A Short History of Australian Liberalism

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Preface

This study was written in response to what I see as the misleading nature of the studies of Australian liberalism that have been produced to date. The dominant theme of these studies has been to trace the history of liberalism from the protectionists of 19th century Victoria to the Deakinites of the early 20th century and then via Menzies into the current Liberal Party. Hence it has been assumed that in Australia some version of what has been generally termed 'social liberalism' has been the predominant form of liberalism. According to this view, the 'normal' practice of Australian liberals is to use the state to pursue something called 'social justice'. Recent developments in Australian liberalism, such as economic rationalism, can be defined as aberrant, and not in line with the best traditions of Australian liberalism.

In his Marxist analysis of Australian liberalism, Tim Rowse (1978: 15) defined liberalism in Australia in terms of individuals owing their primary allegiance to the state. This was because Rowse saw Australian liberalism as primarily an offshoot of English social liberalism. Stuart Macintyre (1991) traced what he saw as the tradition of Victorian 19th century liberalism from Higinbotham to Syme to Pearson, in other words the ancestry of the Deakinites. Most recently Ian Cook (1999), although claiming not to be writing a history, reinforced this view by focussing his study heavily on the Deakinites and their statist successors. The only free market liberal he discusses is John Hewson. Equally, biographies have tended to favour strongly this tradition, with studies of Deakin (La Nauze 1965), Higgins (Rickard 1984), Menzies (Martin 1993 & 1999) and Pearson (Tregenza 1968), but only one excellent biography of George Reid (McMinn 1989) as a counter.

Left out of the equation is any discussion of the liberal tradition in New South Wales and the free traders who claimed its inheritance. To a large extent it is a question of the meaning of liberalism in Australia. Writing in the 1880s the major theoretician of Australian liberalism, Bruce Smith (who, of course, has attracted no academic interest) complained that the term liberalism was being appropriated by those in Victoria who favoured state intervention to create privilege (1887: iii). He claimed that this was a travesty as the true meaning of liberalism was allowing the individual to develop freely 'subject to the same or equal freedom in our fellows' (1887: 221). He also added that those who opposed this state intervention were called conservatives.

Smith was right but he lost the ideological battle. True liberals in Australia found themselves saddled with the description 'conservatives' while the Victorian protectionists, who were basically statist populists, appropriated the term 'liberal'. I have followed Smith in writing this study. In doing so I have sought to restore the term 'liberal' to its true meaning—that is, liberals are those who favour the development of individuality and who are opposed to the extension of state powers. The so-called 'liberals' who favoured state power and protection I refer to as protectionists, Deakinites or even populists.

This study argues that there has been a battle going on in Australia since the establishment of democratic institutions in the various colonies in the 1850s between the principles of liberalism and a populism that seeks to override those principles in search of short term gain. I trace the history of liberalism in Australia from the struggle to establish liberal institutions in the 1850s to the free trade liberalism of George Reid, Bruce Smith and Bernhard Wise in the 1890s. In light of the Deakinite triumph in the early Commonwealth, I examine liberalism as a critique of the protectionist policies in the works of such writers as Edward Shann, W.K. Hancock and John Anderson. Finally, I analyse the liberal revival of the past 25 years. In all of this I consider liberalism in Australia against the backdrop of the constant tendency to resort to populist remedies.

Making sense of the battle over contemporary policies often involves understanding the historical dimension. In the case of Australian liberalism, there is an extra aspect to this as the whole question of what liberalism means is at stake. This study seeks to establish the true pedigree of liberalism in Australia.

Part One

The Emergence of Liberalism in Australia

Liberalism in Australia first developed properly in the years preceding the granting of responsible government to New South Wales and Victoria in the mid-1850s. New South Wales had been given a partially elected advisory Legislative Council in 1842, but it was only from the mid-1840s onwards that the British government set about the serious task of turning the Australasian colonies into self-governing units. The process was complicated by a British decision to re-impose the transportation of convicts to Australia in 1848, thereby leading to the creation of the Anti-Transportation League, the first intercolonial political association. In the end it was the discovery of gold that settled the issue as large numbers of free immigrants poured into the colonies in search of their fortune. Responsible government was granted to New South Wales in 1856 to be followed by what was effectively universal manhood suffrage two years later. The other colonies similarly received self-government but it was in New South Wales that the conflict regarding its form was most bitter.

This conflict generated a debate in which participants had to spell out their ideas and principles. New South Wales was exceptional because it alone possessed an *ancien regime* and a politically articulate group of conservatives who sought to thwart the establishment of a liberal and democratic order. Alan Atkinson (1988a) has demonstrated that James Macarthur, intellectually the most sophisticated of this group, possessed a definite political vision founded on deference, privilege and a form of state paternalism. Macarthur and other conservatives, such as W. C. Wentworth and James Martin, sought to build a political order that reflected this vision in the late 1840s and early 1850s. It included the founding of the University of Sydney to educate the sons of the colonial gentry. They sought to entrench this gentry in the political order by establishing a colonial equivalent of the House of Lords. Although Macarthur himself claimed to support free trade, both Wentworth and Martin were protectionists.

Opposition to these conservatives came from a variety of sources, not all of which could be described as liberal. Alongside liberals there were also those described as radicals, who often had as much in common with their conservative opponents as their liberal allies. This was because what mattered for both conservatives and radicals was land ownership, with both groups drawing inspiration from James Harrington and the English

Commonwealthman tradition[1]. Both groups envisaged a rural future. For the conservatives it took the shape of a squire paternally guiding his tenant farmers. For the radicals it was a yeoman republic comprised of self-governing independent farmers and tradesmen. This image of happy farmers surrounded by their wives and families in an idealised rural landscape also touched liberals. In their case, however, it was tempered by the recognition that the colony was part of a new commercial world being created by the expansion of trade, the growth of new communications technology and the spread of science.

Free Trade Liberalism and a New World Order

In the early 1850s writers who thought that free trade was ushering in a new world order expressed liberal hopes and expectations in an almost utopian fashion. They believed that free trade would create a peaceful world embodying the Brotherhood of Man because each part of the world possessed particular goods that others did not. Trade would bind the peoples of the world together in peace aided by the new technology of the telegraph and the diffusion of scientific ideas. Unrestricted intercourse between nations would aid friendship among the peoples of the world who all shared a common humanity. For the liberals commerce was a positive force for progress; hence colonial writers could claim that 'commercial enterprise has a direct tendency to promote science, literature and the arts' (Duncan 1851: 109).

Not surprisingly this vision of free trade leading to a peaceful world founded on the principles of humanity usually had strong religious underpinnings. It was associated with the triumph of mind over matter, and could be described as 'a mental and moral revolution in the human race' (Holden 1856), with free trade cast in the messianic role of preparing for 'the advent of a holy and universal fellowship' (St. Julian & Sylvester 1853).

To modern ears this sounds almost hopelessly utopian, but in the 19th century there was a strong connection between religion and liberalism. The laws of political economy were still often viewed as laws set down by God and therefore to be obeyed by individuals. A strong belief in Providence (Melleuish 1985) still permeated much of the thinking of colonial liberals, which is not surprising given that many of their articulate spokesmen were clerics. 'Beneficent providence' could be used to justify laissez-faire principles; all that was required to achieve good government in the colonies, according to one writer, was

[1] The Commonwealth man tradition developed in late 17th century England in opposition to government centralisation. It believed that individuals, and especially Members of Parliament, should be independent and able to resist government 'corruption'. Ownership of land was meant to guarantee this independence.

'absence of restraint upon productive enterprises—economical administration of the public purse' (Anon. 1850: 3).

Moreover, liberalism was premised on the optimistic view of much 19th century Christianity that God's creation was good and therefore to be enjoyed by human beings. In particular this positive view of both creation and human nature entered Australian liberalism through the writings of American unitarians, especially William Ellery Channing and Emerson. From these writers colonial liberals, such as Henry Parkes, developed a view of human beings as spiritual in nature, endowed with dignity and capable of moral improvement, as expressed in this quote from Parkes' newspaper the *Empire* (1851):

> Man, in whatever condition of life he may be placed, should have his humanity fully developed, in cultivated feelings of self-respect and independence, and in a sober exercise of his god-like attribute of reason with regard to all his obligatory relations with his fellow man.

In short, free trade liberalism in colonial New South Wales proceeded on the premise that both nature and human beings shared in God's goodness. They were capable of both improvement and the creation of a peaceful and harmonious world.

Part of this new order involved the capacity of individuals to govern themselves. Paternalism denied the individual's capacity for self-development. Again, religion played a role in this process. Alan Atkinson (1994: 90) has argued that religious choice in New South Wales preceded political choice and acted as an acid dissolving the bonds of deference. In turn political liberalism impacted on the churches (with the exception of the Catholic church) leading to greater lay participation in church governance, as for example in the synods of the Church of England. The clear implication was that if individuals were responsible, self-governing creatures they should also be involved in running their own affairs.

At the same time it is clear that this liberalism viewed individuals as both self-governing and engaged in cooperative enterprises. The commercial ties of free trade would create a world that acted cooperatively and harmoniously. Liberals combined a belief in laissez-faire and individuals manfully pursuing self-reliance with the conviction that such efforts would ultimately aid in the creation of a harmonious social order; as one writer put it:

> the social compact attains its maximum of perfection where it draws out of each individual citizen the greatest amount of good that in him lies, as his share in the contribution to the general stock. (*Empire* 20 October 1859)

Other liberals, such as John Woolley, developed a colonial equivalent to the idea of sympathy developed by Adam Smith in his *Theory of Moral Sentiments*. Woolley argued (1853: 16) that individuals move through a three-stage process from selfishness to an appreciation of others and a recognition of the unity of humanity considered in all its diverse forms. This process of movement from individual to universal had a positive psychological effect rewarding the individual with 'ever new and increasing sources of interest and happiness'.

Conservative and Populist Influences on Colonial Liberalism

The liberal version of social order and the individual was not the only one on offer in colonial New South Wales. Alongside it there was the individualism of the self-sufficient yeoman, happily pursuing a subsistence lifestyle in defiance of the outside world (Melleuish 1999). This quest for agrarian autonomy linked up with a form of populism that pitted the 'people' against the colonial elite who stood accused of having locked up the lands for themselves. In the early 1850s this populism took the form of republicanism, inspired by the demagogic oratory of Dr John Dunmore Lang.

Lang was a strong supporter of self-contained villages composed of independent (and Protestant) farmers. He also opposed the idea of empire on biblical grounds and sought the creation of a number of independent republics on Australian soil. Lang frightened the colonial establishment because he seemed to embody all the vices they believed were associated with democracy: a violent fierceness and a tendency to pander to the prejudices of the mob. What Lang demonstrated was the potency of populism in Australia, a fact that has remained true to the present day.

