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Settler Economies in World History

The State and Economic Development in Australia and New Zealand 1945-84

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1. **Introduction and Arguments**

Comparative studies of the white-settler societies have proceeded in fits and starts over the last few decades, mostly concentrating on the period before 1914 (McCarty, 1964; Armstrong and Ehrensaft, 1978; Denoon, 1983; Schedvin, 1990). The literature emphasises the common economic position of the white settler societies as producers of (mostly) temperate primary commodities, as destinations for British migration and capital, and with manufacturing sectors oriented largely to the domestic market. Definitions for inclusion varied, either broad (including Argentina and Uruguay and possibly regions like the Great Plains) or narrow (whole states only, Canada, Australia, New Zealand). Less has been written on the period since 1945. There are exceptions, notably Singleton and Robertson's excellent analysis of Australasian economic relations with Britain between 1945 and 1970 (Singleton and Robertson, 2002).

Given their geographical proximity and broadly similar experiences, comparisons between Australia and New Zealand are obvious. Francis Castles, whose work on Australasia has been influential, has noted the importance of identifying the distinctive features of settler capitalist societies and making appropriate comparisons. Those comparisons are likely to be, not with large industrial powers but with other small democracies, with common features being the small internal markets, resulting in an orientation to foreign trade, and therefore specialisation; vulnerability to trade cycles is an inevitable result (Castles, 1988: 39, 41).

Few doubt that the Australasian economic reforms of the 1980s represented fundamental change. There is less agreement on preceding decades, but much recent writing is sharply critical. Castles emphasises continuities across the whole period from 1901 to 1984, and Paul Kelly's popularisation is organised around the notion of an 'Australian Settlement' (Sawer, 2004: 32). The Settlement was 'introspective, defensive, dependent', constructed upon the 'bedrock ideology [of] protection', reinforced by White Australia, centralised Wage Arbitration, State Paternalism, and Imperial Benevolence (Kelly, 1992: 2). It 'fostered a weak domestically orientated business culture and a union mythology of a workers' paradise'. The 1980s neo-liberal reforms were overdue: 'the obsolescence of the old order is documented…. Since Federation Australia has failed to sustain its high standard of living compared with other nations. Australia's economic problems are not new…. The malaise stretches back … to the post-Federation Settlement. The legacy of the Settlement has been relative economic decline throughout the century. Australia is a paradox – a young nation with geriatric arteries' (Kelly, 1992: 13).

Michael Bassett takes a similar view of 'pragmatic economic and social interventions of successive New Zealand governments' for which he detects general academic approval. No one 'has examined whether incremental interventionism, whatever its short term benefits to particular groups, was a reliable basis for long-term prosperity'. By the 1980s 'constant improvisation' and 'endless tinkering' resulted in an over-regulated, over-legislated society [which] had become virtually ungovernable'. If New Zealand was a pioneer in such interventionism, by 1950 'other developed countries were doing more of what New Zealanders had been engaged in for half a century' (Bassett, 1998: 4-16). James Belich, too, characterises the New Zealand regime, from the beginnings of refrigeration in 1882 to the 1970s, as 'recolonisation'. Where Kelly and Bassett imply an internally-driven stasis, Belich firmly locates the key impulses offshore – 12000 miles offshore. 'Recolonisation narrowed the New Zealand economy massively' and underpinned a narrow and conformist society, culturally as well as economically dominated by Britain (Belich, 2002: 70). Like Kelly, Belich sees the Labour government of the mid-1980s as the crucial instigator of regime change; the Muldoon administration 1975-84 is 'recolonisation's last stand' (Belich, 2002: 394, 425). While he is no cheerleader for neo-liberalism, Christopher Lloyd has also emphasised continutities, describing the whole period from Federation to the 1980s as a single regime 'of protection and regulation… on the foundation of primary export wealth and the concomitant historic compromise between capital, labour, family farming, and the state' and it is contrasted with 'a neoliberal globalizing regime' (Lloyd, 2002a: 235). The radical changes following 1983 were so 'pervasive' as to be 'revolutionary' (Lloyd, 2002b: 238).

Continuities are important and there is never a complete break with the past, but these conflations of eight or ten decades over-estimate the extent to which the regime created at the end of the nineteenth century – 'the labourist-protectionist model' - was a 'functioning form of social democratic capitalism' (Lloyd, 2002b: 244). I argue, instead, that the Liberal or Labor governments of the early twentieth century were less social democratic than agrarian-populist or agrarian-labourist. There was a fundamental shift towards social democracy in the wake of the 1930s Depression, amounting to a regime change. Emphasizing the 'continuing path dependency of location in the world system in terms of efficiency and wealth of primary exports, economic symbiosis with Britain, and later imperial trading preference' (Lloyd, 2002: 249) needs to be balanced by an appreciation of the diversification of export markets and, more slowly, commodities, after the 1950s.

Castles' argument is that Labour came to power too soon in Australia because the country was well advanced industrially, albeit based on small-scale workplaces and craft unionism not centralisation; he relies on the proposition that party systems freeze once formal democracy is established: 1901 in Australia and 1893 in New Zealand (Castles, 1988). Whereas European democracies which took the social democratic road and entrenched it did so only after 1945, in Australia (and by implication New Zealand) there was no change as a result of the depression but 'application of principles of public policy established… in the first decade after Federation' (Castles, 1988: 91). Federation entailed a historic compromise, which amounted to 'tariff protection as an instrument of national development, … the ideological hegemony of an idealist social liberalism, and… the high point of developmental statism' (Castles,1988: 128. Moreover, because Australia had a favoured position in the world system, Australian labour had no reason to go beyond 'a defensive posture and slow economic growth'. By contrast, European social democracy had little to wish to preserve and, coming to power later and after more trial, emphasised 'adjustment to economic change and an incentive to rely on its own resources to create organisational forms capable of ultimately wresting control of the bourgeois state' (Castles, 1988: 131-22). The 'comparison between Australia at one period (1890-1914) and the small European countries at another (1930s-40s)' has been called 'anachronistic' (Fenna, 1996, 73-75). Castles' approach also understates the extent to which

European socialist parties also accepted the politics of constitutionalism and accommodation.[1]

Like Castles, Marian Sawer emphasizes the persistent influence of social liberalism, entrenched as the dominant progressive ideology of a century ago. 'Once… institutions had taken shape, "path dependence" and the costs of changing direction ensured these ideas had long-term effects. They gave rise to longstanding patterns of social action reinforced by social understandings and expectations' (Sawer, 2003: 31). Sawer defines social liberalism as 'state intervention that increased rather than reduced liberty', implying 'that the "real freedom" of the individual could only be achieved through identification with a collective will oriented to the common good' (Sawer, 2003: 57). More prosaically, perhaps, social liberalism was state intervention to ensure the fair go, in Australa(sia)n culture 'a core value, shared by those on both the right and left of politics' (Sawer, 2003: 36).

