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THE FIRST 100 YEARS OF TARIFFS IN AUSTRALIA: THE COLONIES

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The First 100 Years of Tariffs in Australia: the Colonies

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## The First 100 Years of Tariffs in Australia: the Colonies

### Abstract

This paper reviews the history of tariffs imposed by the six Australian colonies during the 19<sup>th</sup> century. First, in each of the colonies, it identifies the starting points for the first tariffs, first preferences, and other features and the turning points in the levels of tariffs. It then constructs time series of the average tariff levels in the individual colonies and an average for All Six Colonies Combined. The conclusion notes general features of the pattern of tariffs and how the main features of colonial tariffs carried over to the Commonwealth Customs Tariff in the 20<sup>th</sup> century.

Keywords: colonies, average tariff rates, tariff revenue, protection

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Short running title: The First 100 Years of Tariffs in the Australian Colonies

## 1. Introduction

The first tariffs on Australian territory were introduced in the colony of New South Wales by Governor King in 1800. Thus there is exactly 100 years of tariff history in Australia before the creation of the Commonwealth of Australia in 1901. This paper reviews the first 100 years of tariffs in Australia.

In turn, this 100-year period divides neatly into two sub-periods of roughly equal length; the period of Imperial control of tariff-fixing, 1800 to 1855, and the period of colonial control after the passage of the Australian Colonies Government Act by the Imperial Parliament in 1850 enabled responsible government in the colonies, starting with New South Wales and Victoria in 1855. (Western Australia remained a Crown Colony administered by the Colonial Office in London until 1890).

Very little has been written on tariffs for the initial period of pre-responsible government.

The most comprehensive account is that of Mills (1925) who reviewed the tariff history of the four colonies in this period as a part of the general history of taxes in Australia.

Economic histories of tariffs in the 19<sup>th</sup> century contain only brief mention of tariffs in this period: Coghlan (1918), Reitsma (1960, chapter 1). The only other studies with much detail are the history of Imperial control of tariffs in New South Wales for the period from 1800 to 1850 by La Nauze (1948) and the “Brief colonial history of customs and excise collections “ prepared by the Commonwealth Department of Excise and Customs (1966).

For the second half of the 19<sup>th</sup> century, there are a number of valuable studies. The most comprehensive are the books by Patterson (1968), which provides a very useful general history of tariffs in the colonies for the period of responsible government, 1856 to 1900 and Mill (1925). Coghlan (1918, vol. II, chapter IX) and Allin (1918) examine the conflict among the colonies over the imposition of tariffs on inter-colonial trade for the period 1850 to 1865. There are also some excellent accounts of particular events or particular aspects of the development of tariffs in this period; for example, the account by La Nauze (1955) of the introduction of the tariffs by the colonies after the granting of responsible government, the analysis by Boehm (1965) of the under-recording of trade values because of the omission of transshipments of trade between colonies and the review by Patterson (1962) of the Murray River customs border disputes.

These published histories have established firmly the chronology of the main events in the evolution of tariffs in the colonies and a large amount of detail of tariffs on individual items and other aspects. However, there are no time series of tariff levels, as distinct from descriptions of tariffs on individual items, for any part of the 100 year period.<sup>1</sup> There are not even any calculations in any year of the average tariffs or other summary measures of tariff levels in any of the colonies.<sup>2</sup> The emphasis in this paper is on quantifying the tariff levels in the individual colonies over the 100-year period as far as practicable. Knowledge of the levels of tariffs prevailing in the individual colonies and in Australia as a whole is essential for understanding and analysis of fiscal issues in the colonial period, of the development of industries in Australia and of regionalism.

This paper compiles time series of tariff levels in the 6 individual Colonies and an average for All Six Colonies Combined. It also examines the crucial differences that emerged in the latter part of the 19<sup>th</sup> century between the two large colonies of New South Wales and Victoria. In this period New South Wales was known as the “free trade” colony and Victoria as the “protectionist” colony.

Throughout the 19<sup>th</sup> century the statistics of merchandise imports by value and of the customs revenue collected from tariffs on these imports were all collected on the basis of “General Imports”, that is, imports from Other Countries and from Other Colonies combined. This is appropriate for the colonial period. Individual colonies were in effect separate economies, each centred on the colony capital as the major port and the centre of a fan-shaped intra-colony network of railways and roads (Ergas and Pincus, 2015). The trade of the individual colonies was mostly with Other Countries, chiefly the United Kingdom, though the colonial economies became more integrated in the late 19<sup>th</sup> century, especially in south-eastern Australia as rail lines were connected across the colony borders of New South Wales, Victoria and South Australia.

The rate of duty applied to imports of one good coming from different sources in any one year was generally the same for all sources, both from the Other Colonies and from Other Countries. Consequentially, there is no problem of deciding how to treat imports at preferential rates in the 19<sup>th</sup> century, as there is in the 20<sup>th</sup> and 21<sup>th</sup> centuries. However, there were two minor exceptions to the general rule of non-discrimination. First, in New South Wales and Tasmania before responsible government, there were preferences for imports of

some goods manufactured in Great Britain over imports of like goods imported from all other sources. These were introduced in New South Wales in 1802. In a letter to the Colonial Secretary, Governor King stated “ My reasons for this measure are the necessity of encouraging English manufactures in preference to those which come from India<sup>3</sup> ... and [the] Americas.” (*Historical Records of Australia*, I, p. 626). These preferences continued until 1843 when, under the prevailing doctrine of free trade and after the passage of the Corn Laws in Great Britain, the Colonial Secretary notified Governors of all territories in the British Empire that there was to be no discrimination by the place of origin of goods.<sup>4</sup> However, the preference margins were small. Similarly, there were preferences for imports of some goods manufactured in Great Britain into South Australia until 1848. Second, after the separation of Tasmania from New South Wales in 1825, these two colonies provided reciprocally for the admission, free of duty, of goods from the other colony. This ended when the Colonial Secretary’s prohibition on differential duties was imposed. (Quick and Garran, 1901, pp.79-80 outline the steps by which these preferences were introduced and removed in these colonies.) In the series calculated in this paper, these minor preferential imports are combined with the general non-preferential imports.

For one colony in one year, a statistic of the average rate of duty in the colony can be calculated by dividing the total tariff duty collected by the value of all merchandise imports. This measure is the arithmetic mean of the tariff rates on individual tariff items, using actual import shares as weights. Repeating this for a series of years give a time series which is a Paasche Index of average tariff rates. These are the series which are calculated in this paper for individual colonies and for All Six Colonies Combined. This is the only measure available for most of the 19<sup>th</sup> century Australia.<sup>5</sup> (Appendix 1 discusses the problems of measuring average tariff levels, and those of obtaining consistent series of data for the two components, total tariff revenues and the total value of merchandise trade in all colonies).

As background to the statistical series, Section 2 describes the evolution of tariff policies in the separate colonies, focussing on events which were either starting points (such as the first ad valorem rates, the first protective tariffs, the first preferences) or turning points (such as substantial changes in the levels of tariffs) and other events which inform us about the nature and structure of tariffs in the colonies. It discusses separately the precedents and policies in the period of Imperial control of tariff-fixing and in the period of responsible government. Section 3 presents the series of the average tariff for each colony. This information for the six individual colonies is

combined in Section 4 into a series of average tariffs for All Six Colonies Combined. Section 5 draws some general conclusions.

## **2. The evolution of tariff policies in the Colonies, 1800-1900**

### **The boundaries of the colonies**

For the purpose of tariff fixing, the colony of New South Wales made up all of the modern “Australia” until 1825. After the first British settlement in Botany Bay in 1788, the second settlement was in Van Diemen’s Land when a penal colony was set up in 1803 and free settlement began soon after. However, the island was administered as a part of New South Wales until it became a separate colony in 1825. Thereafter tariffs in Van Diemen’s Land, like those in New South Wales, were governed by the British Parliament Act of 1822. Although Settlement in Port Philip Bay began in 1834-35 this territory did not separate from New South Wales until 1850. Settlement in Queensland (Moreton Bay) began earlier in 1824 but Queensland did not separate until 1859. Official settlements in the other two colonies of Western Australia (Swan River colony) and South Australia (Adelaide) were established in 1829 and 1836 respectively.<sup>6</sup> In the discussion of each colony below, the territory of the colony is as defined in each year. Thus, the area of the New South Wales Colony shrinks during the century and the statistical series for New South Wales refers in each year to the Colony as defined at the time.<sup>7</sup>

During the first 50-year period, when all duty rates fixed by the Colonies were subject to directions from the Colonial Office. At such a great distance, however, individual Colonies had *de facto* some freedom to set their own Colony rates (See La Nauze, 1948). Consequently, the tariff rates on all goods imported into what are now the modern states of Tasmania, South Australia and Western Australia were the same as or close to those of the then colony of New South Wales for the whole of the 50-year period but there were some differences in tariff policies pursued by them.

In the debates about federation in the latter part of the 19<sup>th</sup> century, the colonies of New South Wales and Victoria became known as the “large” colonies and the colonies of Queensland, Western Australia, South Australia and Tasmania as the “small” colonies. For New South Wales and the other three colonies which existed before 1850, I have used 1850 as the dividing line between the two sub-periods of the century. 1856 is the year which formally separates the sub-periods before and after responsible government and some commentators have used this dividing line; for example, Patterson (1968). However, when the legislature of this colony debated the legislation for the first Customs Act of 1852 and when the New South Wales legislature debated the important Deas-Thompson Tariff Act of 1852 they both acted as if they were already self-

governing. For the purpose of tracing tariff history, 1850 is the natural dividing line. La Nauze (1955, p. 77) had earlier preferred this date. Moreover, the adoption of 1850 as the dividing line puts all of the years of the colony of Victoria in the later period.