There were other elements that contributed to the liberal brew as it slowly matured under Australian conditions. One was a form of English traditionalism. Colonial liberals claimed political rights on the basis of their English or British inheritance. They could appeal to the British constitution and their rights as British freemen. The best example of this position can be found in the speeches and articles of Henry Parkes, who subsequently dominated New South Wales politics for the next 30 years. According to Parkes (1876) he and his fellow colonists had inherited

> a glory which belonged to no other race, and their highest and their truest loyalty to the British name consisted in preserving that inheritance unimpaired for their posterity.

This did not mean that the colonies should adopt the rigid social structure of the home country. This was a colony that lacked an aristocracy, though it did possess a wealthy class

composed of self-made men who had risen from the lower orders largely through their self-exertion. Moreover, property was broadly diffused. In such circumstances, the only political form that would preserve all that best in the British constitution as well ensure prosperity was democracy. Parkes therefore represented a common desire to adhere to traditional practices while recognising that conditions in a new society were different to those in the metropolitan one.

Another element was that of civic humanism, or traditional republicanism. In effect, this was the quest for the common good as opposed to particular interest, and the desire to prevent corruption and the perversion of the political process. Civic humanism came to be largely associated with the ideal of the natural aristocrat, the individual who embodies these virtues and works for the good of the whole. Representative government is inherently aristocratic in the sense of the 'best' ruling. In opposition to the idea of an inherited aristocracy, some colonial thinkers developed the belief that there was a natural aristocracy, men possessing gifts and talents that they should put at the disposal of the public. In return the public should recognise their gifts and place them in positions of authority.

This doctrine appealed particularly to the young radical lawyers of the colony, such as Daniel Deniehy (Melleuish: 1987), and has subsequently had a long history in Australia. Figures in other colonies, such as Higinbotham, also fancied themselves natural aristocrats (Macintyre 1991: 34). It is not inappropriate to trace a tradition of aristocratic liberalism in Australia through generations of politicians who believed that the good (i.e. themselves) should rule, and that in return they would practise a democratic equivalent of noblesse oblige. The Deakinites have been described in similar terms (Osmond 1985: 50, 53).

Yet another element was a recognition of the importance of voluntary associations as part of any society that aspired to liberty. This strand of liberalism was best expressed by John West, congregational minister, and a man who helped to found in Launceston important institutions including the *Examiner* newspaper, the City Mission, the public hospital, the general cemetery, the Mechanic's Institute, Cornwall Insurance Co., and the Hobart High School, as well as lead the anti-transportation movement. Speaking of England, West wrote (forthcoming):

> Not only is every municipal body a barrier to a pernicious centralization, but liberty is powerful in school committees, in mechanics' institutes, in literary clubs, in voluntary companies, and in those ten thousand spontaneous combinations which ask no public sanction, need no public

> authorization, and which, the moment they are born, claim the protection of freedom, as its own offspring, as its certain support and shield.

The New 'Liberal' Political Order

As it developed in New South Wales in the 1850s, colonial liberalism had many strands and could be associated with other not so liberal doctrines. But it broadly stood for a notion of the individual that emphasised the inalienable dignity of man, his need for self-development and his right to govern his own affairs. At the same time, the prospect of colonial democracy frightened the life out of the colonial conservatives, many of whom, such as James Macarthur, departed at its arrival.

Yet the so-called liberal regimes that emerged in colonial Australia in the late 1850s neither fully expressed liberal principles nor were they the embodiment of mob rule. They were in many ways curious hybrids, composed of a lower house elected on adult manhood suffrage and an upper house that was selected on much more conservative principles, being appointed in New South Wales and elected on a restricted franchise in Victoria.

In New South Wales the political system had a decidedly 18th century feel. In a distinctly unliberal fashion they adopted a patronage system for selecting public servants, just at the time when Britain was experimenting with a more merit based structure. As everyone now called themselves a 'liberal', there were no effective parties, only a faction system based on personal support for particular leaders (Loveday & Martin 1966). Factions manoeuvred for office, and there were ever shifting alliances. Nevertheless the system provided a reasonably stable government, mainly because these regimes were in many ways 'irresponsible'. As they relied on the British empire for defence they did not have to devote much expenditure to this item and were free to concentrate on economic development. And they could use the sale of crown lands to fund much of their activities.

At the other end of the social and political spectrum, the inauguration of democracy brought a new populism into play. The New South Wales parliament tended to be dominated by new men who behaved, almost from day one, in a decidedly ungentlemanly way. Led by a member of the colonial gentry who had thrown in his lot with 'democracy', Charles Cowper, the 'liberals' in New South Wales brought into being a Land Act which has been described as 'the most vicious attack on private enterprise in our history' (Hirst 1988: 135). Stirred into a frenzy by a campaign based, as John Hirst (1988: 139) has put it, on 'class hatred, ignorance and folly' the desire for land reform turned into a populist crusade. When the nominated upper house attempted not to pass the legislation it was threatened with being swamped with new liberal members. Moreover, Hirst (1988: 155)

has argued, the chicanery and corruption that followed in the wake of the Land law seriously tainted and 'dishonoured' democratic government in Australia.

In the face of a continuing social conservatism and a rampaging populism where had liberalism gone in New South Wales? Well, it survived in economic terms in a continuing adherence to free trade. In political terms it survived in the critiques that liberals made of the new 'liberal' order. John West, already mentioned, was editor of *The Sydney Morning Herald* from 1854 until 1873, when another liberal, Andrew Garren, succeeded him. West used his position as editor to attack the failings of the new order and to espouse liberal principles.

West was a curious mixture of utopian free trader and sceptic in the realm of politics. He believed that free trade was helping to create a new world order based on justice. As an observer of colonial politics since the 1830s he had a sceptical view of the capacity of human beings to achieve justice through political means. In 1854 he wrote a series of articles advocating the federation of the colonies in which he argued in favour of a political system based on checks and balances.

Local government, he reasoned, was based on democratic principles of liberty that were prone to abuse, though they also provided the foundations of individual liberty. Similarly a central government was the source of authority and order but could also turn into despotism. Any political order required both liberty and strength. The way to achieve this combination was through a federal system in which the local and the central would act as a check on the other. West developed this insight to display the flaws and populist excesses of the new 'liberal' order in his newspaper articles. At the same time he upheld liberal values, attacking the racist attacks on the Chinese at Lambing Flats in 1862, supporting women's rights and the rights of the Aboriginal people.

In a similar vein, Daniel Deniehy used his newspaper the *Southern Cross* to attack what he saw as the corrupt practices of the new democratic order. After only four years of responsible government Deniehy could describe colonial politics in these terms:

> The most essential feature in politics is that it oftenest consists of the audacious and cunning attempts of an impudent and unscrupulous fellow, with his audacity as the largest portion of his stock-in-trade, to get rule of his fellow citizens and his salary to boot by any means whatever. (quoted in Melleuish 1988: 45)

He was particularly upset by the low quality of the parliamentary members describing them as 'men without intellect, education, high standing, or important services, in spheres other than political ones' (quoted in Melleuish 1988: 52).

The savagery of Deniehy may sound like sour grapes, but he was not alone in his estimation of the political system the colonists had created for themselves. In addition, it would not be unfair to attribute many of these faults to the failure of liberal principles to capture the high ground in the political culture. Colonial New South Wales lacked the men of principle who had provided the leadership in colonial America. The colonial conservatives were too reactionary, because they feared the mob and demagogues such as Lang. The political ground was vacated too easily to opportunists and populists. Liberalism was still there in the political culture but this was not a liberal political order.

Political developments in Victoria were much the same as in New South Wales, except that Victoria lacked an *ancien regime*. It developed a 'more advanced liberal' regime, but one that still had both democratic and 'aristocratic' elements. The history of the next 30 years in Victoria saw conflict between the two houses of parliament and the establishment of a number of rights such as payment of members of parliament.

A Volatile Mix: Protectionism, Statism and Populism

The Land Acts of the early 1860s had demonstrated that colonial politics were prone to outbreaks of populism that tended to pit political excess against economic good sense. The economic reality was that the Australian colonies would survive primarily through their capacity to produce commodities and by attracting capital to aid their development. This stood in opposition to the often traditionalist values of many of the ordinary men and women who came to Australia and simply wanted to escape from 'the struggle for existence' and own a small farm. This meant that there was a fundamental conflict in colonial Australia between commercial enterprise and economic development on the one hand and visions of villages of contented yeoman on the other. This was to take the shape in Australian political history of liberalism versus populism.

In New South Wales this populism took the shape of the early land acts. In Victoria its most important manifestation was in the development of protectionist policies. Australian politics had been born democratic but they were in need of a liberal upbringing. Democracy could also mean populism and demagogy. It required liberal principles to shape it, such as sound constitutionalism, a system of checks and balances, and restraints on the excesses of government.

Protection in Victoria should be seen in this light as the populist crusade of David Syme. Syme was one of the most significant figures in Australian history because he put together a potent mixture of protection, statism and populism which he spent years

propagandising through his newspaper the *Age*. This volatile mixture continues to haunt Australian politics to the current day, its most recent outbreak being Hansonism.

We are often told that Syme was a radical and a progressive, but that only makes sense if we also accept that 'progress' equals increased state control and if we accept that democracy is worthwhile once the liberal elements are removed. Instead, Syme needs to be seen as a traditional radical in which there is a curious mixture of democracy and Tory paternalism. In this context it is worth quoting Syme's condemnation of laissez-faire:

> I never could see any virtue in laissez-faire. To let things alone when they had gone wrong, to render no help when help was needed, is what no sane man would do with his private estate, and what no sound statesman would tolerate as a state policy. It is simply an excuse for incapacity or inertia in affairs of State. It is a policy of drift. It is just what the company promoter, the card sharper, the wife deserter, and the burglar would like to be left alone. It can only lead to national disaster and social degeneration, when carried out in any community. (quoted in Pratt 1908: x1i)

Two points are noteworthy here: the mistrust of human nature as corrupt, and the comparison between the household and the state. Syme was brought up as a strict Calvinist in Scotland. Calvinism had an extraordinarily bleak view of the world which can be gauged from C H Spence's comments in her autobiography that as a Calvinist she had refused an offer of marriage because she could not bear the thought of bringing children into such a corrupt world autobiography (1987: 424). Syme had also been brought up in a household ruled by a strict patriarchal figure and liked to exert control over not only his family but also his journalists, such as Alfred Deakin, who was later to become Prime Minister. He viewed the state as an extension of the household. This is confirmed by another passage by Syme quoted by Macintyre (1991: 94):

> The social affections are an expansion of the domestic affections; the division of functions in society is an extension of the principle of co-operation which takes place in the family*; the parental authority is the basis of authority in the state* [my emphasis]; and the idea of justice, as embodied in positive law, first finds expression in the adjustment of domestic relations.

