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From Free-trade Imperialism to Structural Power: New Zealand and the Capital Market, 1856–68

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For Cain and Hopkins, the 'structural power' of gentlemanly capitalism was the most important means by which by British imperialism affected settler societies from the mid-nineteenth century. Like similar borrowers, self-governing colonies encountered this most directly by their participation in the London capital market. The potential consequences were illustrated by the failure of New Zealand's provinces to meet the market's standard of credit-worthiness during the early 1860s. At the same time as imperial supervision of provincial borrowing fell away, the Stock Exchange's refusal to list provincial loans made them unmarketable in the City, swiftly leading to the provinces' disappearance as separate borrowers in London. The episode vividly demonstrated gentlemanly capitalism's ability to define the 'rules of the game' as far as dependent borrowers were concerned. More fundamentally, however, the market was asserting the minimum requirements of credit-worthiness necessary for its own survival.

For over fifty years now the concept of an 'imperialism of free trade' has influenced debates about the relationship between Britain's imperial and economic expansion during the nineteenth century. For Gallagher and Robinson, it was famously 'a sufficient political function of . . . [a] process of integrating new regions' into the expanding British industrial economy, evident most obviously in the acts of 'the political arm to force an entry into markets closed by the power of foreign monopolies'.[1] The extent to, and success with which British power was actually used in this way has been the subject of profound controversy, but the idea of power without direct rule has had enduring appeal.[2] Most recently, Cain and Hopkins have shifted the emphasis to a free-trade imperialism that served the interests of the British service economy, especially the gentlemanly capitalist elite that occupied its highest reaches in the City and was closely connected to other branches of the gentlemanly order in politics, administration and the professions.[3] The ends, however, were the same: the 'reforming

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or restructuring' of societies to facilitate their incorporation into 'an international trading system centred on London and mediated by sterling'.[4]

By highlighting the expansion of British overseas investment and service enterprise in this way, Cain and Hopkins moved the argument in a direction originally suggested by Platt and drew attention again to 'a vigorous and expanding informal presence, notably in areas of white settlement'.[5] For Britain's colonies in particular, the acquisition of responsible government coincided with their increased participation in the international economy:

> [The] constitutional freedom of the emerging white Dominions was gained at the same time as their economic development bound them more closely to the financial system based on London . . . . [In] this sense, the white colonies exchanged a position of political dependence for a place in a wider and looser framework of 'free-trade imperialism' – even if the latter was only apparent clearly in times of economic crisis.[6]

Imperialism still meant 'an incursion, or an attempted incursion, into the sovereignty of another state' by 'one power . . . to shape the affairs of another by imposing upon it'.[7] But, while their critics emphasised the extent to which colonists pursued their own economic interests without control or direction from Britain, like their predecessors, Cain and Hopkins argued that the colonies' integration into the world economy required no 'direct intervention'. Colonial business politicians and entrepreneurs were 'ideal prefabricated collaborators' whose dependence on Britain as 'an indispensable market' and supplier of capital led them voluntarily 'to conform to the expectations of British financiers and . . . play the game by London's rules'; as a result, 'local economic ideologies were shaped to British standards'.[8] Free-trade imperialism, therefore, was a consequence of the existence of 'structural power' – that is, the power to determine 'the rules of the game' that defined the norms of economic conduct and policy.[9]

By redefining the concept in this way, Cain and Hopkins highlighted important aspects of the external forces to which colonial societies were subject from the mid-nineteenth century. Yet, possibly because of a lack of relevant scholarship, they provided only a limited account of the institutional and organisational means by which structural power was exercised, vesting this in 'British financiers', merchant banks like Baring Brothers and Glyn Mills, or, in Australasia's case, a London-oriented banking system.[10] Without an understanding of institutions and organisations, however, it is impossible to judge properly the nature, scope and purposes of structural power as far as Britain's colonies were concerned.

Markets provide one starting point for thinking about these issues. They can be defined as the organised, frequently impersonal networks of exchange that bring together buyers and sellers, often through the intermediation of agents and dealers under the supervision of regulators who determine the market's institutional structure. Although always in the background, they are rarely analysed in studies of free-trade imperialism.[11] Nevertheless, during the nineteenth century the most obvious way in which colonists encountered British service capitalism was by their participation in markets – most notably in the City of London – as suppliers of commodities and paper securities where they could never be sovereign and their best hope was to obtain the market price according to the quality of what they offered, whether greasy merino, frozen lamb or their credit. This did not mean that imperial power more conventionally understood (that is, the power to compel) was no longer important – Westminster retained a right of disallowance that could be used potentially whenever colonial legislation was regarded as prejudicial to the public creditor; debt burdens might grow to a point that creditors and their agents could exercise considerable influence – but markets were the principal means by which economic values, outlooks and expectations were mediated. The transition of Britain's settler colonies to a position 'in a wider and looser framework of "free-trade imperialism"' can therefore be interpreted as a movement to a deeper participation in markets. This also meant that colonists became subject to their structural power.

The most significant market as far as colonial governments were concerned was the capital market. During the 1850s and 1860s, following Canada's earlier example, colonists embarked on programmes of railway construction (either directly or by raising funds for private companies), other public works and assisted immigration to promote further settlement and create the infrastructure required for economic development. Most of this was financed by loans raised in London. Between 1855 and 1858, South Australia, New South Wales, Nova Scotia, New Brunswick, New Zealand and Victoria all appeared as borrowers in the City for the first time.[12] The number of colonial issues was such that, in March 1857, the Stock Exchange agreed to class them separately in its official list.[13] Among the colonies, New Zealand was distinct in several ways. There the conduct of colonisation and public works was left to provincial administrations that borrowed independently of the general government while depending upon it to collect and redistribute the greater part of taxation revenue. Largely because of the apparent precariousness of these financial arrangements, in 1857 the imperial government required its own approval of all future provincial borrowing as a condition for guaranteeing a colonial government loan. Finally, during the 1860s, the Stock Exchange's refusal to admit provincial loans to the official list made it almost impossible to sell them and led to the removal of the provinces' separate borrowing power. The fighting that decade in the North Island between the Maori and colonists clearly affected investor confidence, but several other colonies also experienced debt-related financial crises in the mid-1860s, most notably New South Wales and Queensland.[14] Yet, while the latter simply withdrew temporarily from the market, only New Zealand's provinces completely disappeared. The colony, therefore, provides a striking example of the weakness of residual imperial controls – Whitehall was unable to prevent a new wave of provincial loan authorisations during 1862–63 – and the power of a market to bring about institutional change. Arguably, the debacle of the 1860s could also be viewed in Cain and Hopkin's terms as a 'crisis' whose effects made 'apparent' New Zealand's place in the framework of free-trade imperialism. For these reasons, it is used here as a case study to explore the extent to which the capital market actually did exercise a form of structural power over self-governing colonial borrowers, to indicate the possible limits of its scope, and to consider whether structural power really can be viewed as a form of free-trade imperialism.

The following two sections examine the crisis of New Zealand provincial credit. The first considers it in relation to the conditions imposed by the imperial authorities to protect the security of the guaranteed loan of 1857. The second deals with the fiasco that followed the breakdown of imperial control during the early 1860s, when the provinces attempted to float a series of new loans in London. The final section interprets these events in terms of the interaction between unknown and potentially unstable borrowers and a competitive market in which information was imperfect. In this instance, the operation of structural power meant that the colonists had no choice but to implement a domestic reform that allowed their credit to be presented to potential investors in the most acceptable form.

