

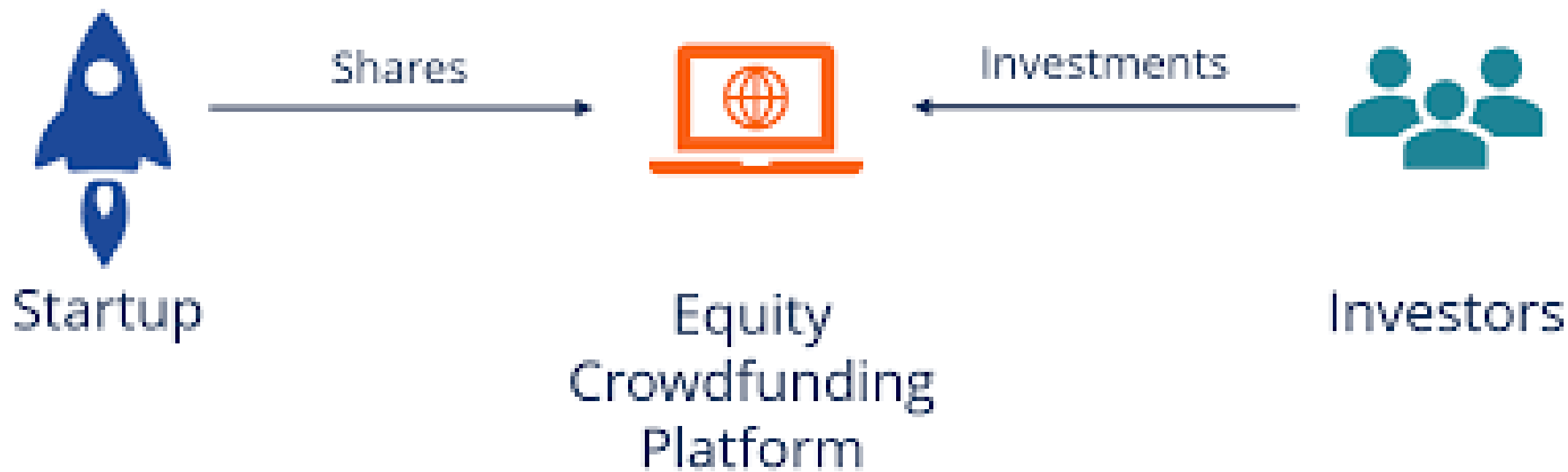
Corporate Reforms and the Emergence of Proprietary Companies in Victoria in 1896

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Special Thanks to:

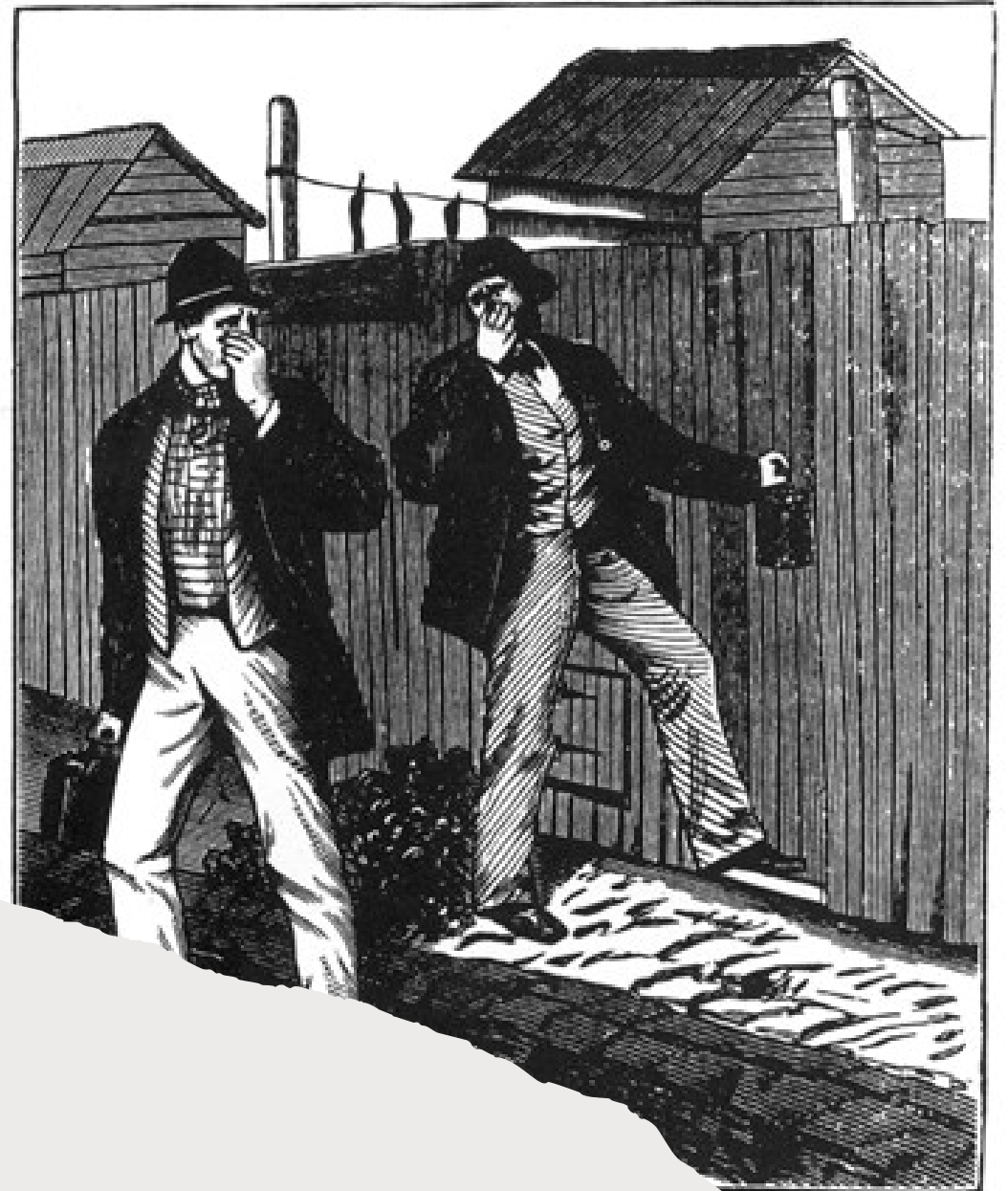
- The Francis Forbes Society for Australia Legal History
- My collaborator, Dr Jody Boyd.

Why?





A BAD SMELL.



