

## **Quotidian routines: The cooperative practices of a business elite**

### *Abstract*

Cooperative corporate behaviour has often been explained through the social anatomy of business leaders and structural ties amongst firms. Our alternative approach investigates how quotidian interactions built trust and routines among a group of major firms in the Australian wool trade – a sector that required regular interaction to be effective. Deploying extensive archives of their meetings, we use social network analysis to examine interactions amongst the key group of firms and individuals. Through content analysis we infer the behaviour and atmosphere of meetings. Finally, an evaluation of meeting agendas and outcomes demonstrates cooperation and a shared commitment to improving the operation of the wool trade in the 1920s.

### *Introduction*

The rise of large scale enterprise has been modelled through competition (primarily in the USA) or cooperation (for example Germany) among firms.<sup>1</sup> In practice, firms exercise both competitive and cooperative strategies. Cooperating with erstwhile competitors may extend market power, increase efficiency, or lead to the exchange of knowledge. The returns to cooperation often depend on the type of industry. For example, cooperation is more attractive in industries where it is important to share infrastructure or information. The business history literature is replete with examples of inter-firm activities. In most studies, cooperative behaviour is based upon a shared

social anatomy of the individual participants or through periodic structural ties among the organisations such as cross-ownership, interlocking directorates or long-term contracts.

We contribute an alternative perspective to the literature by analysing the everyday interaction among leading firms and their senior managers in the Australian wool trade in the 1920s. This elite group of firms, all wool-selling brokers, dominated large scale enterprise in Australia and had to temper their competitive spirits with the need to cooperate. For the trade to function effectively – and contemporaries believed Australia operated the most efficient wool auction system in the world – the brokers had to work together to conduct centralised auctions at each of the major port cities.<sup>2</sup> Through regular, often lengthy, meetings brokers developed cooperative strategies. Utilising an extensive set of minutes of meetings held in Melbourne, we deploy social network analysis (SNA), content analysis, and examples of cooperative decision-making to evaluate their practices. Our contribution is to extend the literature on elites and business groups by analysing a trade that could only function effectively through intense, quotidian interactions among competing firms.

### *Cooperation among Business Elites*

Business historians have examined the behaviour of business elites from various perspectives. Interest has included background and recruitment into the group, shared values and interconnecting structures, the exercise of group power and influence, and the economic consequences of their activity. The literature bifurcates into two main streams. The first describes the social anatomy of members of business elites, such as the role of family background, education, and friendships for building business

connections.<sup>3</sup> The second examines structural elements of the group, such as cross-shareholdings and interlocking directorates, and how these features encourage information diffusion, the development of new techniques, the pursuit of strategic goals, as well as collusive practices.<sup>4</sup>

Australian research has had little to say about its business elites. Studies of social elites have tended to neglect business connections.<sup>5</sup> The role of business groups in politics has received occasional attention.<sup>6</sup> Business history has focussed on the rise of large corporations such as BHP, rather than connections between companies.<sup>7</sup> Structural ties such as trade agreements and long-term contracts have been examined in several industries.<sup>8</sup> Interlocking directorates have also attracted some attention.<sup>9</sup> Although inter-firm relations have been an important feature of the Australian business landscape, the negotiation of competition and co-operation among major enterprises remains largely unrecorded.

Our knowledge of the collective behaviour of business elites in Australia is limited to several studies of the Collins House Group (hereafter CHG), based in the Melbourne CBD in the first half of the twentieth century.<sup>10</sup> The CHG is an example of a business group that operated through occasional, rather than daily, interaction. Focussed on mining and metallurgy, firms in the group were motivated to cooperate primarily by self-interested market power, which was exercised through interlocking directorates, cross-shareholdings, and long-term contracts, and reinforced by personal friendships and family. The group was formed in 1915 and was located at Collins House at 360-66 Collins St. Seven leading mining companies, including those of the CHG, were occupants of the building. Thirty men occupied the sixty-three directorate seats on their boards, and interconnections among the firms were particularly designed to secure up and

downstream markets.<sup>11</sup> Their strategic connections across the economy were extensive since many directors also held shares in, or sat on the board of, companies from brewing, finance, pastoral agency, textiles, paper, vehicle production, chemicals, glass, rubber, packaging, engineering, and transport.

Our study of the woolbrokers varies in important respects from the CHG because of differences in the ways their international trade was conducted. The mining and metallurgy industries drew upon large scale and periodic or 'lumpy' capital investments in relatively homogenous products that could be secured through arms-length supply contracts. While the wool trade similarly forged broad connections through interlocking directorates and social and political affiliations,<sup>12</sup> regular interactions within the senior manager class of brokers was crucial to its success. Wool is a highly heterogeneous and tactile commodity, and sale required a complex physical auction market. It was the day to day interaction among the firms' senior managers – primarily through regular and often lengthy meetings – that developed rules, accepted patterns of behaviour, and a close-working business elite. This enabled them to resolve competitive differences and provide a single voice against external threats. While there is an extensive historical literature on international trade networks,<sup>13</sup> a focus on the study of quotidian interaction is uncommon.<sup>14</sup> Our approach – by studying daily cooperation and behaviour – also integrates business history with the routines literature.<sup>15</sup>

### *Rise of the Australian Wool Brokers*

When Australian wool exports came to prominence in the mid nineteenth century, most wool was consigned to London, where it was sold at auction and the proceeds remitted to Australia through trading banks.<sup>16</sup> For various reasons, particularly the growing

geographical diversification of buyers, including from Japan and Continental Europe, the location of wool auctions gradually shifted from London to the Australian port cities from the end of the nineteenth century. Purchases could be shipped directly to the buying nation rather than via London as an entrepôt.<sup>17</sup> Many European woolbuyers set up offices in Australia to bid at auctions, and Australian growers could, in turn, observe the sale of their wool. This transition was largely complete by the 1920s.<sup>18</sup> By then, about 40 per cent of the world's wool was exported from Australia, most of which passed through the auction system. Australian cities became the centre of the critical decision-making services for the international wool trade. It brought economic stimuli as Sydney and Melbourne became the largest wool markets in the world. A similar shift to domestic sale occurred in the other major wool growing nations of New Zealand, South Africa, Argentina and Uruguay, although the nature of the market varied between auctions and private sales.

