AUSTRALIAN ECONOMIC BOOMS IN HISTORICAL PERSPECTIVE

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The current ‘economic boom’ in Australia is part of a historical pattern. Australian development has occurred in several phases of capital accumulation: an era of primary capitalist accumulation - from 1788 until the economic crash of the early 1840s; the first long boom - from the colonial gold rushes of the 1850s until the Depression of the early 1890s; the era of early national development - from Federation until the Depression decade of the 1930s; the second long boom - from 1945 until the global crisis of the 1970s; and the era of neoliberal globalism – from the early 1990s to the present[1]. Each previous ‘boom’ featured a burst of innovation and growth followed by economic collapse. Each collapse was characterised by intensive capital, labour and state restructuring during which there occurred significant changes in the role of the state, shifts in economic policy, and fundamental realignments of class forces. These phases of restructuring have been periods of ‘creative destruction’ through which the problems increasingly inherent in the previous boom were at least partly resolved and the conditions for a new phase of accumulation forged.

While throughout these historical cycles Australia’s semi-dependent relationships with foreign economic powers have been central to the development process, they have also left Australia particularly vulnerable to changes in the global economy and exacerbated the severity of the

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1 This schema was inspired by Christopher Lloyd (1992). 'Regime change in Australian capitalism: towards a historical political economy of regulation'. *Australian Economic History Review*. 42(3) pp 238-266. However, it provides a quite different categorisation of historical periods from Lloyd’s which is set out in the following article in this journal.

economic downturns that have followed boom periods. Just as significantly, however, each period of expansion in Australia has been characterised by the development of a set of indigenous economic, political and social institutions and processes that have provided a regulatory framework within which capitalist development has occurred. These Australian institutions and processes were forged in part through local capital, labour and the state's struggles to harness the benefits of foreign links while seeking to protect themselves against vulnerabilities deriving from foreign dependency.

Nevertheless, Australia's position within global capitalism today remains highly vulnerable. Its traditional institutional structures have been radically restructured by a decade of neoliberal 'reforms', aimed at facilitating the globalising of the economy but which actually threaten those structures and processes that have sought, albeit imperfectly, to shield Australia's political economy from the negative impact of global forces. The aim of this discussion is to utilise a long-term perspective from Australia's historical experience to see what lessons can be learnt to ameliorate the traditional weaknesses in Australia's political economy and its long term vulnerability to global capital and market shifts.

From Primary Accumulation to the end of the First Long Boom – 1788 to the 1890s

While the colony of New South Wales was established in 1788 as a penal settlement, it rapidly developed viable capitalist activities and soon experienced a pastoral boom as global wool prices rose rapidly in the early 1830s. Between 1825 and 1859 colonies were established in Western Australia, South Australia, Victoria, Tasmania, and Queensland. The colonial economies were structured around export production, primarily of wool, and were geared to meet the needs of British manufacturing. The boom was financed primarily by British banking capital and flourished as a result of readymade British markets that were pleased to accept imports from the new colonies in place of existing European imports. Nevertheless, the dependent nature of this development was quickly demonstrated when British demand for wool fell in the late 1830s, culminating in a depression in the English textile industry in the early 1840s (McMichael 1980: 18). This collapse in wool markets produced a dramatic decline in financial investment and immigration. As British markets collapsed, capital was withdrawn from the colonies and the wool boom collapsed.

The colonial economies quickly recovered in the aftermath of the Gold Rushes of the 1850s and the period from the 1860s through to 1890 has been referred to by historians as the First Long Boom. This period was characterised by resumed expansion of wool exports to Britain, by rapid population growth fuelled particularly by British non-convict migration, and by high levels of capital flows from British banking and financial sources. A rapid expansion of colonial cities produced an increasingly wealthy urban bourgeoisie that benefited from the growing trade and financial relationship with imperial Britain (Buckley and Wheelwright 1988: 110-111). A manufacturing industry also began to develop. Importantly though, manufacturers lacked access to British capital and were invariably small-scale and labour intensive and the colonial economies consequently remained dependent upon British imports of manufactured goods. The dependency of the mercantile bourgeoisie combined with the lack of a developed industrial bourgeoisie in fact has led to the claim being made that there was no genuinely autonomous Australian ruling class in the nineteenth century but rather a ‘regional’ or ‘comprador’ bourgeoisie that was subordinate to a ‘more complex imperial system’ (Wells 1989: 109). In the long run, the lack of local capital formation in manufacturing in the nineteenth century had a very marked impact on Australia’s ability to achieve greater levels of indigenous capital accumulation in the twentieth century and reinforced its dependence on foreign capital.

