A Young Tree Dead? The Story of Economics in Australia and New Zealand

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1 With apologies to Manning Clark’s A history of Australia: The Old Dead Tree and the Young Tree Green: 1916-1935. I am indebted to the comments of Henry Ergas, Graeme Wells, Geoffrey Brennan, Mervyn Lewis, David Vines, Selwyn Cornish, Keith Rankin and George Fane.
The key problem of economics in Australia and New Zealand is its marginality. The history of its economics will, then, be at bottom an account of the confrontation of that marginality. Thus any story of economic thought in Australia and New Zealand will necessarily tell of the attempt to plant and cultivate in uncleared ground the long developed vine of older societies. It will relate how the cultivators perforce pondered whether adapting the growth to local conditions would be more or less rewarding than simply perfecting their cultivation of the imported stem, and introducing its ever purer varieties. It will reveal that the adaptation of imported varieties to idiosyncratic condition was in the event limited, though not wholly without significance; and even leaving some trace of cross-fertilisation of the wider world. For all that, the story, I contend, will conclude today with the local strains being submerged by the benefits and snares of globalization.

The history of economics in Australia and New Zealand has been written before, both in detail and synoptically, with considerable scholarship and some panache (Goodwin 1966, Groenewegen and McFarlane 1990, La Nauze 1949, King 2007, Cornish 2008, Blythe 2008, Hight 1939). The present history seeks to add through its focus on the predicament of any economics that rationally and usefully bears the adjective ‘Australian’.

1. The Cultural and Economic Context

Australia can claim many singularities, but for the present analysis its key feature will be taken to be the recurrent contention over the past two centuries between the aspirations of the state and those of society at large. The pre-eminent motive of the populace of this society has been economic advantage, to the near exclusion of any other. But the state - that has loomed large in Australian society since its genesis - has displayed a range of
postures towards the economic criterion. For a long period of time it was in profound
contlict with the economic criterion. In inaugurating European settlement in 1788 by
dispatching to ‘Botany Bay’ an expedition under military command, devoid of a medium of
exchange, burdened by the full force of the Navigation Acts and the East India Company’s
monopoly on trade, and restricted to the labour of criminals almost bereft of agricultural
skill, the British state might be interpreted as designing its new extension to fail. The
colony’s salvation lay in a clique of venal and rebellious army officers - the ‘Rum Corps’ –
who saw in the penal settlement their road to personal enrichment. The broadest path they
found was in wool. But the glisten of a golden fleece was descried guardedly by the imperial
government: it scanned doubtful charts of the Australian continent and forbade the massing
flocks to pass beyond certain rivers. (It was ignored). It ordered the nascent banks to
decline livestock as collateral, and not to assume unlimited liability. (It was ignored). It
insisted a sovereign right of ownership of every fleck of gold that might be gleaned from the
dust; and in doing so provoked the one anti-constitutional convulsion in Australia’s history,
the ‘Eureka Stockade’ of 1854.

By underwriting the establishment of democratic governance throughout Australasia during
the late 1850s the Eureka stockade promoted a key re-coordination of the spacious
presumptions of the older military state with the economic hunger of the now almost
wholly free population. In facing the isolation, underdevelopedness, underpopulation, the
infant Australasian democracies soon concluded that an active state could complement the
potential for individual wealth making; a conclusion that was reinforced calamitous end of
the wool, land and banking boom of the 1880s. A use of a constructivist means to serve
individualist ends also supplied a tacit detente between the two ideological currents that
the immigrant society brought with it; Benthamite constructivism and an individualist liberalism. The epitomisation of this apparent realignment of the state with economic aspirations might be called ‘Deakinism’, after Alfred Deakin, the brilliant three-time Prime Minister of Australia between 1903 and 1910. Rejecting both socialism and ‘laissez-faire’, he keenly propagated a system of extensive state manipulation of the economic game played by the manifold factors of production, on the presumption that deftly done it could benefit all interests and dispel conflict. If there is an ‘Australian Ideology’ it is Deakinism. Not even the emergence, in the wake of the traumatic 1890s slump, of a powerful (and formally socialist) labour party - and the concomitant extinction of classical liberalism in Australia - would displace Deakinism from its position sway.2

How does the cultivation of economics fit the Deakinite mind set? A particular kind - Utilitarian Economics – co-exists with it very well. While any economics will heed economic criteria so important in Australia, a “utilitarian” kind additionally coheres with Australia’s bluntly ‘pragmatic’ attitudes. Through its imperative to instrumentalise everything, utilitarian economics neuters both the market and the state to harness them in the service of the maximum utility. Unencumbered by ideological or moral commitments, this sort of economics was free both to moot state remedies for various ills, and to shed them without qualms when they proved disappointing. In the same vein, in the eyes of Utilitarian Economics a free market was no more or less than an implement in the designing Benthamite tool box; and free trade – rather than being the economic ensign of political

2A variant of Deakinism was also triumphant in New Zealand under the governance of the New Zealand Liberal Party from 1891-1912. (See Reeves 1902 for an ardent statement of its creed). A semi-incredulous account of this policy regime is provided by a Marxist visitor of 1899 (Metin 1977). A liberal critique is provided by Hancock (1930). A construal of Deakinism as a manifestation of a hegemonic Benthamite outlook in Australia is provided by Collins (1985).
liberalism – could be assimilated as one the prudent moves by an all solving, all versatile state (see Corden 1974 for one patent articulation of this position).