As the wool market migrated to Australia, a new business model was needed by the trade. Previously, stock and station agents had, alongside a range of pastoral services, forwarded farmers' wool to London for sale. Several larger agent firms realised that change was afoot and reinvented themselves as urban wool-selling brokers.<sup>19</sup> They received wool into store, weighed and organized it into different selling lots, catalogued and displayed it for buyer inspection, and conducted the sale by open cry auction. Brokers were highly skilled wool handlers whose ability to accurately class and sell auction lots was critical to the success of the trade.

<Table 1>

By the 1920s Melbourne was home to about ten brokers, all of whom were closely located to one another in the 'wool precinct' at the western end of the CBD.<sup>20</sup> Seven

conducted most of the city's auctions (Table 1). Several were local or regional Victorian firms (Victorian Producers Cooperative, Dennys Lascelles, and Younghusband). The others were national firms that sold from state branches across most of the Australian city auctions. Two of the selling brokers also operated in New Zealand, and four had an office in London. These were elite companies – six were in the top 10 companies in Australia, and Dalgety was the largest firm in Australia in 1910.<sup>21</sup>

Brokers invested in display rooms, warehouses and auction rooms. They competed for customers by expanding their network of branches and by lending to farmers in return for their wool business. Incorporation and stock exchange listings helped to fund their expansion. However, they soon understood that substantial overhead costs and the risk of competing auctions were best addressed by cooperating in a joint auction on shared premises in each city. Extending this coordination nationally by agreeing a roster of auction dates between centres, ensured a good turnout of buyers at each sale. They were also motivated to cooperate by the opportunity to share commercial and technical information at a time of economic instability, and to strengthen their hand with a government inclined to extend state intervention in the industry.

The brokers formed into regional wool broking associations from the 1890s to coordinate auctions. By developing rules, regulations, and dispute resolution procedures, they created routines that enabled growing volumes of wool to pass smoothly and rapidly through the auction system.<sup>22</sup> In 1891 the Melbourne Woolbrokers Association was formed. In 1914, the Melbourne Wool Exchange was built in King St, in the vicinity of the brokers' offices and warehouses, to host auctions and most committee meetings. Further down the supply chain, the Victorian Wool Dumpers Association (nd, pre-1923) dealt with the compression of wool prior to shipment.

Finally, in 1920 a national body, the National Council of Wool Selling Brokers in Australia, was formed to coordinate national sales at a time of post-WWI oversupply.<sup>23</sup>

### *Sources and methods*

In order to understand how these firms cooperated, we have drawn on a series of complementary methods, namely social network analysis (SNA), content analysis, and an evaluation of the meeting outcomes. SNA allows us to identify the key members of this community and how they interacted with each other. Content analysis intimates the atmosphere of their meetings, while archival sources reveal the outcomes of cooperative behaviour. We draw primarily on the largely complete and voluminous set of meeting minutes for the various Melbourne wool industry associations throughout the 1920s.<sup>24</sup> These sources reveal the regularity of meetings, who attended, how they were conducted, the issues discussed, and the decisions reached.

SNA is a collection of visual and numerical methods used to analyse the pattern of relationships among individuals. In a network, individuals, firms, or any set of related entities are referred to as *nodes*, with connections between them represented as *ties*. Thicker ties indicate stronger connections between entities. The concept of networks is widely used in economic and business history to highlight the role of interconnections among individuals, firms, industries, and communities.<sup>25</sup> However, the vast majority of this literature does not quantitatively visualise or analyse these networks. Exceptions include work on business associations in Liverpool's eighteenth-century slave trade district,<sup>26</sup> accounting disclosure in merchant networks,<sup>27</sup> and interlocking firms in Mexico, Brazil and Chile.<sup>28</sup> The use of SNA in business history lags behind its adoption in contemporary business and organisational studies literatures. Historical research faces

scarce or piecemeal data that can make it a challenge to reconstruct business connections in a robust way.

For this paper, SNA has been used to visualise connections among key members of Melbourne's wool trade in the 1920s. The strong co-operative impetus of woolbrokers, and the variety of forums in which they came together, means that analysing this business community as a network is appropriate. The large number of actors, the frequency of meetings, and the overlap between different forums also means that *visualising* this network is a useful approach. For large communities such as ours, SNA highlights the community's broad trends that are often hard to see amongst the qualitative detail.<sup>29</sup> It also complements and directs archival research, by pointing to new research questions and potentially fruitful areas of inquiry.<sup>30</sup> While visualising ties reduces complex human relationships to a number, it is a valuable tool in concert with qualitative and archival methodologies.<sup>31</sup>

We have built social networks based on attendance at industry meetings between 1920 and 1929. Meetings included the General Committee (hereafter GC) and the Trade Committee (hereafter TC) of the Melbourne Wool Brokers Association (MWA), the Melbourne Wool Exchange (MWE), and the Victorian Wool Dumpers Association (VWDA). The National Council of Woollselling Brokers of Australia (NCWSBA) was a nationwide forum, but its head office was in Melbourne, and the Melbourne brokers held separate meetings. To be consistent with our focus on understanding the Melbourne community, we have included the Melbourne meetings of the NCWSBA, but not the national executive nor annual general meetings. Conferences with other trade groups such as the woolbuyers are also included. Our data slightly undercalculates the total number of meetings, as there were occasional temporary or periodic committees.



If two individuals attended the same meeting, it is indicated by a tie between them; if they attended a greater number of the same meetings, it is shown by a thicker tie. Greater 'weight' is attached to individuals listed as the chairman or acting chairman, as they likely had greater influence on meetings, and thus an increased probability of interacting with other attendees.<sup>32</sup> A network has also been constructed for inter-firm connections, with stronger ties between firms if they sent a greater number of representatives to the same meetings. We do not have firm affiliation data for a relatively small number of individuals (35), all of whom were on the outer part of the network and so not central to our analysis. These nodes are included in the networks of individual connections, but have been removed from the firm-level networks.

