

## Chapter 8

# POLITICAL ECONOMY ‘THROUGH A GLASS HIVE’? THE ENCOUNTER OF RICARDIAN IDEAS WITH NINETEENTH-CENTURY AUSTRALIA

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‘They have the strongest interest as capitalists in searching, deep into the foundations of economic science. They have the best kind of school the world can afford for such inquiries; a young community, [...] it was as if political economy were being acted out on a stage - for in a colony we may witness the growth of human society, as plainly as we can observe the operation of bees through a glass hive’ (Lowe 1844).

In 1817 *On the Principles of Political Economy and Taxation* was first published. In the same year European settlement in Australia remained confined to a semicircular disk, centred on Sydney, with a radius of 50 km.<sup>1</sup> But, only shortly before, the labyrinthine ranges that had for 30 years hemmed in the Sydney settlement were sufficiently traversed to make out the open tablelands that lay beyond, and which would revolutionise world’s wool trade, and make Australia ‘rich and free’.

And, as a meteor shoots athwart the night,

The boundless champaign burst upon our sight  
Till nearer seen the beauteous  
landscape grew, Op'ning like Canaan on rapt Israel's view. (Wentworth 1823: 13).

In anticipation of exploitation of the new Canaan’s ‘boundless champaign’, Australia’s first bank was formed in 1817. In the same year Governor Macquarie, perhaps stirred by the quickening of prospects, successfully proposed that New Holland be henceforth known as ‘Australia’. Thus, Ricardo’s *Principles* appeared at a critical moment in Australia’s economic history.

Ricardo's work offered food for thought for both the Colonial Office and colonists. Rent had nothing to do with land's productivity as such, and might be as free as air. And a 'new society', the *Principles* insinuates, would experience high average productivity of land and labour, scant rents and moderate wages, with the consequent high profits stimulating capital growth.<sup>2</sup> Finally, the *Principles* contained a pregnant proposition, which would especially engage an essentially agricultural community: 'A tax on rent would affect rent only; it would fall wholly on landlords, and could not be shifted to any class of consumers' (I: 358).

The Colonial Office, further, had a particular cause to give notice to thoughts of about land or revenue in 'new societies'; the cost of New South Wales (NSW) to the British government was in the post-Napoleonic period swelling alarmingly, from £583,000 in the 12 years before 1817, to £2,242,000 in the twelve beginning that year (Butlin et al. 1986: 37). The East India Company – where James Mill worked from 1819 and John Stuart Mill from 1823 – would have an interest, as the Company had a legal monopoly of NSW's trade with the rest of the world. The educated crust of NSW might be expected to have a sensitivity to Ricardian speculations. Certainly, Alexander Macleay, the learned Colonial Secretary of NSW from 1825 to 1837, and thus the second most important figure in the colony's executive in those transformational years, owned a copy of the second edition of the *Principles*. But to the local elite political economy overwhelmingly meant Smith; Adam Smith was the educator; he was political economist with a particular interest in colonies; the visionary of the great sweep of development from 'an early and rude state' to 'rich, industrious and commercial nations'. Accordingly, political economy titles offered for sale in Australia over the period 1805–1849 included 132 copies of *The Wealth of Nations*, but just four of Ricardo's *Principles* (Berg 2017: 9). To the local elite Ricardo was just one of 'the authorities', to occasionally quote amid some respite from the urgent strivings of a raw existence.<sup>3</sup> Not without reason did Edward Gibbon Wakefield contend, 'Literary men, men of science, philosophers, do not emigrate to new countries where their acquirements would be neither rewarded nor admired' (Wakefield 1829: 40).<sup>4</sup>

Not surprisingly the first engagement of political economy with Australia – *A Letter from Sydney* – came not from Sydney or anywhere in Australia. And it is not unaccountable that its place of composition was, in fact, Newgate prison, where its author Edward Gibbon Wakefield had much opportunity to reflect on punishment – including 'transportation' – owing to his earlier conviction for certain sensational frauds. His success in these frauds owed much to his 'spell binding', 'magnetic' personality, which, one acquaintance judged, could be resisted only by hating him.<sup>5</sup> Wakefield's insertion of his driven and

visionary personality into the affairs of empire might bring to mind an East India Company adventurer of an earlier period, or a Cecil Rhodes of a later one; but he is better interpretable as an early case of the 'special advisor', and is reminiscent of L. F. McDougall (1884–1958), the ubiquitous, insinuating and persuasive apostle of empire food trade; never in office, but, thanks to his 'remarkable personal influence,' the constant consultant, counsellor and confidant of 'a great many significant figures' in the mid-twentieth century (Turnell 2006).<sup>6</sup>

Wakefield's persuasiveness was assisted by the informal education in political economy presumably supplied by his father, Edward, not only a land agent of David Ricardo, but an economic pundit of the day, who had 'formed close friendships with Francis Place, John Mill and Henry Brougham' (Moss 2004).<sup>7</sup> Current events were grist for Wakefield's mill. The fiasco of Thomas Peel's attempt to establish settlement at 'Swan River' (i.e. Western Australia) in 1829 was too late for the *Letter*, but was to Wakefield's mind a vindication of his theories, and was much exploited in his *England and America* of 1833.<sup>8</sup>

The *Letter from Sydney* directs itself to explaining why NSW seemed to struggle, in contrast to the implicit optimism about new societies of Smithian and Ricardian political economy. As the author relates, supposedly of himself: 'I have got 20,000 acres, and they did not cost me more than 2s. per acre. But I imagined that a domain of that extent would be very valuable. In this I was wholly mistaken. As my estate cost me next to nothing, so it is worth next to nothing' (Wakefield 1829: 177).

