

A NEW ECONOMIC HISTORY OF NEW ZEALAND: SOME ISSUES

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The author has been awarded a 2007 Claude McCarthy Fellowship to develop a new economic history of New Zealand. This paper raises some issues.

General Histories of New Zealand

New Zealand general histories tend to ignore the economy and its implications for the evolution of New Zealand. One example will illustrate the point.

Keith Sinclair's *A Short History of New Zealand* devotes about a paragraph to the gold rushes, and that is only how it attracted immigrants. That the rushes were short-lived is not mentioned. That he equates gold with land as an attraction for new settlers means he overlooks that the gold was a depletable, and like other depletables – seals, whales, other minerals, timber, kauri gum – would soon be exhausted and provided no basis for a sustainable settlement for the population it attracted. That Sinclair is writing from an Auckland viewpoint is not defence. Auckland depended upon depletables too (gold, timber gum) and in the 1860s it was a military town funded by the British government – an unsustainable activity too.

Sinclair is implicitly supporting the myth that the 'glorious' European settlement in New Zealand was always sustainable. Until the arrival of refrigeration it probably was not, at least at the level of the settler population before.

This is but one example of where economic history can throw light on – and indeed challenge – the evolution and myths of New Zealand. But there is a tendency for general histories to avoid such opportunities and insights. There are some recent exceptions. Both Jamie Belich's two volume general history and Phillipa Mein Smith's *Concise History* are aware of economic forces, although each is limited by the inaccessibility of economic history to general historians.

The relevance of the economy in history need not be a matter of materialistic determination, but that omitting the economy leaves an incomplete account, not unlike the argument that until recently New Zealand histories were blind to the experience and relevance of women.

Economic Histories of New Zealand

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When the issue is raised with historians they frequently cite 1985 Gary Hawke's *The Making of New Zealand* (even when they have not read it). It is not the first New Zealand economic history. Preceding it are John Condliffe's two volumes to 1957, Muriel Lloyd's volume to 1939, Colin Simkin's account of the macroeconomy between 1840 and 1914, John Gould's examination of the post-war economy to 1981, plus the two long essays in the first edition of *The Oxford History of New Zealand* by (historian) Jim Gardner and Hawke.

Whatever the achievements of Hawke's book, it has a limited focus. It barely touches on the economy before the 1850s, and devotes but a twentieth of its space to the economy after 1966, despite being written almost two decades later. In any case, history has moved on and so has historical research. Both Belich and Mein Smith devote about a fifth of their works to events after the mid 1960s, while there has been considerable work by economic historians since 1985 both as monographs and papers, and occasionally books.

Even over the on the hundred odd years the Hawke book covers, there have been significant contributions by David Greasley and Les Oxley, (economic geographer) Alan Grey, Brad Patterson, Keith Rankin, (political scientist) Herman Schwartz, Brendan Thompson, the Auckland Business History Group, and on the Maori economy.

Research on history of the population has also progressed, especially under the leadership of (demographer) Ian Pool. (It is not unusual to assume that population changes were responsive to the economy – the economy of scales issue aside. However, it seems likely that population growth – perhaps in relation to key resources or the like – drove some of the economic changes.

The second edition of *The Oxford History of New Zealand* has an additional chapter by (historian) Tom Brooking while Hawke extends his contribution to 1992. Third edition will have chapters by (historian) Jim McAloon to 1910 and Geoff Bertram after. John Singleton wrote the New Zealand contribution to the E.H.Net online *Encyclopaedia of Economic and Business History*. There are also numerous articles, monographs and books by general historians which are of interest to economic historians, of which Malcolm McKinnon's *Historical Atlas of New Zealand* is a magisterial example.

