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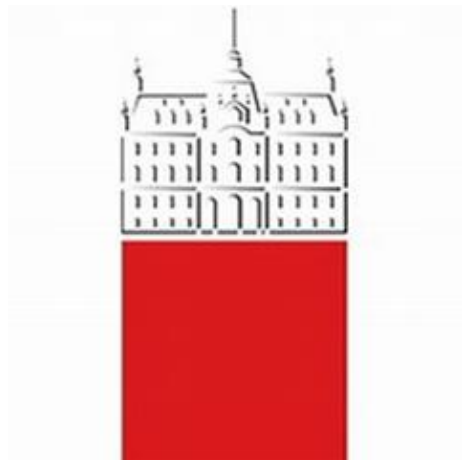
Understanding WA Growth with SCM:

A Case Study of Sir Charles Court's Premiership

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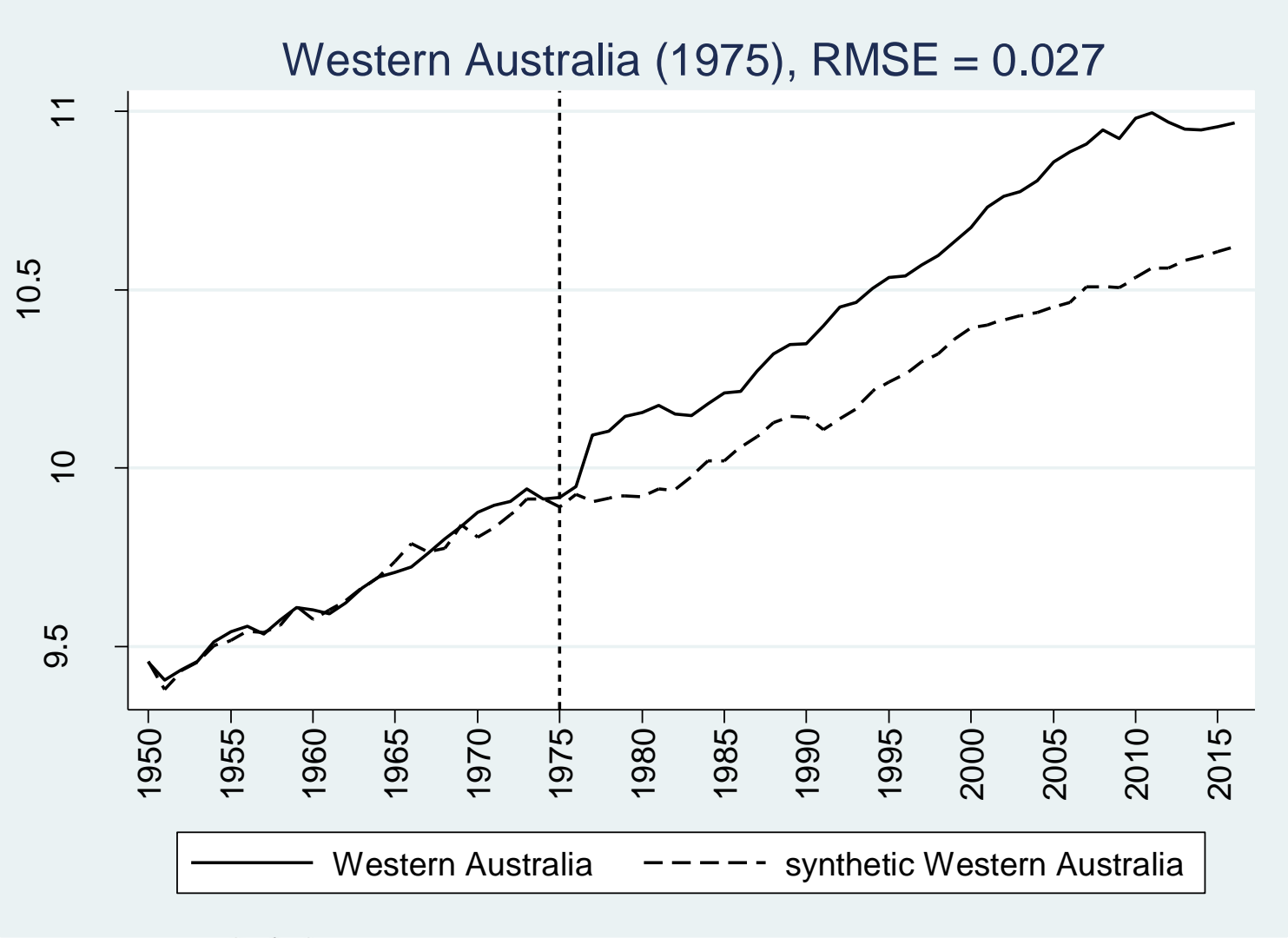
Introduction

