

'It's a Case of Using Any Stick to Beat a Dog':

R.I. Downing, the Keynesian Revolution and Reconstruction.

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In early 1947 R.I. - Dick - Downing was working for the International Labour Office, still in its war-forced retreat at Montreal, on the interconnections between housing, employment and reconstruction. The context was the perception that housing was a - probably *the* - vital industry in which to forge a range of links central to making a better world, and of drawing together the ILO's inter-war emphasis on large-scale public works with its post-war ambition to find a place for itself in Keynesian aggregate demand management (Fleming, 1997). Housing policy, as Downing's report surveyed it, offered the technological transformation of an antiquated craft-based industry, the decisive intervention of public policy in correcting economic cycles and improving social welfare, and the reconfiguring of the entitlements of the citizenry in domestic security as the core around which the new order would be built. Through such policy, Downing argued, it was possible to confirm a modern 'public conscience' in its decisive break with the 'comfortable myths' equating slums with the 'slovenly habits' of those who lived in them, those who - so the stigma had it - 'would keep coal in a bath tub' (ILO, 1948: p. 11)

In making these connections Downing was in the full flight of post-war liberal reformism. He was also testing himself on some of the most important new techniques in economic analysis, and especially the modeling of the flows and transfers of investment and productivity across the economy. These were the matrices of 'social accounting' around which he would later base much of his expertise as Professor of Economic Research at the University of Melbourne. And it was in this connection that, while in Montreal, he struck up a correspondence with Vassily Leontief, who had pioneered input-output analysis earlier in the decade. 'I, hopelessly a non-mathematician', so Downing remarked to Leontief as he prepared the ILO report, 'have been struggling with' the algebraic dimensions of this approach, but trying hard not to let that get in the way. 'As you will see it is a case of using any stick to beat a dog', Downing continued: the technique and the objective had somehow to be made to mesh. 'I started off with the idea that housing would prove an abnormally large employer of labour. Your figures appear to prove the exact opposite and I have used them therefore to confirm the alleged existence of restrictive practices and inefficiency' - and so the momentum of post-war reform could roll on, ideally coupling the reform of production processes with social welfare (Downing, 1947).

Downing was often candid about the strategic, sometimes hasty connections between economic theory, the imperatives of social policy and an evolving social conscience. Equally, he was aware of his own position in straddling a literary, inductive economics, learned in the inter-war years, and the mathematical, deductive and axiomatic 'science' which figured increasingly in post-war economics. He was perfectly placed, in his career, his generation, even his personality, to make these connections, and to reflect

on the professional and personal dimensions of the changing modes of economic analysis. In this article, my focus is on some aspects of his experience as they relate to wider patterns of Australian economic thought in the transition between these two modes of analysis. The example of housing has already suggested some of the issues involved in this process. These include the opportunities for modernisation in the domains of production and consumption; the challenge of reconceptualising entitlement in social policy, casting off old stigmas; and the prospects for a 'socialisation of demand' (as Downing argued in his ILO study) in providing a 'middle path' between the 'wishes of the community' and the imperatives of economic stability (ILO, 1948: p.40). Downing does not figure here as an influential or even a representative Australian economist, but more for the ways in which he drew these syntheses from a wider context of ideas and debate around him, testing them against what was feasible and - in Peter Hall's sense - 'viable' (Hall, 1989).

Born in 1915, Downing studied economics at the University of Melbourne just as his mentors, D.B. Copland and L.F. Giblin, forged a new expertise as advisers to government during the depression (Downing 1971, p.465). As a postgraduate student at King's College, Cambridge, in the later 1930s, he imbibed the full enthusiasm of Keynesian theory, including some of its more radical variations, before returning to Australia, to Canberra and the wartime bureaucracy. There, as assistant to Copland as economic adviser to the prime minister, and striding through Parliament House trailing a long Cambridge scarf, he personified the economic 'expert' in new and unprecedented access to public policy:

Never before [so he wrote in an early memo for Copland, in typical exhortatory style] has the economic system of Australia been submitted to controls so obviously designed to promote the national interest not only for the war effort but [also] for giving justice to the people (Copland and Downing, 1942, p. 6).

In words he handed on to John Curtin in late 1941, Downing was more emphatic:

Our prime concern is for the welfare of the community as a whole. If the freedom of the individual conflicts with this, individual liberty must be curtailed lest it become license (Curtin, 1941, p. 711).

These are rousing examples of the economist-as-planner, the figure whose consolidation in the 1940s seemed to draw on many aspirations for 'administration' from the inter-war years, yet also to leave an increasingly politicised image to be contested through the 1950s and 1960s. And they also serve to introduce two themes to be developed through this article. First, rather than emphasising the liberation Keynesian thinking offered from prevailing economic analyses, traumatised by the crisis of the early 1930s, I want instead to draw out some characteristics of its reception, and the ways in which, as theory - or technique, Downing would have emphasised - it tapped into continuities in the ways economic and social problems were being defined at that time, and caught up in the imperatives of the moment. Second, I want to sketch out aspects of a sensibility of economics - a combination of the intellectual and academic discipline, the culture of social engagement, and the persona of the economist - which were drawn into all that Keynes represented, or at least set up for scrutiny.

