to passengers these roads bled money and by 1895 Victoria's worst loss-making roads were all found in the suburban network (Mathieson, 1897). To add to the woes of Victorian Railway's Department, these new roads faced competition from an expanding system of tramways. The resultant competition was ruinous to both. Whereas in 1891 the suburban railways earned US\$2,632,777 and the tramways US\$2,739,570, three years later the former grossed US\$1,936,734 and the latter US\$1,750,989 (Casey et al., 1895: viii). The profit-sapping role of the suburban network was fully revealed when the Victorian Railway Commissioner (Fitzpatrick, 1901: 25) published separate figures for suburban and rural passenger income for 1900. These revealed that although the suburban system carried far more passengers (26.6 million) than the country roads (3.55 million), it was the latter which provided by far the larger gross revenue (US\$3.581 million compared to \$2.218 million). Servicing a less urbanized society with a much smaller

metropolis, Queensland's railroads long avoided Victoria's suburban losses. Instead, its passenger business remained premised on long-distance country trips. The consequence of this can be observed by comparing the income obtained in 1900-01 from Queensland's total passenger movements (4.76 million passengers) with those for Melbourne's suburban system (26.6 million passengers). While Melbourne's passenger numbers were 5.65 times higher (26.6 million compared to 4.76 million), the gross revenue received was only 30.5% higher (US\$2.218 million compared to US\$1.7 million) (Fitzpatrick, 1901; Gray, 1901). As, however, Queensland began to develop its own suburban system to service Brisbane's expanding suburbs it too found passenger transport to be less remunerative, the income per passenger falling by a quarter to US\$0.36 between 1895-96 and 1900-01 (Gray, 1897; Gray, 1901).

By comparison with the United States' newly settled regions it is evident that our two Australian colonies, most particularly Victoria, experienced the worst of both worlds. The heavy dependence of the Australian economy on primary activities undertaken in the continental interior meant that the freight business of Australia's railroads was exposed to the same vagaries in global commodity markets as were the American Southwest and High Plains regions. At the same time the highly urbanized nature of Australian society – which was most pronounced in Victoria – resulted in disproportionately important, and profit-sapping, suburban networks. Such problems ensured an inevitable crisis of labor relations in the Queensland and Victorian railways; a crisis which occurred even in the absence of the large, militant railroad workforces that characterized the American West.

Geography, Residence and Trade Union Militancy

One of the undoubted strengths of United States studies into nineteenth century railroad industrial conflict is found in the linkages that Thernstrom (1968), Gutman (1976), and Stromquist (1987) identified between geography, residence and levels of trade union militancy. The most obvious manifestation of these linkages was the way in which geographical expansion created labor shortages. As Stromquist (1987: 29) noted, it was the "midwestern states", closest to the frontier, which "contributed disproportionately to the increasing frequency of railroad strikes between 1885 and 1894". While an association between labor shortages, union militancy and industrial conflict is one that most of us would expect, a more interesting insight by labor historians is associated with the linkages between unionism, industrial conflict and place of residence. In his studies, Herbert Gutman (1976) noticed that unionism, and support for striking railroad workers, were stronger in smaller towns than in the larger cities. In exploring this phenomenon, Stromquist (1987) also observed that, among the smaller towns, the support for unionism and strike action was much lower in what he called "market towns" (i.e. towns whose existence preceded the railroads and which boasted a large commercial middle-class) than in so-called "railroad towns" that owed their

existence to the railroads, and within which railroad workers comprised a large proportion of the population. Typically, the latter types of towns, Stromquist (1987: 163) continued, were “newer settlements” close to the frontier. Accordingly, in the 1880s and 1890s such towns – and militant forms of unionism – were found in the greatest concentration in the Southwest, High Plains and mountain states.

If the United States experience was replicated in Australia we would expect to find higher levels of unionism, and a greater propensity for strike action, in Queensland than Victoria. Certainly, by the early 1890s the largest and most militant Australian unions were based on the pastoral workforce in the continental interior. In 1890, the Australian Shearers Union (ASU) claimed 20,000 members. A separate, more militant union, the Queensland Shearers Union (QSU), was responsible for organizing the vast Queensland pastoral districts. Together with the Queensland Labourers Union (QLU) – a union which organized the non-shearing workforce on pastoral properties – the QSU spoke for 10,000 workers. Evidence of the militancy of the QSU and QLU is found on many fronts. Together, these unions were seminal in the establishment in August 1890 of a grand labor coalition called the Australian Labour Federation (ALF); a body committed to both coordinated industrial action and the obtainment of socialism by political means. The pastoral unions were also the main driving force behind the establishment of the Labor Party in Queensland (Murphy, 1970; Bowden, 2011). The militancy of the pastoral workforce was demonstrated in the long, bitter and bloody Queensland shearers’ strike of February-June 1891, and the national shearers’ strike of 1894. Writing of the 1891 strike, Svensen (1989: 4) records how by “the end of the conflict over 2,000 soldiers and police had been deployed. Hundreds of unionists were arrested ...and many served lengthy prison sentences.”