Colonial Melbourne

City Boom

Colonial Melbourne



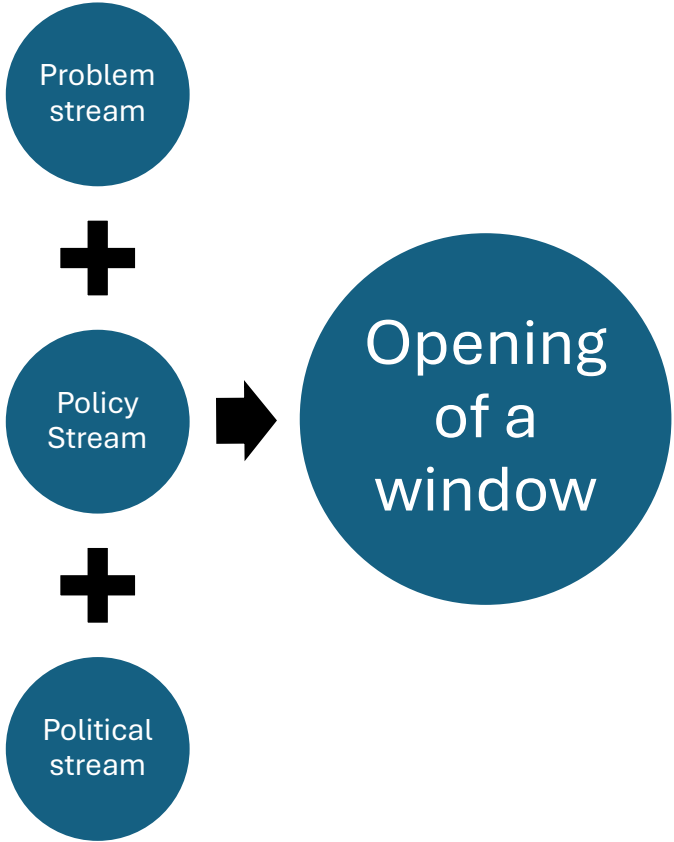
Land boom



Economic Crisis

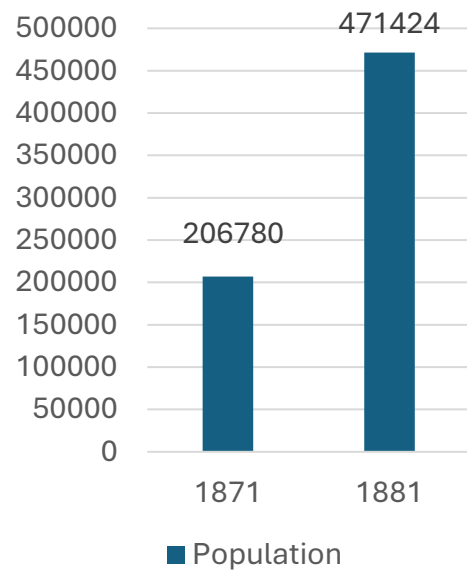


- Lens used: Kingdon model: the Multi Streams Approach



Problem Stream

The context



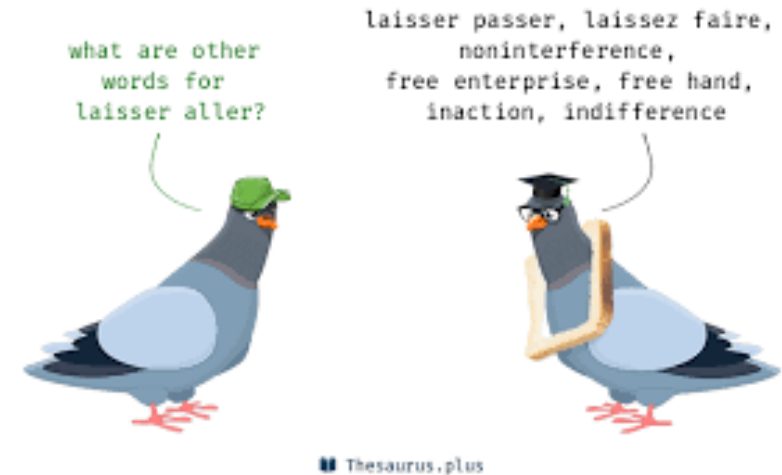
Implications

‘For three or four years the land gamble was a riot, subdivisional sales every Saturday, city property sales every day, the creation of building societies, land banks, and land syndicates were the chief factors of the madness.’

George Meudell, *The Pleasant Career of a Spendthrift* (Forgotten Books, 2018, original publication in 1929) 256.



Problem Stream-Indicators



Journal of commerce of Victoria and Melbourne (1858-1932)

The journal of commerce includes notes on trade bills and reports of parliament on agriculture, manufacturing and shipping, statistics on trade and finance. Details on age of gold to the exchange rate of the day and what cargo ships unloaded.

Unrealistic pricing

- In early 1888, the value of Melbourne land rose by 50% with suburban land doubling and even tripling in value.



The Capricornian, a Queensland newspaper

1. Influx of British and European money.
2. Inordinate increase of the population in the metropolitan area.
3. The abnormal spirit of gambling characteristic of the Victorian people.
4. The activity of the army of estate and commission agents, which has so suddenly sprung into existence.
- 5 The laxity of profitable investments for accumulated capital.
6. The scheming and contriving of syndicates in the manipulation of estates
7. The great increase in the numbers who now deal in real estate in comparison with those who formerly had such transactions.
8. The general prosperity of the colony at large.'

