FUSION: THE PARTY SYSTEM WE HAD TO HAVE?

A hundred years ago, the fusion of the Protectionist and Free Trade parties created the party system that still dominates Australian politics, writes **Charles Richardson**

Despite occasional efforts by pundits to make it sound volatile and exciting, Australia's party system is one of the most stable in the democratic world. Its fundamental shape has not changed in a hundred years.

A hundred years exactly, because May 1909 saw the key event that formed that shape: the 'Fusion' of non-Labor groups into a single party, whose lineal descendant is today's Liberal Party. Since then, with rare exceptions (almost all of them in Victoria), Australian elections have been a contest between Labor and non-Labor parties.

Fusion, although much neglected by historians and political thinkers, is therefore fundamental to understanding the development of Australian politics. But before trying to assess its significance, it will be useful to recap some of the basic facts.

What happened

For the first eight years of Federation, Australia had a three-party system: Protectionists, Free Traders and Labor. This was the same pattern that had developed in NSW, the largest colony, by the 1890s, although at no time was it typical of the other colonies. Labor started out as the smallest of the three parties, but it held the balance of power between the other two, and after the first federal election in 1901 it chose to maintain the Protectionists under Edmund Barton as prime minister.

The major development of those first eight years was the rise of the ALP to be a contender for power in its own right. By the third federal election, in 1906, Labor had almost doubled its vote to 36.6 percent—mostly at the expense of the Protectionists.[1] Based in the trade union movement, Labor was a tightly disciplined group; its members pledged themselves to vote as a bloc according to the decisions of caucus, and therefore behaved more like a modern political party than their rivals did. This put them in a strong bargaining position.

But the nature of the ALP also provoked resistance. The caucus system was seen as hostile to the individual conscience of MPs; Labor's socialist doctrines, half-hearted as they were, were resisted by the propertied classes; and the very idea of working-class participation in politics was still new and unsettling. As Labor seemed more within reach of a majority, it lost interest in cooperating with middle class politicians, and they in turn began to see themselves as sharing a common interest in resisting Labor's claims.

By the middle of the decade, the tariff issue had lost much of its centrality; the Protectionists had succeeded in erecting tariff barriers around the

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new nation, and even their opponents accepted they would not be able to reverse that policy in the medium term. George Reid, leader of the Free Trade Party, adopted a strategy of trying to reorient the party system along Labor *vs* non-Labor lines. In 1906, the Free Traders were repackaged as 'Anti-Socialists'; Reid envisaged a spectrum running from socialist to anti-socialist, with the Protectionists (semi-socialist) in the middle.

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This attempt struck a chord with politicians who were steeped in the Westminster tradition and regarded a two-party system as very much the norm. Reid's Anti-Socialists emerged from the 1906 election as the largest party, relegating the Protectionists to third place. But Victoria's Alfred Deakin, who had succeeded Barton as Protectionist leader and prime minister in 1903, was Reid's most bitter rival, and he continued to govern with Labor support. Only with the withdrawal of that support in 1908, followed closely by Reid's retirement, did Deakin agree to work together with the former Free Traders.

The result was the Fusion of 1909 and the creation of a new 'Liberal Party,' which displaced Labor in government until the 1910 election. But this union of apparent opposites was not at first an electoral success. Labor won an absolute majority in 1910—the goal that had eluded all parties until that point—and by 1915 the ALP was also in government in every state except Victoria. Only the Labor split of 1916 ushered in the non-Labor dominance that has been characteristic of federal politics: Labor split on two further occasions, but the 'fused' non-Labor party, under a succession of names, has stayed together.

Such was Fusion. To appreciate its significance, we should try to answer three questions: What was the nature of the two parties that merged? What did they become after merging? And how might they have developed if they had stayed separate?

Free Traders and Protectionists

Despite its geographical location, Australia since white settlement has been part of the European world, and its late-nineteenth-century move to nationhood took place within a European intellectual milieu. Some of the economic doctrines associated with liberalism, including free trade and freedom of enterprise, were under challenge, but in a general sense liberalism was still the dominant influence at the time throughout the west. In light of this it would be no surprise to find Australia producing a strong liberal party. In fact, it would be only a slight exaggeration to say that it produced three of them: a free trade (or 'classical') liberal party, a welfarist liberal party, and a trade union liberal party.

