

## Sir Leslie Galfreid Melville (1902 - 2002)

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Alex Millmow\*

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The death of Sir Leslie Melville last April marks a significant milestone in Australian economic history. Melville was the last link with a pioneering, nation-building generation of interwar economists that made the name of Australian economics<sup>1</sup>. In a supreme act of timing Melville had only just recorded his 100th birthday a month before, which was celebrated with the ANU dedicating an annual lecture series in his name. The first guest lecturer, Ian MacFarlane, Governor of the Reserve Bank, was an appropriate choice since Melville spent the bulk of his career involved in one form or another with central banking. Assessing his twenty-three years of service with the Commonwealth Bank, then Australia's central bank, MacFarlane noted that Melville's hand seemed such that it belied his status as a mere economist. Young man though he was, Melville was dealing with the high and mighty when Australia was caught amidst the Great Depression with a huge foreign debt and with her means to pay steadily diminishing as export prices tumbled. At one stage the reticent and self-effacing Melville even fell victim to popular attention by featuring in *Smith's Weekly* as one of its personalities.<sup>2</sup> Before all this unwanted fame came along Melville had married Mary Scales in Adelaide in 1925. She was to keep a steady four paces behind him, throughout his career. They had two sons, Galfrid and Anthony.

Paralysed with indecision about what exactly to do, federal politicians 'called in' the economists in the form of the Copland committee to concoct a rescue plan to save Australia's finances. Before that Melville, not Copland, had been the first to recommend to his colleagues that they assemble to discuss the problem at hand and come up with a diagnosis. There were several meetings before they came to a workable prognosis; debate ranged around the polar extremes of the stabilisationist school of Copland and Giblin and the more orthodox views of Shann and Melville. At the time Melville was the foundation Professor of Economics at the University of Adelaide. Before that appointment this prodigy was the Actuary for the South Australian Government. In the days before the Commonwealth Grants Commission, Melville put the case for getting South Australia greater assistance from the Commonwealth.

It was the visiting Bank of England envoy, Sir Otto Niemeyer, sent out to put the hard word on the Australian Government to balance the budget, who, impressed by Melville's capacity and economics, recommended him to Sir Robert Gibson at the Commonwealth Bank. Melville was just 28. He left Adelaide partly because he wanted to be at the centre of things and, like his counterparts, felt his country was in desperate need of economic expertise. A.C. Davidson, the legendary General Manager at the Bank of New South Wales, had Melville momentarily join him as his economic adviser before he was spirited away by the Commonwealth Bank.

He was given a fairly hard time at the Bank, where senior personnel had little time for 'academic gentlemen' or the new science of economics. Sir Robert Gibson, chairman of the Commonwealth Bank Board, disapproved of the economists' solution of devaluation as the way out of the depression. The Premiers' Plan, which four economists, including Melville, drew up, was akin to the

economic stabilisation packages that the IMF today inflicts upon a spendthrift Third World country. In 1931 Australia had to endure the same medicine to restore, as a first step, confidence in the country's currency and prevent further capital flight. In his transcript of the period, held in the National Library, Melville recalls that the 1931 currency crisis was such that people stopped him in the street and asked whether they should send their wealth offshore. In 1932 Melville continued to antagonise his superiors at the Commonwealth Bank by being a member of the Wallace Bruce committee that recommended a further devaluation. Melville and Shann were the inspiration behind the idea, with the hope being that a greater degree of external insulation would allow Australia to undertake more public works to soak up the unemployed. Melville delighted in pointing out that one figure of authority, apart from Gibson, that sunk the idea of using Keynesian type pump-priming was Keynes himself, since he regarded another devaluation as setting a bad precedent. Australia, Keynes felt, should bide its time and wait for the global economic recovery.

