

Why Australia Prospered: The Shifting Sources of Economic Growth, edited by Ian W. MacLean. Published by Princeton University Press, Princeton, NJ, USA. ISBN 978-0-691-15467-1.

Why Australia Prospered is a rewarding read. The book is targeted at a broad audience, and to this end, MacLean interweaves historical narrative with analysis. Its chronological presentation allows some refreshing perspectives on events, and theoretical and policy debates, all of which are informed by the deep scholarship that the author demonstrates. The aim of the book and its central thesis are outlined in the first chapter. The author focuses on explaining long run prosperity, and in doing so, three main themes emerge and are returned to throughout the book. These are Australia's abundant natural resource base, the quality of institutions (their nature and adaptability) and a proven track record in developing appropriate policies in response to economic shocks. More to the point, in providing a broad explanation for Australian prosperity, the key argument is that interactions between contributing factors of resource abundance, institutions and policy responses have driven and sustained prosperity over time. The main metric used to describe economic prosperity is GDP *per capita*, which is used comparatively to other economies, and to compare changes over time. Chapter 2 is devoted to discussing shortcomings of this measure of prosperity and possible alternatives. Given the historic sweep of the book, the choice of GDP per capita as a proxy is really unavoidable, and consideration is also given to other summary measures throughout the book. There's likely to be a high correlation among different national macro measures, but it might have been interesting to compare information on national income based measures (for latter decades when they became available) with GDP when discussing living standards in the final chapters.

Distributional issues are highlighted in discussion of the deep roots of path dependence of Australia's long-term prosperity. In Chapter 3, the initial contribution of Aboriginal Australians is considered, and prosperity is attributed in part to the 'subsidy' from the British government that financed investment in infrastructure and to a workforce dominated by working-age males. Chapters 4 and 5 cover the constitutional and political developments of the early colonial period, the 1950s gold discoveries, the wool boom of the mid-1880s and land policies associated with the practice of squatting and the selection acts. The author explores the theme that institutions interacting with endowments and appropriate policy responses resulted in sustained prosperity. In particular, the question why an abundance of natural resources led to prosperity and not a 'resource curse' is examined in the context of property rights over land and the distribution of benefits from the gold rush of the 1850s. This idea is explored in Chapter 4 as a thought exercise about other pathways Australia may have taken given initial endowments and conditions – the Argentinian road not taken. Because Australia managed to

deal with property rights issues over land by redistributing some land to selectors, and at the same time instituting a representative government, the political and economic power of the squatters did not become entrenched in such a way that would be growth retarding. In this, the countervailing outside influence of the colonial power, Britain, played a key role. A prominent view that the prosperity of many Australians is based on the dispossession of Aboriginal Australians from their land by white settlers is not treated explicitly in this book. Given the prominence placed on the role of natural resources and institutions in this book, it might have been interesting to see another thought exercise in which the countervailing outside influence took the form of other colonial powers present and bargaining for Aboriginal land as suggested by Henry Reynolds or where the political influence that grew out of the British humanitarian and antislavery movements had worked in such a way as to formally acknowledge the original Aboriginal possession of land. How might this have played out in the property rights denouement along with the claims of the squatters and selectors?

Chapters 6 and 7 cover the period of the 1890s to World War II. Australia experienced the sequence of the 1890 depression, drought, Federation, World War I and the Great Depression. This was the historic period in which Australia experienced near stagnant GDP growth and dropped its first place in the GDP per capita rankings. In accounting for this fall, part is attributed to reduced productivity within Australia and part to a rise in productivity in the USA. Reasons conjectured include differing labour-leisure choices and the disappearance of the unusually high relative proportion of males in the Australian workforce over this period. For the period as a whole, Maclean considers that GDP per capita may not be too reliable a metric as it may understate growth if the level of the boom prior to the 1890s was overstated. Indeed partial indicators presented in Chapter 7 for consumption, infant mortality rates and other quality of life indicators show that there was a rise in living standards over this period leading up to World War II.

Chapter 8 covers World War II and the long boom, with the backdrop of the growing relative importance of the manufacturing industry. WWII fostered growth, and Australia enjoyed living standards much higher afterwards. The positive contribution of this war, unlike World War I, is attributed to a larger industrial capacity, in part due to industry protection measures. The war accelerated manufacturing development and increased female participation in the labour force. Australia then enjoyed the general postwar international long boom, with a slowdown in growth occurring over the 1970s and 1980s. However, Maclean argues that there was no evidence of a fall in living standards over that period. Rather, there was a 'disjunction between the negative picture painted at the time of economic performance and the much less negative picture that emerges from an effort to put the period into a wider context'. The nuanced interpretation of the evidence on Australia's performance presented in this chapter is characteristic of this book and is one of its main strengths.

A refreshing interpretation of the changing policy orientation of these decades is offered in Chapter 9. Maclean argues against the standard ‘three-act drama’ interpretation that the Australian economy was outward oriented prior to 1890s, followed by a period of inward orientation, protection and government involvement which came at an economic cost, culminating in a 1980s reorienting towards international integration, privatisation and a reduced role for government as a strategy to underpin prosperity. Maclean cautions against the view that policy had taken a wrong turn and Australia was underperforming as a result of a set of inward looking economic policies. Recognition is given to the historical forces operating nationally and internationally, such that policy choices made in the period of inward orientation were entirely defensible. Allied to any discussion of policy changes is the proposed economic payoff from microeconomic reform – productivity. During the 1990s, there were measured increases, but since then productivity growth has fallen. Excellent observations on productivity outcomes, including implications of increased work intensity, conclude this chapter. In Chapter 10, the author draws our attention back to the themes of institutional quality and good policy choice. Given the prominence placed on institutional quality, what explains it? The author suggests that it is egalitarian social and cultural traits that account for our willingness to adopt new and growth promoting institutional arrangements and that these traits were heavily influenced by attitudes and aspirations of immigrants who were prepared to challenge existing institutions and policies. A democratic and egalitarian temperament resulted. This always sits rather oddly against our history of racial exclusion.

In conclusion, this is an excellent and enjoyable book that reminds us of the importance of historical context. Australians did not benefit as much as they might have from the recent resources boom, and we are left wondering what Maclean’s perspective might be on the management of its aftermath.

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