I

The New Zealand Constitution Act of 1852 allowed for the isolated and scattered nature of British occupation in the two islands by the mid-nineteenth century.[15] It created a general government and separate administrations, comprising a superintendent and council, in six provinces: Auckland, New Plymouth (soon renamed Taranaki), Wellington, Nelson, Otago and Canterbury. Apart from some powers reserved only for the general government, the precise division of functions was left for the colonists themselves to decide. During 1853, however, the governor, Sir George Grey, largely pre-empted their decisions by failing to summon the Assembly and granting the provinces a large share of the public revenues before his own departure at the end of the year. In fact, the constitution required only that the provinces receive the surplus after the General Assembly had made its own appropriations. There was thus considerable uncertainty over their future financial arrangements because of the possibility of revision when the colonial legislature finally met.

As it happened, the provinces' position was strengthened by the drift of colonial politics during the mid-1850s. The Assembly did not meet for much of 1854–55 while it waited a formal grant of responsible government and insufficient members were available to attend, and when Henry Sewell formed the first responsible ministry in April 1856 the strength of provincial interests meant that Grey's arrangements were largely confirmed. As part of a 'compact' with the provinces originally proposed by Sewell, but put into effect by his successor Edward Stafford, the general government undertook to raise a loan for £500,000 to relieve the land revenues of the charges for a debt of £268,000 to the now defunct New Zealand Company, create a capital fund for land purchases and pay off a small debenture debt dating from Governor FitzRoy's efforts to keep his administration afloat during the 1840s.[16] The provinces would be charged for the parts of the loan from which they benefited. In return, they obtained control of their own land revenues and at least three-eighths of the customs revenue.[17]

The 'compact' put the provinces' finances on a more secure foundation, allowing them to pursue the colonisation activities which Grey's conduct in 1853, as well as the conditions of white settlement themselves, meant that they were already 'to all intents and purposes in charge' of.[18] In practice, they offered assisted passages to potential immigrants and constructed infrastructure like public buildings and roads.

While some of this could be paid for from revenue, it was soon necessary to supplement it by borrowing. At first money was found locally and in the Australian colonies, but there were limits to how much purely colonial sources could provide and, from 1855, a scatter of provincial bonds started to appear in the City and other parts of the United Kingdom.[19] By the end of the decade, perhaps £150,000 was held in Britain.[20] The small amounts offered barely tested provincial credit, but the demand was also negligible. H. W. D. Saunders, the London secretary (effectively general manager) of the Union Bank of Australia – then the main bank operating in the colony and loan agent of several provinces – explained to Wellington's superintendent in July 1857 that the minimum price chosen for a loan for £75,000 had been influenced by 'the slight knowledge possessed by capitalists of the position of your important Province and the variety of comparatively popular securities open to them'.[21] Despite this, only £6,000 was allotted when tenders were opened and, by mid-August, just £50,000 had been sold – mostly to businessmen with Australasian interests – before the rest of the bonds were withdrawn.[22]

During the 1850s the narrowness of the market would have always kept provincial borrowing within strict bounds. But the colony's plans to raise the £500,000 loan soon invited closer scrutiny of provincial credit. In 1855 the imperial government had offered to help liquidate the debt to the New Zealand Company by guaranteeing the interest on, and eventual repayment of, borrowings for £200,000.[23] Sewell proposed that this be extended to the entire half million and left New Zealand in late 1856 to obtain British consent.[24] The loan itself would be secured on all the colony's revenues, including those assigned to the provinces. This, however, created a possible conflict between provincial obligations on account of the half million loan and their other liabilities. A province in financial difficulty because of its own debts might be unable or unwilling to pay its share of the loan charges. Further provincial borrowing thus potentially threatened the security of a guaranteed loan, increasing the likelihood that the British taxpayer might be called upon to bear some of its costs.

Grey's successor, Sir Thomas Gore Browne, recognised this almost immediately. In February 1857 he called Stafford's 'attention . . . to the system of raising loans which has now been adopted by the Provinces of Auckland, Wellington, Canterbury, and Otago'.[25] His immediate concern was a report that Wellington proposed to raise a new loan for £100,000. In view of the proposed guarantee, he believed that the imperial government 'ought to be informed of the additional liabilities about to be incurred', explaining:

> Her Majesty's Government may naturally desire some information and assurance on this head, because in the event of any future mismanagement or unforeseen calamity the public would certainly expect the General Government to make good any deficiency incurred by a Provincial Government – the latter not being able to raise money without consent of the former.

Stafford flatly rejected the notion that there existed 'any liability on the part of the General Government, or the colony, to make good any deficiency'.[26] But this clearly was not the end of the matter, because in May he instructed the superintendents to reserve all future loan bills for the governor's consent.[27] According to Morrell, it was 'the first important use of the controlling power given by the Constitution Act'.[28]

All this was unknown in London when Browne's despatch reporting his exchange with Stafford arrived in May 1857, just as Sewell was about to open his negotiations with the Treasury. Unless imperial interests were involved, the British government's normal policy was to refuse 'to afford . . . a guarantee for loans contracted by Colonies for their own domestic purposes'.[29] A similar proposal by the governor of New South Wales had been rebuffed a year before.[30] In Whitehall, there was no reason to believe that British colonists would manage their finances any better than the South American republics or American states that had previously raised money in the City and soon defaulted. Not only 'would [it] be imprudent and unwise to regard as merely imaginary' the possible financial liability arising from a guarantee, but the official attitude as far as private investors were concerned was strictly *caveat emptor*.[31] Browne's despatch merely confirmed 'the difficulty which the home Government would experience in making itself responsible for the debts of the N[ew] Zealand Gov[ernmen]t'.[32] Herman Merivale, the permanent under-secretary, imagined the worst (presciently, as it happened, given the Southland smash and separation pressures of the 1860s): 'Suppose times of difficulty to arise [*sic*]: shall we not have the creditors of the provincial governments urging separation on those governments as the only mode of obviating *local* bankruptcy, and are they to be held together by force?'[33] In such an event, as John Ball, the parliamentary under-secretary and distinguished glaciologist, explained to Sewell, 'a double pressure would be applied to induce the Home Treasury to relax its legal claims in favour of either private persons, who had advanced money on the faith of provincial security or of the Provinces themselves'.[34]

But the matter was soon out of Whitehall's hands. In early July, Parliament referred New Zealand's request to a select committee, which recommended that the guarantee be extended to the entire loan after Sewell managed to convince it that the colonists would refuse to accept anything less.[35] The Colonial Office had originally envisaged that a guarantee should be subject to stringent conditions.[36] In the end, two were imposed. All provincial loan authorisations would have to be reserved for the governor's assent, and this could be granted only for minor loans or those that were judged 'essential for the public convenience'. But provincial borrowings 'to any serious amount' could be sanctioned only in London.[37] The first had been anticipated by Stafford in May; the second was accepted without demur.[38]

It only remained to raise the £500,000. Sewell, a gentleman well-connected with other gentlemen, had little difficulty.[39] In November the Union agreed to take the entire 4 per cent loan at par in separate amounts when the money was required by the colony.[40] John Hubbard, a Russia merchant and director of the Bank of England, congratulated one of Sewell's siblings, for whom he did business in the City: 'I do not hesitate to say that your brother may be quite satisfied with his arrangement.'[41] James Wilson, the founder of *The Economist* and financial secretary to the Treasury, regarded the terms 'as being, under present circumstances, very favourable to the Colony'.[42] The Union took £200,000 for its own reserve fund and offered the rest to the public in July 1858.[43] With its guarantee, the loan was 'a very desirable security for permanent investment', but sales dragged because the bank misjudged its price.[44] At last, in October, the Bank of England cleared the balance from the market (almost half of the £300,000 originally offered) and the gentlemanly circle was closed.[45]

