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# **A History of Australian Economic Thought**

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and  
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Peter Groenewegen  
Bruce McFarlane

Sydney and Woonona

## Chapter one

# Is there an Australian economics?

This book presents an outline history of Australian economic thought from the beginnings to the present. It thereby goes considerably beyond the essays in such a history that have appeared (for example, La Nauze, 1949; Copland, 1950; Butlin, Fitzgerald and Scott, 1986) and with respect to time, Goodwin's (1966) massive inquiry into Australian economics which ends with the 1920s. A brief sketch such as this book clearly has limitations. However, such brevity has also some distinct advantages. By providing an overview of the complete development of economics in Australia, it permits construction of broad generalisations on the nature of that development, facilitating an understanding of the precise characteristics of an Australian economics. This aspect of the book arises from the fact that it is part of a series devoted to the history and development of economics in specific countries.

### **The previous histories**

As indicated, there are already some histories of Australian economics, of which La Nauze's *Political Economy in Australia* and Goodwin's *Economic Enquiry in Australia* are by far the more important. In addition, there are some monographs and journal articles on specific aspects of the history of Australian economics. These cover the history of economic institutions such as the Australian Economic Association (1887-98), the Economic Society of Australia and New Zealand (founded 1925), and the *Economic Record* (Butlin, Fitzgerald and Scott, 1986) or, more frequently, the work of specific Australian economists or Australian contributions to specific branches of economics.

La Nauze's work basically comprises three studies of economists with respect to their work in Australia after a broad introduction covering the development of economics in Australia during the nineteenth century. The first of these individual studies covers Jevons's work while in Australia during the 1850s. In it, La Nauze for the first time analysed Jevons's early contributions concerned with the debates

on railways and economic development which were then taking place in New South Wales and some of the other Australian colonies (see below, Chapter 3). The second study has far greater Australian content: it assesses the significance of Hearn's economics for his contemporaries. Hearn, born in Ireland and educated in classics at Trinity College, Dublin, was appointed in 1854 to one of the four Foundation Chairs at the University of Melbourne, that is, the Chair of Modern History, Modern Literature, Logic and Political Economy. During his period as an academic he published major works – *Plutology* (1863), *The Government of England* (1867) and *The Aryan Household* (1879) – of which the first in particular was an important contribution to economics. All three books secured him international recognition. He is undoubtedly one of the key figures in nineteenth century Australian economics and has attracted the attention of other scholars (see Chapter 3 below). The third figure in Australian economics discussed by La Nauze was David Syme, the Scottish-born newspaper writer and proprietor, often called the father of Australian protectionist views, particularly with respect to his adopted native State of Victoria. Syme's book, *Outlines of an Industrial Science* (1876), attracted attention in Germany and elsewhere and thereby constitutes a further landmark in Australian nineteenth century economics. La Nauze (1949) is therefore fairly described as a collection of essays on economists in Australia which, apart from its opening essay, presents little of what might be accurately termed a history of Australian economic thought. As he himself hinted (La Nauze, 1949, p. 45) it is really a set of building blocks to assist construction of a more detailed history of Australian political economy.

The broader introductory historical essay (La Nauze, 1949, pp. 13-25) stresses some key features of the development of Australian economics which have to be recognised in any study of the subject. In the first place, La Nauze surveyed in brief some of the contemporary literature. This survey points to its generally unsophisticated and derivative nature in the context of which La Nauze stressed the proclivities of Australian authors to quote from or draw extensively on the works of scholars from other countries. Secondly, La Nauze surveyed the rudimentary beginnings of economics in Australia's four nineteenth century universities – Sydney (founded 1850), Melbourne (1853), Adelaide (1874) and Tasmania (1889) – pointing to the fact that in general (Melbourne being the exception), political economy had no formal place in the university syllabus, but was introduced surreptitiously and outside the formal university structure by some of the early academics appointed to Australia's universities (see Chapter 3 below). Finally, La Nauze emphasised the quality of some of the economic debate in Australia outside of the universities. Particularly

noteworthy was the foundation of a regular journal, the *Australian Economist*, by the Australian Economic Association, the establishment of which preceded that of the British Economic Association (later Royal Economic Society) by three years. The quality of this work (first noted by Butlin, 1947) and the general view of the state of Australian economics at the end of the century which it provides, explains why a separate chapter (Chapter 4) is devoted to this specific aspect of the development of economics in Australia.

A more substantial investigation of economic inquiry in Australia was produced by Craufurd Goodwin,<sup>1</sup> who, in considerable detail, particularly bibliographical, portrayed the nature of economic debate and discussion in Australia from the early nineteenth century to the 1920s. The terminating point of Goodwin's study (1966) arose from his agreement with a widely held view (see below) that Australian economics came of age during that decade with the establishment of its own professional organisation (the Economic Society of Australia and New Zealand), the publication of its own professional journal (*The Economic Record*) and the firm foundation of economic teaching by an influential group of academic economists at the universities (by then established in all six States of the Commonwealth). At over six hundred pages, Goodwin's contribution dwarfs that of La Nauze in size and coverage.

Goodwin's book is divided into two distinct parts. The first provides a detailed account of theory and policy in Australian economics by subject matter. The opening two chapters on international commerce are respectively devoted to arguments in favour of protection and free trade views; two subsequent chapters on land disposal and taxation deal with the Wakefield scheme and homestead settlement, as well as with the debates inspired by single taxing and land nationalisation. Two chapters on banking and currency then deal with the role of the state in monetary matters, discussing price levels and banking policy, and proposals for loans backed by real estate as suitable activities for Australian banking. Then follow six separate chapters dealing respectively with economic fluctuations, transport developments with emphasis on railway economics, the state's role in fostering economic growth, the impact of evolution theory on social and economic thought, studies on labour questions and finally, but by no means least, population studies and other demographic work for which its authors gained some international recognition by the end of the nineteenth century. Much of the economic writings on which these discussions are based was of a fragmentary nature, it was often in article form and only rarely noted abroad.

The final four chapters, which are nearly a third of the contents of the book, deal with the more "scientific" aspects of Australian economic inquiry. The first analyses the substantial achievements of Australia's

official statisticians at the end of the nineteenth and early in the twentieth centuries. This concentrates on contributions by Johnston, the Tasmanian statistician; those by Archer and Hayter in Victoria and, undoubtedly the most famous of them, Timothy Coghlan. The second of these chapters records in detail two individual contributions to what Goodwin describes as pioneering efforts in macro-economics: De Lissa's development of a multiplier analysis and Musgrave's *Studies in Political Economy* (1875a) with their heavy emphasis on the crucial importance of money for understanding the real workings of an economic system. The third of these final chapters provides a very detailed and fascinating account of the development of economic studies at Australia's major universities (and in extra-mural studies) by Australia's early academics, many of whom had a decided interest in the subject in addition to their particular specialisations. The last chapter highlights the main features of the growth of a discipline in Australia and summarises the thrust of the wide-ranging argument over the previous six hundred pages.