It could be said that data is to economic history as documents are to history. Another very important resource is the long-term of demographic, social and economic data series in New Zealand covering the period between 1840 and 2004 on the Statistics New Zealand website, collected by staff at Treasury

My own contribution is most notably *In Stormy Seas* which covers 1920 to 1995, and includes

a chapter on the earlier economy based on my 1994 Hocken lecture. *Towards a Political Economy of New Zealand*. I was also the major contributor to the economic section of *Te Ara*, the online New Zealand dictionary. Additionally I have various monographs on economic history topics, not all of which cover the post-1995 period. (Note that these need not include works of biography, policy or public history, which are usually not treated as in the scope of economic history. Were they relevant, mention would also be made of histories of the Reserve Bank by Singleton *et al* and the Treasury by McKinnon.)

The conclusion of this section is that there is much new research since Hawke's book, which adds to the case for a new economic history of New Zealand. However, the implication of the previous section is that any such history should be oriented to being accessible to general historians.

The next sections ponders on some of the issues which have already confronted the writer in planning the book.

The Scope of An Economic History

Economic histories of most rich countries pay little attention to their pre-market economy. But in the case of New Zealand it existed less than two centuries ago. Even so, most of the works cited above which do not address the Maori New Zealand economy or do so superficially. To do otherwise presents a challenge beyond economics, which tends to focus on markets and leaves earlier economic forms to anthropologists.

Today, general histories of New Zealand cover pre-European times, albeit cautiously for there are many uncertainties and gaps. Moreover, there are continuities between different periods, and that – as will be discussed – must apply from pre-market to post-market Maori. The implication is that no matter how fragmentary the evidence and how 'anthropological' that which is available, there should be an account of the pre-market economic history of New Zealand today.

How far back should it go? The answer might be as far as the evidence of economic activity allows. However, consider the issue of role of the environment. Like much history, the issue of the past interaction of the economy and the environment has something to say about contemporary issues, especially the possibility of a sustainable economy which is increasingly a part of the public vision. .

Again unusually among rich economies, New Zealand's human settlement goes back only a thousand years (roughly). Before that the environment was, in some sense, pristine. It is possible to trace the impact of humans on that environment, including even – to some degree

– the impact of the first Pacific Island settlers. A larger impact came from the first European: there has already be mention of the dominance of the ‘quarrying’ of depleting resources in the early settlement, although much environmental destruction was collateral – such as the loss of specie via habitant destruction – or through ignorance – soil erosion may be the most spectacular example. A major conduit for that damaging impact was the economy so it would be almost irresponsible not to include the environment in a modern economic history.

Thus a chapter on pre-economy seems appropriate to set a base for the environment. Mein Smith begins her account with New Zealand’s break away from the rest of Gondwana 80 million years ago. My story may begin earlier. It will also remind the reader that geological events led to mineral deposits and landforms which are the basis of New Zealand industry.

One issue to be settled is the state of the pre-agricultural soil. While the earliest European settlers saw it as bountiful (we dont know what the first Pacific Islanders thought), they may have been mistaken, for much of today’s New Zealand’s soil is of poor quality. If this is correct, then again the myth of the glorious settlement needs some modification.. (The alternative may be a more heroic one – sustainable settlement facing great odds, but the committed settler overcoming them.)

Having settled the period to be covered, there is the issue of what are the relevant boundaries of the economy. Having just completed a study of globalisation I am acutely aware that economies can override jurisdictional boundaries. My tentative thinking is that it would be sensible to include some Pacific Island dimension in the economic story.

I first concluded this when thinking about the synergies of Pacific Island migration in the late twentieth century (which is discussed in the globalisation book). There is also a case for including something on the Pacific Island (pre-market) economies from which the first Pacific Island settlers arrived, if only to draw attention to the continuities and contrasts of the land they came to.

If the study is to say something about the Pacific Islands a millennium ago and today, should there be some link chapter to the modern Pacific Island economies? Ideally yes, perhaps, but space and a lack of material may preclude a lengthy account.

My current thinking is to focus on Samoa and Cook Islands illustrating different labour market arrangements with New Zealand. I have added Nauru, because of it illustrating how the quarry moved offshore. (Middle East oil fields would be another example). Again what is available will be key to what is included and no South West Pacific Island will be ignored if there is useful material on its economic history.