Sawer defines social liberalism with excessive breadth, begging the question of what might characterise social democracy. If social liberalism is defined by ameliorative state action, it seems that all such action is ipso facto social liberalism and not social democracy or democratic socialism. It is not that Sawer disapproves of social liberalism: it 'made it possible to believe in the state as a vehicle for… social reform, without violent struggle or class warfare' (Sawer, 2003: 155). So, from Eduard Bernstein onwards, did social democracy. Because Keynes and Beveridge were not socialists but social liberals, it is assumed that Labour adoption of their prescriptions meant Labour had become social liberal; there is little indication of what might have constituted a more authentically social democratic approach (Sawer, 2003: 48; Battin, 1997: 25-27). In Sawer's all-encompassing definition, even Michael Joseph Savage, Ben Chifley, and Nugget Coombs are social liberals (Sawer, 2003: 49, 180). On a minor level, she makes too much of Savage's declaration that his government intended to begin in 1935 where the Liberal Seddon left off in 1906 (Sawer, 2003: 49, 122). One needs to remember that a Labour party, regarded by many as revolutionary or irresponsible or both, would make tactical use of such revered symbols in order to reassure a nervous middle class. Coombs's biographer emphasises that his approach was studiously technocratic because that was regarded as the appropriate persona for civil servants as well as economists (Rowse, 2002: 63). Coombs had to preserve a working relationship with rightwing politicians and, indeed, was vicously attacked by Oppositions of both left and right for speaking publicly, which must have reinforced his natural circumspection (Rowse, 2002: 185-92; Schedvin, 1992: 205).

In Australia and New Zealand, in any case, the striking phenomenon after 1945 is Labour's singular lack of electoral success. In Australia the period from 1949 to 1983 saw only three years of federal Labor government, and in New Zealand the record was scarcely better with two single three-year terms. Postwar sclerosis, if sclerosis there was, might more convincingly be attributed to conservative political hegemony than social democratic timidity. In Scandinavia, social democrats have enjoyed long periods in office. The Swedish party governed without interruption

[1] This argument unconsciously echoes Perry Anderson's view that Britain's lack of proper socialism was due to a supine bourgeoisie in turn producing a subordinate proletariat, and invites recall of E P Thompson's rejoinder about Other Countries and inverted Podsnappery (Thompson, 1978).

from 1932 to 1976.[2] As Castles has elsewhere noted, proportional representation can facilitate social democratic hegemony if the right wing fragments and the left remains relatively united (Castles, 2002: 37-38).

In my view, the continuities across eight or nine decades have been exaggerated. In this paper I will argue that the Depression and Second World War provoked a regime change in Australasian political economy, as elsewhere in the Western world.

2. Labourism, Social Democracy, and Keynesianism

Formal democratisation of the state did not freeze political party development in Australia or in New Zealand. There was a major realignment of the party system between 1911 and 1931 in New Zealand, and the Australian party system also changed considerably over that period.

Although the Australian Labor Party came to power at federal level a generation before the New Zealand Labour Party, the first ALP governments had much in common with the Liberal administrations in New Zealand – more, in fact, than they did with the Curtin-Chifley governments of the 1940s. Federal ALP platforms comprised White Australia, old age pensions, arbitration, and compulsory military training (Macintyre, 2001: 19). Major enactments by the first majority ALP government of 1910-1913 included a graduated land tax to encourage small farm subdivision, extension of arbitration, a maternity payment, invalid and more generous age pensions, and the establishment of the Commonwealth Bank with sole right of note issue. There was, also, railway expansion and 'a vigorous defence programme' (McMullin, 1992: 75). These policies were, with the exception of the state bank and pension expansion, scarcely distinguishable from the legislative record of the New Zealand Liberal administrations to 1911 (Hamer, 1988).

The ideology of these administrations may be described as labourist. Too often labourism is simply what labour parties or governments do and it is usually used perjoratively by radicals to imply betrayal of principle (Irving, 1994). Battin, however, notes the 'central definitive characteristics are supposed to be its relatively benign view of capitalism, where the interests of labour and capital are held to be identical, and the advocacy it makes on behalf of organised (male) labour in seeking (merely) an improvement of working and living conditions' (Battin, 1994: 34). Labourism is, in short, a less comprehensive programmatic attitude than social democracy and makes no assumptions about macroeconomic management or, indeed, anything other than wages and conditions.

Labourism, as an ideology of reform, was severely weakened by the First World War. On both sides of the Tasman, wartime conscription had a profound impact. The ALP broke apart over the issue, and conscription prompted the merger of a number of organisations into the NZLP in 1916. In New Zealand especially, wartime policy detached many working-class voters from the Liberals (McMullin, 1992; McKinlay,

[2] Or, to put it in an ALP context, from the year after the Lyons split to the year after the Dismissal; in a New Zealand context, from three years before the first Labour victory to the year after comprehensive defeat at the hands of Muldoon.

1979; Vowles, 1982). A degree of radicalisation was reflected in the the NZLP objective of 'the Socialisation of the means of production, distribution and exchange' which included gradual land nationalisation and a comprehensive expansion of public ownership (Harris et al, 1992: 138). The ALP also now advocated 'Emancipation … from all forms of exploitation and the obtaining for all the workers the full reward for their toil by the democratic control of all agencies of production, distribution, and exchange' (McKinlay, 1979: 89). In 1921, at the urging of an All-Australian Trade Union Congress, the ALP also adopted the socialisation objective (McKinlay, 1979: 90-92; McMullin, 1992: 126).

The pre-conscription ALP was a very different party from its later incarnation, and the difference is evident when one considers the Depression and its aftermath. The NZLP seemed to follow a less precocious path, not winning office until 1935, but there too the Depression was decisive in party evolution. In Australia, the Scullin Labor government tried a reflationary response but conservatism triumphed, as in Britain, with a Labour split and the reassertion of orthodoxy under a compliant ex-Labour leader.

Peter Temin has emphasized that adherence to the gold standard, that is to say, to fixed exchange rates, was a core assumption of pre-Depression regimes and it 'conditioned the authorities to react to balance-of-payments deficits by contracting domestic activity…. The response to a shortage of reserves was to be deflation rather than devaluation' (Temin, 1989: 15-19). The conservative administration led by S M Bruce thus attributed the onset of the depression to high production costs and attempted to reduce wages by abolishing Commonwealth arbitration in 1929 (Schedvin, 1970: 109). Defeat of this measure resulted in the election of an ALP government which did not control the Senate and was thus constrained. The ALP's difficulty was compounded by extreme levels of public debt and a real risk of default in 1930-31, and the extent to which therefore London banks could call the shots (Schedvin, 1970: 120-37).