II

Whitehall's arrangements for supervising provincial borrowing worked effectively until the early 1860s. Browne assiduously followed the secretary of state's instructions, assuring him in May 1858: 'unforeseen contingencies excepted, nothing will induce me to assent to any further loans without previously having obtained your consent'.[46] This, however, perfectly suited Stafford's desire 'to check the tendency observable for some time in many of the Provinces to accumulate public debts'.[47] Apart from a £300,000 Canterbury loan for the construction of the Lyttelton to Christchurch railway – sanctioned in 1860 after considerable provincial lobbying in London and the province had accepted Browne's advice about how to raise the money – the Stafford ministry assented to only £71,300 of new provincial debt before its resignation in July 1861.[48] Its successor survived for just over twelve months but allowed another £104,000. The next, under Alfred Domett, advised the governor to assent to a further £1,871,000 – including loans of £500,000 each for Canterbury, Otago and Auckland – despite governing only between August 1862 and October 1863.[49]

There were several reasons for this remarkable reversal of policy. By the early 1860s political and economic conditions in the colony had altered dramatically. Stafford's loss of office in 1861 coincided with Browne's retirement and replacement by Grey, who returned that year to end the recent violence between colonists and Maori. Even before these changes, growth in the south island had strengthened the provincial case for new public works. The Otago gold discoveries in May 1861 made this almost irresistible at the same as the fighting in Taranaki during 1860–61 provided an equally compelling reason for wishing to consolidate the colonists' hold on both islands, creating circumstances in which, as one minister noted, 'political necessity outweighs mere financial considerations'.[50] Grey explained his assent to the new Canterbury loan in terms of both that province's 'remarkable advances in wealth and population' and the fact that 'the complete settlement of the Native Question in these Islands depends entirely upon the number of the European population inhabiting them'.[51] He also quietly dropped the practice of referring new loan authorisations to London. When the Colonial Office finally realised what was going on towards the end of 1864, Thomas Elliot, an assistant under-secretary with long experience, observed wearily that it was 'only in accordance with all that I have ever seen of Sir George Grey's system of treating the Sec[retar]y of State'.[52]

But by then imperial restraints on local borrowing had completely disintegrated and an increasingly competitive banking environment made it far easier for the provinces – including the three (Hawkes Bay, Marlborough and Southland) created since 1858 – to go deeply into debt.[53] The growth in the number of banks operating in the colony was part of a more general international expansion by British banking companies.[54] In 1861 the Bank of New South Wales (BNSW) took over the Oriental Bank's business at the same time as a stridently local institution, the Bank of New Zealand (BNZ), was established in Auckland. In April 1863 the Bank of Otago was floated in London with British capital.[55] They were not the only new entrants, but together they jostled the well-established Union for provincial loan business. The latter already held the agency for Canterbury's Lyttelton to Christchurch railway debentures, retained it for Wellington, and acquired responsibility for a small Hawkes Bay loan for £60,000. The BNSW and Otago obtained the agencies for Southland railway loans for £140,000 and £110,000 respectively. But the BNZ acquired the richest pickings. In 1863 it contracted to take the entire Auckland loan at par (according to McMullen, the Union's Inspector in Sydney, 'a complete job on the part of the [provincial] Government to play into the hands of the Bank'), and took over Otago's banking account, including the agency for its half-million loan.[56] As an inducement, each bank – including the conservative Union – offered the provinces advances in anticipation of loan receipts. In most cases, these were substantial, creating the risk of a prolonged lock-up of capital if the loans proved unmarketable.[57]

In the event, when the new issues were ready to be launched in London, a fresh outbreak of violence in the Waikato region in the north island, as well as developments outside the colony's control, quickly produced this result. The Taranaki fighting had already created difficulties for the Union in May 1861, when it floated a second general government loan – which, at £150,000, was already far too small to interest Stock Exchange members – and forced it to defer offering a negligible issue for Auckland until the following November.[58] News of the bloodshed in the Waikato reached London in July 1863, only just after the bank had successfully sold an equally tiny Wellington loan (for details of this and subsequent provincial loans, see Table 1). Saunders immediately drew McMullan's attention to the war's 'unfavourable bearing . . . upon our prospect of negotiating any [loans] for New Zealand or its Provinces'.[59] The imperial government had in fact only just agreed to guarantee another half-million loan to defray some of the costs of the earlier conflict making it certain that the colony would soon want more money in London.[60] By July, however, the market for *any* colonial debt was tightening fast. The colonies were out of favour because of the Canadian government's refusal to accept responsibility for a recent default by the City of Hamilton.[61] A boom in new company formations and the attractions of foreign government offerings only made their prospects worse.[62]

In October the BNZ's first attempt to offer a tranche of the Auckland loan succeeded after tenders were left open for two days, but disaster struck almost immediately.[63] In November the Stock Exchange refused to quote the new bonds on grounds that affected all provincial securities, making them untouchable as far as most investors were concerned.[64] The precise reasons are not clear, but the quality of the underlying security was the obvious issue. Explaining the general circumstances in February, Saunders listed the effects of the company boom, the legal protections available to investors in domestic securities – who 'would rarely know how to proceed at the other end of the world' – the absence of sinking funds for many colonial loans and the Hamilton default, which had 'done much to alienate the feeling that had more or less favored any Anglo-Saxon obligation': 'I think there cannot be a doubt but

Table 1 Provincial loans publicly offered in London, 1863–67

Borrower	Amount, £	Agent/ contractor	Interest	Minimum price per £100	Date allotted	Amount allotted, %	Comment
Wellington	25,000	UBA	8	£110 10s.	10 July 1863	100	
Auckland	100,000	BNZ	6	£105	1 October 1863	72	Balance allotted on 3 October.
Otago	200,000	BNZ	6	£105	20 January 1864	NA	Approximately 20% sold by June. £150,000 re-offered at 80 by the Bank of South Australia, November 1864, and presumed sold.
Canterbury	50,000	UBA	6	£100	5 February 1864	20	Balance sold privately between February and June.
Otago	300,000	BNZ	6	£90	22 June 1865	6	Balance sold privately to a syndicate at 83.
Wellington	50,000	UBA	8	£106 4s. 2d.	30 January 1867	100	
Canterbury	300,000	BNZ	6	£92	12 February 1867	1	£100,000 sold privately in October at 95. £154,500 was withdrawn.
Auckland	200,000	BNZ	6	£95	08 October 1867	26	Balance sold by early December.

Notes
Allotment date and amount allotted as on the date when tenders were opened.
The UBA also sold £200,000 Canterbury 6% debentures privately during 1865–67. Loans for Southland (£250,000) and Hawkes Bay (£60,000) were not sold.

that these several circumstances operate most adversely to the general quotation of *Provincial* Securities on our Stock Exchange . . . and without this the public feel they have no market when they desire to sell, and must therefore be prepared for a great sacrifice.'[65] A three million loan authorised by the General Assembly in December 1863 was the final blow.[66] The following July, Otago's superintendent cited: 'The overshadowing effect of the . . . Loan, and its known character as creating a preferential charge upon the Territorial and other Revenues of the Colony' as the only reason for 'the consequent refusal of the Committee of the Stock Exchange to recognise merely Provincial Loans as marketable securities.'[67]

The die was now cast. In January 1864 the BNZ's public offer of £200,000 in Otago debentures failed utterly – by the middle of the year, only £38,000 had been sold – and less than a fifth of the tenders received for an offer of £50,000 in Lyttelton to Christchurch railway debentures were accepted.[68] The Union Bank worked the latter off by June, but for all intents and purposes provincial debentures were not saleable at prices acceptable to borrowers. By the end of the year Auckland, Otago, Southland and Hawkes Bay bonds were all held by the banks in London without a market.[69] The second Canterbury loan also remained to be issued. During 1865 the province's agent tried to persuade the Union and the BNSW to negotiate £300,000 jointly with the BNZ, but in March 1866 he still held the debentures without a London banker willing to touch them.[70]