The network has been visualised with *NetDraw*.<sup>33</sup> *NetDraw*'s spring-embedding function, with Gower scaling, has been used to bring order to the myriad of ties, placing those with more shared ties closer together, and those with less shared ties further apart.<sup>34</sup> An overall network for 1920-9 has been visualised, showing connections between individuals over this decade. This flattens the temporality of the data, visualising connections between individuals on the same plane that may have been separated by many years. To combat this, we have taken cross sections of the network for 1922 and 1926 as a robustness test. Key individuals and firms are stable in the overall network and in each cross-section, indicating that the 1920-9 network is relatively representative of interactions between woolbrokers in a single year, and vice versa.

*UCINET* has been used to compute simple network metrics. These describe an actor's prominence in the group, assuming that better-connected nodes are more important for the diffusion of contacts and ideas. *Degree* simply indicates the number of connections

of each node. *Degree* is a good representation of the actor's potential to influence others or to develop new information and contacts. *Betweenness* measures the proportion of shortest paths to other nodes that pass through the particular actor. If the node has a high *betweenness* centrality, they are influential because they are the path through which ideas travel. It is thus a good measure of those who were able to form connections, diffuse ideas, and broker contacts.<sup>35</sup>

By identifying the central role of particular firms and individuals, the SNA complements our two other forms of analysis. We have deployed a qualitative form of content analysis to infer the behaviour and atmosphere at meetings. This has involved searching meeting minutes for the presence or absence of conciliatory or conflictual language, analysing procedural rules and expectations of behaviour, and evaluating how they addressed particularly sensitive matters among the group.<sup>36</sup>

Finally, the paper will investigate the agendas of the meetings and the outcomes subsequently recorded in the minutes. This allows us to search for evidence of cooperative actions among firms and individuals in the wool trade.

#### *The web of broking firms and their employees*

The meetings of Melbourne's woolbroking associations provided the opportunity for interactions amongst firms and their key employees. This was crucial for the operation of the interwar wool precinct. From 1920-29, 224 individuals attended meetings, with an average of between 5 and 10 people at each meeting (Table 2). They represented 41 different organisations, including woolbrokers from Melbourne and interstate, woolbuyers, shipping firms, producers' co-operatives, and government committees.

<Table 2>

Figure 1 indicates connections between firms. This shows a highly connected core that often sent representatives to the same meetings. The visual analysis is confirmed by centrality scores for this network, with key firms scoring highest in terms of *betweenness* (Table 3). There were very strong ties between AMLF, Dalgety, AEM, NZLMA, and GM, as compared with the other organisations. NZLMA, while attending many meetings, scored lower in terms of *betweenness*. This was largely due to less involvement in the NCWSBA meetings, which limited its access to the broader national networks of this organisation. It may be significant that NZLMA's share of the wool market was declining in the 1920s.<sup>37</sup> Several other firms had important ties though were not quite as central to the network. Younghusband was closely connected to the other firms through the GC and TC, but lacked the broader ties to develop high *betweenness*. Elders was a major national firm but did not auction in Melbourne in the 1920s; Dennys Lascelles was prominent in the nearby smaller centre of Geelong; VPC was part of the Melbourne auctions but, as a cooperative, was not entitled to full membership of the MWA.

<Figure 1>

<Table 3>

Figure 2 presents the overall network of individuals. It reveals a group of around 25 individual brokers, mostly working for the main companies, who formed the 'core' of this network. Table 4 identifies these individuals based on *betweenness*. The group, led by Carson and Davidson, are located in the centre of the network map. Prominence came from forming paths between different groups, with Wilson developing strategic connections in various forums. They were also frequent participants in meetings, with

many attending over 200 meetings each across the decade. Analysed as dyads, they attended many meetings together. Eades and Davidson attended 227 meetings together between 1920 and 1929, while Eades and Jackson attended 154, and Jackson and McArthur 190 of the same meetings. In 1922 alone, Eades and Davidson attended 33 of the same meetings. On average in this year, Eades and Davidson spent a little over 1 day a fortnight in each other's company in formal meetings.

<Figure 2>

<Table 4>

Strong ties among key individuals and firms fostered trust and co-operative behaviour. Strong ties indicate intense investment of time, emotions, and reciprocal services among actors.<sup>38</sup> Those with strong ties can understand and predict each other's behaviour, and they develop common lexicons. The investment of time and energy into the relationship gives actors the incentive to behave honourably and to maintain good standing with their partner. Simply put, strong ties develop trust through easy communication and an unlikeliness that members will deviate from group norms.<sup>39</sup> Trust in turn encouraged co-operation amongst the group, and made it easier for them to develop routines and to co-ordinate the complex trade of wool (see below).

The core group also heavily influenced decision-making for Melbourne's wool industry. Broad meeting attendance allowed the elite brokers to co-ordinate the trade, and the flow of ideas and contacts in the community. They were key business leaders of the Melbourne wool trade: they controlled a large proportion of the industry's wealth, conducted auctions, and operated the centralised infrastructure.

Many of the key brokers enjoyed lifetime employment for a single firm. Senior managers were highly valued for their skills in one of Australia's key export industries and were among the earliest employees in Australia to benefit from company (non-portable) pensions as a means of retaining their loyalty.<sup>40</sup> Sir Norman Carson, the most central figure in our network, worked with the Australasian Mortgage & Agency from 1896 until the firm was taken over by AML&F in 1904. He rose to become AML&F's Melbourne manager in 1929 and finally retired from the firm in 1945.<sup>41</sup> William Eades worked for NZLMA for nearly half a century (1880-1929), serving for a long period as their Melbourne manager.<sup>42</sup>

Some spent several periods employed by, or on the boards of, related industries such as banking, pastoral estates and insurance. Carson and Robert Boyne both served on the board of Northern Assurance Company.<sup>43</sup> Donald Wilson expanded his interest vertically by establishing the Returned Soldiers' woollen mill. In addition to representing their firms on wool industry committees, brokers participated in relevant government bodies. W. Stevenson Fraser served on the Central Wool Committee during World War One and the British Australian Wool Realisation Association Pty Ltd (BAWRA) in the interwar period. In both roles he spent time with other members of the wool trade.<sup>44</sup> Wilson has been described as "one of the originators of BAWRA", and Eades was similarly a member of the Victorian State Wool Committee. Several were also members of local chambers of commerce.<sup>45</sup>