The first cause of this unfortunate situation was transportation costs; NSW being, as W.S. Jevons later observed, 'a large, wild, in many parts a very rugged tract of country, in which water-carriage non-existent, and even locomotion by ordinary methods very difficult' (Jevons 1857). The fictitious Sydney correspondent lamented that raw productions, timber and minerals, conferred no value on the 20,000 acres he supposedly owned. 'As for disposing of it [...], that would be impossible, for want of roads [...]. As regards the coal, though, I am mistaken; I might consume it by fire without much trouble. But what could I do with the iron ore, when, even though there should be means to convey it to Sydney, nobody would give me one Birmingham frying-pan for the whole of it?'. Ricardo, then, was mistaken in putting the value of land down its relative fertility.

Mr. Ricardo's theory of rent is perfectly unquestionable as far as it goes. But it does not, as I imagine, go far enough to explain the nature of rent in new countries. In England, the most fertile land, be it where it may, will let for what is called a high rent: here the most fertile land will not, unless near a town, yield any rent

at all. But, even in England, fertility is not the sole criterion of rent; as land near a town will let for more than equally fertile land situated far from any town [...]. All I mean by this is, that in speaking of rent according to Mr. Ricardo's theory, we are not to attribute to natural fertility *only*, what is in fact, *partly* due to situation and to the outlay of capital. In England, that part of the rent which is paid for superior natural fertility only is generally so large, in proportion to what is paid for situation and the use of fixed capital, that it may not be worthwhile to distinguish them with hair-splitting precision. But here, that is, in all new countries, the case is quite different. Wherever the most fertile land can be obtained for nothing, the superior fertility of land is worth nothing; and whatever is obtained under the name of rent, is paid *solely* either for vicinity to markets or as interest of fixed capital. (Wakefield 1829: 176)

The simplest analytical manoeuvre beckoned by the allowance for transport costs would be a spatial model where distant labour is less value-productive than near labour, with (to us) well-known implications for the ratio of labour to land.<sup>9</sup> Vindication of such a manoeuvre might be found in the fact that economic historians of Australia have seen a great explanatory power in distance (Blainey 1968). But there is not a hint of spatial model of economic activity in Wakefield's *Letter* or later writings.

Instead, Wakefield takes aim at the key Ricardian tenet of diminishing average and marginal product of labour; or, in Ricardo's language, 'the greater difficulty of obtaining the increased supplies, on account of the additional quantity of labour which the cultivation of inferior lands requires' (I: 8). Wakefield sweeps away such a premise.

We may, indeed, presume that the produce of 500,000 inhabitants of Van Diemen's Land, would much exceed twenty times the produce of 25,000 inhabitants; because the different *proportion* of people to territory would cause a greater *division of labour*, which is the very soul of production [...]. In short, there is little division of labour. (Wakefield 1829: 195)

Wakefield was striking at Ricardo's neglect of 'division of labour', which is referred to in *Principles* only four times, once in quoting Smith and three other occasions very passinglly.<sup>10</sup> But having raised the standard of 'the division of labour', Wakefield was a few years later to dismiss it as question begging, and obscuring of the more fundamental phenomenon: the *combination* of labour.

Adam Smith has said that the greatest improvement in the productive powers of industry is division of labour; others have dwelt on the great effects of machinery [...]; but none of these improvements are primary causes, as some

of them, and especially 'division of labour', have been considered by political economists; each of them on the contrary, though an immediate cause, is the effect of some antecedent cause.

In the most simple operation of industry, – in that, for example, which savages perform when they hunt for subsistence, – two persons assisting each other would obtain more game in a given time than two persons hunting each by himself without concert; just as two greyhounds, running together, will kill more hares than four greyhounds running separately. The very first improvement, therefore, in the productive powers of industry, seems to be not division, but combination, of labour. Several individuals, by combining their labour, procure more food than they want. (Wakefield 1833: 16–17)

'The combination of labour', not the division of labour: here was the root of productivity. J. S. Mill, the Great Assimilator, acknowledged the significance of the phenomenon in the *Principles of Political Economy*. The 'productiveness of labour' is promoted by 'the combined action of numbers' such as 'the lifting of heavy weights, for example, in the felling of trees, in the sawing of timber, in the gathering much hay or corn during a short period of fine weather, in draining a large extent of land during the short season [...], in the rowing of large boats' (Mill 1885: 101). We might imagine two people rowing a boat might have more than twice the productivity of one.<sup>11</sup>

To Wakefield it is a lack of the 'combination of labour' that is enervating in Australia. 'The soil and climate of New South Wales appear admirably suited to the growth of tobacco, olive oil, silk and wine. [...] Why has it not grown any of these things? Because for the growth of any of these things constant and combined labour is required; an element of production wanting in New South Wales' (Wakefield 1833, 2: 115). But why is 'combination' so wanting? Because of the abundance of land in the presence of free labour. 'Under a system of free labour the landowner will be 'eager to collect labourers from all quarters, and to reward them with the most liberal wages. But those liberal wages, joined to the plenty and cheapness of land, soon make those labourers leave him, in order to become landlords themselves' (Wakefield 1829, 153). Thus: 'Cheapness of land is another expression for scarcity of labourers; and as land here is extraordinarily cheap, we may expect that [...] labourers for hire will be excessively scarce' (Wakefield 1829: 67).<sup>12</sup>

If cheap land and free labour is the root cause of a lack of combination, then a solution would be the elimination of free labour. Thus Wakefield commends slavery at length. Large plantation agriculture of the Americas, based on slavery, secures the precious 'proportion' between labour and capital.

