

## **Staples and the Writing of New Zealand's Economic History**

### A SURVEY AND AN AGENDA



A DOMINANT THEME in the literature on New Zealand's economic history since the 1790s has been dependence on primary resources. Some accounts have characterized this dependence in very negative terms, suggesting that it reflects ongoing colonial dependence and an unbalanced economy – indeed, a 'staples trap' of long-term decline in export earnings and the prospect of eventual national immiseration. Others have been less critical, both of external dependence and of the emphasis on primary sector exports. This paper will survey the economic history literature dealing with New Zealand's dependence on primary sector exports, and will consider some avenues for future research in New Zealand's economic history.

Economic history has a relatively low profile in New Zealand. Few economics programmes offer much in the way of economic history, and none of them offer courses in New Zealand economic history. Very few academics in New Zealand economics programmes publish in economic history. Victoria University, once boasting the only New Zealand chair in economic history, has largely abandoned the field.<sup>1</sup> Institutional marginalization is sometimes lamented elsewhere, but the Economic History Society of Australia and New Zealand is healthy albeit relatively small, and its journal, the *Australian Economic History Review*, well regarded.<sup>2</sup> While New Zealand universities have never had departments of economic and social history such as once graced some British universities, topics of interest to economic historians have been canvassed by New Zealand historians (if with less theoretical self-consciousness than economists might prefer). There are respectable literatures in at least some dimensions of economic and social policy, trade, globalization, business history and immigration.<sup>3</sup> Given the New Zealand economy's emphasis on natural resources, it is unsurprising that much of the recent engagement by historians, and historical geographers, with themes of economic life in New Zealand is in environmental history.<sup>4</sup>

Most analyses of New Zealand's dependence on the primary sector had proceeded in relative isolation, until the later 1970s when social scientists began to engage in more comparative and theoretically informed discussions. A 1978 'Symposium on Progressive Modes of Nationalism in New Zealand, Canada and Australia' was organized around the observation that the three

countries 'cannot be classified as either major capitalist or peripheral capitalist societies, for they occupy contradictory locations within the world division of labour ... [their] apparent affluence is a result of performing very specialized functions for international capital'.<sup>5</sup> Warwick Armstrong argued the value of 'seeing [New Zealand] as a member of an international category of societies, and explaining its evolution in terms of comparative political economy'.<sup>6</sup> Armstrong and Philip Ehrensaft summarized the distinctive characteristics of these settler, or dominion, capitalist societies in terms which are now familiar. They included significant dependence on the primary sector; temperate climates; the rapid dispossession of indigenous communities; mass European immigration; rapid economic growth; high standards of living for settlers and their descendants; and industrialization based on either basic processing of primary commodities or import-substitution.<sup>7</sup> These societies depended on continuing capital imports, and merchants and financiers, rather than industrialists, dominated the local bourgeoisie.<sup>8</sup> While growth had been rapid and prosperity widespread until 1914, 'the ultimate fragility of systems whose industry was confined within protected, national boundaries while the economy remained fundamentally dependent upon staple exports' was becoming increasingly clear.<sup>9</sup> This analysis seemed to offer a framework for understanding the economic climate of the later 1970s and its political consequences, even if the 'fundamental reordering of the structure of their national economies', which Ehrensaft and Armstrong urged, proceeded in rather different directions than they may have imagined.<sup>10</sup>

Drawing explicitly on Canadian political economists, Armstrong suggested that despite the (generally) First-World living standards, dominion capitalist societies displayed 'many of the symptoms of dependent, uneven development'.<sup>11</sup> New Zealand's crucial decade was the 1890s, when any chance of 'an independent, autocentric industrial capitalist development' was abandoned in favour of continuing dependence on primary exports to the metropole.<sup>12</sup> The 'dominant class [of b]ankers, merchants, speculators and landowners had much to gain from the creation of an imperial farm', even as their choices reflected metropolitan, rather than local, interests.<sup>13</sup> Apart from the farmers themselves, this ruling class amounted, in the language of dependency theory, to a comprador class whose interest lay in 'collaborating politically and economically with metropolitan capital ... to facilitate, and participate in, the further exploitation of the colonies and neo-colonies'.<sup>14</sup> The political vehicle of the ruling class, the National Party, dominated the post-war decades, and so long as that was the case, Armstrong argued, 'there will be no real move toward the achievement of greater independence'.<sup>15</sup>

Armstrong's account of New Zealand's dependent development sat within an influential scholarly tradition. Twenty-five years later, James Belich would argue along similar lines. 'Recolonization' is Belich's shorthand for the economic, cultural and political domination of New Zealand by Great Britain, a domination which was driven by refrigeration and 'narrowed the New Zealand economy massively'.<sup>16</sup> New Zealand's export economy quickly developed into entrenched dependence on the British markets for food and fibre, and the associated sectors of shipping, processing, finance and insurance were likewise dominated by British capital. Industrial development that did not fit within the recolonial paradigm was diminished.<sup>17</sup> Recolonization amounted to 'a cultural as well as an economic system, and it had important social dimensions too. It reinforced imperatives for social, moral and racial harmony ... the system survived challenges and outflanked exceptions sufficiently to dominate New Zealand history in the century after 1882.'<sup>18</sup> Neither the first Labour government nor its National successors challenged recolonization before 1984.<sup>19</sup>

