

Alex Millmow's *A History of Australasian Economic Thought*

(Routledge, London, 2017)

Reviewed by Selwyn Cornish¹

Several surveys of Australian and Australasian economics have been produced over the last half century or so. Craufurd Goodwin's *Economic Enquiry in Australia*, published in 1966, covered the 19th century and ended in the 1920s. Peter Groenewegen and Bruce McFarlane's *A History of Australian Economic Thought*, published in 1990, covered both the 19th and 20th centuries, but it, like Goodwin, excluded New Zealand. The present reviewer's essay on 'Economics in Australasia', published in 2008 in the *Revised New Palgrave Dictionary of Economics*, included economic thought in Australia and New Zealand in the 19th and 20th centuries, as did William Coleman's chapter in the *Routledge Handbook of the History of Global Economic Thought*. The latest survey, by Alex Millmow, an Australian National University PhD graduate in economic history, now Associate Professor of Economics at Federation University, Ballarat, embraces both Australia and New Zealand. However, despite its title—*A History of Australasian Economic Thought*—the book is restricted to the 20th century, or more precisely from the mid-1920s, ignoring writing on economic subjects in the 19th and early 20th centuries. Even so, it will provide a useful guide for those wanting information about what was written, by whom, and in which year, between the 1920s and the turn of the century.

One of the difficulties of writing a book on the history of economic thought in two countries over nearly a century, with hundreds of writers and their many contributions, is finding a systematic and coherent method of organising the material. For the failure to devise a satisfactory framework could easily result in an amorphous mess. Millmow has avoided this danger for the most part by structuring the chapters of the book in chronological order and selecting work to be covered

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in each chapter according to pertinent themes. The book comprises 11 tightly and well-written chapters. The first three substantive chapters, following a general introduction, concentrate on the professionalisation of Australian economics—and to a lesser degree New Zealand economics—as departments and faculties of economics were established in universities, and governments began to seek out economists for advice as economic conditions deteriorated from the late 1920s. Economists played an even greater role in these countries during the Second World War, when economists were appointed to advisory committees or attached to government departments and agencies; many of them decided after the war to remain permanently in government service. Virtually everyone who has written on the history of economic thought in Australia agrees that these decades—the 1920s, 1930s, 1940s and into the 1950s—constitute the heyday of Australian economics, when the nation produced a remarkable group of economists, assisted by some who were New Zealand-born (the occupants of the first chairs in economics at the universities of Sydney, Tasmania and Melbourne, for instance, were born in New Zealand).

In the late 1920s, the so-called Brigden Report—*The Australian Tariff: An Economic Inquiry*—commissioned by Prime Minister Bruce was dominated by economists, including J.B. Brigden, D.B. Copland and L.F. Giblin. It was also at this time that Giblin formulated his (export) multiplier, a precursor to Richard Kahn's expenditure multiplier. Then there was the advice provided by economists during the depression of the early 1930s. About the Premiers' Plan (perhaps more accurately, the Copland Plan) prepared in 1931 by a group of economists, led by Copland and including Giblin, L.G. Melville and E.O.G. Shann, John Maynard Keynes in 1932 declared that he was 'sure' that it 'saved the economic structure of Australia' (Keynes, 1932, in the *Melbourne Herald*). Often neglected in histories of economic thought are the submissions and testimony by virtually all the leading Australian economists to the 1935–37 Royal Commission on the Australian Monetary and Banking Systems. Melville, the Commonwealth Bank's chief economist, in his submission, advocated the adoption of a monetary framework for Australia that was remarkably similar to what became known as the 'Bretton Woods system', based upon a fixed but adjustable exchange rate, with monetary policy guided by movements in price levels. On the eve of the Second World War, D.H. Robertson, the renowned Cambridge economist, could justly say that:

[t]here are said to be, in the far north [Sweden] and the far south [Australia], lands where economists all give the same advice, where the government listens to it, where the public understands why the government has listened. (Millmow, 2017, p. 49)

Again, the strategies adopted in Australia for financing the Second World War and the development of policies for post-war reconstruction, both domestically and internationally, owed a great deal to the work of local economists. Of Roland Wilson's performance at the first British Commonwealth conference in London in 1942 devoted to post-war reconstruction, Keynes said he:

took a prominent, indeed a leading part through all the discussions and played a major role in them with the greatest success. We had a great gathering of Whitehall officials, who came to feel great respect both for his wisdom and for his pertinacity. (Reserve Bank of Australia Archives, 1942, Keynes to Giblin, 13 November)

The principal economic policy that Australian governments formulated for the international economy in the post-war era—the 'Positive Approach' or 'Full Employment Approach'—was produced by three leading economists, Giblin, Melville, and H.C. Coombs. And it was Wilson again, who, as the leading economist attached to Australia's delegation at the 1945 San Francisco Conference that established the United Nations, was responsible for the adoption of Articles 55 and 56 of the UN Charter, which dealt with employment and unemployment.