2) The development of economic ideas over the long-term

As Utilitarian economics had been brilliantly cultivated British thinkers, it would seem inevitable for it to reproduced in Australia. But the advent of any economics was not a simple matter of the transportation of a doctrine from Britain to Australia, and the story of Australian economics opens with something of a false start: the passage across the Australian scene of three political economists of at least some renown in the wider world; W.S. Jevons (1835-1882), E. Hearn (1826–1888) and David Syme [1827–1908]. In this episode of the pre-history of Australian economics, Australia, still more a frontier than a community, was effectively giving space for some of the surplus and wayward energies of the metropolis to express themselves. But that very frontier character meant that there was little local institutional netting for ideas to fasten to, and the promise of the fortuitous arrival of these three was not obviously realised.

Syme, Jevons and Hearn - a Scotsman, an Englishman, an Irishman and - were born within eight years of one another; all arrived in the wave of Gold rush emigration (Syme 1852, Jevons 1854, Hearn 1855); and all were attracted to dissent in ‘political economy’. All three, indeed, proposed new names for the discipline. Syme favoured ‘Industrial Science’, and it is on account of his Outline of Industrial Science (1877) that David Syme ‘was known to many who would have been unable to name the capital of Victoria’ (La Nauze 1949). A brilliantly successful Melbourne newspaper proprietor, and friend of TE Cliffe Leslie, his fluent and glib
prose does not attempt to theorise, but discharges a methodological critique of classical economics. His target is the Millian proposition that the political economist is licenced to ignore all motivations apart from wealth-seeking, on the ground that the wealth motive, said Mill, operated additively (rather than ‘chemically’) with other motivations. But Syme’s greater significance of the story of Australian economics lies in “rare friendship” that he nurtured with Alfred Deakin. Rescuing him from legal failure, Syme employed Deakin in his mouth piece The Age, and converted him to protectionism, and in some way made Deakin the political embodiment of ‘the Australian ideology’.

A far fainter impress on Deakin’s mind was evidently made by WE Hearn, who taught the future prime minister free trade doctrines as the professor of ‘modern history and literature, political economy and logic’ from 1855 to 1873 at the newly established University of Melbourne. Hearn is, indeed, not remembered as a dispenser of standard classical policy prescriptions, but as the author of Plutology, or, The Theory of the Efforts to Satisfy Human Wants (of 1863). An exercise in subjectivism without marginalism, Plutology’s ‘curiously Jevonian’ echoes (Schumpeter 1951 826) received the praise of Marshall, Edgeworth and Jevons (Moore 2002). Yet there is no ‘analysis’. Neither need we marvel at what Hearn did achieve, since as former student in the Trinity College, Dublin, Hearn was ‘almost bound to be exposed to the infection of utility theory’ (La Nauze 1941 257).

It is a teasing possibility that one of Hearn’s students could well have included WS Jevons. For it was only after some indecision that Jevons in 1859 declined an offer of a generous position at the Melbourne mint, and instead returned to England, certainly without any contact with Hearn. The problem therefore that arises from Jevons’ five year sojourn in
Sydney (1854-1859) is, what significance - if any – might it hold for the genesis of his ‘true theory’ of political economy that he struck upon within 12 months of departing Australia? The case in favour of some significance would refer to Jevons’ intense study in Sydney (Smith, Mill, Lardner), his introduction to Benthamism through public lectures at the newborn University of Sydney, and his active involvement in disputes over the appropriate welfare criterion for judging local railways (White 1982, 2006). But the most Jevons allowed for Australia is that it rendered ‘peculiar service’ by giving time to ‘mature’ his powers. We are really in matters of psychobiography than intellectual history, and it is for others to divine the meaning of Jevons remark on his arrival in England that he felt as if he had ‘dreamt a great deal in a very short time’ (5 October 1859, in Jevons 1972).

What if Jevons had stayed? ‘I could not have done much in Sydney’, judged Jevons. ‘I thought what I did very clever then, but it seems foolishness to me now’. A more objective indicator of the counter-factual may lies in the career of Alfred De Lissa (1838 -1913). Both De Lissa and Jevons were religiously unorthodox; both attended University College at the same time; both had bankrupt fathers; and both arrived in Sydney, within a year of each other, in the wake of the gold rushes. But unlike Jevons, De Lissa stayed in Sydney, and nevertheless achieved something ‘clever’. In 1890 De Lissa proclaimed in the Australian Economist the ‘Law of Incomes’, which irresistibly reminds the modern reader of the Keynesian multiplier (See Goodwin 1966). De Lissa divided total economic activity into two categories: ‘Primary’ (manufactures plus agriculture =P) and ‘Secondary’ (services =S). ³

³ The now familiar classification on of economic activity into the primary, secondary and tertiary sectors appears to be an antipodean neologism (Fisher 1939)
\[ Y = P + S \]

He then supposed that the value of primary production was exogenous, and that demand for services was a given fraction of total income.

\[ P = \bar{P} \]
\[ S = (1-r)Y \]

where \( r \) = the average propensity to spend on production'. The second and last yield,

\[ Y = \frac{\bar{P}}{r} \]

so that the impact on national income of any shock to primary production is a multiple of that shock. This is a coherent and sensible modelling of Australian national income, and has a discernible kinship to Giblin's export multiplier of 1930s. But for the time being it sank without trace, as did the prematurely launched the Australian Economic Society (1888-1898) and its organ the *Australian Economist* and (Butlin 1986, Butlin 1986).