The hopelessness of the position was worsened by the chaotic state of the general government's finances. While still handing the provinces three-eighths of the customs revenue, it paid for the war by drawing heavily on the BNZ.[71] In July 1864, the crown agents, British officials who largely provided commercial and financial services to dependent colonies, offered the first tranche of the three million loan.[72] These had been appointed agents over the BNZ after the treasurer – who was in London to increase the new imperial guarantee – concluded that 'the loan will appear on the market in a more favourable manner through the Crown Agents than through the Bank'.[73] But this did not spare the colony another humiliation. With consols firm, money abundant in the Stock Exchange and short loans available at low rates, only £3,600 of its 5 per cent bonds were sold when tenders for the one million advertised were opened.[74] Unable to borrow elsewhere, and with large debts to the BNZ maturing in September, the crown agents sold nearly the entire loan to a finance company, the Ćredit Mobilier, at a heavy discount.[75] It was a stroke of luck. The Mobilier and its associates were unable to unload and, in January 1865, still held £938,100 of the debentures.[76] While the bonds overhung the market, however, they were yet another obstacle to the sale of the provincial loans.[77]

Long before this debacle the banks' generous advances began to weigh heavily upon both them and their debtors. In early 1864 Southland was effectively bankrupt, with liabilities to the BNSW and Bank of Otago of £326,000, through a combination of mismanagement and failing revenues.[78] Without a market, there was no point in trying to realise its bonds and the Otago soon had to 'lean' on other banks in the City.[79] The BNZ's London office, however, was under the greatest strain. Apart from large drawings by the colonial treasury (£231,365 was owed at the end of the year), by September its advances to Otago amounted to £208,300, most of which had been borrowed from the Bank of South Australia.[80] When the latter called in its debt in October, the office was keeping itself afloat by discounting its own acceptances of New Zealand government paper, which was ceasing to be good security in the City.[81] At the end of its tether, the London board addressed a 'combined remonstrance' to the Auckland directors because of their failure to supply remittance and the Bank of South Australia forced a sale of the Otago debentures.[82]

The BNZ itself was also soon forced into the market to recover advances. In June 1865, with Otago's outstanding credits in London still over £200,000, it offered the final £300,000 of the province's loan at £90 per cent.[83] This was the predictable fiasco. Tenders were accepted for only £17,200 and the balance was placed with a syndicate at 80.[84] A year later the bank's officers in New Zealand agreed to advance on the £300,000 Canterbury debentures held by the province's agent in London. These were finally offered in February 1867.[85] Although the colonial government's credit had slowly recovered, it met with the usual result and almost none were allotted.[86] By contrast, although itself under considerable pressure because of its own advances to the Queensland government, the Union kept its reputation intact by relying heavily on its friends. During the second half of 1864 there had been no interest in the Lyttelton to Christchurch railway debentures, but during 1865–66 the bank placed three further instalments at reduced prices, two with a single buyer.[87] In February 1867 it sold a small Wellington loan.[88] In over two years, however, it never received an offer for the Hawkes Bay debentures that was close to the superintendent's minimum price and the board concluded: 'they appear unsaleable'.[89]

From the beginning there appeared to be only two ways of ending the crisis. In July 1864 (probably advised by the BNZ), Otago's superintendent, Hyde Harris, asked the colonial secretary for legislation 'by which the guarantee of the Colony may be given to the existing Loans of the Province, in order that they may be enabled to rank in the English Market as Colonial and not merely as Provincial Securities'.[90] The BNSW's London managing director, Donald Larnach, agreed that 'nothing short of a guarantee by the Gen[era]l Gov[ernment] will avail the Southern provinces in the very least'.[91] But Saunders at the Union felt that only the colony's own bonds would ever be acceptable, and during 1865 the government's London representative, John Morrison, repeatedly urged it to find a way of withdrawing the provincial bonds completely.[92] For over three years, however, political instability and the distraction of more urgent business prevented much being done. Replying to Hyde Harris, the colonial secretary, William Fox, acknowledged that 'a very strong feeling exists, especially in England', and promised legislation to guarantee provincial loans and stop the provinces from passing new loan ordinances. But by early 1867, although each new ministry had foreshadowed measures 'to regulate and consolidate Provincial loans', only the second of Fox's proposals had been acted on.[93]

In February that year the failure of the BNZ's Canterbury loan showed yet again that provincial credit was unacceptable in London, the editor of *The Times*' 'money-market and City intelligence' column insisting:

> This apparently abortive result seems to show the impolicy of the course pursued by the small local Governments of the colony in pressing their loans individually on the London market, instead of conducting all their financial arrangements, so far as loans in this country are concerned, through and under the sanction of the general Government of New Zealand . . . . The sooner the system is brought to an end the better. [94]

But nothing was possible until the provinces themselves were prepared to accept a revision of the 'compact' of 1856, which had become increasingly untenable since the outbreak of the Waikato war. By 1867, with the provincial separatists in both islands finally faced down, 'it was in practice recognised that a financial readjustment . . . was at hand'.[95]

The second Stafford ministry's measures, therefore, were part of a wider fiscal reform that re-divided public revenue between colonial and provincial governments. At first the treasurer, William Fitzherbert, proposed to convert only provincial securities into a single colonial issue, leaving those not brought in for exchange secured on provincial income. But the amended bill that emerged from a select committee composed mostly of provincial superintendents or their representatives, notably Julius Vogel, not only included all the colony's securities (both general government and provincial) in the conversion, but immediately secured all provincial loans on the colony's consolidated revenue, thus promising the holders large capital gains when they converted.[96] News of the proposed legislation – 'in which alone', according to *The Times*' New Zealand correspondent, 'your readers are particularly interested' – reached London during the summer and early autumn.[97] The effect was immediate. In October the BNZ sold a further £100,000 of the Canterbury loan and attempted to float £200,000 of its Auckland debentures, allotting a quarter when tenders were opened.[98] When confirmation of the legislation arrived at the beginning of December, the balance of the Auckland loan was sold and the bank instantly applied to the Stock Exchange for a quotation of both the 1863 and 1867 instalments, this time successfully, although the Exchange still required sight of the relevant acts before listing them as colonial securities.[99]

The legislation itself, as amended by the select committee, was deeply controversial. With the BNZ most heavily interested and one of its promoters and directors, the former minister Thomas Russell, the only person to give evidence, it could fairly be alleged that the consolidation was 'not for the benefit of the colony, but for debenture-holders [*sic*], shareholders of the Bank of New Zealand, and speculators telegraphing Home by previous mails'.[100] Penrose Julyan, the senior crown agent, took a similar view. In February 1868 he lobbied the Treasury and the Colonial Office to have the Public Debts Act reserved because of the effect an immediate guarantee of provincial bonds would have on their market value and the ultimate cost of converting them.[101] But without a clear imperial interest at stake, and Fitzherbert already in London wanting to raise money, there were no real grounds for a final gesture of fiscal paternalism and the Cabinet agreed to leave the Act to operation.[102]

Fitzherbert himself seemed 'quite . . . astonished' by the rise in provincial securities.[103] By the end of 1868 three-quarters of those in circulation had been exchanged for the colony's new 5 per cent consolidated stock and the unsold provincial debentures still held by the banks withdrawn and replaced by a fully subscribed issue of colonial 5 per cents in May. The conversion saved the colonial taxpayer money, but the crown agents regarded this as 'of only secondary importance when compared to the benefits which may reasonably be expected to follow from the comparatively improved financial position which the Colony will occupy whenever it may become necessary for her again to resort to this market for money'.[104] It was no coincidence that, with the colony's credit restored and the conversion completed, the provinces' indebtedness (including the new 5 per cents issued in exchange for, or in lieu of, provincial bonds) was the highest it had ever been.[105]

