

therefore most fitting that the book was launched in October 2013 in the newly named Copland Theatre of the University of Melbourne before an appreciative audience which included many of Marjorie's former students and academic colleagues.⁴

Notes

1. I am most grateful to Robert Dixon, Joe Isaac and Bob Wallace for helpful comments on a draft of the review. Marjorie Harper also kindly looked through the draft for factual errors.
2. Placed strategically throughout the volume is an absorbing collection of photos relating to various episodes of Copland's life.
3. I am one of many, many people who, as an undergraduate, was gently guided onto the right path through conversations with her.
4. I am much indebted to Bob Wallace who was there for providing this evaluative description.

Daron Acemoglu and James A Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty*. Crown Publishers: New York, 2012; 529 pp.: 9780307719218

Ian W McLean, *Why Australia Prospered: The Shifting Sources of Economic Growth*. Princeton University Press: Princeton, NJ, 2012; 312 pp.: 9780691154671

Reviewed by: Tim Harcourt, *The University of New South Wales, Australia*

Having traveled to about 58 countries in the last 5 years as a professional economist, I am always amazed at how well the Australian economy stacks up despite lots of noisy pessimism in the media. Thanks to two new books, one by two Harvard/MIT scholars, Daron Acemoglu and James A. Robinson, and another by Ian McLean of the University of Adelaide, there now exists some solid backing for my observations.

In *Why Nations Fail*, Acemoglu and Robinson take a journey through the history of the world to see why some nations have succeeded economically and others have been a disaster even if they had similar endowments of natural resources, climate, or historical culture. Their central thesis is that nations which build inclusive and democratic political and economic *institutions* will do better economically than nations that do not. And this does not matter if a nation has an abundance of mineral wealth and natural resources, because if they do not get the institutions right, with democratic inclusivity, fairness, and the protection of property rights so citizens have the incentive to invest, save, and innovate, the nation can squander its inheritance.

And here is the good news. In the *Why Nations Fail* analysis, Acemoglu and Robinson point to Australia as a nation that got it right, a claim backed up in McLean's excellent volume *Why Australia Prospered*. First, in the 1700s, in the convict era, because of a shortage of labor, the penal colony of New South Wales granted convicts the right to be entrepreneurs and hire other convicts. As the colony developed, the ambitions of the squattocracy to deny others property and democratic rights failed as inclusive political institutions were developed. In fact, by the mid-19th century, the Australian colonies were the first place to introduce an effective secret ballot. The convict colony was very

different from the slavery of the Americas and Africa and ended up developing more democratic institutions than in the old world.

Second, in the 1850s, at the Eureka rebellion in Ballarat in the Victorian gold fields, inclusive institutions won again. As Acemoglu and Robinson explain, ‘instead of setting up a monopoly, Australian authorities allowed anyone who paid an annual mining license fee to search and dig for gold.’ By contrast, in Sierra Leone in Africa, extractive institutions denied miners property rights and mixed in with slavery; the result was disaster under both colonial and post-colonial rule. In Australia, the Eureka diggers ended up being part of a democratic political movement for universal suffrage and the secret ballot.

Third, later on, in the 1980s, as we hit a rough path in terms of the shifts of the global economy, Australia reformed our institutions, while other nations languished or made things worse. It is now 30 years since the float of the dollar by the Hawke Government, and this together with a number of fundamental reforms by Bob Hawke and Paul Keating and colleagues (with the support of John Howard in Opposition) enabled Australia to prosper in the Asian Century, turning our historical ‘tyranny of distance’ position into ‘the power of proximity.’ As Acemoglu and Robinson show, the contrast with Argentina, a similarly resource-endowed southern hemisphere economy, could not be greater. A century ago, both Argentina and Australia (and Buenos Aires and Melbourne in particular) were two of the richest nations in the world. But while Australia developed inclusive institutions and resisted the squattocracy, Argentina allowed land-owning oligarchs to flourish, with extractive and exclusive institutions, which forced the mass of the population to support Peronist policies. And even in recent times, while Hawke and Keating floated the dollar, enabling our economy to have a shock absorber while we reformed our economic structures, Argentina fixed the peso to the US dollar, making exports too expensive and imports cheap, which, coupled with debt and default, destroyed confidence in Argentina’s institutions and security in their property rights and banking system. Now Argentina knows it needs to rebuild trust and confidence in its institutions, so it can take full advantage of its natural resources and highly educated and sophisticated workforce.

So what are the lessons for the future? As Acemoglu and Robinson point out, for nations to succeed, they need to defend and constantly improve their inclusive institutions. The authors note that the United States’ institutions came under attack from the ‘Robber Barons’ in the late 19th/early 20th century, and it took some strong anti-trust legislation and a free media to resist this. Australia should be wary of our own ‘Robber Barons’ or the 21st-century squatters trying to take monopoly rights over not only resources but also the media itself. As Acemoglu and Robinson show, Australia needs to continue to develop institutions that protect property rights, enable a fair sharing of our mineral wealth, and we should therefore avoid weakening inclusive institutions like the Arbitration system (in its present form—the Fair Work Commission) that have helped maintain both efficiency and fairness in our economic system to the benefit of both capital and labor.