**The Inter-War Period**

LF Giblin once declared, in hindsight, that 1924 ‘might perhaps be called A.E. 1 – the first year of economists in Australia’. Certainly, it was in the inter-war period that Australian economics progressed from the cogitations of solitaries - or a filler for BA degrees - to being a complex of intellectual and social capital that would assume a role as counsel to the nation in the economic tribulations of the period.
The occasion of this transformation was world war, and its twin offspring of economic turbulence and an effectively sovereign Australian state, that now had in its charge a national currency and something like a central bank. At the same time War’s social dislocation revitalised universities, and that reinvigoration was fostering of the brains to manage the state’s problems. And so it was that the most prominent manifestation of the advent of economics was the rapid creation of specific Chairs and Departments and degrees in Economics and Commerce throughout Australia and New Zealand, where there had been almost nothing before (Anderson 2009, Groenewegen 2009, Kenwood 1997, Williams 2009). Degrees in economics or commerce were established in 1914 Sydney, 1919 Tasmania, 1925 Melbourne, 1926 Queensland, 1930 Adelaide. Chairs of economics were inaugurated in 1920 in Sydney, Tasmania and the University of New Zealand; in 1924 Melbourne; and 1929 in Adelaide 1929. Most significantly faculties in economics or commerce were instituted; in 1919 Tasmania; 1920 Sydney, and, above all, in 1925 in Melbourne, and this new faculty in the business capital of Australia was quickly flooded with students (see Coleman, Cornish and Hagger 2006). There followed, with a lag of 10 years the first appointment of economists by the Treasury and the Commonwealth Bank.

But perhaps the key sign of the arrival of the economist was the foundation in 1924 in ‘almost evangelical fervour’ of the Economic Society of Australia and New Zealand (see Scott 1982), with new professor DB Copland assuming a vigorous leadership role. The Society quickly established the Economic Record (Giblin 1947), with its first issue selling a very respectable 1150 copies (compared to the 3000 of the Economic Journal at the time.)
The new profession was very small; perhaps 20 in all. This ‘intimate’ circle was almost entirely native born; of the most senior 12 there are only two partial exceptions. All but one had formal education in economics, and most had post graduate study, and including three doctoral degrees (Belshaw, Walker, Wilson). Its intellectual orientation (with the solitary exception of Wilson) was strongly towards England rather than the US. Underlining this is that ten of the dozen had significant personal, professional or pedagogical association with J.M. Keynes. Keynes was, in fact, examiner for University of New Zealand in economics 1919 (Blythe ). Like Keynes, none of these were unalloyed academics; all had significant careers as public servants or advisors. Like Keynes, all of them pursued a method of ‘realistic theory’. And, like Keynes, all of them - with the gaping exception of Shann and Melville - were sympathetic to the ‘end of laissez-faire’ New Liberalism that Deakinism was so clearly correlate with.

That doctrinal technicalities fell lightly upon them, but policy heavily, made them sensitive to the palpable facts of the Australian situation: it was a ‘small open economy’, whose exports were overwhelming produced by sector-specific natural resources (agriculture and minerals) with a price inelastic supply, and whose income (in consequence) included a large rent component, driven by fluctuating world demand. Australia was also a capital-hungry economy, with investment regularly exceeding saving, the size excess being determined by

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4 Let ‘the most senior twelve’ be Horace Belshaw (b. 1898), J.B. Brigden (b. 1887), Colin Clark (b.1905), John Bell Condliffe (b.1891), D.B. Copland (b.1894), L.F. Giblin (1871), K. Isles (b.1902), R.C. Mills (b. 1886), Leslie Melville (b.1901), E.O.G. Shann (b. 1884), Ronald Walker (b. 1907), and Roland Wilson (b. 1904). Belshaw arrived in New Zealand aged eight; Clark was British born, but his father had made his fortune in Queensland. Extending the list (Coombs, Mauldon, Hytten?) would barely revise the conclusion.

5Belshaw, Condliffe, Giblin, Isles, Clark, and Walker studied at Cambridge; Brigden and Wilson at Oxford; Shann and Mills at the LSE.
volatile net capital inflow driven by overseas sentiments, with the concomitant implication that any deficiency in aggregate demand would be a matter of its trade account.

These circumstances produced a novel economics of the open economy, that can be summarised in three themes.