Armstrong's and Belich's critiques of New Zealand's dependent development follow lines elaborated in the 1960s by W.B. Sutch.<sup>20</sup> For Sutch, New Zealand's economic structure benefited the alliance of 'farmers, importers, and merchants' who had profited most from refrigeration.<sup>21</sup> Peter Fraser and Walter Nash, implicitly, led the 1935–1949 Labour government to abandon socialism and national independence, judging that 'it was politically sounder to be orthodox and consider the British banker, investor and manufacturer'.<sup>22</sup> Nash 'was anxious to propitiate the investing class in New Zealand and in London', and both he and Fraser – the point is repeated lest anyone miss it – were driven by 'the need to conciliate the makers of press opinion in New Zealand – the importers, merchants, bankers, professional people and farmers ... They had not tried to change the structure of the economy.'<sup>23</sup> John A. Lee, on the other hand, was the lost tribune of New Zealand independence: his expulsion from the Labour Party in 1940 and the departure of many of his supporters were to 'delay for decades the drive to balance New Zealand's economic life with manufacturing industry and the parallel diminution of colonial insecurity'.<sup>24</sup> In the prosperous 1950s, there were prevailing 'assumptions that New Zealand did not need to alter its colonial economic structure and could live well by encouraging the grass to grow'.<sup>25</sup> The 1957–1958 balance of payments crisis shattered the illusions, and only then, 'for the first time in New Zealand's history, the government set about actively developing a somewhat broader industrial base. It was obvious, at last, that New Zealand's economy was too vulnerable to do otherwise.'<sup>26</sup> Manufacturing development, however, remained 'defensive' and excessively subject to foreign ownership.<sup>27</sup>

Not all Sutch's contemporaries were so critical of New Zealand's dependence on staple exports. J.B. Condliffe, writing in 1930, showed that New Zealand's rapid economic growth since the 1860s was driven by pastoral commodities and (less consistently) by gold. The problem, in Condliffe's view, was that the extent of dependence on primary exports was not always appreciated, so the uninstructed democracy tended to binge on loan-funded development and consumption and 'to demand higher standards of living for less effort and output'.<sup>28</sup> In Condliffe's view, staples were no trap but simply set limits which should be accepted, not least given New Zealand's very small size. These limits had not been accepted in the 1920s, which were characterized by continued private speculation in land and extravagant public borrowing for development, both nourished by a belief in permanent increases in export prices.<sup>29</sup> 'If', Condliffe wrote, 'one eye is firmly fixed on the property market, preparation for the produce market is apt to suffer.' The country's natural advantages in temperate pastoral produce had, therefore, been squandered.<sup>30</sup>

Morality aside, New Zealand's external dependence meant that the country's economic history is 'most conveniently and profitably studied in the setting provided by her place in a world-economy'.<sup>31</sup> The problem, again, was excessive developmental enthusiasm in times of plenty. Substantial public borrowing was 'an interference with economic equilibrium ... disturbing the flow of capital into the usual competitive channels'.<sup>32</sup> While accepting state-led development in principle, Condliffe warned of its politicization, although his sceptical view of public policy was balanced by his emphasis on governments' generally moderate and pragmatic approach.<sup>33</sup> The expatriate Condliffe looked forward to a positive future for New Zealand, so long as the natural advantages were not wasted.

Thirty years later, Condliffe revised his work and divided it into two volumes.<sup>34</sup> The moralizing of 1930 had been tempered by hindsight and, perhaps, mellow late middle age. External dependence remained the key fact in New Zealand's economic life, but Condliffe described the depression Coalition's severity as 'orthodox and unimaginative measures of reduced public expenditure and deflation' and not even improved pastoral productivity and the imperial economic agreement of Ottawa 'could counteract the bankruptcy of its domestic policies'.<sup>35</sup> Nash's approach in 1935 was 'optimistic and imaginative', and while 'humanitarian', was also very much in 'the long tradition of looking to the Government for subsidies and protection'.<sup>36</sup> Even so, Labour's positive reforms and the prosperous times of the 1950s alike 'were made feasible or at least facilitated by a favourable conjuncture in world markets'.<sup>37</sup>

