Not much links KM to the economy. References to economics and economists can be found in many authors. The bulletin board of the Society for the History of Economics has recently included discussion of a reference in Auden letter to Lord Byron (1937) to Pareto, admittedly a slighting one,

A second-hand acquaintance of Pareto’s
Ranks higher than an intimate of Plato’s.

And it may well refer to Pareto’s prominence as a sociologist and his shift in old age towards conservative attitudes rather than to his prominence as an economic theorist, but the same poem also comments on Jane Austen

You could not shock her more than she shocks me;
Beside her Joyce seems innocent as grass.
It makes me most uncomfortable to see
An English spinster of the middle-class
Describe the amorous effects of 'brass',
Reveal so frankly and with such sobriety
The economic basis of society.

This is especially remarkable given how often Jane Austen is thought to be the novelist of unchanging rural life, ignoring the industrial revolution which was going on around her. Auden looked deeper in his understanding of economics.¹

However, no such case can be made for Katherine Mansfield. She came from a home which was made comfortable by profitable trading, and her father, Sir Harold Beauchamp, became prominent in bank corporate governance – he was never a banker in any technical sense but was certainly intimately involved in banking. KM’s connections with banking were limited to collecting her allowance from the BNZ office in London, an allowance which as Ian Gordon pointed out nearly 40 years ago², “an agreeable cushion in the 1920s”, gave her a comfortable middle-class existence in London. While some biographers and popular belief continue to assimilate her to the Romantic myth in which great artists always starve in garrets and die early deaths through complete devotion to their art, and while KM did not have unlimited funds for literary magazines or medical expenses and wished to be independent, she always knew that any reasonable expense would be met on application to the BNZ manager in London. She had security provided by the New Zealand economy.

She also had imaginative genius. Like the Bloomsbury group as a whole, she instinctively understood and explored the decline of Victorian institutions – the family, marriage, and the political order. Especially after the death of her brother, Chummie, she used New Zealand

¹ Having been born in York and growing up around Birmingham, Auden might also have been aware that Austen’s Southern England was not home to much of the Industrial Revolution.
material, “I want to write recollections of my own country”. But she had left New Zealand as a rebellious teenager and she had never taken much notice of it. Ian Gordon made a highly felicitous choice in describing the New Zealand KM wrote about as an “Undiscovered Country”, and was right that she conceived a “romantic dream-world”, “a landscape of the mind, a pastoral dream with a higher reality of its own.” He suggests that she did not know the “political acts” of Seddon or the “writings” of Pember Reeves, but Ian knew the literature rather than the underlying economic events and developments.

II. When then was the economy like?

KM was born in 1888, towards the end of what has become enshrined in New Zealand historiography as the “Long Depression”. It is about as well understood as the romantic artist in the garret, but it is one of those things that everyone knows which wasn’t so.

The concept of “Long Depression” was copied from the British idea of the “Great Depression”, a name which rather dropped out of common usage after the 1930s. It was a contemporary idea, marked by a Royal Commission on the Depression in Trade in the 1880s. But the meaning of “Depression” was different from what it became in the twentieth century. There were no national income statistics and little idea of “aggregate output”. Even “unemployment” was only partially measured, not surprisingly so, when casual employment was much larger relative to anything which could be regarded as permanent employment and insufficiency of work generated under-employment and frequent short periods of unemployment rather than a pool of long-term unemployed. Statistics were available for prices, and the international economy was characterised by generally falling prices from the early 1870s to the middle of the 1890s, not coincidentally, the conventional dating of the “Long Depression”. Conventional English wheat and other grain farming was also experiencing competition from European and American supplies; farming for pastoral products was prosperous until late in the century when imports, including from New Zealand, took some of its domestic market too, necessitating further concentration into areas like town milk supply which were less subject to import competition. It is not at all unusual in periods of structural change for attention to be focused on what is declining rather than on what is advancing. In Britain in the later nineteenth century, this was true of some traditional industries too, such as cotton goods and iron products, which experienced intense competition from economies like the US and Germany, while the British service sector – such as banking and insurance – prospered.