In this final chapter, Goodwin links the ebbs and flows of Australian economics to major events in the country's economic history: the gold rushes of the 1850s, the period of prosperity and depression of the 1880s and 1890s, and the revival of economics in the 1920s, when it developed into a stronger academic and seriously respected professional discipline. Goodwin suggests that substantial progress of the subject was often hindered by the difficulties Australian writers had in distinguishing science from policy (positive from normative economics?) and that in periods when this was particularly important, for example, during the debates over free trade and protection surrounding federation, Australian economics was in a particularly poor state. Goodwin, however, did not evolve a general theory of the development of economics in a colonial society like Australia. His concluding chapter only draws together the various strands of his inquiry in summary form. If there is a thesis in the book, however, it resembles the thesis of his earlier study on Canada (1961, pp. 199-204). Much of the economic work was borrowed from abroad and adapted to the requirements of local debate with varying degrees of skill. A similar experience seems to have applied to Australian economics.

The influence on Australian economics from abroad is also a major theme of this study, since almost invariably this aspect of the history of the national development of a science in a peripheral country must be a major factor in explaining that development. In fact it can be said that the importation of ideas from abroad explains a great deal of Australian economics over the two centuries of its existence and that, on those few occasions when such borrowing from abroad was less important, what are significant *and* Australian contributions can be highlighted.

Examples include Giblin's multiplier analysis in the 1920s and Australian contributions to the tariff debate. What has, however, changed during the period not covered by Goodwin (1966) is the major source of economic wisdom imported into the Antipodes. Prior to the second world war it had come largely, but not exclusively, from British economics. After the second world war, and especially from the end of the 1950s, Australian economics has become dominated by the economics of the United States (see Chapter 8). This helps to explain the demise of the brief interlude of what has been called a genuine Australian economics which occurred between the two world wars in the 1920s and 1930s.

A further inference of importance for chronicling the development of Australian economics (and one implicit in Goodwin's study) should be noted. With the relatively late beginning of academic economics in Australia, contributions to the subject during the nineteenth century, but also subsequently, were often made outside academe. As David Clark (1987, p. 502) forcefully indicates, many ideas in economics everywhere have been developed by persons whose views, both contemporaneously and subsequently, were described as "cranky". Nowhere does this apply with greater force than to the subject of money and business fluctuations (see Chapters 2 and 7). Australia, as a "new country", had more than its fair share of the "funny money" tradition and also experienced wide ranging eccentricities in economic work on other topics. This is explicable by a continuing conflict between dependence on overseas views (particularly potent as authority symbols if derived from countries greatly admired) and a desire to be different by adapting foreign views to the highly specific national situation. Goodwin's early chapters are filled by examples of this conflict. An illustration can be found in the work of David Syme on protection (see Chapter 2) or, perhaps less apt, that of Henry George. Though often reviled in his native United States as in the United Kingdom and Australia, George's views fell on fertile ground in Australia, particularly in political labour circles. He left a lasting imprint on Australian society in the form of land taxation based on unimproved capital value (see Chapter 4) and the land ownership system of Canberra.

Apart from contributions by cranks and gifted economic amateurs, Australia saw also many economic contributions by public servants and, less frequently, private institutions (especially in the financial – banking and insurance – sector). Examples from Australia's official statisticians (federal and State) have already been mentioned. Their contribution to national income accounting in particular is highlighted in this book (Chapter 5). During the twentieth century this tradition continued. For example, at least one permanent head of the Australian Treasury made an important contribution to economic literature, widely recognised

internationally (Chapter 9). Others shifted easily between public service and the halls of academe, particularly in Canberra (the national capital) where such transitions face no geographical (and sometimes no institutional) barriers. This aspect of the development of Australian economics is seen as so important that a chapter on its twentieth century manifestations is devoted to it (Chapter 9).

Academics, cranks, professionals, amateurs, bureaucrats, advisers, bankers, financiers, rural lobbyists and even political demagogues are therefore major actors in the drama of the development of Australian economics. A narrower casting would distort the picture of the development and is therefore avoided in this outline of the subject. As Goodwin demonstrates throughout his history, and as has already been noted by others (Groenewegen, 1979a; McFarlane, 1966), the non-academic input into Australian economics is far too great to be simply ignored. This study therefore merges contributions from the universities with contributions from public service economists and what can be simply described as the underworld of economics. In some ways this blend in economics, with its occasional rich and heady outcome, is as characteristically Australian as the imprimatur on a title page of Sydney, Hobart, Melbourne, Adelaide, Brisbane, Perth, Canberra or Wollongong.

### **Is there an Australian economics?**

It may reasonably be asked whether there is in fact an Australian economics. That there have been, and in many respects still are, national schools of economics cannot of course be doubted. The Austrian school, the Swedish school, the French school (cf. Jevons, 1879, p. xlv), the Italian school, the German historical school, all provide well-known examples. The original Palgrave *Dictionary* devoted articles to such schools (for example, Loria on the Italian school, von Wieser on the Austrian school) while Roscher (1874) and Seligman (1925) pioneered the historical treatment of national systems of economic thought. There is a general consensus that the existence of an Australian school of economics likewise can be postulated. From the 1920s this blossomed with particular exuberance (La Nauze, 1949, pp. 5, 9-11; Heaton, 1926, esp. pp. 235-40; Copland, 1950; and Goodwin, 1966, pp. 638-9).

There are at least three standpoints by which a national political economy can be identified. It can, first of all, be done by nationality of authors; secondly, by residence of authors or place of publication of their major work; and, perhaps most importantly, given the views on the coming of age of Australian economics referred to in the previous paragraph, by the nature of the problems selected for discussion and the mode of their analysis. Identification of national problems and national

solutions – with respect to wage determination, protection, aspects of development, government finance and general public policy – which characterised the early decades of the *Economic Record* constitutes the reason why Heaton, Copland, La Nauze, Goodwin and others mention the 1920s as the real beginning of a genuine Australian economics.

Although nationality of author, particularly if the criterion for its establishment is country of birth rather than country of adoption by residence,<sup>2</sup> is generally used in defining national schools of economics such as the Austrian and Swedish schools, application of this criterion would be rather restrictive in a country like Australia. Development of economics in Australia, particularly during the nineteenth century, relied on immigrants largely from the English speaking world.<sup>3</sup> There were in fact few, if any, “Australian” studies prepared during the nineteenth century, or, as Heaton (1926, p. 237 n.3) pointed out, “no single *important* scientific study by an Australian author before 1914” (emphasis added in the quotation). Furthermore, the restrictive principle of birthplace would rule out all three economists extensively treated in La Nauze (1949), that is, Jevons, Hearn and Syme, while, with few exceptions, it also eliminates the authors he mentions in the introductory chapter to his study. During the twentieth century, it eliminates contributions from economists like Heinz Arndt, Max Corden and Colin Clark. For the purpose of this study, the nationality by birth approach is therefore rejected.