In spite of these limitations, thriving capitalist economies emerged within the Australian colonial societies in the latter half of the nineteenth century and by the 1870s they had achieved higher levels of economic development and political independence than many other colonies around the globe. The Australian colonial experience did not conform to the classic thesis of dependency whereby capitalist development within the subordinate economy was negated by the imperialist relationship.

Several reasons for this can be identified. Firstly, the dependent nature of early colonial development was not only a limitation but also a strength.

The Australian colonies benefited from their strong links with an imperial power that by the 1870s had become the financial centre of the world (Clark 1975: 56). They were also in an exceptionally fortuitous position because of the value of wool.

Secondly, changes were taking place within Britain itself as perceptions of the imperial system were changing. As Marx pointed out, nineteenth century British imperial theories reflected the increasingly popular notion that colonisation should produce a microcosmic version of the imperial society transposed to the colony (Clark 1975: 50). British thinking at this time was that this form of imperialism could produce a colonial economy likely to be of future advantage to the imperial parent.

Thirdly, the attainment of self-government in the 1850s and 1860s permitted the Australian colonies to experience a unique form of economic, political and social development that, while profoundly shaped by the dependent relationship with Britain, was also characterised by a certain degree of local autonomy. During this period the Australian states acquired an international reputation as ‘laboratories’ for democratic political and social experiments (Castles 1989: 10-11).

Finally, the active role of the state was of crucial importance in understanding the emergence of nineteenth century colonial democracy and capitalism. The conservative economic historian N G Butlin mistakenly, but understandably, referred to this period as ‘colonial socialism’. By the 1880s the public sector accounted for more than 40 per cent of all investment. These were almost entirely funded with public borrowings from British lenders. The extent of public borrowing was enormous. By 1890 the public debt of NSW was £49 million – of which 90 per cent had been raised in London (Wells 1989: 108).

While British funds fuelled the boom conditions of the 1870s and 1880s, in 1890 a major crash devastated the colonial economies and again illustrated the negative consequences of the colonial dependency on external capital and markets. The crash was precipitated by a downturn in wool prices, drought and increasing mortgage indebtedness. This in turn produced a dramatic loss of confidence by British investors and a consequent withdrawal of funds that devastated the vulnerable colonial economies. The 1890s Depression resulted in a number of major political shifts within Australia. In particular, its profound impact on the Australian colonies' economic position inspired them to overcome previous rivalries to form a national federated government in 1901.

The Evolution of National Development and the Great Depression – 1901 to 1939

In the wake of the 1890s Depression a re-alignment of political forces was created within the newly formed federation. Increasing recognition of, and resentment towards, the costs of dependency on British capital and of the underdevelopment of local industry resulted in a rise in support for protectionist policies. This culminated in an early victory within the new federal government by the protectionist urban manufacturers (in alliance with trade unions) over the rural-based free-traders and led to a post-federation model of development characterised as the 'domestic defence model' (Castles 1989) - alternatively known as the 'Australian Settlement' (Kelly 1992). This model implemented a set of institutional arrangements designed to shield key parts of the economy from the volatility of international markets by protecting manufacturing industries and labour. Manufacturing industry was to be protected from overseas competition and in return workers were to be guaranteed a degree of industrial protection through the establishment of a centralised industrial arbitration system incorporating a minimum basic wage. The basic principles of the 'domestic defence model' remained in place for the following seven decades, underpinning national development during the era of the postwar boom until the crisis of the 1970s and 1980s challenged its fundamental institutions and policies.