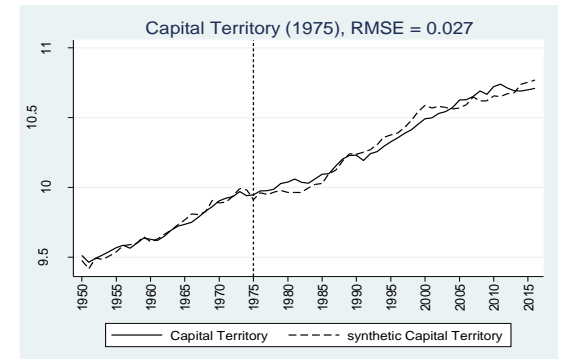
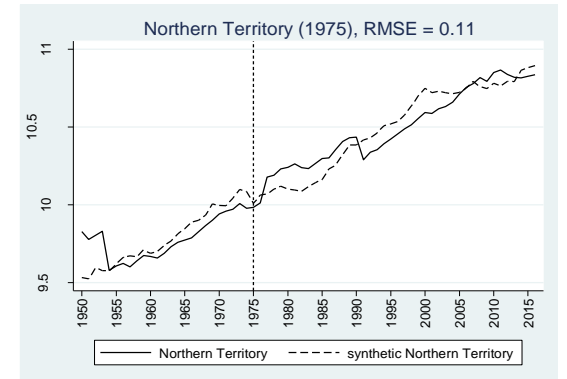
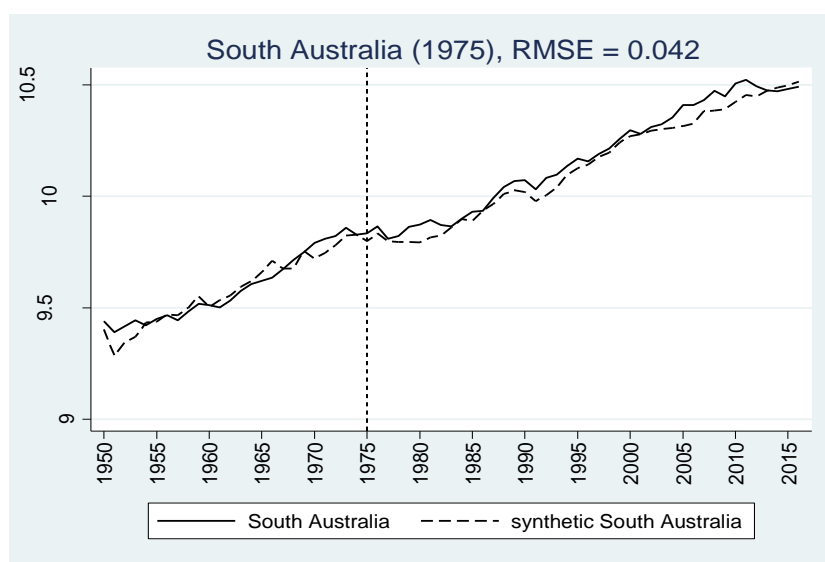
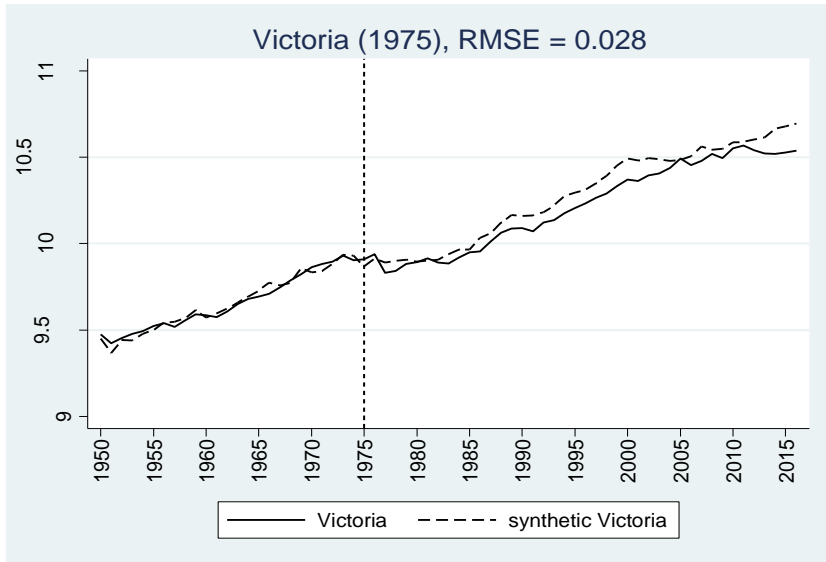