The Free Trade Party originated as the party of Henry Parkes and George Reid, which dominated NSW politics in the 1880s and 1890s. It was the closest thing that Australia produced to the British Liberal Party, with all of its internal tensions: democratic, progressive, individualistic, but also inescapably middle class. It 'managed to present itself as sympathetic to democracy and reform while retaining an air of middle class "safeness," respectability and concern for established institutions.'[2] The Free Traders weathered the rise of the Labor Party at colonial level; Reid, who was the NSW premier from 1894 to 1899, enjoyed good relations with Labor and governed with their support.

In the British tradition, support for free trade was part and parcel of being on the progressive side of the spectrum. Tariffs imposed a heavier burden on the poor; free trade meant funding government services more out of direct taxes. That was certainly Reid's understanding of politics. Despite a century of hostile commentary that has pegged him as a conservative, Reid never abandoned the name or the self-image of 'liberal.' He always believed that free trade, freedom of enterprise and smaller government would benefit the masses, not just the middle class, and NSW's economic performance in the 1890s provided strong evidence in his favour.

Yet of course there were conservative strands to the Free Trade Party as well. With economic issues at the fore, a party opposed the trade unions

and their policies was bound to attract a coalition of interests, from both liberal and conservative backgrounds. While the substance of party policy remained liberal—it was the only one of the three parties, for example, that showed any reluctance about adoption of the White Australia policy—Reid's anti-Socialist strategy inevitably led to a more conservative orientation. The cause of building an anti-Labor coalition, to which Reid committed himself after 1901, was hardly going to be served by stressing radical ideas. No doubt this reorientation was helped by the fact that Labor in NSW had deserted Reid's party in 1899, as the colony's Protectionists, once clearly the more conservative force, came to bid for Labor's support.

But the heartland of the Protectionist Party was in Victoria. There, politics had taken a quite different turn to the NSW (or British) model. Under the influence of David Syme, editor of the Melbourne *Age* and Deakin's mentor, liberalism in Victoria had become associated with tariff protection and a general hostility to the free market. As Greg Melleuish says, Syme 'put together a potent mixture of protection, statism and populism which ... continues to haunt Australian politics.'[3]

Victoria's liberals and conservatives had come together in a coalition government from 1883; by the time this government fell in 1890, Duncan Gillies, a conservative, was premier, with Deakin as his deputy. Protectionism was an agreed policy between them, and most other contentious issues had been swept under the carpet. A succession of governments followed, each claiming to be broadly 'liberal,' and their changing fortunes were clearly driven by personality conflicts and the politics of small groups, rather than by any real division of policy or philosophy. Deakin was out of office in the 1890s, devoting himself to campaigning for Federation, but he was very much a product of this environment. Politics was about power seeking, not ideology, and no great value was ever placed on consistency.

Deakin took those lessons with him into the new federal parliament: The Protectionist Party of Australia's first decade—with the 'Australian settlement' that it established—bears his stamp more than any other. He was a tireless propagandist, writing (anonymously) articles for a British newspaper even while he was prime minister, and much of Australia's early history has been written from his point of view (Reid, by contrast, left few papers for historians to work from). Deakin's constant manoeuvring for power suggested a flexible conscience that was a powerful asset in that era; in Stuart Macintyre's words, 'he was always surprised to find blood on his hands.'[4]

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Liberalism is a broad church, and there is nothing necessarily illiberal about support for social welfare measures and concern about economic hardship. Even free trade should probably not be regarded as a non-negotiable element. And Deakin was not a conservative—he was, for example, the only early Australian leader to decline the English honour of appointment to the Privy Council. But under Syme's guidance, protection had become part of a fundamentally illiberal package, driven by fear of the outside world and contempt of individual liberty. The Protectionists' economic policy, their paternalism towards the working class, and their intolerant nationalism made them congenial to many conservatives, even though Deakin in effect insisted that they were definitional of liberalism:

> A Colonial Liberal is one who favours State interference with liberty and industry at the pleasure and in the interest of the majority, while those who stand for the free play of individual choice and energy are classed as Conservatives.[5]

This usage, which Melleuish rightly calls 'a travesty,' has too often been allowed to go unchallenged.

