

What we can learn about fighting inequality from Australia's convict past

Written by The Conversation



Analysis shows that while land values per acre rose at 2.2% per annum, land rents fell by 0.3% per annum in the 1800s. Powerhouse Museum/Flickr, [CC BY-SA](#)

In Australia's first century, from initial convict settlement in 1788 to the post gold rush decades, the economy grew rapidly. And despite all the changes going on, [we found that](#) during this time Australia gained its equality edge.

In fact, during roughly the same period (1774 to 1870) the United States [experienced a steep increase in inequality](#)

So looking at this phase of Australian economic history could teach today's policymakers some lessons.

In the nineteenth century, Australia enjoyed [the fastest rate of GDP growth per worker](#), between 1821 and 1871 it was about twice that of the US and three times that of Britain. We started to look at data from the 1820s onwards. This was the time when Australia quickly evolved from a colony where convicts were 55% of the labour force to a more conventional "free" economy by 1870.

While both Australia and the United States used forced labour extensively (slaves in the southern US and convicts in Australia), their share of the labour force was much higher in Australia (more than half) than in America (about a fifth). The difference in the two countries' trajectories on inequality has to do with the timing of the emancipation of forced labour, the duration of their coerced employment and changing economies.

How Australia avoided inequality in the past

In Australia convicts were gradually emancipated following the 1820s. As existing convicts eventually got their freedom, the inflow of new convicts fell sharply after the 1830s (except for Tasmania).

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By the 1850s Britain had practically ceased its convict transportation policy. In contrast, the slaves in the American south were used as forced labour for much longer, and emancipated only after the Civil War.

Another key difference between the two countries lies in the fact that while the United States underwent a process of impressive industrial growth, Australia specialised in the export of wool and gold (small scale extraction).

We used a wage to rental ratio to work out income inequality, comparing rental income and land values to workers' wages. What we noticed is that European settlement in Australia was characterised by labour scarcity and land abundance.

In fact, the ratio of acreage to farm labour rose by a whopping 11.7% per annum between 1828 and 1860 and by 6.3% per annum across the 1860s. This was because land endowments grew very fast after the Blue Mountains were breached in 1815. This trend was also matched by a reduction in the gap between rental income accruing to those who owned land, relative to what unskilled workers were receiving.



Australia specialised in the export of wool and gold (small scale extraction) when the US was undergoing a rapid period of industrialisation. Powerhouse Museum/Flickr, [CC BY](#)

Our analysis shows that while land values per acre rose at 2.2% per annum, land rents fell by 0.3% per annum. This difference was driven by the fall in interest rates, because of the partial integration between Australian and British financial markets.

On the other hand, the annual earnings of unskilled labourers soared, pushing the wage-rental rate up. With the end of British transportation policy, the “emancipated” convicts moved up the earnings ranks. They almost doubled their incomes if they remained unskilled, and moved up even higher if they could exploit their skills.

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But there is another important reason behind the rise in unskilled workers' incomes. As Australia did not undergo a process of industrialisation, it did not experience an increased demand for skilled workers, like the US. So the supply of workers kept pace with the demand for skills.

Lessons to learn for today's inequality

While today's economic conditions are different, there is something that we can learn from this episode of Australian history. Australia's experience shows that it's possible to achieve fast growth, and at the same time, a reduction in inequality.

Between 1910 and 1980 inequality trends have been similar across [OECD countries](#) . As these trends were driven by shared shocks, such as the Great Depression and two World Wars, Australia [experienced the same inequality](#)

[Income inequality](#) in Australia has been rising since the mid-1990s. At the start of the 21st century, the income share of the richest 1% of Australians was higher than it had been at any point [since 1951](#) .

Greater equality obviously can't be achieved by emancipating convicts now, but policymakers can mimic the same effect by targeting vulnerable segments of society that experience greater disadvantage. For example politicians could improve equality of access to health, education, housing and other services across the country.

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