Although the newly federated state economies slowly recovered from the 1890s Depression, because of the slow development of Australia's embryonic manufacturing industry, the period 1901-1929 was characterised not by economic boom conditions but by steady economic growth. In these circumstances, the economic shocks that rocked the international economy in the late 1920s, culminating in the Great Depression of the 1930s, had a powerful and almost instantaneous impact on Australia. The sudden cessation of British capital flows and the drastic fall in export prices shattered the economy. The impact was accentuated as the British banks immediately called in outstanding debts and took steps to ensure that Australia did not default on any of its repayments. Sir Otto Niemeyer of the Bank of England was dispatched to Australia to instruct state and federal governments to introduce deflationary policies, to cut living standards and to prioritise debt repayments. The only Australian government that actually threatened to challenge these demands, the NSW Lang Labor government, was dismissed by the British Crown's representative, the Governor.

Overall, the period from Federation to WWII produced a very significant evolution in Australia's relationship to the British imperial system (Lee 2006). Within Britain changes were occurring that in turn changed the direction of Australian capitalism. In particular, a quite dramatic decline occurred in Britain's hegemonic position within the world economy. British trade and investment patterns became increasingly restricted within the boundaries of its empire and increasingly focused on Australia. The changed perception of the imperial link was summarised in the political catch-cry 'Men, Money and Markets', encapsulating the idea that Australia would accept surplus British labour and capital for rural development, increase production of food and raw materials for Britain, and in turn provide a market for British manufacturing exports (Clark 1975: 65).

In reality, the 'Men, Money and Markets' strategy of the 1920s was based upon a 'delusion' (Cochrane 1980: 39). Such a strategy was designed to preserve the imperial relationship as it existed in the latter part of the nineteenth century. The problem for Australia was that world markets for staples were already collapsing and a strategy so dependent upon British demand for Australian exports made Australia vulnerable. In addition, the acquisition of high levels of foreign debt during such a volatile period, in many cases maturing together in the late 1920s, was risky. Subsequently, the experience of the 1930's Depression demonstrated that, in spite of significant changes to the Australian economy and the decline of the British Empire, Australia was still essentially dependent upon exports of primary products and was closely tied to British trade and financial interests. Australia's history of colonial dependency continued to be a key factor shaping the political economy of Australian capitalism throughout the first half of the twentieth century.

This is crucial in explaining why the Australian economy, while sharing in the global 'long boom' of the 1950s and 1960s, continued to experience structural weaknesses that made it vulnerable when the next wave of global restructuring occurred in the 1970s and 1980s.

The Second Long Boom (1945-73)

During the post-WWII boom, Australia's relationship to the international economy was transformed in two important ways. Firstly, as Britain's previous role as a global power was eroded, Australia's dependence upon British capital, labour and markets was gradually reduced. The UK's share of Australian exports declined from 37 per cent to 13 per cent between 1946-8 and 1966-8, while imports from the UK declined from 50 per cent to 22 per cent over the same period. Although links with Britain remained significant, Australia's economic, political and cultural links with the US grew in importance. Imports from the US increased from 9 per cent to 26 per cent of total imports between 1946-8 and 1966-8. The rapid industrialisation of some Asian economies – particularly Japan, South Korea and Taiwan – opened export opportunities for Australia's extensive reserves of raw minerals through the 1960s and early 1970s. Australia continued to rely heavily, as it had always done, on the export of raw materials, but these exports increasingly took the form of minerals and energy commodities, with Japan becoming a more important market. Japan's share of Australian exports increased from 4 per cent to 22 per cent between 1946-8 and 1966-8. This development encouraged state and federal governments to adopt policies designed to take advantage of an anticipated 'resources boom'. Again, extensive overseas borrowing was undertaken by governments to fund long-term investments in numerous mining and resource projects. However, while Australian mineral exports significantly increased during the 1970s, the expected resources boom did not eventuate. Consequently, Australia's external trade became even more dependent upon a highly volatile global market for commodities.