## **New South Wales**

### **Before 1850**

In 1800 the colony of New South Wales introduced tariffs on imports of alcoholic beverages; spirits and other strong drinks were taxed at 1 shilling per gallon, wine at 6 pence per gallon and beer at 3d per gallon. (Accounts of this event are given in La Nauze, 1968, pp. 1-2, Smith, 1925, chapter II and Joint Committee on Public Accounts, 1966, p.46.) The tariff revenue was used to pay for the construction of the Sydney and Parramatta gaols and the bridge across Tank Stream in Sydney (now known as Bridge Street). These were the first taxes of any kind levied in the colonies, apart from service charges such as various port and wharfage charges and a levy on grain received in public stores. La Nauze (1948, p. 1) noted that “The fiscal system of Australia had its origins in the thirst of the convicts and their military gaolers.” The duty on spirits was raised several times, peaking at 10s per gallon in 1818. Tobacco became subject to tariffs at 6d per lb in 1818. In 1827 the first Collector of Customs was appointed.

The focus on the two groups of alcoholic beverages and tobacco is a carry-over from the commodity tax system of Great Britain. In the 19<sup>th</sup> century colonies, these groups were described as “stimulants” and “narcotics” respectively. Later these taxes were described as “sin taxes”.<sup>8</sup>

There is a curious twist to the taxation of alcoholic beverages in early colonial New South Wales. In contrast to the rising duty on spirits, the duty on beer was maintained for some years and then imports of beer became duty-free.<sup>9</sup> In the early days of the colony, there was much official concern over the level of drunkenness in Sydney. The consumption of rum, whisky and other strong liquors was blamed. In a letter to Governor King of August 29 1802, the Colonial Secretary, Lord Hobart, opined “The introduction of beer into general use among the inhabitants would certainly lessen consumption of spiritous liquors. I have therefore in conformity with your suggestion taken measures for furnishing the colony with a supply of ten tons of Porter, six bags of hops and two complete sets of brewing materials.” (*Historical Records of Australia*, vol. 4, p. 824) Other measures were taken to encourage local production of beer: the Government assisted local brewers by grants of land, and the Government set up a government brewery in 1804 but it was a financial failure and closed after 12 months.<sup>10</sup> Beer remained duty-free for the remainder of the half-century.

The rates on products in these two groups were changed several times during the remainder of the half-century, mostly upwards. In 19<sup>th</sup> century New South Wales, with a strongly male-dominated

population, taxation of these goods yielded large revenues. These two product groups remained the main source of revenue from tariffs in the colony for the rest of the century.

In 1802 an ad valorem duty of 5 per cent was levied on all merchandise imports except goods of British manufacture. All imported goods became subject to this ad valorem duty in 1827 but ad valorem duties were abolished in 1854.

In 1821 the Parliament of the United Kingdom, which had assumed the legal authority for imposing taxes in the colony, introduced a duty on “colonial spirits”, that is, spirits distilled in New South Wales, at the rate of 2s 6d per proof gallon, effective from 1 August 1823. This duty is what came later to be called an excise duty. At this time, the tariff duty on imported spirits was 10 shillings. Thus a margin between the taxation of an imported item and the like locally-produced good was introduced, in this case a hefty one of 7s 6d. This is an historic event. It is, as far as I have ascertained, the first deliberate use of a tariff for the purpose of protection in the colonial tariff system.<sup>11</sup>

### **1850-1900**

From 1852, the tariff schedules for the colony of New South Wales were remarkably constant. In 1852, just before the new colony of Victoria debated the tariff schedule it was going to introduce, the New South Wales Parliament passed what is known as the Deas-Thompson Tariff, named after the then Colonial Secretary of New South Wales. This simplified the tariff considerably by restricting the articles subject to duty to a small range of products; beer and spirits, tobacco and tobacco products, sugar and sugar products such as molasses and treacle, and tea and coffee. Throughout the rest of the 50-year period, New South Wales made only occasional changes to tariff rates. (For the last 30 years, changes in the NSW Customs Tariff are conveniently recorded in Table 33 of the *Statistical Register for 1900 and Previous Years*, compiled by Timothy Coghlan.) In the years during the debate on federation in the 1890’s, New South Wales abolished (again) all ad valorem duties and reduced some other rates. This increased a little the difference between tariffs in New South Wales and those in Victoria.

### **Victoria**

After separation from the rest of New South Wales on 1 July 1851 the customs duties and regulations of New South Wales continued to apply. Data on the revenue from customs duties for the first six months seem not to have been published.<sup>12</sup> In 1852 the first Victorian Customs Act was passed. The tariff lists and rates set out in the Table attached to this Act replaced those of New South Wales. A second Act of 1854 added beer to the list of dutiable goods. The list now followed that of the Deas-Thomson Tariff passed shortly before in New South Wales. The same goods were subject to tariffs -

the small group of popular drinks, both alcoholic (spirits, wine and beer) and non-alcoholic (tea and coffee), tobacco and basic consumables, sugar and flour - and the rates were the same for most of these goods but there were some increases. It was a pure revenue tariff. La Nauze (1955) attributes the absence of any protectionist tariffs to the influence of import merchants.

The discovery of large gold deposits in 1851 and the sudden Gold Rush that followed had important consequences for tariffs in Victoria. The fiscal needs of the Victorian Government soared along with the colony's population. Both the tariff rates and the range of goods subject to tariffs were extended in 1854 and 1862 Acts. The 1854 Act also introduced the export duty on gold, effective from 1 May 1855. This became an important source of revenue to the colony for the next 12 years.

Another minor but interesting consequence of the gold rush was the introduction of a tariff on imported opium by the colony of Victoria in 1857. In the statistics of tariffs and tariff revenue, Opium was added to the group of "narcotics" subject to import taxes. The duty rate was high and often prohibitive. However, the reason for the tax was different than that for tobacco and tobacco products. It was neither a revenue tariff nor a protective tariff. Instead, it was one of several measures designed to discourage immigrant Chinese, many of whom smoked opium, coming to the Victorian goldfields. New South Wales and other colonies subsequently followed the Victorian lead in taxing this commodity. Opium remained a legal import in the colonies and in the early commonwealth years until it was declared a prohibited import from 1906.

Then a few short years later the Gold Rush ended. Beginning in 1861 net immigration into the colony by sea switched to a negative flow. Protectionist sentiment grew. A Tariff League was formed in 1859.

The turning point in Victoria for tariff policy was the 1866 Customs Act. This added to the dutiable items new tariffs on a wide range of manufactures including apparel, millinery, leather goods, woodenware, furniture, toys, woollen blankets and rugs, and glass and glassware, earthenware and porcelain. These tariff rates were protective.<sup>13</sup> The rates on the major consumables, tea and sugar, were reduced. Economic historians have generally agreed that the higher tariffs in the 1866 Act were the result of the end of the Gold Rush in the colony and the need to provide employment for surplus miners and to stop the population exodus. (For general accounts of the origin of protectionism in Victoria, see Coghlan (1918, vol. II, chapter VIII) and Shann (1948, chapter XV)). In reviewing this literature, Patterson (1968, chapter 2) agrees with this view, though he cites Butlin (1959) who puts more emphasis on revenue needs. This Act was a milestone for protection in Australian history too as it provided protection to manufactures on a scale not previously seen in the colonies.

Tariff rates in Victoria increased spasmodically after 1866, both in terms of the number of items subject to tariffs and in terms of the tariff rates on the individual items. The schedule of tariff rates attached to the 1866 Act covered 1 ½ pages and that attached to the 1877 Act covered 8 pages. By the end of the century, the schedule attached to the 1890 Act ran to 12 pages.

With regard to the taxation of excisable items in the colony, Victoria introduced in 1858 its first excise duty, that on spirits distilled in the colony, with effect from 1 January 1859. There was some discrimination in favour of local Victorian producers from the outset. The rate of duty on imports of spirits was 10 shillings. While the rate for spirits distilled in Victoria from grain or root, which covers whisky and most spirits, was also 10 shillings, there was a lower rate of duty on spirits distilled from sugar (that is, rum) of 9 shillings and 2 pence. In 1862 the excise rates for spirits distilled from sugar was lowered to 8 shillings and that for other spirits to 8 shillings while the duty on imported spirits remained at 10 shillings and thus the discrimination was extended to all spirits distilled in Victoria. Later the excise tax regime was extended to beer and to tobacco and tobacco products, and differences were introduced between the rates of tax on these Victorian-produced and like imported products.<sup>14</sup>

## **The Small Colonies**

### **Queensland**

The colony of Queensland was separated from the rest of New South Wales on 10 December 1859.<sup>15</sup> For the first five years after separation the Queensland government maintained the same tariffs as had applied in New South Wales at separation. The 1866 Additional Customs Duty Act, as amended, introduced tariffs on a slew of articles which had previously been duty-free. This led to a sharp increase in the average tariff of 7 or more percentage points in 1867 and subsequent years. From 1866 onwards, the colonial government raised the rates and introduced new ad valorem rates and varied these up and down in subsequent years, mainly in response to variations in the colony's budget deficit (see Patterson, 1968, chapters 7 and 13). There was a further sharp increase in the average tariff rate of the same magnitude from 1889 which lasted through the last decade of the 19<sup>th</sup> century.