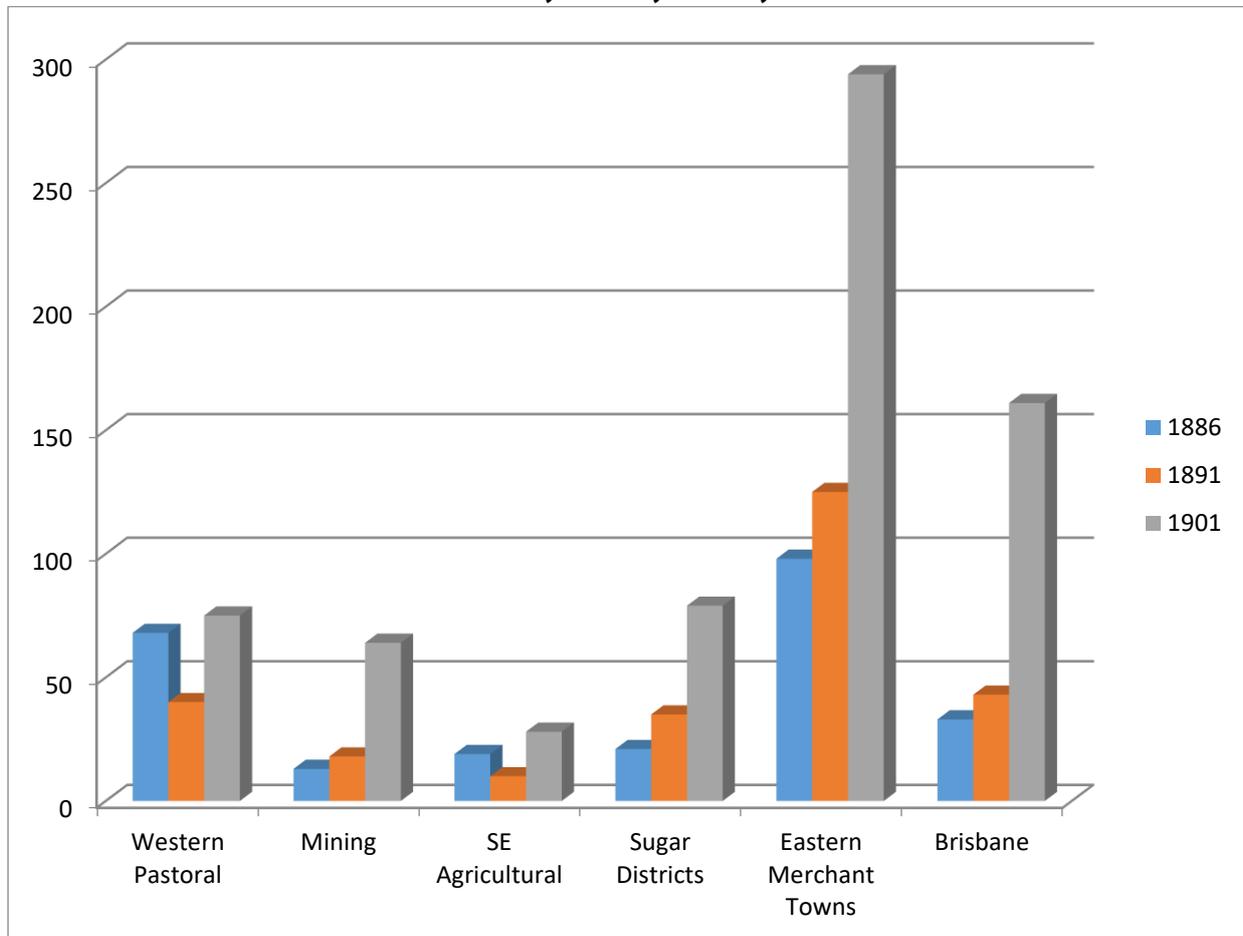
Although the pastoral workforce provided Australian unionism with its most strategically located constituency, there were nevertheless significant variations in support for the ASU and QSU. As Merritt (1987) ascertained in his study into the support base of the ASU and QSU, unionism was only weakly embraced by shearers drawn from wheat-growing districts. In these districts, closer to the coast, shearing was only a secondary activity. Mainly concerned with their own property interests, these farmers *cum* shearers were reluctant to alienate the pastoral and merchant interests who typically wielded much local economic and social power. By contrast, in the vast western pastoral districts, where the pastoral workforce was made up of seasonal itinerants, support for unionism was almost universal.

Logically, one would expect that the orientation of the Queensland Railway Department towards the needs of the pastoral sector – which in 1891-92 saw 55.2% of total gross revenues come from the transport of wool (Mathieson, 1892) – would have resulted in many railroad workers sharing the attitudes and union principles of the pastoral workforce. An

analysis of the geographical location of the Queensland railroad workforce, however, indicates why this was in fact not the case. For one of the peculiarities of the Queensland railroad network is that, unlike other Australian colonies, the system originated *not* in the capital, Brisbane, but rather in the southern provincial city of Ipswich. Already well-established prior to the establishment of the town's railway workshops in 1864, Ipswich was a classic "merchant town", dominated by intermarried commercial dynasties. So great was the power exercised by "the old established firms of Cribb & Foote, Macfarlane & Co., and the like" over "their humbler neighbours", the *Brisbane Courier* (1879: 2) complained, that for "a large proportion of the community, individual liberty has ceased to exist". From Ipswich, Queensland's first railroad moved not eastward to Brisbane but westward to Toowoomba on the crest of the Great Dividing Range, a town that gave the system's southern trunk line access to the Maranoa and Warrego pastoral districts. Like Ipswich, Toowoomba was a classic merchant town, Waterson (1968: 80) describing it as one of Australia's "great urban *bourgeois* success stories". Further north, the central and northern pastoral districts were accessed by roads which ran west from Rockhampton and Townsville, respectively; roads which were to exist without connection to the southern network until the 1920s. In the nineteenth century, Rockhampton and Townsville were also "merchant towns". In Rockhampton the leading Labor Party identity was William Kidston, the owner of a book selling business. An inherently conservative figure, Kidston was to subsequently break from the party, serving as Queensland Premier at the head of an anti-Labor coalition between 1906 and 1911 (Murphy, 1975).

Rather than basing substantial physical assets and workforces in the pastoral districts the Queensland Railway Department opted to service them from the eastern hubs of Toowoomba, Rockhampton and Townsville. Thus, although there *were* railroad hubs located within the pastoral districts – Charleville, Emerald, Barcaldine, Hughenden – these were little more than sites for refuelling and crew changes. The consequences of this can be ascertained when - drawing on the colonial censuses of 1886, 1891 and 1901 - we examine the place of residence for the Queensland locomotive crews, the most industrially important section of the workforce. As is evident, few of the locomotive workforce lived in the pastoral districts. By far the greatest number resided in the eastern merchant towns: Ipswich, Toowoomba, Townsville, Rockhampton, Maryborough and Bundaberg, the latter two towns servicing the southern sugar districts. In 1901 those living in such hubs (294 employees) amounted to 46.2% of the locomotive workforce (Queensland Government, 1886, 1891, 1901). Most of the rest lived in Brisbane, a commercially-oriented city with a modest manufacturing sector and a comparatively weak labor movement.

Figure 4: Distribution of Queensland Locomotive Workforce by Residence, 1886, 1891, 1901



Sources: Queensland Government, Queensland Censuses of 1886, 1891, 1901 (Note: there was no census conducted in 1901).