If the economies of Pacific Islands where the first settlers came from are relevant to the story, then so must be the economies from whence the first European settlers came. Here the challenge is not a lack of material but its overwhelming plentitude. Indeed there is a growing research field which sees the 'neo-European' periphery economies linked to the core. How to incorporate that into the story?

Although less prominent in most histories, this linkage was central theme in my *In Stormy Seas*. Fortunately there is a useful expository simplification so that for instance I focussed analytically via export and import prices as a means of dealing with the changing balance of commodities. In terms of destination, until the 1960s, Britain dominated the links (although before the 1880s, many shipments seem to have often been consolidated in Australia.). Following the great external diversification of the 1970s New Zealand no longer depended upon a single economy to such a degree, although the world economy is more coherent although still not quite a single economy in its own right. The variety of export products and destination (and import product and sources) will make the exposition somewhat messier, although I do not recall that being a problem in the latter decades when I wrote *In Stormy Seas*.

In summary then, a New Economic History is likely to begin before there was an economy in order to include the environment, thereby covering the pre-market economy. It should contain the economic history of South West Pacific Islands as much as that is possible, and will pay attention to the economies with which New Zealand has had substantial interactions.

The Relation to General History

The economic history books listed above are of two sorts. Condliffe's might be best described as a general history from an economic perspective. The remainder, including my *In Stormy Seas*, are written for a narrower audience of economists and economic historians (and their students). Neither approach is 'wrong' but the writer of a new economic history has to decide where on the implicit spectrum the study is to be located.

My initial approach – my intellectual predilection – was to locate my work near the economist end. However, rereading the general histories in preparation for writing a specialist one, I became faced with a general problem, which I illustrate with reference to where does the Treaty of Waitangi fit in an economic history? Condliffe, not unsympathetic to the injustice the Maori faced, gave it three paragraphs; as did Lloyd Pritchard, in each case primarily in reference to land sales policies with a glancing reference to sovereignty. None of Grey, Hawke or Simkin refer to it. (And neither did I in the brief (11 pages) chapter on the pre 1920 economy in *In Stormy Seas*.)

It would be inappropriate to predict just how much space will be devoted to the Treaty in future economic histories of New Zealand. In general histories its role in the transfer and location of political sovereignty is central? While that is normally taken for granted by economic historians (all the books just cited do), the question of how commercial law entered New Zealand is a not unimportant one, especially in terms of developments in economic thinking of the last decade. It is not a simply matter of the effect of the Treaty, as Alan Ward demonstrates in *A Show of Justice*, albeit involving a different part of law. An economic history remarking that the Treaty was part of the pathway by which commercial law became established in New Zealand and land was alienated from the Maori is almost certainly insufficient.

As I have pondered on such matters, I have realised that we need to distinguish ‘commercial sovereignty’ from ‘political sovereignty’, a distinction made which underpins such expression as ‘neo-colony’. At this stage, however, I am not sure what this all means. It is flagged here for future work (acknowledging that Belich is also puzzled by it, albeit from a different perspective).

The point about the example of the treatment of the Treaty of Waitangi is that it is an example of a major concern of general histories which a new economic history avoids at its peril, if the purpose of the book is to engage with general historians and the general public.

The effect of recognising this is to further push the project towards the Condliffe end of a general history from an economic perspective. I do so, I confess, with some regret. As *In Stormy Seas* illustrates, my natural predilection is to dive deep into the economic analysis and statistics. Those foundations will still be there, but most readers may not see them.

The Structure of the Economic History

Most of the economic histories cited above given an account in historical sequence, the natural frame for exposition. The exceptions is Hawke’s *The Making of New Zealand*, in which the historical sequence is broadly followed within a sectoral approach of farming, manufacturing (sometimes services) and the government which are presented in a parallel.