Millmow is an authority on this period and the exceptional group of economists who began their careers in the 1920s and 1930s, and he covers the ground remarkably well. It is a story of a group of young economists—Giblin being the exception in terms of age—who worked assiduously and with considerable acumen and skill to moderate the effects of the international catastrophes of the age—the First and Second World Wars and the Great Depression. But he is not as successful in writing about developments in Australian economic thought from the 1960s. There are obvious reasons for this. One is that the number of economists working in Australia increased considerably, and the number of names that enter and depart the scene is more difficult to absorb and their work more difficult to digest. Another is that governments no longer sought outside economic advice to the extent they did before the 1960s—for several reasons. Large numbers of economists were now working in government departments and at the central bank; ministers began to appoint economists to their personal staff; economists became increasingly critical of government policy as the stability of the immediate post-war decades faded; and there was less uniformity in the advice provided by economists, often leading to confusion and bewilderment by politicians. In his discussion of New Zealand economic thought during the post-1960 decades, Millmow is more successful, perhaps because he has fewer economists to cope with, but also because there is a more dramatic story to tell—namely, the collapse of the heavily controlled economy and the sudden but systematic liberalisation of the New Zealand economy and the reformation of the monetary policy framework.

A key issue for authors of surveys of economic thought in Australia and New Zealand is whether there was anything original in what was produced in these countries or whether economic ideas were essentially derived from elsewhere and adapted where necessary to local conditions and circumstances. Goodwin, for example, concluded that 'Australians imported and adapted economic theory and analytical techniques as they sought to understand and control the functioning of their economy'; they 'selected, modified, and operated fundamentally within the structure taken from abroad' (Goodwin, 1966, p. xii). Groenewegen and McFarlane argued that:

the importance of ideas from abroad explains a great deal of Australian economics over the two centuries of its existence and that, on those few occasions when such borrowing from abroad was less important, what are significant *and* Australian contributions can be highlighted. (Groenewegen & McFarlane, 1990, pp. 4, 5)

The 'significant Australian contributions' they mention include the Brigden Report, the Giblin multiplier, work on fiscal equalisation (Giblin, Melville, R.L. Mathews), the problems of a small open economy (Wilson, T.W. Swan, R.G. Gregory), and economic growth (Swan). Yet they also refer to 'the derivative nature of much Australian economics', contending that 'from the 1950s, Australian economics has become dominated by the economics of the United States' (Groenewegen & McFarlane, 1990, p. 5). What position does Millmow take? He notes the tendency to put down Australasian contributions to economic ideas, agreeing that work undertaken in economics in the Antipodes has been essentially 'derivative', or borrowed 'with a lag' from overseas. And while he concedes that, with the creation of the Economic Society of Australia and New Zealand in 1925, 'the Australasian economics profession has made a respectable contribution to world economic literature', it 'lost not just its distinctiveness, but also its identity' after the Second World War (Millmow, 2017, p. 232).

There are a number of amusing jokes in the book. Some of them are illuminating, but occasionally they backfire. Take, for example, Lionel Robbins' joke about Walter Nash, the leader of New Zealand's delegation at the Bretton Woods Conference and later Prime Minister of New Zealand. According to Robbins, as quoted by Millmow, Nash was 'several bars behind the band' (Millmow, 2017, p. 97). Millmow might have added to the joke by quoting what Robbins—who was a member of the UK delegation at Bretton Woods—said about Melville, the leader of Australia's delegation. Robbins wrote in his diary—now published—that Melville was 'excruciatingly dingy-minded', referring to him as:

the unfortunate Professor Melville, who, rising as if to confess to matricide, announced that the Australian Government had instructed him to disassociate himself entirely from the final proceedings. Poor Melville! (Howson, 1990, p. 191)