ALP attempts to secure greater public control of credit, essentially through transforming the Commonwealth Bank into a central bank, were blocked by banking interests and the Nationalist party in the Senate. This embittered the left, reinforced Jack Lang's populist New South Wales wing, made life more difficult for Prime Minister Scullin, and made a political crisis more likely (Schedvin, 1970: 137, 172-76). The Melbourne Agreement, which followed Niemeyer's visit in July 1930, specfied balanced state budgets in every year, and stringent controls on further borrowing. It 'completely split the Labor Party, a split which seriously reduced the government's ability to resist the deflationary policy of the Commonwealth Bank' (Schedvin, 1970: 184). Some rightwing ALP elements moved towards the conservatives, while the populist Lang bloc talked repudiation (Schedvin, 1970: 185-95). When, early in 1931, Treasurer E. G. Theodore proposed expansion of credit to stimulate activity, the idea was initially rejected by all the State premiers as inflationary. Eventually, although the premiers accepted the plan, the Commonwealth Bank did not, and the government was brought down by a combination of Langites and Nationalists. Crucial factors in the government's weakness were the difficulties with federalism and an over-mighty Senate, as well as the ALP's own shortage of campaign funds which made it unable to dictate the timing of another election (Schedvin, 1970: 227-49).

The ALP administration was replaced by a new conservative party which included Labor renegades (notably the new Prime Minister, Joseph Lyons) and which oversaw an export-led recovery facilitated by devaluation of the Australian currency, in January 1931, to £A130 = £stg100. The devaluation had been implemented not by government but by the Sydney banks, particularly the Bank of New South Wales, which was most familiar with the rural situation. Other banks, including the Commonwealth, and the federal leadership of both parties, were suspicious of devaluation and adhered to 'traditional dogma equating parity with sterling with sound finance' as well as noting the increase in the cost of debt repayment that would follow (Butlin and Boyce, 1988: 203-04). Consistent with orthodoxy, the Lyons administration adopted a policy amounting to deflation and waiting for a recovery in export prices. Countercyclical spending in public works was explicitly rejected (Schedvin, 1970: 311-12).

Depression policy was similar in New Zealand, with the conservative administration operating in orthodox fashion, reducing wages and public spending, and approaching unemployment relief in a more or less punitive fashion. A significant difference was that Labour was not implicated in these policies; the remnants of the Liberal Party had formed a coalition with the conservative Reform Party in 1931. Recent scholarship has emphasised the extent to which J. G. Coates, Finance Minister from 1933, was prepared to consider new departures. He successfully advocated devaluation and the creation of the Reserve Bank (Hawke, 1973). 'The regime shift was intended to disassociate monetary conditions in New Zealand from those in Australia, and to restore farming prosperity' (Greasley and Oxley, 2002: 703). Although Temin has emphasized the importance of devaluation in prompting recovery, on neither side of the Tasman was devaluation on its own sufficient to restore confidence. 'A solution to the unemployment problem required a transformation of the industrial structure and the labour market. A quick solution to the unemployment problem required a war' (Forster: 1988: p 310). Indeed Schedvin has argued that the advantages gained by the Australian devaluation were 'lost… following the fall in public expenditure after the adoption of the premiers' plan' (Schedvin, 1970: 373). Similarly in New Zealand Coates remained in the old orthodoxy in many respects, opposing stimulation by public works and emphasising the importance of balancing every budget (McKinnon, 2003: 145, 149).

The NZLP disagreed on both points and enacted significant departures in policy after 1935. As with Roosevelt's Hundred Days, the vigour with which a new administration was seen to be tackling the depression contributed significantly to a recovery of confidence (Temin, 1989: 104). While much was done in stimulating economic growth and employment through the expansion of public works and wage increases, an early step was the nationalisation of the Reserve Bank in 1936. The priority accorded to this indicated the importance of central banks for settler economies, especially given the fragility arising from dependence on a small range of tradeable commodities (Rowse, 2002: 86). If an adverse trade balance was to be dealt with other than by deflation, then monetary policy had to be more flexible and integrated with other dimensions of policy. On both sides of the Tasman, therefore, 'the right of the private trading banks to determine their own policies, and to guide the economy as they saw fit, was unquestioned prior to 1929. During the depression they lost much of their autonomy, but not without a struggle' (Schedvin, 1970: 79). In

1946, looking back over Labour's first decade, Nash emphasised that full employment and economic expansion 'depended on putting the power of economic direction into the Government's hands, necessitating control by the Government of the currency and credit structure of the Dominion', which was the reason for Reserve Bank nationalisation (NZ Government, 1946: 7).

Whereas the New Zealand government had taken control of monetary policy through the 1936 Reserve Bank Act, the transformation of central banking in Australia was more piecemeal. Only in 1939 were trading banks required to sell their foreign exchange to the Commonwealth Bank (Schedvin, 1992: 17, 48). In 1941 war regulations required the banks to lodge surplus funds with the Commonwealth Bank and to submit to the Bank's direction on advances; the following year the Bank was given the power to set interest rates Schedvin, 1992: 60). In 1945 Chifley had new legislation enacted, similar to the New Zealand legislation in specifying full employment, currency stability, and economic prosperity, with direction from the Treasurer. Clearly, central banking was a key instrument in Keynesian management and was conducted very differently after Labour governments' reforms (Schedvin, 1992: 62-71). As a result, monetary policy could be used in a counter-cyclical fashion, 'to moderate the trade cycle…. [and] the swings in the liquidity of the banking system that arose from external shocks, such as the Korean war, or, from domestic fiscal stimulus, or, the seasonal influence of export earnings and taxation payments' (Merrett, 2002: 277).[3] Recent comparative studies have emphasized the common adoption of such policies after 1945. Whereas for both pre-Keynesian and modern neo-liberal orthodoxies 'the priorities of monetary policy were and are holding inflation in check and maintaining external balance, and the main instrument… was and is interest rate policy', the priority in the post-1945 settlement was growth and employment and 'fighting inflation was often the task of incomes policy and/or credit rationing'. This in turn meant that interest rates could remain modest which assisted investment (Forsyth and Notermans, 1997: 44).

3. Postwar Reshaping

Peter Gourevitch, in a comparative study, distinguishes between the social liberalism of the 1890s and the social democracy of the 1940s. He identifies two crises and two settlements. The Long Depression of 1873-96 resulted in the adoption of protectionist regimes in many industrialising states: Gourevitch instances Germany, France, Sweden and the United States (Gourevitch, 1986: 22-24). These states share characteristics: 'complex economies – part modern, part backward; part industrial, part agrarian; part oriented toward aggressive competition on a world scene, part oriented toward sheltered home markets' (Gourevitch, 1986: 67).[4] The Great Depression and the Second World War and its aftermath (1929-49) were a more severe crisis and consequently 'produced a massive attack, *even greater than its*

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[3] This is not the place to argue the economic or political merits of other aspects of Chifley's banking policy, which amounted to 'a direct assault on the commanding heights of capitalism in Australia' (Schedvin, 1992: 78).