Macintyre comments that 'Syme's stern and unbending father became the model of authority'. These passages show that Syme's view of the state was closer to that of Sir Robert Filmer, the 17th century advocate of patriarchy, and the theorists of absolute despotism, the cameralists, than to liberalism as developed by the critic of Filmer, John

Locke, and the writers of the Scottish Enlightenment, such as Adam Smith, who had left their Calvinism behind them. Smith also believed that through sympathy, individuals developed their social relationships beyond the narrow circle of kith and kin. As we have already seen, John Woolley enunciated a similar view in the New South Wales of the 1850s. But Woolley viewed this passage into the wider world as one of growth, resulting in a cooperative arrangement amongst mature individuals. For Syme it was a question of submission to a patriarchal state, which would act as a righteous father keeping his rebellious and sinful sons in line.

Without belabouring the point, it is important to establish that the view of society and the state that drove Syme to advocate protection was in many ways the antithesis of liberalism. It was democratic and it was populist as it sought to use the state to provide employment for Victorians lured to the colony by the goldrush. But it also had at its core the idea of a society well-regulated and managed into prosperity by the state. This was an ideal that had motivated the notion of 'police', and its economic equivalent mercantilism, in many 18th century German states. Not surprisingly, Syme was attracted to German critiques of liberal economics.

One of Syme's protegés at the *Age*, Charles Henry Pearson, claimed (1894: 13) that the extension of state powers in the name of the ordinary person was the logical development of 19th century liberalism in its quest for justice. There is some truth to this statement but it does not explain the particularities of the Australian and Victorian circumstances, nor the uniqueness of Syme's invention: statist populism. What gave some credibility to Syme's position was the form that liberal individualism took in Victoria. There were many supporters of liberal ideas in Victoria during these years but they tended to adopt a view of society and individualism based on evolution and a Darwinian notion of the survival of the fittest. Hence an exponent of evolutionary liberalism, Henry Rusden could write:

> The survival of the fittest means that might—wisely used—is right. And thus we invoke and remorselessly fulfil the inexorable law of natural selection (or of demand and supply), when exterminating the inferior Australian and Maori races, and we appropriate their patrimony as coolly as Ahab did the vineyard of Naboth. . . . The world is better for it; and would be incalculably better still, were we loyally to accept the lesson thus taught by nature, and consistently to apply the same principle to our conventional practice; by preserving the varieties most perfect in every way, instead of actually promoting the non-survival of the fittest by

> protecting the propagation of the imprudent, the diseased, the defective and the imprudent. (quoted in Goodwin 1966: 332)

Like the New South Wales liberals Rusden appealed to nature, but his nature was harsh and cruel. He shared this idea of an indifferent and amoral nature with Syme, and this was their common starting point. Syme wanted to tame this nature using the moral power of the state; Rusden wanted to abide by its dictates.

This idea of nature is in sharp contrast to the 'beneficent providence' that underpinned free trade ideas in New South Wales. Equally if one compares the view of human nature held by Syme with that held by Henry Parkes the same contrast applies: Syme saw it as corrupt, Parkes saw it as potentially good and in need of cultivation.

Why should this have been so? Two explanations present themselves. The first is that Victoria was a more secular society than New South Wales, and so its intellectual figures tended to see the world and nature in secular terms. The second is that Victoria had largely been created as a 'society of strangers' during the goldrushes. These values emphasising mistrust and conflict perhaps reflect the experiences of those thrown together and forced to create social and political institutions.

Whatever the reason the terms of debate in Victoria over such matters as protection, state regulation and the nature of society and social relationships were quite different those in New South Wales. These terms of debate helped to create a rhetoric in which the 'caring' 'moral' state was pitted against the amoral social Darwinist vision of liberal individualists who cared only for their own survival, and who lacked compassion for those who had failed in the race of life. According to this dichotomy the former are 'liberals', the latter 'conservatives'. Hence Alfred Deakin was able to declare in the early years of the 20th century that

> A Colonial Liberal is one who favours State interference with liberty and industry at the pleasure and in the interest of the majority, while those who stand for the free play of individual choice and energy are classed as Conservatives. (1968: 12)

Of course such a view is a travesty, because the state interference favoured by Deakin was hardly liberal, but came out of the particular terms of debate operating in Victoria in the second half of the 19th century.

The Politics of the New Commonwealth

Why did the tide turn so much against liberalism in the late 19th century and the first decade of the 20th century? The 1880s were a turning point as new ideas of decadence and

degeneration began to permeate the Australian colonies. There was a revival of populism, particularly in the shape of the republican and racist nationalism promoted by the *Bulletin*. By the 1880s the *Age* had a circulation of over 50,000 (Macintyre 1991: 87) and its crusade against free trade in the name of protection and 'righteousness' was at its peak. It was joined by the *Bulletin* in this task of advancing the protectionist cause.

The *Bulletin* shared the view of nature held by Syme. The laws of nature were 'non-moral and remorseless'. It viewed commerce as a form of warfare in which 'there is no mercy, the weakest go to the shambles . . . by commerce or by war, nation seeks to destroy nation; race to subjugate and triumph over race' (quoted in Melleuish 1995: 39). It was a matter of the moral forces of humanity, in the shape of the state, doing battle with the cold violent world of nature. Protection was part of the armoury of this moral battle, and even better it offered, according to the *Bulletin*, prosperity and high wages.

Protection slowly gained ground in New South Wales during the 1880s, particularly amongst those small farmers who were the descendants of those who had taken up selections following the Land Acts of the early 1860s. But free trade maintained its ground, particularly in Sydney.

Nevertheless by the late 1880s politics in New South Wales had effectively divided into two major groups: one advocating free trade and the other protection. The irony was that the succeeding decade was to be a golden age of free trade liberalism in New South Wales, both in terms of policy and political theorising. The George Reid led government of 1894 demonstrated that democratic reform and free trade were perfectly compatible. At the level of theory, these years produced some of the fullest defences of free trade liberalism by sophisticated writers including Bernhard Wise and Bruce Smith. It also saw the flourishing of the Australian Economic Association in Sydney, a forum in which liberal economics were vigorously debated.

The Free Traders and Protectionists Join Forces

The 1890s was the key period for the development of Australian liberalism as it saw the federation of the Australian colonies followed by the establishment of the fiscal and labour policies of the new Commonwealth. The stakes were high, because the outcome would determine the future direction of the country. It is worthwhile contrasting the liberal nature of the constitution created by the federal movement with the often illiberal policies pursued by those (often the same people) who created governments according to its rules.

The Commonwealth constitution is noteworthy because of its simplicity. The preamble is modest and prescribes no goals or pious hopes regarding the 'Australian nation'. There is

no Bill of Rights, no statement about the role of government, only a list of the legislative responsibilities of the Commonwealth. It is a pragmatic piece of work hammered out by members of colonies of different size and political traditions. The outcome is a relatively minimalist document that is leavened with principles of constitutionalism derived from America, such as the High Court and the Senate. Thankfully the word 'citizen' did not make it into the document (except to describe foreign citizens), so that the constitution is not lumbered with an ideal of Australian 'citizenship' crying out for interpretation.

The Commonwealth constitution provides a framework for a workable system of politics containing a number of checks and balances within which liberalism can flourish. This was recognised by enthusiasts for the extension of Commonwealth power during the first decade of the twentieth century, such as Alfred Deakin. Deakin admitted that 'state socialism' at the federal level was a dead issue without a constitutional amendment.

The liberal nature of the constitution contrasts powerfully with the policies that governments brought into being during the first decade of the existence of the new Commonwealth. Its first major task was immigration restriction or as it was more popularly known, White Australia. The most depressing thing about this piece of legislation was the fact that hardly any member spoke against it because it was such a popular measure in the country at large. Of course, any country has the right to control entry into itself, but this bill was supported in blatantly racist terms.

White Australia laid the foundations for a collection of policies that might be generally termed 'protectionist' in that they sought to use state power to protect and regulate the Australian population with the aim of building a strong self-sufficient country. In the name of liberalism, the Protectionists laid the foundations of an illiberal state. Moreover, as Michael Warby has argued, it also brought into being an economic order that had more in common with 'crony capitalism' than a liberal free market system (1999: 3).

There was no inevitability about the victory of the Protectionists, but there were complicating factors that, in retrospect, made the task of the Free Traders and liberals extraordinary difficult. In particular it is possible to point to the depression of the 1890s and its effects. The depression seemed to prove the argument put forward by the *Age* and the *Bulletin* that nature was harsh and cruel and in need of the moral control of the state. These economic circumstances added to a general mood of pessimism and anxiety.

It is important to see that the mood of the times favoured protection and state regulation, despite the fact that the free trade policies pursued in New South Wales produced better economic outcomes that those of protectionist Victoria. Even Macintyre (1991:107), despite his admiration for Syme, is forced to admit that protection did not

provide Victoria with superior economic growth to New South Wales. In other words, protection's strength lay in its psychological appeal in a time of insecurity, not because it made sense as a rational economic doctrine.

The emergence of the Labor party, and the growth of a group of intellectuals and professionals who favoured state action, was another key factor in the victory of protectionism. The Labor party first won seats in the New South Wales Legislative Assembly in !891. From that time onwards in New South Wales, and from 1901 in the Commonwealth parliament, until the fusion between the Free Traders and the Protectionists in 1909, it acted as a third political force. This meant that governments had to take account of both the Opposition and Labor in framing policies. It also made it difficult, and in the early Commonwealth parliaments impossible, for any single party to achieve an absolute majority. Deakin created protectionism not as the head of powerful party with a mandate, but as the leader of a minority group reliant on Labor party support. Initially Labor had no party view on the fiscal issue but in the Commonwealth parliament soon voted for the Protectionists rather than the Free Traders.

Key Liberal Thinkers

The role of intellectuals is relevant to this discussion (Melleuish 1995: ch. 2), because during this period intellectuals were increasingly favouring the idea of an interventionist state. There were a number of reasons for this. Scientists were attracted to the notion of a state intervening to implement policies based on science that would create 'better' people both physically and intellectually. For these men the rallying cry was 'efficiency'. They believed that state action, based on the principles of sociology, was the best means for obtaining an efficient social order.

Humanists found the new idealism with its Hegelian emphasis on the fulfilment of the individual through the state attractive. The universities propagated an ideal of service to the state which connected easily with the aristocratic liberalism that came naturally to an university educated elite in the land of egalitarianism. One of the best examples of the connection between service to the state and an aristocratic noblesse oblige was Justice Higgins (Rickard 1984: 201). Higgins saw himself as taking on his shoulders the task of creating a new province for law and order, thereby eradicating industrial strife.

In many ways the protectionist policies of the early Commonwealth can be viewed as the consequence of a fusion between aristocratic liberalism, particularly in the shape of Alfred Deakin, and populist statism. It was a potent mixture because it meant that narrow

and selfish policies could be seen as morally uplifting and just. Racial bigotry became national progress and disastrous economic policies the imposition of moral order.

