

Defending the cause of liberty during the Great Depression

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In October 1929, Sir Robert Gibson, chair of the Board of Directors of the Commonwealth Bank (the equivalent of the modern Reserve Bank) wrote to E.G. Theodore, Treasurer in the new Federal Labor Government. In the measured words of a mandarin, Gibson was informing Theodore of catastrophe:

For some very considerable time past the Board has viewed with much disquietude the general financial position more especially its aspect as regards the situation respecting the availability of Australian credits in London.

The magnitude of the economic disaster which swept the world in the early 1930s is well known, and that Australia was particularly badly affected is also commonplace. Our view of the Great Depression, however, is informed by hindsight. We know that the economy gradually recovered and that capitalism and liberal democracy survived. The fears people held at the time seem excessive, a collective hysteria. But this is unfair to those who lived through it, and who saw their world disintegrating.

The fear of civic collapse, was both understandable and justified, particularly in New South Wales. With such large numbers of people unemployed and tax receipts drastically cut, the State and its agencies were under such strain that the continued functioning

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Unemployed carpenters who applied for one position in Sydney wait to hear who is the successful applicant, June 1935. Courtesy State Library NSW

of government was in real question. In his private communications, the Labor Premier of New South Wales, Jack Lang, made the finances of the State government sound like those of a struggling corner store. 'My particular anxiety', he wrote to the Federal Treasurer in December 1930, 'is to find means of obtaining the necessary cash to carry on during the months of December and January'.

It was in this atmosphere of crisis that three works of Australian history of remarkable quality appeared in quick succession. These were W.K. Hancock's *Australia*, Edward Shann's *An Economic History of Australia*, both published in 1930, and F.W. Eggleston's *State Socialism in Victoria*, published in 1932.

Major works of scholarship have a long lead time, so the appearance of these three works in the early years of the Depression cannot be attributed directly to that event. But what gave them particular power and resonance was that all three authors had, in different ways, identified a political, social and economic malaise in Australia. They all anticipated economic trouble, though none expected it to be as severe as it was. All three works, too, contributed to a soul-searching and reassessment of the nature and purpose of Australian democracy, politics and the institutions of government.

Such a reassessment was urgently needed. Australian society reacted to the Depression with confusion, anger

and a search for someone to blame. ‘Something... must be done to prevent us finishing in the economic necropolis’, mused one writer, R.H. Milford, ‘true statesmanship and co-operation will achieve this; and the present party-system must be thrown away—root and branch’. These anti-democratic sentiments were widely shared. Essington Lewis, the general manager of BHP, wrote that ruling by democracy ‘seems

of the day. One was the boosterism of ‘Australia Unlimited’, the idea that, despite poverty of soil and rainfall, the Australian continent could somehow support a new United States; the other was the addiction to protectionism.

Shann’s writing was witty, even elegant. He favoured the stiletto over the claymore. Consider, for example, his analysis of reckless borrowing for public works by colonial governments:

demned alike the excessive devotion to theory which blinds policy-makers to the lessons of experience, and the dull conservatism which rejects all experiment.

The most accessible of the three works, W.K. Hancock’s *Australia*, was published in 1930. As a dexterous thematic treatment of Australian history, it is probably still unsurpassed. Hancock was the generalist of the three writers;

Hancock presented Australia as a society prone to excesses of alternating folly and disillusion

to be an unmitigated disaster’, and that a short-lived dictatorship ‘would not be altogether a bad thing for Australia’.

Although the widespread disillusionment and disgust with politics was understandable, it was also destructive. Crisis requires leadership, engagement and an acceptance of responsibility. The works of Hancock, Eggleston and Shann were an important contribution to this response. Their mature and clear-sighted assessment of Australian politics, history and economics were an antidote to hysteria and cynicism alike.

Shann’s work, in particular, was underpinned by a faith in the reason and ability of ordinary people. The quotations from Gibson and Lang at the beginning of this article come from a book of documents, *The Crisis in Australian Finance*, which Shann co-edited. This book and others on which he collaborated were successful attempts to place before a wide readership information which would cut through political rhetoric and encourage public debate on economic issues to move to a higher plane.

Shann’s *An Economic History of Australia* was similarly motivated. Shann was unusual in focusing not on state-driven economic activity, but on the efforts of individuals. His prescience and independence of mind stand out vividly to the modern reader. He consistently attacked two of the sacred cows

‘They were building, in haste and on credit, the nineteenth century equivalent of city walls’. Of the protected coastal shipping industry in his own time—then widely viewed as a source of national pride—he dryly noted: ‘As elsewhere in the Australian economy, the question presses whether the stable has been improved at the expense of the horses’ feed’.

In 1932, F.W. Eggleston published his *State Socialism in Victoria*. It was an assessment from the inside—Eggleston had been a minister in a Victorian Liberal government—of the chequered path of State-owned enterprises in Victoria. He concluded that, overall, the experiment of state socialism had been a failure, but rejected a reactionary retreat to purist *laissez-faire*.

The failure of State-owned enterprises, despite some good ideas and the hard work of many conscientious public servants, he attributed to the interference of parochial and opportunist politicians, and by extension to the ignorance and self-centeredness of the electorate. However, he recognised that the shock of the Depression had helped to change attitudes. ‘The truth is,’ he wrote, ‘that in economics, as on the cricket ground or battlefield, the Australian is careless in getting into difficulties, but magnificent in getting out of them’.