[4] Gourevitch emphasized that Canada and Australia would have been valid inclusions and were omitted for reasons of space. By implication, New Zealand would also fit (Gourevitch, 1986: 68).

predecessor's, on the classical economic views that dominated policy' (Gourevitch, 1986: 24, my italics). Gourevitch suggests that there were interim settlements in the 1930s (the National Government in Britain, for instance, or the Lyons administration in Australia, with devaluations and not much else). However, 'war then reopened issues of political economy by shaking loose the political settlements of the 1930s. In the postwar years the policy debate resumed, augmented by the titanic consequences of the war itself,' resulting in a degree of convergence in liberal capitalist societies 'building in effect a compromise to end the battles of the 1930s' (Gourevitch, 1986: 28-29). In general 'the war created new opportunities to resume a debate begun in the thirties over how to accommodate new changes in the international division of labour and the international business cycles that are part of that division…. the postwar years saw the construction of an accommodation' (Gourevitch, 1986: 125).

In Australia and New Zealand, as I have noted, devaluation was not sufficient to prompt general recovery. The NZLP was in a position to inaugurate an early version of the Keynesian settlement after winning a decisive majority in 1935, reconfirmed in 1938 with 56 percent of the popular vote, a figure which is a record for any social democratic party at any time, anywhere. The ALP came to power in 1941 after a parliamentary vote, and in 1943 converted its thin majority into a solid electoral mandate for a Keynesian policy. The Swedish Social Democrats, as noted above, won office three years earlier than their New Zealand counterparts, but even there as elsewhere Gourevitch argues that 'the impact of the war was to add new dimensions to a framework of debate shaped by the interwar years' (Gourevitch, 1986: 126). In explaining such differences, the key for Gourevitch is in the organisations specific to each society, particularly state structures and the strength of labour. 'Where labor-allied parties and trade unions were drawn into coalitions, economic policy innovation could take place, and in a constitutionalist context. Where organized labor was was repressed but another source of mass support was tapped, policy innovations occurred, but under fascist dictatorship. Where organized labor was excluded but not repressed, as in the United Kingdom and in France before and after the Popular Front, policy changes were more limited' (Gourevitch, 1986: 28). Sheri Berman has emphasized the importance of party discipline and of realism as well as institutions. The New Zealand Labour Party enjoyed considerably greater success during the 1930s than did the Australian. The federal system was, not for the last time, an obstacle to ALP ambitions. But the NZLP demonstrated stronger party discipline and a willingness – on the part of the leadership at least – to move beyond old shibboleths about 'the money power'. Lang's populist rhetoric found a ready echo in a wider ALP attitude, amounting to unreconstructed hostility to 'Bondholders' or 'Money' (Schedvin, 1970: 95), whereas his New Zealand equivalent, John A. Lee, was never able to be as destructive. As Berman has noted, an ability to replace rhetoric with coherent and workable policy proposals counted for much in social democratic success in the 1930s (Berman, 1998).

Gourevitch also argues that an essential condition for comprehensive reform was the creation of farmer-labour coalitions which typically conceded price support to agriculture. Social democratic parties abandoned a serious commitment to socialisation of production and settled for social welfare, enhanced union power, and full employment through counter-cyclical spending (Gourevitch, 1986: 131). This was exactly the case in Sweden, confirmed in the 1938 Saltsjobaden agreement. Scandinavian social democracy was considerably assisted by proportional representation, which gave the various components of the Right an incentive to maintain separate political identites, while favouring the large Social Democratic bloc and enabling it to pick the agrarian party off. The NZLP's victories in 1935 and 1938 included strong agricultural support, particularly smaller dairy farmers, while the ALP secured support from wheatgrowers in the 1943 election due to price support, although otherwise the Country Party made it difficult for the ALP to win rural votes (Overacker, 1968; Fenna, 1996). In Australasia, majoritarian voting systems allowed revived conservative parties to regain a dominant position among rural voters by offering judicious levels of farm support from the late 1940s.[5]

The 1940s Labour governments on either side of the Tasman had a considerable identity of views on the postwar agenda. Both governments emphasised that the suffering of wartime could only be justified if a better world was to emerge as a result. This meant economic planning and a commitment to full employment. The Australian White Paper on Full Employment, a 'remarkable document…. involved a fundamental break with the past'. Whitwell acknowledges that 'Australian history has been characterised throughout by a dependence on governments and by a high level of government regulation. However, pre-Keynesian… regulation was essentially piecemeal rather than integrated, microeconomic rather than macroeconomic' (Whitwell, 1986: 56-7). The Keynesian approach represented a clear break with the status quo, entailing 'the acceptance by the federal government of the notion of economic control or management…. aggregate expenditure was to be consciously and purposively manipulated to iron out boom-slump cycles and maintain full employment' (Whitwell, 1986: 5). A similar approach in New Zealand was elaborated on in various Budgets.[6] Close and permanent monitoring of the economy, and the generation of the kind of information necessary to this end, implied the shift from accountants to economists that characterized both Treasuries after 1945 (McKinnon, 2003).

Economic policy in the immediate postwar years was of course dominated by the imperatives of reconstruction. Contrary to some stereotypes of Keynesian management, Australasian policy after 1945 was highly disciplined. Condliffe's observation about an economy 'taut with suppressed inflation' is too easily forgotten now, as is the discipline with which Chifley, Fraser and Nash approached economic management. Postwar budgets contained frequent homilies that 'there is no road to national prosperity and an increase in general living standards, except by increased production and equitable distribution' (NZ Government, 1946). Monetary policy was relatively restrictive, at least in prioritising investment (Schedvin, 1992: 138-41). Public spending was directed towards the provision of infrastructure. Wage growth was firmly controlled, with the expansion of social services and transfer payments the

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[5] Australian parliamentary conservatism operates through the Liberal-Country (now National) Party Coalition but since this coalition is virtually unbreakable whether in government or opposition the analysis holds. Australia's preferential voting system allows the Country/National Party to retain a distinctive identity within the conservative bloc. In New Zealand one should also note the strong farmer-politician tradition; see Brooking (1997).

[6] While a draft paper on Full Employment was considered by the New Zealand Cabinet in October 1945, it was not adopted, although its approach to the Budget, as a general instrument of economic policy rather than a statement of accounts was in all essentials adopted, or already had been (Martin, 1990). Martin is partly correct, I think, in arguing that it represented too explicit a commitment for the increasingly cautious Fraser, or perhaps it was not Fraser who objected but the increasingly powerful Ashwin.

tradeoff. This disciplined approach is, as Battin has suggested, implicit in Keynesian economics, a truth obscured by the often-quoted apostasies of James Callaghan and, to a lesser extent, Bill Hayden (Battin, p 40). A fundamental assumption in Australasian government and business, as elsewhere, was that the war would be followed by a short boom, succeeded by a severe slump. This had been the experience after the First World War, and that it was not repeated was due to the Marshall Plan, 'the classic example of pump priming which enabled a reconstruction boom to transform itself into a succession of economic booms, consumer goods and export-led, which… fed one into another in an unsurpassed miracle of production until the late 1960s' (Hennessy, 1992: 297). Without Marshall there would have simply been economic collapse and a siege economy in Britain, and not incidentally the destruction of the Australasian economy (Hennessey, 1992).