Secondly, foreign capital inflow increased dramatically and changed in its nature. The majority of this inflow now came in the form of direct foreign investment through branch plants of US and British corporations.

This came about partly as a result of changes in the investment patterns of transnational corporations and partly as a result of Australia's strong protectionist trade policies and regulation of the financial system. Increased inflow of direct foreign investment resulted in a substantive increase in the share of foreign ownership and control of the Australian economy. Importantly, the highest levels of foreign control were concentrated in the emerging and most profitable sectors of the postwar economy. Transnational corporations took well above 50 per cent foreign control of both mining and manufacturing industries. In fact, Canada was the only other major industrialised country where foreign ownership was on a similar scale (Kemeny 1975).

The existence of such a high level of foreign ownership had quite significant implications for the Australian class structure, particularly for the role and autonomy of the local bourgeoisie which had historically developed in a relatively dependent relationship with British capital. The Depression of the interwar years had severely restricted the development of broad based local manufacturing capital and the leading sectors of industrialised capital were concentrated in a small number of groups including BHP and CSR in Melbourne and the Collins House group formed by financiers in Melbourne, Adelaide and London (Connell and Irving 1992: 172-8). Each of these groups had a base in the mining industries and had strong financial links with Britain. The political power of these groups increased and became more organised after the war, particularly in response to the mobilisation of the labour movement in the 1940s. A major ruling class mobilisation in the late 1940s revitalised the divided conservative parties, producing 23 continuous years of Liberal/Country Party government.

Local capital displayed an ambivalent attitude to the increasing penetration of foreign capital, especially from the US. On the one hand it was increasingly dependent upon it to drive the economy while at the same time feeling threatened by the further erosion of its own narrow base. However, the increasing global economic and military power of the US ensured that the Australian government, and local bourgeoisie, were drawn further into the orbit of the US. By the late 1960s increasing foreign control of the Australian economy led to concerns about loss of 'economic sovereignty'. This was most evident in the political left and in trade unions but also in sections of Australian industry. The Liberal Prime Minister John Gorton (1968-71) showed signs of adopting policies to restrict the level of foreign control until deposed as leader of his government. The Whitlam Labor government (1972-75) similarly moved to increase controls on foreign investment but was removed from office without achieving its goals in this area.

In spite of the domination of postwar national politics by the conservative government of Robert Menzies, the state played an increasingly crucial role in sustaining the economic boom. Immediately following WWII, the Chifley Labor government had adopted a Keynesian approach to national development and embraced a program to achieve full employment. While Labor lost office in 1949 after antagonising business through plans to nationalise the banks, capital had no problem in accepting increasing levels of government intervention and regulation under the subsequent Menzies government. For 23 years from 1949-72, the domestic defence regulatory model was expanded through the addition of a Keynesian macroeconomic policy under the Liberal/Country party coalition government. Successful accumulation was supported by state subsidies for primary export industries, highly protectionist industry policies, full-employment strategies, high levels of direct foreign investment, high immigration, and a relatively small occupational welfare state.

The Crisis of the 1970s and 1980s

While boom economic conditions, political and industrial stability and more diverse links with the international economy prevailed during the early postwar era, in retrospect it can clearly be seen how fragile the boom was (Bell 1997: 2; Schedvin 1987). The rapid economic expansion after WWII had been based on a continuation of Australia’s traditional export strength in wool and natural resources. Demand for basic commodities in Britain, western Europe and the US underpinned Australia’s healthy balance of payments situation throughout the 1950s. However, by the early 1960s a fundamental change had occurred in international markets that undermined Australia’s export strength. Increasingly, technological advances in farming allowed the most industrialised countries to produce most of their own food needs. Coupled with this, the formation of the Common Agricultural Policy by the EEC greatly restricted Australia's markets. Just as the international economy provided the impetus for the boom in Australia, so international events led to its demise.