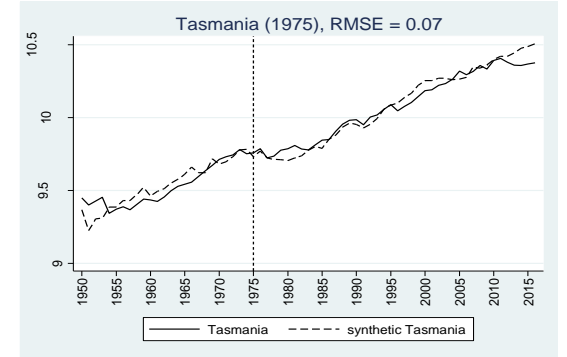
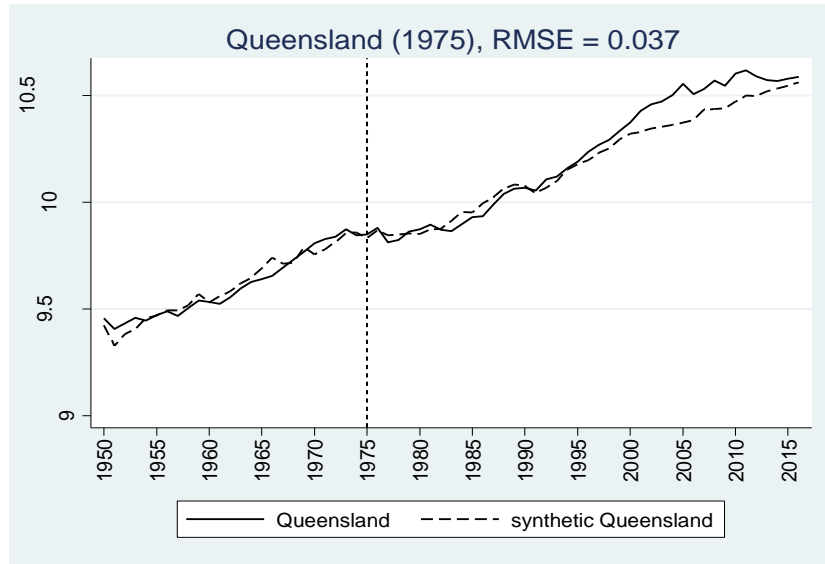
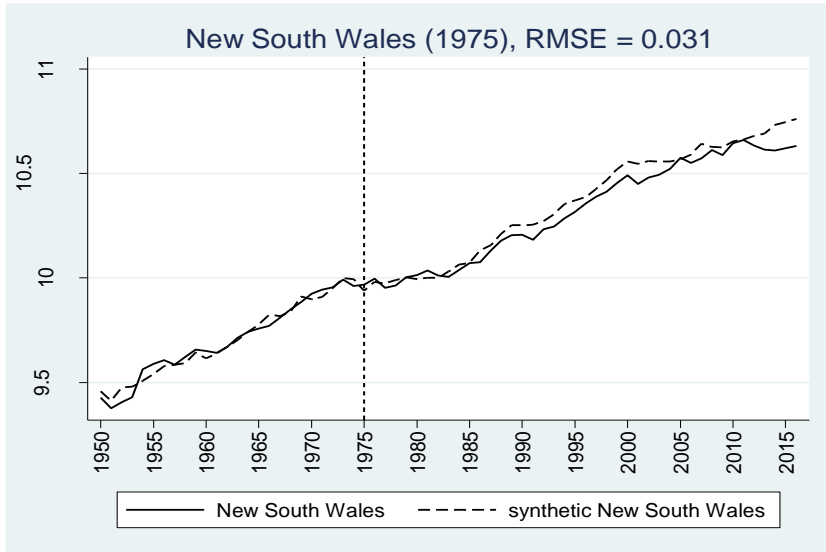
Value of Synthetic Control Models to WA History:

- Brief Political and Economic Context Post-WWII
- Curious Timing of Structural Break in 1975
- Case Study: Influence of Sir Charles Court
- What can we say about the structural change?
 - Factors to Rule Out
 - Factors that Likely Contributed: Court's Influence
- Future Work and Implications



1975: Point of Interest





Background: Political Post WWII

- Federal
 - Split between the “Australia Felix” and the less developed ‘outer’ states
 - Drive for ‘balanced development’ through manufacturing and secondary industries
 - Horizontal fiscal equalization
 - First Labor Gov in 23 years in 1972; Dismissal of Whitlam Gov 1975
- Western Australia: The Cinderella State
 - Enduring anti-federalist and anti-eastern states sentiments
 - Frontier Mentality

Background: Economic

- Global Context
 - 1973 British entry to the European Economic Community – trade decline
 - 1971-75 Oil Crisis and Stagflation – trade and economic decline
 - Significant SE Asian Development – further manufacturing decline
- Local Context (Federal and State)
 - Federal shift toward Trade Liberalization, Environmental Protection and Limitations on Foreign Ownership
 - WA: Bi-partisan shift from small-scale to large-scale projects
 - Coalition focus on private capital and ‘trickle down’ economics

Background: Economic (cont'd)

- Resource Boom 1960-74
 - 1960 iron-ore export embargo lifted; Repeal “Monopolies and Restrictive Trade Practices Act, 1956”
 - Large-scale projects in Iron-Ore, Partnerships with TNCs and Japanese Industry
- Post-Structural Break:
 - Second Resources Boom 1980s:
 - NWS Gas Deals; Diamond Mining; Gold Returns

1975: Curious Timing

- Global slowdown, federal slowdown, resource slowdown.
- Resource boom on either side of this period; nothing significant signed during this period.
- Japanese Steel Industry Recession 1975: decreasing demand for iron-ore exports
- Devaluation of the Australian dollar Dec '73 and Nov '76 (17.5%)
- After the Break: 'New Federalism', Energy Excise Tax and Royalties issues – yet, growth continued.

Sir Charles Court - Background

- 1953-71 Liberal Member for Nedlands under Sir David Brand:
 - Minister for Industrial Development, Railways and the North-West from 1959
 - Standard Gauge Railway; Ord River Dam; Iron-Ore embargo lifted 1960
 - Created Industries Advisory Committee (with Sir R.J. Dumas)
 - 1968 – WA no longer claimant state.
- 1974-82 Premier, Treasurer and Minister Co-ordinating Economic and Regional Development
 - Largely retained State's autonomy
 - Argyle Diamond Mine; Gas Contracts with Japan
 - Significant Increases in Funding for Education and the Arts



Anecdote versus Empirics

- Sir Charles Court has a well established reputation as a major influencer in the development of mining and industry in WA.
- Significant amount of policies and trade deals linked directly to him.
- Measuring his exact influence is difficult in real terms:
 - Know that some deals would not have happened without his influence – is this enough?
 - TFP Analysis, Multiplier Effect etc. arduous – need to know where to look

Potential Starting Point: Synthetic Control

- Aggregate modelling – overall levels of growth
- Continued divergence means the policy had on-going effect
 - Effects weren't undermined by subsequent events
 - Gap between “real” and SCM GDP/capita were growing
 - Allows for ruling out uninfluential policies
 - Narrow down to potential answers
- General Answers: Opens the door to further analysis