This English experience in a misunderstanding of “Depression” relates directly to the New Zealand concept of “Long Depression”. It also relates in that British experience contributed to and reflects major trends in the international economy of which New Zealand was a part. One should not think of New Zealand’s experience as a long period of “depression” in the sense of the 1930s. Certainly there were pools of unemployment, usually at slightly different times in Auckland from in Dunedin and with other regional experiences also varying. Income growth, which in the absence of contemporary measurement has to be reconstructed, was much slower than it had been but it was more of a plateau than a trough.

Notice that New Zealand experience resembled British but had some variations. Utilizing overseas opportunities and meeting overseas challenges while adapting to local circumstances is perhaps the most fundamental characteristic of New Zealand culture. Adaptation is central;

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3 Ibid, p. xviii
4 Supporting argument and documentation for undocumented assertions can usually be found through G. R. Hawke The Making of New Zealand (Cambridge: CUP, 1985).
5 The classic reference is the essay by W.B. Sutch in M. Turnbull (ed) Colony or Nation? (Sydney: Sydney UP, 1966).
copying is not common. It is the absence of attention to this which makes KM a poor guide to the nature of New Zealand society.

Since Pakeha settlement, the New Zealand economy grew as part of the international economy. Pakeha settlement in New Zealand was essentially movement of people and resources to link New Zealand to the international economy and add to the resources available for income generation in the international economy. (“Globalization” needs less of a change in mind-set in New Zealand than it does in economies like the US.)

We can put this in a less abstract way. It was possible to grow wool in New Zealand and transport it to where there was a demand and sell it in competition with local production for a return which more than matched the ruling rate in Europe. I say “wool” deliberately; it was overwhelmingly wool-growing which established New Zealand as part of the international economy. There were a few seals and whales and a bit of flax but they were transitory; those from Otago could make a slightly stronger case for gold but it contributed mostly a little romance to an essentially prosaic story. Those from Canterbury could make a case for wheat but it is a minor qualification, almost certainly less than timber, mostly from the North Island, which reminds us that wool-growing involved much more than farming and that the New Zealand population of the second half of the nineteenth century was predominantly urban, albeit in small towns unlike the concentration in the capital city in Australian colonies. New Zealand timber exports assisted the building of Marvellous Melbourne in the 1880s as well as the building of New Zealand towns. But trees were mostly a nuisance to be cleared to facilitate sheepfarming for wool which is why the principal means used was fire.

So what was it that that meant wool could be produced in New Zealand, transported to Europe, with a return which after transport costs generated a higher income than could be earned by growing wool in Europe? It was not natural resources in the sense of the fertility of New Zealand land; New Zealand soils were rather infertile and always required fertiliser, whether in the form of the ashes of burnt trees and scrub, or increasingly imported fertiliser, natural and chemical. Nor was it the natural resource of animal feed; New Zealand grasses were not nutritious for imported animals like sheep, and woolgrowing grew on the basis of imported English grasses. Nor can we easily appeal to a unique ability of New Zealand farmers. What New Zealand provided was a climate which was conducive to the growing of grass – grass grew most of the year which is why we do not have as many “Keep off the grass” signs as in Europe, or the “fellows only” signs of Oxbridge colleges – and it provided space in which grass could be grown – once those trees and the scrub was cleared and increasingly once water was removed from swamps.

Woolgrowing in New Zealand was much more than importing a few sheep and letting them run on available grass to grow wool and reproduce. Clearing land was capital intensive. Labour had to be paid to assemble materials and build roads and bridges and later railways. Wool had to be transported to a port, loaded on a ship, and safely transported to Europe. The services involved in that process were why incomes could be earned by urban residents in New Zealand. They also involved many people located overseas, especially in the provision of shipping and insurance services and also market intelligence about what was happening to demand for various kinds of wool and in specific locations. Banks were important in that management of market intelligence and also in arranging finance so that farmers were paid while their wool was still on the way to market, and also along with stock and station agencies and other financial institutions in financing the investment required to sustain the woolgrowing economy. The woolgrowing economy is better conceived not as the activity of New Zealand residents who anticipated income by borrowing abroad but as a collaboration of New Zealand residents and overseas partners who combined to provide the resources of skills and finance which were needed to take advantage of New Zealand climate and space. (One might even wonder whether our propensity to borrow overseas now is a hangover from this earlier conception.) If you prefer concrete detail, think of how the National Mortgage and
Agency Co evolved from Russell, LeCren and Co where Russell lived in Dunedin and LeCren in London, or Ross and Glendennig was a similar partnership of New Zealand and UK residents. It is no accident that the BNZ had a London manager.