One further example will perhaps flag aspects of these interdependent themes. At the end of a 'frantic' day, in November 1942, Downing paused to answer questions he had been asked by Gordon Powell, assistant at the Scots Church, Melbourne. Powell was the author of *The Christian Basis of the New Order*, and a slightly older product of the improving, civic if patrician ethic of Melbourne's Scotch and Ormond Colleges, which Downing himself had passed through in the thirties. Moving on from strident denunciations of the 'psychological state of the entrepreneurial mind' in precipitating economic instability, Downing reflected on the need for governments to 'stimulate expectation' and so propel the economy into vitality, innovation and equity. In

highlighting these factors, Downing was directing Powell to read 'Lord Keynes', but also posing them in a larger context of debate in which Keynesian solutions were just one aspect of the attempt to gain some purchase on an elusive citizenry. Leslie Melville, for example, had already identified the 'dynamic' and 'subjective' aspect of demand as the crucial issue in moving forward in economic thinking; Nugget Coombs had also speculated on the gains of 'better categorising the groupings of 'human psychology' as aid in the challenge of economic prediction (Coombs, 1939, p.166; Melville, 1939, p.10) – both of them uncomfortable with the static or formulaic aspects of *The General Theory*. Developing this theme of 'expectations', Downing advised Powell that while a 'vague' concept:

to my mind it is the fundamentally important problem we have to face in reconstruction. And it is where the Church and the Communists must play their part. Government activity can be but a palliative. Reconstruction lies in men's souls, or whatever the chemical substitute is (probably something Freudian, but it may do as well). ... This is, of course, the basis of Russia's success, and unfortunately of Germany's, too. However, Russia's philosophy seems to be a more permanent one than Germany's' (Downing, 1942).

If unguarded, speculative and tailored to a specific correspondent, Downing's perspective still reveals a context in which economics was finding its place - the kind of 'stick' it offered - and the evasiveness of the subject it sought to define, govern and transform: the 'dog' to be brought to discipline. It is very much a comment registering the shifting parameters of economic inquiry noted above, and the sensibility associated with it. On the one hand - and coming from the past - there is the question: what could economics bring to a problem defined from perspectives more overtly ethical, moral or proto-scientific in the mode of many forms of progressivist social science enquiry - the eugenics, for instance, so often latent in inter-war thinking, or an idealist sociology looking for some more secure foundation, or, more explicitly here, the new formulations of psychology? The citizen, from this perspective, was a figure of entitlement, registered as a public identity in terms of their needs and their efficiency. On the other hand, and gesturing to the future, were the seeds of a new question. What was the problem as defined by economics - the propensities of the citizen as economic agent, the objectified economy as a domain of intervention, the application of macro-economic technique via the aggregated flows of social accounting which might catch these patterns of expectation. In Downing, as in Melville and Coombs, we can trace this shift in its internal processes: what was dropped, retained or adapted in its course; and on what foundations were the post-war careers of these figures, and their image as economists, built?

For Downing, that career took him out of Canberra in 1945, just as the figure of the planner was becoming entangled in post-war anxieties - more so, perhaps, if letters like the above had found the headlines. He went first to an interlude with the ILO, where he hoped to lift that reformist promise above the compromises of national government (ILO, 1948, p.40). From Montreal and then Geneva he returned in 1954 to assume perhaps the pre-eminent academic position in his field in Australia, the Ritchie Professorship of Economic Research at the University of Melbourne - the position Giblin had held through the 1930s. For the next twenty-one years, until his death in 1975, Downing adapted Giblin's legacy from times of uncertainty to the pressures of prosperity, advocating the redistribution of the new wealth of the lucky country, for the striking of a more just social contract, for the 'opening-up' - a favourite phase of his by the early 1970s, when he became Chairman of the ABC - of Australian society to issues of diversity and tolerance. And in this advocacy, he was often drawing on the conceptual syntheses he had laid down in the 1930s and 1940s, and the shifting parameters noted

above with particular reference to the citizen as subject of economic analysis and intervention.

Downing always insisted that he made his case from the perspective of what Australian society could 'afford', and on the basis of his own 'value judgements' rather than any political alignment or ideological perspective. There is a perception - retrospectively, at least - that these value judgements, as they picked out a range of topics (pensions, taxation, superannuation), distracted Downing from a sharper, purer more intensive and extended program of research. Certainly, they drew him into a type of activism on social welfare which distanced him from many academic colleagues, leaving him self-conscious of his 'over-exposure' (Downing, 1969). But these topics were equally a part of the synthesis he brought to economic issues and the role he played in economic debate - again, in an intersection between the discipline, the culture and the persona of the economist. For Downing, the largely academic course, in contrast to the administrative route of Coombs or Melville, was one of public advocacy: of evoking a cause and the citizens/subjects implicated in it. And, unlike Giblin, he worked within the post-war context of regulating *the* economy rather than advising on the best achievement of economy, and so spent much time relating that semi-autonomous entity to social objectives where Giblin had more directly spoken of the distribution of wealth and sacrifice. Downing pressed at the social agenda not in terms of the legitimacy of institutions as it interested Coombs (Coombs, 1970), or the caution and logic of Melville ('liberty', so Melville insisted in 1955, should not be confused with 'welfare' - Melville, 1955, p. xii), but to test the boundaries of what could be done, and of the resources to hand. As much as Downing figures, in the shape of his career and the compass of his interests, as a fairly exemplary Keynesian, it is also important to emphasise both the pragmatism on the one side of this identity - the testing of boundaries - and the ideals on the other - the causes he chose: 'it's a case of any stick to beat a dog'.