1. The dependence of factor incomes on relative prices

In the opening issue of the Economic Record Brigden (1925) advanced the heterodoxical thesis that a tariff may enhance real wages. In Brigden’s argument, labour is assumed to operate with diminishing marginal productivity in food (the exportable), but with constant marginal returns in manufactures (the importable). Given this, increasing tariffs will leave the marginal productivity of labour in manufactures unchanged (by assumption), but will induce a reallocation of labour from food towards manufactures, that thereby increased the marginal product of labour in food. The upshot is that the manufactures wage is unchanged, and the food wage is increased, and so the ‘living standard’ is raised. This argument of Brigden became the key idea in the moderately protectionist semi-official *The Australian Tariff: an Economic Enquiry* of 1929. In Paul Samuelson’s judgment the *Enquiry* helped ‘set off an analytical controversy that has helped shape’ the 1941 proof of Samuelson-Stolper that higher tariffs would unambiguously increase real wages if the country’s import-competing sector is relatively labour intensive. In Samuelson’s own words: ‘I at least had very much in mind at the time of the Stolper-Samuelson investigations ... the correctness of the ‘Australian case for the tariff” *(quoted in Coleman, Cornish and Hagger 2006, 71).*
2. The dependence of the price of non-tradeables on net capital inflow and exports

Wilson (1931) argued that, contrary to the contention of Mill and the presumption of the ‘transfer problem’ debate, net capital inflow need not be favourable to the recipient country’s terms of trade. This was because there could be no presumption that mere reallocation of purchasing power from the donor to the recipient country (which capital inflow amounted to) would increase the world demand of the recipient country’s exportable. However, argued Wilson, the reallocation of purchasing to the recipient country would certainly increase the demand for those outputs of the recipient country that only the recipient country could demand: its non-tradable. Thus Wilson’s contention was that the size of capital inflows governed the ‘the second terms of trade’ – the price of non-tradables in terms of tradables, and this was to become a recurrent theme in Australian theorising throughout the twentieth century. The first fruit of Swan’s digestion of Wilson’s thesis was the ‘Swan Diagram’ (Swan 1955), which demonstrated how, in a neo-Keynesian context, capital inflows would necessitate an increase in home costs (that is, non-tradeables). Wilfred Salter (1929–63) recast the same ideas in neoclassical form in the ‘Salter Diagram’ (Salter 1959). The key equilibrating role of the relative price of non-tradeables was assimilated into international economics: James Meade was ‘converted’ during a ‘DC flight from Canberra to Sydney’ in 1956 (Arndt 1976). But the most resonant application of the notions awaited the ‘Gregory Thesis’ that pressed a simple but socially significant implication of Wilson’s thesis: that an increase in the value of non-tradeables would cause a depression in the production and incomes in the import-competing sector. The notion was articulated in a literature on the ‘Dutch disease’ (Corden 1984).
3. The export multiplier

In an economy composed mostly of services, a fall in the value of services amounts to a fall in national income, and so in pressing the link between the trade account and the value of services we are led to vision of macroeconomy in which exports are significant out of all apparent proportion to their size. This vision was captured by Giblin in 1930 through his articulation of a multiplier concept, in which (to use his example) a reduction of 700 pounds in export incomes would ultimately reduce national income by a total of 2100 pounds, assuming a propensity to import of 1/3. In *Australia, 1930* Giblin applied his multiplier logic to the onset of the Great Depression, 15 months before the Cambridge multiplier was in print. The logic of Giblin’s multiplier differed from that of Cambridge; his was purely an export multiplier, and its roots appear to be correspondingly different and local (eg De Lissa). For all its distinctive logic and provenance, it is legitimate to be tantalised by the fact that King’s College library does contain a copy of *Australia, 1930*. Giblin - a former student of Kings College and friend of Keynes – had sent it, and it had arrived in June 1930. But there is no evidence that any of either Keynes or any ‘Circus’ members were aware of Giblin’s multiplier. Neither was Giblin any more successful in April 1932 in securing Keynes’ assent to his proposition ‘any increase of purchasing power directly by government expenditure or otherwise would result in a total purchasing power of three to four times the original amount’ (Coleman, Cornish and Hagger 2006, 97). Keynes’ interest was caught, not by the work of Australia’s professionals, by a certain Australian partisan of Social Credit who, Keynes told Copland, had authored ‘a most brilliant little book … with a touch of genius’, and about whom Keynes asked Copland to dig about for details (see Millmow 1997).
Nevertheless, Giblin did succeed in leaving one foot print on the *General Theory*. In 1935 he pressed on Keynes one peculiar condition of Australia; that industrial tribunals undertook to peg the aggregate *real* wage level. Presumably, this prompted Keynes to conclude his chapter *General Theory*, ‘Changes in money wages’, with a query: what would ensue ‘if, as in Australia, an attempt was made to fix by law the real wage’ (Keynes 1936 p. 298)?

**Post-War**

The achievement of Australian economics in the interwar period was to have created something where there had been (almost) nothing. In 1914 there were no departments or degrees, no staff with PhDs, no economics advisors, no journals or textbooks. 25 years later there were all of these. The Second World War put these resources to intensive use, but was not itself transforming; nothing more relevant than drafts of a national research university, conceived in the flush of victory, may be directly traced to it. But the economic context of the post-War was transforming; an ‘age of opulence’ had begun, and Australian economics was not excluded from its benefits.

Enrolments leapt; between 1940 and 1980 the annual output in Bachelor degrees in economics rose in Australia from 128 to 3195 (Butlin 1987) And a degree that had largely consisted of night classes given by part-time lecturers had by the 1960s become one taught

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6 Keynes says employment would be reduced to zero by enforcing a real wage in excess of the marginal product of labour implied by an equality of investment and saving (Keynes 1936 269).

