

Simon Ville and Glenn Withers (eds), *The Cambridge Economic History of Australia*. Cambridge: Cambridge University Press, 2015; 624 pp.: 110702949X; 9781107029491. RRP: AUD211.75.

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It's official – Economic History makes a comeback. And it is about time.

Economic history has effectively and systematically been driven out of economics schools and universities particularly in Australia. As the technicians moved in, it was taken over by the 'cliometrics' movement that saw economic history as being just a longer times series data set to be exploited by narrow econometric techniques. Of course, a lack of job opportunities for mathematicians and other applied scientists has meant that many have taken refuge in economics as it became more theoretical and technical (but less applied or useful to actual public policy issues). A weak academic job market in the northern hemisphere is another part of the story.

But now with the 'Global Financial Crisis' (GFC) of 2008 (known internationally as 'The Great Recession') catching conventional economists out with many (particularly in academia) having little to say, economic history is making a comeback. After all, we really needed another Charles Kindleberger in 2008, but the type of history he wrote so majestically had been snuffed out and the world (and the economics profession) has been left stranded. Now that is starting to change as economists as well as the whole community have been looking at the parallels of 2008 to the Great Depression of 1929 and previous slumps in the macroeconomy.

Economic history is also making a comeback down under. It was sparked by Ian McLean's excellent book, *Why Australia Prospered* (previously reviewed in this journal), which turned the conventional wisdom – mainly the pop journalism version of Australian history – on its head. McLean challenged previous thinking on wage arbitration, tariffs and immigration policy and found that the Australian economy had performed better in the 19th century and early 20th century than modern politicians, their economic advisers and financial journalists had led us to believe. McLean also pointed out that the colonies (now states) of Australia performed well in 19th century without the need for economic advisers! Ironically, it was McLean himself who abolished the economic history option for honours economics students at the University of Adelaide in favour of econometrics despite both electives having similar enrolments. If only he had known then how much we were going to need those skills later, as his own high-quality scholarship later proved.

As well as McLean's volume, and Keith Hancock's (2013) new history of Australia's arbitration system, Australian economic history now has been further boosted by *The Cambridge Economic History of Australia* edited by Simon Ville and Glenn Withers. And it has been worth the long wait. It is an excellent volume covering a whole range of topics, themes and styles in Australian economic history. The traditional big questions are asked, such as the role of transportation and the economic effects of the convict system, how did capital markets develop in the 19th century, the rise of tariffs and manufacturing, the impacts the World Wars and depression and the results of the modern economic reforms of the late 20th century. Some new themes have been picked up too. These include the role of the service economy and the environment and business history

(including how internal labour markets form). The underrated economic impacts of migration are re-examined (these are at least as important as, if not more important than, trade). There are also some original forays into the Aboriginal economy both before and after European settlement. The role of gender and migration in the labour market is given more serious examination than has traditionally been the case. There are also some very useful chapters on the use of historical data – something of a comparative advantage for Australian economic history thanks to two generations of Butlins – and on methodology in economic history by Simon Ville and Glenn Withers themselves.

There are few other highlights and low lights.

First one of the low lights. Richard Pomfret's otherwise sound chapter on trade policy manages to discuss the whole 1980s' and 1990s' Hawke–Keating reform period *without* any mention of the Prices and Incomes Accord that was pivotal to that period's economic policy performance. And then in the discussion of that period, the claim is made that Australia simply followed 'the international climate set by leaders such as Margaret Thatcher in Great Britain and Ronald Reagan in the United States with Australian politicians as followers rather than path breaking reformers' (p. 411). This ignores the very basis of the Accord model in Australia of coupling an open economy (thanks to the float of the exchange rate and tariff reductions) with a social wage (Medicare, superannuation, education and training, wage–tax trade-offs) that acted as an alternative to the Thatcher–Reagan policies practised elsewhere. Anyone who could write about that period without mentioning the Accord was either not in Australia or under a rock for almost a decade and a half.

However, there are many highlights too. Jeff Borland's excellent chapter on micro-economic reform shows that reform was extensive in Australia, Australia's reform was more gradual than New Zealand's and Australia's reform was undertaken in the context of different institutions especially in the labour market. This institutional focus is in the tradition of the *Why Nations Fail* (Acemoglu and Robinson, 2012) and *Why Australia Prospered* (McLean, 2013) literature. Borland shows that there is much more to economic reform than just slashing public expenditure, sacking public servants, selling assets and giving generous tax cuts and/or superannuation breaks to the upper end of the income spectrum.

Michael Keating looks at a history of economic reform too, particularly on the macroeconomic side. His contribution is full of original insights. He describes the much underrated and brave decision by Minister for Commerce and Agriculture John 'Black Jack' McEwen to sign a commercial agreement with Japan in 1957 – just 12 years after World War 2 – as 'the most significant economic policy innovation during the Menzies era' which in effect gave Australia a beach head into Asia in terms of trade and investment. Michael Keating also provides an excellent insight into how wages policy and monetary policy effectively swapped places as instruments of macroeconomic policy between the 1980s and 1990s.

This book is beautifully balanced between style and content and has a wealth of useful analysis including exceptional data sets. Anyone interested in studying how Australia has changed from indigenous times to the present day should have a copy of *The Cambridge Economic History of Australia* and *Why Australia Prospered* by their side. They are essential reading in order to understand the story of the nation and how economies change over time.

As Robert M Solow (1985 [2006]) famously said,

Economic theory can only gain from being taught about the range of possibilities in human societies. Few things should be more interesting to a civilized economic theorist than the opportunity to observe the interplay between social institutions and economic behaviour over time and place. (p. 242)

References

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W Higgins and G Dow, *Politics against Pessimism: Social Democratic Possibilities since Ernst Wigforss*, Peter Lang: Bern, 2013; 477 pp.:9783035105827, RRP US\$120.95.

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Ernst Wigforss is Swedish Social Democracy's most significant theoretician and activist, although his work is little known in English circles. As treasurer through the 1930s, he was responsible for the world's first expansionary economic policy response to the depression before the publication of Keynes' General Theory. His policies helped build a democratic majority for a broadly socialist economic policy, enabling the 'Swedish model' to be consolidated. Wigforss' name is uttered with reverence when the Social Democratic (SD) party contemplates its history, although as the authors argue, his profile is necessarily presented in 'soft focus' because of tensions between his thought and the party's subsequent retreat into social liberalism and (from the mid-1990s) neo-liberalism. The premise of the book is that there is much in the thought of Ernst Wigforss for left academics and socialist activists to learn and that given the opprobrium that the Global Financial Crisis and neo-liberalism attracted in 2008 (and subsequently it could be added), the time is now 'ripe for a resurgence of left politics' (p. 16).

Over two-thirds of the book is occupied with Wigforss' thought and with his 'distinctive socialist statecraft' (p. 18). This in itself would be enough for a major study, yet the authors ice the cake with a lucid and forceful engagement with much salient contemporary political theory. Higgins and Dow, two of Australia's foremost advocates of Swedish approaches to political economy, see the root causes of the problems facing advanced economies as the dominance of neo-liberalism and the political passivity of the Left. The latter is partly due to lack of intellectual imagination, which the authors seek to remedy by cross-referencing and mining rich veins of thought – Marxism, Keynesianism and post-Keynesianism; the French Regulation School (FRS); and, of course, social democracy.