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Edited by Simon Ville and Glenn Withers

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Introduction: connecting past, present and future

SIMON VILLE AND GLENN WITHERS

Australia's economic history is a remarkable story and one worth telling: the transformation in a little over two centuries of a largely subsistent indigenous economy and a small, initially impoverished, convict settlement to a nation of nearly 23 million people with advanced economic, social and political structures and among the highest standards of living in the world. It is the history of vast lands with rich exploitable resources, cyclical shocks and changes, and the new peopling of a continent to build a modern economy of workers and consumers. It is the history of business, community and government, of the interactions of private and public sectors. It is about nation building through the creation of major infrastructure, but also through leveraging the benefits of international economic linkages. It is also about tackling adversity – economic depressions in the 1840s, 1890s and 1930s and military conflict in 1914–18 and 1939–45. At the same time it is about building prosperity – in the 1860s to the 1880s, from 1945 to the 1970s, and most recently and quite spectacularly from the 1990s to the present. It is the recognition of some of the costs of that economic growth, particularly the severe impact on the prior Indigenous (i.e. Aboriginal and Torres Strait Islander) population and on the environment, and how to redress those impacts. Finally, like all good history, Australia's tale is about human volition and behaviour and the institutions that are created to harness and govern that human endeavour – for our purposes, specifically how this has worked out in 'Terra Australis Incognita' through its economy. The history of Australian development, thus, has resonance for the country's own sense of itself. It also has interest for others, both as part of the global human story and for its distinctive insights.

Australia's economic history has of course been written by previous generations, among them Coghlan, Shann, Fitzpatrick, Sinclair, Boehm, Schedvin and the Butlins, as Coleman explains in Chapter 1 of this volume. Nevertheless, this is a good time to rewrite our economic history.

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Australia stands at a crossroads in its economic development. In the recent past, a long secular boom unfolded in the early 1990s, with Australia experiencing one of the most sustained eras of economic prosperity of any country and regaining some of the ground it had lost compared with the economic development of other nations during the 20th century. The boom was fleetingly challenged by the global financial crisis of 2007–08, an event that pounded heavily upon many of the major economies of the world. The strength of Australia's progress in the former and resilience through the latter are noteworthy. Casting forwards, Australia has set foot in the Asian century, during which it is anticipated that Asian nations, especially China, will dominate economic and political development. Given the geographic proximity and trade complementarity with this emerging locus of global power, and the cultural and political differences between our spheres, Australia faces a specific set of challenges. If the recent past resonates with resilience, the near future exposes potential frailties. Of course, Australia also shares many of the global challenges of the developed world – climate change, ageing populations, shifting notions of health, education and wellbeing, new phases of the technology revolution, reconfiguring of the family, religion and society, and restructuring of the workplace and working life – all of which are relevant for our economic progress in the 21st century.

In seeking to interpret our current conditions and anticipate our future prospects, we can draw conscious inspiration from history. Learning the lessons of prior experiences, understanding how, through path dependency, the past shapes our current position, and using this broad knowledge to appreciate when and how change will occur are all part of the educational toolkit provided through studying history. This book will help to demonstrate those connections between past, present and future.

Scholars are not the only group of writers keen to examine the past and use it as a predictive lens. Recently, a series of books written by journalists, public servants, business leaders, and campaigners have looked at the nexus between our history and our future prospects (see Ritter & Panegyres 2013). All of the books are concerned about the frailties of our future. Designed to attract the attention of a large audience, these books, while good reads, mostly polarise between the triumphalist or the doomsayer mentality, galvanising supportive elements of our history to promote a cause. We are reminded of the old adage of never allowing the facts to get in the way of a good story. Those most inclined to boast about our past, particularly the resilience of our policy measures, overlook the mistakes and poor judgments along the way. For the doomsayers, by contrast, a clever country is replaced

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by the lucky one and history is a story of fortuitous events combined with missed opportunities or human failures that have built up severe environmental, social and demographic challenges.

Part of the reason for this selective ‘hijacking’ of history, though, may lie with the academic profession’s failure to keep our economic history fresh, accessible and up to date or, at least, to prevent the space of public intellectuals from being occupied by those with specific advocacy agendas. It is rare that we see an economic historian featured in the media, providing context and perspective. However, economic history itself in Australia has changed in the quarter-century since the last major study of national economic development.

At the time of *The Australian Economy in the Long Run* (1987), edited by Maddock and McLean, economic history was a very different discipline. It existed in small separate departments and taught far more students than it does today. There is a sense of institutional decline over the intervening period, with economic history departments merged into larger entities and enrolments squeezed by the loss of core subjects, displaced by more seemingly functionalist subjects. Yet the discipline has blossomed in other ways. Its main content, structures and activities have flourished over the last few decades. The Economic History Society of Australia and New Zealand has now passed its half-century, and its journal, the *Australian Economic History Review*, now includes more international content, Asian board members and an Asia-Pacific subtitle. It is now listed in key citation indexes and has been highly ranked in national and international journal lists. The society’s annual international conference, named the Asia Pacific Economic and Business History Conference since 2005, has replaced its largely national gatherings of earlier years. In many ways, economic history in Australia has achieved a sense of maturity, engaging with broader communities at home and overseas, and developing a distinctive version of the discipline that sits somewhere between North American emphasis on applied economics and econometrics and the European tradition of narrative history, as Coleman explains in Chapter 1.