### **South Australia**

#### **Before 1850**

South Australia was proclaimed a colony on 28 December 1836. Until 1849 all or most of the import duties were collected only on group of spirits, wine, beer and tobacco. But at the time of the introduction of self-government in 1850, the number of lines in the tariff schedule had blown out to about 120. An ad valorem tariff on a wide range of goods was introduced in 1846.

#### **1850-1900**

South Australian imports, and associated with this, its customs revenue surged in 1853 and subsequent years after the Murray River became navigable. In order to foster the new and valuable Murray River trade, the Government of South Australia refrained from tariff increases. Indeed, it lowered rates in 1860. In 1863, due to budgetary pressures, it increased tariff rates including a return to a 5 per cent ad valorem tariff. In 1870, it increased rates again. It introduced a new blanket 10 per cent ad valorem tariff on all goods not otherwise enumerated in the tariff (those already subject to the 5 per cent ad valorem tariff and specific rates) and raised the rates of specific duties. In 1885, it raised tariff rates substantially; it increased many of the earlier 5 and 10 per cent ad valorem rates to 15 per cent, imposed a 20 per cent rate on jewellery and raised specific rates. Many of the new rates were deliberately protective (Patterson, 1968, p. 111). In 1887, rates were revised upwards again; the new rates included schedules of goods subject to 20 and 25 per cent ad valorem rates, and increased specific rates. These increases in 1885 and 1887 were influenced by Victorian experience. For the rest of the century there were only minor variations in rates.

A unique but minor feature of the South Australian tariff history is the use for some years after 1863 of a free trade provision for a sub-territory of the colony, the Northern Territory (see Patterson, 1968, pp. 40, 77, 113). This policy was intended to promote the development of the Northern Territory sub-region. It created what would become known in the late 20<sup>th</sup> century as a “free trade zone”.

### **Western Australia**

After the founding of the first colony in New South Wales in 1788, Australia was divided for administration into an eastern half named New South Wales and a western half named New Holland. In the West settlement began in the Swan River valley in 1829, the colony now being named Western Australia. It was administered by the Colonial Office until 1890.

### **Before 1850**

Direct administration by the Colonial Office gave the colony’s administrators an ability to fix tariff rates independently of those in New South Wales. Initially, to encourage the development of the new settlement, the administration avoided any taxes on imports. Instead, it granted a bounty of 40 acres of land for every £3 in the form of capital, stock and other capital items. These payments ceased in 1832 when the first tariff was introduced. This was restricted to imported spirits. Tobacco and wine were added to the list of tariff items in 1839. Thus, this colony followed the same general strategy as New South Wales in levying tariffs on the group of alcoholic beverages and tobacco as the first source of revenue for the colony. An ad valorem duty on all imported goods began in 1842 at the rate of 2 ½ per cent initially, increasing to 5 per cent in 1845.

### **1850-1900**

In 1850 the goods subject to specific tariff rates in West Australia were still restricted to the alcoholic beverages, tobacco and tobacco products, and there were ad valorem duties of 5 per cent and 10 per cent on goods not subject to specific duties. In the next three decades the rates of specific duties were increased several times and multiple rates of ad valorem duties were introduced. The 1882 and 1887 tariff revisions raised rates but also introduced deliberately for the first time protection in the form of lowering or removing duties on raw materials (Patterson, 1968, p. 117).

## **Tasmania**

### **Before 1850**

Tasmania became a separate colony in 1825. (It was called Van Diemen's Land until it became a self-governing colony in 1856 but, for consistency over the whole century, I shall refer to it Tasmania.) As in the earlier colony of New South Wales, the new colony of Tasmania followed the same general strategy of levying tariffs on the group of spirits and wine (but, as in New South Wales, not beer), and tobacco as the principal source of revenue for the colony. An ad valorem duty on all imported goods began in 1829 at multiple rates: 5 per cent on sugar, 15 per cent on wine and tea and 10 per cent on all other goods. This broadened the list of products subject to duty and produced a substantial and lasting increase in average tariff rates in the colony.

### **1850-1900**

After self-government in 1856, the same tariff structure was retained. However, from 1857 more articles became dutiable and some tariff rates on goods already subject to tariffs were increased in the 1860s. The motives were primarily revenue-raising but some of the tariffs introduced were deliberately protective. After the introduction of land and dividend taxes in 1880, some duties were reduced. But renewed budget pressures and demands for protection led in 1888 to a major tariff revision with new tariffs and higher rates on goods already subject to tariffs (Patterson, 1968, chapter 4).

### **3. Average tariff rates in each colony 1800-1900**

Appendix Table 1 reports the average tariff rate for each of the colonies over the periods during which the colony existed as a separate colony and for which the series of tariff revenue and total value of import exist. These series use current period weights. Although there is some noise in the series due to occasional missing data and changes over time in the scope of what is reported in the constituent series of tariff revenue and the total value of imports, in my opinion they are an adequate reflection of the true series. They pick up the major turning points and trends in the individual colonies and the

differences among the colonies identified in the previous section. (Appendix 1 provides a Note on the data.)

Figures 1 and 2 graph the series of average tariff rates in New South Wales and Victoria, and in the other four small colonies respectively.

Figure 1 Average tariff series for the Colonies of NSW and Victoria

Figure 2 Average tariff series for Small Colonies

For New South Wales, the numbers are surprisingly constant and the series shows no trend over the whole 75 year period. In the earliest years covered, from 1825 to 1837, the figures of averages were all above 10 per cent. During this period, the average were higher than in later years because the commodity composition of imports was more concentrated on the two heavily taxed groups of alcoholic beverages and tobacco and tobacco products. After 1838, the average tariff rates were below 10 or 11 per cent in all but a few years. The high rates calculated for the four years 1892 to 1895 of the 1890s depression occurred because import values fell sharply but customs revenue fell only slightly as all of the tariff rates were specific.

This absence of a trend derives mainly from the stability of the list of goods subject to tariffs over the century. Table 1 shows the tariff rates on all goods which were subject to tariffs for the years at 25-year intervals: 1800, 1825, 1852, 1875 and 1900. (1852 is selected instead of 1850 because the Deas-Thomson Tariff considerably reduced the number of items subject to tariffs.) Throughout the whole period, the main sources of customs revenue have been the duties on the two product groups of alcoholic beverages and tobacco and tobacco products. Astonishingly, in the last year before federation, 1900, the list of goods in the tariff schedule is almost the same as that in the list at 1852. It comprises beer and spirits, tobacco and tobacco products, sugar and sugar products, tea and coffee, as in the list at 1852, plus minor duties on a handful of luxury processed food imports such as biscuits, confectionery and jam and jellies. After 1852, there were intervals in which the colony levied import duties on a wider range of goods but these periods were brief.

Table 1. Tariff Rates in New South Wales in the years 1800, 1825, 1852, 1875, and 1900

For the colony of Victoria, the series of the average tariff on all imports since its beginning in 1852 reflects the legislative changes referred to in the previous section. In particular, the 1866 Customs Tariff led to an increase in the average tariff of 2-3 percentage points in 1867 and subsequent years. The 1877 Customs Act was described in Parliament as “a Protective tariff in every sense of the expression”. It increased the number of goods subject to tariffs and imposed ad valorem rates of 10, 20 and 25 per cent which were supported by high specific duties.

This sharp contrast in the average tariff in the two “large” colonies reflects the different views in the two colonies. In the colony of Victoria, there was a strong protectionist sentiment in the business community after the end of the gold rush. The protectionist voice was led determinedly by David Syme. He assumed editorship of the *The Age* newspaper in Melbourne in 1860 after the death of his brother and remained editor for almost 50 years. His vision was one of self-sufficiency for the colony won by a restrictive tariff.<sup>16</sup> His political influence was huge for the remainder of the century. “The power of the *The Age* was used repeatedly to enforce a gradual increase and to prevent reductions in the tariff.” (Shann, 1933, p. 318). His biographer called him “the father of protection in Australia.” (Pratt, 1908)

By contrast, in the debate concerning federation in the last quarter of the century, New South Wales was known as the “free trade state”, though it did in fact give significant protection to producers of three goods; sugar, beer, and tobacco and tobacco products (see Lloyd, 2015, p. 159). Low tariffs in this colony are usually explained by economic historians by the much lower dependence of the colony on customs revenue as it realised large revenues from the sale of Crown land (Patterson, 1968, chapters 3 and 6 and Mill 1925, Chapters IV and X). Shann (1930, p. 271) provides another difference between the two colonial economies that may account in part for the difference in policy; pastoral and financial opinion was inclined to a policy which kept down the cost of living and the cost of production for export of pastoral and mineral products such as coal which were abundant in the colony. Yet, New South Wales also had a substantial manufacturing sector which was subject to competition from other countries (and from Victoria).<sup>17</sup> There seems also to have been an ideological divide. Sir Henry Parkes was the dominant political figure in New South Wales, and indeed in the Australian colonies together, in the second half of the century. He was five times Premier of the colony. Throughout his political career he was an advocate of free trade and later in his career served as Leader of the Free Trade Party in New South Wales. (He was a disciple of Richard Cobden, the free trade leader in Great Britain who was one of the authors of the English Corn Laws.) While his influence on political opinion in New South Wales was undoubtedly substantial, Mills (1925, pp. 201-204) considered that his influence in New South Wales was not as important as that of Syme in Victoria. There were other leading politicians in the colony who supported free trade. The origins of this New South Wales “free trade” view deserve further close examination.