And yet, as we have noted, the years preceding this disaster were golden ones for free trade liberalism. In 1894 George Reid was elected as the head of a Free Trade government in New South Wales that undertook significant fiscal and political reform (McMinn 1989: chs. 11, 12, 13). He instituted free trade in New South Wales (it was said that the tariff schedule could be written on a single sheet of paper) and introduced direct taxation in the form of land tax and income tax. As well he undertook the reform of the public service, ending the patronage system, and introduced economies into the public service. Reid took the Free Traders down a democratic route, and in many ways his government was a consummation of the liberal promise that had failed to be fulfilled in the early years of responsible government. But the Free Trade movement was not unified and there were both personal and ideological divisions.

To the Left there was the enigmatic figure of Bernhard Wise, Australian born and Oxford educated, who believed in arbitration and progressive social reform, opposing laissez-faire. Wise was a perceptive critic of protectionist, or what he termed 'national' economics (Melleuish 1995: 30–1). He recognised that it rested on a policy of self-sufficiency and that its implementation would lead to the restriction of trade with foreign countries and international commercial conflict. Moreover, it required state direction regarding what industries a country would pursue, creating vested interests and crippling the capacity for these protected industries to be self-reliant.

In other words protection encouraged selfishness, conflict and competition as well as national isolation; it was both stupid and immoral. For Wise the key was the creation of a more cooperative social and international order, with free trade being the way to achieve international cooperation. It should also be noted that Wise was no racist and believed in fostering exchanges and the movement of ideas amongst the peoples of the world. However he did not accept that laissez-faire would deliver social cooperation. To this end, he was a firm advocate of industrial arbitration and a more interventionist role for the state. He believed that in this way the state could foster social harmony. Wise was also a personal enemy of Reid, with whom he refused to work.

To the Right there were William McMillan and Bruce Smith, who were more laissez faire. Bruce Smith had been educated in Victoria and was more of an evolutionist and believer in the struggle for existence than his compatriots in New South Wales. Smith wrote a number of books, and his 1887 title *Liberty and Liberalism* was the major statement of liberal theory produced in Australia until recent times.

Smith was stimulated to write the book by what he believed was the misuse of the term liberalism to justify 'advanced legislative experiments' in the Victoria of David Syme (1887: iii). He claimed that the so-called Victorian liberals were not true liberals because they attempted to reinstitute privilege through 'class' legislation that conferred benefits on one section of the community, the working classes, 'at the expense of the remainder of the community' (1887: iii). A Victorian Liberal, he argued, was 'one who is given to liberality *with the public revenue*, and in favour of class interests' (1887: 8). Anyone who declined to behave in this way was called a conservative, and usually derided as selfish. Smith was battling for the term liberal against what he saw as an appropriation of the term by radicals such as Deakin. As we have seen he lost the battle but that does not mean that we have to accept the spin-doctoring of the Deakinite victors.

An Ideological Battle

Smith saw (1887: 10) the proper function of liberalism as to '*guard over* the equal liberties of citizens generally, with a view to their *preservation*'. He also believed that politics was a science and that true liberalism had a scientific foundation. That science involved the study of the 'happiness of all who comprise the state' (Smith 1887: 210). Smith had been influenced by Burke, and so he stated that by this he meant the happiness not just of one generation but of all. Hence he argued (1887: 445) that it was not a good test of legislation that such legislation only favoured the present generation:

> we might all add indefinitely to our national debt . . . enjoy ourselves on the proceeds, throwing the burden on to those who come after us.

He also argued (1887: 445) against measures that might 'diminish the incentive to self-help and independence of spirit in the generations which are to succeed it'. Sadly he was proved correct in this view as the protectionist measures of the early Commonwealth created a protectionist culture and mentality that certainly did diminish the spirit of independence in Australia.

Smith based his defence of liberalism on the need to defend individual liberty. Using an evolutionary argument he contended that the first duties of government were to provide individual security and security for property. Only in this way could the accumulation necessary for progress occur. Liberty he defined as 'the freedom to do as one wishes; freedom from restraint—*subject to the same or equal freedom in our fellows*' (1887: 221). He believed that such individual freedom worked for the benefit of all, because it enabled everyone to pursue their particular goals. His argument was utilitarian in that he

contended that when every individual was allowed the maximum amount of freedom available a community would achieve its '*largest aggregate amount of happiness*' (1887: 222).

He was also willing to accept that such a liberal society could not be egalitarian as some would do better than others, that the 'most capable' would succeed and be rewarded accordingly. There would, however, be no privilege as the road to success would be open to all who were willing to take it. In this sense he was following a Darwinian line; he saw capitalists as 'naturally selected' but went on to say that 'as a class they cannot be done without' (1887: 439). Should the state try to appropriate their profits, incentives would be destroyed and society would lose the benefits created by those competent in the area of accumulation.

Smith conceded that his policy of non-state intervention and maximum individualism would create 'much misery, much want, much unhappiness, and much suffering . . . in the struggle for existence' (1887: 547), but argued that it would create much less misery than a policy which attempted to break away from liberal principles. He simply stated that 'want, misery, and unhappiness' were part of the human condition (1887: 547). The solution to the misery of the world lay in humanitarianism, 'not the iron hand of an act of parliament' (1887: 548).

Hence Smith did not believe that the state had much to do beyond protecting liberty, life and property. Smith wrestled with the issue of the extent to which the state should intervene in society. He argued that it was difficult to establish a coherent set of principles to resolve this problem. Rejecting the idea of natural rights, he argued that it was a matter of expediency to be determined by a legislator taking into account the welfare of the whole community.

Accepting that freedom should be the rule and interference the exception, Smith set out three broad guidelines that should guide any legislator (1887: 450). These were that taxes and public revenue should only be used to secure the equal freedom to all citizens; that property should not be interfered with except in cases requiring the securing of equal freedom to all citizens, and then only if the owner was fully compensated; and that the personal liberty of citizens could only be restricted to secure equal freedom to all citizens. On this basis Smith opposed poor laws, state supported education (while conceding that parents should be made to educate their children), and public works not justified by expediency. It is interesting to note that Smith opposed public education on the grounds that education could be provided much more economically and efficiently by private enterprise (1887: 477).

In today's terms Smith's Darwinian 'struggle for existence' view of the world sounds harsh, but when it is recast in non-Darwinian language it is largely a statement of classical liberalism that emphasises liberty, individual enterprise and the need to think of future generations. In his later work published in 1921, *The Truisms of Statecraft,* Smith's evolutionism had changed from that of a nature red in tooth and claw to one in which man had come 'from a much lower plane of being to his present altruistically-inclined nature and character, from a lower form of animal life, in which motives of "self" and self-preservation, dominated every activity.' It looked forward to a time when the human race had reached 'a still higher plane of civilisation and mental and moral cultivation . . . when each unit of society shall recognise that the welfare of all is involved in the egoism or rational self-interest of each.' (Smith 1921: 18–19).

For Smith progress now meant the development of an enlightened self-interest, which for him meant altruism built not on state direction but the development by individuals of qualities of self-reliance, self-help and self-dependence. He believed that when individuals were given the opportunity to develop in this way they go beyond the 'paralysing effects of bias and prejudice upon the mind' (1921: 31) and develop tolerance towards ideas and people that were different. He was a critic of racism and an advocate of the 'the ideal of the cosmopolitan' and the need to see 'human affairs from a broader and more panoramic outlook' (1921: 229). But the key to achieving these higher humanitarian goals lay in giving the individual the opportunity for development and in political terms this meant that

> the most truly progressive form of government is that in which the units of society are disciplined, by freedom carefully guarded in all directions, to govern themselves, under a judicious system of checks upon the abuse of equal rights in others; that the most complete social economy is that which leaves human enterprise as much as possible to find its own channels, and to travel along them as the people's requirements seem to demand, so long as the equal rights of others are similarly respected. (Smith 1921: 32)

He still believed in the primacy of individual liberty, only he now framed the argument in different terms. He remained the major intellectual defender of liberal ideals in Australia, watching as his country slipped into a system that simultaneously justified itself by appealing to liberal ideals while systematically perverting those ideals.

It is interesting to note that although Wise and Smith disagreed on the question of the operation of laissez-faire principles in society they did agree on a range of areas: anti-racism, progress as the growth of cooperation, and the need for countries to develop ties of friendship and cooperation regardless of their cultural backgrounds. Smith equally did not

like Reid, and indeed cooperated with Wise to help bring him down as Premier of New South Wales in 1899. Both men had been strong supporters of federation. Smith never held office at the federal level; in the wake of the 1909 fusion Deakin would not have him in his ministry (La Nauze 1965 vol. 2: 570).

Conservative and radical free traders may have disagreed on their social policies but they tended to agree in their views on the role of the state. They did not see the state as the fulfilment of the individual but remained suspicious of its powers. William McMillan, a conservative free trader and Reid's deputy in the first Commonwealth parliament, opposed the extension of state activity. He wrote that 'in the industrial life of the people' there should be no state interference unless it could be clearly demonstrated that this interference was absolutely necessary to safeguard the interests of the community as a whole (1896: 577). He was anxious to preserve the independent spirit of self-reliance. In a similar vein Wise wrote (1892: 164) there were three tests to be applied when examining issues of state interference:

1. The State ought in no case to weaken the motives for morality.
2. The State should not do that which might be done as well by private persons.
3. The State should never act in such a way as to weaken individual self-reliance.

Only when there was a matter of national importance which individuals or private groups could not accomplish was state action justified.

From this survey of free trade liberal ideas a coherent and attractive political philosophy can be extracted. It was a philosophy that combined a belief in cooperation, tolerance and an outward looking view of the world with an emphasis on individual achievement and self-reliance. It was a philosophy that offered the Australian colonies the possibility of combining economic prosperity with a political culture founded on principles of decency and tolerance. It contrasts sharply with the narrow-minded me-first outlook promoted by protectionism.

During the first years of the 20th century the American philosopher William James (1981) developed in his study *The Varieties of Religious Experience* the distinction between healthy minded and morbid minded religious outlooks. The healthy-minded religious person develops a positive and optimistic view of the world. The morbid minded person, who James identified with Calvinism, undergoes a psychological crisis followed by a conversion experience. I believe that it is not entirely wrong to see protectionism as exemplifying a morbid-minded approach to the world and free trade liberalism a healthy minded outlook. The former encouraged a withdrawal from the wider world and a

suspicion towards outsiders, while the latter encouraged a belief in a positive engagement with both one's own society and the other societies of the world.