The other two criteria largely reinforce each other. Adopted residence combined with place of publication of major work eliminates the problems which would arise if focusing on place of birth alone. This procedure allows the treatment of Hearn, Copland, Arndt and Corden as Australian economists, and Colin Clark, with respect to his work produced in Australia. In a country where migration has been and continues to be important, this is the only rational procedure for solving the nationality problem when writing a national intellectual history.

### **The argument in outline**

Given these considerations relevant to a history of Australian economics, the outline of the argument presented in this study is as follows. Having established the existence of an Australian economics and the specific nature of the characteristics by which it can be identified, the portrayal of its history can only develop on rather specific lines. These need to cover chronologically, but nevertheless in a separable manner, major trends in the development of Australian economic thought from key participants in its creation, subdivided into their various groupings of academics, amateurs, cranks and economists from government and elsewhere. Because of the availability of

Goodwin's detailed work, only four chapters are specifically devoted to developments of the nineteenth and early twentieth centuries he covered so exhaustively. These chapters present new findings on the significance of some of the *dramatis personae* in the story, unearthed by research over the last two decades, as well as changes in interpretation. The other five chapters are devoted largely to the post-1920s development covered neither by La Nauze nor by Goodwin.

The model for dealing with this subject matter blends focus on topics with the treatment of specific contributors. In addition it allows examination of institutional developments in the universities, in professional organisations and in the types of employment which attracted economists. This allows the widest possible vision on the subject of this history, and therefore the broadest appreciation of its scope and content. To clarify this further, the approach taken in the subsequent chapters (and the specific contributions by the respective authors) can be briefly outlined.

Chapter 2 (by Peter Groenewegen) deals with the rude beginnings of Australian political economy by examining its popular and sometimes populist and underworld foundations over the whole of the nineteenth century. Underworld is here used in Keynes's sense of the word, as non-academic-institutionalist affiliation. The chapter covers topics like the land question, protection versus free trade, depression, taxation and the role of government, federation, as well as broad questions of money, banking, transport and economic development. Individual contributors include William Wentworth, John Dunmore Lang, John Ebenezer Goodwin, "Cinderella", Ogilvy, and most importantly, given their international recognition, David Syme and Sir Anthony Musgrave. This discussion of essentially non-academic nineteenth century developments in economics is designed to give the flavour of and to supplement Goodwin's far more extensive treatment of the period.

By contrast, Chapter 3 (by Peter Groenewegen) examines academic developments in economics from the 1850s (the foundation decade for Australian university studies) to the 1920s, when modern economics teaching can be said to have begun at the universities through the creation of specialist faculties and the establishment of specialist Chairs. Although, with the exception of Melbourne, there was little formal teaching of economics at Australia's oldest universities (those of Sydney, Tasmania and Adelaide), there were important and interesting contributions to economics from persons working in these universities, either in written work or in extra-mural teaching from which in almost all cases official university teaching of economics developed. At the University of Sydney, these included Pell and Woolley, two of its foundation professors, who not only wrote on economics but also may be said to have exerted some influence on the young Jevons (White,

1982). In addition the Sydney contributions of Walter Scott, a subsequent Classics Professor, and R.F. Irvine are noted. The last was the foundation Professor of Economics at the University of Sydney, and the first holder of a specialist economics Chair in Australia. In Melbourne, the chapter concentrates on the contributions of W.E. Hearn. Little of great note for much of this period can be recorded about individual economics contributions from Tasmania and Adelaide.

The role of Walter Scott in spreading economics from the University of Sydney links Chapter 3 with the subject matter of Chapter 4 (by Peter Groenewegen). This examines the Australian Economic Association (established in 1887), more particularly its journal, *The Australian Economist*, published regularly for over a decade. Its pages present a detailed picture of the economic thinking in a colonial metropolis through its varied contributions drawn from writers in university, business, journalism, organised labour and politics. As Butlin (1986, p. xvi) points out, both the journal "and its parent Association were the product of high boom in an extremely wealthy and elitist society", which at this time managed to produce a surprisingly large number of quality periodicals for a city with a population of little over 400,000 persons (Coghlan, 1893, p. 311). Detailed examination of this virtually unique economic publication (it appeared far more frequently than contemporary academic economic journals and covered an unusually wide range of topics) gives interesting insights into the development of Australian economics at the turn of the century. Its major contributors – Scott, Duckworth (its only editor and Australian correspondent to the *Economic Journal*), Andrew and Robert Garran, de Lissa and Wise – are singled out for more detailed treatment, the first, as already noted, in Chapter 3.

Chapter 5 (by Bruce McFarlane) is devoted to the many high quality statistical contributions, with special reference to national income accounting, provided by Australian researchers. As Goodwin (1966, p. 494) has noted, Australian economic statistics evolved rapidly during the nineteenth century and gained a permanent position of worldwide esteem. This high quality of Australian work was the result in large measure of a few energetic individuals operating from the 1880s and 1890s, in particular, Archer, Hayter, Coghlan, Johnston and Knibbs. Their nineteenth century tradition of excellence in this field was continued subsequently by Roland Wilson, Sir John Crawford and Colin Clark (who basically worked in Australia from the end of the 1930s). Both Coghlan and Clark are recognised in the pages of the *New Palgrave* (1987, I, pp. 428, 469-70, the Coghlan entry in fact prepared by Colin Clark). It seems therefore more than fitting to recognise contributions from a nation of statisticians by a separate chapter in a historical account of Australian economics.



The contents of Chapters 3 and 5 straddle the nineteenth and twentieth centuries. Chapter 6 (by Bruce McFarlane) is the first of four exclusively devoted to twentieth century developments. It covers the vagaries of Australian economics through depression and recovery in the 1920s and 1930s. The background to this chapter is the picture of these events presented in the *Economic Record* (which commenced publication in November 1925) and the dynamic developments which established academic economics on a formal basis in all of Australia's universities. As indicated earlier, some see this period as the golden age of Australian economics. This is explained by the quality of distinctive Australian contributions to applied and practical economics made during these years. Examples are the foreign trade multiplier, fiscal capacity equalisation and other matters of federal finance, managed labour markets, the economic role of the State, costs and benefits of the tariff and the association between capital movements and the terms of trade; not all of them, therefore, a development of the economics of a small, open economy. Economists whose work is highlighted in this chapter include Giblin, Copland, Mills, Brigden, Walker, Melville and Shann.