III

During the mid-nineteenth century New Zealand appeared to be making the transition to a relationship with Britain conceived in terms of the mutual benefits of free trade. The explanation of the New Zealand guarantee by the chancellor of the exchequer, Sir George Cornewall Lewis, in August 1857 can be read as a classic statement of the principles of free-trade imperialism as originally described by Gallagher and Robinson. After contrasting '[t]he old view of Colonies . . . that, if they did not furnish revenue or tribute, at all events they were to be economical and advantageous to the mother country', with the new dispensation under which they 'were now allowed the utmost freedom with regard to trade, commerce and navigation', he continued:

> He apprehended that the theory of Parliament was, that by securing free trade with our Colonies, by preventing them from pursuing the policy of independent nations by excluding English manufactures or establishing high prohibitory duties, an immense commerce with distant regions was insured to this country. In that manner the trade and productions of Great Britain were benefited; and, in order to insure the prosperity and good government of her Colonies, financial advantages were afforded them – especially when they were young or in difficulties – at the expense of the mother country. It was upon that principle that he judged the plan now under consideration.[106]

Lewis was describing a relationship on the cusp. Commerce, rather than investment, still dominated his understanding of economic relations between self-governing colonies and industrial Britain. But the supposition that the imperial government could still regulate the former's tariff policies soon proved illusory.[107]

The belief that regulation might also extend to colonial borrowing was equally illusory. Admittedly, the desire to do so had arisen only exceptionally in New Zealand's case because of the special circumstances of the guarantee, but even here control was possible only while the imperial representative in the colony was compliant and the local government willing to co-operate. When the calculation of interests changed during the early 1860s, imperial supervision quickly lapsed. Sewell had originally questioned its legitimacy where a responsible government was concerned, and imperial officials themselves soon recognised it was untenable in the long term.[108] In 1859 Elliot commented when Canterbury's representative approached the secretary of state for approval of the loan for the Lyttelton to Christchurch railway:

> I am far from taking for granted that it may not be necessary to submit to making this concession. It was certain to be very difficult to restrain ardent Colonists from endeavouring to do the best they could with the credit of their own funds, after they had got all they could through the aid of an Imperial Guarantee.[109]

By the early 1860s, even before Grey had abandoned the practice of referring to Whitehall, approval of fresh borrowing was largely a formality. News of the Otago loan at the end of 1864 did not bring a fresh assertion of imperial control and, despite the joint efforts of the crown agents, Treasury and Colonial Office, British ministers declined to take an interest in the manner in which the New Zealand legislature dealt with the provinces' bondholders.

Even while some imperial politicians still believed that a lingering political dependence was compatible with colonial self-government, the colonies' entry into the London capital market in such force from the mid-1850s brought them into contact with a different form of power far more effective than the controls of imperial officials. In these altered circumstances, obtaining and retaining credit, and keeping faith with the public creditor thereafter, became prime considerations for the new borrowers appearing in the City in the wake of responsible government. For these reasons an imperial guarantee of their borrowings was particularly attractive, and in the ordinary course of events withheld. Without this support, colonists had to take their chances along with the rest in an open capital market which was inevitably the final arbiter of their credit.

Here the attitude of the Stock Exchange – both as a regulatory institution and the body of intermediaries that provided the retail network for paper securities in the City – was critical. The Stock Exchange's influence was most obvious when it decided whether to include a loan in the official list, thus signalling to the majority of investors whether a security was sound. In the case of New Zealand's provinces, its refusal to do so made their securities unmarketable without considerable loss and handed them over to the speculator. But the market's power was evident in other ways. Larnach, the BNSW's London managing director, knew it, when advising Sydney during the negotiations over Southland's debt: 'If the General Government . . . are disposed to play any tricks, you may be quite safe in intimating to them that I could destroy their Credit on our Stock Exchange in 10 minutes.'[110] Elliot was equally conscious of it when the crown agents asked him to confirm a City rumour that the colonial government had guaranteed the Otago loan: 'This seems to me a matter of some importance and of some delicacy also . . . . [I]t is of course serious to take any step which may throw discredit on a loan being proffered in the London Market.' Cardwell, the secretary of state, agreed.[111]

During the 1860s New Zealand felt the stock market's power most directly by its refusal to acknowledge the credit-worthiness of provincial governments. In doing so, it prompted a series of institutional changes that meant the provinces disappeared as separate borrowers and the colony's public loans came to be offered in a more acceptable form to overseas investors. The London capital market was not responsible for the wider fiscal reform that led to these changes. The weaknesses of the colony's domestic financial arrangements were exposed by its wars, creating a crisis that could be ended only by the abandonment of the 'compact'. But, by seeking to raise large sums in London, the provinces drew the market's attention to those weaknesses. When it refused to lend, it deepened the immediate crisis and influenced the direction of institutional change in its own interest. In the process, it also fatally weakened the provinces' legitimacy as colonising agencies, contributing to their final demise in 1876.[112]

Despite the City's importance in the debate about gentlemanly capitalism, in contrast with the prominence given to the great merchant banks, the Stock Exchange is rarely mentioned, while the capital market's role as the institutional and organisational mediator between the gentlemanly order, an expanding service economy and the wider world is still to be analysed. Yet, for Britain's settler societies, contact with gentlemanly capitalism and the rentier class took place above all in an impersonal market where the ultimate purchasers of debt were often unknown to borrowers. By shifting the emphasis in this way, it is possible to view the external constraints on them from a different perspective, while deepening our understanding of the influence of the gentlemanly order. The ability to determine credit-worthiness was an immense source of structural power for the London market that was bolstered by its monopoly power, for all intents and purposes, until 1914 as *the* capital market where colonies were concerned. Its perception of credit-worthiness was obviously influenced by the expectations, values and outlook of the cultural milieu in which it was embedded. But to function efficiently and ensure its own survival, it also operated according to a logic whose premises were generic and fundamental to all markets: the necessity that contracts be honoured and debts finally repaid.[113] Even if, when pricing a loan, 'every provincial frog tried to make itself as big as an ox' (to borrow Morrell's phrase), the market invariably demanded a return commensurate with the potential risk.[114] During the 1850s and 1860s – when often communications were poor, borrowers obscure, agents untested, issues small and earlier experiences of lending to untried debtors had been unhappy – the problem of identifying credit-worthiness, and therefore pricing risk, was acute. Saunders frequently complained about the ignorance of investors, but in the circumstances their caution was justified and the market restricted to speculators and the handful of businessmen and merchants with local knowledge.[115]

For this reason, the effectiveness with which colonies could operate within the City's particular environment heavily influenced their chances of success. In the London market, the standing, experience, knowledge and contacts of contractors and agents – in other words, their place within a web of gentlemanly connection – were themselves tokens of a borrower's credit. The contrast between the older Anglo-Australian house, the Union Bank of Australia, floated in London in 1837, and the BNZ, which opened its City office in 1862, is instructive. While the former could call on a network of 'those who have an acquaintance with . . . [a] Province, and its resources, or with this Bank', the reasons for the latter's repeated failures were obvious, Saunders observing in August 1865 that 'the Bank of New Zealand has proved itself impotent to influence buyers, all the Bonds it has brought forward having been sold at quite unprecedentedly low rates'.[116] The consequences for its reputation were also inevitable. In 1865 it retained the colony's banking account only after the Union declined to take it back.[117] But despite Fitzherbert's endorsement ('the policy of this Government is essentially a colonial policy, it is only consistent with such a policy to have sympathies with colonial institutions'), the BNZ was never again considered suitable as the colony's loan agent.[118] After the Union also declined to resume this responsibility, it rested with the crown agents. The choice, so long after obtaining self-government, was unprecedented among all Australasian colonies. But the crown agents' connections with leading broking houses, and thus the market, were impeccable. Writing after their appointment to carry out the conversion, Fitzherbert assured Stafford: 'There can be no doubt that an operation accredited by the name of the Crown