After 1945 there was a consistent tension between traditional economic ties to Britain (strongly reinforced by the war) and the developmental attractions of a more independent path, reinforced by the considerable backlog of domestic capital investment. Partial integration with British economic policy was driven both by Britain's own need for food and raw materials, and the Sterling Area's need to earn or save dollars. Yet planning for the postwar era also involved wider perspectives. Industrial development was a priority, not for its own sake but in terms of reducing the vulnerability which was inherent in dependence on a narrow range of minimally-processed primary exports (Jones, 2002).

The commitment to full employment, which was also enshrined in the 1944 Canberra Pact between Australia and New Zealand, was not isolated but stood alongside commitments to expand industrial and food production and the establishment of the World Bank and the International Monetary Fund. In the latter case, international monetary co-operation, exchange stability, and the expansion of world trade were emphasised. It is evident that New Zealand and Australian representatives, with the Scandinavians, argued vigorously for the adoption of full employment as an internationally agreed policy. This was resisted by the major powers, which regarded employment policy as an internal matter in a way that exchange rates were not (Beresford and Kerr, 1981; Sinclair, 1976; Nolan, 2003).[7] Australia and New Zealand shared ambivalence towards postwar liberalisation of trade. In principle both Labour administrations and their advisers supported it, but there was suspicion of United States enthusiasm for liberalisation so long as that country remained committed to agricultural protection (Beresford and Kerr, 1981; Day, 2001; Singleton and Robertson, 2002).

In the short term, too, a theoretical attraction to trade liberalisation was qualified by more immediate concerns with the Sterling Area's grave shortage of dollars. The Australasian dominions co-operated with Britain in restraining domestic demand and prioritising exports. These policies were continued until the end of 1949, when both Australasian Labour administrations lost general elections. The difficulties experienced by the British economy from 1945 until 1951 do not need repeating here, but the dominions' co-operation was exemplified in constant requests from London to restrain imports, even from Britain (Schenk, 1994: 62). It is likely that the

[7] I am grateful to Dr Nolan for a number of discussions on these matters and for the reference to her 2003 article.

ideological affinity which the Australasian governments felt for their British comrades was influential, even if tested at times (Newton, 1985). Australasian conservatives made much political capital out of continued rationing, and it is an irony that was unlikely to have been lost on Chifley and Fraser and their colleagues that while the conservative politicians who defeated them were inclined to emphasize the importance of the British connection at a rhetorical level, their direction in economic policy was much less amenable to London's requirements.

4. Keynesian Conservatism

There were general elections on both sides of the Tasman at the end of 1949; the defeat of both Labour governments resulted from a significant political realignment, in which the Australasian right wing reinvented itself, more or less rapidly accepting the fundamentals of Keynesian management. This was made easier, as in Britain and the United States, by the limits on the historic compromise evident by 1949. Public ownership beyond major utilities was off the agenda, and with the Swedish exception social democracy also accepted a place in the western military alliance (Gourevitch, 1986: 175). Marxists like E. P. Thompson criticised this settlement as the Natopolitan consensus, but its very limits allowed moderate conservatives in the Anglophone democracies to accept it, prompted by a good deal of electoral calculation and aided by majoritarian electoral systems (Castles, 1985: 68). Right-wing acceptance of the historic compromise was based, as Battin has noted, on the principle that Keynesian management was as far as they were prepared to go, whereas for some social democrats, like Chifley, it was a mere instalment (Battin, 1997).

Contrary, moreover, to Castles' suggestion, the right wing's reinvention of itself involved the formation of new parties. In New Zealand the National Party arose from a formal merger of the depression Coalition. If Sidney Holland, party leader from 1940 until 1957, was not noted for an interest in political philosophy, in 1949 he declared that 'I always hope that I shall remember the slump as something to avoid, and the way it was handled, too'. He asserted that 'the policy of the National party is to create reserves in London… so that, if private employment contracts, public employment can expand' (NZ Parliamentary Debates vol 285, 1949, pp 161, 163, 173). The Liberal Party of Australia emerged in 1944 from a major organisational effort (Martin, 1999: ch 1). Judith Brett has noted the difficulties in terminology when dealing with the main non-Labor party. 'Liberal, conservative, anti-labour, non-labour' are all possibilities and the party itself has never been sure whether it 'is liberalism or conservatism that holds this party tradition together' (Brett, 2003: 1). A persistent theme from Deakin to Howard is to claim solicitude for the national interest as opposed to sectional or class interests (Brett, 2003: 4). This, of course, is a staple of conservative rhetoric in democratic polities. It is clear, too, that labour was making the running. 'Facing the organised working class in parliament Australian Liberals were on the defensive and they knew it' (Brett, 2003: 11). The name 'Liberal' had desirable connotations. As Menzies recalled, 'we took the name Liberal because we were determined to be a progressive party, willing to make experiments, in no sense reactionary, but believing in the individual, his rights, and his enterprise, and rejecting the Socialist panacea' (quoted by Brett 2003: 5).

At a rhetorical level the new conservative governments had mixed their acceptance of Keynesian management with a good deal of enthusiasm for deregulation. In New Zealand, the early fifties have been called a failed counterrevolution. Although Holland indulged in rhetoric about privatisation, expenditure control and user-pays, in the end National was 'a party of developers as well as of fiscal conservatives…. the Korean War forced the continued use of economic controls…. and most importantly, National would neither dismantle social security nor endanger full employment' (McKinnon, 2003: 192). In Australia, having seen off bank nationalisation, the Coalition did not rush to enact other major changes to the 1945 codification of the Commonwealth Bank's role. The Country Party's mistrust of bankers 'differed from the Labor Party's only in detail' (Schedvin, 1992: 161). In New Zealand, amendments in 1950 to the Reserve Bank Act demonstrated the extent to which National had adopted Keynesian perspectives: the general 1936 requirement that 'economic and social welfare… be promoted' became a specific requirement to maintain both price stability and high production, trade, and employment (Dalziel, 1993: 80-82). There was in any case no going back. Macroeconomic management, whether direct or subtle, once begun could not be abdicated. Treasury's advice to the Holland government was that inflationary pressures, just as much as earlier concerns with employment, required 'thinking about trends and relationships in the economy as a whole, rather than solely the government's own finances' (McKinnon, 2003: 207).

Developmentalism, although reflecting a long colonial tradition, was given renewed emphasis in the postwar years, variously reflecting the rhetoric of nationbuilding, the management of investment, and an intention to create the conditions for private accumulation. While the labour parties had 'long-cherished developmental dreams' the right wing after 1949 'was if anything even more enthusiastic' (Whitwell, 1986: 96-97). Certainly the development strategy was a key factor in ensuring expansion and 'an unusually favourable investment environment prevailed' (Schedvin, 1992: 229). It was understood that developmentalism had inflationary implications, but there was little room to move. All New Zealand projects – housing, hydroelectricity, rail, land and forest development, and schools - were carefully prioritised, but 'any reduction in the rate of Government investment large enough to cause any significant decrease in inflationary pressures could not be made without abandoning or postponing projects for which a good case can be made on social. and economic grounds' (NZ Government, 1951: 47-8). This was particularly the case with hydro-electric capacity and telecommunications.