I have chosen a more ambitious approach based on separate political economies, as set out in my Hocken lecture. Rather than see the economy (and society) as a smoothly evolving cohesive whole, the approach recognises an economy of distinctive ‘political economies’ organised around particular economic and social technologies, resources and ideologies, which have an internal coherence but which clash with others. The result is a more conflictual account of economic development, but one which better captures the structural changes an economy undergoes over long periods of time and allows greater sense of the political

evolution of New Zealand.

In my past writings, I have likened these political economies to tectonic plates which clash, subduct and override one another. However the more geology I study, the more I am aware the analogy while useful is useful and not deep. An important difference is that the political economies are not rigid, but evolve, illustrated by the path of the Maori economy from the first settlers to the Modern Maori). I am in two minds whether to use the geological image in the final book. In the interim I retain its use here.

One advantage of this approach is that it avoids accounts involving periods with abrupt divisions. Political economies do not suddenly disappear, but they fade away. Subduction of tectonic plates takes time, and sometimes a residual is left for ages after. Occasionally there are identifiable cataclysmic events which change the balance of political economies, but even so there is a transition thereafter, One advantage of not requiring specific dates is that very often they are designated in terms of political events which are response to changes in the political economies, rather than their instigators.

Currently I am thinking of seven such major political economies as follows::

1. *The Environment*
2. *The Pacific Islands* (mainly the Cooks, Samoa, and Nauru).
3. *The Maori*.
4. *The Rest of the World*.
5. *The Quarry* (The economy that depends upon depleting resources.)
6. *The (Pastoral) Settlement*..
7. *The New Economy* (As explained below I am not happy with this label.)

One complication, and one simplification. First there are geological 'hotspots' where volcanoes erupt almost arbitrarily in the tectonic plates and which change its landscape. The best known New Zealand examples are Banks Peninsular, Mount Taranaki and the caldera of Lake Taupo. (The latter a part of the thermal region running to White Island is admittedly more complex than just a hotspot.) There are also hotspots in the political economy, most notably the First and Second World Wars but also The New Zealand Wars (which like the Taupo eruptions were at the edge of two conflicting tectonic plates).

The simplification is to the handling of the informal economy (which always presents a challenge to economics, since it is outside the market and difficult to measure). Conveniently they are not a separate political economy but an integral part of existing political economies. (Having come to that conclusion I still need to think through how to integrate it in the discussion.)

To show how the political economy approach comes together, I set down the current proposed structure of the book. The political economy to which each chapter belongs is shown, and in some cases some of the unresolved issues are mentioned. (Dates are tentative.)

The book may be in four parts of 5, 6, 7, and 7 chapters respectively. The chapters will not be of equal length.

I: In the Beginning

1. Before the economy. (–1350) *The Environment*
2. The Pre-European Pacific Island Economies (–1800) *The Pacific Islands*
Whence the Maori came.
3. The First Settlers (1350–1500) *The Maori*.
4. The Classical Maori (1500–1820) *The Maori*.
5. The Environment After the First Humans.(1300–1790) *The Environment*

II: The World Economy Arrives in New Zealand

Note that while the Part is generally intended to finish towards the end of the nineteenth century, some of the nineteenth-century political economies went well into the twentieth century, while the pastoral settlement of Part III begins in the mid-nineteenth century and more strongly from 1882 and ceases to dominate from the end of the 1960s.

6. The First Phase of Globalisation (–1915) *The Rest of the World*.
The world economy including the European economy's first interaction with the Maori.
7. The Quarry (1790–1920) *The Quarry*
By 1920 the gold and the native forests had largely run out. Even so, the date is not secure.
8. The Nineteenth-Century Maori (1820-1950) *The Maori*.
At this stage I am tempted to argue the late-nineteenth century Maori political economy

remained roughly the same until the middle of the twentieth century. However it may have evolved.

9. *Hotspot 1: The New Zealand Wars*

10. The Post European Pacific Islands (1800–1965) *The Pacific Islands*

The intention is to tell the story of the Pacific Islands until the (second) great migration began. I am making an assumption similar to that in Chapter 8.