The economy grew on the basis of incorporating new resources into the international economy. It began with an average level of incomes that was high in international terms, and in particular was higher than the average income available in the UK. The gap was gradually narrowed as immigrants generated a rapid growth of population, from quarter of a million in 1870 to half a million in 1881 and a million by 1911. It was not until the early twentieth century that a majority of the population was New Zealand-born – whether or not Maori are included. Sheepfarming was highly profitable in the 1860s as the most accessible land was used, and as the arrival of new woolgrowers provided a market for the natural increase of the sheepflock. The usual advantage of first movers in a successful innovation was supplemented by how followers entered the industry. Incomes declined relatively as woolgrowing spread into areas which involved more transport costs in getting wool to an export port or which required expensive land clearing and as surplus sheep became literally worthless.

The high incomes of the early years also made it worthwhile to borrow at high rates of interest, and interest rates then converged towards the average level of the international economy. I mentioned earlier that we are looking at a period where the experience of the international economy included declining prices overall. This is a long way from what we have experienced, and “deflation” now has a distinctly unwelcome nuance although that is partly because we have not had reason to distinguish deflation of prices and output as clearly as we have come to distinguish “inflation” of prices and “growth” of output. Only economic historians look nostalgically at 1873-96 and reflect on how the gains of productivity improvement were distributed among all consumers rather than via the money incomes of selected employees.

Falling prices were not necessarily a problem. If what you bought fell in price as much as what you sold or earned, you were no worse off and if the prices of what you buy fall faster than the prices of what you sell or earn, you are better off – that is how deflation (of prices) generates income growth. But in New Zealand in the 1880s, one price which fell more slowly than most was the interest rate. Borrowers found that their commitments grew relatively to their earnings. The easiest way to understand this now is to see it as the reverse of the way that borrowers gained relatively to lenders when prices rose rapidly in the 1970s – until interest rates could adjust upwards.

The borrowers of the 1880s included prominently those who were seeking to further expand the land available for woolgrowing. By then, this was possible mostly in the great swamps. This was the era wherein the fertile flatlands of the Hauraki Plains, Heretaunga Plains, Wairarapa and Horowhenua were constructed. The process proved to be difficult and expensive, and those who borrowed heavily and against a relatively narrow income stream frequently found themselves illiquid and insolvent and even bankrupt. The group most studied is the Auckland business community; it can best be summed up as those who maintained a liquid income stream as a big fraction of their debt commitments were those who survived – it was brewers like Logan Campbell who best weathered the crisis. Auckland was not unique; T.G. Macarthy was among the Wellingtonians who fared best.

A debt crisis readily became a financial crisis including a banking crisis as debtors defaulted on what they had borrowed and the assets which had been accepted as security were found to be worth less than the outstanding loans. The National Bank of New Zealand wrote off capital losses in 1885 and again a few years later. The Bank of New Zealand wrote off capital in the

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late 1880s and still had to be rescued by the government in the early 1890s and the Colonial Bank of New Zealand was absorbed into the Bank of New Zealand and its government rescue. Australian banks operating in New Zealand subsumed New Zealand losses into wider losses in Australia which shared a similar experience although there was also a property bubble in Melbourne which was more like modern crises in its urban focus. (The problems of the BNZ were before Beauchamp joined its board, but he was a government appointee rather than elected by private shareholders.)

I am not aware that any of this experience can be traced in the writing of KM. She would have been only 5 at the time of the most reported crisis, and not surprisingly when she came to recall New Zealand it was much more the family move from Thorndon to Karori rather than a banking crisis which occurred to her.

III.

By the time KM left New Zealand, it was not dominated by “Long Depression” even when it is properly understood as a financial crisis and not as a modern “Depression”. Before KM was born, New Zealand was undergoing a major transformation, and her childhood years in New Zealand were characterised by a set of successful innovations. Consistent with what I said before, the New Zealand economy and society benefited from successful adaptation to overseas opportunities, overcoming local obstacles to doing so.

