distance
A KEY TO AUSTRALIA'S
economic dilemma

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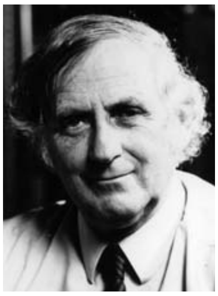

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From 1968 to 1988 **GEOFFREY BLAINEY** was first Professor of Economic History and then Ernest Scott Professor of History at the University of Melbourne; in 1982–83 he was Professor of Australian Studies at Harvard University. His 1966 book *The Tyranny of Distance* was a landmark account of Australia's economic evolution. His other books include *Triumph of the Nomads*, a prehistory of Aboriginal Australia; *The Rush That Never Ended: A History of Australian Mining and A Short History of the World*.

It is fascinating to read the essays here and to see that distance more often than not is deemed to be important as an economic factor. Some of these essays view the tyranny of distance as a continuing liability. Indeed, the Macro Dynamics Unit of the Australian Treasury – whose work on distance is cited by Glenn Withers in this volume – argues that it is "unlikely that the costs of distance can ever be completely overcome".

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When I coined the phrase "the tyranny of distance" for the name of a book in 1966, I did not foresee how the pithy phrase would travel. The phrase had a looseness, a slightly abstract air, and that looseness enabled it to be used widely, serving all kinds of purposes. On the other hand, the imprecision in the phrase led easily to misunderstanding, and sometimes the phrase or slogan was misused. For example, many commentators said that for a long period it was the "tyranny of distance" which retarded the flow of new ideas to Australia. But my view – I could be wrong – was that distance had far more effect on retarding the flow of commodities and people than of ideas. While observing and even apologising that the phrase gives rise to misunderstanding, it says – at least in my view – something important about Australia.

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In its first 20 years, the book was reprinted on average once a year, and gave rise to intense debate among historians. Their interest was in chapter 2 and especially on my argument that distance as a factor threw strong light on why Australia was settled by the British in 1788. However, the book, did not have an impact on most economists, partly because it was not speaking their language. Admittedly, the transport economists, like the geographers, were pleased to annex the phrase "tyranny of distance", but my attempt to analyse the origins of the break of gauge in the railways, and that break's contrasting effects on the economy in the short term and long term, was not widely read. In hindsight, there was another valid reason why economists did not worry about the book itself. Most Australian industries and professions already knew in general whether distance was important or not to their well-being. Many knew far more about distance in their particular realm than I could possibly know.

The general economists were less interested in distance as a concept. Even the book's latest updating in 2001, when I added more pages pointing out how distance was strongly affecting the increasingly prominent service sector of Australia's economy, had little impact. To the best of my knowledge, it was hardly commented on publicly by anybody in the next couple of years. And yet somehow the phrase itself still lived on. I am not complaining: the book and its central idea has had a long innings.

An important part of the concept of *The Tyranny of Distance* is still relevant, as at least half of the essays in this collection maintain. Several vividly point to the scatter or dispersal of population within Australia, and to its adverse economic effects. Where else, they ask, will you find such a distance between the major cities? One might also ask the pertinent question: where else – except maybe Siberia and Canada – would you find such crucial national industries operating so far from a major city? Fortunately, as pointed out in this volume, Australia possesses one notable concentration or clustering of population, even if it is not an intensive cluster by European, North American or East Asian standards.

Michael Porter's book of 1990 *The Competitive Advantage of Nations*, placed innovative emphasis on the role of clusters in driving economic development. A version of "clustering" was one of the themes of *The Tyranny of Distance*, though the word and the intricacies of its economic mechanism were unknown to me. The book pointed out that in 1966 the core of Australia's economy and the heartland of its population extended around the coast and a narrow hinterland that ran all the way from Brisbane past Sydney and Melbourne and Adelaide to Port Pirie. I should have added Whyalla and, perhaps even then, the Sunshine Coast. I christened it the Boomerang Coast because of its shape, and pointed out that it held less than one-tenth of the nation's area and less than half of the nation's natural resources (which, in retrospect, was a very rough guess), and yet it held eight of every ten people. Chapter 6 concluded with the sentences:

Through the concentration of population on the Boomerang Coast, Australia spends much less of its energy in carrying goods and supplying services over vast distances. Its standard of living and its ability to support a larger population are much higher than if its main economic activities and its population had been scattered around the rim of the continent. The Boomerang Coast, and the dominant cities on that coast, were the simplest solution to the problem of distance.