The extra productivity more than compensates for the ‘dearness’; so ‘the labour of slaves, though dear compared with that of free labourers in most countries, is, being combined, much more productive, in proportion to the number of hands employed, than the divided labour of free- men wherever land is very cheap’ (Wakefield 1833,1:248). The ‘dearness’ of slaves is taken to be a matter of benefit to the slave: ‘American slaves, or convicts in New South Wales, are fat and happy compared with very many free-born Englishmen’ (1833, 1: 59).<sup>13</sup> Published in the same year as *The Slavery Abolition Act*, Wakefield’s *England and America* was political economy’s ardent advocate of the economic benefits of slavery.

Another species of forced labour is convict labour, and to Wakefield’s mind it has much the same benefit as slavery: ‘The convict labourers, being forced to work in combination, raise more produce than they consume’ (Wakefield 1833, 2: 67). ‘Who built Sydney?’ Wakefield asked in the *Letter*. ‘Convicts [...] By whom is the land made to produce? By convicts’ (Wakefield 1829, 75).

Regrettably, convictism was ‘now coming to its end’. So what to do? After a throng of circling assertions in the main text, Wakefield gets straight to the point in the *Letter’s* appendix.

Article I: granting of land in Australia is to be abolished, and all land henceforth be sold

Article II: a tax on ‘actual’ rent be imposed, the revenue used

By these means small settlers are to be inhibited, and emigrants subsidised to work on large (plantation like?) agricultural enterprises.

Both these Wakefieldian policy propositions are based on the merits of ‘proportion’ and ‘combination’. But does he mean by these terms? Wakefield’s words afford three alternative interpretations.

### **‘Economies of Synchronisation’**

At points Wakefield appears to be referring to what might be called ‘economies of synchronisation’; or what Torrens (a Wakefieldian) referred to as the benefit of ‘many pairs of hands at the same time in the same place’ (Torrens 1835: 21). Wakefield’s hunting illustration quoted would appear to refer to this: he seems to be saying [that] two persons hunting for (say) one hour each – in the same time and same place – will catch more than a single person hunting for two hours. But ‘economies of synchronisation’ may be dismissed as a merely technological observation, comparable to some remark on the power of a lever (to use Mill’s example of a merely technological observation): which is to say the phenomenon will be no part of economics, unless, synchronisation is somehow scarce.

### **'Economies of Intensity'**

But perhaps synchronisation is scarce. Perhaps there is only one person available to row freight across the lonely banks of a 'wild' NSW river. The advent of a second person might more than double the mass of goods transported across the river.<sup>14</sup> Thus at low levels of labour input the average product of labour *rises* with the amount of labour per unit of other inputs ('land').<sup>15</sup> The contention can be conveyed by means of visualising a relationship between the average product of labour and labour per unit of land. At low ratios, the relationship is convex (bowed in), and the average product of labour *increases* with the ratio of labour to land. We might refer to this increase as the 'economies of intensity'. Only after the labour/land ratio has reached a certain critical level will the relationship assume an orthodoxly concave (bowed in) shape, and both marginal and average products begin to diminish, in the orthodox way (Coleman 2014).

But economies of intensity seem a feeble reed on which to suspend any imperative for the large (plantation-like) enterprises that Wakefield urged. Every enterprise, no matter how small, is able to reap the economies of intensity simply by not choosing a labour/land ratio lower than the critical ratio; by not operating, in other words, in the concave portion of the average product of labour function. If the supply of labour is insufficient to cultivate the entire supply of land at that critical ratio (or greater), then some land will be left uncultivated. And there is both every private and social incentive to leave land idle in such circumstances, since the marginal product of land worked with a labour/land ratio less than the critical one will be negative (see Coleman 2014). Wakefield's concrete illustrations of 'economies of intensity' may be faulted on such grounds.

In Van Diemen's Land [= Tasmania], it is common to see one, two or three, thousand sheep all in one flock, the old and the young, the strong and the weak, all mixed together. While feeding, the strongest of a flock, so mixed, always take the van, the weakest always bringing up the rear. Thus a great number of the lambs or weaker sheep are starved to death; and, of course, the profits of the owner of the flock are by so much diminished. Why is this loss incurred? for want of more shepherds; of more labour. (1833, 2: 115)

The response might be 'not for want of labour, but for want of restraint in capitalisation; for the lands are evidently overstocked (i.e. over capitalised); to the point that the marginal product of capital (stock) is negative'. Thus 'losses'.