7 Between 1940 and 1980 the annual Australian output of Masters degrees in economics rose from 1 to 415; PhDs in economics from 0 to 30.
by fulltime staff to day students. This amounted to a professionalisation, and that was manifested most conspicuously in the Record being firmly placed on a scholarly footing. Whereas only 50 percent of its authors were academics between 1924-34, by 1960-64 93 percent of authors were (Butlin 1966). From a zero rejection of the late 1940s – something sometimes painfully evident from turning its pages from those years - by the late 1950s Record’s output is recognisably of professional standing (even if its editor, Richard Downing was reputed to publish anything that was submitted by a professor). A research culture was served by the establishment of the Australian National University (1946) and the Institute of Economic and Social Research (1962), and by the institution of travel grants (the first in Sydney in 1951), working papers, seminar series, a national annual conference from 1972, and the foundation of a suite of journals (Economic Papers 1941, Australian Economic History Review 1957, Australian Journal of Agriculture Economics 1957, New Zealand Economic Papers 1959 Australian Economic Papers 1962, and Australian Economic Review 1966). Perhaps the most telling distinguishing mark from the inter-war era was the belated introduction of the PhD in economics (Melbourne 1954, ANU 1956, Sydney 1964, Adelaide 1971). This accelerated domestic production of human capital was complemented by the arrival of overseas talent escaping a fallen European continent: Fred Argy, Heinz Arndt, Harro Bernadelli, Fred Gruen, Max Corden, Peter Groenewegen, Helen Hughes, Jan Kmenta, and Kurt Singer.

For all the transformation of its material situation, post-war Australian economics mostly largely tracks marked out by the previous generation.
In economic history the massive narratives of Sydney and Noel Butlin of Australian growth and development (Butlin 1953, Butlin 1962) were plainly stirred by the four volume chronology of Australian development authored 50 years before by T.A.Coghlan (1855–1926). Coghlan’s example had a dual significance for the rapidly emerging sub-discipline of Australian economic history; he was the most eminent representative of a vigorous statistical movement in 19th c Australia (Groenewegen and Macfarlane 1990 92-117), a legacy of Australia being the costly possession of a mother country concerned for its expensive charge account for itself. And Coghlan, as Australia’s most senior civil servant of his time, also implicitly heeded the Deakinite outlook by casting active governors and politicians as the most creative individuals in his history. Noel Butlin shared both Coghlan’s vision of the partnership of the market and state, and his statistical method; a specifically statistical (rather than econometric) quantitative method, which contributed to the style of Australian economic history remaining distinct from American (Coleman 2014).

In international economics, the Brigden Report of 1929 was the starting point of Corden’s investigations of the trade-policy small open economy, that yielded the earliest diagrammatic analysis of partial equilibrium of a tariff of an industry facing a given world-price, now found in all the text books (Corden 1957). Still more novel was Corden’s exploration of the notion of ‘effective protection’ that confronted tariffs in vertical production relations, ‘an aspect until recently completely neglected in the literature of international trade theory’ (Corden 1968, Corden 2004).

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8 Coghlan claims a place in the history of national income accounting (Haig 2006).
The post-war period did see the sudden germination of one new branch of Australian economics that was to have an impact out of proportion to its size: the marginal limb of agricultural economics. The genesis of this field lay in the failure of government attempts to assist struggling agriculture by way of price supports, output restrictions, and cheap agricultural credit. The Commonwealth Bank of Australia, whose finances had been marshalled into supplying cheap loans to the rural sector, began to generously fund the establishment of chairs in agricultural economics in Sydney, Melbourne, Adelaide, Monash, Western Australia and above all the University New England (Bearman 1985). This sudden burgeoning of agricultural economics had two reverberations. Firstly, the value of quantitative precision in designing agricultural policy, along with a good supply of data, made the new field an excellent terrain for post-war econometric revolution; and the application of these techniques extended to econometric general equilibrium models, an area in which Australia achieved a global eminence in (see Challen and Hagger). Secondly, agricultural economics introduced a new strain of thought into doctrinally inbred Australian scene: it introduced an American accent. As one agricultural economist later explained ‘it was quite obvious’ that adequate training in agricultural economics was not to be had in the United Kingdom, and therefore, violating almost all precedent, post graduate training was sought in the United States (Gruen 1988). In 1950-51 Fred Gruen initiated what was to become a small chain migration to University of Chicago; he was followed by Ross Parish, Alan Powell, and KO Campbell, the pre-eminent figure of Australian agricultural economics. This Chicago training favoured ‘price theory’ over the mix of effective demand and monopolistic competition that was then the pith of local economics pedagogy, and

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9 Thus A.R. Bergstrom’s first paper – also the first paper by a New Zealand author in *Econometrica* - concerned the British demand for NZ dairy products, lamb and mutton.
Australian agricultural economists formed a novel constituency for deregulation of agriculture. More generally, the ‘price theory’ critique of the hapless state of Australian agricultural policy (eg Sieper 1982) was one of the more powerful gusts in gathering wind of ‘economic rationalism’ pressing against Deakinite presumptions.