### *Routines and complementarity*

A closer examination of the nature and purpose of the meetings throws light on the cooperative behaviour of this woolbroking elite. During the 1920s, brokers attended at

least 503 meetings, effectively an average of one per week through the whole decade. Table 2 indicates the frequency of meetings of each of the committees. Reflecting its operational role in overseeing auctions, the TC assembled with the greatest frequency (average of 21 meetings per year). The GC was focussed on broader strategic directions, and also met regularly. Other bodies were occasional, including the conferences, the MWE committee, and the Wool Dumpers' association. The association meetings reflected specialisation and complementarity in their functions. Some focussed on strategy, others on operations. Referrals between committees reflected the development of procedures for particular types of decisions. Some committees fostered dense ties amongst a restricted group, while others developed broader connections with government or through the supply chain.

<Figure 3>

<Figure 4>

Meetings of the MWE were relatively 'closed' affairs. Figure 3 indicates that this committee involved dense interactions amongst a small group of individuals. Where other meetings had many occasional participants, the MWE had only six 'outsiders' attend across the entire decade. The network of firm connections shows that participants were exclusively from the key firms that owned and operated the MWE (figure 4). This committee was therefore an elite forum concerned with the operation of the MWE and strategic leverage of the MWE.

The GC was responsible for MWA's strategic decisions such as changes to sales procedures. It included many of the core members of the MWE, notably Fraser, Davidson, Aylwin, Hooper, Aitken, Carson, Jackson, Eades, and Clapham (figure 5). However, there was also a broad periphery of occasional participants. Connections

between firms (figure 6) indicates the same core brokers as the MWE, though there was also involvement from smaller woolbrokers (Denny Lascelles, SMS), shipping companies (Murray steamers), and other auctioneers (George Hague, VPC). They invited these outside parties when a relevant issue was on their agenda.

The TC was a permanent sub-committee of the GC, concerned with operational matters such as the order of roster and complaints between brokers. Lengthy minutes with busy agendas reflected day-long meetings, in some cases reconvened for a second day.

Connections between firms were similar to the GC, comprising the main six brokers, and about ten peripheral companies (figure 7). This included the producer cooperatives who participated in auctions but were not members of the MWA. Individual participation in the TC was much more diverse. While the GC had a central core membership that overlapped with all other meetings in the community, the TC had a more restricted core group. Around half of the overall elite group participated, including Adamson, Carson, Jackson, Davidson, Allen, Berrill, McArthur, Eades, Aylwin, and Everist (figure 8). It also had much more diverse peripheral participation, with a comparatively large number of sparsely-connected individuals. Firms may have rotated their representatives to the TC due to the frequency of meetings and the range of issues for discussion.

<Figure 5>

<Figure 6>

<Figure 7>

<Figure 8>

<Figure 9>

<Figure 10>

The NCWSBA was formed to coordinate national sales at a time of oversupply. It replaced a prior body, the Federation of Wool Selling Brokers (est. 1918), whose powers were considered too permissive to prosecute the brokers' interests. Operational from 1920, NCWSBA's national membership included three representatives each from Victoria and NSW, two each from SA and Queensland, and one each from WA and Tasmania. None of the large national woolbroking firms were permitted more than two representatives at a meeting. As we noted earlier, our focus is on the meetings of the Victorian members held at the MWE, but these sometimes involved invitations to interstate organisations. This made for diverse firm participation, breaking up the strong ties amongst the key firms to include representatives from further afield (figure 10). For individual participation, although there was a tight-knit core group, there were many peripheral individuals. For the distinctive cluster to the right of figure 9, this was the only connection of these individuals to the operations of the precinct. This included Sir John Higgins, who was periodically invited to the NCWSBA meetings because of his role as chair of the Central Wool Council (see below).

The VWDA connected the brokers to a broader network of participants in the wool trade. It included participation from stevedoring and specialist wool-pressing companies, as well as buyers, sellers, insurers and shipping companies. In a similar way to the conferences and the NCWSBA, the VWDA had a relatively egalitarian firm network structure (figure 12). The six large brokers had around the same level of connection amongst themselves as with smaller woolbrokers (Denny Lascelles, SMS), cooperatives (VPC) and woolbuyers (Laycock). The network of individual connections shows a distinctive cluster for those who participated in VWDA. There were low levels



of overlap between the dumpers and the other woolbrokers' meetings. Members of the elite group participated – including Adamson, Carson, Jackson, Davidson, Allen, Berrill, McArthur, Everist, Wilson, and Eades – but like the network of firm connections there is little to distinguish their ties from other group members (figure 11). The concerns of the VWDA along the supply chain accounts for this distinctive network structure.

<Figure 11>

<Figure 12>

<Figure 13>

<Figure 14>

The conferences met infrequently, around twice per annum, but had the largest number and range of participants in this community (Table 2). Figure 13 reveals that conferences involved participation from all core members of the group. Rather than a tightly-connected core and sparse connections to outsiders, conference attendance involved strong connections among both core and non-core individuals. Similarly, the network of firm connections (figure 14) indicates a balance between ties amongst the elite firms and smaller firms such as Denny Lascelles, and auctioneers like George Hague. Conferences also had participation from woolbroking associations beyond Melbourne - Geelong Woolbroking Association (GWBA) and Sydney Woolbroking Association (SWBA)) for settling disputes, sharing ideas, and co-ordinating activities more widely. These issues included agreeing to the national system of rosters to avoid duplication of sale dates and discouraging interstate railway rebates that diverted wool supply from one state to another.

In Figure 15 we have constructed a year in the life of the wool brokers by inserting the dates of all of the known meetings in 1921, together with the auction dates. In total there were 96 days on which meetings were conducted together with a further 37 auction days. 12 of these days involved both meetings and auctions. Allowing for public holidays, this suggests that the wool traders came together in some format at least every second working day. This excludes some other forums such as social interactions at gentlemen's clubs, and ad hoc meetings for which no minutes were required.