Agents for the Colonies, associated as it is with that of the eminent Brokers, Messrs. Mullens, Marshall, Daniell and Co., and with that of J. & A. Scrimgeour, appears before the public under very favourable auspices.'[119]

The 'curious inversion of formal relationships' with Britain during the 1870s, when New Zealand's businessmen/politicians and others seemed capable of 'whistling south Britain's spare millions like packs of Pied Pipers', can therefore be explained.[120] The Vogel investment boom that decade was possible only after the colonists had themselves first made their credit acceptable in London. This occurred, above all, through institutional change within the colony that strengthened the security offered to creditors by concentrating the colony's borrowing powers in the general government's hands. Strikingly during the same decade, the expectation of a similar effect provided one argument for Canadian confederation.[121] But making New Zealand credit acceptable also involved the appointment of intermediaries that eased the colony's access to potential investors, as well as the conversion of its outstanding securities into an identical 5 per cent stock that widened and deepened the market for its bonds. All of this served the colonists' own interests, allowing them to borrow so heavily during the 1870s. But they also had no choice other than to adapt to the market's requirements, just as the weakness of colonial institutions led them to depend on the prestige and connections of an imperial agency.

IV

This article has not attempted to review the entire controversy about gentlemanly capitalism, but to explore the usefulness of a concept employed by Cain and Hopkins to extend the definition of free-trade imperialism and interpret the relationship between Britain and settler societies before 1914. For these historians, metropolitan agents like the great merchant banks exercised structural power to maintain favourable conditions for British service enterprise, overseas investment and international payments. It was a form of free-trade imperialism that departed significantly from Gallagher and Robinson's original idea while preserving the notion of power used informally to integrate new societies into the international economy. Their account gave particular prominence to the roles of British banks. I have argued here, however, that the newly self-governing colonies encountered structural power most directly by their participation in a capital market in the City of London conceived broadly to include investors and regulators, as well as banks and other intermediaries. It is thus within the context of the activity and dynamics of that market that the significance of structural power, and its relationship to British imperialism, must be judged.

The power of markets can be considered in different ways. Individual investors had the power to withhold their funds according to their personal estimates of creditworthiness and the particular value of an investment to them. In this respect, we can say that colonial borrowers, like others, were subject to the power of market forces. But, as the experience of New Zealand's provinces during the 1860s illustrates, access to markets can be controlled by their regulators, while investors are influenced collectively by expectations of what constitutes credit-worthiness communicated by several means, including the press, financial intermediaries and regulatory bodies. For these reasons, not only did the London market come to have structural power over settler colonies as they attempted to raise increasing amounts of capital from the mid-nineteenth century, but that power grew just as the imperial government's own authority over colonial economic arrangements waned following the introduction of self-government. Ultimately, as New Zealand's case equally shows, the market's preferences might influence a colony's institutional development.[122]

Of course, what actually determined credit-worthiness is a separate question. The lower the bar imposed by the market and its regulators, the less necessary it was for colonial states to shape local economic ideologies to British standards, and the further it was possible to stray from strict Gladstonian orthodoxy. Clearly, from the late 1850s, both Westminster and the City tolerated the settler colonies' abandonment of free trade, suggesting at the very least that 'free-trade' is no longer an appropriate description of an imperialism of the service economy.[123] Nevertheless, the market *did* have minimum standards of credit-worthiness, even if the rigour with which it scrutinised borrowers varied considerably from time to time. By focusing on these it should be possible to establish more clearly the importance of the structural power of gentlemanly capitalism where self-governing colonies were concerned.

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Notes

[1] Gallagher and Robinson, 'Imperialism', 5, 8.
[2] For the 'old' literature, Louis, 'Robinson and Gallagher'; more recently, Lynn, 'British Policy, Trade, and Informal Empire'.
[3] Cain and Hopkins, *British Imperialism*, ch. 1; their evaluation of Gallagher and Robinson's treatment of settler colonies is at 209–12.
[4] Ibid., 55–56.
[5] Ibid., 30; Cain and Hopkins, 'Afterword', 197; Platt, 'Further Objections', 88–89.
[6] Cain and Hopkins, *British Imperialism*, 209.
[7] Ibid., 54; cf. Gallagher and Robinson, 'Imperialism', 6.
[8] Kubicek, 'Economic Power'; McAloon, 'Gentlemanly Capitalism'; Gallagher and Robinson, 'Imperialism', 4; Cain and Hopkins, *British Imperialism*, 212, 214–16; also 208–09; Cain and Hopkins, 'Afterword', 207; Robinson, 'Non-European Foundations', 124.
[9] Hopkins, 'Informal Empire', 475–78; Cain and Hopkins, 'Afterword', 204–05; Hopkins, 'Gentlemanly Capitalism', 291; Strange, *States and Markets*, 24–25.

[10] Cain and Hopkins, *British Imperialism*, 215–16, 217–18, 222–23, 232–33.
[11] For example, ibid., 225–26; see, however, the studies in Platt (ed.), *Business Imperialism*, part III.
[12] For the Australian colonies, Attard, 'New Estimates'; Canada, Platt and Adelman, 'London Merchant Bankers'; Nova Scotia and New Brunswick, Simmonds, *Fenn's Compendium*, 180–981, 187.
[13] Minutes, Committee for General Purposes, 20 March 1857, MS14600/24, f. 164, Guildhall Library, London (GHL).
[14] Butlin, *Australia and New Zealand Bank*, 178–81; Lamb, 'Early Overseas Borrowing', 55–59.
[15] Unless indicated, for this and the following paragraph, Morrell, *Provincial System*, 59–98, which remains the standard authority.
[16] Gardner, 'Colonial Economy', 59; Lloyd Pritchard, *Economic History of New Zealand*, 37–39; 'Report of the Committee of the House of Representatives on the Public Debts of New Zealand', *Appendices to the Journals of the House of Representatives* (*AJHR)*, 1854, 1st sess.; Condliffe, *New Zealand in the Making*, 108–10; 'Resolution adopted in New Zealand House of Representatives, with reference to Guarantee of Loan to be solicited from British Legislature, July 1856', *Great Britain Parliamentary Papers* (*PP*) 1857–58 xli (296).
[17] Morrell, *Provincial System*, 97–99.
[18] Ibid., 92.
[19] For some contemporary references: *Auckland Provincial Government Gazette* 3, no. 32 (9 Nov. 1855); Otago Provincial Council, 'Return of Debentures Issued by Provincial Government', *Votes and Proceedings*, 17th sess., 1863; also Attard, 'New Estimates'.
[20] The estimate is based upon known sales.
[21] Saunders to superintendent, Wellington, 16 July 1857 (enclosure with Saunders to McMullen, 16 July 1857), U/120/8, ANZ Group Archive, Melbourne (ANZ).
[22] Board minutes, 10 July 1857, U/7/5; Saunders to McMullen, 17 Aug. 1857, and enclosure, U/120/8, ANZ.
[23] Morrell, *Provincial System*, 98; Minute, to Merivale, 13 Feb. [1857], CO 209/137, no. 1172, The National Archives, Kew (unless indicated, manuscript sources are located at TNA).
[24] *The New-Zealander*, 30 April 1856; 'Resolutions adopted in the New Zealand House of Representatives', *PP* 1857–58 xli (296); Morrell, *Provincial System*, 97–98; McIntyre, 'Sewell, Henry'; memorandum, 13 Oct. 1856, CO 209/139, no. 1182.
[25] Minute, Browne, 2 Feb. 1857, CO 209/141, no. 4246.
[26] Minute, Stafford, 5 Feb. 1857, ibid.
[27] Browne to Secretary of State, 28 July 1857, CO 209/142; memorandum, Stafford, 26 Dec. 1857, CO 209/142, no. 3298.
[28] Morrell, *Provincial System*, 102.
[29] Draft, Labouchere to Browne, Sept. 1857, T 1/6109B/20485, TNA.
[30] Labouchere to Sir W. Denison, 12 Feb. 1856, CO 201/486.
[31] Ibid.; Marichal, *A Century of Debt Crises*, 53–61; Wilkins, *History of Foreign Investment*, 70–71; Platt, *Finance, Trade, and Politics*, 34–53.
[32] Minute, G. G[airdner], 9 May [1857], CO 209/141, no. 4246.
[33] Minute, H. M[erivale], 11 May [1857], ibid.
[34] Ball to H. Sewell, 13 May 1857, CO 209/144, no. 1857.
[35] 'Select Committee on New Zealand', *PP* 1857 sess. 2, ix (171), iii and q. 194; *The Times*, 11 May 1858, 7.
[36] Ball to Sewell, 13 May 1857, CO 209/144, no. 1857.
[37] Draft, Labouchere to Browne, [15] Sept. 1857, T 1/6109B/20485.
[38] Memorandum, Stafford, 26 Dec. 1857, CO 209/142, no. 3298.
[39] Sewell's family was upper middle class, with 'some slight connections with the aristocracy'. His father, a solicitor on the Isle of Wight, died leaving large debts. Sewell became interested in the