Federal Fusion

This positive outlook did not stand much chance in the anxiety-ridden world of the 1890s and the early years of 20th century Australia. Also, as has been already pointed out, there were serious splits in the ranks of the free trade liberals. These splits meant that when federation came into being Reid was no longer premier of New South Wales and so could not become the first Australian Prime Minister. He became instead Leader of the Opposition. There were three parties in the early Commonwealth: Protectionist 'Liberals', Free Trade Liberals and Labor. As Victoria was the heartland of Protection, having the parliament sit initially in Melbourne gave them an enormous tactical advantage in the early years of the Commonwealth. Moreover, there was no allowance for the Leader of the Opposition; and Reid was forced to be absent from the parliament for long periods as he earned his living at the Bar (McMinn 1989: ch. 19). Deakin supplemented his income by acting anonymously, and even when Prime Minister, as Australian political correspondent for the English newspaper *The Morning Post*.

After White Australia, the key issue for the early Commonwealth parliament was the establishment of the tariff. This was a tricky issue as this was to be the major revenue source for the Commonwealth government. It would have been difficult, if not impossible, to substitute some sort of direct tax for it. For the Protectionists, the tariff was not a revenue issue but a matter of deep ideological commitment. They wanted to use protection to build up national industries.

The Protectionists won the tariff battle with the support of the Labor Party. This did not mean that they had what today we would call a mandate for such measures, but rather they were able to exploit the political circumstances to push through their policies. Although the Protectionists were the largest party initially in the parliament, as the decade proceeded their numbers began to shrink. This was largely due to the growth of the Labor party, as the two were competing for similar constituencies.

From 1905 onwards Deakin and the Protectionists were the smallest party in the parliament. They survived on Labor support as they implemented the 'New Protection' that linked protection and industrial policy, so that employers could be given protection if they paid a 'fair' wage. Meanwhile Reid changed his tack from free trade to a rallying cry of anti-socialism in an effort to create an anti-Labor combination. The short-term problem was that Deakin was wedded to policies that had more in common with Labor than with

Liberalism, even though he claimed to be the leader of the 'Liberal Party'. The gap dividing Deakin and Reid can be gauged from two speeches they made in 1906.

The contrast between Deakin and Reid is sharp. Deakin defended state socialism, so long as it was vetted by practical men, and even entertained the possibility of constitutional amendment to ensure that Australia remained permanently protected and socialised. Reid defended the principles of individualism and competition, recognised correctly that socialism meant coercion, and looked to education and individual effort as the motors of progress.

In late March 1906 Deakin made a speech in Adelaide in which he set out his party programme and, more importantly, the principles underlying it. Deakin (1906: 5) argued that his party was marked by two or three leading principles. He claimed that it had sought 'social justice by trusting the people'. But in modern days this meant 'the use of the agencies of the state'. He continued that his party shared this concern for social justice and willingness to use state power with the Labor Party, and stated that on many issues including White Australia, defence and the tariff the two parties were in accord.

The difference between Labor and the Deakinites lay in the degree to which each party was willing to go in this matter. Deakin recognised that experience had 'justified certain forms of state socialism' but was more cautious than Labor when considering the 'extension of state functions'. In any case 'state socialism' lay largely in the realm of state politics, and any state socialism at a federal level would require a constitutional amendment.

Deakin continued, extolling protection as the basis of national development, 'the development of our own industries by our own people'. He then linked protection with 'legislation of an industrial nature', and after noting that such questions still remained in the hands of the states, said that his main task was to establish a 'fair' tariff and to place it 'once and for all on the statute book as an effective part of our Constitution'. The liberal constitution was clearly a bulwark against 'state socialism'.

Only a few days later Reid debated Holman over two nights on the topic of 'Socialism'. Reid (1906a: 5) began by noting that

> In the 19th century, which had been a century of individualism, the working classes had risen higher than ever before in the world's history. . . . The future of humanity in Australia lay not in curtailing its freedom, nor restricting its freedom, nor limiting its opportunity, but in allowing the genius for competition for excelling, for acquiring, to reach its utmost altitude consistent with the due rights of others.

On the second evening Reid (1906b: 9) defined his 'Ideal State' as one composed of 'highly educated men and women enjoying the fullest measure of personal liberty, but under no compulsion to do their duty to their neighbours and to the state'. Not compelled, perhaps, but not unwilling to do that duty voluntarily. He continued by defining the ideal government as one which exercised its power to improve the opportunities of the people but did not seek to interfere with personal liberty, provided people did not break the law. He saw the road to these ideals as the provision of education for all regardless of means consistent with the due rights of others, and 'the doing by the Government of every necessary and good thing which people cannot do for themselves, or which smooths the path of private enterprise.' Reid (1906b: 10) concluded by comparing democracy and socialism:

> Democracy extends the sphere of individual independence; socialism constricts it. Democracy and socialism only coincided in a single word, equality; but democracy desired equality of opportunity, while socialism sought equality in compulsion and servitude.

Deakin seemed to have more in common with Labor than Reid, and yet in 1909 there was fusion between his party and that of Reid. The reasons behind the move towards fusion appear to have been the shrinking support base for the Protectionists, as Labor captured its vote, and the success of the anti-socialist movement in attracting support and in establishing a viable organisation (Loveday 1977). The price it had to pay for fusion was the end of Reid's leadership and an acceptance of the tariff. Only then would Deakin join them and lead a united anti-Labor Liberal Party. Even then some of the Deakinites preferred to join Labor. It was political reality but the damage had been done.

Moreover, almost immediately the Liberals lost office to Labor for three years, and then World War intervened and its impact increased further the power of the state. Free traders such as Smith remained in the parliament but protection and arbitration had become settled policies. Business could enjoy the short-term benefits of protection while at the same time preaching the virtues of free enterprise and the need to oppose Labor. Thankfully these settled policies never became enshrined in the constitution, which remained a liberal bulwark against socialist and populist excess.

Conclusion

These 'settled policies' in no way represented the triumph of liberal ideas, but had come into being because the workings of the political system of the early Commonwealth favoured an unholy alliance between populism, statism, aristocratic liberalism and the new

professionals. A belief in the state as the embodiment of the highest ideal joined with a faith that the state would promote the cause of 'efficiency' to become the intellectual froth on top of a heady mixture of fear, selfishness and racial bigotry.

It was a demonstration of how powerful an alliance between an elite wedded to statism and populism could be in Australia. Free traders were left stigmatised as conservatives because they lost the ideological war that redefined progress in terms of the increased power of the state. With their natural sympathy for tolerance, internationalism and the power of education, Free Traders failed to tap the nationalist passions of the time, something the protectionists and their populist allies did to perfection. The outcome was the biggest public policy disaster in Australian history, and we are still living with the consequences of that disaster. Deakin, and his mentor and one-time employer Syme, must bear a lot of the blame for what happened. Protection was their faith. They imposed it on the country, and we are still living with the effects.

Part Two

The Liberal Wilderness

Fusion occurred between two political parties that did not have a lot in common. One was a free trade liberal party committed to competition and free enterprise. The other was a protectionist party sympathetic to state socialism and state sponsored national development. Reid's ruse of anti-socialism worked in bringing the two groups together, but at a cost. Deakin, not Reid, became the party icon, and Deakinite values remained dominant within the party. Anti-socialism did not mean free markets, nor did it imply any desire to wind back protection or arbitration. The settlement had been made, and it was not to be unmade for another 75 years. At least it had not been set in stone in the constitution. A free trade, free market rump remained, but it could not undo the damage. The problem was, as Bruce Smith recognised, once you have protection it is very difficult to get rid of it.

To be fair, circumstances did not favour liberal values over the next 50 years. The short 20th century began in 1914 with World War I, which not only greatly enhanced the power of the state, but also seemed to destabilise the foundations of western civilisation. Then followed the Bolshevik revolution of 1917, fascism and nazism in the 1920s and 1930s, the Great Depression of 1929, World War II and the Cold War.

Liberal values took an extraordinary battering in all of this, and it appeared in the late 1930s that they might be doomed to extinction in Europe. This was an era of protectionism and state paternalism in many places, including Australia. One has only to look at the censorship, the regulation of behaviour such as early closing times for shops and hotels, and the appalling illiberalism practiced in Aboriginal 'protection'.

What did liberalism mean in such an environment and where was it to be found? According to the values of the day liberal individualism—or laissez-faire—and free trade were reactionary and conservative positions. To be 'progressive' one had to accept that state regulation and control were good things, as the state supposedly created a more caring and just society. This was something on which elites and the populace were in accord.

At a political level liberalism came to mean little more than advocating individualism within a regulatory framework, holding the line against even greater government excess and arguing on a pragmatic basis that there were many things that were done better by private enterprise than by the state. The non-Labor parties had lost the initiative because they accepted the Deakinite agenda even as they opposed its extension by the Labor Party. That agenda was dictated by a belief in state control and ownership. Labor sought to

extend it, as in the case of the attempt to nationalise the banks in 1947, while non-Labor sought to limit it. In so doing liberals stood accused of being defined as little more than 'anti-Labor'.

The Menzies Era

This can be illustrated by the success of Robert Menzies as leader of the Liberal party and Liberal-Country Party government for 17 years after 1949. Menzies was a classical aristocratic liberal, a man from a common background who had advanced through the legal system and developed a sense of noblesse oblige towards the average man and women.

The Liberal Party of 1909 had transmuted into the National Party during World War 1 and then the United Australia Party. It collapsed during the early years of World War 11, and out of its ashes Menzies helped to build the new Liberal Party in 1944. This Liberal Party was brought into being in a difficult environment: state planning was all the rage, with Labor wanting to 'reconstruct' Australia after the war on a more regulatory framework. Further afield, the Nazi threat receded only to be replaced by that of communism.

It was hardly an opportune time for a liberal revival, although in 1944 Hayek published *The Road to Serfdom* which David Kemp (1988: 328) claims had some influence in Australia. This included, according to Kemp (1988: 329), the significant *Looking Forward* document produced by the Institute of Public Affairs in 1945, although he notes that in macroeconomics it preferred Keynes, and advocated protection and state regulation, following Hayek only to argue against the extension of war time controls into peacetime.

The problem was cultural. Cultures are created by people who put into place institutions which mould and shape the pathways of the next generation. The establishment of a 'protectionist culture' encouraged people to behave in particular ways, for example to seek the protection of the state rather than to strike out and take initiative.

Menzies was by disposition very much a conservative who honoured traditional values and ways of doing things, including his cult of Britishness, his love of the universities as humanist institutions, and his fondness for Australian landscapes of the 1890s. This comes out clearly in his famous radio talks of 1942 on the 'forgotten people', described by Menzies as 'the middle class who, properly regarded, represent the backbone of this country' (1943: 1). It is interesting to look at the way in which Menzies described this middle class. Firstly he associated it with the home, describing the home as 'the foundation of sanity and sobriety; it is the indispensable condition of continuity; its health determines

the health of society as a whole' (Menzies 1943: 3). Then he linked it to 'the intelligent ambition which is the motive power of human progress', to intellectual life which marks us off from the beast and finally to education saying that it 'feeds the lamp of learning' (Menzies 1943: 5, 6, 7).