The difference between Protectionists and Free Traders, apparently so stark, is further illuminated by a contrast with Labor—not just Australia's oldest political party, but one of the oldest

social–democratic parties in the world. When looking at the politics of a century ago, the sharpness of the class divide stands out: Labor's parliamentary members were genuine representatives of the working class, not the middle class apparatchiks they have since become. From the start it had some middle class support on the basis of its radical democratic aims, but it remained unmistakably a working class party.

Labor was called 'socialist'—sometimes by its supporters, repeatedly by its enemies—but its 'socialism' was often no more than a general sensitivity to working class discontent. The focus of Labor's economic policies was on specific measures to improve the lot of the working class, and to strengthen the position of their advocates, the trade unions, rather than anything that could seriously be described as central economic planning. Its leaders either did not believe in socialism, or at least felt that public avowal of it would be idle or counter-productive. Bede Nairn, the historian of the early NSW Labor Party, says, 'Only an insignificant minority of unionists wanted radical change, for example, a republic or a socialist society.'[6]

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In policy terms there were broad areas of agreement between Labor and the Protectionists or (less often) Free Traders. (It's worth remembering that Labor politicians in Britain at that time were still little more than an auxiliary of the Liberals.) The ALP was set apart by the class barrier, and also by its tactics. Its origins as the political arm of the trade union movement gave it two key features: the caucus system, and the supremacy of the organisational wing over the parliamentarians. Neither was acceptable to the middle class parties, which—whatever one thinks of their ideologies—shared a much looser and more individualistic conception of what a political party should be.

That, as much as anything, ultimately brought them together.

The Fusion Liberal Party

Fusion therefore united two parties with opposing economic philosophies. Although the former Free Traders amounted to a substantial majority of the fused parliamentary party, and duly secured the party leadership after Deakin's retirement (in the person of Joseph Cook, who had once led the NSW Labor Party), they lost out in the main strands of the policy debate. Benjamin Disraeli had famously described a conservative government as 'Tory men and Whig measures,' but Australia in succeeding decades is the story of Whig men with Tory measures. The abiding irony of Australian politics is that Fusion, in creating a party that, like its modern day successor, called itself 'Liberal,' nonetheless had the effect of boosting the forces of conservatism.

Although neither of the merging parties was fundamentally conservative, conservatism was the main beneficiary of Fusion because it represented the common ground between them. Two separate parties provided scope for policy diversity, and as long as they were competing for Labor support, they had an incentive to stress their radical or democratic side (although not their free market side, such as it was). But as resistance to Labor came to dominate their approach, the opportunity for liberal innovation disappeared. Many liberals accepted the project of combined resistance, regarding socialism as the greater of two evils, but they could not disguise the fact that a party of resistance was bound to look conservative.

And so it proved in policy terms. The age of democratic experimentation was over. The pillars of the 'Australian settlement'—tariff protection, industrial arbitration, White Australia, subordination to British interests—became unchallengeable orthodoxy, with consequences that are all too familiar. What had been in the late nineteenth century a cosmopolitan and dynamic society instead grew insular, complacent and risk-averse. The entrepreneurial spirit withered and died; billions of dollars were poured down the sinks of protected industries; women and non-Europeans were shut out of the labour market; and thousands of young Australians paid with their lives for the mistakes of imperial foreign policy.

Of course conservatism had been present in early Australia as well, but it was rarely admitted to. Even groups and individuals that were clearly conservative in nature often called themselves 'Liberal.' For that reason, not too much should be read into the Fusion's title of 'Liberal Party'; the turn of the century political climate made 'Liberal' an all-purpose title. However, as the intellectual authority of liberalism faded (as it did through most of the world in the early twentieth century), the party and its successors were more often, and more naturally, described as 'conservative.' In effect, the ideological content of 'liberalism' was denied by giving it a capital 'L.'[7]

The circumstances of Fusion meant that instead of a bold new political venture, it gave the appearance of an underhanded bargain; it helped to establish a reputation for unprincipled power-seeking that has intermittently plagued the non-Labor parties since. More importantly, the history of the fused parties meant that the divide between 'liberal' and 'conservative' parties, which had occurred in the Australian colonies as well as in all comparable countries in Europe and America, never took shape at a federal level. Liberalism and conservatism became forces that operated within the parties, not in shaping them externally.