### **Economies of Scale**

A third possibility is that Wakefield is referring to economies of scale; that is, 20,000 sheep and 20 shepherds yield a higher average productivity than 1,000 sheep and a single shepherd. But the possibility immediately begs the question: is Wakefield referring to scale of the industry, or scale of the firm? Mostly he is clearly referring to the firm.

Twenty thousand convicts, divided amongst five hundred settlers, would give to each settler forty pair of hands, wherewith to obtain for his wife a superb landau and plenty of gunpowder; but divide the same number of convicts amongst ten times the number of settlers, and poverty, in respect to everything above mere subsistence, must be the lot of all. (Wakefield 1829: 78)

A ‘returns to scale’ interpretation is still plainer when Wakefield disposes of Ireland as a supposed counterexample to his contention that a lack of labour is stifling. ‘In order to observe in the United Kingdom the bad effects of that division of capital and labour [...] one must travel to Ireland, where, in some districts, the separate fractions, of capital and labour are almost as numerous as the cultivators’ (Wakefield 1833, 1: 28). The problem with Ireland is that each labourer is a smallholder.

But is hard to see how a desirable scale needs to be fostered by legislative inhibition of small agricultural enterprises. Why is not desirable scale secured by market forces? If such economies of scale are so lucrative, there would be an incentive to avoid the diversification of activities that would be fostered by constant or diminishing returns and instead devote all resources to a single exportable good; capture what scale economies one could, and export the whole, taking maximal advantage of the division of labour in the rest of the world. A ‘plantation economy’, in other words, where exports equal 100 per cent of GDP. That the ultimate salvation of NSW did, in fact, lie in its becoming a ‘wool plantation’ has been articulated by economic historians (McCarty 1964).

Whatever the defects in Wakefield’s ideas, they nevertheless bore a fruit, wholesome or not, in the ‘Ripon Regulations’ issued by the Colonial Office in 1831 for Australia. Henceforth the grant of land (no matter how conditional on later improvement) would cease completely. Henceforth all Crown land (‘waste land’) would be auctioned, subject to a reserve price (‘upset price’) of 5s an acre; not nearly high enough for Wakefieldians, but better than 2s that the author of the *Letter* had supposedly paid. There has been some debate among historians about to what extent this apparent policy landmark was externally inspired, doctrinally based and rupturing in effect or was instead locally sourced, rooted



in expedience, and evolutionary in impact (Phillip 1960). But the distinct tendency of commentators has been to judge the Ripon regulations a 'complete and sudden reversal of established policy', which 'could well have been written in parts by Wakefield himself' (Burroughs 1965: 455, 457). Here is, undoubtedly, and probably for the worse, 'the power of ideas'.

The response of local landowners was hostile. Thus 'Cultor's' own letter of 1831 to the *Sydney Gazette*:

Returning from a tour into the interior, where I had been looking for a desirable tract of waste land, [...] I, as usual, took up the Gazettes which had accumulated on my table. You will better imagine than I can describe the amazement, vexation, and disappointment which rushed through my mind upon reading the new Regulations for the disposal of land [...] inquiring into the causes of this unexpected and direful measure, my recollection was awakened to a letter, [...] purporting to be written by an inhabitant of Sydney, published in London 1829. In his letter and its appendix, Sir, we find the germ of these ruinous Land Regulations [...] this dandy settler sets up for a Solon! and having failed in the management of his own 20,000 acres, sets himself down among the unintellectual people of Sydney to teach them political economy, and to direct their obtuse intellects

To Cultor the great error in Wakefield's scheme is its neglect to encourage capital:

How is the wilderness to be made productive, unless capital be invested to provide these labourers with employment. On this important, I may say vital, point of the subject, our Sydney correspondent is silent; whilst, at the same time, the Government is recommended to withdraw a considerable portion of the capital from the settlers already established, the outlay of which would otherwise provide employment for those labourers who may arrive in the Colony. [...] To see the effects of condensing population, even on a rich soil, without capital to direct, control, and cherish their labour, we need look no farther than Ireland. (Cultor 1831: 3)

Such protests were overridden, and the focus of contention shifted to the prospective settlement of South Australia, which involved Wakefield in some measure, and, more centrally, Robert Torrens. Despite their differences, Torrens was a convert to Wakefieldian vision, expounded its ideas publicly, implemented them in the scheme for settlement.<sup>16</sup>

The plan for the settlement of South Australia was occasion for another encounter of political economy and Australia. The scheme was heavily

criticised by two articles in the *Westminster Review* (1834, 1835), partly on account of the natural disadvantages of South Australia, and partly on account of the scheme's Wakefieldian premises. The reviewer puts squarely his objection to discouraging the sale of land, so as to 'concentrate' labour and capital. 'There is nobody who does not see, that if beef and bread are scant, that is the reason why potatoes should be taken for support. In new colonies both capital and labour are scant, and there the facility of land to work on is what nature has given for a compensation' (*Westminster Review* 1834). Torrens declared in response 'The Reviewer has read Ricardo, without being able to understand him'. Torrens repeats this statement four times (1835: xi, 1, 11, 23, 25). 'Those who read Ricardo', announced Torrens, 'without understanding him, are opposed to the principles on which the new colony is formed' (Torrens 1835: 30). Ricardianism seemed to portend a conflict between wages and profits and not the 'win-win' that Wakefieldians intimated would be a consequence of their proposals. In dealing with this apparent inconsistency of Ricardo and Wakefield, 'the Author' says Torrens of himself 'was naturally, and, indeed, necessarily, led into some fundamental questions of political economy' (1835: ix), which were 'new' and 'not unimportant'. Torrens' 'new' result was that Ricardo, properly understood, taught that only money profits and money wages were in necessary antagonism, but real profits and real wages could both be increased by a concatenation of productivity shocks. The possibility of the last Ricardo would hardly have disagreed with the antagonism between profits and wages is a wages fund comparative-static. But Torrens seems not to have thought so and concludes, 'the doctrine of Mr Ricardo is not true, under the actual circumstances of the world' (Torrens 1835: 31). Thus Torrens defends Ricardian doctrine by declaring it is irrelevant to South Australia.