As we have been reminded many times, each generation rewrites history in the light of its own experiences. It is in this sense, therefore, that the current volume has been written in a spirit that is outward-looking and inclusive, drawing on insights across disciplinary boundaries and setting Australia’s historical experience in a broad comparative context. This greater sense of engagement is producing its due rewards as commentators and policymakers have begun to show greater interest in what we can learn about our

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future directions from our economic past. Major journalistic interpreters of Australia's story have come to rely very much on an economic historical narrative, as seen in works such as those of Kelly (1992) and Megalogenis (2012). It is also impressive how many of Australia's recent most influential and creative economic officials have come from an economic history background. This includes heads of the Department of Prime Minister and Cabinet such as Keating, Shergold and Watt, as well as leading diplomatic representatives such as the ambassadors to China, Garnaut and Raby.

So now is a timely opportunity, as we stand at a crossroads, with the secular economic boom and the global financial crisis just behind us, the Asian century, now in its embryonic stage, ahead of us, and a growing sense of public interest, to link past, present and future in a meaningful, balanced and informative manner. What economic history offers is the discipline of rigorous economic thinking, facility with numbers, and an awareness of how evolving behaviour and institutions influence outcomes.

The opportunity for greater public engagement is enhanced by the almost simultaneous appearance of two other major studies of Australian economic history, which suitably complement our own contribution. McLean's *Why Australia Prospered* (2013) focuses on a set of key issues and themes about the sources of Australia's sustained wealth. It plays an important role in sparking the interest of a broad set of readers who can then follow up in more detail in this *Cambridge Economic History of Australia*. Dyster and Meredith's second edition of *Australia in the Global Economy* (2012) details Australia's international relationships; it is an antidote to some rather clichéd views of these relationships in the popular press. Taken together, these three works promise to provide a relevance and accessibility to Australian economic history that has been lacking for too long. Even within university teaching it is interesting in Australia to witness the rebirth of economic history in graduate business schools as business history subjects and in undergraduate commerce and social science programs as introductory and institutional economics. Correspondingly, business history has emerged as a major new research area of the discipline.

While engagement and relevance are worthy and appropriate aims, this volume, like all Cambridge histories, is foremost a scholarly work designed to present an expert state-of-the-art view of its subject. In organisation, the book combines chronological with thematic approaches. While recognising the shortcomings of either of these approaches by themselves, blending them presents its own challenges. Three framework chapters sit atop the study not confined to any particular period or theme: historiography, the broad

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drivers of long-term growth, and the organising concepts for development for Australian economic evolution. These chapters by Coleman, Madsen and Lloyd respectively provide the broad conceptual frames for the economic history approach as deployed for Australia. Coleman follows the essential writers, Madsen fundamental econometric insights, and Lloyd the central ideas that provide context for the issues examined in the history of Australian development.

As Hunter reminds us in Chapter 4, economic historians have, until recently, largely ignored the Indigenous contribution to economic development before and after British settlement. His chapter provides a careful account of the pre-1788 economy and the impact of the arrival of the settlers. The chronology is continued up to the present by Altman and Biddle in the closing chapter of the volume, while Indigenous perspectives have been woven into other chapters at the discretion of each author. Meredith and Oxley's study of the convict economy is treated as akin and complementary to Hunter's analysis of the Aboriginal economy as a separate transitional phase, given its distinctive nature. This separate treatment of each of the prior Indigenous and convict economies in Part 2 motivates questions about their legacy for modern Australia that merit greater consideration among future researchers, sitting alongside the more familiar story of enduring British influence.

A set of chapters on the colonial economy then follows as Part 3: technology by Magee, natural resources by Greasley, labour by Seltzer, business by Ville, infrastructure by Pincus and Ergas, and urbanisation by Frost. These themes are all central to understanding the progress of the colonies prior to Federation. Discussion of resources, infrastructure and urbanisation is carried over post-Federation. In Part 4, twentieth-century developments in technology are examined through the lenses of Hutchinson on manufacturing, Merrett on big business and Wilson on government policy.

The continued importance of, and changes to, both labour and enterprise warrant separate chapters in Part 4, which is concerned with the formation of a 'national economy' in the decades following Federation. Hatton and Withers cover the former while Merrett deals with the latter. There are also studies whose prime focus is the 20th century but which require an earlier preamble for the colonial period, including the chapters on capital markets and on services by Maddock and Keneley respectively.

The important policy and external relations shifts that occurred in approximately the final four decades of the 20th century are themes captured in Part 5, which addresses the building of the modern economy. It

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considers in more depth the key globalisation and liberalisation processes that characterised that period and how policy drove and responded to these for Australia. Pomfret examines internationalisation and Borland and Keating focus on microeconomic and macroeconomic policy change during this era when Australia once again came to terms with being an open and flexible economy, as it had to varying degrees across the colonies in the later 19th century.