<Figure 15>

Meetings, auctions, and other interactions provided two main benefits. First, their frequency helped build strong ties, trust, and an understanding of each other's perspectives. This fostered cooperation among brokers. Second, functional specialisation among the committees aided the growth of routines; for example, a procedural concern would be raised and discussed at the TC, which would then refer the matter to the GC for a final decision on whether to amend the relevant rules. A large and complex wool trade necessitated a system where differences could be resolved rapidly and standard procedures developed to facilitate the prompt completion of transactions.

### *Conduct and mood of meetings*

The social networks reveal the structure of interactions among Melbourne's woolbrokers. It has identified a core group of individuals and firms who were involved in a complementary suite of forums to co-ordinate the trade. Strong ties among this elite, and their broad meeting attendance, has focussed archival analysis on the conduct

of their meetings. In the absence of direct observation it is difficult to divine closely the atmosphere during meetings, especially the degree to which they fostered and reflected cooperative behaviour. We may draw inferences by reading between the lines of the reporting; in other words, what is missing from minutes. Moreover, the brief phrases that brought discussion to a conclusion provide intimations of the atmosphere. The absence of conflictual language should be noted – indeed deafening silence suggests a cooperative atmosphere.

The constitutions of the committees provided few guidelines for the conduct of meetings, which may have reflected a belief that obedience to rules was unnecessary. Reliance on the conventions of behaviour rather than formal rules and regulations often reflects a trusting environment.<sup>46</sup> Indeed, committees were even prepared to put their own rules aside, 'in view of the great inconvenience members are put to'.<sup>47</sup> Where members broke agreements, such as the fixed price of woolpacks in 1919, the minutes did not credit this as deliberate behaviour, rather, 'they must have been misinformed'.<sup>48</sup> Such acts were regarded as 'misunderstandings' and explanations were accepted at face value to 'clear up doubts'.<sup>49</sup> At worst the punishment was to allow other firms a similar infringement. There is no evidence in the minutes of serious reprimand or dismissal of a firm from the MWA. Of course, self-interest also served this purpose since none of the firms wanted an external competitor to their auction system, nor to spread the cost of the system over fewer firms.

The constitution provided for the election of a chair for each committee. The attitude towards the chair of the meeting reaffirms the cooperative milieu that prevailed. Although formally an election, the chair of the MWA meetings was regularly rotated

every year or two among the group of brokers. A high level of trust was reflected in the willingness of other members to leave an outstanding matter in the hands of the chair.

In a similar vein, trust built through strong ties among the brokers is evident in decision-making processes at the meetings. Decisions were reached in most cases without formal voting procedures. Nonetheless, occasional differences of opinion would have been unavoidable amongst brokers who were also strong competitors. The agreeable resolution of differences tells us much about the constructive atmosphere. Sometimes, it is noted that a decision was reached after 'lengthy discussion', 'full discussion', or 'considerable discussion'. In contrast to a divisive majority vote, this form of consensus-building both reflected and reinforced the cooperative atmosphere. Where disagreements or differences of opinion occurred, these appear to have been mostly resolved at a single meeting with no implications for membership or office holding. Disagreeing parties were each given the opportunity to argue their case and then the matter was resolved by the meeting – it was rare for a dispute to be raised at a second meeting.

When decisions were difficult to reach, matters were either 'deferred' to the next meeting or 'referred' to other committees. Deferring occurred when members wanted more time to reflect on a complex issue, possibly through informal discussion. Referring took advantage of the complementary specialisations of the committees. The TC referred a matter to the GC if it was felt to be something requiring an executive-style decision. Alternatively, the GC referred to the TC if it wanted more information and analysis. Issues relating to wool buyers would normally await the next conference or representatives of buyers would be invited to the next meeting. For example, a motion was put to a meeting of the TC in September 1918 that the storeroom be alcohol free,

thereby denying refreshments to inspecting buyers. When the motion and an amendment were both lost, the matter was referred to the GC.<sup>50</sup>

One of the key decisions for the TC was the organisation of the sales roster. This was a sensitive issue among the brokers who generally believed that the earliest sales fetched the best prices.<sup>51</sup> Dates of Melbourne auctions also formed part of a national roster, with buyers requiring sufficient time to travel by rail between the different sales centres.

When auction sales recommenced after the cessation of the British government's wartime monopsony in 1920, brokers initially determined the order of sale randomly by drawing lots.<sup>52</sup> However, by November 1921 the firms had negotiated towards a fair and systematic process. After agreeing an order for the first sale of the season, for each subsequent sale the first selling firm from the previous auction moved to the back of the roster queue and everyone moved up a place in sequence.<sup>53</sup>

Meetings dates were generally interspersed with those of local auctions. This provided the opportunity to complete all procedures, and enabled any disagreements to be promptly addressed rather than allow resentment to fester. In November 1928, the other brokers helped to accommodate AEM when the time between its two local sale days appeared to be insufficient to prepare for the second sale. A complication in the 1920s was also agreeing to how much new wool could be auctioned by each broker while BAWRA was seeking to offload the wartime wool overhang. The challenges in reaching agreement might have been reflected in the minutes of a meeting in 1929, 'The following roster was finally agreed to...'.<sup>54</sup>

Another key theatre of negotiation concerned securing wool from the pastoral districts to sell at auction. Brokers received wool from various forwarders including their own country branches, but also local stock and station agents, and banks who 'influenced'

wool for the brokers in return for a commission. However, brokers clashed over the degree of proactive behaviour by forwarders who actively sought out business on improved terms from one broker at the expense of another. Brokers periodically discussed what was considered reasonable competitive behaviour and an agreed list of forwarders was developed. Adding firms to this list appears to be one of the few issues that required a majority vote.<sup>55</sup>

In some cases, other rural organisations forwarded wool to brokers and threatened these established arrangements. The concern of the brokers was whether these were genuine wool agents or merely groups of farmers working together to secure a partial rebate of the selling brokers' commission. Rather than provoking a rebates war among the brokers, the TC decided in 1927 to stop paying 'rebate commissions to provincial farmers' associations'.<sup>56</sup> Similarly, in March 1925, the MWA, in session with the Geelong Woolbrokers Association, resolved to not pay forwarding commissions to 'shearing shed proprietors or shearing shed contractors' and no 'special agents' were to be appointed by brokers unless part of a list approved by the MWA.<sup>57</sup>