Chapter 7 (by Bruce McFarlane) presents a picture of the economic underworld in Australia during the twentieth century, a phenomenon largely of the depression period and the period of post-war reconstruction, but continuing as a gradually declining tradition of economic dissent in more recent decades. Once again, the contributors to this aspect of economic development in Australia are rather varied. They range from the geologist Jensen to economics academics in retirement (Irvine), northern developers (Kelly and St. Clare Grondona) and a long tradition of "funny money" pamphleteers (such as Frank Anstey and the many Australian supporters of Douglas Credit).

The penultimate two chapters review some developments over the last three decades in both the universities and the public service. Chapter 8 (by Peter Groenewegen) does this by examining the changing content of a growing number of Australian academic economic journals in this period, assisted by policy surveys conducted from the Academy of Social Sciences in Australia. The decades covered reflect an ever growing professionalisation of Australian economics and, even more, its Americanisation. This meant the disappearance from the literature of that pragmatic, policy-orientated quality with an Australasian emphasis which marked the early decades of the *Record*. A number of well known and internationally recognised Australian economists have been selected for more detailed treatment. The decades after 1950 also saw a doubling of the number of universities, all with their own faculties of economics and commerce, so that there was a veritable explosion of economists. Many of these economic graduates found their way first

into an expanding public sector increasingly searching for economic expertise, an increasingly sophisticated financial sector and also, though much more slowly, industry. Chapter 9 (by Bruce McFarlane) discusses some of the major public sector economists individually (Coombs, Roland Wilson, John Crawford and Giblin) and the change in public service perspective from 1940 to 1980 with respect to the role of the market and the State. Given the further qualitative changes in the development of Australian economics noted in these chapters, a concluding evaluation of whether Australian economics can survive the twentieth century forms a fitting finale to this study (Chapter 10) and a convenient means of pulling together the various strands visible within this sketch of its development from the beginning. It is with these beginnings that exploration of these developments in more detail can now commence.

#### Notes

1. Goodwin's study of Australian economics is three times the length of his earlier study on *Canadian Economic Thought 1814-1914* (Goodwin, 1961), despite Canada's much larger population and the almost equivalent time spans of the two books.
2. The first edition of *Who's Who in Economics* (Blaug and Sturges, 1983) uses both criteria, listing Arndt, Byron, Clark, Corden, Harcourt, Hearn, Kemp and Turnovsky by residence and Byron, Harcourt, Kemp, Lancaster, Opie and Vickers by birth. As shown in Chapter 8, neither Corden nor Harcourt nor Turnovsky qualified on the first ground by 1988. *The New Palgrave* (1987, IV, p. 988) includes entries on Arndt, Coghlan, Copland, Hearn, Giblin and Salter, where Copland, though born in New Zealand, can be listed as an Australian economist on major residence grounds, as is the case with Hearn, who was born in Ireland (see Chapter 3).
3. Even in the twentieth century, the influx of economists by migration (particularly from New Zealand) remains important. In addition, during the 1930s, the 1940s and 1950s, many Australian economists of continental European birth emigrated to Australia. Arndt and Corden, to name examples given in note 2, are leading species of this genus (see Chapter 8).

face" of deregulation of banking. An assessment of the Martin Report's finding is Harper (1986), a discussion of Campbell and his Committee is given in Carew (1988), Benchley and McGuinness (1981) and Perkins (1982).

3. Sir John Crawford's leadership of the Commonwealth Bureau of Agricultural Economics in the 1950s led to specialised economic research in the area of agricultural and pastoral economics. Examples are provided in K.O. Campbell (1956, 1973), F.H. Gruen (1960, 1971) and J.H. Duloy (1965). University Departments of Agricultural Economics had been established in Australia for some time, and the specialisation grew to become a significant part of Australian economics as already indicated in Chapter 8. Regrettably, the contributions to agricultural economics made in this period cannot be covered for lack of space, and reference should be made to the surveys by Corden (1968, chapter 7) and Edwards and Watson (1978) and the literature there cited.

## Conclusions: can Australian economics survive the twentieth century?

On the criteria established in Chapter 1 and applied in the subsequent chapters, there is plenty of Australian economics. In fact, its recent history (Chapter 8) reveals a veritable explosion in Australian economic research. However, that chapter also noted the growing internationalisation and Americanisation of economics, so that by way of conclusion it may be useful to review the precise characteristics which make an Australian economics. Although nationality of authorship (by residence rather than birth) is a convenient classificatory device without which this history could not have been written, there must be other features attached to *Australian* economics if this concept is to have a more robust meaning. Concern with typical Australian problems, those of a small, rich, industrial, developing country, or of a "new land", to use Australian economists' phrases cited throughout this book, was one feature of an Australian economics suggested at the start of this book. Adaptation of overseas principles and theories (rather than their simple adoption) was another such feature to which attention was drawn. In addition, earlier historians have referred to a "golden age" of Australian economics in the 1920s and 1930s, based on the ground that the subject as an academic discipline then "took off" in Australia while from the late 1920s economists as a group were listened to and gave valuable advice to government on tariffs and appropriate policy responses to the world crisis. This period also produced the Economic Society of Australia and New Zealand as a professional organisation for economists and its journal, the *Economic Record* which disseminated and debated policy questions of relevance to those involved in steering the Australian economy. It also saw the appearance of the first Australian textbooks on economics such as Copland (1931b), Walker and Madgwick (1931) and, a decade later, Gifford (1942) which was hailed as the first Australian text.<sup>1</sup> Last but not least, many but not all of the more uniquely Australian contributions to economics can be traced to this period.

In asking whether Australian economics can survive the twentieth century, these conclusions provide more than a simple retrospect and

summary of the successes (and failures) of Australian economics during its (nearly) two hundred years' history. This final chapter provides also the opportunity to assess whether greater internationalisation of the subject, particularly the potentially fatal embrace of its growing Americanisation, leaves room for a *distinctive* Australian contribution in the future. Some crystal ball gazing on such questions in the light of historical experience enhances the contribution of a national history of economics to understanding the overall growth of the discipline.

### Australian economics in retrospect

Two centuries of Australian work in economics have been sampled in the preceding chapters in terms of the frequently separable contributions from the universities (Chapters 3, 6, 8), the amateurs (2, 7), official economists (5, 9) while the review of the *Australian Economist* (1888-98) provided opportunity for the study of the subject in microcosm at the turn of the century. In this story, a number of features can be seen to stand out collectively, and it is these which are captured in this retrospect.