The final set of chapters, in Part 6, addresses broad themes that have a retrospective tone to them, covering most of the previous two centuries. The studies include long-term changes in wellbeing by Shanahan, the environmental impact of economic activity and its property rights regimes by Harris, and the development of the statistical collections, so important for economic history, as a basis for assessing long-run economic performance by Butlin, Dixon and Lloyd. The latter is linked to the statistical appendix at the end of this volume, which provides tables of long-run data sets for many key topics. The concluding chapter is that of Altman and Biddle on the Indigenous economy in the period from 1850 to the present.

Some important topics have been woven through chapters rather than addressed separately. These include among others the role of women, as especially examined in the labour market; the nature of the community sector, including in economic and social affairs; and the growth of consumer markets. More work in these areas clearly awaits the research agendas of Australian economic historians, despite important past contributions (Alford 1984; Cromwell & Green 1984; Whitwell 1989). A further element cutting across many chapters is the importance of regional distinctiveness within Australia. Britain's relationship with Australia before Federation was with a series of separate colonies. The continuation of these distinct identities for a century helped shape the particularism of Australia's modern Commonwealth and the nature of its institutions. With this in mind, authors have been encouraged to seek out, where appropriate, developmental comparisons and contrasts among colonies and states.

The approaches adopted by individual authors and the work as a whole reflect the greater sense of looking outward mentioned above. The earlier focus on a free-standing discipline examining mostly aggregate macroeconomic aspects of Australian development has been superseded by an approach that embraces the broader geographic region; reaches out more explicitly to related disciplines, including economics, politics and history; and generates a form of economic history that recognises more readily the particular contributions of microeconomic behaviour, development economics, the history of economic thought, and business history. It also seeks increasingly to draw

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on comparative perspectives across the globe – considering Europe, Asia and North America, other settler economies, and emerging and developing economies.

As indicated, one of the strengths of economic history, gained from drawing on a range of disciplines and perspectives, is its methodological pluralism, which spans historical narrative, econometrics, conceptual-cum-theoretical insights, institutionalism, and the development and deployment of descriptive statistics. Recognising the importance of engaging a wide audience, the contributing authors were encouraged to eschew technical material and methods. This especially relates to econometrics, which has made a valuable and enduring contribution to research in economic history, particularly since the rise of the so-called ‘new economic history’ from the 1960s. The central findings of work based on econometrics are variously reported in the volume but not the methodology itself. Case studies, more accessible to the reader, have been included where possible to provide colour and depth, although space constraints mean they are limited in number and length.

Multiple methods and varying disciplinary backgrounds are a source of creative tension among contributors. There is no single party line nor, sometimes, agreed interpretation. The editors see this as a source of strength of the book and indeed the discipline, and these differences provide for reflection on promising directions for future research. The reader will find some differences of interpretation and indeed of statistical enumeration, the latter of which has a rich tradition in Australian economic history. There are various sources of contested terrain, indeed even between the editors! These particularly include the different sources of growth, the impact of the gold rushes, the role and quality of management, and the relative importance of technology transfer or trade policy effects as critical transmissions from the international economy.

However, Australian economic history is certainly not just about disputation, and this book helps to draw attention to widely accepted interpretations and perspectives. The size and legacy of the pre-colonial Aboriginal economy was until recently grossly understated, something now clearly overturned (Hunter, Altman and Biddle). The role of migrant human capital (Madsen, Meredith and Oxley, Seltzer, Hatton and Withers), the dominance of big business (Merrett), the importance of interaction with the international economy and the changes in key relations (Pomfret) are all emphasised. Likewise, the centrality of land and its usage to Australian development (Madsen, Greasley, Frost), the nature and extent of the service sector (Keneley), the historical issues behind the trade-off between development and its environmental

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impact (Harris), the importance of inter-firm relations built on social capital (Ville), and the identification of appropriate comparator nations, particularly among other settler economies, all permeate the study. Other questions now also arise, as is the nature of scholarship, and these would benefit from future research – and the authors provide their own thoughts and suggestions for a rich banquet of challenges for future inquiry.

As it stands, Australia provides a fertile landscape for such investigations. As a nation it has achieved much, by world standards, in its short recorded history. By most measures, Australia is a land that has attained standing as a country that, more than most, is fair, prosperous and free. It has also made its mistakes and has yet to rise to many important challenges to its standing. But management of its achievements and understanding of its failures are sources of great insight for a better future in Australia and elsewhere.

Indeed, the clash of various positive and negative interpretations, drawing differently depending upon value perspectives, has become termed the ‘culture wars’ in wider Australian historical interpretation. The solution to such clashes is the marketplace of ideas: more examination of the status of what we know, according to the rules of logic and evidence and the understanding of values. This volume seeks to make its contribution to knowledge from such perspectives. The transfer of lessons from the past into the future and the transfer of insights from one place to another is a most imperfect enterprise. But to not learn from the past and from others is even more so.

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PART I



FRAMEWORK

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