Perhaps the most serious disagreement occurred in November 1928 when a GC meeting was called to discuss a breach of rules by AEM in paying a rebate commission to the Bank of Australasia. The exchanges recorded in the minutes were open but not especially adversarial in tone. Clapham, the company's representative, conceded they 'had not carried out the spirit of the rule...was very regretful'. At length the committee agreed to take no further action in light of AEM's 'explanation and admission'.<sup>58</sup>

### *Cooperative strategic decision-making*

Evidence of a co-operative spirit can be viewed when the brokers presented a single voice against external threats to the wool trade. Many challenges were the consequence of WWI. Surplus wool on the market meant low prices, competition from other fibres was increasing, there were challenges to the auction trading system, and tensions emerged among wool buyers from different nations. Overall, this contributed to low profitability and disruption of the trade, as well as threatening the future of the auction system.

The brokers leveraged their power as a cohesive group of large firms to influence government decisions relating to the wool trade. Again, it was their quotidian interactions that served this purpose rather than generalised social, economic and business connections. During WWI, from 1916, the British Government acquired the entire annual Australian wool clip to clothe its armies and avoid this valuable resource falling into enemy hands. In place of the auction system, there was a central appraisal of the relative value of different wool types to equate to an average sale price of 15.5d. The scheme continued until 1920, by which time there was a surplus of unused wool, much of which remained warehoused in Australia. The trade therefore faced two major questions at the start of the 1920s: how to dispose of this overhang without causing the wool market to collapse and, relatedly, what selling system should be used.

The brokers presented a single powerful voice in negotiation with government over wool-selling systems. Sir John Higgins, a public servant and company director, had been chair of the Central Wool Council that administered the compulsory wartime acquisition. In 1921, he became chair of the BAWRA, an international body tasked with orderly disposal of the surplus. He was the chief advocate of continued intervention in

the market in an attempt to limit the notorious fluctuations of the trade. In August 1921 George Aitken, chairing a meeting of NCWSBA noted, 'Our relations with the body [BAWRA] have not...been what you might term of the happiest description'.<sup>59</sup>

During the 1920s Higgins proposed a series of schemes that would have limited the amount of wool offered for sale in years when prices faced downward pressure. Withheld wool would be purchased by the central authority – using the proceeds of either the resale of wartime wool or a general levy on sales – and would be offered for sale in a better year when prices improved. The brokers and most of the wool trade had supported a temporary scheme that would dispose of the wartime stocks but opposed ongoing peacetime intervention. The brokers' livelihoods, through sales commissions, were tied to the auction and its *laissez-faire* philosophy. The farming community were divided in their views. Since the schemes were particularly focussed on the falling price of cross-bred wool, a type more commonly grown in Victoria than other States, there was strong interest in Melbourne.

Higgins was a powerful, influential and combative figure to deal with.<sup>60</sup> The brokers were prepared and able to take him on at every stage, even taking their cause to the press.<sup>61</sup> Events came to a head late in 1922 when Higgins proposed an extensive and ongoing scheme to manage the supply of wool and other farm products. At a meeting of the TC in December, members were encouraged to refute statements and speeches made by Higgins in the press. In the following January, a sub-committee, consisting of Berrill, Jackson and Davidson, was entrusted with drafting a statement in response to the 'BAWRA propaganda' put out by Higgins. In reality, the battle with Higgins was about who had control of the wool trade, since the brokers were prepared to hold back wool when the market appeared over-supplied.<sup>62</sup>



The NCWSBA sent a delegation including Hooper to meet with the Prime Minister to discuss selling arrangements. By also reaching out to growers and offering concessions on storage and advances, they gained their agreement to work together to decide sale allocations as an alternative to Higgins' schemes.<sup>63</sup> The regional associations such as the MWA, armed with both detailed supply and demand information and aided by local co-operation, could control the amount of wool offered for auction in a way that would have been more difficult for a central government agency. Higgins proposals were defeated in BAWRA in 1922. When prices fell again in 1925, Higgins presented a similar scheme to the Federal Graziers Council without success. By contrast, the NCWSBA, recognising the pressure on the market, again outmanoeuvred him by negotiating with the growers a significant reduction in the amount of wool offered for sale for three months.<sup>64</sup>

Towards the end of the decade, the brokers crossed swords with government again, this time over the proposal to form a central bank in Australia. Federal Treasurer E.G. Theodore introduced a Central Reserve Banking Bill into Parliament in May 1930. The MWA immediately called a special meeting on 15 May to protest against the legislation. They released a powerfully worded statement that was sent to the PM, Treasurer and the Press:

They regard the Bill as not only most inopportune in the present critical financial condition of the country but fraught with danger to Australian banking and commercial interests...a grave risk of restricting the facilities which the trading banks and financial houses will be required to give their customers... tend to cripple industry and increase unemployment.<sup>65</sup>

The basis of this objection was the requirement that the commercial banks lodge a compulsory deposit with the new reserve bank thereby reducing their ability to lend to businesses, including farmers. The Bill was unpopular through much of the business community.<sup>66</sup> The strong, swift, united response of leaders of the largest export industry was likely to have been crucial to the unsuccessful plight of the bill.<sup>67</sup>

Further evidence of the collective voice of the brokers occurred in an industrial dispute in 1923. On 12<sup>th</sup> June, Sir John Quick, Deputy-President of the Commonwealth Arbitration Court, had varied the award of the employees of steamers on the Murray River. He had increased wages and established a 48-hour working week, beyond which overtime rates would be paid. This was a complex matter because variations in tide levels and local weather created uncertainty for shipping companies and their onboard and land-based employees. Merchants Permewan Wright immediately indicated that they would not be able to continue to handle wool under these conditions.