...‘dealers in land will pause and ask the question— Is the land intrinsically worth the price paid?’

‘The Melbourne Land Boom’ *The Capricornian* (Rockhampton, Qld) (17 November 1888), 27.



Why the
Wilful
blindness?



Growing construction Industry – dependence on building success

This table has been adapted from Davison, *The Rise and Fall of Marvellous Melbourne*, 86

OCCUPATION	1881	1891	PERCENTAGE INCREASE 1881-91
Architect	188	470	150
Builder	487	1041	113.8
Carpenter, joiner	3143	7527	139.4
Bricklayer	685	2058	200.4
Mason, paver	773	1320	70.8
Slater, Shingler, tiler	70	198	182.9
Plasterer	540	1654	206.3
Painter, paperhanger, plumber, glazier	1872	5238	179.8

What about the unions?

Skilled labour fight

+ the attention of the union was diverted by the dispute between carpenters and master-builders regarding the introduction of the forty-four-hour week.



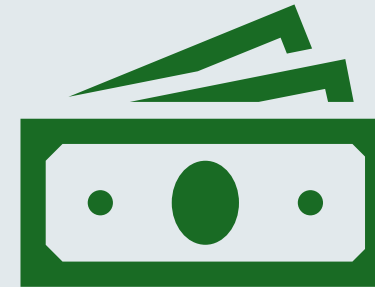
...And The Result
is History

+ Hope of general population-*Table Talk* -1887, '[f]lamming posters and poetical advertisements, and aesthetic cards were distributed with lavish impartiality.'

Problem Stream- Feedback

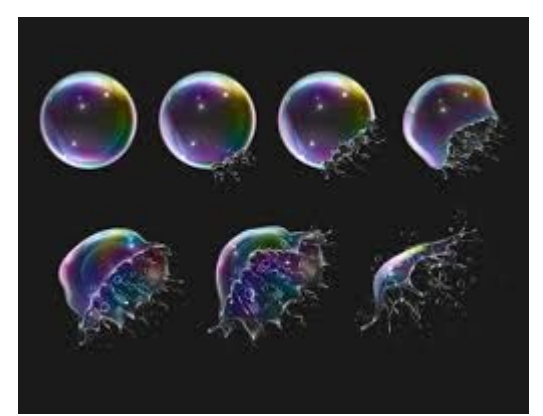


Associated Banks of Victoria 1888- unsustainability of the market especially as the banks were struggling to secure deposits, including from overseas.



=>increased the interest rate on loans and deposits by 1%.