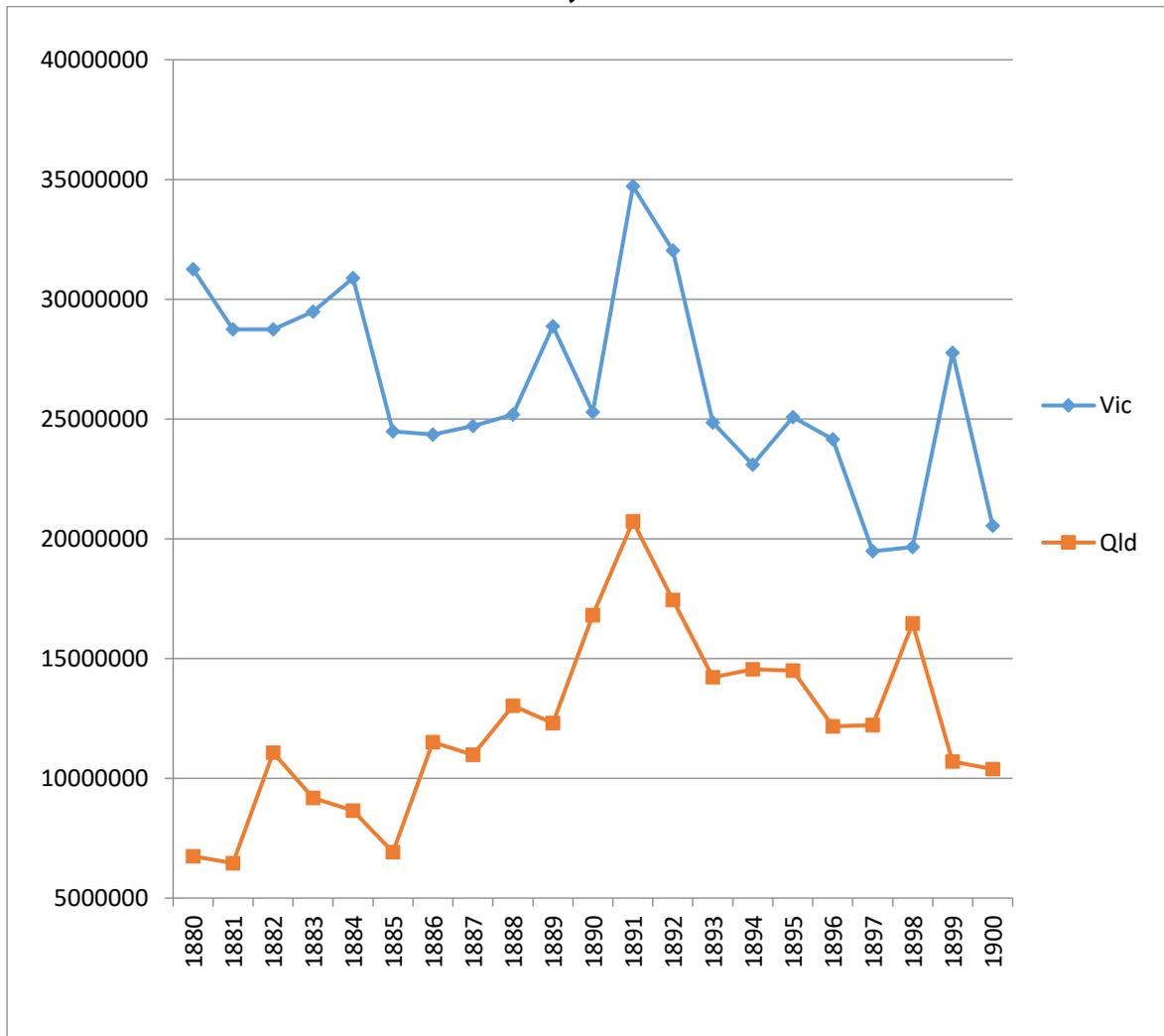
If Queensland's railroad network was constructed around provincially-based trunk lines, Victoria represented the reverse: a highly-centralized railroad network centred on Melbourne. Although Victoria boasted four rural trunk lines – the Northern and North-eastern trunk lines which terminated at the Murray River and the border with New South Wales, the Western trunk line which extended through Hamilton to the South Australian border, and the Eastern road to Sale – all radiated out from Melbourne. In 1880-81, this fact, along with the growth of Melbourne's suburban network, caused the Railway Department to concentrate repair work, financial management and administration at Williamstown, a bayside suburb adjacent to Melbourne's ship repair facilities (Bent, 1883). From its Williamstown base the Railways Department expanded in 1885 into what became a vast, sprawling complex at neighbouring Newport. In justifying the latter move, the Chief Commissioner, Roger Speight (1885: 1), advised the government that as Melbourne was "the centre of the Victorian system ... there can be no question that heavy repairs must be effected at a central depot". Accordingly, although a number of provincial towns – Ballarat, Bendigo, Maryborough,

Benalla, Seymour, Geelong, Stawell, Ararat and Sale - were selected as refuelling and transfer points they did little in the way of maintenance or repair. Of the 930 skilled workshop employees of the Victorian railways who were engaged in July 1886, all were found in one of three Melbourne workshops: Williamstown, Newport and an older facility at Port Melbourne (Labertouche, 1886).

Over time the concentration of both employment and management at Newport became ever more pronounced, an inquiry (Casey et al., 1895: xviii) attributing many of the system's faults to the "centralized system under which the work of the branch is directed from Melbourne". This concentration of employment made the task of trade union organization an inherently easier task than was the case in Queensland. As we shall discuss in the next section, virtually every occupational group in the Victorian railway workforce was at least partly unionized by the early 1890s. This centrally-located workforce also benefited from the expansion of the network during the 1880s, much of which was associated with Melbourne's suburban network. Between 1879 and 1888-89 the number of passengers carried by the Victorian railways grew from 4.1 million to 59 million. The tonnage of freight carried more than trebled, growing from 918,388 tons in 1879 to 3.3 million tons in 1890-91. Gross revenue grew from US\$1.2 million to US\$3.3 million between 1879 and 1890-91 (Bent, 1881; Speight, 1893). Underpinned by this expansion, by 1890 the Victorian railways boasted 16,361 employees, making it Australia's largest single employer (Speight, 1892).

Although the massive expansion of the Victorian railway system during the 1880s provided a favourable environment for employees there were nevertheless two factors that loomed in the background that threatened the prosperity of the whole system. The most obvious of these, as we have already noted, was the suburban system. Beset by competition from suburban trams, the metropolitan network faced a collapse in patronage as the Melbourne building boom of the late 1880s ended in a bust, causing a deep economic depression and an urban exodus. As a result, total passenger across the Victorian network fell from a peak of 59 million in 1888-89 to 40.2 million in 1894-95 (Syder, 1895a). By 1894, 13 of the 18 suburban lines were running at a loss (Casey et al., 1895: vii). The second problem that confronted that confronted the Victorian railways, which we have also previously flagged, was its exposure to falling commodity prices. In Victoria, as in Queensland, this problem effected the railways on two separate fronts. First, as Figure 5 indicates, Victoria shared commonality with Queensland in that it suffered a collapse in its highest value business, the haulage of wool. Between 1891 and 1897, the value of Victorian wool exports – most of which were transhipped from the Riverina district of neighbouring New South Wales and virtually all of which would have gone by rail at some stage – almost halved, falling from US\$34.7 million to US\$19.5 million (Hayter, 1892, 1898).