The MWA promptly called a special meeting of its GC on 22<sup>nd</sup> June, and following this they arranged a delegation to meet the Acting Premier (Sir William McPherson). The group was led by Hooper and Fraser, and also included pastoralists and the Chairman of Permewan. By 16<sup>th</sup> July, Quick had changed his decision to provide a compromise between the workforce and the employers that limited the amount of overtime and only paid wages when the men were actually working.<sup>68</sup> Four days later the GC reported that the meeting had occurred with the Acting Premier, that Quick had made changes to the award and more were expected. Eight days later his final award gave further support to the employers by removing the 48-hour week for most employees. The Merchant Service Guild complained about the impact of the final decision on their members,

wherein Quick was quoted as saying, 'I cannot help that. I have done my best with a very difficult problem'.<sup>69</sup>

While the brokers were not always on the right end of major national decisions, their ability to work jointly on such causes and to speak with a single voice were indicative of the powerful seams of cooperation and trust that had developed among this elite group of competitors.

### *Conclusion*

Firms often need to cooperate with one another. The business history literature has focussed on two major sources of cooperation – shared backgrounds and values breed trust and common perspectives, while quasi-legal structural ties foster overlapping interests. Our paper takes an uncommon approach by investigating quotidian behaviour as a source of inter-firm cooperation. This focus has been made possible by the survival of extensive records of meetings among the leading Melbourne woolbrokers in the 1920s, who dominated the ranks of Australia's largest firms.

Through social network analysis, we have demonstrated the existence of a core group of firms and their senior managers who met together on a regular, almost daily, basis to discuss the issues of a busy, complex trade. These results directed content analysis of meetings, which suggest that they were conducted in a constructive atmosphere and that while differences emerged among firms, they learned to negotiate solutions to these problems. Some of these were private ordering solutions to a specific contested event, others developed a standard procedure or routine to guide future activity and reduce transactions costs. Archival analysis of the agendas of these committees

illustrates how they spoke with a single voice to tackle external threats to their industry.

Not all trades require such close daily attention by its participants. Wool is a tactile and heterogeneous commodity, and its sale necessitated close prior inspection and thick markets of buyers and sellers through central auctions. The long global supply chain of wool has also privileged market coordination through expert, trusted intermediaries. Today, most Australian wool continues to be sold by brokers at physical auctions in spite of the availability of sophisticated electronic and futures markets. These two key features, auctions and expert brokers, gave primary importance to the quotidian behaviour discussed in this paper. Future research on international commodity trades and markets might analyse whether regular interaction was an important feature in comparison with structural ties and social networks.

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<sup>1</sup> Chandler, *Scale and Scope*.

<sup>2</sup> Du Plessis, *The Marketing of Wool*, 120, 135; Blau, "Wool in the World Economy".

<sup>3</sup> Cassis, *Business Elites*; Rubinstein, *Elites and the Wealthy*; Jeremy, "British Business Elite"; Friedman and Tedlow, "American Business Elites".

<sup>4</sup> Mizuchi, *The American Corporate Network*; Crumplin, "Opaque Networks"; Aldo and Read, "Bankers"; Brayshay, Cleary, Selwood, "Interlocking Directorships"; Shaw and Alexander, "Interlocking Directorates".

<sup>5</sup> De Serville, *Pounds and Pedigrees*; De Serville, *The Australian Club*.

<sup>6</sup> Martin, "Pastoralists"; Graham, "Graziers in Politics".

<sup>7</sup> Trengove, *What's Good for Australia*; Fleming, Merrett, and Ville, *Big End of Town* for a discussion of the growth of big business; references to individual company histories are provided in the bibliography.

<sup>8</sup> Round and Shanahan, *From Protection to Competition*; Burn, "Opportunism and Long Term Contracting"; Fleming, "Collusion and Price Wars"; Boyce, *Cooperative Structures*.

<sup>9</sup> Hall, "Interlocking Directorates"; Stening and Wai, "Interlocking Directorates"; Kiel and Nicholson, "Board Composition".

<sup>10</sup> Richardson, "Origins and Development"; Yule, *Baillieu*.

<sup>11</sup> Rawling, *Who Owns Australia?*, 26-32; Richardson, "Origins and Development", 7-9.

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<sup>12</sup> This occurred through both their local, and in several cases, London boards. For example, Sir George Fairbairn besides serving as a local director of NZLMA also sat on the boards of Metropolitan Gas, Dunlop Rubber, Emu Bay Railways, North British and Mercantile Co, and a series of pastoral companies. *Who's Who in Australia* (Sydney: International Press Service Association, 1929).

<sup>13</sup> Some notable examples include Haggerty & Haggerty, "Networking with a Network"; McWatters and Lemarchand, "Merchant Networks"; Glaisyer, "Networking"; Rose, *Firms, Networks*.

<sup>14</sup> Cochran, *Railroad Leaders* analyses the intensive correspondence of the managers of the leading US railroad companies although this is not face to face interaction most of the time. Popp, "Governance at Points of Corporate Transition", 325-6 cites the "highly quotidian activities" of the Widnes Trade Association that "could meet and forge policies with regard to shared issues". These arguments are not developed in detail.

<sup>15</sup> Feldman and Pentland, "Reconceptualizing Organizational Routines".

<sup>16</sup> Barnard, "The Australian Wool Market"; Butlin, *Australia and New Zealand Bank*.

<sup>17</sup> Windett, *Australia as Producer and Trader*, 48-63.

<sup>18</sup> Ville, "Australian wool", 77, figure 1.

<sup>19</sup> Ville, *Rural Entrepreneurs*, chapter 6.

<sup>20</sup> Ville and Wright, "Buzz and Pipelines".

<sup>21</sup> Ville and Merrett, "Big Business in Australia", 7.

<sup>22</sup> Merrett and Ville, "Institution Building".

<sup>23</sup> Many of the benefits provided by the brokers associations, particularly market coordination, information flows, and quality assurance, were common to other commodity trades including cotton, wine, indigo, and coffee. See Hall, "Cotton Market; Sleeswijk, "Hearing, Seeing"; Aldous, "Anglo-Indian trade"; Van Driel, "Coffee Trade".

<sup>24</sup> All of the meeting minutes are taken from the collection named the Victorian Woolbrokers Association at the University of Melbourne Archives (UMA). Subsequent references will use the abbreviated form for each committee as: Melbourne Woolbrokers Association (MWA), Trade Committee (TC), General Committee (TC), Melbourne Wool Exchange (MWE), National Council of Wooselling Brokers of Australia (NCWSBA), which all form part of the collection.