Events within Australia also contributed to the end of the postwar boom. By the late 1960s the strain was beginning to show in the 'domestic defence' model. Manufacturing industry, the engine of postwar growth, began to stumble as labour productivity levels fell from an average of 3.4 per cent between 1960-73 to 2.3 per cent between 1973-9 and then to 1.2 per cent between 1979-93 (Bell 1997: 97). Growth in GDP which had generally been in excess of 5 per cent in the years between 1950 and 1974 declined to an average of 2.6 per cent in 1975-9 (Meredith and Dyster 1999: 157). Unemployment had been below 2 per cent for most of the postwar period but rose above 7 per cent in the late 1970s (Castles 1989: 22). Inflation soared from very low levels to over 17 per cent at one point during the 1970s (Bell 1997: 162). The labour movement gained increased power and achieved gains in wages and working conditions that capital became increasingly resentful about. The state expanded enormously, but as the economic downturn worsened it experienced a fiscal crisis. In these radically changed circumstances, Australian capital increasingly perceived the liberal Keynesian political framework and policies of the post-war era as impediments to, rather than facilitators of, its goals. Consequently, as the Second Long Boom faltered, the 'domestic defence model' approach to managing Australia's relationship to global capitalism looked less adequate to key sectors of capital and, most importantly, to foreign capital as well.

Nevertheless, it was only at the end of the 1970s, as a significant deterioration in Australia's macro-economic performance occurred, that the full impact of the crisis became evident in Australia. The oil price rise in late 1979 slowed global growth rates and Australia's current account deteriorated dramatically in 1980-1 and again in 1981-2. Growth slowed further and foreign debt trebled in a short period of time. Amongst economists and policymakers, the severe deterioration in the terms of trade was identified as the primary cause of the balance of payments problem. However, the causes of the balance of payments problems were more complex than simply a decline in Australia's international trade competitiveness. Of a total current account deficit of $14.3 billion in 1985/86, less than one-quarter was due to the trade deficit. In fact, in 1987/88 the trade balance was in surplus by $144 million. The more basic difficulty related to two structural problems that resulted from Australia's continuing dependent position in the international economy. A major drain was the repayment of the huge foreign debt that had been acquired, not this time by government expansion but rather by private companies borrowing overseas in the wake of opportunities provided by financial deregulation. These debts were often incurred to finance speculative ventures and takeovers. This also created problems with the Australian currency as international money markets lost confidence in the economy. The changed global and local economic environment, together with the deregulation of the Australian finance sector, made it much more attractive for business to engage in speculative rather than in productive investment. Another major factor was the dramatic increase in profit repatriation by transnational corporations responding to global changes in investment patterns. As local investment stagnated, the already existing domination of the Australian economy by transnational corporations increased, resulting in a further integration of Australia into the international capitalist economy and further vulnerability to shifting international forces.

A Neoliberal Boom?

> Australians reckon their economy has entered a third golden age, even more promising, and more sustainable, than the previous two.
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> (Barbara Beck, Economist, 9 September 2000).
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> A new report (by economic forecaster Access Economics) shows Australia's economy is on the verge of a new golden age.
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> (ABC News Online: 23 Oct 2006 http://www.abc.net.au/news/)

There is a widespread view, illustrated in the two statements above, that the Australian economy is now experiencing a third long boom.

Certainly, there is some evidence that the economy, as a result of the radical restructuring that occurred in the 1980s, has experienced a significant recovery and 'performed' quite well at an aggregate level over the past decade and a half. In particular, reference is made to sustained higher than OECD average GDP growth (3.5 per cent in Australia compared to 2.5 per cent for the OECD average over the period 1995-2005), increased productivity, greatly increased wealth for some and low inflation levels. The Australian economy is also clearly more internationalised and considerably more closely integrated into the global economy. On the other hand, even a cursory look below the surface reveals a number of enormous problems that challenge the 'Third Long Boom' theory - for example, a housing affordability crisis, escalating debt levels, a substantial trade deficit, the emerging threat of climate change and of course greatly increased social and economic inequalities.