Figure 5: Value of Victorian and Queensland Wool exports in US Dollars, 1880-1901



(Sources: *Victorian Statistical Register 1881-1902*; *Queensland Statistical Register 1881-1902*)

An even more severe problem associated with falling commodity prices was related to the steady decline in the price of wheat which we identified in Figure 2, a commodity which provided the railways with its core custom on the northern and western trunk lines. Unlike wool, which could be profitably grown 100 miles from the nearest railroad station, the cost of road haulage meant that wheat could only be commercially grown if a farm was adjacent to a railroad terminal. As Edward Shann (1930 / 1948: 292), the most notable Australian economic historian from the first half of the twentieth century, observed, “fifteen miles out became the limit of profitable settlement. This meant that ... the mesh of the [railroad] network had to be reduced to thirty miles.” In the 1880s the creation of such a “mesh” was the main achievement of the Victorian railroads (Syder, 1895a: 8). The consequence of this was to tie the financial health of the Victorian railroads to the fate of the grain market. As the Acting Chief Railway

Commissioner (Syder, 1895b: 3) testified in 1895, the economic viability of the railways “depends entirely ... upon whether produce can be grown and exported. It seems to me that it all rests on that”. Unfortunately, the hopes vested in wheat farming proved as precarious in Victoria as they did in the United States, the export price for Victorian wheat falling from US\$1.15 per bushel in 1880 to US\$0.83 in 1890, before reaching a low point of \$US0.57 per bushel in 1895 (Victorian Government, 1881, 1891, 1902).

In confronting the existential crisis that confronted the Victorian railways after 1890 the limits of what was industrially achievable for workers and their unions was – as in Queensland – circumscribed by the values and beliefs of the society within which they lived. And, while Victoria represented Australia’s most urbanized society it was hardly a militant society. Although Labor parties were winning a large share of the vote in both New South Wales and Queensland by 1893 this was not the Victorian experience. The union-supported Progressive Political League which contested the 1891 election was short-lived. When a revival occurred in 1894 it did so under the title of the Liberal and Labor Party of Victoria, the “Liberal” nomenclature being insisted upon by Victoria’s leading unionist, William Trenwith. Like most Victorians, Trenwith was a believer in class co-operation rather than class conflict. Even in Melbourne’s working-class suburbs the militant commitment to socialism and advancement through industrial conflict that characterized the Queensland pastoral workforce were alien to most (Harris, 1970; McQueen, 1975)

Explaining Union Organization and Industrial Conflict: The Victorian and Queensland Railroads

In his study of trade unionism and labor conflict in the railroads of the American West, Stromquist (1987) identified around 1890 a marked change of managerial attitude towards both their workforce and the railroad unions; a change which saw management become increasingly focused on cost-cutting measures. In both Victoria and Queensland, as well, the early 1890s were produced a shift in labor relations. One noted peculiarity of the Australian experience, however, was a continuation of a benign attitude towards workforce unionization by senior Victorian management even as they implemented savage cost-cutting measures; a benign attitude which resulted in every area of work becoming unionized to a greater or lesser degree. In the Melbourne workshops, skilled metal workers were represented by the Amalgamated Society of Engineers (ASE), a craft union whose Australian branches remained under the financial control of the British parent. Other workshop employees belonged to either the Workshops’ Employees Association or the Victorian Railways Locomotive Workshops Union. Locomotive crews were organized by a federal union, the Locomotive Engine-drivers, Firemen & Cleaner’s Association (LEFCA). Signalmen belonged the Victorian Railways Signalmen’s Improvement Society. The Victorian Railways Guard’s Association represented

guards. Other traffic department employees (i.e. porters, junior clerks, ticket sellers, etc.) were members of the Railways Traffic Union. Station masters and other officers shared membership in the Victorian Railway Services Mutual Association (Woodruffe, 1895: 51; Lochhead, 1895: 70; Sheehan, 1895: 374; Johnston, 1895: 376; Suter, 1895: 333). While we do not have membership figures for the railway unions noted above, the Acting Commissioner for 1894-95 (Lochhead, 1895: 70) testified that “most of the staff” were “connected with one or other of the associations”. A Railway Inquiry (Casey et al., 1895: x) also reported that the various unions had formed “a federal council which ... directs what action shall be taken on questions of general policy.” In 1894 the formation of the Victorian Railway Association also produced a “general” railway union whose declared goal was one of recruiting “everybody in the service”. In practice, however, its 1500 members seem to have been drawn from the less skilled sections of the workforce (Blake, 1895: 371).

Although there is no evidence of industrial stoppages by any of the railway unions their achievements were nevertheless considerable. Ahead of the wage cuts of 1893-94, wages were higher than those paid to comparable workers in either Britain or the United States (Casey et al., 1895: x; Lochhead, 1895: 70, 79). Working hours were also shorter than those which applied in the private sector, where a ten-hour day was standard. By contrast, in Melbourne’s workshops an 8-hour day was the norm (Sheehan, 1895: 374-75). Locomotive crews worked a 9-hour day (Ross, 1895: 397). Those employed before 1883, when the Victorian railways was legally separated from the civil service, enjoyed government pensions on retirement (Casey et al., 1895: ix). However, the most exceptional benefit enjoyed by Victorian railroad workers – even in the depressed 1890s – was one that most other Australian workers did not receive until well into the twentieth century: annual leave. In the 1890s, this amounted to 14 days, or two weeks, paid leave per year; a benefit equivalent to the modern-day United States entitlement (Woodruffe, 1895: 56).

What explains the fact that railroad management accepted the unionization of its workforce, and were willing to concede benefits that far exceeded those enjoyed by comparable private sector workers, when there is no evidence of industrial pressure in the form of strikes or bans? It is difficult to ascribe managerial concessions to labor shortages as most benefits were continued into the depressed conditions of the 1890s. Instead, explanation is best found by understanding the unique workplace, employment and residential circumstances of the workforce. This is a workforce whose members typically shared a close association across their entire working lives. A large proportion were based at the Williamstown-Newport railroad complex. A majority of these probably lived at Williamstown, or in adjacent suburbs such as Footscray. As people advanced their career they took with them the sense that they were part of common whole. Accordingly, it is not only the rank-and-

file who were union members. So too were those who served at the senior levels of the service. Among these unionist-managers were James Syder, Thomas Woodruffe and Robert Lochhead, all of whom were appointed as Acting Commissioners in 1894 as the government sought to implement drastic cost-cutting measures. Woodruffe (1895: 51, 30), in conceding his own membership of the Victorian Railway Services Mutual Association, testified before an Inquiry that he and his colleagues received delegations from the various unions “pretty often”, and that they would always “inquire into any case that the representative of an association brought up.” Lochhead (1895: 70) similarly advised that “many” of “the chief officers belong to the Service Association”.