11. The Nineteenth Century Environment (1800–1920) *The Environment*

III: The Pastoral Settlement

12. The First European Settlers (1820–1880) *The (Pastoral) Settlement..*

13. The Pastoral Settlement (1880–1965) *The (Pastoral) Settlement..*

14. *Hotspot 2: The First World War*

15. The Stagnation of Globalisation (1915–1950) *The Rest of the World.*

This chapter will also deal with the interwar stagnation including the Great Depression of the early 1930s.

16. *Hotspot 3: The Second World War*

17. The Twentieth-Century Environment (1920–1985) *The Environment*

18. The Urban Economy (1920–1965) *The (Pastoral) Settlement..*

As discussed below, my intuition is that some time in the inter-war period some urban areas began to consolidate into cities but they were still integrally dependent upon the farm, as summarised in the ‘two legged’ economy.

IV: The New Economy

19. The Second Phase of Globalisation (1950–) *The Rest of the World.*

20. Diversification (1965–1985) *The New Economy*

21. The Second Great Migration: Maori (1950–) *The Maori*

22. The Second Great Migration: Pacific Islanders (1965–) *The Pacific Islands*
The Globalisation of Nations argues that the diaspora and the homeland are intimately connected so the chapter also covers relevant Pacific Islands.

23. Reform (1985–1995) *The New Economy*

24. Towards Sustainability? (1985–) *The Environment*

25: A New Economy? (1995–) *The New Economy*

Some Issues

I finish this paper with a few issues which have arisen without – yet – any clear resolution.

The Maori Transitions

While we have an account of the pre-market Maori economy in Raymond Firth's *Economics of the New Zealand Maori* and of the early market economy in Hazel Petrie's *Chiefs of Industry*, there is little on the transition between the two. From today's perspective, markets are an obvious means of reaping the benefits of specialisation (although it is well to remember that Adam Smith only made the point after James Cook reached New Zealand). It is less obvious to those from a pre-market era, where regular trade was based on kinship.

Serendipitous trade could occur on the barter and the coincidence of wants, but the notion of production for strangers, as the Maori did for ships, involves a different headspace, especially where it involves specialisation, planning and investment. A medium of exchange in the trade, rather than pure barter is also a novel notion. (A transition arrangement would be a fully backed currency. The Urewera Maori used tobacco into the 1850s.) Yet the Maori seem to have made the transition reasonably quickly – perhaps in a generation – in part (as Petrie shows) because tribal forms were maintained in the production process while external negotiations were the prerogative of chiefs. One might say that the hapu was a family business.

The second transition to the pastoral economy in the late nineteenth century was much less successful. It is easy say that population decline and land alienation were its causes, but one cannot help wondering whether, additionally, hapu based businesses could not adapt to the new farming regime based on the family (or whanau). If so, that which made the Maori economically successful in the mid-nineteenth century inhibited success at its end.

There is a third key Maori transition – the post-war urbanisation. Again we know broadly about the beginning and end, as the Maori moved from rural to urban locations (and about the

time they arrived in the city the labour markets staggered reducing the immediate economic success of their great twentieth century migration) but we know very little about the economic and social processes. Was it a simply that population growth outran opportunities in the countryside, and the poor moved on, or was there some distinctive Maori dimension to the migration (other than the racism that they met)?

Structural Change and Cycles

There is some disagreement within the profession of whether there was a ‘long depression’ in the second half of the nineteenth century. The disagreement may be a question of definition rather than facts, it may reflect different choices of period, or it may be that the experience of different parts of the country was different – particularly Auckland from the pastoral South. .

Implicit in the preceding discussion is the tension between economic histories which focus on structural change and those which look the changing levels of aggregate output including booms and slump. Both are necessary, but how to meld them into single account?