For each of the “small” colonies of South Australia, Tasmania and Western Australia, since their respective series begun, the average tariff rates are above those of both New South Wales and Victoria (since its series begins in 1852) in all but a few years. Similarly, the average tariff rate in the colony of Queensland is above those of both New South Wales and Victoria in all years except the first five years for which the Queensland series is available, that is, in all years since 1866. Thus, the four “small” colonies were consistently all high tariff colonies compared to New South Wales and Victoria.

Looking at the series of the six colonies together, these long term series exhibit a number of features. First, the ranking of the colonies in terms of the height of the average tariff changes over the century.<sup>18</sup> Before responsible government, the average rates in Tasmania and South Australia are close to those in New South Wales in all years but those in Western Australia are higher than those in New South Wales in all years. After the granting of responsible government, tariff rates among the colonies diverge and the ranking changes. In the early years after responsible government, Western Australia and South Australia had the highest rates but by the end of the century, it is Queensland and Western Australia which had the highest average rates. Second, there is no clear trend in the series for most of the individual colonies. In each colony there are periods of high and low tariff rates, depending partly on the fiscal needs of the expanding colonies and partly on the views of the colony legislature on the desirability of tariffs. However, for the two colonies of Queensland and Tasmania, there was an upward trend in the second half of the century.

#### **4. The series for “All Six Colonies Combined” 1825-1900**

The data on tariff rates for the six individual colonies can be combined to form a series of the average rate in all of the colonies combined. This is done by aggregating the figures of tariff revenue in each state in one year and dividing by the aggregate value of total imports into all six colonies in the same year and multiplying by 100 to give an ad valorem figure. The resulting statistic can be regarded loosely as the “Australian” tariff rate for the year but it should be remembered that the customs revenue include revenues from trade among the colonies. It is an average of the figures for tariff rates levied in each colony on imports from both Other Countries and Other Colonies.

The series is reported in Appendix Table 2 and graphed in Figure 3. This series show much less variation from year to year than the series for individual colonies as the annual variations differ among colonies and are averaged out in this series. This average is surprisingly constant throughout the 75 year period, especially in the last 50 years.

**Figure 3 Average Tariff Rates for NSW and “All Six Colonies Combined”**

The series of average tariffs constructed here for the 19<sup>th</sup> century could be linked to the series of average tariffs in Lloyd (2008) for the 20<sup>th</sup> century. This link would give a series approaching 200 years in length. But the inclusion of inter-Colony trade and revenues in the series before federation creates a marked discontinuity in time. It is not possible to adjust the 19<sup>th</sup> century statistics to conform to the geographic coverage of the 20<sup>th</sup> century statistics. We know that the tariff rates on the goods imported from Other Colonies were generally lower than the rates on the rather different bundle of goods imported from Other Countries. Therefore, the averages reported here as the average rates for All Six Colonies Combined overstate the true average for imports from Other Countries alone. For the year 1900, Lloyd (2015) calculated that the average duty on imports of major items from Other Countries alone was 10.8 per cent whereas the average duty levied in the colonies on imports from Other Colonies alone was only 6.6 per cent.

There is a second more subtle discontinuity. After federation, the national coverage of tariffs meant that the incentives provided by tariffs to encourage Australian production of importable goods applied to the whole country. For protection to elicit domestic production requires only that production occur in one State whereas before federation the incentives applied only to the tariff-levying Colony.

## **5. Summary and conclusions**

The first tariffs introduced in New South Wales were duties on alcoholic beverages. Then in New South Wales taxes on tobacco were added. Other colonies similarly started their taxation of imported goods, either wholly or largely, with these two groups of goods. These product groups accounted for more than 50 per cent of total customs revenue in all four colonies until well after 1850. In the second half of the century, the range of goods subject to customs duty and the rates increased steadily, though with a few reversals, in all colonies but New South Wales. Yet, in 1900 the group of “narcotics and stimulants” still accounted for 48 per cent of the total customs revenue of all colonies (Coghlan, 1900, p. 355).

Colonial tariffs in the 19<sup>th</sup> century were mostly taxes to raise revenue for the colonies whereas throughout the 20<sup>th</sup> century the protection motive was dominant. But the protective effect of colonial tariffs increased steadily throughout the 19<sup>th</sup> century as manufacturing and

agricultural production grew and diversified. The legislators in some the colonies were at times quite explicit about the protective motive; this is particularly true of Victoria and South Australia.

Another piece of evidence of the growing protectionism is the lowering of tariff rates on materials and other intermediate and capital inputs used in the production of products in the colonies. All colonies did so at some time in the second half of the 19<sup>th</sup> century, for both agricultural products and manufactures. One of the earliest examples is the lower rate of duty on imports of unmanufactured tobacco to be used in the local manufacture of tobacco products compared to those on imports of manufactured tobacco products; for example, in 1864 both New South Wales and Victoria imposed a duty of 1 shilling on imports of unmanufactured tobacco and a duty of 2 shillings on imports of manufactured tobacco (Patterson, 1968, Table 4/3). In all of the colonies a range of intermediate and capital inputs were added to the free lists of these colonies<sup>19</sup> [Patterson, 1968, pp. 111, 115, 117]. This was done deliberately in each instance for protective purposes. Here is an intuitive recognition that the effective protection of value added in a production process, to use the terminology introduced close to 100 years later, depends on the tariff rates levied on inputs as well as those levied on outputs.

In other respects, the structure of tariffs imposed changed qualitatively from the first half of the century to the second half. First, tariff rates were close to uniform across the territory of modern Australia in the first half of the century, apart from rates in Western Australia which were higher than those in the large dominant colony of New South Wales. However, in the second half, tariff rates became much more diverse among the colonies, with rates diverging between New South Wales and Victoria in particular. Second, there were in the first half, preferences for imports of goods manufactured in Great Britain over imports of like goods from the rest of the world for the period 1802 to 1843, although the preference margins were small. There were also minor preferences exchanged between the colonies of New South Wales and Tasmania during the period of 1825 to 1843. By contrast, during the whole of the second 50 year period, for each tariff item in all colonies, there was only a single rate applied to imports from all sources. Third, there were no export duties in any of the colonies in the first half of the century.

The main features of colonial tariff systems carried over into the first Customs Tariff introduced by the new Commonwealth Government in 1902. This applies to the favourable tax treatment of intermediate inputs noted above, to the complex differentiation of tariff rates within product groups or industries, and to the protection implicit in the differential rates on imports of excisable items and the like domestic product. All of these features have here been traced far back into the 19<sup>th</sup> century and all carry forward for all or most of the 20<sup>th</sup> century. One cannot understand the tariff history of the 20<sup>th</sup> century without an appreciation of the evolution of tariffs in the previous 100-year colonial period.

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**Appendix Table 1: Average Tariff Rates in the Six Colonies, 1825 to 1900**

|      | NSW  | Victoria | Queensland | SA   | Tasmania | WA   |
|------|------|----------|------------|------|----------|------|
| 1825 | 16.1 |          |            |      |          |      |
| 1826 | 13.3 |          |            |      |          |      |
| 1827 | 13.7 |          |            |      | 15.6     |      |
| 1828 | 11.4 |          |            |      | 13.7     |      |
| 1829 | 12.2 |          |            |      | 16.5     |      |
| 1830 | 18.7 |          |            |      | 19.7     |      |
| 1831 | 17.9 |          |            |      | 17.7     |      |
| 1832 | 15.5 |          |            |      | 14.9     |      |
| 1833 | 15.2 |          |            |      | 16.9     |      |
| 1834 | 12.6 |          |            |      | 13.8     |      |
| 1835 | 12.6 |          |            |      | 12.8     |      |
| 1836 | 12.4 |          |            |      | 12.7     |      |
| 1837 | 12.6 |          |            |      | 12.2     |      |
| 1838 | 9.2  |          |            |      | 10.1     |      |
| 1839 | 7.1  |          |            |      | 10.8     |      |
| 1840 | 6.5  |          |            | 7.8  | 9.6      |      |
| 1841 | 9.2  |          |            | 7.4  | 10.1     |      |
| 1842 | 14.9 |          |            | 8.8  | 13.6     | 17.6 |
| 1843 | 10.7 |          |            | 11.7 | 10.8     | 14.4 |
| 1844 | 16.3 |          |            | 14.1 | 14.3     | 16.5 |
| 1845 | 12.8 |          |            | 12.7 | 12.2     | 22.9 |
| 1846 | 9.3  |          |            | 11.2 | 12.4     | 23.7 |
| 1847 | 8.6  |          |            | 9.8  | 9.7      | 15.5 |
| 1848 | 10.9 |          |            | 14.6 | 13.0     | 22.7 |
| 1849 | 10.4 |          |            | 12.9 | 13.2     | 13.1 |
| 1850 | 10.6 |          |            | 11.8 | n.a.     | 19.2 |
| 1851 | 9.8  |          |            | 13.3 | n.a.     | 16.7 |
| 1852 | 11.4 | 7.8      |            | 9.1  | n.a.     | 16.7 |
| 1853 | 5.6  | 4.9      |            | 7.3  | n.a.     | 15.2 |
| 1854 | 6.8  | 4.9      |            | 7.5  | 10.6     | 17.3 |
| 1855 | 9.0  | 8.3      |            | 9.6  | 10.4     | 15.6 |
| 1856 | 8.6  | 8.5      |            | 11.2 | 9.3      | 21.3 |
| 1857 | 7.9  | 7.2      |            | 16.0 | 10.6     | 17.7 |
| 1858 | 8.7  | 8.7      |            | 8.9  | 10.1     | 18.2 |
| 1859 | 9.0  | 8.4      |            | 9.2  | 10.6     | 22.5 |
| 1860 | 7.2  | 6.8      |            | 8.3  | 11.1     | 19.2 |
| 1861 | 8.9  | 8.5      | 7.4        | 7.2  | 11.8     | 21   |
| 1862 | 6.4  | 8.1      | 7.3        | 6.5  | 15.3     | 18.4 |
| 1863 | 7.2  | 7.7      | 7.3        | 8.2  | 15.0     | 19.7 |
| 1864 | 5.3  | 7.0      | 6.8        | 9.4  | 13.9     | 19.9 |