European demand was for food as well as clothing. Food could be provided by sheep which were being reared successfully in New Zealand, and indeed by 1880 were in excess supply. The preservative qualities of coldness had long been known – carts carried fish to Birmingham with the aid of ice as well as salt before the railway age. The problem of refrigeration was not one of fundamental knowledge; it was the engineering problem of creating and maintaining reliable machinery. It was gradually solved by engineers and mechanics through the nineteenth century, first by chilling which would work for trans-Atlantic journeys especially if they did not involve transit of the tropics. It was extended to refrigeration which extended the range of supply to South America, Australia and New Zealand. The New Zealand story gives a starring role to W.S. Davidson and he was a significant entrepreneur in the story – which was Australasian rather than New Zealand – but the key figure in New Zealand was probably T. Brydone who managed the estates near Timaru from which the first refrigerated cargo – mostly sheep but also some dairy products – was shipped.

The SS Dunedin was loaded (and reloaded after the freezing equipment failed) and carried a cargo of frozen sheep to London where it was sold at a price which was much higher than the scrap value of the sheep in New Zealand and more than covered the costs of transport, insurance and marketing. But much more needed to be done to secure a successful innovation.

Notice SS Dunedin. Steam ship, albeit with dual propulsion possibilities. The replacement of sail by steam was a gradual process in the late nineteenth century, with sail being replaced last on long journeys which spent relatively little time in port or the tropics (and did not use the Suez Canal – the Panama was not open before 1914). Refrigeration required mechanical power, and steam engines created a risk on fire on sailing ships (or rather greatly increased the risk of fire which always existed in a concentrated cargo of wool). So the fleet of ships which connected New Zealand with its principal customers in the international economy required updating.

Ships’ equipment provided the first refrigerating capacity, but it was desirable to have refrigerating capacity when no ship was in port and even in the more leisurely nineteenth century ships did not want unnecessary delay. So permanent freezing works began to appear. In a continuation of the partnership approach between New Zealand residents and overseas
investors, some were local ventures and some were from overseas. They were mostly constructed near ports, to minimize the need for refrigerated transport facilities – and stayed near ports long after the relative economics of locations near production had changed. Skilled commercial judgments were required to select appropriate locations for the 1880s – the first freezing works in Auckland failed for lack of supplies of stock to be slaughtered.

Initially, refrigeration was seen as a remunerative way of disposing of surplus stock. But even the English could tell the difference between aged mutton and young lamb (although it was mostly romantic protectionism which suggested that English consumers could distinguish fresh and frozen product) and farmers had to learn new skills as they raised lambs and sheep to produce both wool and food. Furthermore, the breeds of sheep which had proved best adjusted to the production of wool in various New Zealand environments were not those which best served as dual-purpose animals. Refrigeration made the Romney-Southdown cross the dominant breed in most of New Zealand.

Furthermore, woolgrowing was characterized by extensive farming. It generated large estates, with remote shepherd huts and occasional mustering. Fat lamb farming required closer attention to animal health. Family farms, operated by owner-occupiers, were likely to incur far fewer monitoring costs than a large estate dependent on wage-labour. So the great estates were reconfigured into more compact owner-operated farmers, sometimes via compulsory purchase as part of the crusade by Reeves and others against “social pests” but mostly as a response to market trends (and sometimes with owners using the depth of the public purse as a way of avoiding sales and marketing expenses or resolving intra-family disputes, as with the Cheviot estate).

Dairying required even more extensive innovation. Despite the presence of dairy products on the Dunedin, it made a major impact only in the 1890s. A minor subsistence activity had to become an export industry. As with sheep, animal breeds required experimentation and learning and so did the organization of landholdings. Dairying was even more intensive than fat-lambing and new ownership devices were invented to separate ownership of the land from ownership of the cows – a set of standardized sharemilking contracts was evolved. Financial innovation was much smoother than our recent experience.

There was necessarily more on-farm processing, and hygiene requirements in the handling of milk were not insignificant, especially when home-separation (of cream and skim milk) was employed. Mechanization of milking was attractive even to those who thought they could use family labour. Milking was more frequent than shearing or slaughtering. It was butter and cheese, not milk, which could be sold internationally and so there were transport implications, either to creameries from where cream was extracted to make butter and usually transported further to a butter factory while skim milk returned to a developing integrated system of pig-raising, or directly to a cheese factory where the whole raw milk was an input. Local transport circumstances influenced the choice of product by factory managers but initially butter was favoured while after 1900 the market for cheese was more attractive.