Problem Stream – The bubble and the Crisis



Land boom- Unsustainable + unethical/fraudulent practices



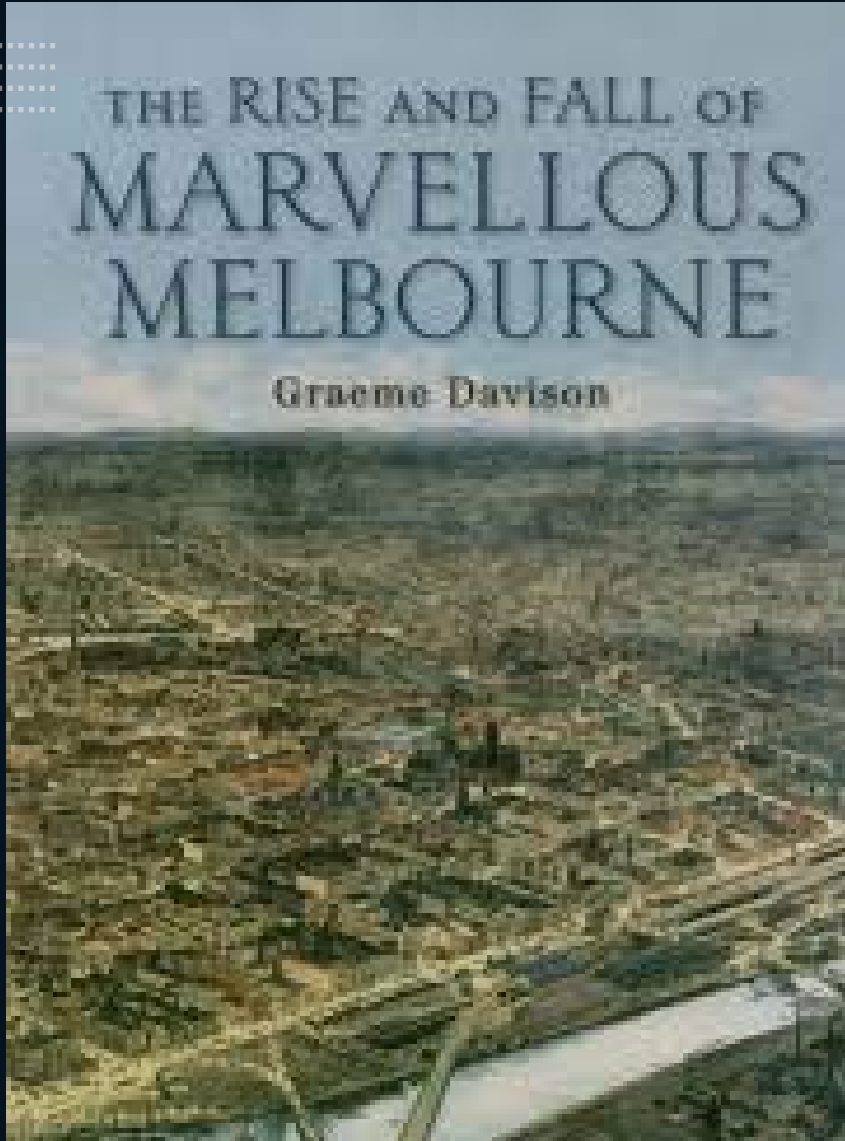
Sir Matthew Davies
Speaker of the
Victorian Parliament



Freehold
Investment Co
Ltd



‘No magician could have a more happy potency for converting paper profits into solid cash, and distributing them in dividends.’
(the Age)