|      |      |      |      |      |      |      |
|------|------|------|------|------|------|------|
| 1865 | 6.0  | 8.2  | 7.8  | 8.4  | 15.6 | 22.3 |
| 1866 | 8.8  | 6.6  | 9.1  | 10.2 | 14.6 | 18.1 |
| 1867 | 11.9 | 11.2 | 16.2 | 8.3  | 14.8 | 19.8 |
| 1868 | 10.5 | 9.7  | 17.6 | 9.1  | 15.6 | 20.3 |
| 1869 | 10.0 | 10.8 | 17.1 | 8.4  | 14.1 | 18.3 |
| 1870 | 11.0 | 10.3 | 18.3 | 9.4  | 17.1 | 19.4 |
| 1871 | 9.2  | 12.1 | 20.7 | 11.4 | 17.9 | 22.5 |
| 1872 | 10.9 | 11.1 | 18.2 | 10.0 | 18.0 | 23.6 |
| 1873 | 11.0 | 10.6 | 16.7 | 9.8  | 15.9 | 22.6 |
| 1874 | 8.6  | 10.0 | 16.4 | 9.4  | 14.5 | 21.9 |
| 1875 | 7.3  | 9.5  | 13.7 | 9.8  | 15.3 | 22.0 |
| 1876 | 7.5  | 10.2 | 15.8 | 9.6  | 16.4 | 21.6 |
| 1877 | 7.4  | 9.7  | 13.1 | 10.6 | 16.2 | 21.9 |
| 1878 | 7.8  | 9.4  | 17.0 | 8.9  | 15.9 | 20.5 |
| 1879 | 7.9  | 10.0 | 18.5 | 10.2 | 16.4 | 21.1 |
| 1880 | 8.5  | 10.0 | 15.7 | 9.3  | 18.5 | 26.4 |
| 1881 | 8.0  | 9.8  | 13.2 | 10.8 | 19.0 | 26.0 |
| 1882 | 7.0  | 9.7  | 10.5 | 9.5  | 17.5 | 23.4 |
| 1883 | 7.4  | 10.3 | 12.3 | 9.8  | 16.4 | 23.0 |
| 1884 | 7.6  | 10.2 | 14.1 | 10   | 16.6 | 23.1 |
| 1885 | 7.5  | 10.9 | 15.4 | 12.3 | 16.2 | 22.4 |
| 1886 | 9.9  | 11.5 | 17.5 | 10.4 | 16.6 | 21.7 |
| 1887 | 10.3 | 11.7 | 17.5 | 10.6 | 18.4 | 20.9 |
| 1888 | 8.8  | 11.2 | 18.9 | 11.2 | 18.6 | 20.6 |
| 1889 | 8.2  | 11.7 | 25.9 | 8.8  | 19.1 | 20.6 |
| 1890 | 8.2  | 11.6 | 25.5 | 8.4  | 18.5 | 20.4 |
| 1891 | 8.4  | 11.6 | 25.0 | 7.3  | 20.0 | 18.3 |
| 1892 | 12.4 | 13.1 | 27.6 | 8.8  | 21.3 | 19.6 |
| 1893 | 11.4 | 14.3 | 31.7 | 8.0  | 27.5 | 17.1 |
| 1894 | 15.6 | 15.9 | 26.8 | 9.2  | 30.1 | 19.4 |
| 1895 | 14.2 | 15.9 | 24.1 | 10.4 | 31.1 | 16.1 |
| 1896 | 7.6  | 13.7 | 24.1 | 9.5  | 27.6 | 15.2 |
| 1897 | 6.7  | 11.2 | 23.0 | 8.8  | 26.6 | 16.7 |
| 1898 | 6.6  | 13.6 | 21.1 | 10.0 | 24.8 | 17.1 |
| 1899 | 6.0  | 12.6 | 20.5 | 9.5  | 24.1 | 19.7 |
| 1900 | 6.2  | 11.8 | 20.4 | 8.1  | 22.6 | 16.0 |

Source: Working sheets

Note 1. In the numerator of this average statistic, for each colony in the years for which the figures are available, the figure has been adjusted to be net of Export Duties, Drawbacks, Refunds and Wharfage and Harbour rates. In the denominator, for the colonies affected, the figures for the total value of Imports have been adjusted for Overland and River Murray trade and, in some years, for gold bullion.

**Appendix Table 2: Average Tariff Rates in the All Colonies Combined, 1825 to 1900**

Average Tariff Rate:  
All Six Combined

|      |      |
|------|------|
| 1825 | 16.1 |
| 1826 | 13.3 |
| 1827 | 13.7 |
| 1828 | 11.4 |
| 1829 | 12.2 |
| 1830 | 18.7 |
| 1831 | 17.9 |
| 1832 | 15.5 |
| 1833 | 15.2 |
| 1834 | 12.6 |
| 1835 | 12.6 |
| 1836 | 12.4 |
| 1837 | 12.6 |
| 1838 | 9.2  |
| 1839 | 7.1  |
| 1840 | 6.5  |
| 1841 | 9.2  |
| 1842 | 14.9 |
| 1843 | 10.7 |
| 1844 | 16.3 |
| 1845 | 12.8 |
| 1846 | 9.3  |
| 1847 | 8.6  |
| 1848 | 10.9 |
| 1849 | 10.4 |
| 1850 | 10.6 |
| 1851 | 9.8  |
| 1852 | 11.4 |
| 1853 | 5.6  |
| 1854 | 6.8  |
| 1855 | 9.0  |
| 1856 | 8.6  |
| 1857 | 7.9  |
| 1858 | 8.7  |
| 1859 | 9.0  |
| 1860 | 7.2  |
| 1861 | 8.9  |
| 1862 | 6.4  |
| 1863 | 7.2  |

|      |      |
|------|------|
| 1864 | 5.3  |
| 1865 | 6.0  |
| 1866 | 8.8  |
| 1867 | 11.9 |
| 1868 | 10.5 |
| 1869 | 10.0 |
| 1870 | 11.0 |
| 1871 | 9.2  |
| 1872 | 10.9 |
| 1873 | 11.0 |
| 1874 | 8.6  |
| 1875 | 7.3  |
| 1876 | 7.5  |
| 1877 | 7.4  |
| 1878 | 7.8  |
| 1879 | 7.9  |
| 1880 | 8.5  |
| 1881 | 8.0  |
| 1882 | 7.0  |
| 1883 | 7.4  |
| 1884 | 7.6  |
| 1885 | 7.5  |
| 1886 | 9.9  |
| 1887 | 10.3 |
| 1888 | 8.8  |
| 1889 | 8.2  |
| 1890 | 8.2  |
| 1891 | 8.4  |
| 1892 | 12.4 |
| 1893 | 11.4 |
| 1894 | 15.6 |
| 1895 | 14.2 |
| 1896 | 7.6  |
| 1897 | 6.7  |
| 1898 | 6.6  |
| 1899 | 6.0  |
| 1900 | 6.2  |

## Appendix 1. A Note on Data Relating to Tariff Revenue and the Value of Imports in the Colonial Period.

For each of the colonies, one can trace the rate of tariff duty levied on each item (or ‘article’ as they were known then) in every year from 1800.<sup>20</sup> Most of the tariff rates are specific, the remainder are ad valorem rates.

We require, however, a scalar summary measure of tariff levels in one year, namely, the average tariff rate. In a previous note (Lloyd, 2015, Appendix A) I argued that the import-weighted average of the rates on individual goods is a close approximation to the theoretically-correct Trade Restrictiveness Index. That argument was based on the premise that the motive for tariffs was protection. This is appropriate for the 20<sup>th</sup> century but for most of the 19<sup>th</sup> century the dominant motive was revenue-raising. However, the distinction between revenue and protective tariffs is not clear cut as many of the colonial revenue duties did lead to domestic production of the taxed goods. In calculating the average import-weighted duty there is a further choice between the average duty on all imports and the average duty on dutiable goods only. Data on the value of dutiable imports only is, however, available only for a few colonies in the period at the end of the century. Consequently, the only measure that can be calculated for all colonies is the average (import-weighted) duty on all imports in a colony.

To calculate the average import-weighted tariff on all imports in one colony in one year, we require two pieces of information; the total tariff revenue and the total value of import trade in the colony in that year. Data for one or both of these series is missing for all colonies in the first years of their establishment (see below). However, data for both of these variables is available for all colonies for all other years. The problem is to compile long-term series of these two variables that are based on consistent definitions of “tariff revenue” and “import trade”. Each colony independently produced its own data and each changed the basis of collection and publication several times over the colonial period.