In Australia, too, developmentalism and the welfare state resulted in 'a clear inflationary bias in macroeconomic policy although, in the 1950s taken as a whole, this did not reach serious proportions' (Schedvin, 1992: 246). Consistent with the discipline implicit in Keynesian management, severe measures could be taken when necessary. In the wake of the Korean War boom, inflation reached 20 percent in Australia and a tough budget resulted, 'the first explicit use of fiscal policy for anticyclical purposes' (Whitwell, 1986: 105-06). The Menzies government also moved to 'restore some of the regulatory apparatus of the war economy' including capital issues controls, and a wool levy. Thereafter, Budgets applied 'the "fine-tuning" that was soon to become familiar' (Schedvin, 1992: 171, 200). New Zealand followed a similar path, although maintaining many of Labour's controls was also part of the price Holland paid to the more right-wing elements in the Federation of Labour for their assistance in smashing the militant unions in 1951 (Bassett, 1998: ch. 9).

It does not seem far-fetched to argue that for at least a decade after the war the development of infrastructure was an overwhelming priority, and that the more vigorous rural and industrial economy of the 1960s would have been impossible without that development. There had been a 'concentration in investment activity on background capital projects which do not produce an immediate and direct return in a rising output of goods and services' (Baker, 1965; NZ Government, 1960: 45-7).

The developmental imperative also weakened Australasian attachment to the Sterling Area (Schenk, 1994: 66). The Sterling Area had been formalised as a wartime expedient and its persistence was in the first instance due to the fragility of the British economy and the imperatives of reconstruction. While a recovery was under way by 1950, stimulated both by the Marshall Plan and the devaluation of sterling, dollar shortages persisted. In addition, the Sterling Area appeared increasingly attractive to British policymakers as a means of reviving Britain's economic position. Scepticism about the Sterling Area had been expressed even in 1943 by some Australian officials and it was in that context that Australia joined the IMF in 1947, fourteen years ahead of New Zealand. Australia needed access to the United States market, especially for wool, and a continuing Sterling Area would, it was feared, give the Americans a reason to maintain barriers. Moreover there was the risk that Britain would use the area to offer lower prices in return for the guaranteed market. A better medium term plan would be the expansion of trade by multilateral tariff reductions in place of imperial preference. Similar views were aired in New Zealand (Beresford and Kerr, 1981; Singleton and Robertson, 2002).

The Korean commodity boom considerably eased the worldwide shortage of dollars and made the Australasian dominions less inclined to submit to the British agenda, particularly as it was now clear that the dominions and dependent colonies were expected to carry the main burden of earning dollars for the Sterling Area. By the time Commonwealth Finance Ministers met in 1952, the Australasian dominions, among others, were prepared to declare at least quasi-independence. While Britain was the largest source of foreign investment in Australia and New Zealand, the United States was increasingly attractive as a source of technology and additional capital. Although the Sterling Area persisted until 1958, 'the Korean War marked the beginning of the peacetime realignment of the international economy by ending the dollar shortage and altering the balance of power within the sterling area'. The boom 'gave the overseas sterling area greater purchasing power on the one hand, and on the other emphasised the danger of relying on primary production to support national income. [These countries] became impatient for liberalisation of trade and payments in order to fulfil their development ambitions. Britain was still a necessary market for goods and capital but evidence was mounting that it would no longer be a sufficient centre for economic allegiance'. As far as the British were concerned 'the sterling area no longer promised a strong or reliable market for British goods although it was still an important destination for capital'. In summary, 'in 1950, Britain was at the centre of a well-disciplined discriminatory system based on the common need to protect the value fo sterling and to keep merchandise and capital markets as open as possible. By 1960, Britain's closest economic relationship was with continental

Europe, sterling was convertible and the interests of the members of the sterling area had diverged' (Schenk, 1994: 129).

5. The Evolution of Trade Policy

The weakening of the Sterling Area coincided with intimations of the eventual demise of the British market for both countries' primary exports. Singleton and Robertson have shown that Australasia began a cautious movement towards multilateral trade relationships in the 1950s 'as it became obvious that the British market offered limited opportunities for growth' (Singleton and Robertson, 2002: 123). An early sign of reorientation came with the post-Korean war balance of payments deficits. Both nations sharply reduced British imports in 1952; that the balance of payments and domestic industrialisation took priority over maintaining the dominions as markets for British manufactures. British manufacturers and ministers protested at length but 'a fissure was opening in the economic relationshop between Britain and Australia and New Zealand' (Singleton and Robertson, 2002: 104). It has been noted, moreover, that import controls before the war had largely been justified in terms of protecting employment, but this was 'regarded as obsolete in the Keynesian period, when it was assumed that full employment could be guaranteed by demand management… [Instead) import quotas were used as a macroeconomic tool to defend a fixed exchange rate' (Quiggin, 2002: 160).

For their part, too, the British steadily abandoned commitments to purchase Australasian primary commodities from the mid 1950s. Although some commitments were maintained, they were on a much less advantageous scale than previously. Whereas, in the New Zealand case, Britain had in 1952 guaranteed to take unlimited quantities of New Zealand meat until 1967, this commitment was abandoned within two years as Britain pursued policies of sourcing food imports as cheaply as possible and of encouraging domestic production. The first British application to join the EEC, in 1961, can hardly have been a surprise; certainly Australasian trade officials were by the late 1950s openly doubting that Britain would provide a market for expanded food production (Singleton and Robertson, 2002: 104-15).

New markets in Southeast Asia were thus actively sought, although Australia and New Zealand were more interested in exporting to Japan than in imports, perceiving that Japanese industries could undermine local and British manufacturers (Singleton and Robertson, 2002: 125-27), although Japan was not innocent of protectionist attitudes. Australia and New Zealand made bilateral trading agreements with Japan in 1957 and 1958 respectively, despite British qualms (Singleton and Robertson, 2002: 129, 130-33). Agreements with Japan and other Southeast Asian nations were in the context of an agenda of industrial growth and economic diversification. It was understood, however, that foreign exchange earnings would continue to depend largely on agricultural and pastoral exports, and it was noted that 'every effort must be made to enlarge and diversify markets for our export products and to persuade other countries to moderate their policies of agricultural protectionism.' (NZ Government, 1960: 47). I have argued elsewhere that the development of manufacturing in New Zealand after 1945 was attended with some success, in terms of the emergence of internationally competitive enterprises. The increase in manufactured exports, which nearly trebled as a proportion of total export earnings during the 1960s, is indicative. Similar diversification was evident in Australia (McAloon, 2006; Singleton and Robertson, 2002: 18).