Attention was drawn in many of the earlier chapters particularly to the derivative nature of much of Australian economics, both radical and more conventional.<sup>2</sup> A number of observations can be made on this. First, this derivative process often sparked intelligent criticism of overseas orthodoxy. Examples are Musgrave's critique of Mill's propositions on capital, Syme's critique of free trade and its underlying economic methodology, the critiques of Say's Law (Ogilvy, Irvine) and more generally of the relevance of *laissez-faire* policies to newly developing countries ("Cinderella", Goodwin, Duckworth, Syme and even such "Cobdenites" as Wise when faced with practical policy choices arising from federation). Secondly, the derivative process sparked adaptation of overseas thinking and tools of analysis to the specific situation and problems the new land of Australia faced. This starts with Wentworth's application of the four-stages theory to colonial development, Lang's "borrowings" from other authors to explain downturns in New South Wales activity and reaches its highlights in De Lissa's use of Quesnay's work in the development of a multiplier and Pell's application and development of railway economics. Thirdly, derivation was modified by a strong appreciation of the relative nature of economic ideas which made their simple transplantation more hazardous. This was shown in Garran's work, in the critical perspectives of the subject by Musgrave and Syme, and even in Wentworth's realisation of the imperfections in the predictive powers of Smithian development theory when the expectations of the large navigable rivers in Australia failed to materialise. The last factor makes "national"

economics an important critical feature designed to qualify the all too frequent ardent faith by young acolytes in the latest theories from North America (and, earlier, England).

A retrospect needs also to refer to the brilliant contributions of Australia's statisticians in both centuries (Chapter 5). These relate not only to national income estimates where Australians (Coghlan, Sutcliffe, Wilson, Crawford and Clark) occasionally led the world, but also to the high standards in general statistical information set by the early Colonial and Commonwealth Statisticians. Innovative freedom for pioneering statisticians in a new country (Archer, Coghlan, Johnston, Knibbs) explains some of this, together with the attitudes of "colonial socialism" which ruled Australian governments in the late nineteenth century. An interventionist State required more and better statistical information. An interest in and tradition of demographic studies is also an explanation of the quality of the statistical contributions in this area, recalling that Pell pioneered such studies in New South Wales, followed by Coghlan and Duckworth, while Archer, Hayter and Knibbs also had considerable talents in this area. Interest in demographic studies may have been further assisted by the religious affiliations of some of the statisticians.

Finally, some distinctive Australian contributions can be related to the peculiarities of Australian policy demands and economic problems. The excess cost and benefits of the tariff, to which the Brigden *et al.* (1929) analysis contributed, are one example of this. The multiplier innovations are another example, particularly that of Giblin.<sup>3</sup> A third is the analysis of problems of fiscal equalisation, especially fiscal capacity measurement (Giblin, followed by Melville and currently Russell Mathews). Last, but not least, and illuminated further below, there are the specific problems experienced by a small, open, developing economy dependent on migration, primary exports, capital inflows and prone to almost perennial balance of payments problems. All these are featured in this book in varying degrees; others, particularly wage determination, industrial relations and agricultural economics, have not received the attention they deserve, for regrettable reasons of space.

Although most of these specific Australian contributions occurred during the 1920s and 1930s, this does not seem to turn this period into a "golden age" of Australian economics, even when the other factors raised earlier in this chapter are taken into consideration as well. The 1920s and 1930s undoubtedly were a peak period in the history of Australian economics, but contributions made during it are not really superior to the statistical contributions of the late nineteenth century, or, for that matter, aspects of war and post-second world war developments in economics. Its golden age aspects undoubtedly derive from the perspectives provided (often in retrospect) by some of the founding

fathers of Australian academic economics in the 1920s (and their close associates); a type of nostalgia which is perfectly understandable but not really justified by more detailed examination of the historical record.

### The successes of Australian economics

The nature of Australia as a "New Land" absorbing a growing population, utilising a large public sector and exporting wool and wheat to the rest of the world steered Australian economists in the period up to the mid-1970s to highlight a number of areas: problems of economic growth – including links between growth and population (see Chapters 5 and 6); living standards and tariffs (Chapter 6); the impact of a centralised wage system – amounting to labour market regulation – on the remainder of the economy, particularly Australia's international balance of payments; the importance of investment from overseas sources of loanable funds and direct investment for growth and income distribution; the economics of full employment (Chapter 9).

As a generally rapidly growing economy Australia has received scrutiny from geographers (Andrews, 1956), demographers (Borrie, 1948) and economic historians as well as economists. Among the economists, after 1940, Colin Clark did most to raise consciousness about the need to measure growth rates carefully and to think about the factors promoting Australian growth and how they interact (see Chapter 5). In the case of economic historians, special mention should be made of N.G. Butlin's investigations (Butlin, 1962 and 1964)<sup>4</sup> which analysed the long booms and changing standards of living in Australia as a result of longer-term trends and which, by their account of what went on during booms, form a story of economic development. The cyclical nature of Australia's development dates from its beginnings (as shown in Chapters 2, 6, 7).

From the strictly theoretical side (Chapter 8), a series of attempts have been made by Australian economists to come to terms with the determinants of growth, most notably Swan's (1956) growth model and Salter's (1960) work on technical progress in a model of growth. Application of these ideas to planning growth of the Australian economy was presented in the Report of the Vernon Committee (Vernon, 1965, Appendix "N") which for ten years ahead projected the rate of growth and isolated the main obstacles to achieving that growth rate – notably the rate of savings in the community that would be forthcoming and the longer-term trend in the balance of payments.<sup>5</sup> Finally, there were a series of policy-orientated pieces on growth attainment by Karmel (1953), Copland (see Chapter 6) and Gutman (1959), concerned with matching the savings ratio (partly via foreign investment and borrowing) with technological change and labour-force growth.

A visiting Canadian scholar (Goodman, 1964) claimed that Australian economic growth had been hampered by its wages system, which put a strain on the balance of payments, but that Australia had used foreign investment more effectively than Canada. Goodman also mentioned the effort devoted in Australia to understanding the dialectic of the importance of the international movement of capital and labour into the country, on the one hand, and the dangers of dependence on the world's economy on the other (Goodman, 1964, pp. 6-7, 84).

In the realm of wage policy in a developing but dependent economy, a great deal has been written by Australian economists (Hancock, 1960, 1986; Isaac, 1958, 1962) who have been forced to be totally familiar with the unique system of industrial relations embodied in the industrial courts and legal regulation of the processes of conciliation and arbitration of disputes over pay and conditions. Essentially what has concerned the wage-policy analysts is the interaction of wage-determination and monetary policy on the one hand, and of wage levels and long-run problems of the balance of payments on the other (Meade, 1956; Lundberg and Hill, 1956; Swan, 1963a). On the first issue, the problem they posed was that should there be in place a regime of wage indexation (the linking of money wage changes to cost movements of a basket of commodities), then interest rate changes may be required to ensure that interest rate levels are consistent with profitability of capital as determined by the real wage rate and technique. If monetary policy cannot accommodate profits in this manner something must "give". Wage indexation will tend to collapse. Hence the terrain of wage conflict and income distribution requires a specific type of monetary policy to be taken in conjunction with wage movements which hence are subject to wider monetary conditions in the economy.