What Menzies describes is a decent set of people leading useful lives who fulfil their obligations, pursue education and display a certain amount of leadership and ambition. His target was a socialist state that wanted to control society but his aim was not anything like a dynamic free market society:

> Individual enterprise must drive us forward. That does not mean that we are to return to the old and selfish notions of laissez-faire. The functions of the State will be much more than merely keeping the ring within which the competitors will fight. Our social and industrial obligations will be increased. There will be more law, not less; more control, not less. But what really happens to us will depend on how many people we have who are of the great and sober and dynamic middle-class—the strivers, the planners, the ambitious ones. (Menzies 1943:10)

It is interesting to note what is missing from this picture of the 'forgotten people'. There is no mention of initiative, resourcefulness or entrepreneurial flair. Independence is present but a genuine sense of individuality is not. These are people marked more by thrift, sobriety and the desire to use education as a means of advancement than by energy and imagination. As Judith Brett (1994: 18) has observed they are very much like the people who populate the pages of Janet McCalman's *Journeyings*, a study of the Melbourne middle classes of the 1930s.

This was the theme of the Menzies years. Australia was to be composed of independent households headed by men of ambition, but ambition fulfilled in the professions, or working for the public service or a large private organisation such as a bank. The state would encourage, support and protect these independent households but would limit state intervention and prevent it from becoming excessive.

Menzies, as the benign patriarchal figure protecting the community, continued the Syme and Deakinite tradition, but in a political order that had accustomed itself to the patterns appropriate to a protected and regulated society. Be individual and ambitious but not to excess: this was the trademark of the liberalism of the Menzies era.

It is also apparent that the Liberal Party combined this instinctive ideal of liberty, as summed up in the British inheritance, with a fear of socialism and communism. It did not set out a positive ideal of liberalism, and actively discouraged anyone from so doing

(Hancock 2000: 158–9). It was sufficient to have Mr Menzies re-elected. Of course he was also hamstrung by having to accommodate the Country Party in the Coalition, but it is doubtful if this made much difference.

The Legacy of the Deakinite Settlement

Liberalism of this period must be sought in the criticisms that were made of the economic, social and cultural consequences of the Deakinite settlement. It affected the economic performance of Australia, and it also encouraged habits that were anti-liberal. Under its rule Australia ceased to be a dynamic and energetic society and the capacity for individualism suffered accordingly. What is apparent is how quickly critics noted that the protected order was not working as it should. It was clear by the 1920s that there were real problems with the policies but it took another 50 years for them to be jettisoned. This was because of the circumstances already noted, cultural inertia and because, as W K Hancock noted, these policies did not make Australians rich but could be pursued because Australia with its resources and small population was rich enough to pursue them (1930: 193).

By the 1920s it was apparent that protection, arbitration and state socialism in Australia did not work well and in many cases were counterproductive. They were the faults of the particular brand of populist excess that had taken root in Australia: the faith that the government, acting on behalf of the people could regulate prosperity into existence. Liberals set about the task of demonstrating both the foolishness and the moral weakness of this faith.

Edward Shann

The first major critic was economist and historian Edward Shann. In his aptly titled *Bond or Free?* Shann expressed his belief that the 'attempts by Australian governments to control economic forces during a period of rapid changes in international markets, must from our country's position as a supplier of raw-materials and foodstuffs, prove ineffective and therefore involve waste rather than economy' (1930: preface). He was particularly critical of the various industry marketing schemes that had been developed in 1920s to ensure that producers received a 'fair' price.

Shann contrasted two ways in which Australia could proceed economically, and stated that it was necessary to choose only one. The first was the way of free enterprise, which he stated accepts the verdict of the market regarding price and hence production. He argued that changes in price was the means 'of directing commodities and labour where they are most wanted' (Shann 1930: 35–37). The market was much more effective way of governing

the use of resources than the 'rewards or penalties' of 'an over-burdened judge or commission' such as the author of the Harvester judgement Mr Justice Higgins.

The second way was that of 'collective action on compulsory lines'. He noted that this had been a favourite 'short cut' in Australia since convict times. One of its problems, he argued, was that once governments got involved in this process they did not know where to stop: first railways (good and sensible), but then public works, protection, guaranteed minimum wages, guaranteed minimum prices for producers and exclusion of outsiders. His major complaint was that under this system of 'economic control' prices ceased to reflect demand but instead expressed 'the organised producers' belief in their own worth to society'. Such prices checked production for export and discouraged industry from looking for new productive and profitable enterprises. The 'collective, authoritative way', he concluded, had led to 'uncontrollable wastes' and 'massive debt' (Shann 1930 37–43).

Shann's basic point was that Australia existed as part of the world community. It did not possess the large internal market of America. It had to trade with the rest of the world. Though it might be able to control its internal market, it could do little to control international ones. In any case, to do so for its own benefit was hardly just, as the consumers of its products in other countries were often poor (Shann 1930: 11). Free markets enhanced both efficiency and fairness in the long term.

Keith Hancock

Many of Shann's arguments were to find a more elegant expression in word, *Australia*, published by Keith Hancock in 1930. This work was republished a number of times and is considered a classic study of Australian development. But it is not an original study, and draws on lesser known works by Shann and Frederic Eggleston. Nevertheless it provides a devastating critique of the consequences of the Deakinite protectionist policies. Hancock was in his early 30s at the time and supposedly going through his 'right wing' phase. Indeed, there is a constant conflict in the book between his sentimental attachment to Deakinite ideas and his realist acknowledgement of their failure.

Hancock saw the situation in Australia in terms very similar to Syme and the Protectionists: there were amoral laws of nature, such as economic laws, and there was a human desire to impose justice and fairness on that order. In Australia it was a matter of justice versus economics—and Australians did not like economists or economics (Hancock 1930: 86):

> What the economists call "Law" they call anarchy. The Law which they understand is the positive law of the State—the democratic State which seeks social justice by the path of individual rights.

He argued that this meant that wages and prices were viewed in 'ethical' rather than economic terms. Like Shann, he asked exactly what a 'fair' price meant, pointing out that Australians 'have learned that it is more pleasant to dump than to be dumped upon' (Hancock 1930: 97). Like Shann he concluded that protection was destroying the capacity of Australian industries to compete in the world marketplace and that 'the increasing costs of Protection are endangering the essential purpose of Protection' (Hancock 1930: 128).

Hancock (1930: 185–93) dealt with the wages system in a similar fashion. The basic wage had been established in the name of justice but had been a failure because it linked wage increases with price rises not with productivity. The higher the prices became the more the workers were paid; if they were efficient and productive they were paid less as prices fell! Only if one's wages were not regulated or one's business not protected was an individual forced to bear the costs of his or her actions. Quite rightly Hancock called this a system of privilege, in which those able gain access to government 'economic controls' got a special deal. For Hancock the problem lay with the exuberant nature of Australia's youthful democracy and its desire for collective control. This was the antithesis of liberalism.

Frederic Eggleston

It was left to Frederic Eggleston to probe more deeply into the malaise underlying this situation. Eggleston was a committed Deakinite who believed in state intervention and the need for individuals to develop their 'personalities'. Nevertheless he was highly critical of the sort of social and economic order that the Deakinite settlement had brought into being. Eggleston's complaint was that Australians had become too 'bourgeois' (nd: 399–412), by which he meant they were more concerned with pursuing comfort and security than taking risks and developing new forms of productive enterprise. Their primary values were thrift and diligence, and they spent too much time seeking means of restraining competition and fixing prices so that they could achieve a reasonable standard of living with a minimum amount of risk. Hence their favourite investments were mortgages and real estate. These were people, he complained, who lacked ambition and the 'stimulus for improvement'. In essence they were rent-seekers.

Eggleston believed in planning, and possessed the Idealist liberal faith in the capacity of individuals to exercise citizenship. But he saw that the Deakinite settlement had failed to

produce this sort of person. People were, in a sense, not ready to act in a sufficiently disinterested fashion to run state socialist enterprises. The solution, he contended (1932: 346), was a return to a more laissez faire system, in that people would be shaken out of their narrow and restricted ways and made to develop the qualities needed to exercise the 'higher citizenship'.

What he failed to see was that it was state socialism and the practices that it encouraged that were at fault; that it was a flawed system based not on an altruistic desire to create a higher citizenship but on a selfish populism that sought to use the state to get the maximum gain for the least effort. Both he and Hancock remained too much under the spell of Deakinite liberalism and the illusion that it embodied ethical ideals. Nevertheless their critiques of its failings helped to keep the spark of liberalism alive at a time when it was in danger of being snuffed out.

John Anderson

The same could be said in a different way of John Anderson. Anderson worked his way through Communism and Trotskyism before returning, as his wife put it, to Gilbert's 'little Liberals' (Anderson 1982: 3). Anderson's major interest was in culture, criticism and the life of the mind. He was opposed to the way in which the Australian state, particularly during the reconstructionist phase of Labor rule during World War II, attempted to integrate all segments of society into one gigantic planning process directed by the state. Anderson was a pluralist who believed that the various elements of a social order could not be reduced to a single harmonious whole, and that a measure of conflict between those elements was both necessary and a good thing. Different sections of a pluralist order, argued Anderson, pursue different goals and uphold different values.

Anderson's primary focus was the universities and what he saw as the need to resist the imposition of the values of one part of the social order, that is the state, on another, that is universities devoted to education. But he saw the issue in more general terms as one of allowing segments of society the freedom to develop their own ideas and outlooks:

> Neither democracy nor education can exist without controversy, they cannot exist without spontaneous movements of the 'rank and file', and the greatest danger to both is the spurious agreement involved in submission to the 'expert', the official judge of 'fitness' and 'unfitness'. (Anderson 1980: 166)

Although Anderson was coming from a Left position, this argument has resonances with certain ideas of Hayek, and they were both writing at almost the same time. Whereas

Hayek wrote of the 'road to serfdom', Anderson took over Belloc's idea of the 'servile state'.

Anderson believed that the modern democratic state was increasingly moving towards a condition of servility because it was seeking to regiment its population and enrol them all in a common centrally directed enterprise. To do so it was providing them with '*sufficiency* and *security*, the desire for which marks the servile mentality'. Freedom, he argued, was now described not as a positive quality marking exertion and initiative but freedom from want or fear. He continued this devastating picture of the type of liberalism Menzies had only recently advocated in his 'Forgotten People':

> The decline of liberalism could not be more clearly marked than by the association of its name with the advocacy of regimentation, of the 'protective' State. (Anderson 1962: 334)

Liberty, claimed Anderson, was not the same as security and sufficiency, but depended on a pluralist society in which different movements struggled against each other. He cited Croce's view that liberty 'declines under conditions of fancied security and is reborn in adversity' (1962: 335). The struggle for liberty was a permanent struggle and he again cited Croce that the elimination of evils would only lead to a 'drab existence which would be emphatically evil' (1962: 338).