For whatever reason, possibly spite, Gibson sought to prevent Melville going to the 1932 Ottawa Imperial Trade Conference before Lyons stipulated that his attendance there would be useful for the country. As the economy recovered, Melville began to see merit in exchange rate stability. He showed an independent streak that began to annoy his economist colleagues by backing the Commonwealth Bank's line that too much short-term public debt was circulating and that it should be reined in. He told John La Nauze in 1935 that 'My conclusions... are so fundamentally different from that of my economic brethren in Australia that I am anxious to get as much criticism as possible'.<sup>3</sup> In this he succeeded. The Treasury's chief economist at the time, Roland Wilson, reflecting on the period and speaking for the other economists, felt that it was Melville's stubbornness and his 'rigidity rather than the essential substance of his views which made us regard him at the time as a pain-in -the-neck'.<sup>4</sup>

That said, it was Melville who gave the most considered and most useful advice before the 1936-37 Royal Commission on Banking and Monetary Systems, the report of which advanced the case for sounder, more pre-emptive economic policy in the future. At the hearings Melville advocated a fixed exchange rate as the compass by which the Australian economy sailed. For the moment Melville was resistant to the new strains of Keynes and the *General Theory*. But before war broke out he had become an acute interpreter of Keynes's new economic doctrine, without being a slavish adherent. He never accepted, for instance, what he regarded as the 'nonsense' of the euthanasia of the rentier.

During the war Melville played an instrumental role in helping create what would ultimately become the financial architecture of the Bretton Woods system. Melville and Shann had already been prominent in the Ottawa Imperial Trade Conference, even though their plan to reflate the world economy did not gather the support of Britain. In 1944 Keynes was impressed by the Australian delegate, telling Giblin that Melville 'upheld the dignity and integrity of Australia with the most marked success.... He handled himself most impressively, was clear, cogent and never unreasonable, put his point forcibly yet moderately, yet achieved, in my judgement, as much as was humanly possible to move matters in the direction he desired. He had quite a difficult task and accomplished it supremely well'.<sup>5</sup>

In the postwar era Melville left his beloved bank (in 1953) to follow in the footsteps of his old colleague and debating partner, D.B. Copland, by becoming Vice Chancellor of the Australian National University. Here again some staff,

including Sir Mark Oliphant, found Melville's style of leadership 'a pain-in-the-neck'. The job many felt Melville was eminently suited to, Governor of the Reserve Bank, went to an understudy, H.C. 'Nugget' Coombs. For his part Coombs was gracious enough to think the wrong man had been selected for the job and duly advised higher authority to that effect. There is nothing to suggest that Melville was bitter about being overlooked for the position. In 1960 he took up duties as Chairman of the Tariff Board. His tenure ended in acrimony two years later after Melville clashed with 'Black Jack' McEwan over tariff levels. There were still appointments to committees of inquiry and special assignments as a troubleshooter for the federal government, besides his directorship of the Reserve Bank. In 1966 Melville became the chairman of the Commonwealth Grants Commission and forcibly put the case for the less populous states. In his long retirement from public life Melville remained to the very end a fount of economic wisdom and many researchers, including myself, were allowed the opportunity to interview him on aspects of Australia's economic history with which he was intimately involved. These interviews are listed in Selwyn Cornish's (1999) memoir of Melville, which is a precursor to a full-length biography of the man.

When one of Melville's great mentors, Ed Shann, died in 1935, G.V. Portus wrote that he was a 'clever and good man. Men can be good without being clever: and some few, I suppose, are clever without being good'. Similar sentiments were voiced by Keynes, too, who admonished economic planners that while they can promise to be good they cannot promise to be clever. Melville was the brilliant exception.

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\* School of Management, Charles Sturt University, PO Box 588, Wagga Wagga NSW 2678, Australia. Email: amillmow@csu.edu.au.

## Notes

1 In saying that, we must not forget W.B. Reddaway (1913 - 2002) who worked as a research fellow at the University of Melbourne and exerted a considerable influence on economic events in the short time out here.

2 'Beardless boy who advises a bank', *Smith's Weekly* 1931, in BNSW: A - 53-409, Westpac Archive.

3 Melville to La Nauze, 26/7/1935, La Nauze Papers, National Library of Australia Mss. 5248.

4 Wilson to Giblin, 22/11/1949, GLG-51-5, Reserve Bank of Australia Archives.

5 Keynes to Giblin, 24/3/1944, Keynes Papers, Kings College, Cambridge.

## Reference

Cornish S. (1999) 'Sir Leslie Melville: Keynesian or pragmatist?', *History of Economics Review* 30, Summer, pp. 126-50.