In either case, the relative contributions of individual farmers had to be assessed. Those who cheated with the addition of water could not be paid more than those who were honest, but even where there was no deliberate fraud, different environments and husbandry practices differentiated the content of milk which could be used by butter or cheese makers. New technology had to be developed and used.

Dairy farmers had to cooperate in order to service a large commercial market. The milk of an individual farmer could not be segregated so that market returns could be attributed to an individual farmer. Farmers who produced wool or even frozen meat could retain ownership of their individual product and use agents to sell it in an export market and receive “their” market return. Most preferred to sell their product immediately to a specialist who did the
marketing, but the availability of a “consignment” system meant that farmers had a natural way of monitoring and constraining the behaviour of the complementary services. Dairy farmers did not. So whereas meat freezing had companies which were owned by New Zealand farmers mixed with works owned by commercial organizations, local and overseas, dairy factories converged to a co-operative model – dairy farmers responded to a monitoring issue by internalizing it. What we see in the recent vote by Fonterra is a modern descendant of what is not a positive attachment to cooperation but a response to suspicion of urban interests who cannot easily be monitored.

The financial sector too developed new products. Milking machines were a piece of equipment which required financial arrangements somewhat more formal than a trade debt but rather less than the full panoply of a traditional mortgage. The need was met by what was initially called “instalment credit” but which evolved into hire purchase. (Motor vehicles added enormously to farm machinery as the field of use of HP.) The markets about which intelligence was required became more varied and so did the risks which had to be insured – notably the additional risk of perishable product. The BNZ of which Beauchamp became a director in 1898 was in the process of developing a much wider range of capabilities than it had needed in 1880 quite apart from working alongside a government agency, the Asset Realization Board, which dealt with the consequences of the Bank crisis of the early 1890s.

The refrigeration boom also generated a resurgence of income growth in New Zealand. This is the period from which many grand bank buildings date. New Zealand towns became less frontier settlements and more permanent urban centres. It is when tramways expanded the geographic range of urban living and when electricity started to provide more convenient heat and light. Ian Gordon was right to recognise pride in the political actions of Seddon and the writing of Pember Reeves based on such institutions as Old Age Pensions and the Arbitration Court, but underlying them was income growth; woolgrowing had been joined by refrigerated products and New Zealand was again becoming richer.

IV.

None of this was apparent when KM turned to recollections of her country. By the time she left New Zealand for the last time, the boom was well under way – her father would have been very aware of it, but the rebellious teenager was not then interested in what was happening around her. When she later looked beyond her family, she saw the urban society as it existed before tramways and electricity – it is not an electric lamp in the Doll’s House – and when she recalled her Urewera trip, she remembered an extensive sheep farm with sundowners and shearers, not a compact fat-lambing or dairying operation. Chummie did indeed come from an Undiscovered Country.

KM left a New Zealand which had emerged from a period of uncertainty and entered a period of growth. (There is an echo of a debate about exactly how the Renaissance is located between depression and growth in Italy.) KM was one of a generation of artists and scholars who in various ways changed the intellectual activity of New Zealand. KM practised her art in Europe. So did Frances Hodgkins, and Flora Scales stagnated when she returned to New Zealand. But income growth in New Zealand permitted more specialization and these expatriates were succeeded by artists of similar standing who remained in New Zealand. Interestingly, at more or less the same time Condliffe showed the way to innovative economic thinking while resident in New Zealand although he too joined an overseas mainstream.

The distinctiveness of New Zealand was emerging. New Zealand practice developed an adapted meaning of “protectionism” from British advocacy of “free trade” and adapted British practice about the boundary of collective activity and individual freedom before even artists clarified how New Zealand differed from Britain. It was only too easy to miss significant differences or to be misled by superficial similarities as was the case with popular ideas of “Great depression” and ‘Long Depression”. KM could become a great writer, part of
a flowering after the ‘Long Depression’, while mingling recollections of New Zealand with experience in Europe.