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Edward Shann

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## AN ECONOMIC HISTORY OF AUSTRALIA

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AN  
ECONOMIC HISTORY  
OF AUSTRALIA

by

THE LATE

EDWARD SHANN

*Professor of History and Economics  
University of Western Australia*

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**This book is dedicated to  
the Memories of  
FRANC CARSE  
GRESLEY TATLOCK HARPER  
GILBERT LAMBLE  
GORDON CLUNES MCKAY MATHIESON  
and  
ARTHUR JOHN PEARCE**

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**“The love of liberty is the love of others:  
the love of power is the love of ourselves.”  
W. HAZLITT**

## PREFACE

THE following account of Australian economic development attempts to keep in the forefront the private activities by which British settlers in Australia have transformed a prison-yard and hunting-ground of savages into a productive annexe to Europe and Asia, proud of using its labour-saving methods as means to general well-being. Little, therefore, is said of public finance. Studies of government expenditure on development are being made, notably in the work of the Hon. F. W. Eggleston, but it is fitting that they should be preceded by an outline of the private activity which they have been ostensibly designed to foster.

The scene of the new beginning here studied was a distant and at first despised part of the dowry of that fairest mistress "Trade", for whom Britain, Holland and France long fought. It was peopled first by outcasts, rebels and adventurers, stiffly governed for two generations by British officials, and to this day is largely financed by the British middle class. For a full century the little communities were outworks of the industrial revolution in Britain. In clearing the crowded gaols, in producing raw materials and food for the city-dwellers of the old land, they played a rôle of increasing importance in the grand speculation of industrialism—that experiment on which the British people have staked their capital, their mighty energy, their very life-blood. Australia emerged from the degradation of convictism by taking the place for which Spain had proved inadequate in the divided tasks of growing and manufacturing wool, both formerly discharged by Britain herself.

To-day the democracy that rules Australia is disposed to treat history as a record, as well forgotten, of the crimes, follies and misfortunes of others. And Britain's industrial responsibilities as centre of the world economy have again

been divided amongst pupils and partners. Three times in the last fifty years, however, Australians of the rank and file have had the chance to verify what “the papers” told them of the changing world. On active service along Australia’s lines of communication with Britain, they have felt the heave of big events. When W. B. Dalley sent the New South Wales contingent to Suakim, colonials on active service were scarcely taken seriously: John Bull could thrash the dervishes easily enough. But fighting the Boers on the veldt was another business; and Australians came home from it to their federated Commonwealth aware that strong nations were coveting the resources of lands under the British flag. The sense of a permanent and secure world was shaken.

During the campaigns of 1915 to 1918, in numbers as great as the Commonwealth could muster and partly equip—numbers whose going heavily checked the work of farms, wharves and mines—Australians helped other Britons and their Allies to meet the armed challenge. With thinned ranks they came back, aware that the danger had been repulsed at heavy cost. An era had ended. To them too, as to Mr J. M. Keynes, “the most interesting question in the world (of those, at least, to which time will bring us an answer)” was “whether, after a short interval of recovery, material progress would be resumed, or whether, on the other hand, the magnificent episode of the nineteenth century was over.”

At first it seemed that a prosperity greater than that of pre-war times had come. Home and external markets moved from strength to strength, with little faltering even in 1920–21 when Britain plunged into the long depression that grips her still. In this access of wealth, Australians one and all talked of making their country more self-reliant. Clever men stampeded the democracy into measures seemingly designed to make our economy a hermit one. The coalition of parties in political power during the post-war decade piled tariff upon tariff in favour of local secondary



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industries, and sponsored crude plans to exploit the Australian market in favour of struggling export industries. Their talk ran high of making Australia another United States, drawing increased wealth from the interchange of products within the national boundaries. The realists in opposition applauded each tariff and marketing scheme, but, mistrusting American methods with labour, made haste, by control of state-administrations and by pleas before wage-fixing tribunals, to distribute income more favourably for their supporters.