For “tariff revenue” in one colony in one year, we require the total value of revenue collected from all import duties. This should include the revenue from both specific and ad valorem tariff rates and primage, and it should be net of drawbacks and refunds of these duties. It

should not include revenue from excise taxes on local production of excisable goods and from export taxes, and miscellaneous charges relating to import trade such as pilotage and harbour and wharfage rates. For “import trade” in one colony in one year, we require the total value of merchandise trade. This should include both shipping trade and overland trade where they are reported separately and it should be net of imports of bullion and coins. Apart from the period of the 1890s data are not published in this form and adjustments were, therefore, made to the gross figures of customs duties and total imports where practicable.

A consistent series of data relating to total net tariff revenue has to be generated in each colony from data on “customs revenue” and supplementary data relating to excise duties, export duties, drawbacks and refunds, and wharfage and harbour rates, where these data are available. Similarly, a consistent series of data relating to the total value of imports has to be generated from data on the “value of imports” excluding imports of gold bullion and coins but including overland trade and, in New South Wales and Victoria, imports via the Murray River, when available. Care must be taken. In some colonies, there are up to three distinct series in one year of what purport to be “total customs duties”. Similarly, there are often multiple series of “total import trade”.

As a generality, the precision and quality of the data improve over time. Data preparation is especially difficult in the period before 1850. Vamplew (1987, p. 452) notes “It is necessary to warn readers against unduly simplistic interpretations of the statistical record.” This is certainly true of the customs duty and trade data for the period of pre-responsible government and for the period of responsible government too, as examined below.

The territory of the colony of New South Wales is defined as the territory governed by the colony in each year. Thus, after the separation of Victoria from New South Wales, New South Wales territory and statistics relate to the colony excluding Victoria. From 1851, Victorian statistics begin to record the trade of the new colony. Similarly, when Queensland separated the data relate to the colonies of New South Wales and Queensland as newly defined.

It is easier to begin at the end of the period and to proceed backwards as the data is more detailed and better defined at the end of the period.

## **1850-1900**

**(i) New South Wales**

For the period from 1850-1900, in New South Wales there are seven sub-periods with distinct reporting of revenue or trade data. For the years 1900 back to 1893, both total import trade and net customs duty can be taken from the summary at the end of the table reporting imports of each article. They are reported there in the form required. The detail and definitions become more blurred as one goes back in time. In the period 1892 back to 1887, the data relating to total (gross) customs revenue and to drawbacks and to refunds of customs duties are reported separately. Prior to 1887, no statistics of drawbacks or refunds are reported and it is not clear whether the reported customs revenue figures are gross or net of these payments. I have taken them to be net of drawbacks and refunds as the data for these earlier years are the payments into Consolidated Revenue Fund.

Statistics of the total value of imports are available for all years but their reliability and coverage deteriorate in earlier periods. In the introductory section to the *Statistical Register* of New South Wales for 1858, the Registrar General, Mr Chris Rolleston, issues a stern warning about the quality of the import value data at that time (*Statistical Register for New South Wales*, 1858, pp. 18, 19, 26):

“It is to be regretted that returns [of imports and exports] of such great value, when carefully prepared, should have been kept in the loose, perfunctory and immethodical manner which has hitherto characterized the statistics of the Customs Department...I allude to the stated value of the different articles imported and exported. These values are arbitrarily fixed by the Customs House Agent or Merchant’s Clerk, and often without any regard to the real value of the articles and commodities. It is clear, that under this practice, the quantities imported and exported must form the basis of comparison in preference to values.”

There are major problems with the data relating to imports into New South Wales via the Murray River. Murray River trade began after the river became navigable in 1853 but there are no records of the trade until 1859. In his first *Statistical Register* (1859, pp.25, 26), the Registrar General laments

“the figures refer only to the Goods and livestock crossing the River Murray at Belvoir and Albury; they have been taken from the Customs Returns of Victoria, and

they are all I have succeeded in collecting to illustrate the overland trade between the two Colonies...

In regard to the trade with Adelaide via the Murray and Darling [which is the third means by which imports entered New South Wales in addition to Shipping and Overland trade] I have no means of collecting information. That there have been large supplies obtained via these rivers for the stations on their banks, and that a considerable quantity of Wool has gone down by the same route, is a matter of notoriety.”

In the years from 1858 to 1866 data on both overland trade and trade up the Murray River from Goolwa is recorded in the *Statistical Registers* for more and more ports as this trade grew rapidly in the Gold Rush period. For the three years 1867 to 1869, however, there are no records. Directions were given to the customs officers to discontinue records of all trade via the River Murray after the Border Treaty came into effect on 12 January 1867. In the 1867 *Statistical Register for New South Wales* (1867, p.9), the Registrar General observed curtly “Were the returns furnished as heretofore the gross results of the year’s transactions above indicated would be considerably augmented.” In fact, the value of this trade recorded in the previous two years – 1865 and 1866 – was more than £500, 000 annually.

Consequently, there is a serious understatement of the total value of imports into New South Wales over the period 1853 to 1870. On the other hand, in years when the value of import trade via the Murray River is unrecorded or understated, the value of customs duty on this trade is also unrecorded. The omission of these two flows will distort the average tariff on all import trade only to the extent that the average tariff on unrecorded trade is different than that on recorded trade. For the three years when zero Murray River trade was recorded and in most other years, no duty was levied on unrecorded trade. Thus, the absence of these records understates the average duty on all import trade in New South Wales but the understatement is small: this trade was only around 6 per cent of the total imports into New South Wales in the years surrounding those when no records were kept.

## **(ii) Victoria**

For the colony of Victoria, the limitations of the data are similar to those in New South Wales. There are multiple breaks in the series as the reporting conventions changed. In relation to the customs revenue statistics, more adjustments had to be made than in New

South Wales as, for most of the period, the totals reported related to either Total Customs Duties or Total Import Duties. From 1855 to 1867, export duties had to be deducted from the “Customs” revenue figures (i.e. revenue collected by the Department of Customs). Wharfage and Harbour Rate revenues had also to be deducted in the years when they are available and recorded as part of “Customs” revenue. There are data for Refunds only back to 1897. However, the statistics of Drawbacks, which are considerably larger in value than Refunds in the years for which statistics are available, go back to 1872. This is a much longer series than in New South Wales.

In relation to the value of trade statistics, the overland trade is underreported, as it was in New South Wales. Gold was imported into the colony in substantial amounts in some years from other colonies including New Zealand. The value of these imports had to be deducted from reported trade totals in the years before 1878.

### **(iii) The smaller colonies**

In the other four smaller colonies the data problems are less serious in several respects. In South Australia, for the calculation of the total value of imports, there is almost no overland trade except for trade up the River Murray but some of this is not recorded. Gold production is small but there are significant imports of gold bullion and coin in all of the smaller colonies; however, there are no records of gold and bullion imports in Queensland before 1878, in Tasmania before 1872, in South Australia before 1855 and in Western Australia before 1866. There are fewer excise duties than in the large colonies and no substantial export taxes.

### **1800-1850**

The statistics for this period are generally much less reliable. The primary source for data for each of the four colonies is the *Statistical Returns* (sometimes called the *Blue Books*). For example, in Western Australia, the annual edition of *The Blue Book Western Australia* noted for many years the unreliability of the import statistics. *Blue Book Western Australia 1844*, p.122 notes “There being no regular Customs House in the colony it is at present impossible to give a correct account in detail of the value and description of the goods imported or specify the place they are brought from.” (The earlier *Blue Books* of 1837 and 1838 give figures of total imports of £43,401 and £46,766 respectively. These are based on estimates

by the Harbour Master. Vamplew (1987, p. 122) gives a series of the value of Total Imports for the colony from 1829 to 1836 but these figures cannot be considered accurate.)

Unfortunately, New South Wales has the poorest records for the period. For New South Wales, the series of the total value of imports go back only to 1825. Vamplew (1987, Ec 115) has a series of “Customs revenues” going back to 1822 and Vamplew (1987, Ec111) also has a series of Customs revenue for the years 1810 to 1821. These data are constructed from the payments of customs duties into the Orphan Fund, the Gaol Fund and the Police Fund. From 1810 Governor Macquarie directed that the revenue from these duties be paid into these funds as a method of paying for the costs of the Orphan School and the construction of gaols (*Historical Records of New South Wales*, vol. VII, p. 254). These series enable the calculation of the average tariff rate from 1825.

In relation to adjustments, there are no export duties in any of the four colonies and excise taxes only in New South Wales and South Australia. Adjustments for the latter were not possible as excise tax revenue was not recorded separately in these two colonies. There are no records of imports of bullion or species in New South Wales, Western Australia or Tasmania in this period.

### **How reliable are these series?**

The question now arises as to how reliable are these series.

### **1850 -1900**

There are missing data; Murray River trade over the period 1853 to 1859, value of import trade in the first year of self-government in Victoria (1851), and in Queensland (1860). These omissions are minor in the general picture. No tariff duty revenue was reported in the colony of Tasmania for the four years 1850-53.

There is unquestionably noise in the series of all of the colonies. On the revenue figures that enter the numerator of the average statistics, this arises mostly because data on drawbacks and refunds is not available for some colony years. The “tariff” revenue figures in the colonies do not exclude excise tax revenue and export taxes in all years. These are the big items for which adjustment was sought. On the value of import figures that enter the

denominator of the average statistics, data on flows of Overland trade have been added, when necessary, to data on flows of Seaward trade. Data on bullion imports have been deducted from the total value of imports but these entries are very volatile when recorded and do not seem to have been recorded for some years in some of the colonies.