The loyalty of leading managerial figures to the union cause can perhaps be best understood through consideration of the career of one of the three Commissioners noted above: Woodruffe. Aged 46 when he was appointed as a Commissioner in 1894, Woodruffe had entered the service in 1861 at the age of 13. From this point onwards, his entire working life revolved around the railroads as he worked his way up the job hierarchy, becoming the head of the Locomotive (repair and maintenance) Branch and, eventually, a Commissioner. When replaced as Commissioner, Woodruffe (1899) returned to the Newport Workshops to serve as Chief Mechanical Engineer. Throughout his career, Woodruffe (1895) never seems to have resided anywhere else but Williamstown; an outcome that meant his subordinates were not just expendable workers. They were fellow church-goers, neighbours, colleagues, relatives and friends. The interests of such people were not easily set aside.

If mutual association in both work and private life help explain the employment gains achieved by Victorian railroad workers without resort to industrial action it also helps explain why the cost-cutting measures of the 1890s were also met with acquiescence. Certainly, in terms of their severity the reductions of the early 1890s were of a scale significant enough to engender industrial protest. Between 1890 and 1897 employment was cut by almost 40%, job numbers falling from 16,361 to 9877 (Casey et al., 1895). Hourly wage rates were cut by between 5% and 20% (Syder, 1895: 21). In the Newport workshops, 25% of the entire workforce lost their jobs between 1891 and 1895 (Syder, Woodruffe and Lochhead, 1895: 11). Those who remained were placed on short time; a practice that typically entailed a further 40% wage reduction (Francis, 1894). Those who were 60 years of age or more were all summarily dismissed (Francis, 1893). Many of these cuts were implemented by the very Commissioners – Syder, Woodruffe and Lochhead – who we have just identified as advocates of the union cause. Among the plans devised and implemented by Lochhead (1895: 79), for example, was a scheme to replace “the higher-paid permanent hands ... with casual hands at the current [lower] rate of wages.” That such changes occurred without any evidence of protest speaks to the relationship between management, organized labor and the workforce. Rather than be

thought of as oppositional groups, these three elements were an organic whole. In good times and bad, people such as Syder, Woodruffe and Lochhead advanced the interests of the workforce – and adjusted the bounds of what was economically feasible – as best they could. As long-term colleagues, neighbours, and fellow unionists, other workers appear to have understood this.

In Victoria we can discern an industrial environment where the lines between organized labor and management were blurred, creating an organic whole attune to the economic circumstances within which the railroads operated. By contrast, in Queensland, where most railroad workers lived in conservative provincial towns well removed from the capital, unionism was always in an intrinsically weak social situation.

Prior to the passage of legislation in 1888 which, in an imitation of the Victorian model, separated railway employees from the civil service, any strength that organized labor had in the Queensland railroads was restricted to a craft elite. In the workshops the most significant craft union was the ASE. A peculiarity of this union in Queensland is found in the fact that its first branch was established in Britain by emigrants destined for jobs in the newly established Ipswich railway workshops. On their arrival in their new home they immediately struck work for an eight-hour day. Having won this boon, the Ipswich ASE took no further industrial action for the rest of the century (Bowden, 2000). Management was also little troubled by the union which represented locomotive crews, the LEFCA. As was the case with the ASE, the LEFCA in Queensland was an Ipswich-dominated affair, led by a locally-born resident, James Wilkinson. The close ties between the society and management was evident at the LEFCA's annual meeting in August 1886. In addressing the meeting, which was attended by the Railway Commissioner, Frederick Curnow, Wilkinson advised attendees that there was not "anything of trade unionism about the association". In applauding Wilkinson's address, Curnow declared that "if the society had been conducted on the basis of trade unionism" than he and his fellow managers "would not [be] present at its celebrations" (Queensland Times, 1886).

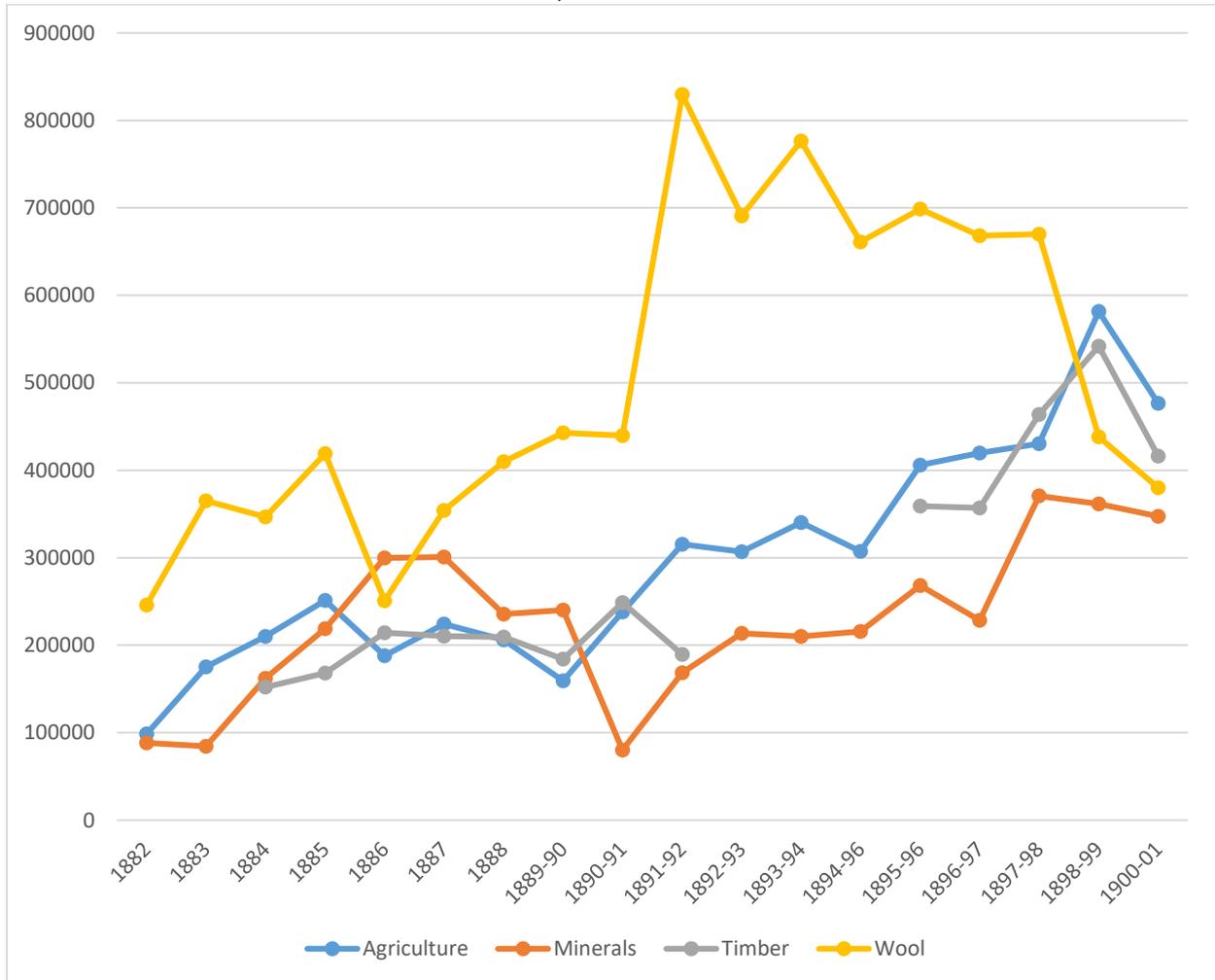
Having shared a cooperative relationship with the LEFCA, the Railway Commissioners appear to have concluded that the process of job reclassification mandated by the *Railways Act* in November 1888 would be less problematic if they could work with an association that spoke for all Queensland railway workers, who by early 1890 numbered 4283. To bring such a union into existence they turned to the trusted figure of Wilkinson, the LEFCA Secretary. In early 1889, Wilkinson began a 14-week tour of the southern trunk system with management's tacit endorsement. By the end of his tour, Wilkinson had signed up 1400 members. On his return to Ipswich, Wilkinson formally launched the new body, the Queensland Railway Employees Association (QREA), in May 1889. Wilkinson, who had by now stood down from his position in the LEFCA, was promptly elected General Secretary on a weekly salary of £5,