One part of ‘Chicago’ that had almost no resonance in Australia was ‘monetarism’. In a country of pegged exchange rates and ‘administered’ interest rates the money supply was of necessity endogenous, and the monetarist interpretation of history lacked purchase; the most sophisticated Australian treatment of Friedmanite doctrine was a Cambridge inspired critique (Lewis 1978). Australian macroeconomists of the post-War were satisfied with a hydraulic Keynesianism (Harcourt, Karmel and Wallace 1967); the multiplier macroeconomics of Giblin – which had never disputed Say’s Law - was ignored. It is true that in 1947 Murray Kemp (rightly) dismissed the General Theory’s assumption of exogenous money supply as redundant to Keynes’ project of establishing the existence of ‘unemployment equilibrium’, by demonstrating that an infinitely elastic supply of money at some critical interest rate was sufficient to destroy the equilibrating effect of money wage adjustments (Kemp 1947). But Kemp’s point was totally ignored by macroeconomists, and it resurfaced quite independently as a ‘post-Keynesian’ tenet in the 1970s. Neither did earlier Australian attempts at quantitative articulation of Keynesianism receive any development in the post-war period. Colin Clarke’s 1938 The National Income of Australia provided the first empirical assessment (‘test’) anywhere of Keynes multiplier doctrine of national income, but his method was completely without issue. Swan in 1945 (Swan 1989) developed an elaborate econometric model that closely followed the General Theory (eg distinguishing

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10 Maddison’s scholarly and lengthy tribute to Colin Clark’s oeuvre (2004) manages to entirely omit mention of this.
Aggregate Supply and Aggregate Demand functions) but the first published Keynesian modelling of the Australian economy followed Klein (Kmenta 1967, Nevile 1970). John Pitchford (1960), a generation before Barro et al, explored what became known as the ‘AK’ model of economic growth, but this had no impact. All this bespeaks the difficulty in a small intellectual community of keeping afloat and moving the stray bright ideas that it launches.

The antipodean contribution to macroeconomics that did launch a thousand papers was by someone not working in Australia and New Zealand, or working on Australasian data: A.W. Phillips. Phillips’ performance is acutely singular, and is surely largely traceable to inborn brilliance and a lack of formal economics education, with little left over for his native land to claim. And yet it remains true that 1931, Isles (1932) had already drawn attention to the negative correlation in between the unemployment rate and the rate of change in wholesale prices in Australian between 1913 and 1930. 11

If the inter-war Australian economics might be commended for making a good start from a low base, how might post-war economics be judged? Professional standards were established, certainly. Yet a critic can add some negatives to the balance. Australia managed to make only a very limited impact on the wider world of economics, despite the advantage for Australia that lay in the still essentially anglosphere delimitation of economics in the post-War period. Thus in a careful review of Economic Record in the mid 1960s Butlin notes of it ‘one finds depressingly few citations in overseas journals’ (1966 611). The paucity of Australians in the 1981 Who’s Who in Economics underlines the impression.

11 Phillips’ role in stimulating the research program of A.R. Bergstrom should be acknowledged (Bergstrom 1988).
Beyond international attention, Australian economics as an analytical entity did not seem to keenly serve its idiosyncrasies of the Australian context. The only real attention to minerals came from an economic historian (Blainey 1968), until the early 1970s when, amidst an international focus on exhaustible exhaustion, analytical contributions were made by Ngo van Long, Kemp and Vousden. Despite her empty spaces there was little interest in spatial economics (again save Blainey 1966), although transport economics was pursued (with an accompaniment of the inevitable fantasists (Feiger 1970)). In the matter of population, Australian economists ceded the area in the post-War to demography (but see Pitchford 1974). Australia’s industrial tribunals – which Keynes at least noticed – received a considerable ‘institutional’ attention, but barely any theoretical analysis (but see Hieser 1970). Despite the precedent interest of Australian economists in capital inflows, it was a visiting Scotsman who first tackled the subject with analytical heft (MacDougal 1960); and it took the arrival of a footloose Scot (Alex Hunter) to make the acutely monopolised state of Australian business an issue amongst Australian economists (Corden 1971). In sympathy, one economist declared the existence of a vacuum in industrial organisation in Australia (Round 1974).

Why this weakness?

Doubtless a degree of culpability lies in the post-War period being ‘the age of macroeconomics’. Of course, macroeconomics meant Keynesian economics, and that in turn suggests another clue; Australian economics had drawn its intellectual capital too narrowly

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12 It needs to be acknowledged that the study of the Indonesian economic development was part of the Australian context that was pursued (and almost owned) by Australian economists in this period.
from Cambridge. It is remarkable how many of the personalities of the still compact world of post-War Australian economics had studied there: Austin Holmes, Maxwell Newton, Richard Downing, David Butt, Gerard Firth, Ronald Frank Henderson, Wilfred Salter, Eric Alfred Russel, Geoff Harcourt, John McCarty, Duncan Ironmonger, James Perkins, Allan Barton, Sydney Butlin, Michael Schneider, Burgess Cameron, Donald Cochrane, Peter Karmel, GLS Tucker; not to mention Trevor Swan, who had distinct Cambridge ties if not formal qualifications (Harcourt 2006). Indeed, it may be argued that Cambridge in it 1950s formation constituted specifically a burden to Swan. For despite Solow’s generous salute to Swan (1997), Swan’s 1956 paper on the ‘neoclassical growth model’ takes on a slight dimension when placed next to Solow’s in the same year. Swan’s paper is barely more than a note; 10 pages in length. It is dwarfed by an 18 page appendix of Swan’s defending his use of a Clarkian capital aggregate against ‘Joan Robinson’s Puzzle’. How much more useful would have been 18 pages investigating the growth model?13

In its broader Marshall-Pigou incarnation the ‘Cambridge complex’ was enervating. Marshall and Pigou loomed massive in the intellectual capital of post-War economists. Regrettably,

13 In unpublished paper Swan had pursued the model further (2002). It is uncertain if Swan’s paper was conceived independently of Solow’s. The relevant issue of the Quarterly Journal of Economics had arrived in the library of the Australian National University by the time of Swan’ first public outing of his ideas. But at least two persons present at this occasion – including James Meade - deemed Swan’s paper original (Pitchford 2002).