Anderson was restating, in his own way, the old liberal argument that individuals and civil society are the source of energy and initiative in any society. When the state attempts to impose a regulatory and protective regime on society in the name of the common good, the effect is to kill that vitality and to sap the energy of individuals. Conflict is not necessarily a bad thing, nor is the need to struggle. Anderson's followers could take his argument about opposition to extremes, but there is no doubt that his cogent criticisms of the servile state helped to keep the spark of liberalism alive in Australia during difficult times.

Imagining History

Two little known essays by Garnet Vere Portus, who was Professor of History at the University of Adelaide sum up the liberal critique of the Deakinite protectionist settlement: it produced illiberal outcomes: economically, socially, culturally and intellectually. He also points to the fact that it need not have happened, that is it was not pre-ordained but the product of circumstance. And he indicates that in the face of its success the only thing that a good liberal could do was to criticise its manifest failings.

Portus was an Anglican cleric, a rugby international for England while at Oxford, and had been a pioneer in the area of adult education. In these essays he indulged in what he termed imaginary history , or what might have been.

In the first essay he discussed what might have happened if the Chinese had discovered Australia in the 14th century, settled the continent, and then left a colony to fend for itself as it the imperial government withdrew from the world (1944: 89¡97). Portus describes a people called the Karakorians, created by a fusion of the Chinese and the Aborigines living in a republic under Chiefs in the north east of the continent. They were discovered by Captain Cook, and then interacted positively with the British penal settlement, until the Australians became a hybrid race composed of British, Aboriginal and Chinese elements. He concludes the article with an imaginary visitor s description of these delightful Australians . They are eager to learn and tolerant of any viewpoint . . . Both sexes mingle on terms of perfect equality . . . Their manners are old-world and exquisite . The visitor concludes that the Australian scene is the most reassuring for the future of a world controlled on eugenic principles (Portus 1944: 96¡7).

The second and unrelated imaginary history is called If David Syme had not bought the *Age* . In this piece Portus (1944:115¡123) describes a Victoria that had not adopted protection and an Australian federation based on free trade. Free trade in goods was accompanied by free trade in ideas, and nowhere in the world were new dodges picked up and adopted so quickly as in Australia. He describes the introduction of a more flexible arbitration system in which only two thirds of the wage was fixed, and where efficiency is maintained and enhanced. But finally a Labor government introduces a Coloured Labour Exclusion Act followed by protection and the outcome is described:

> High prices are reflected in high wages and high costs to such an extent that none of its secondary production can be exported to the world market. Immigration has nearly ceased because overseas markets have shrunk. Wool and wine, unaided, and raw cotton, propped by the device of a home fixed price, alone furnish its exports. And, reflecting this, in the realm of ideas, there has settled down over the country a curious aversion to new modes of thought and a stand-pat conservative tendency strongly contrasting with the gay eagerness and ready experimentation of the later 19th century. (Portus 1944: 123)

A Liberal Renaissance

The contemporary period is the hardest to write about as it is difficult to sort out the permanent from the ephemeral. Still, there has been a liberal revival in Australia over the past 25 years. It is possible to argue that this has more to do with the contingency of history than with the capacity of liberals to shape actively Australian political culture in accordance with liberal values. Liberal intellectuals nevertheless have taken advantage of the most favourable circumstances that liberalism has enjoyed for almost a century.

Back from the Wilderness

We may begin with a paradox: if the flaws of protection were so obvious and well known, and were recognised at a fairly early stage, how did the protectionist order manage to survive for so long?

The first response must be that protection was not a rationally held belief but a faith and a hope founded on fear and loathing. Once instituted it created a complex system of

privilege that tied many people to its apron strings: academics, business, politicians and unions. It supported sectional privilege by extending the number of groups who were, as McGuinness puts it, 'hanging from the public teat'. Moreover, its values became the accepted wisdom as true liberals were stigmatised as conservative and greedy.

It also became entwined with ideas regarding the Australian national identity that supposedly embodied many of its 'ethical ideals'. As the Australian national identity founded on egalitarianism and the 'fair go' was a good thing so it was natural to conclude that the protectionist state, which appeared to be associated with those ideals, was also a good thing. It was not sufficiently recognised that the policies of the protectionist state were positively harmful to national life as they discouraged Australians from developing qualities of individual initiative and self-reliance except in limited domains such as sport. Geoffrey Blainey has noted how in the 19th century Australians had similar attitudes to work and sport, but in the 20th century these attitudes diverged (1995: 118).

The other psychological advantage held by protectionism was that, until comparatively recently, it 'owned' the twin ideas of progress and reform as well as the belief that it had 'right' on its side. Progress meant increasing the responsibilities of the state. The state was held to be a moral agency that provided individuals with happiness and freedom while the market was castigated as cruel and heartless. This mindset has been so prevalent in Australia that anyone who challenged it was condemned as both wrong and immoral, even unAustralian.

The intellectual class shared these attitudes, or if they did not they tended to go elsewhere. They became like East German writers dependent on the state, with a vested interest in supporting a statism that supplied them with employment. With some notable exceptions, such as John Anderson, academic culture lacked that vitality, individualism and energy that is normally associated with liberalism. In the arts and social sciences, in particular, there has been a conformity that one would expect to find within a quasi-feudal patronage network. Ron Brunton (1999) has recently described the debilitating effects of this illiberal culture:

> Many prominent people in politics, academia and the arts have achieved their positions through patronage networks that provide protection and advancement in exchange for loyalty and conformity. Such an environment encourages self-doubt, because people can seldom be sure of whether their success is a result of their own talents, or a consequence of their connections.

The Liberal Party Revived

The case of the Liberal Party is also interesting because they were wedded for so long to the so-called 'liberalism' of Deakin and Menzies. In the name of institutional continuity, they are obliged to praise these symbolic ancestors even if they do not fully appreciate for what they actually stood. Ridding the party of the dead weight of its Deakinite heritage has been a long, messy and somewhat nasty process, and is probably not yet complete.

Nevertheless in academia, the Liberal Party and elsewhere there have been individuals devoted to the cause of liberalism. As the universities in particular have been home to an illiberal culture that encourages condemnation rather than argument, espousing liberal ideas has been an activity that has often invited punishment. One has only to look at the hysteria that surrounded first 'economic rationalism' and then 'globalisation' to appreciate that liberal ideas have had to face a significant opposition.

The liberal revival has had to contend with a lot of quite bitter criticism from a range of sources: large sections of academia, Deakinites, conservatives, Hansonite populists. In part its history only makes sense when read in the context of this hostility. It has also been aided by the situation in which successive Australian governments have been placed since the early 1980s, as they have recognised the need to pursue such policies as deregulating the financial system, ending protection, deregulating the labour market, privatisation and welfare reform. As Paul Kelly (1992: 1–16) wrote in the early 1990s, the reforms of Hawke and Keating meant an 'end to certainty' and the dismantling of the Deakinite settlement. But Michael Warby (1999: 13) has also argued that Labor pursued these policies as a means of shoring up the welfare state by getting rid of the Deakinite/Labourist workfare state. In other words, they took pragmatic steps guided by social democratic rather than liberal concerns. Hence the unwillingness to tackle real labour market reform.

At the same time it can be said that fundamental changes within the Australian social and economic fabric have created a constituency favourable to liberal ideas (Melleuish 1998: ch 3 & 4). These have included the growth of tertiary educated professionals, increasing internationalisation, greater mobility and the lifting of a whole range of restrictions, from opening hours for shops and hotels to easing of censorship restrictions to sexual practices. The old restrictive and negative mentality associated with protection and a greater openness and optimism have superseded White Australia, at least within significant sections of the middle classes. In an inchoate fashion Australian society has moved slowly along a liberal road, though often with little understanding of what this involves, and with a sentimental attachment to the illiberal values of protectionist nationalism. Part of the problem here has been that the Australian national identity has often been portrayed in

protectionist terms. This has put liberals on the defensive, and some have felt the need to demonstrate that liberalism is compatible with this vision of egalitarianism.

The end of Deakinite protectionism therefore owed more to economic necessity and to the slow processes of social and cultural change than an adherence to liberal principles. Advocates of liberal values have had to work in an environment that has ranged from indifferent to hostile. The hold of the protectionist past has been tenacious in the Australian community because of its association with the national identity and has only been broken with great difficulty. So it has been these three factors: economic necessity, liberal advocacy and the continuing resilience of Protectionism, as exemplified by both academic critique and Hansonism, that has shaped the story of liberalism in Australia over the past 30 years.

Liberalism Since Whitlam

The story starts in the 1970s with the excesses of the Whitlam government, its fall, and the need to reassess what liberalism meant in the context of the end of the post World War II boom. The environment was still not particularly friendly to liberal ideas, and academia was positively hostile. Hence an early advocate of liberal ideas, Lauchlan Chipman (1976), saw his task as refuting beliefs held strongly and widely within academia that the market was unjust and interfered with people's freedom while the state was the best instrument saw a market economy as reconciling 'individual liberty' and 'social justice'.

Chipman gave this paper to the fledgling Centre for Independent Studies (CIS) in October 1976, although it was not published until 1981. The establishment of CIS marked the beginning of a flourishing of think tanks devoted to espousing liberal ideas, thereby providing advocates of liberalism with an intellectual enterprise. CIS was followed by other think tanks such as the Australian Institute for Public Policy and the rejuvenation of Australia's oldest independent think tank in the country, the Institute of Public Affairs. The other places where liberalism and a more free market approach were increasingly advocated included some university economics departments and financial journalists such as Max Walsh and P. P. McGuinness.

The other key event was the return of a Coalition government under the leadership of Malcolm Fraser. Fraser was often stigmatised at the time as a man of the hard right, but it is difficult in retrospect to justify that description. He certainly had well-known liberal thinkers, such as Hayek, as visitors to the Lodge, but the media image was not matched by the practice. David Kemp (1988: 341) describes Fraser as someone who wished to preserve existing institutions and achieve a liberalisation while holding it all together with the

cement of Deakinite (!?) humanitarianism. But Fraser moved slowly. Apparently he was afraid of upsetting the social balance, and in the end did not achieve very much. Meanwhile within the Liberal Party, Bert Kelly, a longtime advocate of free trade, helped to create a group of 'Dries' devoted to the cause of economic liberalisation.

The situation in Australia during the 1970s and 1980s was confused as liberalism continued to be defined less by what it stood for than what it opposed. And what it opposed was Labor, socialism and the agenda of those Left academics devoted to the cause of 'overthrowing capitalism'. Confusion was increased by the general use of the term 'the conservative side of politics'. What it meant was that nationalists, cultural conservatives, liberals, right wing Catholics all worked together and mixed in the same circles, their common bond being opposition to socialism. In the 1980s there was both a 'New Conservatism' and what its critics termed the 'New Right' and they were often mixed up. It was unclear what the relationship between the two was. Hence Ken Baker, a former student of conservative John Carroll, who combined liberalism and cultural conservatism, edited the IPA Review for some time. In other words anti-Labor and anti-socialism continued their dominance over the Australian Right.

