Monetary Reformers, Amateur Idealists and Keynesian Crusaders

Australian Economists’ International Advocacy, 1925-1950

by

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Abstract

Between 1925 and 1950, Australian economists embarked on a series of campaigns to influence international policy-making. The three distinct episodes of these campaigns were unified by the conviction that ‘expansionary’ economic policies by all countries could solve the world’s economic problems. As well as being driven by self-interest (given Australia’s dependence on commodity exports), the campaigns were motivated by the desire to promote economic and social reform on the world stage. They also demonstrated the theoretical skills of Australian economists during a period in which the conceptual instruments of economic analysis came under increasing pressure.

The purpose of this study is to document these campaigns, to analyse their theoretical and policy implications, and to relate them to current issues. Beginning with the efforts of Australian economists to persuade creditor nations to enact ‘cheap money’ policies in the early 1930s, the study then explores the advocacy of F.L. McDougall to reconstruct agricultural trade on the basis of nutrition. Finally, it examines the efforts of Australian economists to promote an international agreement binding the major economic powers to the pursuit of full employment.

The main theses advanced in the dissertation are as follows:

Firstly, it is argued that these campaigns are important, neglected indicators of the theoretical positions of Australian economists in the period. Hitherto, the evolution of Australian economic thought has been interpreted almost entirely on the basis of domestic policy advocacy, which gave rise to the view that Australian economists before 1939 were predominantly orthodox in theoretical outlook and policy prescriptions. However, when their international policy advocacy is included, a quite different picture emerges. Their efforts to achieve an expansion in global demand were aimed at alleviating Australia’s position as a small open economy with perennial external sector problems, but until such international policies were in place, they were forced by existing circumstances to confine their domestic policy advice to orthodox, deflationary measures.

Secondly, the campaigns make much more explicable the arrival and dissemination of the Keynesian revolution in Australian economic thought. A predilection for expansionary and proto-Keynesian policies, present within the profession for some time, provided fertile ground for the Keynesian revolution when it finally arrived. Thirdly, by supplying evidence of expansionary international policies, the study provides a corrective to the view that Australia’s economic interaction with the rest of the world has largely been one of excessive defensiveness.

Originality is claimed for the study in several areas. It provides the first comprehensive study of all three campaigns and their unifying themes. It demonstrates the importance to an adequate account of the period of the large amount of unpublished material available in Australian archives. It advances ideas and policy initiatives that have hitherto been ignored, or only partially examined, in the existing literature. And it provides a new perspective on Australian economic thought and policy in the inter-war years.
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and to the memory of

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and

Reginald and Dulcie Fraser
The belief that we have come from somewhere is closely linked with the belief that we are going somewhere. A society which has lost belief in its capacity to progress in the future will quickly cease to concern itself with its progress in the past.

E.H. Carr, 1961