Condliffe had always emphasized the benefits of international trade. In the early 1930s, working at the League of Nations, he graphically demonstrated the 'contracting spiral' of protectionism, 'one of the most revealing figures ever constructed in economics'.<sup>38</sup> While Condliffe accepted much of the managed economy's architecture, therefore, he warned against excessive insulation. Guaranteed prices could moderate export cycles, but 'if smoothing the fluctuations develops into a refusal to accept the trend, the national economy must be divorced from the world market by inflationary developments which expand the less, and penalise the more, efficient segments of national production'.<sup>39</sup> Looking ahead to the 1960s, he suggested that stabilization in an externally dependent economy had proven to be fiendishly difficult and there should be greater emphasis on comparative advantage: 'Practical experience, as well as economic theory, suggests that the national income will be higher if New Zealand exports the produce of its magnificent pastures and imports its steel, rather than burdening its efficient exporting industries with the high costs of supporting inefficient local manufacturing.'<sup>40</sup> Import substituting industrialization after 1940 had resulted in 'a multiplication of small workshops, rather than a factory development'. It would have been preferable to have aimed at 'planned development of industries that might have proved capable of efficient, competitive production'.<sup>41</sup> For the 1960s, the emphasis should be a three-part approach to industrialization for export processing, the manufacture of commodities where a few large factories could satisfy domestic demand, and branch-plant capital-intensive industrialization (that is, by foreign-owned companies).<sup>42</sup>

Condliffe's two volumes were not seriously supplanted as analytical economic histories until Hawke's 1985 *The Making of New Zealand*.<sup>43</sup> Hawke expressed some scepticism about the usefulness of staples as an analytical framework: 'The terminology has some attractions, but it does little to advance explanation. "Staple theory" is really a grandiose name for a few simple notions related to the growth of exports and its impact on an economy; there is no body of assumptions or hypotheses which links one economic variable to another and elucidates the course of the economy as a whole.'<sup>44</sup> Even so, he allowed that 'the idea of a staple does have some value as it directs attention to a new economic activity and invites analysis of the way in which its benefits were diffused through the economy'.<sup>45</sup>

Like the later Condliffe, Hawke eschewed moralizing. Economic difficulties during the 1880s were not 'penance for past extravagance', but reflected the fact that by 1880 'the woolgrowing economy had reached the end of expansion given the available technology'.<sup>46</sup> What broke the logjam, of course, was refrigeration, which supplanted rather than replaced wool. It was

implicitly a positive development rather than the catalyst for an entrenched neocolonialism, as Sutch and his intellectual heirs argued.<sup>47</sup> The major gains from refrigeration, however, were all achieved by ‘quite early in the twentieth century’, after which ‘more competitors entered the British market for foodstuffs ... while the end of a prolonged drought in Australia had a similar effect on the price of wool’. Thereafter, increased income from refrigeration was based on extensive growth – that is, bringing more land into production and running more cows and sheep – rather than intensive growth. The World War One commandeering of New Zealand’s exportable surplus by the United Kingdom masked the problem, which became increasingly apparent in the 1920s.<sup>48</sup> The problem in the 1920s was not so much speculation, as Condliffe had it, but the temporary nature of first mover advantage in this instance (and, as Hawke might have added, the dismal British economy in the 1920s).

Like Condliffe, Hawke hoped that economic history might inform economic policy, and he explicitly titled his own study in tribute to Condliffe.<sup>49</sup> Condliffe’s lively engagement with New Zealand’s future, as well as its past, contrasted with C.G.F. Simkin’s much more austere treatment. Simkin’s 1950 title, *The Instability of a Dependent Economy*, summarized his argument. With some success Simkin traced the export and import cycles from 1850 to 1914, an effort which relied on extensive original work in mining data sources. Yet he was more cautious than Condliffe, suggesting that export earnings were only ‘probably’ the ‘dominant factor in the major cycles of the fifties and sixties, as well as in the rising prosperity of the nineteen-hundreds’. They did not, in Simkin’s view, account for all the swings in New Zealand’s economic fortunes.<sup>50</sup> Even allowing for his study’s 1914 end date, Simkin was curiously reluctant to draw lessons for the future.

In contrast, the differences between Condliffe and Sutch over New Zealand’s economic past, and the lessons which they drew from economic history, anticipated the different approaches to industrialization that Treasury and the Department of Industries and Commerce would advocate in the 1960s (Sutch being Secretary of the latter department from 1958 until 1965). Where Industries and Commerce often seemed to prioritize continued import substitution (justified in terms of saving foreign exchange), Treasury, under the influence of then Assistant Secretary Henry Lang, advocated export-led growth, with industrial development dependent upon the extent to which such development could be internationally competitive.<sup>51</sup>

These questions were the more pressing after 1960. Influential analyses (accepted by Sutch) suggested that the long-term trend was for the terms of trade to turn against staples exporters. In any case, it was clear from 1961 at the latest that the British market for New Zealand pastoral exports could

no longer be guaranteed. Adjustment to this unwelcome reality has been extensively analyzed, in a trans-Tasman context, by John Singleton and Paul L. Robertson. Singleton and Robertson sought to restore the Commonwealth to Australian and New Zealand economic history (and, for that matter, to British). For New Zealand even more than Australia, the British market was essential 'in a world permeated by agricultural protectionism'.<sup>52</sup> While Australia increasingly benefited from its mineral resources, New Zealand was not so fortunate, and although Singleton and Robertson criticize policymakers' emphasis on insulation rather than growth, New Zealand was fundamentally unlucky, not only in 'sheer isolation' but in the continuing dependence on a narrow range of primary exports: 'In the developed world only Iceland's range of exports was narrower than New Zealand's in the 1960s.'<sup>53</sup> Alongside the general rule that 'suppliers of undifferentiated primary commodities are price takers', Singleton and Robertson emphasized the challenge to New Zealand's traditional pastoral exports from new alternatives, and the extent to which the governments of industrialized nations continued to subsidize and protect their own, less efficient, agricultural producers.<sup>54</sup>