Of course, it is not just about Australia and Argentina. Acemoglu and Robinson also pair Botswana and Sierra Leone, and Mexico and the United States to show that institutions make the difference in a country’s economic development. Countries that build inclusive institutions that protect property rights and democratic rights will do better

than countries with extractive institutions even if they have the same resource endowments, *ceteris paribus*. So it might be that Australia with British institutions did better than Argentina with Spanish institutions, both adapted to local conditions. It is a bit hard to test without a counterfactual. For example, what would have happened if Australia had been settled by France (apart from the fact we would be putting Vegemite on our croissants) and Argentina by Britain? Although Acemoglu and Robinson do make the case for a country's improved economic performance when it improves its own democratic institutions, it is hard to test the trajectory had history been different except to say that it would have been. That is one of the weaknesses of the Acemoglu and Robinson thesis, despite the fact that it is elegantly illustrated with examples across the whole world using the expanse of history since Moses was in short pants.

But while the Acemoglu and Robinson thesis works well for lands of recent settlement (Australia and Argentina, Sierra Leone and Botswana, Mexico and the United States), what of older nations with different traditions? Take China as an example. Is it an outlier to the Acemoglu and Robinson thesis? After all, China has pulled more people out of poverty in recent economic history, while running a one-party state. Does it not need democratic institutions to create wealth and prosperity for its vast citizenry? It could be that intra-party reform is a proxy for democracy, in the Acemoglu and Robinson thesis, but overall the book's theme works better for the lands of recent settlement than for modern China. And in many ways, the institutions inherited from colonial masters determine the course of history in many of the nations of Africa, Latin America, North America, Asia, Australia, and New Zealand. You could also call the book *Why Nations Fail because They Got the Wrong Empire*.

If Acemoglu and Robinson's *Why Nations Fail* makes an Australian feel better about the country's economic development, then Ian McLean's *Why Australian Prospered* really drives the point home. While McLean wrote the book without any knowledge of the Acemoglu/Robinson treatise, the book almost works as perfect case study of the latter's hypothesis in practice. And in doing so, McLean turns much of conventional wisdom in Australian economic history on its head.

Much of Australia's economic narrative from writers the likes of Paul Kelly in *The End of Certainty* (1992) and *The March of Patriots* (2009) says that Australia's embrace of the trifecta of White Australia, tariff protection, and wage arbitration held Australia back for almost a century, before it was rescued by the Hawke–Keating government reforms of 1983–1996. While McLean agrees that the Hawke–Keating reforms were necessary in light of changed circumstances in Australia's position in the world economy, he disagrees that Australia necessarily took a wrong economic stance in the 19th century and early 20th century. For instance on immigration, while objecting to the inherent racism in the policy, he says it was a rational response to a large influx of skilled labor that had been harming other economies (and a need to avoid slavery just after the convict system was banned). On tariffs, he points out that imperial preference by the great powers such as Britain and Germany distorted the international trade system and left no choice but for Australia to be protectionist in a pre GATT/WTO world. And on arbitration, it is likely that the system adopted uniquely in New Zealand and Australia, managed industrial issues, and redistributed income without adverse impact on efficiency in the labor market. In fact, it could be argued that it was an appropriate mechanism for dealing with competing claims in the

early 20th century closed economy of the newly federated Australia, just as today's wages system shares the income of the open economy of the 21st century.

McLean's book is an excellent blend of economic analysis and historical discourse and is both thorough and original. Although not designed to be read together, *Why Nations Fail* and *Why Australia Prospered* are complementary and tell a similar story of how the balance between democratic rights (universal franchise, secret ballots, votes for women, trade union rights) and property rights (including Torrens title and other uniquely Australian innovations in land reform) creates institutions that are crucial to economic performance and a stable cohesive society.

Australia is not perfect—far from it especially in terms of Indigenous disadvantage and the need to support reconciliation—but as *Why Nations Fail* and *Why Australia Prospered* show, we have developed the right institutions at the right time that could build a future Australian nation that could really be a lucky country for all. Both these books tell that story so well.

References

- Kelly P (1992) *The End of Certainty: The Story of the 1980s*. St Leonards, NSW, Australia: Allen & Unwin.
- Kelly P (2009) *The March of Patriots: The Struggle for Modern Australia*. Carlton, VIC, Australia: University of Melbourne Press.

Michaela Brockmann, Linda Clarke, Christopher Winch, Georg Hanf, Philippe Méhaut and Anneke Westerhuis (eds) *Knowledge, Skills and Competence in the European Labour Market: What's in a Vocational Qualification?* Routledge: Abingdon, 2011; 9780415556910 (pbk).

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The book is a summation of a major research project by the authors into the European Qualifications Framework (EQF), funded by the Nuffield Foundation. The project involved an evaluation of the system created by the European Union (EU) for mutual recognition of vocational education and training (VET) qualifications granted within the separate countries of the EU. In simple terms, the EQF is an attempt to reconcile the pre-existing national qualification frameworks into a single supra-national framework. The goal of the EQF is to foster greater labour mobility within the EU and encourage more investment in VET training by EU firms and citizens (pp. 14–16). As with many governments around the world, the EU has imposed a remarkably broad range of ambitious policy goals on VET; reducing social exclusion and income inequality, regional development, promoting life-long learning and lifting national competitiveness through technical and organisational innovation.

The purpose of the book is twofold. The first is to examine the 'equivalence' of VET qualifications across four key nations within the EU, England, the Netherlands, France and Germany. This addresses the question, whether a plumber in Utrecht is the same as a plumber in Coventry. The second purpose is to evaluate the validity and reliability of the methods used within the EQF to establish such equivalence.