In the case of the balance of payments problem it is argued (Swan, 1963a) that long-run wage and cost adjustments are necessary to reconcile full employment with long-run external balance and that wage machinery must keep wage rates down to the rate at which the productivity of Australian labour is rising, without any tie to the cost of living. Structural problems in the balance of payments must otherwise ensue.

A third area of concentration of research and analysis that can readily be isolated for special comment is the impact of foreign investment and borrowing – both the impact on long-term growth of real income (Arndt, 1957c, Treasury, 1965 and 1966) and on short-term internal and external balance (Arndt, 1957b; Treasury, 1966). In addition there is an area, little researched in a rigorous way by development economists concentrating on Third World countries, but highly developed in Australia. This is the impact of foreign investment on the distribution of

income between social classes. Reference can be made to empirical work (Wheelwright, 1963), a brilliantly intuitive piece of detective work with courageous policy recommendations (Fitzgerald, 1974), and an elegant, highly original geometrical exposition (MacDougall, 1960).

Finally, remarks (Chapters 6 and 9) on the Coombs-Giblin-Wilson-Melville group working on the theory and practice of the economics of full employment in the period 1941-5 need to be recalled. Theirs was an example of the sort of approach which was on the frontiers of economic argument (running parallel with the development of the "Keynesian Revolution"), but adding new things to analysis and policy of international significance. This group, in their strenuous upholding of a distinctive Australian position at international economic forums were by no means trying to remove Australia from the international capitalist system, but were attempting to build a defence for the Australian economy from the consequences of any unfettered exercise of American economic power.

#### The American impact: a fatal embrace?

The American version of neoclassical economics which became the fount of economic wisdom as part of America's economic hegemony over the Western world began to overwhelm Australia from the 1960s. By postulating its theories as universally valid, in terms of timeless and spaceless agents – households, firms, government, the "external" sector – this modern American economics displays little interest in social classes and institutions. Its methodology is based on individual choice, where market choices by consumers are determined by a coherent subjective preference ordering; decisions concerning what and how to produce are governed by a desire for profit maximisation; and buyers and sellers transact in markets where their individual influence is so small that they act invariably as price-takers. Given existing technologies, tastes and resources and their distribution, the market can generate solutions to the economic problem under modern Walrasian theory, in such a way that under the requisite degree of competition, market outcomes are depicted as satisfying the criterion of economic efficiency *ex definitione*.

This picture is admitted to be flawed by standards of real experience. Competition is not perfect, market prices and transactions take time to adjust, economies of scale if large enough prevent optimal outcomes, social costs may exceed private costs, while, at least in the mainstream economic theory dominant internationally, only frictions in market performance ascribed to trade unions, monopolists and time prevent the system's smooth operation by cyclical fluctuations in economic activity, inflation and unemployment. The market and supply and demand, given

unrestrained and informed choice, can overcome these problems if only the world outside reflected the world of textbooks. Hence deregulation, competition and anti-monopoly policy become essential prescriptions to turn the textbook vision into real life.

Likewise market outcomes by definition set the standards in economic debate under this American viewpoint. The role of government is described as "market failure", hence possible to eliminate if everything is brought within the scope of the market. Planning or other forms of non-market organisation are likewise tainted by definition because of an inability to allocate resources effectively, and thereby fail the test of economic rationality *ab initio*. These foundations, perhaps assisted by the visible failures of Russian-style planning and socialism, inspired the conversions from Fabianism to market economics of Arndt and Corden (described in Chapter 8) and the hatred of planning increasingly emanating from Treasury, including its more specifically 1980s manifestations of privatisation, corporatisation and deregulation (see Chapter 9).<sup>6</sup>

At the macro-economic level this philosophy of markets bolstered by the theorems of pure theory has an equally potent impact. Monetarism to a very large extent is explicable in terms of a desire to restrain the degree of intervention permissible to government, and its drive towards greater competition is at least in part designed to eliminate the need for government intervention. Its successor, rational expectations or the new classical economics, based itself on the view that agents in a market economy behave rationally, hence have rational expectations, that is, they tend to behave *as if* perfect knowledge is combined with rational calculation. The school has foundered on the fact that its assumption of "knowing the future" destroys the possibility of a *stream* of continually fresh perceptions, that is, it is flawed on institutional grounds rather than for its apologetic character and apotheosis for market economics. Government intervention for macro-stabilisation remains therefore on the agenda but its extent and nature are hotly debated.

Much of this North American market economics is now fully absorbed into Australian teaching of economics. The older traditions of a positive role for government in ensuring those social goals the market was seen as unable to achieve have been relegated to the background. Irrespective of a colonial socialist heritage and the paternalist role to government this is said to impart, or for that matter the realisation that governments have made many mistakes in the past, the vision of the unqualified benefits of an unfettered market system presented to students in the textbooks would not have been acceptable to even the most conservative of Australia's economists. This was not because of lack of theoretical sophistication but rather from the strong appreciation of the lack of universality assignable to economic theory and an honest

appreciation of the desirability of testing theory with facts. The early availability of such facts in the collections produced by the government statisticians as well as the critical respect for the evidence by the early contributors to the *Record* (particularly for those whose practice was tempered by government service experience) meant that the simple acceptance of the findings of theory was rare. The tariff debate of the 1920s (Chapter 6) is a striking example of this; and even Corden, from his familiarity with this tradition in Australian economic debate, warned his readers that his arguments were never capable of yielding "direct policy conclusions automatically applicable to all countries at all times" (Corden, 1974, pp. 415-16), no matter how far he himself has "sinned" in that direction in domestic macro-policy debate.

American economics has of course raised the technical ability to use the available data for testing particular economic theories. Econometrics has been given little discussion in this volume (largely confined to Chapter 8) where its growth and quality, in Australian economic practice, were fully acknowledged. The enormous value of these techniques for forecasting was also noted, irrespective of the failures which are inevitably associated with such forecasts. Econometrics has not been nearly as successful in testing theory as its early supporters originally hoped. This arises from the problems of time lags in such testing ("the last refuge of the economic scoundrel is the time lag" as a wit once paraphrased Samuel Johnson on patriotism). More commonly, it arises from the temptation to manipulate equations, variables and data until the "facts" fit the hypothesis. Computing has facilitated this practice, and has put econometric "testing" in the hands of those who often fail to appreciate its many limitations.