As well as providing a valuable and closely argued account of Australasian economic diplomacy, Singleton and Robertson discussed staples dependence and Commonwealth economic relations in a trans-Tasman and comparative framework. Such comparative studies had proceeded in fits and starts. Where Ehrensaft and Armstrong had cautiously suggested common ground between these societies, Donald Denoon's 1983 study drew the comparisons at length. Even apparently very different societies – New Zealand and Australia, the 'southern cone' of Argentina, Chile, and Uruguay, and South Africa – grew rapidly in the nineteenth century as 'part of the emerging British "empire of free trade"'.<sup>55</sup> As Denoon noted, the precise criteria for inclusion as a 'settler society' can be debated. South Africa, with its majority non-European population and orientation to mineral exports, may be thought an anomaly, the latter characteristic being shared with Chile.<sup>56</sup> Schedvin has noted that it may be as useful to include regions, in which case the Midwest of the United States would qualify.<sup>57</sup> 'In each case', however, 'the new opportunities of the nineteenth century – capital, migrant labourers, technology, and markets – enabled an obscure and remote outpost to grow rapidly into a relatively prosperous and populous society.'<sup>58</sup> Belich's *Replenishing the Earth* suggested an expansive definition, whereby the 'Anglo-world' expanded rapidly after 1783. Belich discusses the importance of primary sector commodities in terms of 'the rhythm of boom, followed by bust, followed by export rescue'.<sup>59</sup> Belich does not, however, regard staples as the fundamental explanation; they are one part of a revolution in transport and communications technology,

in free exchange of ideas, and of a British world, ‘an economically and culturally united entity capable of enhanced cross-insemination’.<sup>60</sup> There was also a very rapid shift in attitudes to migration itself, such that after 1800 it became seen as a positive step rather than an admission of failure. Therefore, rather than a narrow emphasis on staples, Belich suggests a broadly defined ‘progress industry’ of expansion and development for its own sake.<sup>61</sup> The ‘progress industry’ of explosive colonization had to be paid for somehow, and fortunately metropolitan markets sought staples. Rather than privileging one explanation, Belich emphasizes a ‘matrix of revolutions’ – economic, technological, social and cultural.<sup>62</sup>

The concept of a ‘settler society’ has been problematized by Christopher Lloyd, Richard Sutch and Jacob Metzger. Richard Sutch questions the importance to the definition of matters such as a nineteenth-century incorporation into a world economy dominated by the British empire and a dependence on natural resources. He also asks whether there is ‘a point when an economy has matured and becomes so similar to other developed economies that it then ceases to be a settler economy? Or, is the development process for settler economies path dependent in the sense that “post-settler societies” would remain unique in a sufficient number of significant ways to deserve separate treatment?’<sup>63</sup> For coherence, though, Lloyd and his collaborators emphasize the ‘neo-Europes’, which by 1900 were not only ‘well integrated into the world economy’ but ‘absolutely vital to the emergence and development of the world economy that was focused initially on British industrialization’. In this view the settler economies’ real problem was not evil compradors (as in W.B. Sutch’s view) but path dependence, the entrenched set of arrangements resulting from integration into the British world-system as suppliers of raw materials and destinations for manufactured goods and finance. After 1918 ‘the fundamental issue for these societies has been how to effect the transition from settler society to some form of post-settler structure and the various trajectories and degrees of success that the process has produced ... the world economic and geopolitical conditions have not remained favorable to settler economies’.<sup>64</sup>

Denoon had sought to demonstrate that it is useful to think in terms of a ‘notion of a settler capitalist mode of production, with its own internal dynamic and regularities, having a consistent manner of influencing other modes of production’.<sup>65</sup> This meant emphasizing that settler capitalism was ‘a socio-economic and political formation’ rather than espousing a simple environmental determinism that might be inferred from staples theory.<sup>66</sup> As a pioneer in the field, Denoon was concerned to demonstrate the common ground between apparently very different societies. Relatively sparse indigenous



populations meant settlers turned to pastoralism in the first instance; the reliance on British funds was common ground, as was the transformation into more complex but still primary sector production towards the end of the nineteenth century.<sup>67</sup> The importance of mining varied.<sup>68</sup> Denoon argued that the differences between these societies were to a significant extent explained by 'internal social forces'.<sup>69</sup> That referred to the class structure of each society as much as anything else, and the importance of class structures was most evident in the controversies over land tenure seen in all these places in the late nineteenth century. The different ways in which that issue was resolved were of profound significance.<sup>70</sup> The much greater political power of smaller farmers in Australia and New Zealand compared to Argentina and Uruguay meant 'there is a crucial political dimension to explanations of rural change'.<sup>71</sup>