Robbins wrote further that ‘the wretched Melville received authority from home to sign the Final Act, though only for certification purposes’. All this might seem hilarious to some. But what is not mentioned by Millmow is that Robbins, within a few months of making these comments about the leaders of the New Zealand and Australian delegations, wrote to a senior British Treasury official saying that he believed that there was something now to be said for what these countries’ delegations were proposing at Bretton Woods. The Employment Approach, he believed, had ‘considerable value’, and if a similar policy could be:

wrung out of the government of the United States and other leading economic centres ... [it] would be to our advantage. Most of our hopes for external reconstruction will be frustrated if intense depression is allowed to develop in any important part of the world. (National Archives of the United Kingdom, 1944, Robbins to Eady, 15 November)

That is exactly what New Zealand and Australia were saying at Bretton Woods, for which they were mercilessly pilloried, though not by Keynes. Robbins said that he could now understand why the governments of those countries ‘are considerably peeved’ by ‘our somewhat lukewarm reply’. In short, he now recognised that much of the criticism of the US proposals at Bretton Woods:

springs, in the end, from a belief, on the part of quite seriousminded people, that we run grave danger in entering into any agreement which involves running in harness, however loose, with a country like the United States which is uncommitted to the maintenance of internal outlay. (National Archives of the United Kingdom, 1944, Robbins to Eady, 15 November)

He had come to:

believe that it would make all the difference in the world ... if it were known that we were taking steps to promote a convention on the lines suggested by the Australians [and New Zealanders]. (National Archives of the United Kingdom, 1944, Robbins to Eady 15 November)

Rather than Australia and New Zealand being ‘several bars behind the band’, it would appear that the American delegation (led by the Soviet agent Harry White) was playing the wrong music! Surely W.M. Corden, a truly great Australian economist, was right when he wrote that the Australian economics profession ‘rates well and does not need to apologise for anything.’ (Millmow, 2017, p. 7).

While there is much in this book that will stimulate debate among economists in Australia and New Zealand, it is a pity that the copyediting leaves a lot to be desired. While some of the errors could be regarded as mere peccadilloes, others are more egregious. Here are some of them. Geoffrey Blainey’s book is not entitled *The Tyranny of Discipline* but rather *The Tyranny of Distance* (p. 12); exchange control was not ‘first used’ in Australia in 1952 but rather in 1939 (p. 15); the claim

that Australia ‘did not sign the Articles of Agreement arising from of [sic.] the Bretton Woods Conference’ (p. 18) is not strictly true, since it did sign the Final Act for ‘certification’ purposes; Syd Butlin is referred to as ‘Chair of Economics’ at the University of Sydney (p. 38); Swan constructed his forecasting model while he was employed at the Department of War Organisation of Industry, refining it later when he moved to the Department of Post-War Reconstruction (p. 104); Giblin was the chair of the Finance and Economics Advisory Committee throughout its existence, not Wilson (p. 105); Keynes never objected to the Australian’s ‘Full Employment Approach’ (sometimes referred to as the ‘Keynesian Crusade’), but rather to the tactics that the Australians (and New Zealanders) were employing—hence his witticism expressed in the quoted letter to T.S. Eliot about the Australians being ‘not only good but clever’ (p. 109); it was Wilson, the Treasury head, and not Coombs, as Governor of the central bank, who preferred economic growth over macro-economic stabilisation (p. 123); Bill Phillips held a chair in the Research School of Social Sciences (RSSH), not in ‘RSEs’ (sic) (p. 129); Solow’s ‘warm tribute’ to Swan did not come ‘much later’, but rather within months of Swan’s 1956 paper being published (p. 134); the National Economic Summit was held in 1983, not in 1984 (p. 209); it was not 1984, but 1983—the year of the decision to float the Australian dollar—that Australia ‘embarked upon an astonishing burst of economic reform’ (p. 209); John Rose was Prime Minister Fraser’s initial ‘principal economic adviser’, not Cliff Walsh (p. 201); Prime Minister Muldoon, the great advocate of direct controls, could hardly be called a ‘Keynesian’ (p. 212).

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This text is taken from *Agenda, Volume 25 – Number 1, 2018*,
edited by William Coleman, published 2018 by ANU Press,
The Australian National University, Canberra, Australia.