which made him Queensland's highest paid union official (the next highest paid received £3 per week) (Boomerang, 1889; Worker, 1890). Shifted his attention to the recruitment of railroad workers on northern lines, by the end of the year Wilkinson had lifted the QREA's membership to more than 3000 (Boomerang, 1889, 1890a). Despite its numerical strength, however, the QREA maintained its distance from other sections of organized labor, rejecting affiliation with the colony's peak council, the ALF (Boomerang, 1890b). In taking this stance, QREA members were almost certainly influenced by management's known opposition to the proposal, the labor press (Worker, 1892) later recording that: "The Railway Commissioners object to railwaymen connecting themselves with any outside labour organisation."

From the outset the Railway Commissioners showed that they were intent on working closely with the QREA leadership in redrafting job classifications and pay scales. Accordingly, when a draft of the new pay scales was completed in 1889 the Commissioners, as they later advised Parliament (cited Mathieson, 1891: 481-82), "took the precaution of sending a draft ... to the Council of the Railway Employees Association, with an invitation to make such suggestions might think necessary." When the QREA suggested amendments, these changes were duly accepted. Significantly, in terms of wages and hours of work – although not annual leave (a boon that Queensland railroad workers did not enjoy) – the new Queensland classifications broadly mirrored those in Victoria, giving them conditions superior to most other Queensland workers. For the QREA, however, the close relationship that characterized its relationship with management in 1889-90 was to soon flounder on circumstances external to the railroads.

The cause of the breach between the QREA and management stemmed from the dependence of Queensland's railroads on the pastoral sector. Although in tonnage terms the haulage of wool represented a miniscule share of freight business – amounting to a mere 7.6% of the total even in 1891-92, when a record 42,219 tons was transported (Mathieson, 1892) – it contributed a far greater share of gross revenues than other item of business, thereby allowing it to offset losses in the haulage of low-value business, most notably corn and wheat (see Figure 6). When, therefore, the Queensland shearers' strike commenced in February 1891 the Railway Commissioners were understandably petrified that union militancy would spread from the sheep paddocks to its profitable western pastoral roads.

Figure 6: Value of Queensland Railroad Freight Revenue in US Dollars, 1882-1901



(Source: Queensland Railway Commissioners' Reports, 1882-1901).

The Railway Commissioners worst fears appeared to be confirmed when, in March 1891, the members of the Emerald branch of the QREA voted to donate a day's pay to striking shearers, who had stopped work the previous month (Boomerang, 1891a). This act of militancy, so rare to the Australian railroads, reflects the unusual circumstances of the Emerald QREA workers. Located in the Central Highlands, Queensland's premier pastoral district, Emerald was in 1891 a frontier town. In this environment, the western railroad men constantly rubbed shoulders with unionized pastoral workers. When the shearers went on strike, an act of solidarity was therefore hardly surprising. It was not an action, however, that Queensland's Railway Commissioners appreciated. Within days of the Emerald branch's decision they issued orders that all employees on the Central line should be sworn in as "special constables", an order which made their employment dependent upon their willingness to take action against the shearers. When 30 western QREA men rejected this ultimatum, they were

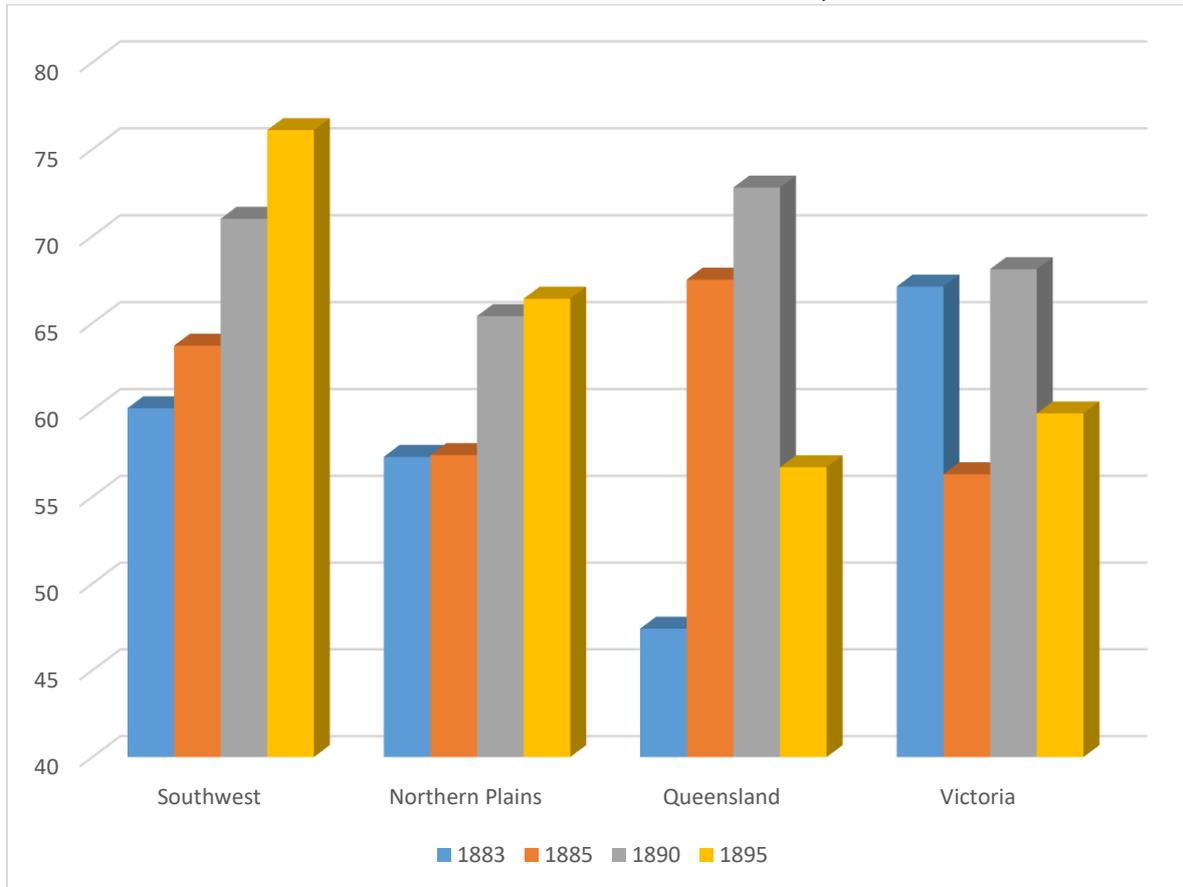
dismissed. (Boomerang, 1891b, 1891c). Clearly alarmed by events in the pastoral districts, the Railway Commissioners also abandoned their previously supportive relationship of the QREA more generally. In August 1891, it instructed all station masters, telegraph operators and other senior officers to resign either their QREA membership or their jobs (Worker, 1891). From this point, the union entered a period of rapid decline. No trace of it exists after 1894.