But with the 'new British province' of South Australia's ultimate bankruptcy in 1841, the focus of Wakefieldian controversies shifted again. New Zealand absorbed Wakefield's attention, and NSW returned to the front stage with the appointment of Sir George Gipps as Governor in 1838, and Henry Grey, 3rd Earl Grey, as Secretary of State for War and Colonies. The Governor's resolution to collect 'Quit rents' – or land tax – and Grey's policy of increasing reserve price to 15s were Wakefieldian in flavour. But local critics of such policies now had a heavy gun to turn in the shape of Robert Lowe, best remembered as Gladstone's Chancellor of the Exchequer, 1868–1873, and defender of deductive political economy against inductivist critics, but who on 8 October 1842 arrived in Sydney for what proved to be an eight-year stay. A former fellow of Magdalen at Oxford who 'knew his Ricardo' (Maloney 2005: 43), Lowe may be described as an intellectual in politics, like Mill,

or even Ricardo, although his foray in politics went further than these, and his failure much deeper. Like Ricardo he had a clear resolution of what lay within his narrow field of vision; but unlike the dispassionate Ricardo, he was possessed by a vehemence, which spilled over into poetising, including one poem protesting Quit Rents.

Lowe was, he later recalled, not initially hostile to Wakefield's nostrums. 'Fresh from England, I was impregnated with Wakefieldian theory; but as I acquired colonial experience I saw its inapplicability to the colony' (Knight 1968: 22). Presently, however, Lowe dismissed Wakefield as a 'plausible theorist' and 'accomplished land jobber' (Lowe 1844). He used his position as leader writer of Sydney's *Atlas*, 'written for a well-educated audience with literary tastes' (Walker 1976: 38) to blast Wakefield. Thus one of the exercises in versifying in *The Atlas*:

Gibbon Wakefield

In London Lecture-room one day,  
A magnetized patient lay  
And wondrous things did do and say  
All in mesmeric trance;  
While Acland, Molesworth and Buller stood,<sup>17</sup>  
And many more, in musing mood;  
As this phenomenon they view'd  
And Science's advance

When all at once, the spell was broke,  
And very serious was the joke  
It seemed that Death with subtle stroke,  
The clair-voyance had ended;  
For Wakefield stood behind the chair,  
And, with the operator's air  
His arm waved in passes there,  
In mockery intended

To mock, to thwart to baffle still,  
From what is good, to work out ill,  
Has Gibbon Wakefield tried his skill,  
Since before Newgate knew him,  
Abduction there had lodged him fast,  
But his deductions that surpassed,  
And young Australia's hopes did pass,  
When Russel listened to him<sup>18</sup>

Thus bold assurance works its sway  
 Life's cup to still - life's currents sway  
 Or darken Science's dawning ray,  
 a demon's art employing,  
 To lead the gentle maid astray  
 To mock young Science's dubious way  
 Or with young colonies to play  
 Deluding and destroying

A 'hard fierce man, with a great gift for enmity' (Maloney 2006: 403), Lowe's enmity extended to Governor Gipps, as he protested '... the inconceivable inequity of our Government, which has framed out of the specious fallacy of Mr Wakefield, a system which has abused even them to purposes of oppression from which the author shrank' (Lowe 1845a). Lowe put his finger on the means of oppression.

The air we breathe is, thank God, at present of no exchangeable value at all [...] but place your head in a receiver, and place the hands of the air-pump of in the hands of Sir George Gipps, and that which was valueless will become the most costly of all luxuries. A few turns of the winch, and the patient will give all he had in the world for a single inspiration of that which a minute before he would ridiculed to purchase. So it is with land. (Lowe 1845b)

This is obviously reminiscent of Ricardo's remark very early in the *Principles*, 'nothing is given for the use of air and water, or for any other of the gifts of nature which exist in boundless quantity' (I: 53).

Lowe turned his own analytic winch on Gipps by asserting an equivalence between restriction of land sales and a tax on land sales. 'Lowe described an improbable imaginary conversation between David Ricardo and J.B. Say ... to show that land restriction was similar to the imposition of a tax on pastoral operations; the British consumer, he maintained, paid for this folly by an increase in wool prices' (Goodwin 1966: 76). Adding an anti-imperial twist, Lowe declared the revenue from the regulated land sales – which wholly was paid to Whitehall – was simply 'tribute' (*Atlas* 22 March 1845).