Factors to Rule Out

- Federal Institutions
 - Policies generally unfavourable to WA's resource-led development
 - Other states weren't affected
- Resource Curse
 - High level of foreign investment didn't lead to extractive institutions.
 - Absence of growth volatility that is prevalent in commodity-rich economies elsewhere in the world.
- State-Comparative Resource Advantage:
 - Queensland and NSW had comparable resource exports
 - Victoria had highest oil exports



Factors that Likely Contributed

- Institutional Strength
 - State-Based Growth – Retained and Strengthened
 - Respect of contracts and agreements in shifting political landscape
- Pragmatic Economic Rationalism
 - Primacy of Big Capital Investment
 - Minimization of Federal Intervention
 - “New projects will be attracted to the state with the best salesman”
- Successful Development Agenda
 - Growth Plan for a Staples-Based Economy

Sir Charles Court's Influence

- **Institutional Strength**

- Consistency in Policy Implementation - the non-convergence of the 'real' to the SCM.
- Stable Political Landscape from state-specific institutions, not federal policy.

- **Unique addition:**

- Autocratic Leadership within the Context of Australian Checks and Balances
- Pragmatic and Lack of Corruption ("Greasing", not "Sanding" the Wheels)
- Focus on Local Benefits and Regional Development
- Dispersion of Economic Growth to Arts and Education

Sir Charles Court's Influence

- **Institutional Strength**

- Consistency in Policy Implementation - the non-convergence of the 'real' to the SCM.
- Stable Political Landscape from state-specific institutions, not federal policy.

- **Example: Japanese Relationship**

- Whilst in Opposition: 19 visits from, and 6 visits to Japanese Industry Heads to assure them of security of investments
- Prime Minister Whitlam forbade Court from speaking to Japanese Ministers
- By 1975: 84% of Western Australia's iron ore exports went to Japan
- Takashi Imai (Nippon): "the one who fought and built the relationship between Australia and Japan".



Sir Charles Court's Influence

- **Pragmatic Economic Rationalism**
 - Anti-union, Anti-protest, Anti-centralist, and for Tariff Minimization
 - State as facilitator and overseer, not intervener – overcoming regulation
- Unique addition:
 - Police Act Amendment Acts 1976 – Section 54B
 - Arguments with Federal Whitlam Government and Minerals and Energy Minister Rex Connor over states' rights in 1972-75
 - Continued the pushback against 'new federalism' of Fraser Government
 - Long-Term Contracts and Low Royalties

Sir Charles Court's Influence

- **Pragmatic Economic Rationalism**
 - Anti-union, Anti-protest, Anti-centralist, and for Tariff Minimization
 - State as facilitator and overseer, not intervener – overcoming regulation
- Example:
 - Each project deal was approved through development agreements on a case-by-case basis, allowing flexibility in different contracts.
 - In deals with Hamersley Iron: Court personally signed the agreement with the MD, Sir Russel Madigan, who lauded Court's ability to coordinate major projects; expedite dealings with government departments, and his refusal to delegate.

Sir Charles Court's Influence

- **Successful Development Agenda**

- Government acting as broker for state resources to private capital
- 3-step development plan:
 - Extraction and export
 - Diversification and stabilization
 - Ultimately: autonomy and the export of local capital, skills and technology

- **Unique addition:**

- Personally oversaw major contracts with some autocracy in decision-making
- Ensured development of communities was included in agreements

Sir Charles Court's Influence

- **Successful Development Agenda**

- Government acting as broker for state resources to private capital
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- **Example: Pilbara development plan**

- Between 1965 and 1972: 9 new towns were established; existing towns expanded; Population increased from 3,200 in 1961 to 46,600 in 1981
- This included the provision of airstrips, railway, ports, schools and hospitals, but also recreational and community facilities.



Future Work

- Raises more questions than it answers:
 - ***But, they are the right ones***
- Further Development and Analysis: Macroeconomics
 - Total Factor Productivity of Specific Policies
 - Multiplier Effect Estimation
 - De Jure/De Facto Institutional Quality and Convergence

Implications

- WA's growth is likely not only due to luck in resources but also having good institutions at the state level.
- Structural break in 1975 due to the influence and policies of Sir Charles Court: i.e. At a purely economic level he was good for growth.
- Benefits of some degree of autocracy in early economic development? (With appropriate checks and balances)
- Caveat: Chasing fast development often has negative implications for social and environmental protections.

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