14 Thus the Principles of Economics and the Economics of Industry were text books at Sydney University until the late 1950s (Groenewegen 2010). One leading product of the 1950s Melbourne has recently described their economics as ‘Pigovian’ (Corden in Coleman 2006). The University of Western Australia had a compulsory course on the Principles until the 1950s. A New Zealand economist of the same vintage has recalled how his Marshallian education meant that he and his peers ‘could easily move into the Cambridge atmosphere, as many of us did’ (Blyth 2007). More to the same effect is in Endres (2010)
economics is not “all in Marshall”. And the presumption that ‘economics’ and ‘Marshall’ were synonymous encouraged the neglect, among other things, of Fisherian analysis of intertemporal wealth and utility maximisation, which in the post-War period so palpably stimulated even enthusiastic American Marshallians such as Friedman. This neglect of the Fisherian tradition produced a bruising encounter in the *Economic Journal*. Two Australian authors validly criticised the usefulness of Keynes’ ‘marginal efficiency of capital’, a concept of obviously Marshallian (even Ricardian) ancestry (Hagger and Pitchford 1958). Hirschliefer in the next issue announced “this point has been recognised and extensively discussed for some years in the United States, though primarily in journals which were probably inaccessible to Messrs. Pitchford and Hagger in Australia” (Hirschliefer 1959).

A second grounds for the deficiencies in post-War Australian economics might be sought in its utilitarian style. Such an economics is ‘pragmatic’. It is not uncritical, but it is moderate, even unimaginative. It will not propose anything ‘not in the political vocabulary’. (What would be the use of that?) And it is conservative in a literal sense; it tends to await for an acrid smell to arise before concluding the mechanism needs repair. In the absence of any reek, its tendency was to appreciate, or perhaps recommend rationalising, the various peculiar institutions of Australian economy –the Commonwealth Grants Commission, Australian Conciliation and Arbitration Commission, the Loan Council, the Commonwealth

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15 Or, in the words Bensusan-Butt, of Kings College and later the ANU, economics was a ‘mature subject’ and Marshall and Pigou were ‘the real thing’.

16 This ‘art of the possible’ attitude to policy may explain the poverty of in Australia of any studies of endogenous policy: for while any theory that successfully endogenises policy provides light, it less obviously bears fruit. (See Albon and Kirby 1983 for a rare example of analytical political economy).
Tariff Board – but not to judge them.\textsuperscript{17} The suggestion of something a bit -mold breaking was rare; it could only be, for example, a British economist who would propose in the 1960s the introduction of a consumption tax (Bensusan-Butt) or another (James Meade) who might suggest the Australian currency would be better off floating.\textsuperscript{18}

For all that, three volumes of \textit{Surveys of Australian Economics} published from 1978 constitute a worthy testimony to the intellectual merit and strength of post-war economics (Gruen 1978). Indeed, it was shortly thereafter that post-war economics enjoyed day its in the sun as the traditional formulation of the Deakinite project faltered, and the Hawke government (1983-1991) sought re-calibrate it with the extensive assistance of economists.\textsuperscript{19} It was a hey-day, but the moment was brief.

\textbf{3) Recent trends in economics.}

The post-war boom in Australian economics came to a crashing end in the late 1980s amidst a furious recoil at the retreat from the traditional Deakinite formulae of protection, labour regulation, and state finance. This outraged reaction to the negation of old verities had parallels in other economies at the time (eg Sweden, Korpi 1996), but in Australia it had

\textsuperscript{17} See, for example, the relatively ‘judicious’ treatment by Mathews 1978 of the remarkably distorted state of Australian federalism.

\textsuperscript{18} In the 1970s several Australian economists were advocates of floating exchange rates and successfully persuaded the Campbell Committee of its merits.

\textsuperscript{19} Obviously, the doctrinal bearings of the economists in the larger world had shifted sharply against what this paper has referred to as Deakinism. But in Australia economics maintained its utilitarian orientation, and had shifted on ‘unideological’ grounds. As one member of the tendency recalled, ‘Gradually my faith in both government intervention and state ownership in democratic societies weakened …. simply because governments did not seem to perform very well” (Gruen 1988). (One referee of this paper judges Gruen’s faith to have weakened ‘very,very,very gradually!’)
a particular vehemence (see Coleman and Hagger 2001) It was doubtless in sympathy with the scapegoating of economists that enrolments in economics, began to shrink sharply (Lewis and Norris 1997). This was reinforced by a switch of students in the late 1980s to new more crudely vocational courses in ‘business’. Thus the utilitarianism that had fed Australian economics was now withering it. Inevitably, this decline in student numbers was followed by the abolition of several economics departments and the total elimination of distinct departments of Economic History (Maxwell 2003).