The tenor of this discussion is that no matter how important the influx of American practice, it need not be a fatal embrace if *critically* accepted. This requires critical teaching of the theorems with students advised of their limitations from the start: criticism by academics of the populist demagogues selling the panaceas and "snake oil remedies" of the latest American fads whether it be multilateral free trade, privatisation, supply side economics (remember the Australian marketing of the Laffer Curve?), extreme versions of monetarism or the rational expectations movement. It also means tolerance of unconventional ideas, unless they can be unequivocally *shown* to be wrong. Australian economics in the past had a fairly good record in its willingness to test new ideas with critical scrutiny and to embrace at least some of the views of the non-specialist. Recapture of such sceptical values, assisted by common sense and study of the facts, can resist the American invasion of economics currently accelerating; after all, Australian economists of previous generations weathered the vulgarities of a Bastiat and the utopias of a Bellamy. Given a return to greater

emphasis on critical values in technical teaching, genuine empirical analysis, and a lack of faith in universal remedies imported from overseas, the American overdose in current economics need not be fatal to the continuation of an Australian economics useful to Australian problem solving and policy formation. This last matter is developed further in the next and final section.

### Synthesis or obliteration: can a distinctive Australian economics survive?

An increasing preponderance of Australian graduates completing their economics studies in the United States combined with rising dominance over undergraduate programmes by American perspectives on the subject raises the issue of whether Australian economics as described in this book can survive into the next century.

The answer probably depends on three factors. The first is the simple one of a possible backlash among staff and students once the trivialisation of economics becomes obvious and it is realised that graduates working in business and the public service are hampered in solving concrete problems by an inadequate training and perspective. If this happens, pressure to reintroduce comprehensive instruction in aspects of the discipline such as the history of economic thought (to regain perspective and to get an appreciation of the "vision" of the more venturesome Australian economists) is certain to occur. (See Coombs, 1983, pp. 4-5, for a practical Australian view of the value of this.) In other words, the dominant manner of teaching in most academic economic departments would be strongly challenged.

It is interesting to speculate whether philosophical foundations and fundamental methodology play the same leading role which Reder (1982) has shown to be behind the results, the attraction and the expansionism of Chicago-style economics. What is known (as pointed out in previous chapters) is the presence of a strong early influence of economists like Mill, McCulloch and Senior which meant that at least some of the methods of British classical political economy had an impact on Australian economists, especially the government statisticians assisting the government in economic policy.

In Sydney at least, it can also be noted there was a period when "realist philosophy" as propagated by John Anderson who had taught political economy in Scotland (Cumming, 1987, p. 144) and by Francis Anderson was very much a force. This may have influenced (at least in indirect ways) the methods by which economists from the Sydney campus approached economics for much of the twentieth century. In that case they would have absorbed, to briefly summarise an "Andersonian" approach, a viewpoint which was "empirical" but which

carefully distinguished two meanings of this word. These are: an ideal theory hypothesising a basic kind of knowledge as particular or unrelated; and, secondly, a theory that scientific discovery was by trial and error, all experiences being both general and particular. The realist philosophy defended the second of these positions only (Cumming, 1987, p. 110 and pp. 146-61). Echoes of this approach are visible in work by some Sydney economists and, surprisingly because independently, have some counterpart in the work of Archer, Hayter and Colin Clark. However, the degree of influence this way of approaching things exerted on Australian social science remains a matter of speculation. What can be said is that Australian social sciences, including economics, were inoculated for many years by the example of earlier practitioners, from the influence of some of the extremes of American behaviouralist approaches and from those methodologies described by Reder as coming to dominate American economics (Reder, 1982). Whether the collapse of resistance reflected simply the "professionalisation" of Australian economics or the fact that the increasing trend was towards the "internationalisation" of the discipline,<sup>7</sup> as some have claimed, or other factors, remains a matter of conjecture. If other factors were at work they are likely to include disillusionment with the results and possibilities of the hitherto popular Keynesian economics in the fact of stubborn stagflation; the change in political mood from the centre-left of the days of Coombs, Melville and Crawford, to the centre- and far right in the political consciousness of a majority of economists and the need to be "onside" with the many enthusiasts for American technique and approach who hold powerful positions in academia, the federal Treasury and the journals. Certainly the growing tendency towards the practice of semesterisation of teaching programmes and the "publish or perish" mentality exert pressures unknown during the less hurried times of the Scottish "terms" and the importance (and opportunities) these gave for quiet reflection. Thinking things through to ultimate conclusions and emphasis on sustained, fundamental research have lost out to what can only be described as the obstacle course the American way prescribes for professional and academic advancement.

The second factor determining the viability of a separate Australian economics is whether conditions exist for a group of economists, perhaps members of the "Post-Keynesian" or the Kaleckian schools (see Groenewegen, 1979a, 1986b) who uphold and build on those areas where Australian economists may have some claim to a "comparative advantage". Development theory, trade theory, labour economics linked to issues of technological progress and oligopoly, taxation theory and fiscal policy generally under federal conditions, are examples that spring to mind. Here, as in the past, there is likely to be conflict between

two opposing tendencies – those wanting to get on with solving Australian problems as the primary emphasis, and those (whether of the left or the right) who simply follow overseas trends in thought and techniques. There has always been a group of economic thinkers in Australia with a rather neo-colonial, deferential attitude<sup>8</sup> who preferred to follow the line of the British banks and the general requirements of British economic policy or, in a later generation, to become honorary Americans. Thus early issues of the *Economic Record* contained articles on the British banking structure and policy as well as many reviews on these topics. As explained in Chapter 6, Sir Otto Niemeyer's controversial visit to tell Australians what was required of them in the policy area in 1929 produced a sympathetic response from quite a few economists who acquiesced in the "living beyond your means" theme and demands for priority to be given to protecting the interests of British bondholders. R.C. Mills abandoned his former attachment to the economics of Hearn for the approach of Cannan. Brigden did likewise (Wilson, 1951). It is, however, also true that Coombs, Wilson, Melville and other economic advisers to government were prepared to support an "economics of full employment" more sophisticated than the Beveridge/White Paper approaches dominant in Britain and one independent of the American line in ways which disconcerted the American economists at the time (see Chapter 9). However, the ideas of this group were rarely taught in universities after 1960. A decade later the situation of a lively group dedicated to a particular Australian spirit of economic inquiry was transformed into one where much of the economics profession resembled a minor sub-branch of the American Economic Association.