The Crisis

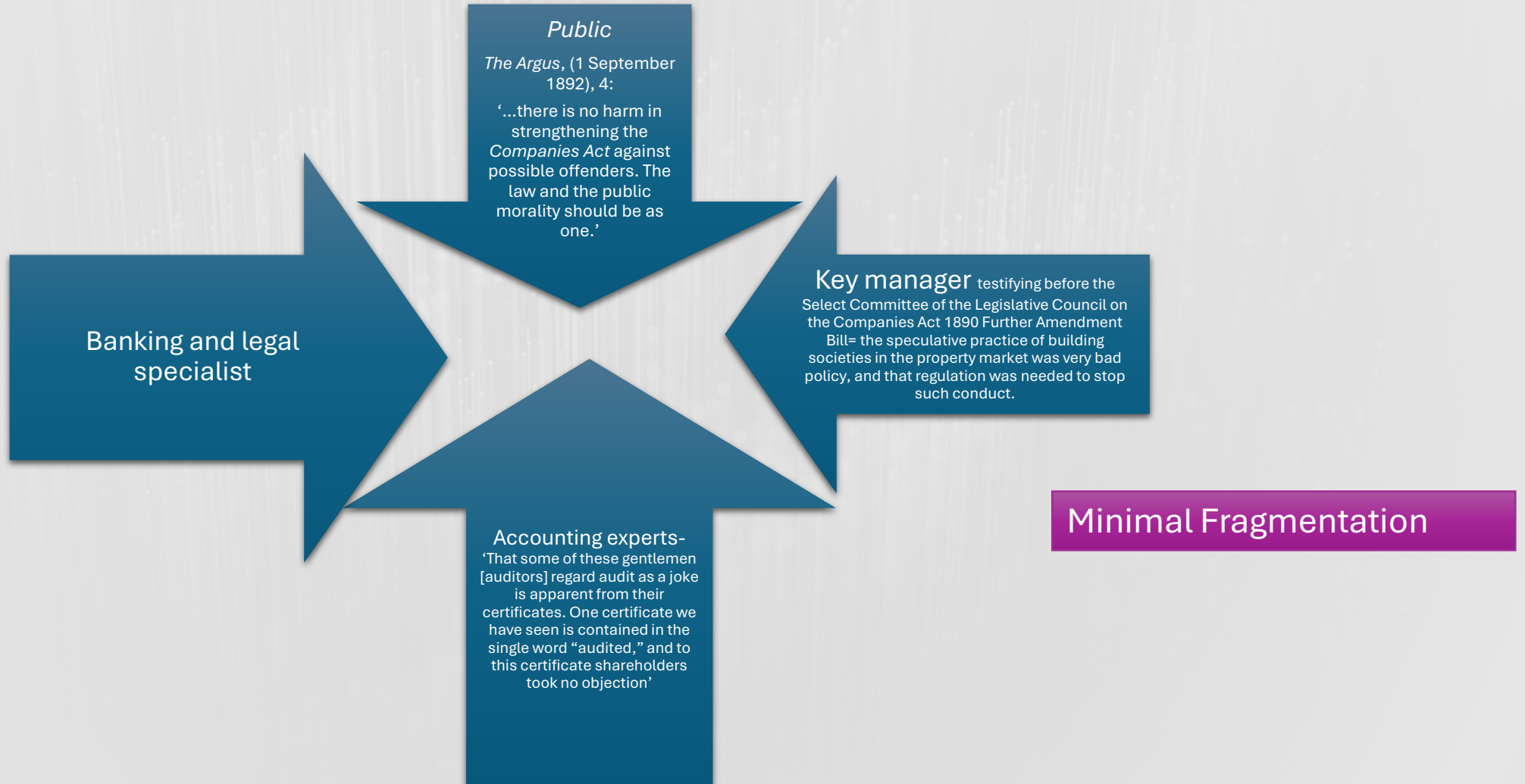
‘This modern Babel’ which had risen to such giddy heights in the boom years, eventually tumbled into the depths of confusion and despair.’

Policy Stream

- 1890s crash was perceived as a threat to the Survival of Victoria
- Policy Community's Rejection of the Laissez Faire Approach



Calls for Greater Accountability



Political Stream- *Context*

- Composition of the Parliament



Canon's description



THE LAND BOOMERS

The Complete Illustrated History
MICHAEL CANNON

'A sort of speculators' club, where the most blatant 'log rolling'... became commonplace. Fantastic sums of money were borrowed and spent on extending the rail network; and when rails reached any particular point, it was often found that syndicates of M.P.s and their associates had bought up the land in advance for subdivision and resale.'



At the beginning- Rejection of the need for Change



Attorney General, Sir Bryan
O'Loghlen



'he had equal
constitutional right
to continue action
against corporate
officers'

Action of
government 'would
create an
aristocracy of
criminals.'

Voluntary Liquidation Act 1891

Companies Act
Amendment
(Voluntary
Liquidation) Bill
1891



Reflection of the Public Mood

- ‘The Legislative Council passed the second reading of Mr. Agar Wynne's bill to amend the Companies Act, after very little discussion on Tuesday afternoon. Considering the number of directors of land boom companies and others who have profited or lost by the fictitious values placed on properties during the past five years, who sit in the Legislative Council, the public can have no confidence in their capacity to amend the statutes which they either evaded or abused in the pursuance of their own aggrandisement’
- The Companies Act of Victoria Amendment Bill’ *Table Talk* (15 July 1892) 11.

- ‘audacious endeavor of the company directors to manipulate legislation’ (The Age)

The Public Mood and its Impact on the Political Stream

- Election 1894

Sir Isaac Isaacs (Attorney-General) was quick to act and put forward the Companies Act Further Amendment Bill (Vic) on 8 November 1894 to raise accountability:

‘[...] next to the financial questions which are now engaging the attention of the Parliament, I think it will be conceded that a reform of our company law is the most important question that could be dealt with.’