The effective destruction of the QREA removed any modicum of industrial restraint on the Queensland railroad commissioners as, amid falling commodity prices and freight rates, they implemented cost-cutting measures broadly in line with those in Victoria. In 1893, legislation was introduced to impose wage cuts of up to 25% (Queensland Parliament, 1894). Maintenance and maintenance crew numbers were slashed. By 1893-94, the per mile maintenance expenditure was almost 42% lower than what it had been a decade earlier (Philp, 1894: 1390). Queensland Commissioners also opted for a cost-cutting measure never contemplated by their Victorian counter-parts: the outsourcing of repair work for the locomotives and rolling stock. Only a skeleton workforce was maintained at the increasingly dilapidated Ipswich workshop, causing the membership of the principal craft union, the ASE to fall to an historic low of 24 in 1894. Previously, the union had recorded 53 financial members (Bowden, 1997: 90). This decline, when set alongside the collapse of the QREA, left railroad unionism in an arguably more parlous state than at any other time since the establishment of the workshops and associated rail system in 1864.

Comparisons and Conclusions

If we consider not only the Victorian and Queensland experiences but also those which characterized the United States Southwest and Northern Plains, we see variance in outward manifestations of labor relations but a remarkable consistency in managerial behaviour. Although attitudes to unions differed – Victoria's senior managers being unusual in their continued support of a unionized presence – there was little variance in the post-190 environment when it came to wage and staff reductions. Significantly, Queensland and Victoria were – due to the 1893-94 wage and staff reductions – able to reduce their working expense ratios more effectively than their counterparts in the United States Southwest and Northern Plains. Whereas management in the United States was, despite its victory in the Pullman Boycott, unable to reduce working expense ratios, in Queensland working expense ratios were cut from 72.8% in 1890 (the worst of any region) to 56.7% in 1895 (the best of any region). Victorian gains were also dramatic, falling from 68.1% in 1890 to 59.8% in 1895 (Mathieson, 1892, 1897).

Figure 7: Working Expense Ratios: Victoria, Queensland, US Northern Plains and US South-West, 1883-1895

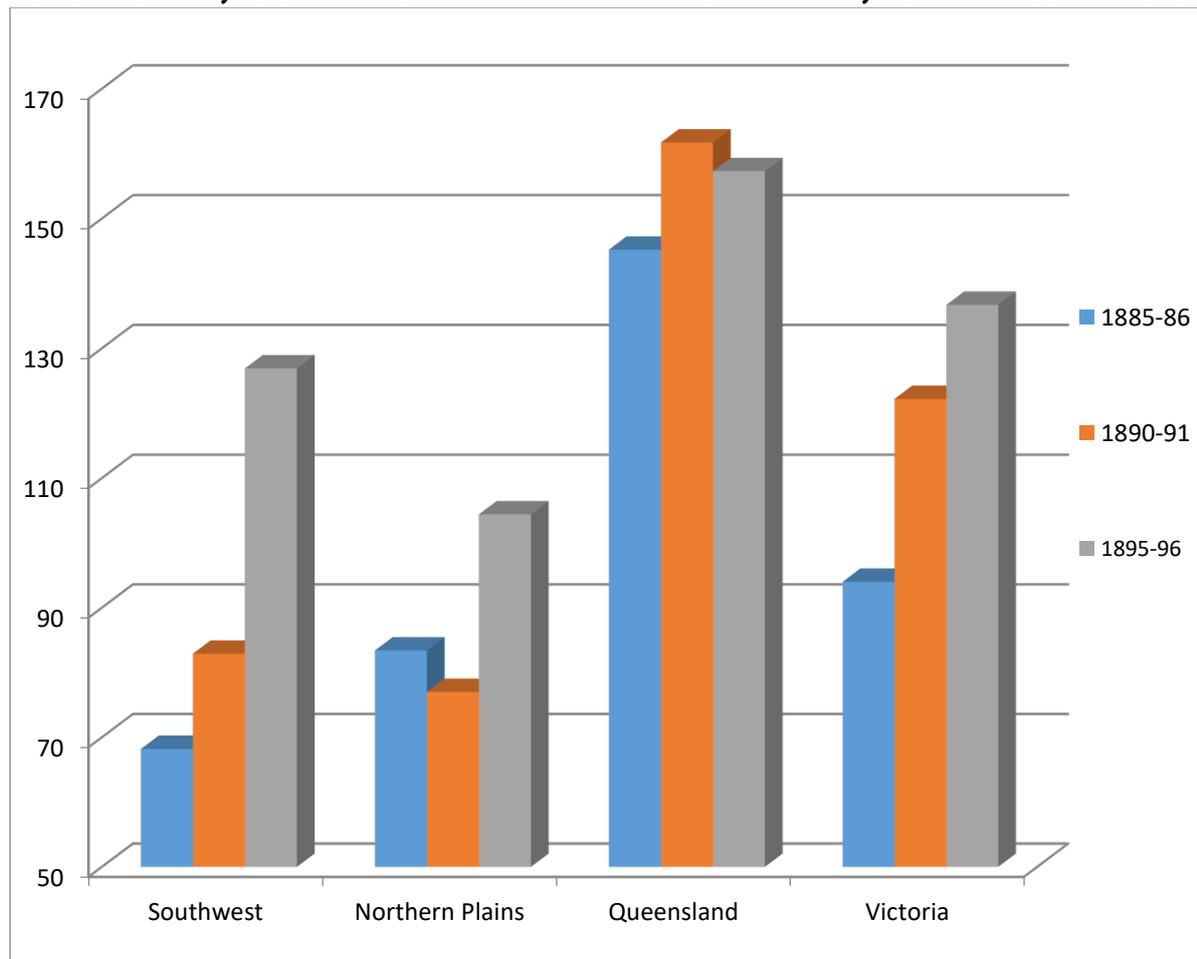


(Source: Poor, *Manual of the Railroads of the United States*, 1892, 1897; *Queensland Railway Commissioners' Reports*, 1885, 1892, 1896; *Victorian Railway Commissioners' Reports*, 1891, 1896).