The third force swaying the balance as to whether Australian economics can survive "Americanisation" is whether economics might receive some enrichment from other disciplines (such as economic anthropology, economic geography or economic history). In the past this happened with the influence of John Andrews and Mal Logan in economic geography, the Epsteins (1967, 1968) and Gregory (1982) in anthropology, and John Blatt from physics and applied mathematics (Blatt, 1983; Blatt and Boyd, 1988). A jolt may also be given to the subject by someone reaching world eminence in a particular branch of economics or statistics. Examples include Coghlan and more recently Brian Tew, an expert on national income accounting and international banking in the 1950s and after (Tew, 1950 and 1977). However, this seems an unlikely possibility given the remoteness of Australia from the power centres of dominant world economics (the United States and Sweden)<sup>9</sup> and the peculiarities that continue to be associated with a "new land" or "frontier economy".

What Australian economics produced in the twentieth century was a small group of extremely talented experts (Coghlan, Giblin, Clark,

Swan, Arndt) who helped to forge an Australian view that became known for its willingness to use robust assumptions, assemble stylised facts for analysis and make rather audacious excursions into policy recommendation. Following the decline of that spirit after the 1960s, it seems that recovery of the vigour in Australian economics exhibited in the past requires a quest to once again strike out as independently as possible.

This in no way implies the desirability of an approach based on nationalism and parochialism. The whole argument of this book has been, rather, that there has always been a tension between those economists who mindlessly followed overseas trends and those who tried to use the insights of the discipline at the international level to solve the problems of Australia in a way that would assist the Australian people and not simply narrow commercial interests. For a distinctive Australian economics to survive, the vision of the second group needs to prevail.

### Notes

1. By Mauldon (1942, pp. 233-5) in his review in the *Economic Record*. The absence of many genuine Australian texts in the post-war period despite the enormous growth of the educational market is a sign of its Americanisation, particularly since many widely used textbooks at the first-year level consist of Australianised American texts, sometimes highly successful but, in many other cases, less so. There are some exceptions, for example, Tisdell (1982) and, at the more specialist level, Arndt (1957b), Groenewegen (1979b). Another example is the series of Pelican readings in Australian economic policy: these covered agricultural policy (Throsby, 1972), industrial economics (Lamberton, 1972), inflation and unemployment (Neville and Stammer, 1972), overseas trade investment (McCull, 1972) and the public sector (Dixon, 1972).
2. An interesting feature of this transmission process is the inordinate influence exerted by Bastiat on Australian economics. This was shown to have been of considerable importance in Hearn's work (Chapter 3), that of De Lissa (Chapter 4) and Johnston (Chapter 5), and widely used in the defence of free trade (Wise) and even of interest (the passage cited from "Cinderella" on spades and abstinence (Chapter 2, note 13) may have owed its origin to one of Bastiat's parables on interest). The *Australian Economist* illustrated the wide acceptance of Bastiat's views in Australian economic circles at the time.
3. In the context of the multiplier, its early Australian discovery is perhaps explained by more simple and visible interdependencies between economic aggregates in Australia as compared with Britain, as shown especially in De Lissa's work and the Physiocratic work from which it derived. The more general interdependence between sectoral prosperity and national prosperity as part of the transmission of boom and depression (in which income, spending and employment were closely related) is visible in Ogilvy's discussion of the 1890s (Chapter 2), and underlies the sunspot explanations of cycles via harvest effects.
4. Noel Butlin's studies, indeed his whole "vision" of Australian economic history, have dominated the Australian economic history profession. Like Shann, he accepted, and indeed confirmed empirically, the fact of a large size and significant role for the public sector in Australia's economic growth – especially compared to Canada and the United States. In recent years (Butlin, Barnard and Pincus, 1982) he has used these facts as an explanation of relatively poor long-term economic performance in that there was over-regulation of labour markets, excess use of protective tariffs and so on. The work by Butlin, Barnard and Pincus (1982) has chapters (such as chapter 5) with snappy titles like "All the Restrictive Practices Known to Man". An alternative path was mapped out by I.A. Parker (to whom our volume is dedicated) whose life was tragically cut short by a car accident. In public talks and a seminar paper at the A.N.U. (I.A. Parker, *Railway Construction – the Process of Decision-Making, 1859-88*, Australian National University, 1957), he showed the advantages of starting from the viewpoint of location theory, external economies of scale, "leading sectors", distance (hence railways) and an approach akin to H. Weigman's *gestalt* model developing Von Thunen on location. Instead of the purely static model of Von Thunen's isolated state, a space economy is conceived as a continuously changing dynamic system with a relatively stable core made up of overlapping markets in factors of production with other markets superimposed on the core. This would stand in sharp contrast to what Parker described as "race-track" and "flashing scoreboards" in relation to the N.G. Butlin contribution where the emphasis is on whether private or public investment is in front as the growth curve unfolds, and where what is happening to GNP and its components are highlighted on a short-run basis. In Parker's view attention should be given to railways, brewing and timber as "leading link" sectors. Moreover, bankruptcies and falling profits in the balance sheets of selected companies might also be a more reliable guide, he suggested, than the Butlin's "guestimates" as to whether a particular group of years was, in reality, a period of boom. Had funds and research effort been put into developing the alternative Parker-Weigman approach, Australian economic history, as far as growth patterns were concerned, might have looked very different, especially in the light of the development, years after Parker, of the whole "tyranny of distance" theme, of which a great deal has been made by the press.
5. Mention should be made of the tremendous and very practical contribution to the study of the growth of the Australian economy by the long-term financial editor of the *Sydney Morning Herald*, Mr Tom Fitzgerald. His articles are too numerous to cite here but an idea of their quality can be gained from his piece, "French Without Tears on Paper" (*Sydney Morning Herald*, 21 November 1963).
6. It needs few reminders that the applicability to policy of these theorems is fraught with enormous difficulties, as pointed out by the leaders of the profession in the American mainstream. For example, Graaf (1957) lists



seventeen necessary assumptions for the optimal efficient resource allocation consequences of the theory to be realised. Many of these are very restrictive but rarely stressed by the new libertarians. Likewise, the theory of the second best has robbed much of the theory of operational significance, while many of the policy inferences drawn from this imposing set of theorems have likewise been shown to be flawed.

7. The notion of "internationalisation" of the discipline should be treated with some caution as it can be argued this is an historically specific phenomenon derived from the global hegemony of the United States economy after the second world war.
8. A further example of the neo-colonial mentality can be seen in the consistent preference of State governments, when requiring economic advice, for calling in overseas-based "experts" and "consultants". In Queensland in the 1950s and early 1960s, for example, there was a series of such exercises – the Condliffe Report, the Merz-McLellan Report and others. For details see Marion Gough *et al.*, *Queensland: Industrial Enigma*, chapter 4 (M.U.P., Melbourne, 1964).
9. Sweden, because it to an extent controls the Nobel Prize Award in Economics (see Lindbeck, 1985).

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