Parliamentary Debates, Session 1894-5, Vol 75, 8 November 1894, 158.

Recalcitrance of the Legislative Council

‘Honourable members knew that frauds were perpetrated on creditors, and that dummyism and all sorts of devices were resorted to not only to defraud creditors but also to fleece innocent people, who were beguiled into becoming shareholders in all sorts of wild schemes, under the limited liability system.’

Parliamentary Debates, Session 1895-6, Vol 79, 19 November 1895, 3277.



ICIOUS CIRCLE

Write out the missing figure in letters, while preserving the coherence of the sentence.

In this
circle the "r"
is present
... times

Nicholas
Fitzgerald,
member of the
Legislative Council

‘Every line of that [company] Bill had been submitted for public opinion. It has been discussed in all its bearings; it has been tossed about, every tossing making an improvement.’

Parliamentary Debates, Session 1895-6, Vol 80, 22 January 1896, 4747.

Blindness to the public mood

‘The public feeling of the country was opposed to the Bill and the Council [...] would never act more in consonance with its feelings and its traditions considering the safety of the State before convenience of any Ministry, than it would do by rejecting this Bill.’

- Parliamentary Debates, Session 1895-6, Vol 80, 22 January 1896, 4747.



The Opening of the Window

- *The New Proposal: New Start for a Bargaining Position*

- Sir Frederick Sargood:

Proprietary company' means a company under Part 1 of the principal Act which fulfils all the following requirements, namely:

(a) has not more than 25 members or shareholders;

(b) does not receive, except from its members or shareholders, deposits or loans for fixed periods or payable at call, whether bearing or not bearing interest;

(c) has in its articles of association an article prohibiting the sale or transfer of any share in such company to any person not already a member or shareholder thereof until the directors thereof have previously offered such share for sale to each and every member or shareholder of the company, whether resident in Victoria or elsewhere;

(d) does not use its title without the addition thereto, immediately before the word 'limited,' of the word 'proprietary';

(e) has filed with the Registrar-General a written notice of the fact of such addition to its name;

(f) has received from the Registrar-General a certificate that, in his opinion, the company has duly complied with the foregoing requirements; and

(g) has published a copy of such certificate in the *Government Gazette*.

No company shall be deemed to be a proprietary company if at any time it fails to comply with any of the foregoing requirements, and the question whether or not a company has so failed may, on the application of any member, shareholder, or creditor of such company, be determined by the court.'

Parliamentary Debates, Session 1896, Vol 83, 24 November 1896, 3599.

Legislative Assembly and the Policy Community

- ‘[W]hy should private companies be allowed to enjoy all the advantages of limited liability and not be brought within the purview of the Act?’ (Parliamentary Debates, Session 1896, Vol 82, 18 August 1896, 1298).



A Bargain or a Capitulation?

‘When he [Isaacs] had briefly mentioned the principal points of difference [between the views of the two chambers], Honorable members would see that there was really an impassable gulf between the two Chambers. He was sorry to have to say that, as far as he was aware, no good could be accomplished by referring these points of difference back to the other Chamber. [...] He was putting the amendments en bloc, because he felt it was useless to send the Bill back, as it would only be returned in its present state, and time would thus be wasted.’

Parliamentary Debates, Session 1896, Vol 84, 23
December 1896, 4917, 4919.

Conclusion

- Further freedoms provided
- Removal of protections
- More laissez faire...

- ‘The trouble is the legislation of this kind is all in favour of the mercantile world, and the consumer is left out of consideration.’

Victorian
Parliamentary
Debates, Session 1920
Vol 155, 1686

Year ended	Proprietary Companies	Public Companies	Guarantee Companies
1921	420	68	8
1922	526	67	8
1923	641	84	7
1924	684	87	10
1925	713	61	14
1926	893	84	15