Denoon suggested that the idea of settler capitalism became less valid after 1914, although the effects of staples dependence lingered.<sup>72</sup> Boris Schedvin, in a 1990 survey, argued that the central question for settler societies after 1914 was the extent to which they were able to move beyond dependence on staples exports.<sup>73</sup> Settler economies diversified after 1914, emphasizing import substituting industrialization, but after 1945 'the achievement of balanced growth has been the exception rather than the rule'.<sup>74</sup> Canada was a success, but even there 'the influence of wheat, minerals and lumber is pervasive'. Australia had not done too badly, thanks largely to a minerals boom (which was still 'traditional staples') but New Zealand had 'experienced even greater difficulty, largely because of its small size and narrow resource base'.<sup>75</sup> Early industrialization was more successful in Canada than in the Australasian colonies because Canadian government railways policy before 1900 deliberately encouraged a steel industry, whereas Australasian governments relied on imported steel. After 1945, Canada also benefited from proximity to the United States.<sup>76</sup>

Ultimately, in Schedvin's view, while in all cases except Canada 'the break from staples-induced path dependency [was] usually difficult to achieve', this was especially so for New Zealand, whose small size and isolation ruled out the prospect of 'any appreciable diversification'.<sup>77</sup> If his pessimism for New Zealand, in particular, was extreme, it was broadly shared by many scholars who had emphasized staples dependency. More recently, some economic historians have questioned pessimistic accounts of staples dependency, although little such work has been done on New Zealand. Ian McLean, in 2013, argued that Australia's prosperity has been in large part because of, not despite, the continent's natural endowments. Explicitly, McLean rebuts standard accounts of staples dependence which link such

dependence to economic backwardness.<sup>78</sup> Australia's early pastoral boom stimulated economic expansion. With land effectively free, pastoralists were able to achieve economies of scale. Moreover, sheep, 'the one significant cost', were 'a form of capital that was conveniently self-reproducing. Time, and nature taking its course, produced more sheep.'<sup>79</sup> Once the first wave had peaked in the early 1840s, continued pastoral investment required some certainty about property rights. Pastoralists got favourable terms in leases and rights to purchase, but by no means all they demanded; the door was kept open to alternative land use, including eventual selection by smaller farmers.<sup>80</sup> This, McLean suggests, laid the foundations of a beneficially egalitarian distribution of wealth and opportunity, and the limits on large landowners' power amounted to 'the Argentine road not taken'.<sup>81</sup>

Goldmining kick-started southeast Australia's second boom. Farmers and town businesses alike prospered from supplying the miners, and again, the 'relatively egalitarian' organization of mining rights (to which alluvial fields lent themselves) were beneficial. It was, however, simple luck that the goldfields was relatively conveniently located. The rushes stimulated significant population growth, and therefore continued extensive economic growth – that is to say, growth based on simple expansion rather than greater productivity.<sup>82</sup> Wool and gold were 'exported essentially unprocessed' but as smaller farmers emerged, specializing in wheat, dairy produce and meat, farming became more technologically developed. Rail transportation, flour mills, dairy factories and freezing works all stimulated secondary industry. As McLean notes, it is 'appropriate to regard both dairy factories and meat-freezing works as "manufacturing" establishments, and the refrigerated butter, cheese, lamb, and mutton produced in and exported from them as "simply transformed" manufactured goods'.<sup>83</sup> This new resource economy also relied on considerable innovation in stock-breeding, mechanization, attention to grass cultivation, and agricultural machinery.<sup>84</sup>

The eastern Australian colonies entered a long slump in the mid-1890s, when a speculative boom, especially in Victoria, touched off a crisis of confidence, even if, 'as with most complex macroeconomic events, simple explanations are rarely persuasive'.<sup>85</sup> Other settler economies experienced degrees of crisis towards the end of the nineteenth century, as Denoon has also noted, but Australia recovered much more slowly. The long 'Federation drought' was an unpleasant reminder that there are natural problems as well as natural benefits in a staples economy.<sup>86</sup>

Denoon and Schedvin have both suggested that the settler economies were particularly successful until 1914 but ran into problems thereafter. McLean likewise notes that Australian recovery after 1905 was brief, for

the quarter-century from 1914 to 1939 demonstrated the extent to which all resource-dependent settler economies were 'extremely vulnerable to a serious or protracted deterioration in external economic conditions'.<sup>87</sup> World War One disrupted finance, encouraged global overproduction of agricultural commodities, and led to greatly increased debt, all of which persisted into the 1920s. To the extent that economic diversification was the remedy, Australia, like Argentina and New Zealand, did not do particularly well, with industrialization remaining weak and the British market continuing to dominate Australian and New Zealand fortunes.<sup>88</sup> If the '30-year crisis' of 1914–1945 exposed the weaknesses in settler economies, Australia's experience after 1945 was very different. Where Schedvin's account was rather pessimistic, McLean argues that the composition and destination of Australian exports changed greatly after 1945. Between 1950 and 1970 the share of export earnings attributed to manufactured goods more than doubled, to 25%, and the once-dominant British market accounted for only 36% of Australia's export earnings in 1950, and half that during the 1960s. Australian exporters benefited particularly from the growth of Asian economies.<sup>89</sup>