Free Trade and Protectionist leaders had both tried to cast themselves as liberals and their non-Labor rivals as conservatives, but in reality each party contained a mixture of the two strands of thought. At an individual level, liberals had to choose whether they preferred to work with conservatives or with socialists, but there was never, as there was in Europe, a liberal party that had to collectively make that decision.

History's might-have-beens

We have seen how Fusion happened, but what were the alternatives? Could Australia have had a profoundly different party system to the one that Fusion gave us?

The last hundred years of democratic experience around the world have shown that there is nothing unusual or inherently unstable about multi-party systems. In particular, many European countries sustain three or more parties that form shifting alliances to create majority governments. This has often worked to the benefit of liberal policies, as Liberal or centrist parties, holding the balance of power between conservatives and social democrats, have been able to demand concessions from both.[8]

It is possible to imagine Australia having developed the same way, but it requires a considerable leap of the imagination. The Protectionists with their xenophobia were not a Liberal party in the European sense; nor was there any counterpart to the European parties of the right. Moreover, without the benefit of subsequent experience, contemporaries were firmly convinced of the desirability of a two-party system: Deakin's famous simile of the 'three elevens' trying to play cricket simultaneously is a good expression of their outlook. And it must be conceded that systems with single-member constituencies, such as Australia's, have generally been less likely to accommodate more than two parties.

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The introduction of preferential voting in 1919 changed the picture somewhat, and allowed the emergence of a new third party, the Country (now National) Party. But the exception is more illusory than real; the Country Party at federal level never seriously contemplated an alliance with Labor, and for practical purposes it has almost always been possible to consider it as part of a single non-Labor alliance. The result has perhaps been not unlike what would have happened if Free Traders and Protectionists had decided to work together while remaining separate parties—although the question of which of them best corresponds to the Country Party has no simple answer.

Given that a two-party system was going to emerge, why didn't the anti-market views of the Protectionists lead them to turn their cooperation with Labor into a more permanent alliance or merger? The most important factor seems to be class. The Protectionists' paternalistic concern for the working class did not translate into a willingness to treat its representatives as equals. And the feeling was reciprocated; Labor jealously

guarded its independence, insisted on maintaining the purity of the caucus, and resisted formal alliance with 'bourgeois' parties. Had it been less exclusive, Labor might have won itself a broader base. But 'the trade union connexion tied not only the Labor Party but, indirectly, its rivals to a system of class parties.'[9]

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Labor had entered coalitions at state level only reluctantly, and by 1909 rejection in principle of such collaboration was becoming an important part of Labor's official ideology. And reaction against the caucus system became one of the driving forces in the non-Labor parties, who objected strenuously to the 'extra-parliamentary direction' and 'loss of independence.' Even Deakin and his followers in some sense thought of themselves as individualists, and were never prepared to accept the caucus. By 1909 they also knew that whichever way they jumped—with Free Traders or with Labor—they would be in the minority, and in those circumstances the right of individual dissent appears much more important.

Less often asked, but in some ways more interesting, is the question of why there was no alliance between the Free Traders and Labor. At the time Fusion happened, simple parliamentary dynamics provided a sufficient answer: Free Trade and Labor were the two rising parties, so each saw the other as its main rival. Even earlier, however, they had failed to work together, because the Free Traders had chosen to define socialism as the primary foe. Cooperation between Reid's party and Labor had worked well in NSW for much of the 1890s, but it broke down in 1899 and was never rebuilt.

Again, class probably provides most of the explanation, overlapping with ethnic and religious differences (Irish–Catholic versus Anglo–Protestant). Although at some philosophical level the Free Traders had more common ground with

Labor than with the Protectionists, politicians reared on the language of class conflict had trouble appreciating that. From its origins as a penal settlement, Australia had always had a powerful government sector; it was simply uncontroversial that there would be a large measure of state control of economic life. The question between Labor and its rivals mostly came down to in whose interests that control would be exercised. And by that point Labor was not looking for compromise or for allies.