At the same time as the casting of economist as bugaboo of rallied defence Deakinite project there came the Globalisation. This produced a surge in enrolments that was voluminous at the undergraduate level, and vast at the graduate. Whereas PhDs in the post-War were a sprinkle, now departments established PhD assembly lines powered by foreign aid scholarships. Globalisation also revolutionised appointments. Whereas in the post-War years ‘appointments from overseas were made cautiously’ (Schedvin on Butlin 1978, 145) 20, from the 1990s hiring directly from the United State became almost de rigeur for the more highly ranked universities. This provoked complaints of ‘Americanisation’ (Gronewegen and Macfarlane 1990). But this term misrepresents the phenomenon; for the economic fields that are most resonant of American ideals - Law and Economics and Public Choice – have had little success in Australia. What Australia has absorbed in full measure is an ‘International style’; a kind of economics that has no nationality, and looks the same wherever it is found across the world.

20 In the 1950s John Harsanyi was denied promotion to Senior Lecturer by the University of Queensland despite two papers in the Journal of Political Economy, one in Econometrica and one in the Review of Economic Studies.
Both anathema of anti-economics and the enticements of globalisation operate in the same direction; to weaken Australian economics. One symptom is the struggles of the Economic Society of Australia to retain the engagement of academics, and its displacement by the Econometric Society. Another is the decline of text books with a significant Australian orientation. In the 1970s a genuine and careful adaptation was made of Samuelson, giving full recognition to Australian economics (Millmow 2011). In the 1980s this text was not re-issued, but instead supplanted by adaptations of other US texts that were sometimes crude ‘find and replace’ operations. A third symptom would be the vanishing of Australian presence in international economics, once a stronghold of Australians.21 Perhaps the final ‘proof’ would the seeming impossibility today of produce a ‘Survey of Australian Economics’ as was done a generation ago.

In Australia today there is economics aplenty. But there is no Australia in economics any longer. Australian economics is at an end.

Does it matter?

It can be argued than Australian economics is a misallocation of intellect. Is not the idiosyncratic the anomalous? And as a society gets smaller do not its idiosyncrasies become puny? Would not the most quintessentially Australian Economics be the economics of bushfires (Healey et al 1985)? Or perhaps the economics of brownsnakes? Perhaps when economic journals took two months to arrive by sea mail it was rational for some to pay

21 A co-editor of the *Journal of International Economics* was once quoted as saying ‘All Aussies are good at trade theory’ (Kenyon 1992). Who would say that today?
attention to an ‘Australian Model’. But distance has been abolished by various technological miracles, and the only rational choice for any talent is to participate some in global research project addressing ‘big’, universal and enduring questions.

In reply a skeptic might wonder whether distance has entirely lost it sting. Johnson’s claim of 1969 on the inevitability of Canada and Australia being ‘behind’ remains true (1971)\textsuperscript{22}. A skeptic might additionally declare that what Globalisation has spelt for Australian economics is not so much integration but provincialisation. The aspiration of the post-War generation of cultural critics to reject a provincial self-relegation (eg AA Phillips, Robin Boyd) – an aspiration fully shared by economists like Butlin - now has little resonance, and Australian economists are content to borrow standards of judgement from the metropolis: the essential proof of the provincial mind. And when has provincialism added anything? Australia is now another Kansas. And what is the good of a second Kansas?

But if one was to commit to the pursuit of an Australian economics, we need to ask and decide, wherein lies the value of any economics that rationally bears the adjective ‘Australian’? Will it be that economics that successfully brings to the world’s attention certain conditions peculiar to Australia, and thereby promotes the assimilation of those conditions into a universal theory; rather as the investigation of life forms peculiar to Australia stimulated 19th c naturalists? Or will it be that economics which deems universal

\textsuperscript{22} The inevitably of the ‘spectatorial’ situation of Australian economics may explain the strength of the history of economics in Australia (see Lodewijks 2004) in the face of a hostile pragmatism. Being spectators of the present may reconcile one to being a spectator of the past.
theories as empty of content, and therefore sees no choice but to deal with the Australian situation by means of a suite of special theories or models?

The two positions have been well aired by Kenyon (1992, 1994) and Goodwin (2002). In recalling his massive *Economic Enquiry in Australia* at the distance of four decades, Goodwin judged;

‘So long as economic thought is defined as what has come out of Cambridge England and Cambridge Mass, with perhaps New York, Lausanne, Stockholm and Vienna thrown in, Australian economic thought ... will remain a non-subject – or at most a footnote... But if Australian economic thought is taken to include ... how (for example) to build a racially and ethnically diverse nation with European roots but Asian location, then the subject takes on a new life and excitement’ (2002, 3)

With that in mind Goodwin devoted a large part of *Enquiry* to ‘oddballs’ writing ‘disreputable periodical literature ... beyond the pale of real economics’. Kenyon (1992) disputes the identification of Australian economics with ‘ratbags, heretics, cranks and *amateurs*’ and the suggestion that ‘had the First fleet never sailed ... there would be very little in modern economics different from what there is today’.

It is beyond the remit of this chapter to try to decide this dispute, but any choice over the orientation of Australian economics will need to weight the rival risks the two authors draw attention to.
References


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