The superior cost reductions of the Victorian and Queensland railroads speak to both means and motives. In terms of means, the two Australian colonies benefited from the fact that the Antipodean railways were state-owned and were thus subject to legislative enactment. Where necessary, colonial parliaments could – and did – simply pass laws mandating wage reductions. This reality meant that Australian railway managers could avoid the complex negotiations and disputes that were a feature of working life in the United States. If the means for wage reductions was readily at hand in Australia the primary motivation for determined action came not from *labor costs per se* but rather from the relationship between *total* costs and gross revenue. For in examining labor relations in the railroads we need to avoid the temptation to perceive this problem as separate and distinct from the wider operational problems that most New World railroads were experiencing in the 1890s. Indeed, it is arguable that labor costs were a secondary issue in comparison to the two other problems that beset railroads around 1890, namely falling commodity prices and ongoing interest rate costs. As Figure 8 makes clear, by 1890-91 these interrelated problems were far worse in Queensland and Victoria than they were in the United States Southwest and Northern Plains. Whereas in

the United States Southwest and the Northern Plains interest costs amounted to 82.9% and 77% of net revenue, respectively, in Queensland and Victoria interest costs swallowed 161.7% and 122.2% of net revenues, respectively. Despite a marginal improvement in Queensland's circumstance, in 1895-96 things were still far worse in the Australian colonies (Poor, 1892, 1897; Mathieson, 1897; Gray, 1897).

Figure 8: Interest Costs as Percentage of Net Revenues: Victoria, Queensland, US Northern Plains and South-West, 1885-86 to 1895-96



(Source: Poor, *Manual of the Railroads of the United States*, 1892, 1897; *Queensland Railway Commissioners' Reports*, 1885, 1892, 1896; *Victorian Railway Commissioners' Reports*, 1891, 1896).

The fact that the ratio between revenue and interest costs in Queensland and Victoria remained far worse than those found in the United States Southwest and Northern Plains - despite improvements in working expense ratios - indicates a fundamental fact about New World railroads servicing commodity producing regions: that labor costs were not the main cause of their financial woes. Instead, the inherent problem stemmed from the difficulty that rurally-oriented railroads faced in generating sufficient revenues to pay for their high capital costs. If the value of rural business suffered a downturn due to either falling commodity prices

or a natural calamity (drought, flood, etc.) than an always precarious situation became even more problematic. In Victoria in 1890-91, for example, interest costs totalled US\$1.32 million while gross revenues amounted to US\$3.3 million. Four years later, interest costs amounted to \$1.5 million, a 13.6% increase. By contrast, gross revenues stood at \$2.4 million, a 27.3% decline (Speight, 1892; Mathieson, 1897). Similarly, in Queensland gross revenues fell from \$1.5 million in 1891-92 to \$1.2 million in 1894-95, a decline of 20%. Central to this revenue decline was a collapse in per ton freight rates as both the wool and grain growing sectors were hit by falling commodity prices (see Figures 1 and 5). In the United States West, the closest parallel to the Australian experiences is found in the Northern Plains, where exposure to falling grain prices – and associated declines in farm purchasing power – was most marked. In consequence, gross railroad earnings fell from US\$95.7 million in 1890 to \$88.0 million in 1895, a decline of 8.1%. During the same period interest costs rose from US\$25.5 million to US\$30.8 million, a 20.8% increase. Although the revenue decline was not as dire in the United States Southwest, the railroads in this region also experienced an absolute decline in gross revenues, which fell from \$129.4 to US\$128.6 between 1890 and 1895. With interest costs growing from \$31.1 million to US\$39.1 million during the same period the railroads of the United States Southwest – like those of the other regions we have been considering – typically ran deficits by 1895 (Poor, 1896).

In summing up the direct effects of the labor cost-cutting efforts waged by railroad management in the early 1890s it is safe to conclude that these efforts – undertaken at great effort – only made a marginal financial difference. What then of the long-term lessons to be learned, if any? In searching for such lessons it is easy to emphasize some long-term achievement: that some at least of the railroad unions survived to fight another day; that both management and organized labor came to see the need for industrial compromises; that management placed a new value on its relationship with its workforce. In considering the American experience, for example, Stromquist (1987: 231) argued that the labor crisis of 1894 “welded together a new consensus among railroad managers that systematic attention to the management of workers was needed.” Such positive conclusions, however, overlook the most obvious lesson to be drawn from the experiences of the 1880s and 1890s: that the financial viability of New World railroads servicing commodity producing regions was fundamentally precarious. At heart, New World railroads suffered from the expectation that they could simultaneously achieve two different goals: one associated with national development and settlement, and the other linked with financial profitability. The 1890s exposed the inherent implausibility of this expectation, and a corresponding demonstration that an emphasis on one goal came at the expense of the other. Speaking of the Victorian railroads rural customers at the end of the nineteenth century, one official (Fitzpatrick, 1900: 1) testified that,

... nearly all the new lines have been built ... into new, almost unknown country ... men have been induced to form their little homes absolutely in the wilderness ... It seems hard and wrong that those people ... a long distance from the market, and warring ... day after day with an uncongenial climate, should ... be taxed to pay more for the carriage of their produce.

This testimony summed up the railroad predicament. If the farmer could not pay a rate sufficient to ensure railroad profitability, then who was to bear the financial consequences of unprofitable haulage? Was it to come at the expense of employee working conditions? Or was it to come at the expense of a railroad's owner/s? Alternatively, should the wider public (i.e. the state) be expected to bear the cost? In Australia, as in the United States and elsewhere, these fundamental questions were never answered; a failure that condemned railroads everywhere to a constant series of financial crises, mergers, line closures and "rationalizations". That, at the end of all this, railroads still remain responsible for the bulk of landed freight transport speaks much to the inherent soundness of the technology and its seminal role in the forging of the modern world.

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