Despite the failure of Lowe's own blasts, the influence of Wakefieldian nostrums receded with the decay of 'direct rule' from Westminster. With the attainment of self-government of all of Australia (save WA) in 1856, and the introduction of adult male franchise in NSW from 1859, the law would no longer be designed to foster large land holding. The land acts of 1861 of Premier Sir John Robertson (see Shann 1948; Coleman 2021) were a final and total refutation of Wakefieldian sentiments: their explicit intention was to create an agricultural yeomanry out

of pastoral properties, by allowing anyone to 'select', occupy and ultimately own in freehold several hundred acres of any grazier's leasehold. It has been sharply observed that most 'selections' proved to be economic failures, and that the Robertson land acts actually facilitated the mass conversion of pastoral leaseholds into pastoral freehold, as graziers used various legal stratagems to 'select' their own leases (see Shann (1948) for a devastating appraisal). The upshot of this irony of history was that by the 1880s a small class of 'squatters' with secure title faced a numerous group of 'cockies'.<sup>19</sup>

There was evidently a problem shift between 1830s and the 1880s; from development to distribution. And this shift suited the renewed application of Ricardian economics; was not 'To determine the laws which regulate this distribution, ... the principal problem in Political Economy'?

The most reverberant policy contention of Ricardo's principles of taxation had been articulated with eloquence by J. S. Mill, in Section 5, Chapter I, Book V of his own *Principles*:

Suppose that there is a kind of income which constantly tends to increase, without any exertion or sacrifice on the part of the owners: those owners constituting a class in the community, whom the natural course of things progressively enriches, consistently with complete passiveness on their own part. In such a case it would be no violation of the principles on which private property is grounded, if the state should appropriate this increase of wealth, or part of it, as it arises. This would not properly be taking anything from anybody; it would merely be applying an accession of wealth, created by circumstances, to the benefit of society, instead of allowing it to become an unearned appendage to the riches of a particular class. Now, this is actually the case with rent. (Mill 1885: 629)

It remained for someone to take these words and radicalise them; to advocate the taxation not simply of the increase in rent, but all of rent; and not simply to tax rent, but to tax only rent: 'to abolish all taxation save upon land values' (George 2020 [1898]: 240) where the 'value of land' was to be distinguished from 'the value of improvement' (George 2020 [1898]: 252). Thus the doctrine of Henry George in *Progress and Poverty*.

The publication of *Progress and Poverty* was of huge interest in Australia. An electronic search of hundreds of Australian newspapers indicates that *Progress and Poverty* received 2206 mentions between 1880 and 1889. Some sort of benchmark for this number is provided by the number of mentions of a thinker who shared George's market liberalism and hostility to private ownership of land: Herbert Spencer. His *The Man versus the State*, appeared in 1884, but secured just 22 mentions over those ten years.

The author of *Progress and Poverty* also had a definite interest in Australia. Henry George's son records that Australia 'had been a country of peculiar interest to him' (George 1890). As the 'foremost boy' on the *Hindoo* Henry George had visited Melbourne for a month in 1855. George later recalled to his son that Australia 'was looked upon by most of the crew as the Land of Promise, where gold was to be had by all'. A few years later he married the Sydney-born Annie Corsina Fox. These details make it less surprising that in 1889, when a free trade member of the NSW parliament invited him to tour Australia, George readily agreed.

George's Australasian tour commenced in Auckland on 1 March 1890, and concluded in Perth on 15 June 1890. The elite gave him every welcome. In Auckland Sir George Grey, a past prime minister and governor of New Zealand, greeted him. In Sydney George Reid, a future prime minister, took him on a harbour cruise. In Queensland Samuel Griffith, a future Chief Justice of the High Court of Australia, was 'unable to discover any flaws in his arguments' (Griffith 1890). H. B. Higgins, later Justice of the High Court, and of profound influence in Australia's labour market institutions, made a patient, if not very interrogating, examination of *Progress and Poverty*. He was most engaged, and heartened, by George's contention that wage levels did not depend on capital.

George's message of The True Remedy was even more readily taken by the people. The 'Prophet of San Francisco' was warmly, sometimes rapturously, received. George's partisans, his wife claimed, were 'fairly delirious with delight', that his lectures were not stiff as some had anxiously apprehended. In these lectures he was not afraid of bringing out the basic Ricardian foundation of his ideas.

Let the front rank represent land which produces 20 bushels of wheat, bags of potatoes, or anything else, that is the best from its quality and position. Rank No. 2 produces 19, and is therefore second best, and so on till the last, which is the worst. The labor on each class of land being the same, it is obvious that No. 1 is 5, 10, or 20 times better than inferior land; or, in other words, a man could give 5, 10, or 20 pence, shillings, or pounds more in proportion for it, as a stand upon which to employ his labor. Hence rent – economic rent – arises as a necessary condition of things, and is therefore called the law of rent. (George 1890: 2)

Stirred by his successful visit, the various Single Tax Leagues in Australia now made their presence felt in other political organisations. Especially the NSW Labor Party, where Georgites took, 'however briefly, control of the party executive' (Picard 1953: 63), and made a lasting

impression on some of its leading personalities, including the future Prime Minister Billy Hughes. The free traders, too, were thick with single taxers. The ambitious B. R. Wise, later temporarily Premier of NSW, sought to harness this energy by launching a Free Trade and Land Reform party, which at one point claimed one fifth of the assembly (*Australian Star* 1894). But George Reid, the leader of the larger faction of free traders in NSW, stole Wise's clothes, and in 1895, as Premier, passed the *Land Tax Act*, which imposed a tax of one penny in the pound on unimproved value of land. It was not the first tax on unimproved values in Australasia, but it constituted a powerful example.<sup>20</sup> By fiscal year 1899 land tax raised almost 10 per cent of NSW tax revenues: hardly one hundred per cent, but a decent portion.<sup>21</sup>