Canterbury Association as a way of retrieving its fortunes. One of his brothers, James, became warden of New College, Oxford, McIntyre, 'Sewell, Henry'.

[40] Saunders to Sewell, 6 Nov. 1857, U/120/8; board minutes, 13 Nov. 1857 and 1 Jan. 1858, U/7/5, ANZ.

[41] Letter from J. G. Hubbard, 13 Sept. 1857, T 1/6109B, no. 20485.

[42] J. Wilson to C. Fortescue, 16 Dec. 1857, CO 209/143.

[43] *The Times*, 13 July 1858, 10; board minutes, 23 July 1858, U/7/6, ANZ.

[44] *The Times*, 8 July 1858, 7; Saunders to McMullan, 7 Aug. 1858, U/120/9, ANZ.

[45] Saunders to McMullan, 16 Oct. 1858 U/120/9, ANZ.

[46] Browne to Labouchere, 11 May 1858, CO 209/145.

[47] Stafford to superintendent, Canterbury, 25 Feb. 1860, CO 209/153, no. 4668.

[48] Lyttelton-Christchurch railway: J. E. FitzGerald to Newcastle, 4 Oct. 1859 and subsequent correspondence, CO 209/152; Browne to Newcastle, 27 Feb. 1860 and attachments, CO 209/153; provincial loan authorisations: *AJHR*, 1863, B-7.

[49] 'Return Relating to Provincial Loans', *AJHR*, 1868, B-8; Morrell, *Provincial System*, 139–41.

[50] J. Richardson, superintendent Otago, to colonial secretary, 6 Nov. 1862; A. Domett to superintendent Otago, 6 Dec. 1862; Wood to superintendent Auckland, 16 April 1863, *AJHR*, 1863, B-5; Gardner, 'Colonial Economy', 64, 66; Simkin, *Dependent Economy*, 131.

[51] Grey to Newcastle, 20 Feb. 1863, CO 209/172.

[52] Minute, T. F. E[lliot], 8 Nov. [1864], CO 209/186, no. 10296; cf. Belich, *New Zealand Wars*, 123–24.

[53] Morrell speculated that they were not unconnected as far as the BNZ was concerned, *Provincial System*, 141.

[54] Jones, *British Multinational Banking*, 23–27.

[55] Butlin, *Australia and New Zealand Bank*, 163–65; Sinclair and Mandle, *Open Account*, 3–9, 46; Chappell, *Banker's Hundred*, 9–44; prospectus, Bank of Otago, *The Times*, 27 April 1863, 4.

[56] McMullen to Cummins, 25 July 1863, U/118/3, ANZ; Sinclair and Mandle, *Open Account*, 46.

[57] 'Agreement . . . Southland and the Bank of Otago' [8 Jan. 1864]; 'Agreement . . . Southland and the Bank of New South Wales', 13 May 1863, *AJHR*, B-3A; McMullen to Cummins, 25 June 1861, U/103/2, ANZ.

[58] Saunders to McMullen, 23 May 1861, U/120/13; Saunders to Auckland manager, 23 Nov. 1861, U/120/14, ANZ.

[59] Saunders to McMullen, 22 July 1863, U/120/18, ANZ; *The Times*, 13 July 1863, 12, and 17 July 1863, 9.

[60] F. Rogers to C. Ward, 16 July 1863, *PP* 1864 xli (3356); *The Times* 18 July 1863, 8.

[61] *The Times*, 24 April 1863, 10; 7 Aug. 1863, 7.

[62] *The Economist. Commercial History and Review of 1863*, 20 Feb. 1864, 1; Kynaston, *City of London*, 223, 225; Jenks, *Migration of British Capital*, 263–67 and appendix C; for the effects of the company boom and foreign loans, Saunders to McMullen, 23 Feb. 1864, U/120/19, ANZ.

[63] *The Times*, 2 Oct. 1863, 5; 5 Oct. 1863, 5.

[64] Minutes, Committee for General Purposes, 9 Nov. 1863, MS14600/27, f. 374, GHL; memorandum, Hyde Harris, 26 July 1864, *AJHR*, 1864, B-3; J. Morrison to colonial secretary, 27 Feb. 1865, *AJHR*, 1865, B-2.

[65] Saunders to McMullen, 23 Feb. 1864, U/120/19, ANZ.

[66] Morrell, *Provincial System*, 141.

[67] Memorandum, Hyde Harris, 26 July 1864, *AJHR*, 1864, B-3.

[68] Cummins to McMullen, 26 Jan. 1864, U/120/19, ANZ; memorandum, Hyde Harris, 26 July 1864, *AJHR*, 1864, B-3; secretary to Christchurch manager, 23 Feb. 1864, U/120/19; Secretary to Christchurch manager, 25 June 1864, U/120/20, ANZ.

[69] Saunders to McMullen, 26 Dec. 1864; Saunders to Napier manager, 25 Nov. 1864, U/120/22; Saunders to McMullen, 27 March 1865, U/120/123, ANZ.