David Greasley qualifies McLean's account to some extent, although accepting its main outlines. If anything, Greasley places even more emphasis than McLean on settlers' relatively egalitarian access to land.<sup>90</sup> Greasley, with Les Oxley, has made the same point more forcefully elsewhere, arguing that refrigeration was a necessary but not sufficient condition of economic transformation: 'an increase in the social depth of land ownership accompanied the pastoral export boom [of refrigeration], which set New Zealand apart from many other resource-abundant primary exporters of the periphery'.<sup>91</sup> Greasley suggests that Australia lagged behind New Zealand (and California) in the shift towards smaller farms and more intensive land use, which was 'skill- and capital-intensive'.<sup>92</sup> In Australia, wool meant that 'a modest stimulus was given to other sectors, including financial services, whereas for wheat and cattle a variety of manufacturing linkages developed, although their force needs careful scrutiny'.<sup>93</sup> In New Zealand, the refrigerated economy did not 'crowd out manufacturing [but created] ... increased factory-based employment' – directly in meat and dairy processing, and indirectly in fitting out and supplying those establishments. Thus 'New Zealand's economic development shows that export staples can provide a strong positive stimulus to intensive growth'.<sup>94</sup> None of this is to deny that World War One was 'a sudden and catastrophic shock to the whole system and every part of it'.<sup>95</sup>

Reflecting on these economic historians' reassessments of dependence on primary sector exports might prompt reconsideration of, and further research

into, the dimensions of this country's economic history which are related to the primary sector. Such work should be informed by comparisons. It might not be too much to say that W.B. Sutch still casts a long shadow, at least in terms of unexamined assumptions that staples dependence attenuated New Zealand's economic development. Some recent studies of settler economies engage with the idea of the 'natural resource curse'. This idea, which emerged in the 1990s, amounts to a number of propositions, beginning with the observation that many of the faster-growing developing countries were relatively poor in natural resources, while many resource-rich developing countries were doing badly.<sup>96</sup> While the term has been deployed loosely, in its original conception the 'resource curse' was largely specific to minerals, not agricultural and pastoral commodities. The non-renewable dimension is important: 'unlike other sources of wealth, natural resource wealth does not need to be produced. It simply needs to be extracted ... Since it is not a result of a production process, the generation of natural resource wealth can occur quite independently of other economic processes.'<sup>97</sup> Combined with this, high returns from non-renewables encourage elites to collar the profits ('rent-seeking', in the language of economics), and the high returns deter investment in education because the need for such investment is not immediately apparent. The volatility of earnings from natural resources is a problem, and in some circumstances, too, the high returns can contribute to what is known as the 'Dutch disease', whereby the resource-endowed country's currency appreciates rapidly, thus making manufacturing for export or the domestic market alike less competitive.<sup>98</sup>

With the emphasis on non-renewables, ideas of a resource curse might be thought to be of limited applicability to New Zealand. One classic paper on the subject, however, argued for applicability to farming as well.<sup>99</sup> Ian McLean, as noted above, rebutted suggestions that dependence on natural resources had been to Australia's detriment. Simon Ville and Olav Wicken, comparing Australia and Norway as two resource-based economies which have escaped the curse, make similar points. Ville and Wickens, using language that was fashionable in this country some 15 years ago, discuss 'resource-based industries' as 'knowledge economy'.<sup>100</sup> McLean, similarly, has observed that 'learning, adaptation and innovation have been the drivers of change in rural production methods and products that have kept Australian farmers world competitive with relatively low levels of subsidy and protection'.<sup>101</sup>

It would be unwise to make a simple translation of such arguments about Australia to New Zealand, but it may be that, with due allowance for scale and timing, the Australian case supports an argument that New Zealand's dependence on natural resources has not been a fundamental weakness.

McLean, like Denoon before him, regarded the relatively egalitarian distribution of landholding in Australia and New Zealand as encouraging these colonies' late nineteenth-century success, and Andre Schlueter has made the point more recently in a comparative study of New Zealand and Uruguay.<sup>102</sup> Since Denoon wrote, Tom Brooking has carefully analyzed the land reform policies of the 1890s, associated with John McKenzie, and has also (as many economic histories do not) emphasized the significant cost in indigenous dispossession.<sup>103</sup> Rollo Arnold, although less explicitly attuned to indigenous dispossession, noted the extent to which the state-led developmentalism of the 1870s was explicitly aimed at swamping inland North Island Māori communities and separating them from their remaining lands.<sup>104</sup> It bears repeating that the economic success stories of settler societies were, by definition, also stories of economic and social cost.<sup>105</sup> We lack, however, any detailed analysis of land policies and, more generally, of access to land in the provincial jurisdictions before 1876. The relevance of this point is the extent to which the conditions for the success of the refrigerated economy were laid before the 1890s. The severely qualified ability of Australian squatters to set the parameters of land policy, noted by McLean, had an echo in debates about settler landholding in New Zealand from the 1850s. The goldrushes obviously had similar effects in New Zealand as they did in Victoria and there is a very great need for sophisticated and scholarly work on the economic history of goldmining in New Zealand.