Reid's biographer argues, with some justice, that 'his differences with Labor were based solidly on attitudes which can really only be described as liberal.'[10] The conventional description of him as a conservative only makes sense if socialism is the only thing that matters, and the fact that Reid himself almost came to believe this is no excuse for allowing it to retrospectively colour his whole career. But since Federation he had dedicated himself to making Labor's 'socialism' the overriding issue. In Helen Irving's words, he wanted to divide 'opponents from proponents of government intervention, advocates of "caucus" politics from individualists, regulators by government from believers in regulation by the market. Once in Commonwealth politics Reid, unlike Deakin, saw these lines as absolute.'[11]

Concluding thoughts

Australia was not alone in the socialist/anti-socialist bifurcation. The failure of cooperation between working-class social democrats and middle-class liberals was common across the western world. It was not, however, universal—the Radicals in France and the Democrats in the United States remained viable left-wing middle-class parties, and the popular fronts in Europe in the 1930s later showed that the class barrier was not insurmountable.

But Australia has stuck to the class-based two-party system longer than anyone, and our economic policies followed suit. State interference that benefited employers and the middle class—subsidies, bounties, monopolies, anti-strike laws—was accepted by the non-Labor parties as part of the natural order of things. Interference that would benefit workers, however, was bitterly attacked as 'class' legislation. Anti-socialism

became a catch-all for resistance to the demands of the working class rather than any sort of a considered economic position.

Textbooks often describe Fusion as an 'inevitable' part of Australia's political development, and Reid's campaign proceeded with all the inevitability of Greek tragedy. It was dictated by the logic of the times and his own philosophical convictions; to expect him to have followed any other course is entirely unrealistic. Yet cooperation between Labor and middle-class liberals was not then a lost cause. At the time of the crucial 1906 election it was a reality in four of the six states: Labor and Liberal members sat together in coalition governments in Queensland and South Australia, and were united in opposition to more conservative governments in Victoria and Tasmania. But within three years such cooperation had vanished for good.

Hindsight suggests that the fortunes of liberalism would have been better served by doing whatever was necessary to bring Labor within the pale of a liberal alliance, thereby isolating conservatives and populists, and marginalising the doctrinaire socialists. A politician of George Reid's skills just might have been able to pull it off. But to judge our forebears by hindsight is less than fair.

Endnotes

1   For electoral history I rely on Colin A. Hughes and B. D. Graham, *A Handbook of Australian Government and Politics 1890–1964* (Canberra: Australian National University Press, 1968).

2   Peter Loveday, A.W. Martin and R.S. Parker, *The Emergence of the Australian Party System* (Sydney: Hale & Iremonger, 1977), 197.

3   Gregory Melleuish, *A Short History of Australian Liberalism* (Sydney: CIS, 2001), 9.

4   Stuart Macintyre, *The Oxford History of Australia, Volume Four, 1901–1942: The Succeeding Age* (Melbourne: Oxford University Press, 1986), 91.

5   Quoted in Melleuish, 12.

6   Bede Nairn, *Civilising Capitalism: The beginnings of the Australian Labor Party* (Canberra: Australian National University Press, 1973), 259.

7   This process can be seen at work in Tony Staley and John Nethercote, 'Liberalism and the Australian Federation,' in *Liberalism and the Australian Federation*, ed. John Nethercote (Sydney: Federation Press, 2001), 1–10, but many commentators do the same thing, some after a conscientious but failed search for an alternative: see especially Judith Brett, *Australian Liberals and the Moral Middle Class: From Alfred Deakin to John Howard* (Cambridge: Cambridge University Press, 2003), 1–5.

8   See Charles Richardson, 'The Future of European Liberalism,' *Policy* 23:1 (Autumn 2007), 37–39.

9   D.W. Rawson, *Australia Votes: The 1958 Federal Election* (Melbourne: Melbourne University Press, 1961), 3.

10 W. G. McGinn, *George Reid* (Melbourne: Melbourne University Press, 1989), 215.

11 Helen Irving, 'Sir George Houstoun Reid,' in *Australian Prime Ministers*, ed. Michelle Grattan (Sydney: New Holland Publishers, 2000), 71.