

***The Modest Member:
The Life and Times of
Bert Kelly***

By Hal G.P. Colebatch

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Bert Kelly was the federal member for Wakefield from 1958 to 1977. Kelly spent most of his political career as a government backbencher. Yet in combination with his role as columnist and author, Kelly had a more profound influence on Australian public policy than many cabinet ministers. From the moment he entered parliament, Kelly waged a mostly lonely battle against Australia's system of tariff protection at a time when protectionism was unchallenged as an article of faith in Australian public life. By the time of his death in 1997, Australia's tariff barriers had been substantially lowered.

Kelly came to politics as a farmer. His father had been a member of the Tariff Board, while one of his predecessors in the seat of Wakefield, Charles Hawker, had opposed tariff protection. Kelly understood the burden that the protection of Australian manufacturing imposed on rural producers. He also understood that government intervention to support farmers often did them more long-run harm than good. More fundamentally, tariff protection offended Kelly's keen moral sense.

Bert Kelly had two weapons in his battle against protectionism: knowledge of policy detail and mastery of the written word. Kelly became an expert on the processes and reports of the Tariff Board, a precursor to today's Productivity Commission. Through hard and mostly thankless work, Kelly's command over the facts ensured that he could effectively challenge government policy, not least the policies pursued by his own side of politics.

Kelly's other weapon was his ability as a writer to inform and entertain. As a columnist in both the rural and national press, Kelly savaged protectionism and rent-seeking in folksy, satirical and accessible prose. It would be difficult to underestimate the influence of his writing. This reviewer still recalls as a teenager in the 1980s reading Kelly's 'Modest Farmer' column in *The Bulletin* magazine.

The most valuable personal quality Kelly brought to his anti-protectionist crusade was persistence. It is hard to imagine how lonely and frustrating the battle must have been in an intellectual and policy climate so thoroughly dominated by protectionist thinking. Kelly would never lose an opportunity to speak at length to an empty House of Representatives on Customs Tariff Amendment bills and other legislation.

Kelly had no formal training in economics, but taught himself what he needed to know. He probably had a better intuitive grasp of economic relationships than many academic economists. Kelly's thinking was ahead of his time—and not only on the question of tariffs. Partly as a result of his travels in the developing world, Kelly saw the connection between free trade and economic development at a time when development policy was firmly wedded to statist models of economic growth. He saw that foreign aid was every bit as harmful to foreign economies as handouts to domestic industry, a view only now well established in the development literature. He also understood the connection between free trade and peaceful international relations.

However, it must be said that Kelly was not a complete free trader. He argued for 'low tariffs,' not 'no tariffs.' He accepted in principle the 'infant industry' argument for protection, although he was scathing of it in policy practice. He recognised that the more assistance an industry required, the less likely it was to ever stand on its own feet. Kelly was careful not to be pigeonholed as a free trade ideologue or extremist. This pragmatism made him an even more effective opponent of protectionism. Kelly was also suspicious of the benefits of immigration and city life. But judged against the intellectual and policy climate of his time, Kelly was a standout libertarian.

Kelly's direct influence on policy is hard to delineate. Hal Colebatch suggests that Kelly may have had some influence on the 25% across-the-board tariff cuts of the Whitlam government in July 1973. But the motivation for this cut was a ham-fisted attempt at controlling inflation rather than intellectual recognition of the damaging effects of protectionism. Kelly's clever question time baiting of Whitlam government Treasurer Jim Cairns—getting Cairns to argue for printing money to lower unemployment—was probably a factor in Cairns' demise.

Kelly's indirect influence through both his writing and personal relationships was far more important and profound. Kelly changed people's minds about policy, and many of those he influenced paved the way for reductions in tariffs in the 1980s and early 1990s. By 1993, the federal Liberal-National Party coalition was committed to abolishing tariff protection, although it did not deliver when in government from 1996 to 2007.

Kelly showed that politicians do not need to attain high office to be influential. Indeed, his short time as minister for the navy was as much a hindrance as a help to his cause. Current and aspiring politicians more interested in doing good than doing well can find in Kelly a great role model.

Kelly's work remains unfinished. However, the fact that the government now feels obliged to refer to subsidies to industry as 'co-investments' shows how much opinion has shifted against protectionism, even where policy practice has not.

We can be grateful to Bob Day's Bert Kelly Research Centre and Connor Court for making possible the publication of this biography. Kelly's life should serve as an inspiration to those carrying on his important work on behalf of an Australian economy free from trade barriers.

**Reviewed by
Stephen Kirchner**



***Organizing Entrepreneurial Judgment: A New Approach to the Firm*
By Nicolai J. Foss and Peter G. Klein**

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Natural abundance in a nation blessed, let's say, with gold-rich rocks, huge deposits of coal and iron ore, wonderful soil, waters brimming

with fish, lots of arable land and pastures, and readily available labour does not, of itself and automatically, make a people wealthy. Natural riches and human capacity are simply potential sources of real and extended wealth. They will not take human life beyond a modest subsistence until those resources are marshalled and worked upon, coordinated and transformed by human ingenuity and labour into the large-scale production of useful and exchangeable goods and services and improved forms of production. All over the world, hundreds of millions of people live in nations that possess great natural resources, yet its citizens live in poverty. This is so because they do not have the kinds of civic cultures and liberties, political and economic institutions, and supportive laws and regulations that propel human ingenuity into creating capitalist enterprises and the great engines they may become in producing widespread wealth.

'Human ingenuity' crucially includes capitalist entrepreneurship, the subject of this book by Nicolai J. Foss and Peter G. Klein. Within modern industrial society, entrepreneurship is the child of those cultures and institutional arrangements such as free markets under the rule of law, modest taxation, contractual certainty, access to financial capital, secure private property rights, and predictable public policy that allow and encourage budding entrepreneurs to exercise their creative and transformative energies.

Foss and Klein, writing from an 'Austrian economics' perspective, do not dwell, at this point, upon the broad institutional environment that supports entrepreneurship—and which comes later. They hasten to focus on what the entrepreneur brings to economic production and the skills that must be exercised in creating a profit-making enterprise—the firm or organisation. Their contribution, and it is a major and well-argued one, is full of historical and theoretical detail that drives their theme of the entrepreneur as not just an 'ideas' man or woman, but one who creates, when successful, an organisation that finds and orders the capital and processes appropriate to the tasks of producing goods and services at a profit.

For the professional economist, therefore, this book is a well-organised dissertation on the essential intertwining of entrepreneurship with the firm and the questions, both practical and theoretical, that this raises. For those interested in organisational management, it has much to offer. For the interested