Export markets also diversified considerably during the 1960s. Certainly, this process was erratic, with considerable haggling over how much imperial preference should remain, but by the mid 1960s there 'seemed to be no real scope for reviving the Commonwealth economic relationship' (Singleton and Robertson, 2002: 197). One response was the development of the NZ-Australia Free Trade Agreement in 1965, which although partial was an important step in economic integration (Singleton and Robertson, 2002: 200-04). Expanded trade with Japan was also a major priority, despite the erratic nature of trade politics and severe levels of Japanese agricultural protectionism, with the Japanese a major force both in the Australian mineral boom and in the development of New Zealand forestry as well as farm exports, and supplying capital goods to both southern nations. British interests continued to resent the developing relationship (Singleton and Robertson, 2002: 204). As Britian moved towards EEC membership, New Zealand successfully negotiated transitional arrangements which were denied to Australia where 'the British market was no longer of vital importance' (Singleton and Robertson, 2002: 211). Australia resented the discrimination, but the reality was that the trading orientation had shifted fundamentally and irreversibly for both nations; the difference was in degree and speed. After 1973 trade policy on both sides of the Tasman continued to emphasise diversification of external markets and an intensification of the trans-Tasman trading relationship (McKinnon, 1993: ch 9; Fagan and Webber, 1999). In summary, the radical changes in the foreign exchange and trading environments after the mid-1950s undermine the proposition that a single regime persisted for eight decades from 1900.

6. Goodbye Lucky Country[8]

The period from 1966 saw volatility and then recession. Across the western world, a 'long and successful record of internal balance – the combination of low inflation and unemployment – came to an abrupt end…. Fundamental shifts in the behaviour of the economy were taking place, as yet imperfectly understood…' (Schedvin, 1992: 419). In New Zealand the end of the long boom was, in Brian Easton's view, starkly indicated by the miserable prices received at the December 1966 wool sales (Easton, 1997: 73). Internationally, the difficulties intensified with the much-delayed sterling devaluation at the end of 1967 and the consequent run on US gold. The US trade position deteriorated further and, combined with economic difficulties resulting from lax fiscal policy, culminated in the demise of the Bretton Woods system in 1971. This removed a fundamental element of stability and few were prepared for the situation (Schedvin, 1992: 439-59).

At least until the late 1970s there was an attempt to deal with the economic difficulties by demand management. There was also a conscious attempt to emphasize exporting and to continue the diversification begun in the 1950s. Where policy was less successful was in managing wage demands; some economists, particularly Coombs,

[8] With apologies to Eric Bogle.

had always advocated an incomes policy as a necessary part of Keynesian discipline. A British institutional heritage meant that there was hostility both in the trade union movement and in powerful sections of the political establishment to any such proposal. This had been evident when full employment was discussed in 1945 in Australia as well as in Britain (Rowse, 2002: 112-14; Tomlinson, 1997). Then, after 1972, the final boom and the crash coincided with the return to office of Labour administrations hungry for the chance to implement a long-delayed agenda. The conservative administrations that succeeded at the end of 1975 on both sides of the Tasman adopted more stringent policies but did not entirely abandon Keynesian approaches. They were no more successful than their predecessors in implementing any sort of incomes policy; the bitter circumstances of the 1975 elections on both sides of the Tasman and a fondness for union-baiting rhetoric were disadvantages. In New Zealand particularly, after initial liberalisation Muldoon swung back to a level of micro-management that should be described as a caricature of Keynesianism.

The New Zealand economy, being smaller and more dependent on wool, was hit harder than the Australian by the 1966-67 downturn. The Government, having borrowed to get through the 1966 election, acted to reduce demand significantly during 1967. Cutting imports without reducing spending power was, Muldoon argued in his first budget, inflationary; a devaluation assisted exporters and by 1968 a measure of improvement was recorded. Public spending was increased explicitly in order to reduce unemployment as well as to make up for constraints the previous year. With export expansion a major priority, the 1969 Budget began a trend of increasingly generous subsidisation and price supports for farm producers, and to a lesser extent incentives for manufactured exports. Import and foreign exchange liberalisation were also evident from 1969 onwards (NZ Government, 1969, 1970, 1971). In 1972, with a difficult election approaching and a climate of export-driven economic boom, Muldoon stimulated the economy further, easing both monetary and fiscal policy and significantly increasing public spending (NZ Government, 1972).

Federal budgets in Australia likewise remained broadly Keynesian in approach. In 1965 restraint was required due to a long-term decline in primary exporting nations' terms of trade and to high military spending; given full employment, the state had no wish to compete for scarce resources to an extent that would drive prices up. (Commonwealth of Australia, 1965). Stimulation followed in 1966 after a year of drought but the following two Budgets were more modest with private sector growth healthy, particularly driven by the mineral boom. Indeed there was 'a pervasive air of confidence about Australia's long-term economic future' (Whitwell, 1986: 176). With inflation beginning to rise, Budgets were generally cautious but rapid wage increases were a stronger influence on inflation, even if a considerable share of inflationary pressure was imported (Whitwell, 1986: 182-87, 192). Industrial – and political – unrest and the wages explosion were international. Whitwell's account of Australia applies equally to New Zealand: 'there can be little doubt that the late 1960s saw the end of a long period of reasonably peaceful industrial relations and its replacement by a noticeable upsurge in industrial unrest' (Whitwell, 1986: 188-89). Simultaneously, a boom in commodity prices from 1971 to 1973 contributed to a perception that continued prosperity was guaranteed.

The Labour governments elected at the end of 1972 determined to introduce expansive social policies and believed that the economic situation allowed this. The

1973 Australian budget, while reducing tariff protection and farm subsidies, was too expansionist in delivering on election commitments, and paid too little attention to inflation. Similar policies were pursued in 1974, even as the world economy hit recession in the wake of the oil shocks and inflation climbed (Schedvin, 1992: 495; NZ Government, 1973 and 1974). While some scholars have argued that Hayden's 1975 Budget marked a break with Keynesianism, the Treasurer's own approach was qualified. Hayden argued that, given high inflationary expectations, it was not possible to spend one's way out of the recession, because inflation meant uncertainty which undermined investment; and in the absence of an incomes policy wage demands continue to increase (Schedvin, 1992: 521, 531). Hayden disavowed the suggestion that unemployment was an acceptable method or consequence of fighting inflation. Public spending was restrained, not in order to diminish demand, but in order to shift resources to the private sector in the interests of job creation (Commonwealth of Australia, 1975).

The New Zealand Labour administration also sharply increased social spending in 1973 and 1974. There were compensations, however: with farm earnings at record levels, subsidies on inputs were decreased as in Australia, although export incentives remained. (NZ Government, 1973). In 1974 some farm input subsidies were restored as a means of encouraging exports. On a general note the government's attitude was that increased productivity, export growth and trade were the priorities; autarky would be destructive. While adopting policies of price and income control (the latter with less success) the government determined to press ahead with its social agenda and considerably increased spending on housing, education, and health (NZ Government, 1974). In 1975, the recession strategy was explained as managing a gradual slowdown in economic activity in order to preserve employment and future growth, conserving foreign exchange and stimulating exports, while restraining domestic import demand, wages, and prices. Public spending, financed by borrowing, would continue to stimulate activity and address the government's social priorities. In the longer term, there would be attention to industry competitiveness through a review of protection, a considerable increase in export incentives, and more price support and subsidies for farming (NZ Government, 1975).