At the level of the Commonwealth Government, in 1910 Andrew Fisher's Labor government passed the *Land Tax Act*, which imposed a graduated tax on the unimproved value of land, starting at a penny in the pound. Despite the rhetoric of legislators, this tax was soon put into the shade by the advent of income tax during the First World War. Georgist thought did have additional impact in the prohibition of freehold title throughout the new Australian Capital Territory, but this metamorphosed into a legal fiction long ago. A more enduring imprint of the 'Single-Tax moment' in Australia was the NSW *Local Government Act, 1906*, passed by the Liberal Reform government of Premier Joseph Carruthers, who told the press he was 'a warm admirer of Henry George' (George 1890). The act comprehensively established local government throughout NSW, and provided that the revenue of the various municipalities and shires be obtained by their taxation of the 'unimproved value' of land. In NSW the 'rating on the unimproved capital value on land has been the basic means of financing local government in NSW since the Georgist victory of 1906' (Clark 1980: 145).

## Conclusion

There was, evidently, transaction between political economy and Australia in the nineteenth century: a two-way transaction. The difficulties of settlement left a mark on the doctrines of some of the inheritors of Ricardo, and the doctrines of some of the inheritors of Ricardo certainly left a mark on the new settlement – for bad and good.<sup>22</sup>

What is striking about the response of doctrine to the encounter with nineteenth-century Australia is how weak it was analytically: Wakefield's attempt to argue that an abundance of land and labour made for a market failure, which demanded legislation to discourage small land holdings, surely

had no theoretical legs. But equally noticeable is how inconsequential were the rebuttals of Wakefield; consisting of *ad hominem* attacks, dogmatic assertion or irrelevant digression. There is a sense of lost opportunity to expand the intellectual horizons of classical economics. In analysing the New World, the inheritors of Ricardo were fascinated by Land, and yet found no interest in Space. It is unsurprising that Ricardo treated distance perfunctorily in the *Principles*: the most remote point from the sea in England is, we are told, the village of Coton, just 72 km from the nearest tidal water. The distances between the New England, New Holland, New Zealand and New South Wales were of a different magnitude. The town of Bourke, founded during the heyday of Wakefield's influence, and quickly growing to a great wool centre, is, in ordinary seasons, 1,000 km from the nearest tidal water. But after flourishing transport costs at the beginning of his *Letter*, Wakefield made no attempt to pursue their consequences. George too had little interest in transport costs, and he mentions railways to chastise them for fostering speculative cycles.<sup>23</sup> The huge impact of immigration and population density on the huge reduction in transport costs – with all their distributional consequences – was not something that caught their eye. It is suggestive of the difficulty of the theorist analysing a novel situation to capture the significant feature.

## Notes

- 1 See Roberts (1964: 2).
- 2 'In new settlements, where the arts and knowledge of countries far advanced in refinement are introduced, it is probable that capital has a tendency to increase faster than mankind: and if the deficiency of labourers were not supplied by more populous countries, this tendency would very much raise the price of labour' (I: 98).
- 3 See, for example, the quotation from Ricardo among the copious enumeration of 23 'authorities against protective duties' in the *Sydney Morning Herald* (30 May 1843: 2), which also included Adam Smith, Jeremy Bentham, Colonel Torrens, James Mills (sic).
- 4 There was also a physical propagation beyond the intellectual one: Wakefield, four of his brothers and a son all emigrated to New Zealand. There was less physical propagation of the Ricardo family. Sidney Ricardo (1819–1896), the son of David Ricardo's younger brother, Benjamin, did emigrate in the 1850s to Victoria, where he became a magistrate, a pioneer irrigator, a member of parliament (briefly), and a life governor of the colony's Benevolent Institution. In its issue of 10 April 1891, *The Argus* recorded that 'amongst the applicants of admission [to the Benevolent Institution] was Sidney Ricardo, formerly a wealthy landowner'.
- 5 A telling survey of the changing history of judgements of Wakefield's psychology and achievement is supplied by Martin (1997: 3–8).
- 6 'Explaining precisely why McDougall was so successful in the propagation (if not the implementation) of his ideas is a none too easy task. One answer, by no means likely to be the least accurate but by all means most difficult to establish, would



give priority to personal factors - to wit, McDougall's proselytising skills. [...] it would also be less than historically accurate not to note the array of accounts attesting to the remarkable, personal influence McDougall had upon a great many significant figures of the inter-war years' (Turnell 2006: 66). These included Eleanor and Franklin Roosevelt.