Interestingly, in the last 40 years, with the proportionately faster growth of Western Australia and Queensland, the Boomerang coast is not quite so dominant.

Elsewhere, but not in *The Tyranny of Distance*, I coined the phrase "the mating of resources" in an attempt to describe how in certain areas the juxtaposition or clustering of very different resources, side by side, conferred benefits on each resource or economic activity. The Ballarat district was probably the most successful zone of inland development in the whole continent up to 1900, largely because of this mating and multiplying of resources. Much of that district's poorer, gold-bearing deposits might not have been extracted at a profit except for the fact that the cost of living and the general mining costs at Ballarat were relatively low. Thus, at Ballarat the timber for the mine props and the fuel for the steam boilers and their huge pumping engines came in massive quantities from nearby forests. As the forests were near, the firewood and timber were cheaper. In turn, the clearing of the forests laid open fertile land to small farms, which in turn helped to provide cheap food; the foodstuffs being the largest component of the cost of living and indirectly of the miners' wages. The ring of farms around Ballarat made it even more of a regional centre and service city than a mining city by the 1870s, and the aggregation of engineering skills required by the mines gave rise to foundries and other industries that served one of the first Australian cities to make steam locomotives. This is a highly simplified version of a complex process of interaction seen especially at Ballarat and Bendigo, but far less important at remote Broken Hill and Kalgoorlie, with their arid soils and remoteness from the coast.

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In contrast, a characteristic of today's huge mining industry is that it rarely gives rise to the mating of resources. The fly-in, fly-out workforce, and the small population of the actual mining fields, is the new trend. Fly-in is as much an effect as a cause of the economic insulation and the lack of clustering benefits of the latest generation of mining fields.

The service sector, now the employer of about 75 per cent of the labour in Australia, obviously depends on a mating process. Its resource endowment is not gold or pasture or arable soil. To some degree its resource is knowledge and information, both low grade and high grade, if you like to use mining terminology. Information is one of the new gold rushes, and presumably obeys several of the same economic laws, of which the price of transport is one. In other words, distance is one determinant of whether the new information technology will really flourish, creating jobs and wealth in one town or region rather than another, or in one nation rather than another.

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Is distance, once such an obstacle, now less important? It is understandable that alert observers should argue that in the last ten years the world has shrunk, that distance is no longer decisive. Thomas Friedman's book *The World is Flat* has won a vast audience for this proposition. Slightly earlier, Rupert Murdoch, with an almost unparalleled knowledge of the new and old media, announced that "the tyranny of distance" – this was the phrase he used – was dead. In 1997, in the UK, Frances Cairncross completed an illuminating book, *The Death of Distance*, which predicted that the decline of distance will "probably be the single most important force shaping society" in our time. Part of what these trans-Atlantic observers have predicted will probably occur. In these momentous times, numerous barriers are toppling. What the observers don't say, or say less emphatically, is that in nearly every momentous change there are losers as well as gainers, and that certain nations, industries and cities gain far more than others.

Is Australia a loser, relatively? The view of some distinguished economists writing in this volume is that Australia in recent years has suffered because of distance – and the relative weakness of its economic clustering inside the country. Perhaps because Australians have traditionally been conscious of distance they are quick to notice what their nation gains from the new communications technologies and their assault on distance. We think we are gaining, compared to rival nations, in most facets of the assault, but maybe we are not. Australia gains much from, say, the communications revolution – mobile phones are almost an infection – and rejoices in the visible effects. But its comparative economic gain from this network of allied industries, with their vast ramifications, is perhaps not as large as the gains made by some other countries with specific geographical advantages. According to Professor Houghton, "On many of the indicators of globalisation, Australia scores relatively low", and this applies especially to global production systems. One of the intriguing statistics cited in these essays is that between 1995 and 2003, Australia's share in the world's total export of services fell by 13 per cent. And yet that statistic is not easily analysed. Such major economies as Italy, France and Japan experienced even larger falls in their share of service exports.

Many go-ahead observers insist that, in the era of the Internet and satellite, distance is dead. But Australia, a first-rate testing ground of this theory, seems to prove otherwise.