Australia certainly has need of greater self-reliance, but she is not and cannot be another United States of America. In place of the Mississippi Valley and Middle West she has Lake Eyre and an arid, almost uninhabited, central region. On her fertile but limited coastal fringes live six or seven million people—about as many as inhabit Thibet. Their resources are too scanty to be the basis, as those of the United States are, of a Continental civilization, rivaling in economic power, by virtue of internal freedom of enterprise, all the rest of the world. The more the policy of a hermit Australia succeeded, the more surely would it bring slothful intellectual standards, and, as a consequence, material decay, until, with scorn, some sea power from the world where necessity had maintained knowledge and energy knocked in the closed door.

If she will but rouse her vigorous people to face facts, Australia's geographic position and relative immaturity offer her a rôle in the world economy of greater importance than that which she has already effectively filled. Incidentally her White Australia policy would then become internationally helpful. Seeking high efficiency and low costs by reverting to the tariff policy of the young Commonwealth (1902–1908), she can, for many generations to come, stimulate the production of a greater surplus of raw materials and foodstuffs. India, China and Japan are well started on the road to industrialism. In a review of "The Food Supply and Resources of China", read during a

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recent Pacific Science Congress in Java, a Chinese economist, Shih Tsin Tung, concluded that industrialization and rising standards of living in China would force an increasing percentage of her 492 millions to rely on imported cereals. Rice-growing countries could not supply them. His countrymen, already consumers of 235 million "tan", or about 920 million bushels, of wheat, would therefore find it imperative to change their food habits. "The world's uncultivated areas are mainly wheat-producing land." Geographically, with her wheat lands near the coast, Australia is better situated to supply an industrialized Asia with foodstuffs than are the inland prairies of America or the steppes of Russia. Her industrial resources, well placed on the Eastern coast, would be developed in due course as the internal economies of an exchange kept technically alert by international competition.

Progress on these lines is the logical result of the broader market for Australia's staple exports. She is now the leading wool-grower for Continental Europe, Japan and America, as well as for Britain. She is already finding lucrative and growing markets for her wheat in Mediterranean, Indian and Asiatic ports.

Self-sufficiency in finance would be the reward of self-respect. Without restraint upon external borrowing, no economy can continue sound. But there is no inconsistency between continued activity in international trade and financial self-reliance. Britain's example demonstrates that. Nor is there reason to doubt that all-round progress in the arts would come unforced from a policy of fruitful trade and international good feeling, and would make Australia greater in the councils of the nations and a stronger member of the British Commonwealth than she is to-day.

This book would not have been written but for the encouragement given to the author by Professor Ernest Scott, as Australian Adviser for the seventh volume of the *Cambridge History of the British Empire*. The author's thanks

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are also due to the Syndics of the Cambridge University Press for their permission to incorporate in this work the substance of his contributions to that volume.

The footnotes to the text make abundantly clear his obligations to others, and above all to Sir Timothy Coghlan, the first to labour in these fields. In the footnotes the writer has tried also to draw attention to the great need for further and more detailed studies. An attempt such as this at a wide synthesis is inevitably marked and marred by mistakes of emphasis and lack of knowledge. The author will be very grateful for help in correcting these, both from the new Australian schools of economics and from all students of this neglected subject. He already owes a deep personal obligation to the officials of the Mitchell Library, Sydney, and of the Melbourne and Perth Public Libraries, for their unfailing zeal in assisting him in his research among the books and papers in their custody. Professor W. K. Hancock of Adelaide University and Mr G. V. Portus, Director of Tutorial Classes in Sydney, helped him greatly with the earlier chapters, but must be held blameless for the substance and point of view. The conclusion emerges from the later chapters that since the war Australia has allowed her "national policies" to eat up the easy gains of a period of unusual plenty and to exceed the effort towards self-sufficiency which she can afford without over-capitalization. The writer hopes, however, that these pages may help to guide some of those engaged in the task of reconstruction.

EDWARD SHANN

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