Eggleston appealed for an empirical mindset in public policy. He con-

indeed, his history drew extensively from Shann and Eggleston. In *Australia*, Hancock succeeded in traversing the political, social, economic, intellectual, environmental and artistic aspects of Australian development without losing focus or narrative drive.

Hancock presented Australia as a society prone to excesses of alternating folly and disillusion. He used water as a case study. The drought of the 1880s caused a government-backed search for artesian water which proved extraordinarily successful. ‘The doubters were confounded’, Hancock wrote:

and men far away in comfortable cities dreamed of irrigation and agriculture in Australia’s arid regions. The optimists began to preach, with the fervour of a tyrannical patriotism, their strange gospel of ‘Australia Unlimited’.

The result of such excitement, in this case as in many others, was the criminal waste of a precious resource, only brought in check by undeniable signs of its approaching exhaustion.

Hancock lamented the Australian pattern of unrealistic hopes of development which led to the destruction of what resources did exist. The ill-judged clearance of valuable forest to create unviable farmland and the ill-treatment of Australia’s rivers are other examples he gave of folly punished.

Hancock was at his best in his assessment of Australian politics, which

he divided between the Labor Party and the 'Parties of Resistance'. He identified the main problem facing Labor as the need to balance the idealism of core supporters with the pragmatic concerns of a wider electorate. The non-Labor parties—the Nationalists were the most important at the time—he saw as inchoate, devoid of ideas and identity, so anxious to keep Labor out of office that they would, if need be, adopt most of Labor's policies to do so. 'If Labor dare not practise socialism', he wrote, 'the Nationalist party dare not even profess individualism'. Its leaders paid scant regard to the party platform, which in any case was ambiguous and vague, and pragmatically adopted whatever regulative and interventionist mechanism seemed popular. 'In this atmosphere', Hancock wrote, 'strenuous old-fashioned individualism mopes and pines like a pelican in the wilderness'.

Hancock saw Australia as a society damaged alike by credulous idealism and credulous cynicism. The result was a lack of faith in the character and ability of people to manage their own affairs, and a deep-seated distrust of governments which were, nonetheless, expected to solve every problem. He also recognised that the Australian commitment to a 'fair go' had pernicious effects. The Australian polity, he wrote: 'is properly anxious that everybody should run a fair race. It is improperly resentful if anyone runs a fast race'. The most damaging symptom of this jaundiced democracy he saw as protectionism.

Protection in Australia has been more than a policy: it has been a faith and a dogma. Its critics [have] dwindled into a despised and detested sect suspected of nursing an anti-national heresy.

The dogma of protectionism, of course, survived the shock of the Depression. This was perhaps inevitable. The United Australia Party, which took office federally in 1931 and in New South Wales the following year, was historically important. It represented

an emergency coalition, a mainstream conservatism with a sufficiently broad electoral base to restore political and economic stability in a time of deep crisis. It can in no way, however, be described as a visionary party.

Prime Minister Joe Lyons and New South Wales Premier Bertram Stevens were leaders of the sort Manning Clark derided as having the 'virtues of receivers in bankruptcy'. But there is something to be said for such virtues, particularly when the State is very nearly bankrupt. Lyons and Stevens were honest and diligent, and succeeded in restoring confidence in the key institutions of the state. Unfortunately, as the 1930s unfolded, the UAP became ever more wedded to a reflexive protectionism which extended well beyond economics to popular culture and intellectual life.

But if the intellectual flowering of which the works of Shann, Eggleston and Hancock were part did not have as great an influence as might have been hoped, the significance of their contribution to Australian conservative thought deserves recognition. More than that: many of their major arguments have contemporary relevance.

Conservatism in Australia now exhibits many of the vices which Hancock and his colleagues identified in the 1920s. The political dominance of the federal Liberal Party has helped obscure this malaise, indeed has contributed to it. Core tenets of liberalism and conservatism are breezily disregarded, replaced by cynical populism.

Conservatism emphasises the prudent management of finance; our government squanders the public money on transparently political advertising and middle-class welfare. Liberalism emphasises the freedom of the individual; our government intervenes in seemingly every social problem, from drug addiction to the birth-rate and childhood obesity. Conservatism values federalism; our government draws ever more power, not just to Canberra but into the hands of individual ministers. Liberalism values civil society and

participatory democracy; our governing party has a tiny membership, rigid discipline and an internal democracy which is a sober farce. Conservatism is opposed to needless bureaucracy; our government deregulates the workplace by adding yet another tangled layer of regulation. Above all, conservatism values honour and integrity; our government lives by the post-modernist notion that truth is whatever opinion polls say it is.

Against this background, it is timely to consider again Eggleston's appeal for public policy based on long-term thinking, implemented by public agencies which are adequately resourced and sufficiently independent that political interference is minimised. Timely, too, is Hancock's warning against smug self-satisfaction and the naïve faith that good economic times will endure forever. Most important, perhaps, is Shann's recognition that protectionism was culturally as well as economically damaging.

The more the policy of hermit Australia succeeded, the more surely would it bring slothful intellectual standards, and, as a consequence, material decay.

What is needed is an urgent reappraisal of liberal and conservative values, underpinned by a genuine commitment to intellectual inquiry and fair debate, rather than the bullying and abuse which have become fashionable. A renewed commitment to historical inquiry—real history, not the recycling of comforting myths—is an important part of this process. As the American historian Joseph Buttinger observed: 'Although it is true that man's capacity to learn from history is negligible, ignorance ... has certainly been no asset'.

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