Innovation in New Zealand's agricultural and pastoral economies has been the subject of significant attention, largely by environmental historians and historical geographers. This has meant a welcome emphasis on environmental constraints as well as on successes in stockbreeding, pasture cultivation and related fields.<sup>106</sup> A recent collaborative project has highlighted the extent to which New Zealand's productive pasture lands were actively created by settlers, their descendants, scientists and the state.<sup>107</sup> The environmental costs of this process were not confined to these islands, however. Some crucial aspects of innovative grasslands cultivation, in New Zealand as in Australia, had serious consequences for smaller Pacific islands. With export-oriented pastoral farming heavily dependent on imported phosphatic fertilizers, and the environments otherwise often unpromising, 'Australia and New Zealand never would have sustained their skin-deep appearance as neo-Europes without a concerted, second stage of neo-ecological imperialism ... These postcolonial nations might never have attained First World status during the course of the twentieth century if not for Banaba, Nauru, and other overseas colonies.'<sup>108</sup> In these artificially productive grassland farms, moreover, following 'a brief boom of productivity, most blocks of improved pasture then

steadily declined in feeding value ... as their nutrients were exported from the land in the form of wool, meat, and tallow'.<sup>109</sup> In that analysis, therefore, grassland farming can in its way also be a quarry economy, although the implications were postponed by the rapid uptake of aerial top-dressing after 1945, an 'environmental engineering project' that was 'colossal' in scale and significantly 'premised on cheap phosphate from Banaba and Nauru'.<sup>110</sup> An expansive view of the 'staples problem' links economic history with themes often the domain of environmental and Pacific historians.

Innovation, identified as a crucial dimension of a successful staples economy, was not only the province of farmers and stockbreeders. Simon Ville has demonstrated the importance of the Australasian-originated stock and station agency form of business in facilitating the flow of information, including that relevant to the improvement of crops, livestock and pasture, and to market conditions.<sup>111</sup> Business history is, despite a few such exceptions, in general woefully undeveloped in New Zealand. This country's pastoral economy depended not only on farmers but also on the processing companies. The lack of scholarly histories of the meat freezing business and of dairy processing industries is striking. While we know that co-operative models predominated in dairy processing, and that meat freezing had a range of ownership models, comprehensive studies of organization, management, finance and production in these sectors are long overdue.<sup>112</sup> The ways in which the New Zealand brand in frozen meat had to be protected in Britain in the 1890s have been discussed by David Higgins, but there is a longer history to be considered.<sup>113</sup> There is a particular need for further work on the ways in which New Zealand manufacturers (for that is what they were) met, and shaped, the requirements of overseas consumers, not only before 1914 but more particularly after 1955, when the British market's weaknesses began to become apparent.

There has been more scholarly endeavour on the response of New Zealand, and Australian, policymakers to the weakening British market after 1945. We know less about the response of primary producers themselves.<sup>114</sup> Singleton and Robertson's admirable study needs to be followed up for the period after 1970. There are particular gaps in the study of New Zealand's trade diplomacy after that date, which are only very partially addressed by a collection of memoirs; a substantial history of the Department of Industries and Commerce / Trade and Industry would also be a valuable study of economic, and particularly industry, policy.<sup>115</sup> It still needs to be emphasized that New Zealand's trade patterns diversified very considerably after 1960, and especially after 1970.<sup>116</sup> As John Gould argued many years ago, Robert Muldoon deserves some credit for this, if he is also to take the blame for

much of what went wrong while he was Prime Minister – although the process began well before 1975.<sup>117</sup> But if the diversification of markets is significantly an achievement of ministers, diplomats and trade commissioners, the diversification of commodities is at least as much the achievement of producers: fishers, horticulturalists, viticulturalists and manufacturers. Some scholars have discussed the development of the pulp and paper industry from the mid-1950s.<sup>118</sup> There are, however, very major gaps in the scholarly literature (as opposed to the celebratory) relating to the expansion, after 1960, of New Zealand's offshore fishing industry, the development of a significant wine industry, the diversification of horticulture, and the growth of export-oriented manufacturing.<sup>119</sup>