- 7 One (highly hostile) profile of Wakefield describes him as 'friends' with J.S. Mill (Hasluck 1965: 122).
- 8 Thus in Wakefield's analysis of the Swan River 'The labourers, obtaining land very readily, and running about to fix upon locations for themselves, and to establish themselves independently, very soon separated themselves into isolated families, ... cottiers, ... and very soon fell into very great distress' (Wakefield quoted in Hasluck 1965: 125). It needs not be said that the difficulties at Swan River arose from many circumstances - especially Thomas Peel's selection of woefully unsuitable land for his settlement - and provide no simple verification of Wakefield's principle of concentration.
- 9 Transport costs also destroy any notion of 'the' wages fund. Even granting the Ricardian premise that the payment of wages constitutes an act of saving; the existence of transport costs will entail that there is no conceptually significant quantity of total saving (i.e. 'the' fund), as saving in different points of space must be distinguished from each other. So logically enough, 'the' wages fund is absent from Wakefield; though the logic of transport costs in destroying 'the' wages fund is not clear.
- 10 See Ch V 'On Wages'; Ch XVIII 'On Value and Riches, Their Distinctive Properties'; Chapter XIX 'Effects of accumulation on profits and interest'; and Ch XXIX 'Mr Malthus's opinions on rent'. The only substantive contention Ricardo makes regarding the division of labour is to suggest that increased division of labour will increase fertility of all grades the same, leaving rent unchanged.
- 11 Wakefield declares the "division of labour" is an improper term as commonly used; and, what is of far greater consequence, that the use of this improper term has kept out of sight the first great improvement in the productive powers of labour, namely, combination of power (Wakefield 1833, 1: 20).
- 12 Wakefield: 'During forty years we have combined the fire and water of political economy—cheap land and cheap labour. The result is, no doubt, astonishing; but, as that strange union of contradictions is almost at an end' (Wakefield 1829: 78). But not 'fire and water' in Ricardian political economy: there is no simple antagonism between wages and rents in Ricardo; an increase in the wages fund will press down on profits, not rents.
- 13 'The peasant of the South of England suffers nearly all the evils, but enjoys none of the advantages of slavery' (Wakefield 1833: 1:48).
- 14 Why not have two people row for half a day, and devote the remaining half day to some other activity? To rebut this might require a reference to travel time between valuable activities.
- 15 Mill's 'productiveness' and 'efficiency' refer, surely, to the average productivity of labour. George is explicit in 'combination' increasing the average product: 'Soon there comes another immigrant ... And another, and another, until around our first comer there are a score of neighbours. Labour has an effectiveness which in the solitary state it could not approach. If heavy work is to be done, the settlers have a log-rolling, and together accomplish in a day what singly would requires years' (George [2020] 1898: 137).

- 16 ‘Torrens disputed a number of Wakefield’s theories during the life of the National Colonisation Society... In fact, the Society virtually disbanded in mid-1830 when Torrens and Horton resigned due to disagreements on the Wakefieldian ‘concentration’ principle. But a year later Torrens rejoined, having been convinced that his own idea on the division of labour was the same as Wakefield’s point’ (Moore 1980: 75).
- 17 Sir Thomas Acland: Conservative MP and a figure in the Society for the Promotion of Colonization. Sir William Molesworth: Philosophic Radical MP and enthusiast of Wakefield’s ideas. Charles Buller: Philosophic Radical MP and enthusiast of Wakefield’s ideas.
- 18 Lord John Russell, Whig Secretary of State for War and the Colonies.
- 19 Shann (1948: 208): ‘By 1881 ninety-six land-holders [in NSW] had freehold estates covering eight million acres, averaging 84,000 acres each. Such was the agricultural revolution effected by unlocking the land ...’. Note: ‘Cocky’ = ‘a farmer, especially one who farms in a small way’.
- 20 NSW’s tax had been preceded in 1883 by South Australia’s *Taxation Act* which, amid much airing of *Progress and Poverty* in the local press, imposed a tax of half a penny in the pound on the unimproved value of land. New Zealand’s *Land Income Assessment Act* of 1891 amounted to imposing a tax of the same rate on the unimproved value of land and the value of the excess of any improvement over £3000. In 1897 an amendment abolished the taxation of all improvements, large or small in value, in accordance with Georgeite prescription (Le Rossignal and Stewart 1908). Victoria’s *Land Tax Act 1890* was a conventional ‘wealth tax’, which did not exempt from taxation the value of any improvement.
- 21 Gross revenue from the NSW land tax in the fiscal year ending 30 June 1899 was £271,000 (Wagga Wagga Express 1900). In SA the revenue from the land tax in the fiscal year ending 23 June 1900 was £71 000 (Narracoorte Herald 1900).
- 22 A *uniform* minimum price across Australia seems idiotic. In the judgement of one fierce critic, the Wakefieldian minimum price in WA from 1831 ‘hit Western Australia very hard. Variations in the quality of land there, both by reason of unequal fertility and lack of water necessitated large holdings to make farming and ‘sheep walks’ pay – ... the colonists of Western Australia knew that no one was going to pay vast sums for vast acres ... Emigrants came in less and less numbers, and the labour force dwindled ... It took Western Australia some fifty years to recover from Wakefield crying his theories’ (Hasluck 1965: 128). This critic is following the earlier observation of Shann: ‘A price sufficient to put an end to settlement at Australind and in Western Australia generally was so low in South Australia as to invite the speculative purchase ... even of good wheat land on the Plains ...’ (Shann 1948: 233).
- 23 ‘It is thus that the rapid extension of railroads is related to the succeeding depression’ (George 2020: 277).

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