However, irrespective of the validity of claims about the existence of a new boom, an important question remains whether Australia's political economy has overcome the historical vulnerability that previously has characterised its development as a result of its semi-dependent relationships in the global economy. In fact, indicators exist that the current 'economic boom' has reinforced Australia's vulnerable position within the global economy and likely will continue the historical pattern of boom, crisis and restructuring. Of particular note, the fundamental structure of Australia's trade remains quite similar to what it was in the 1960s – exporting primarily raw materials and basic processed manufactured goods while importing technology and capital goods. Australia's increasing trade with China, while fuelling the current boom, raises issues of concern for the future. Much of Australia's strong current growth is attributable to the boom in mining exports to China. Exports to China increased from $10 billion in 2003-4 to $23 billion in 2006-7 (ABS Cat. 5368.0 January 2005 and June 2007). However, concerns are emerging about the future impact of any slowing down of this trade given the economy's increasing dependence upon it. For example, while Australia's merchandise trade deficit in the year 2006-7 was $12.7 billion, without Western Australia's huge trade surplus (derived primarily from mining exports to China and Japan), the national trade deficit would have been over $51 billion (ABS Cat. 5368.0 August 2007). Concerns are also being expressed about the implications for

Australian industry of the proposed trade agreement with China. One study argues that such an agreement would result in the loss of 170,000 jobs in Australian manufacturing (Stanford and Conroy 2007). Possibly, of even more concern is the increasing Chinese pressure for Australia to relax its foreign investment rules to allow China to increase its ownership of Australian resource assets (*Australian,* 19 March 2008).

Australia's vulnerability is manifest also through continuing significant deficits on the current account component of the balance of payments. The current account deficit increased from $16.0 billion (3.7 per cent of GDP) in 1993/94 to $59.2 billion (6.7 per cent of GDP) in 2006/07 (ABS Cat. 5302.0 June 2007). Australia remains highly dependent on foreign capital for investment but even more significantly the composition of this investment has changed dramatically. Indirect foreign investment (portfolio, loans and speculative investments) now outweighs direct foreign investment (for the purpose of establishing a lasting interest in the investment enterprise) in the ratio of approximately 80:20 – a reversal of the situation in the early postwar period. Australia has experienced an enormous increase in the movement of speculative (or hot) money in and out of the economy, making the economy far more vulnerable to volatility. Between 1991 and 2006 the daily turnover on the Australian foreign exchange market increased from $35 billion to over $211 billion (Reserve Bank of Australia 2006). Australia's level of net foreign indebtedness also has continued to increase rapidly, from 38.6 per cent of GDP in 1996/97 to 53.1 per cent in June 2007 (ABS Cat. 5302.0 2007). While certainly there also has occurred a very substantial increase in Australian investments overseas - reflecting the extent to which Australian corporations have internationalised or moved investments off-shore - the flow of income remains overwhelmingly one-way. In 2004/05 income leaving Australia in the form of interest payments or profit repatriation by corporations exceeded income flows back to Australia by more than 250 per cent (ABS Cat. 5302.0 2006).

Furthermore, the adoption of neoliberal policies since the mid 1980s has reshaped the priorities of the Australian state and further eroded the political and economic institutions that were developed to protect the economy from becoming too vulnerable to global volatility. Deregulation and increased integration into global markets has made the economy more vulnerable to speculation and financial shocks. It has also made the government more sensitive to the judgements of international money markets which now have increased power to affect the value of the Australian dollar and the balance of payments. Governments have become less inclined to pursue state interventionist policies while global corporations, money markets and international political agencies are demanding market based policies.

These changes have been driven by both global and domestic factors. External pressures brought about by ‘globalisation’ have had a major impact: firstly, the increased power and hegemonic role of the USA; secondly, global economic restructuring that has exposed long term structural weaknesses and forced a major restructuring of the Australian economy; and thirdly, powerful pressure from international corporations, money markets and political institutions (including the World Bank and the IMF) to internationalise and adopt market-oriented policies in both external and domestic policy spheres. These pressures were reinforced by the Howard government’s anxiousness to increase its links to the United States and especially by the adoption of a preferential trade agreement with the US that locks in a neoliberal approach on many domestic policy issues.