Conservatives and liberals therefore tended to view themselves as members of a cultural group that defined itself in terms of its opposition to what it saw as the dominant values of the Australian academic and intellectual elite. Two crucial events of the 1980s and the early 1990s put paid to all of this. The first was the discrediting of socialism as an antediluvian dinosaur followed by the fall of the communist regimes in Eastern Europe and the former Soviet Union. The common enemy of liberals and conservatives was no more.

The second were the reforms initiated by the Hawke Labor government from late 1983 onwards. With the exception of the labour market they went down the reform road which Fraser had been too timid to go. Whatever the motivation of Labor, for the first time since the Reid government of 1894 genuine liberal reform was proceeding in Australia.

For a number of reasons, both international and domestic, the outcomes appeared to be harsh. After all, an extended period of protection and regulation builds up a whole series of enterprises and practices that no longer work once the support is removed. Individuals were hurt. In reality one generation was made to pay the price for the follies of its predecessors. There was a natural knee jerk reaction both to blame the more liberal policies and to invoke the older protectionist values as a mantra against the new 'uncaring' economic rationalism. Conservative intellectuals, particularly from Victoria the home of protectionist values, began an attack on economic rationalism in precisely these sorts of

terms. Liberals and conservatives were setting out along different roads, as has been exemplified in the 1990s by the career of Robert Manne.

These conservative critics did have a point. The discussion of the 1980s was largely conducted in economic terms because this was the key area of reform. As we noted earlier Australia was already liberalising in other ways. It was natural that economic liberalisation should follow as a matter of course. But it meant that the public debate in favour of liberal reform tended to be conducted in terms of economic efficiency rather than liberty or individualism. This was not unusual given the strong tradition of 'efficiency' in Australia that dates back to the first decade of the 20th century. At that time it was argued that protection was superior to free trade because of the superior efficiency of the state to the market. The opponents of liberal reform could appeal to a rich rhetoric that had resonances for many people because of its long association with nationalist rhetoric about the 'fair go'. It also drew on the long tradition, dating back to Syme, that economic laws were amoral and in need of being 'civilised' by a humane state. As Hancock had said, Australians do not like economists.

The 1980s concern with economic matters meant that the significant philosophical issues were left undertheorised. This made the situation easier for the critics of liberalism who wanted to read, or rather misread, liberal ideas in the traditional way and who invariably overreacted in a hysterical fashion. This is best exemplified by the criticism that the Coalition document *Fightback!* received (see Insert pp XXXX).

A Confused Message

Fightback! is an interesting document. It begins (1991: 12) by attacking the inward-looking Deakinite policies and their consequences in terms of low productivity. It then states that ordinary Australians are losing faith in themselves and their country , and argues that only a change in favour of liberalism, personal responsibility, reward for effort and the rejection of mediocrity continues (1991: 23¡25), can achieve this goal. But, strangely, it appeals to Menzies as an example of this liberalism, before arguing that Australia needed both changes in policy and attitudes. Prosperity and the creation of a more just society require individual private enterprise . In other words, fairness and individualism go together because only a prosperous society is able to be fair.

Fightback! then attacks (1991: 26¡29) the privileges of vested interests and the need to replace this corporatism by individual liberty. Significantly, it describes markets in terms of voluntary cooperation and the attainment of fairness not as a return to the evils of laissez-faire . Equally it stresses the limits of markets and emphasises the importance of community and morality. For example it defends voluntary associations based on altruism and affection, or civil society. It argues that as markets are based on voluntary cooperation they can only function within the framework of a moral community. Compared to Bruce Smith s *Liberty and Liberalism*, *Fightback!* drips with compassion.

A coherent and intelligent liberal philosophy can be teased out of *Fightback!* as its deficiencies lie more in its style than its substance. The real problem was that the message was confused. Not enough time and effort had gone into articulating a new set of coherent liberal ideals which could be sold as superior to the clapped out protectionism of the past. The message was there but it was not explicit, nor was there enough attention paid to selling the moral dimension. After all, there remains a sentimental attachment by many Australians to the older protectionist ideals. It was also lumbered with defending the indefensible: Menzies and Fraser as true liberals , but then again it was a political document.

The Future Liberal Agenda

The weaknesses of *Fightback!* indicated the proper agenda for the advocates of liberalism in the 1990s: explaining the moral dimension of liberalism. It was a daunting assignment because of both intellectual and popular hostility to many liberal values. The task was to break out of the ghetto composed of think tanks, financial journalism and university economics departments and to gain a wider sympathetic audience. The key was not the discussion of technical economic matters but liberal values.

A number of liberal intellectuals, including Michael James, Chandran Kukathas and Andrew Norton, recognised the problem and attempted to broaden the debate. In the 1990 politics textbook, *The Theory of Politics: An Australian Perspective,* Kukathas, along with colleagues David Lovell and William Maley, successfully put the case for exploring Australian politics from within a liberal framework. This was a lively and vigorously argued book that insisted that it was the liberal element of liberal democracy that was of greatest value to Australian politics. They argued the case for limited government, constitutionalism, the separation of powers and for the proposition 'that government must, in the end, have no place as an actor in civil society' (Kukathas et. al. 1990: 79). Here was an opportunity for liberal ideas to have an impact on the university teaching of politics, but the book had only one edition, and the authors went on to produce the much more bland *Australian Political System*.

Nevertheless, *The Theory of Politics* had set out the sorts of issues that liberals needed to encompass: individualism, limited government, constitutionalism and civil society. This was a view confirmed by Michael James when he wrote that liberals needed to widen 'their concerns to encompass non-economic areas of government intervention and by emphasising their commitment to the moral as well as the material superiority of voluntary activity over the statist alternative' (1991: 5).

Kukathas made the same point when he argued that there was 'more to life than economic rationalism' (1993: 40–30) in an article published in *Quadrant*. Here Kukathas argued that a free society based on justice mattered, and that such a society was

incompatible with one based on institutional privilege. A free society, he argued, was also a fair society as freedom, equity and prosperity all went together. The key was the elimination of privilege. Favouring one section of society through such means as protection gave that section privileges, and encouraged conflict with other parts of society. This was not a moral or decent social order. Only a privilege-free society that encouraged voluntary cooperation could enable equity and decency to flourish. On a different front Andrew Norton has argued persuasively the case for civil society (1991) and in favour of the idea (1996) that the market does not diminish our humanity by reducing us to economic automatons. The market has been, and continues to be, a civilising agency in society.

There have been attempts to widen the agenda beyond economic matters, such as Kukathas's work on multiculturalism (1991), Imre Salusinszky on cultural protectionism (1999) and Ron Brunton on indigenous issues (1998). It remains true, however, that most of the work produced by liberals is focussed on policy issues rather than wider moral and intellectual concerns. Obviously this is not a bad thing. But there is a need to balance these particular concerns by paying more attention to the wider vision while emphasising the appalling consequences of protectionism as an outlook on the world.

Recently Kukathas (1998), an acknowledged expert on Hayek, has demonstrated the significance of the wider vision of the Austrian school notion of catallaxy. It portrays a world in which 'innumerable individuals . . . operate in myriad contexts, governed by different sets of rules, and motivated by different purposes' (Kukathas 1998: 52). In other words, according to Kukathas, we live in a complex world in which contingency plays an important role. Being human is about accepting chance and complexity, not attempting to impose rigid plans and fantasies on the world. Liberty enhances our experience of life, fitting the world into a mould impoverishes it. This is a point that liberals should never tire of making.

When all is said and done, however, it must be pointed out that liberals have not been particularly successful in breaking out of their ghetto and reaching the wider Australian community. Some may say that such a judgement is unfair. One of the roles of think tanks, for example, is to influence the views of those who matter, that the elites. They have therefore been more successful in that area. Still the views of the population still do matter because they are able, as voters, to direct the fate of governments.

This has taken on more urgency because the most important event of the 1990s has been the return of populism both intellectually and politically in a form not dissimilar to that first espoused by Syme. Australian conservatism has been moving in a particular

trajectory over the past 30 years: from an elitist cultural conservative form to a populist democratic one. One can trace this change in the writings of John Carroll and the late B. A. Santamaria.

By the 1990s a distinctive conservative populism had evolved in Australia (Melleuish 2000). It was opposed to many of the schemes sponsored by the state, particularly under Keating, such as multiculturalism, republic, asianisation. But this populism was not opposed to statism as such, only to the sorts of things the state was supporting. They thought that it should be meddling in other matters.

With Hansonism this conservative populism took a popular form. It was protectionism and Syme revisited—lots of state sponsored activity combined with fear and loathing of the outside world. At a time of economic re-adjustment it found a constituency ready to listen to its simple solutions for complex problems. Almost a million people voted for the Hansonites at the 1998 federal election. The message was not lost on Australian political leaders, in particular John Howard, who believed that these people were part of the constituency that had helped to bring him to power in 1996.

Howard represents the complexity of the inheritance of the Liberal Party, a mixture of liberalism, conservatism and populism. He would like to think of himself as the heir of Menzies, but in many ways he is a more conservative version of George Reid: committed to liberal reform but pragmatic and alive to political realities. Howard has described himself (1999) as an heir to both the liberal and conservative traditions of his party: liberal in terms of his economic policy, conservative with regard to social policy. As one would expect he separates himself from the term laissez-faire because of its 'heartless' connotations. This also fits in with his populism, his appeal to nationalism as the cement of Australian society and his sympathy for the 'battlers'. It means that the current Coalition government pursues liberal policies in some areas, such as industrial relations and taxation reform, but illiberal and populist policies in others, including immigration and refugees. The reality is that liberal attitudes are only held by a minority of the Australian population, and there is always a danger of populist flare-ups.

Conclusion

Liberalism has made considerable gains compared to its situation 20 years ago. There is a government in power still committed, within limits, to pursuing a liberal agenda, but with strong conservative and populist elements in it. There are still advocates stating the case for liberalism. But there are also still powerful sections of Australian society and culture who resist liberal ideas and see them as inimical to the good life. Perhaps what is now needed

more than ever is a coherent, clear and forceful statement of the moral imperatives guiding liberalism and a demonstration of their superiority to the bankrupt and selfish values that underpinned the old protectionism.

If there is one lesson of the history of liberal democracy in Australia it is that liberal values are constantly threatened by a populism that ignores limits and constraints in favour of short-term fixes. These fixes invariably prove to be poor public policy. This was true of the Land Acts of the 1860s, it was true of the statism and protection preached by Syme and implemented by Deakin, and it is certainly true today. The task of Australian liberalism remains that of ensuring that Australian liberal democracy remains truly liberal.

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