New Zealand's economy depends on exporting, in which the primary sector is dominant. The literature of New Zealand's economic history has discussed this reliance in varying ways, as we have seen. The matter is not merely of academic interest. Responding to the 2015 Budget, the Labour Party's shadow finance minister indicated that his party's first priority in economic management would be to '[d]iversify the economy so we aren't reliant on commodity prices'.<sup>120</sup> (If only economic transformation were so simple!). This paper has not primarily been concerned with the question of whether such diversification is necessary, nor indeed the extent to which diversification has taken place since the 1950s (although we have seen that there is at least an arguable case that dependence on natural resources is not necessarily undesirable, and the extent of diversification since 1950 is often forgotten).<sup>121</sup> What is significant is that a political party which presumably wishes to present itself as committed to economic modernization and growth regards a reliance on commodity exporting as epitomizing backwardness and stagnation. The parliamentary observation implies a continuing 'common sense' notion that an economy based upon primary sector exports is an unsatisfactory state of affairs. That proposition should be subject to more searching enquiry, and such enquiry should be historically informed.

JIM McALOON

*Victoria University of Wellington*

## NOTES

1 I thank the editors for encouraging me to write this paper, and for their helpful comments on an earlier version.

A perusal of relevant departmental web pages in July 2015 identified one staff member at each of Auckland and Waikato teaching and researching in economic history, one Honours course at Victoria and one undergraduate course (currently not taught) at Canterbury. Economic history was introduced at Victoria in 1962, and the lecturer, John Gould, was appointed to the first chair in the subject in 1964. Rachel Barrowman, *Victoria University of Wellington, 1899–1999: A History*, Wellington, 1999, pp.213, 222.

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4 Eric Pawson and Tom Brooking, eds, *Environmental Histories of New Zealand*, Sydney, 2002 and *Making a New Land: Environmental Histories of New Zealand*, Dunedin, 2013; Robert Peden, *Making Sheep Country: Mt Peel Station and the transformation of the tussock lands*, Auckland, 2011.

5 Kevin P. Clements and Daniel Drache, ‘Introduction’, *Australian and New Zealand Journal of Sociology* (ANZJS), 14, 3 (Part Two), (1978), pp.282–3.

6 Warwick Armstrong, ‘New Zealand: Imperialism, Class and Uneven Development’, *ANZJS*, 14, 3 (Part Two), (1978), pp.297–303, p.297.

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8 Ehrensaf and Armstrong, p.359.

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11 Armstrong, p.297.

12 Armstrong, p.300.

13 Armstrong, p.297.

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15 Armstrong, p.302.

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17 Belich, *Paradise Reforged*, pp.72–75.

18 Belich, *Paradise Reforged*, p.85.

19 Belich, *Paradise Reforged*, p.547; see also pp.394, 425.

20 Armstrong explicitly drew on Sutch, and Belich referred briefly to Sutch. Miles Fairburn discussed the parallels between Belich and Sutch in an unpublished seminar given in the Department of History, University of Canterbury, in June 2005.

21 W.B. Sutch, *The Quest for Security in New Zealand, 1840 to 1966*, London, 1966, p.167. See also p.98.

22 W.B. Sutch, p.221.

23 W.B. Sutch, pp.226, 235.



- 24 W.B. Sutch, p.290.
- 25 W.B. Sutch, p.412.
- 26 W.B. Sutch, p.426.
- 27 W.B. Sutch, p.429 and following pages. For suggestive discussions of Sutch's thought, see A.M. Endres, 'The Political Economy of W.B. Sutch: Towards a Critical Appreciation', *New Zealand Economic Papers*, 20 (1986), pp.17–40, and Brian Easton, *The Nationbuilders*, Auckland, 2001, chs 7, 10.
- 28 J.B. Condliffe, *New Zealand in the Making: A Survey of Economic and Social Development*, London, 1930, pp.39, 41.
- 29 Condliffe, pp.40, 45.
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- 31 Condliffe, p.45.
- 32 Condliffe, p.283.
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- 42 Condliffe, *Welfare State*, pp.151–2.
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- 45 Hawke, p.98.
- 46 Hawke, p.83.
- 47 Hawke, p.97.
- 48 Hawke, p.99.
- 49 Hawke, p.viii.
- 50 C.G.F. Simkin, *The Instability of a Dependent Economy: Economic Fluctuations in New Zealand, 1840–1914*, London, 1951, p.192.
- 51 I have discussed this in a little more detail in Jim McAloon, *Judgements of All Kinds: Economic Policymaking in New Zealand 1945–1984*, Wellington, 2013, pp.110–19; see also Easton, *Nationbuilders*, ch.16.
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- 54 Singleton and Robertson, pp.19–20.
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- 66 Lloyd and Metzger, p.28.
- 67 Denoon, p.223.
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- 70 Denoon, ch.3.
- 71 Denoon, p.104.
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109 Cushman, p.129.

110 Cushman, pp.131–2.

111 Simon Ville, *The Rural Entrepreneurs: A History of the Stock and Station Agent Industry in Australia and New Zealand*, Cambridge, 2000.

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121 This is not to deny that there may be other reasons why substantial reliance on dairy exporting is undesirable, such as the demands on water in drier regions where dairy conversion is increasingly common.