However, it is evident also that the cumulative effects of the recent decades of restructuring have significantly shifted the balance of power between the major economic class groupings within Australia. The end of the postwar boom greatly weakened the power and influence of one of the major pillars of the protectionist coalition, the trade union movement. The power and influence of large capital on the other hand has been strengthened by the restructuring of the economy. Neoliberalism and internationalisation in Australia have gained support from key sectors of both local and international capital because they seek to facilitate and reinforce the processes of restructuring (Kaptein 1993). By reducing government regulation of business and by lifting restraints on the free flow of capital and commodities, neoliberal policies seek to maximise the ability of (at least some sectors of) capital to restructure and internationalise. In particular, deregulation and privatisation permit capital to shift investment out of areas of declining profitability while creating new areas for potentially profitable investment. At the same time, labour market deregulation, the abandonment of Labor's corporatist compromise arrangements between capital, labour and the state, and the reduction of state welfare expenditures all reinforce the disciplining of the workforce already occurring as a result of higher unemployment and labour market competition.

Similarly, changes in the balance of power within the Australian bourgeoisie have created pressures for a more market-oriented approach in both internal and external policy areas. Structural changes in the Australian economy had weakened the power of the previously dominant pro-protectionist coalition within the local bourgeoisie that had underpinned both the postwar domestic defence model and the Keynesian policy approach. The decade of the 1980s also saw a dramatic increase occur in the already existing trend towards monopoly or oligopoly in the ownership of the economy and the rise of a new class of local entrepreneurial billionaires. Of even more significance was the emergence of a new globally-oriented coalition within the business class as a dominant force within Australia's political economy. This coalition comprised sectors of local capital that are externally oriented such as mining, farming, tourism and the deregulated finance industry (Bell 1997: 362). It also has been greatly reinforced by sections of foreign capital and international money markets that now dominate the local economy.

Conclusion

What then of the future? Certainly since Australia will remain a market economy for the foreseeable future it is likely to continue to experience the boom/bust cycles that are a defining characteristic of any capitalist economy. Similarly, the economy inevitably will continue to be buffeted by the unpredictable cycles generated by global capitalist forces. However, the impact of these cyclical forces may be moderated by learning from Australia's historical experience.

In the past, high levels of foreign finance and trade have been important in facilitating development. British capital, labour and markets were central in fuelling the rapid bursts of growth during the booms that occurred in the 1830s, the 1870s and 1880s and, to a lesser extent, the early twentieth century. Foreign capital was also crucial in underpinning the long boom of the post-WWII era – and have shaped the new phase of accumulation over the past decade or so. However, the withdrawal of overseas capital and labour, the closing of British markets and, above all, increasing indebtedness to British finance were catastrophic to the Australian colonial and national economies in the economic crises of the 1840s, the 1890s and especially in the Great Depression of the 1930s. Similarly, changes in international markets contributed significantly to the onset of economic crisis and the subsequent restructuring of the Australian economy in the 1970s and 80s.

On the other hand, each period of expansion in Australia also has been characterised by the development of a set of indigenous economic, political and social institutions and processes that have provided a degree of protection against vulnerabilities deriving from foreign dependency. While these institutions have been undermined by two decades of neoliberalism, their reform and rejuvenation now is critical in the struggle to overcome the traditional weaknesses in Australia's political economy and to deal with the new challenges posed by neoliberal globalisation. The current 'boom' conditions have not transformed the underlying weaknesses that historically have characterised Australia's political economy but they do provide an opportunity for a progressive government to seek policy and institutional alternatives to counterbalance Australia's long term vulnerability to foreign capital and market shifts. Unless this occurs, however, Australia's historical pattern, whereby every boom period sooner or later leads to a dramatic collapse, will undoubtedly continue.

This article is a revised version of a chapter by the author originally published in Bowles, Paul, Ray Broomhill, Teresa Gutierrez-Haces and Stephen McBride eds., International Trade and Neoliberal Globalism: Towards Re-peripheralisation in Australia, Canada and Mexico? (2008). London and New York: Routledge.

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