### **1800-1850**

There are missing data in the early years of each of the four colonies. In New South Wales, it took 25 years after the introduction of the first tariff for the colony to compile both series of the revenue and of the value of total imports. In Tasmania, perhaps because of the need for a strong bureaucracy to administer and control the penal settlements, the series of total imports go back to 1822, three years before the colony separated from New South Wales, and the second series of import duties collected goes back to 1827, two years after the colony separated from New South Wales. Similarly, in South Australia, the series of import duties collected and my series of the average duty starts in 1840, only three years after the establishment of the colony. In Western Australia by contrast, a reliable series of total imports does not start until 1843, 13 years after the beginning of settlement. The population of the colony was, however, still only 3853 in that year. For the series which have been used to calculate the average tariff rates in the four colonies in the pre-1850 period, the main problem is the uncertain valuation of imports in the early colonies. However, there were no export duties and there were excise taxes only in New South Wales and South Australia for later years in this period.

**Table 1. Tariff Rates in New South Wales in the years 1800, 1825, 1852, 1875, and 1900**

| Tariff Article <sup>1</sup>               | 1800 | 1825                            | 1852        | 1875       | 1900        |
|---|------|---------------------------------|-------------|------------|-------------|
| <u>Alcoholic beverages</u>                |      |                                 |             |            |             |
| Spirits (per proof gallon)                | 1/-  | 3/- to 7/6 or 10/- <sup>2</sup> | 7/- to 10/- | 10/-       | 14/-        |
| Perfumed spirits (per liquid gal.)        |      |                                 |             |            | 20/-        |
| Bitters (per gallon)                      |      |                                 |             |            | 3/6 to 14/- |
| Methylated spirits (per gallon)           |      |                                 | 2/-         | 2/-        | 1d          |
| Wine- sparkling (per gallon)              | 6d   | 9d                              | 2/- to 10/- | 6/-        | 20/-        |
| - other (per gallon)                      | 6d   | 9d                              | 2/- to 10/- | 4/-        | 10/-        |
| Beer, ale and porter (per gallon)         |      |                                 |             |            |             |
| - in wood                                 | 3d   |                                 | 1d          | 6d         | 6d          |
| - in bottle                               | 3d   |                                 | 2d          | 9d         | 9d          |
| <u>Tobacco &amp; Tobacco products</u>     |      |                                 |             |            |             |
| Tobacco for home cons. ( per lb)          |      | 1/-                             | 2/-         | 2/-        | 3/-         |
| Unmanufactured (per lb)                   |      | 1/-                             |             | 1/-        | 1/-         |
| Cigars & cigarettes (per lb)              |      | 1/-                             | 3/-         | 5/-        | 6/-         |
| <u>Sugar and sugar products</u>           |      |                                 |             |            |             |
| Refined (per cwt)                         |      |                                 | 5/-         | 6/9        | 4/-         |
| Raw (per cwt)                             |      |                                 | 3/4         | 5/-        | 3/-         |
| Molasses and treacle                      |      |                                 |             |            | 2/-         |
| Glucose                                   |      |                                 |             |            | 2/- to 3/-  |
| Opium                                     |      |                                 |             | 10/-       | 20/-        |
| <u>Processed food and drinks</u>          |      |                                 |             |            |             |
| Tea (per lb)                              |      |                                 | 3d          |            | 1d          |
| Coffee (per lb)                           |      |                                 | 2d          |            |             |
| Biscuits (per lb)                         |      |                                 |             | 1d         | 1/2d        |
| Confectionery (per lb)                    |      |                                 |             | 1 1/2d     | 1d          |
| Fruits, dried & candied & prunes (per lb) |      |                                 |             | 2d to 2/-  | 2d          |
| Jams & jellies (per lb)                   |      |                                 |             | 1d         | 1/2d        |
| Preserves and canned fruits (per lb)      |      |                                 |             | 1d         | 1/2d        |
| <u>Other Goods</u>                        |      |                                 |             | See Note 5 |             |

Sources: 1800: *Historical Records of Australia*, Series I, Vol. II, p.548.

1825: *Historical Records of Australia*, Series I, Vol. I, p. 492.

*Sydney Gazette*, 2 June 1825.

1852: *Statistical Register of New South Wales 1850-52*, microfiche

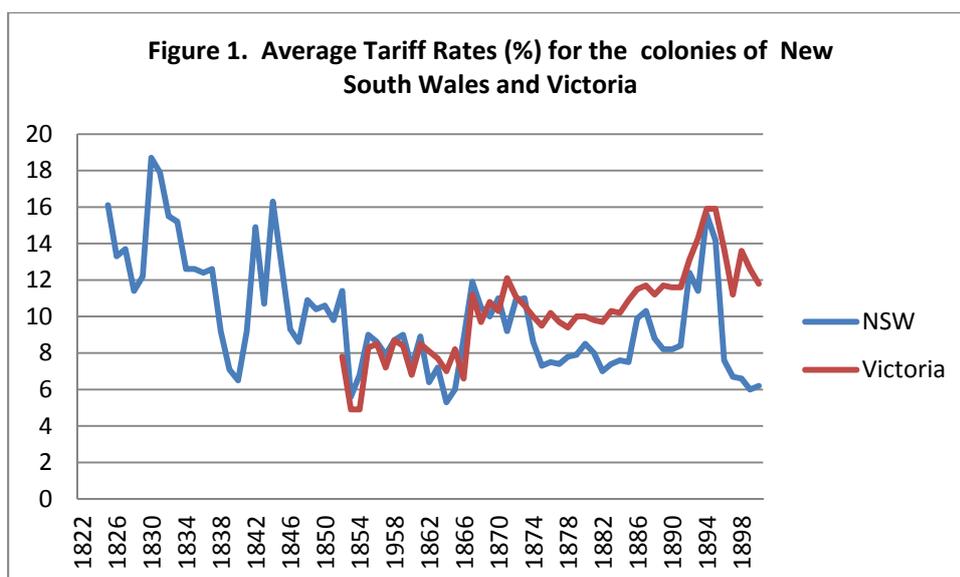
1875: *Statistical Register of New South Wales 1875*, microfiche

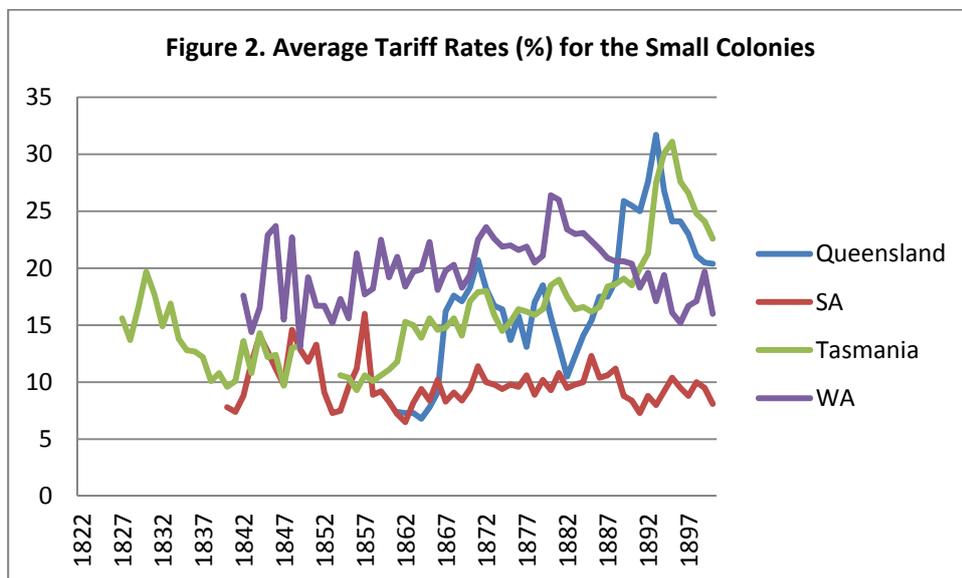
1900: *Statistical Register of New South Wales 1900 and Previous Years*, microfiche, Table 32.

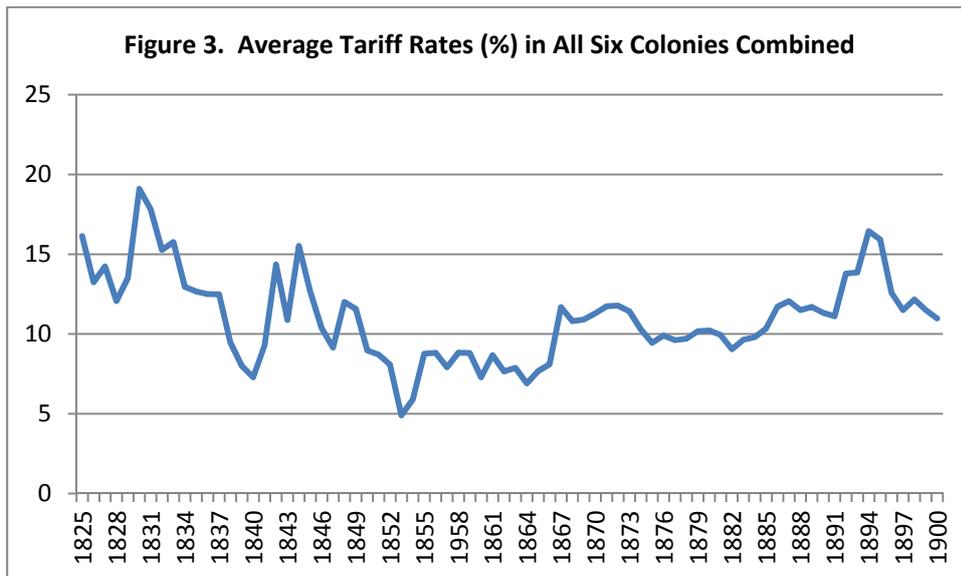
Notes: 1. The articles classification used is that of New South Wales in 1900. The article “sheepwash” under Tobacco and tobacco products for this year has been omitted as it is minor.