<sup>25</sup> See Buchnea, "Networks and Clusters" for a review.

<sup>26</sup> Haggerty and Haggerty, "Metropolitan Business Network"; Buchnea, "Transatlantic Transformation"; Haggerty and Haggerty, "Networking within a Network".

<sup>27</sup> McWatters and Lemarchand, "Merchant Networks".

<sup>28</sup> Aldo and Read, "Bankers"; Salvaj and Couyoumdjian, "'Interlocked' Business Groups".

<sup>29</sup> Rosenthal et al., "Social Movements"; Krischel and Fangerau, "Historical Network Analysis"

<sup>30</sup> Wetherell, "Historical social network analysis".

<sup>31</sup> Buchnea, "Networks and Clusters".

<sup>32</sup> Interaction at one meeting between two regular attendees is given a score of 1. Interaction between One chairperson and one regular attendee at one meeting is given a score of 2. As a robustness test, we analysed the network without weighting for the chairperson. Although some of the tie strengths change, the key results – identifying the core group of individuals and firms – remains the same.

<sup>33</sup> The pixelation of network maps in NetDraw is not as visually appealing as other options (Gephi, for instance). However, a key part of this paper involves 'layering' the networks from each committee meeting, allowing us to show both the overall network and the way each forum contributed to the whole community. To our knowledge, Gephi does not accommodate layering different networks amongst the same cohort of actors. Therefore, we have chosen NetDraw for this project.

<sup>34</sup> Spring-embedding also repulses nodes near to one another, to avoid overlaps and hidden nodes.

<sup>35</sup> Hanneman and Riddle, *Social Network Methods*. The key alternative to *betweenness* is *bonacich power*. Phillip Bonacich has distinguished between *centrality* and *power*, arguing that if someone is connected to other well-connected people, they are probably central to the network, but they may not be able to exert much power over them. On the other hand, if an actor's connections are largely isolates, they are probably not all that central, but they are powerful because other actors are dependent on them for information. Although *bonacich power* is argued to be a superior measure of 'power' in a network, this paper is interested in those who were important for forming connections between individuals and groups. *Betweenness* is thus a better conceptual match.

<sup>36</sup> There are a variety of views about the nature of content analysis, particularly quantitative versus qualitative forms. See Neundorf, *The Content Analysis Guidebook*; Altheide and Schneider, *Qualitative Media Analysis*, 17.

<sup>37</sup> Ville and Merrett, "Inter-organisational Communication", 182.

<sup>38</sup> Granovetter, "The Strength of Weak Ties".

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- <sup>39</sup> Buskens, "Social networks and trust"; McFadyen et al., "Value of strong ties"; Levin and Cross, "Weak ties you can trust".
- <sup>40</sup> Ville, *Rural Entrepreneurs*, 187.
- <sup>41</sup> Pemberton, "Carson".
- <sup>42</sup> "Obituary: Funeral of Mr. W. A. Eades," *The Argus*, 21 January 1936, 8.
- <sup>43</sup> "Mr. R. J. Boyne," *The Age*, 15 September 1938, 8.
- <sup>44</sup> "Mr. Stevenson Fraser Death Announced," *The Argus*, 22 February 1928, 20.
- <sup>45</sup> Donald Wilson and H. A. Anderson both served on the Geelong Chamber of Commerce. *Who's Who in Australia* (Sydney: International Press Service Association, 1929).
- <sup>46</sup> Haggerty, *Merely for Money*, pp. 53, 61.
- <sup>47</sup> UMA 1979.0178, MWA TC mins box 16, 4/3, 28 July 1925.
- <sup>48</sup> UMA 1979.0178, MWA TC mins box 16, 4/2, 12 December 1919.
- <sup>49</sup> UMA 1979.0178, MWA GC mins box 15, 3/7, 22 November 1918.
- <sup>50</sup> UMA 1979.0178, MWA TC mins box 16, 4/2, 25 September 1918.
- <sup>51</sup> A more recent economics literature confirms that 'price anomalies' occur in long auctions, although it is not always a price decline. See Jones, Menezes and Vella, "Auction Price Anomalies".
- <sup>52</sup> UMA 1979.0178, MWA TC mins box 16, 4/2, 7 October 1920.
- <sup>53</sup> For example, UMA 1979.0178, MWA TC mins box 16, 4/2, 7 October 1920 and 8 November 1921.
- <sup>54</sup> UMA 1979.0178, MWA TC mins box 16, 4/3, 15 January 1929.
- <sup>55</sup> UMA 1979.0178, MWA TC mins box 16, 4/1, 13 May 1912.
- <sup>56</sup> UMA 1979.0178, MWA TC mins box 16, 4/3.
- <sup>57</sup> UMA 1979.0178, MWA GC mins, box 15, 3/9.
- <sup>58</sup> UMA 1979.0178, MWA GC mins, box 15, 3/7, GC, 22 November 1918.
- <sup>59</sup> UMA 2006.0128, NCWSBA 3/1, 17 August 1921.
- <sup>60</sup> Griffin, "Higgins".
- <sup>61</sup> For example, "Future of the Wool industry. The proposed Combine. Melbourne broker's views," *The Age*, 30 December 1919, 6.
- <sup>62</sup> UMA 1979.0178, MWA TC mins box 16, 4/3, 8 December 1922.
- <sup>63</sup> UMA 2006.0128, NCWSBA minutes, various.
- <sup>64</sup> UMA 2006.0128, NCWSBA 4/1, 16 April 1925.
- <sup>65</sup> UMA 1979.0178, MWA GC mins, box 15, 3/9 Special meeting 15 May 1930.
- <sup>66</sup> Schedvin, *Great Depression*.
- <sup>67</sup> Cornish, "Central Banking", 9-10.
- <sup>68</sup> "Murray River Plaintiff, Sir John Quick's Award," *The Register, Adelaide*, 17 July 1923, 10.
- <sup>69</sup> "Murray River Steamers award, dispute settled," *Riverina Recorder*, 25 July 1923, 2.