[70] H. Selfe to secretary UBA, 16 Aug. 1865, U/120/25; Selfe to Saunders, 19 March 1866, U/120/27, ANZ.
[71] Chappell, *Banker's Hundred*, 82.
[72] Sunderland, *Managing the British Empire*, 1, 5–7.
[73] Wood to colonial secretary, 25 June 1864; for the BNZ's original appointment, memorandum of terms, 27 Sept. 1864, *AJHA*, 1864, B-2.
[74] Wood to colonial secretary, 13 July 1864; Julyan to colonial treasurer, 23 July 1864, *AJHA*, 1864, B-2; *The Times*, 13 July 1864, 9.
[75] Julyan to colonial secretary, 26 Aug. 1864, *AJHA*, 1864, B-2; Kynaston, *City of London*, 223–24.
[76] Julyan to colonial secretary, 26 Jan. 1865, *AJHA*, 1865, B-2.
[77] Julyan to treasurer, 23 July 1864, *AJHR*, 1864, B-2; memorandum, Hyde Harris, 26 July 1864, *AJHR*, 1864, B-3.
[78] Memorandum, liability of Southland to the Bank of Otago, 17 Feb. [1865]; manager, BNSW Invercargill to Richardson, with attachments, 17 Feb. 1865, *AJHR*, 1865, B-3A; Morrell, *Provincial System*, 144–45, 164–65; Sinclair and Mandle, *Open Account*, 56–57; Holder, *Bank of New South Wales*, 326–27.
[79] Saunders to McMullen, 15 May 1865, U/120/36, ANZ.
[80] Sargeaunt to colonial secretary, 24 Dec. 1864, *AJHR*, 1865, B-2; memorandum, Hyde Harris, 26 July 1864, *AJHR*, 1864, B-3; Saunders to McMullen, 9 Nov. 1864, U/120/22, ANZ.
[81] Saunders to McMullen, 22 Oct. 1864, U/120/22, ANZ.
[82] Chappell, *Banker's Hundred*, 85; Saunders to McMullen, 9 Nov. 1864, U/120/22, ANZ; Morrison to colonial secretary, 25 Nov. 1864, *AJHR*, 1865, B-2.
[83] 'Debts due by the Province on 31st March 1865', Otago, *Appendix to Votes and Proceedings*, 20th sess. (1865); *The Times*, 5 June 1865, 8.
[84] 'Report . . . by the New Zealand Government Agent', 24 June 1865, *AJHR*, 1865, B-7.
[85] H. Selfe to Saunders, 12 April 1866, U/120/28, ANZ.
[86] At the end of 1864, the colony raised the interest on the balance of the three million loan to 6 per cent (apart from £500,000 guaranteed debentures handed to the Treasury during 1865 in payment for imperial claims) and the crown agents disposed of it during 1866–67, largely to redeem, or in exchange for, Treasury Bills. During 1866, the BNZ also successfully offered £100,000 of the debentures on behalf of Auckland under the terms of an agreement between the province and the colonial government; Attard, *Database*; *The Times*, 25 Oct. 1866, 6, and 1 Nov. 1866, 5; Morrell, *Provincial System*, 151.
[87] Saunders to Christchurch Manager, 27 March 1865, U/120/23; 6 April 1865, U/120/24; 24 March 1866, U/120/27, ANZ.
[88] Committee minutes, 30 Jan. 1867, U/10/17, ANZ.
[89] Board minutes, 22 Feb. 1867, U/7/9; Saunders to McMullen, 20 Feb. 1867, U/119/6, ANZ.
[90] Memorandum, Hyde Harris, 26 July 1864, *AJHR*, 1864, B-3.
[91] D. Larnach to S. Smith, 27 Nov. 1865, GM/204/1, Westpac Archive, Sydney.
[92] Saunders to Christchurch manager, 26 Oct. 1864, U/120/22, ANZ; J. Morrison to colonial secretary, 27 Feb. 1865, *AJHR*, 1865, B-2; Morrison to colonial secretary, 24 June 1865, AJHR, 1865, B-7; Dalziel, *Origins of New Zealand Diplomacy*, 19–21.
[93] Fox to Otago superintendent, 27 July 1864, *AJHR*, 1864, B-3; Fitzherbert, Financial Statement, 30 Aug. 1865, *AJHR*, 1865, B-1A, 12; Morrell, *Provincial System*, 187.
[94] *The Times*, 13 Feb. 1867, 10.
[95] Morrell, *Provincial System*, 182 and chs 6–8.
[96] Fitzherbert, Financial Statement, 22 Aug. 1867, *AJHR*, 1867, B-1A, 6–7; 'Select Committee on the Consolidation and Conversion of Provincial Loans', 27 Sept. 1867, *AJPH*, 1867, F-3; Morrell, *Provincial System*, 184–87; Dalziel, *Julius Vogel*, 85–86.
[97] *The Times*, 7 Oct. 1867, 6 (quoting a letter from Stafford dated 8 May 1867); 18 Nov. 1867, 6.

[98] Ibid., 7 Oct. 1867; 9 Oct. 1867, 7; Saunders to McMullen, 21 Oct. 1867, U/119/7, ANZ.
[99] *The Times*, 18 Nov. 1867, 6; 6 Dec. 1867, 8; Minutes, Committee for General Purposes, 9, 10, 16 and 23 Dec. 1867, 27 Jan. 1868, MS14600/32, GHL.
[100] Featherstone quoted in the *Otago Daily Times*, 3 Oct. 1867; Morrell, *Provincial System*, 189. By the mid-1860s the Australian mail, with which New Zealand was linked, connected with the telegraph at Point de Galle in south-west Ceylon, 'Select Committee on Telegraphic and Postal Communications between United Kingdom and India', *PP* 1866 ix (428), qq. 3424–25.
[101] Minute, G. A. H[amilton], 25 Feb. 1868, T 1/6774A, 3545/68; Hamilton to Rogers, 29 Feb. 1868, CO 209/209; J. R[ogers], 24/2 [1868] on draft, Rogers to Secretary, Treasury, 24 Feb. 1868, CO 209/203.
[102] Rogers to Fitzherbert, 29 Feb. 1868; minute, B[uckingham] & C[handos], 3/3 [1868], CO 209/209; Fitzherbert to Stafford, 6 Feb. 1869, *AJHR*, 1869, B-4.
[103] Saunders to McMullen, 26 Feb. 1868, U/120/35, ANZ.
[104] Julyan and Sargeaunt to Stafford, 16 Jan. 1869, and enclosures, *AJHR*, 1869, B-4.
[105] Table A (1), *AJHR*, 1869, B-2. The provinces paid the interest on the General government bonds issues on their behalf.
[106] *Parliamentary Debates*, 3rd ser., vol. 147 (6 Aug. 1857), cols. 1136–37.
[107] For the Canadian tariff in the late 1850s, Cain and Hopkins, *British Imperialism*, 212, 235.
[108] Sewell to Ball, 15 May 1857, CO 209/144.
[109] Minute, T. F. E[lliot], 4 Oct. 1859, CO 209/152, no. 9925; cf. minute, G. G[airdner], 17 May 1863, CO 209/172, no. 4857.
[110] Larnach to Smith, 26 May 1866, GM/204/2, Westpac.
[111] Julyan to Elliot, 2 Nov. 1864; T. F. E[lliot] to Cardwell, 7 Nov.; minute, E. C[ardwell], 8 Nov., CO 209/186.
[112] Dalziel, 'Politics of Settlement', 100; Morrell, *Provincial System*, 153.
[113] Michie, *Global Securities Market*, 19–20, 24, 43, 47.
[114] Morrell, *Provincial System*, 113.
[115] Saunders to McMullen, 25 Jan. 1864, U/120/19; Saunders to Christchurch manager, 25 June 1864, U/120/20, ANZ.
[116] Saunders to Christchurch manager, 25 June 1864, U/120/20; Saunders to Christchurch manager, 22 Aug. 1865, U/120/25, ANZ.
[117] Saunders to McMullen, 25 April 1865; McMullen to Featherstone, 26 April 1865, U/120/24, ANZ.
[118] Financial Statement, 30 Aug. 1865, *AJHR*, 1865, B-1A, 7.
[119] Fitzherbert to Stafford, 30 April 1868, *AJHR*, 1868, A-9; Sunderland, *Managing the British Empire*, 155.
[120] Belich, *Making Peoples*, 359.
[121] Cain and Hopkins, *Imperialism*, 233.
[122] Cf. Obstfeld and Taylor, *Global Capital Markets*, 9–10.
[123] For example, Cain and Hopkins, *British Imperialism*, 227, 235.

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