Since the classifications used by New South Wales in the earlier years and those of the other colonies in all years differed from that in 1900, there are some minor discrepancies in the goods covered by a tariff article in some cases.

2. A cell with no entry indicates either that the rate was zero or that there is no article corresponding to that in NSW in 1900,
3. Where a range of rates is recorded, it is due to variation of the rates for sub-groups within the article. For example, in 1852, brandy and gin and cordials had a rate of 10/- whereas all other spirits had a rate of 7/- per proof gallon. Similarly, sparkling wine with greater than 25% alcohol content paid 10/- whereas all other wines paid 2/- per liquid gallon.
4. The variation in the rates for “spirits” in 1825 is due partly to a variation on rates for spirits made from different materials (spirits made from grains 3/-, sugar 5/- and other 10/-) and partly to a preferential rate for imports of spirits made in the UK or British colonial plantations 7/6 in place of 10/-.
5. In 1800, 1825, 1852 and 1900, there were no other articles listed in the tariff schedules but in 1875 there were more than 20 additional articles subject to import duties.







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<sup>1</sup> Vamplew (1987, GF357 and ITFC23) has time series for the Six Colonies in the aggregate of Customs Revenue from 1850 and Value of Total Imports from 1861. Some economic historians have used these series to calculate a series of the average rate of duty for some years: for example, Irwin (2006, Figure1). However, these revenue statistics in the period of responsible government have combined the revenues of both import and export duties and, in some cases, excise duties too. Export duties mostly collected very little revenue but the notable exception is the Victorian export duty on gold which collected large revenues from its introduction in 1855 to its termination in December 1867.

Before 1850, Vamplew has statistics of “Customs” revenue and “Total Imports” for the colonies of New South Wales and Van Diemen’s Land. In New South Wales, the “Customs” statistics start in 1810 and the total imports in 1825 (Vamplew, 1987, EC111 and EC84) and for Van Diemen’s Land, the “Customs” statistics series starts in 1827 and the total imports series in 1822 (Vamplew, 1987, EC218 and EC212). These Vamplew series generally agree with mine but there are some differences.

<sup>2</sup> The only calculation of averages that I have found is that by Coghlan (1900, p. 284) for the colonies in 1900, the very last year of the colonial period. Patterson (1962) has tables comparing the tariff rates on individual items in the 6 individual colonies for the years 1855, 1864, 1876, 1880 and 1893. These are very informative but he does not calculate any ad valorem equivalent rates for specific duties or any averages. Hence, one cannot see the wood for the trees in these tables.

<sup>3</sup> The Governor added the explanation “of their being more durable and of better quality.” An economist today would immediately note that, if this were true, the buyers would factor it into their choice of goods. This decision smacks of a desire to protect British producers.

<sup>4</sup> Reitsma (1960, p. 4) claims that this direction was largely ignored. One example is the reintroduction of British Preferential rates in South Australia over the period 1846-8 (Mills, 1925, pp. 130-32), contrary to the ban on preferences.

<sup>5</sup> Andrew Seltzer suggested I consider an index with fixed weights. A fixed weight (Laspeyres) index would remove variation from year to year which is due to changes in the composition of imports. However, fixed weights are unsatisfactory over a long period of time. One would need to construct linked indices. Moreover, for some colonies in their early years, the breakdown of total imports and/or of customs revenue by commodity is not available. Hence, the fixed-weighted series would be considerably shorter.

<sup>6</sup> For an account of early settlements, see Crittenden (1987).

<sup>7</sup> However, the *Statistical Register* for New South Wales for the year 1851, after separation from Victoria, contains series for the years 1837 to 1850 which relate to the territory of New South Wales excluding what became Victoria. (This was referred to as “New South Wales proper”.) These include series of customs revenue and the value of total imports which could be used to compute the average tariff for these years relating to the imports of the Colony excluding the territory that became Victoria.

<sup>8</sup> Adam Smith (1776, Book V, chapter II) described these products as “luxuries”. However, they were luxuries only in the sense of not being subsistence goods.

<sup>9</sup> I have not been able to establish the date when the import duty on beer was abolished. This occurred some time between 1806 and 1818.

<sup>10</sup> “In the early days of Australia’s colonial history, the governors of the day – Phillip, Hunter, King and others – all supported the development of a local brewing industry, and for several very good reasons. They realised the importance of having a regular supply of locally produced beer, which, with a lower alcohol content compared

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to rum and other spirits, would combat the effects of excessive spirit drinking and drunkenness rampant in the community. Moreover, they believed that beer could be produced in the colony and sold at prices considerably lower than imported ales. A most compelling reason was the prospect of the establishment and growth of both primary and secondary industries, the cultivation of barley and hops and the setting up of factories to process the products and brew the beer.” (Deutscher, 2012, p. 1).

<sup>11</sup> Protection was provided to New South Wales wheatgrowers as well as to the distillers. The announcement began with a provision that distillers were required to use grain grown in the territory of new south Wales.

<sup>12</sup> The *Statistical Register* for New South Wales for the year 1851 notes that the NSW trade and revenue statistics exclude the trade and revenue of Victoria. The *Statistical Register* and the *Annual Returns on Trade and Customs* for the colony of Victoria do not begin until the year 1852. The *Report of the Registrar-General on the Progress and Statistics of Victoria* gives the value of imports and the revenue for the colony of Victoria in 1851 and the total revenue as £748, 984 but he does not record the part which was customs duties.

<sup>13</sup> At this time the Victorian Parliament also introduced bounties and land grants to assist the establishment of new industries. While these did assist new industries such as woollen mills and glass and paper manufacture (Coghlan, 1918, pp. 1149-50), they were secondary to the assistance from the tariffs.

<sup>14</sup> For the year 1900, this author provides estimates of the margins of protection of excisable goods in Victoria in ad valorem equivalent terms: see Lloyd (2015, p.7). All of the rates are substantial, ranging from 20 per cent for draught beer to 99 per cent for manufactured tobacco.

<sup>15</sup> The experience of Queensland in its first year of independence resembles the earlier experience of Victoria. The Queensland *Statistical Register* for 1860 shows that only £3,081 was collected from customs duties in that year. For this reason I have started the Queensland series in 1861.

<sup>16</sup> He outlined his arguments for protection in Syme (1876). For an independent account of Syme’s arguments, see Shann (1948, chapter XV). Like others in the colonies, he was influenced by 19<sup>th</sup> century writings of John Stuart Mill in England, Friedrich List in Germany and American protectionists. John Stuart Mill advocated temporary protection for infant industries but Syme explicitly saw protection as permanent.

<sup>17</sup> “Free Trade Ministers were fond of quoting figures to show that, under Free Trade, manufacturing industries in New South Wales employed more men (but not more women and children) than were employed in Protectionist Victoria, and it appears that successful manufacturers in the Free Trade Colony took pride in the fact that, without Tariff assistance, they had more than held their own in competition with their rivals in the neighbouring Colony.” (Mill, 1925, p. 202).

<sup>18</sup> Jonathon Pincus has pointed out to me that imports of manufactures from another colony, and especially those traded between New South Wales and Victoria, may have had water in the tariff. If labour and capital were perfectly mobile between the colonies, factor prices and the costs of production would be equalised across the colonies. In these circumstances, it would require only a very small tariff to give the producers in one colony a competitive advantage over producers in another colony. This argument does not, however, apply to imports of agriculture and minerals that embody specific factors nor to imports of manufactures from another country.

<sup>19</sup> Coghlan (1900, p. 358) notes this feature of the pattern of tariffs: “The only canon of taxation which seems to have weighed with the framers of tariffs was that raw material required for local manufactures should remain untaxed, and even this obvious rule has not infrequently been departed from.”

<sup>20</sup> In the early years of New South Wales, import duties were levied on the Governor’s authority alone without an Act of Parliament as there was no legislature at that time. In 1819 an Act of the British Parliament authorised import duties in the colonies (Mills, 1925, pp. 25-31 and La Nauze, 1948). Import duties were notified in a variety of ways: General Orders of the Colony, Government and General Orders, Proclamations, Ordinances, entries in Gazettes and other forms of notification (see, for example, La Nauze, 1948a, p. 16). The Legislative council was established in 1824

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For New South Wales, the colonial administrators began publication of a table of tariff rates (and excise duty and export duty rates) in each annual edition of the *Statistical Register* in the 1858 volume which used a new and expanded format. Western Australia published a series of tariff rates in the colony from its first *Blue Book* of 1837. Other colonies published tables of tariff rates in some years in their *Statistical Registers* and *Blue Books*. In any case, after self-government, all detail of tariff rates can be recovered from the statutes of the legislatures of the respective colonies.