As set out, the book will be based upon the political economy of structural change. But it would be neglectful to ignore the various cycles. How often does the economic historian reading political histories groan when some event – say an election – is being discussed and the writer does not mention the economy was in a strong upswing or heading into a depression (or whatever). This is not to argue for economic determinism, but to pretend the economy has no influence is more nonsensical.

The First Wars

There is little on the economics of the New Zealand and First World Wars. The census data suggests that at time in the 1860s New Zealand was close to an armed camp. Presumably it brought population and built infrastructure (as well as leading to land confiscation). Is that all we can say? Much of the war was funded by the British Treasury. What sort of economic return did New Zealand get from it?

There is also very little on the economics of the First World War (except the compulsory acquisition of commodities for export). We would like to say more than that.

The data base becomes somewhat richer immediately after the First World War. What happened in the period before the War is a mystery. Of course we dont expect as detailed quantitative knowledge of the nineteenth century economy, but that thought does little to relieve the frustration of our ignorance of the first two decades of the twentieth.

Jack Baker’s *The War Economy* covers the Second World War well enough.

The Interwar Period

While there seems little disagreement about the course of the Great Depression of the 1930s in New Zealand (except how important relative prices were), how it fits into the interwar period is less understood. Popular histories see it as a great turning point, especially in that it led to the Labour Government (although under Gordon Coates, the preceding Coalition Government was already moving that way).

But where does the shorter – possibly deeper – downturn of the early 1920s fit in? The 1920s seems to have been a period of slow growth, so the post-Great Depression recovery with its exceptional growth rate may in fact be a recovery from the 1920s as well.

I am also uneasy at the focus on aggregate economic output without attention to the changing political economy. There are various hints that there were more fundamental changes than a temporary depression: the urban centres seem to be consolidating, key production processes (such as in freezing works and car assembly) were switching from craft to industrial processing, while as Coates noted the relationship with the British market was changing and there is some diversification of export destinations. Moreover, contemporary writers at the time seem to be as much concerned with the inability of pastoral exports to provide sufficient foreign exchange to employ the working population even when export prices were good, which suggests attention to the population story.

A fresh look at the interwar period economy would be appropriate, especially one where the vision is not dominated by the Depression and the subsequent success of the Labour government.

The Economy Over the Last Four Decades

A re-interpretation of the interwar period may not change our understanding of the period after the Second World War and it is very unlikely to change the economist's story of the 1966 wool price shock which severely damaged sheep industry (which contributed three fifths of exports). The resulting diversification and adaptation took perhaps thirty years to work its way through in full so while the shock was abrupt the subduction was not. (Whether economists will ever be able to convince those into politics and culture that Britain's entering the European Community (Union) in 1973 was not as central to the economy is another matter.)

However, we must ask what did the economy diversify to? The book uses the expression 'new economy' but that is a holding label which may look as relevant in due course as William the

Conqueror's 'New Forest' does today. Whatever the label, we need to understand its constituents. Is it that the pastoral economy has extended to a resource and processing based ones including horticulture, fishing, forestry, energy, mining and tourism as some of the rhetoric would have, or is there new urban based industries and services as the countervailing rhetoric would have?

Fortunately we don't have to answer this question today, merely to pose them. But the book will have to address it, preferably with some of the gravitas that history brings, rather than the superficiality of instant commentary.

Exceptionalism

There is a separate essay on this. To summarise. Because the New Zealand economy is unique (as all economies are) it is easy to assume it is exceptional. However, many of the experiences it went through are analogous to those in Australia, the Southern American Cone, some states and provinces of North America and (even) Southern Africa.

It would be another study to details these parallels, but even so the writer of an economic history of New Zealand needs to keep them in mind and not leave the reader with the impression that New Zealand's experience was exceptional.

Conclusion

There are numerous challenges to writing a new economic history of New Zealand: the bringing together of a host of recent research by economists, historians and others; the dealing with conflicts and gaps in the available accounts; the looking at the conventional wisdom afresh, but not abandoning the well proven. And to do all this in a way acceptable to the economic history profession and accessible to the general historian and public.