Both Labour governments were defeated at the end of 1975 and the incoming conservative administrations espoused a rhetoric of deflation and reduced public spending. In Australia, budget rhetoric from 1976 to 1981 attributed inflation to wages growth and rather ineffectually attempted to jawbone the arbitration commission. The iniquity of excessive taxation was another rhetorical staple but in practical terms fiscal policy was used in more or less orthodox Keynesian fashion, to restrain or stimulate demand according to circumstances. Social services were not drastically cut, although real spending increases were limited to little more than zero growth. There was a sense of recovery by 1981, with inflation and the deficit falling, employment growth, and the largest increase in fixed investment in thirty years. In 1982, however, with renewed international recession and a difficult election approaching, the budget had a distinctly old-fashioned look. Income tax was reduced, subsidies were given for household mortgages, benefits were increased, as was spending on education and job training, there were subsidies for industry and farming, and a significant increase in capital works spending explicitly in order to maintain employment (Commonwealth of Australia, various years).

Muldoon's erratic approach has been well-documented (Templeton, 1995). In 1976 and 1977 he adopted a deflationary approach, warning that the combined effects of the collapse of Bretton Woods and the Yom Kippur oil shock amounted to 'the most dangerous economic situation… since the depression of the 1930s'. With his Labour predecessors he shared the view that autarky was 'the most serious threat to international economic stability' (NZ Government, 1976: 3, 4). To reduce inflation a wage freeze extended to May 1977, with compensatory targetted tax rebates. It was hoped that a comprehensive reform of wage-fixing would follow, but this did not happen (NZ Government, 1976, 1977). Externally the emphasis continued to be on export diversification; as a means of increasing earnings in the short term there were further subsidies on farm inputs and tax deductions for livestock increase. These policies were expanded over the following years.

Late in 1977, however, Muldoon stimulated demand by cutting taxes and increasing public spending. This he justified by the apparently low likelihood of an international recovery in 1978, and by arguing that twenty months of severe policies had brought activity down to a lower but sustainable level (NZ Government, 1978). After scraping through the election at the end of 1978, Muldoon re-asserted expenditure control and brought on a credit squeeze, maintaining that demand had increased to an excessive degree (NZ Government, 1979). It appeared almost as a caricature of stop-go policies. What did remain consistent was the emphasis on farm subsidisation. The period after 1980 was dominated by the major energy-intensive industrial developments (collectively labelled 'Think Big') and the final three years of increasingly eccentric regulation, culminating in a wage and price freeze between June 1982 and February 1984. By then, Budgets were becoming increasingly uninformative, with economic policy made by regulation.

The election of Labour regimes with an appetite for deregulation did not quite coincide: Fraser called an election for March 1983, and Muldoon for July 1984. By then, as many scholars have shown, the persistence of economic crisis across the world had prompted an ideological shift from Keynesianism to neo-classical economics (Roper, 1993; Bertram, 1993; Bell, 1997). From the resulting policy revolution a qualitatively different regime emerged.

7. Conclusions

Periodisation is central to the analysis of state and economy (Smyth, 2004: 39). While one can always point to continuities, it is also important to engage in analysis at a level of detail which allows a focus on subtle, and perhaps not so subtle, shifts within what might otherwise appear to be a stable regime. Directly comparing the two Australasian nations both highlights significant contrasts on matters of detail and emphasises trends common to both societies. The specifics of Australasia's location within the global economy are an essential part of the analysis but so also are themes common to many democratic states during the twentieth century. The challenge is to proceed with awareness both of Australasian distinctiveness and of influences from, and common ground with, a wider world. Accounts of Australasian political economy which emphasise the long continuity rest, in my view, on some flawed premises.

A fundamental proposition in support of a single regime is that the British market for primary produce was of overwhelming importance until the 1970s or 1980s. This is to minimise the weakening of that market from the 1950s. Another fundamental proposition is that party alignments, institutions, and policy approaches remained consistent over eight decades. A detailed analysis suggests that the contrary was the case.

Let me summarise the differences between the pre-Depression regime and that which followed it. The first regime was tied to the British market for both exports of primary produce and imports of investment capital and capital and manufactured goods; the second weakened significantly and to an extent deliberately on all points. The first regime was tied to sterling and the second declared a measure of independence by devaluation – a policy which also indicated, if embryonically, that alternatives to deflation existed in the event of imbalance. The first allowed no role to the state in monetary policy and left monetary policy in the hands of private bankers, many with overseas principals; the second relied on the creation of central banks which applied monetary policy both in a counter-cyclical fashion and in the pursuit of broad public policy objectives. There was more common ground in the matter of transfer payments but even those were conceived on a much more comprehensive basis in the second regime than in the first and with a qualitatively different justification. Similarly, perhaps, industry protection was a matter of common ground but again the conceptualisation was much broader in the second regime, driven variously by ideologies of economic nationalism, and agendas of import substitution and export diversification amid concerns with declining terms of trade for commodity producers. Likewise, public spending on infrastructure development was conceived in the second regime in terms of managing economic cycles as well as of national development.

For a number of reasons, not least the British institutional heritage of simple majority electoral systems, which rewarded right wing solidarity and gave middle class voters a decisive role, the right wing was able to dominate Australasian government after 1949 once it had accepted the major elements of the Keynesian welfare state. That was indeed a historic compromise, related to the strength of organised labour. As Gourevitch has emphasised, across the western world, a new consensus emerged by the late 1940s. However, ‘Consensus was not natural; rather, it was constructed’ (Gourevitch, 1986: 168) and what was constructed could be demolished. The failure to appreciate this was in the long term the biggest mistake made by social democrats.[9]

In suggesting that a decisive break occurred in Australasia around the Second World War, I am emphasising not only the limits of the ‘settlement’ of the beginning of the century compared to that of mid-century, but also that the first settlement was fatally weakened by the Depression and the restructuring which resulted. Out of the Depression and the Second World War there emerged a new regime both domestically and internationally. On one level, it would be strange if Australasia had remained unaffected by regime shifts occurring elsewhere; conversely, to suggest that the early twentieth-century Australasian settlement anticipated what emerged elsewhere only in the 1940s is to exaggerate Australasia’s capacity for autonomy. Long-run analysis of

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[9] The miscalculation was eloquently expressed, to take a classic example, in Crosland’s 1956 classic *The Future of Socialism.*

capitalist regulation requires not only attention to the broad sweep of history but also integrating the detail of policy formation and institutional change with that broad sweep.

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The history of settler societies and economies is a unique chapter in the history of human settlement. From a temporal and spatial point of view, although the arrival of non-native foreign populations (African, Asian or European) who contributed directly or indirectly to the development of farming in as yet sparsely inhabited regions with available fertile and exploitable lands, largely outstripped European overseas expansion (think of China or Russia), the 19th century in particular, saw a surge.Â This population growth was very slow at first, but increased considerably after the Second World War. In 1939, the white settler population in Kenya numbered 21,000 individuals, this grew to 66,000 by 1966 (Zwanenberg (von) 1975, 14; Mosley 1983, 7; Kennedy 1987, 197; Iliffe.