I have set a larger context for Downing's work in the thirties and forties elsewhere, and rather than go over those surveys again, I want to focus here on a few episodes which might be more suited to the biographical approach of this collection of articles. In brief, in that other work I have presented two themes. First - and largely arising from a study of Downing in Canberra in the 1940s - I have sought to put to one side the evaluative approach to either the political or the theoretical purity (or otherwise) of wartime policy, and to analyse instead the extent to which the work of economists can better be seen in terms of the emergence of new professional and intellectual identities, and by concepts of intervention which went beyond the polarity of the 'public' and the 'private' sectors (Brown, 1996). The letter to Powell, and the manifestos for Copland and Curtin indicate something of this process. Second - and coming from an attempt to place Downing in a tradition of Australian economic thought - I have described the construction of a 'subject' for Australian economics through the precise enumeration of the entitlements of the citizen: the basic wage, the protectionist contract, the national dividend, and the more detailed social survey tradition in Melbourne which has ranged from nutrition levels to housing and - in the Henderson inquiry of the 1970s - poverty (Brown, 1997). Both of these themes inform this paper, but my emphasis here is more simply illustrative. What were the phases of social, intellectual and professional engagement which one economist passed through in the formative period of the 1930s and 1940s, and how might this experience reflect on the ways in which, at least from a biographical perspective, we might place economic thought in that history?

Downing was a scholarship boy from a middle class home. He was bright, but also a 'swot', and while it is hard to know at what level or in which ways Downing experienced either his parent's estrangement or his homosexuality, there was about him a rather self-conscious, cultivated detachment: 'an inferiority complex over-compensated', remarked the Master of Ormond. Yet in his education Downing benefited from the

patronage of those who saw in him qualities to be cultivated. The Principal at Scotch lifted him from a commercial stream to a more academic course and the school elite. More crucially, there was the trust and friendship of L.F. Giblin, who sought to fulfill a generational and ethical chasm in the wake of World War One with a corps of 'young people, selected for outstanding mental capacity, to develop a social and, in the broadest sense, political responsibility, happily intensified by all the egoism of youth' (Giblin, 1942) - a categorisation into which Downing fitted perfectly. In very general terms, Downing's school and university education defined a Tawney-ian ethic of social conscience and 'responsibility' on the one hand and, on the other, an enthusiasm for the kind of modernity which, in awkward tandem with the depression, the 1930s had begun to promise - that 'engineering and distributive technique', as Keynes put it in an essay on Downing's reading list for Economics II in 1933, which will 'furnish us with the ability to produce consumption goods almost without limit' (Keynes, 1933). The challenge for the future from these perspectives was often highly personalised: between duty and egoism, what kind of expertise would balance the prospect of consumption and the call to equality? This was the environment in which Downing's persona and style as an economist was formed.

The first episode I want to focus on in tying all of this down relates to the later stages of Downing's education in Melbourne.

The meetings of the Shillings Club - if you can get past the mannered style of minutes, searching for an appropriate sensibility - reveals the play of economic ideas among a select group of senior Melbourne students, graduates and staff: many of them the 'youth' Giblin was keen to cultivate. As Alex Millmow also observes, in 1933 these minutes record Giblin expounding 'the expansionist policy which we suspect is dear to his heart', drawing heavily on Keynes' 'Means to Prosperity' (which had prompted him to observe 'our civilisation is in the balance': Giblin, 1933, p.141). The gathering, however, was sceptical, and irreverent. They were trying out identities against a challenge to the discipline in which they were schooled. Wouldn't such a policy, it was argued, pander the 'greed' and 'avarice' of labourers? The meeting for May 1934 was written up as a Bodyline parable, Hayek - via James Nimmo, then a research assistant with the Commonwealth Grants Commission - taking the part of Larwood and distressing the local team with an unforgiving attack on the presumption of the 'stabilisers', drawing 'ribaldry' from the spectators, and sending Giblin 'ignominiously' from the field. In a debate of 1935 the merits of expansion were again scrutinised with some 'pessimism', especially if such a policy only distracted attention from 'structural maladjustment' in the national economy. Here, however, Downing, rallied to an emerging pre-occupation with the rate of interest as the problematic mediator of patterns of investment and consumption, as an inefficient regulator of 'confidence', and as a crucial factor in shaping the psychological identities which were seen to bind the economy to prospects of social reform.

By April 1936, with the page-proofs of the *General Theory* which W.B. Reddaway had brought straight from Cambridge as the chosen text for the year, Downing was expounding this view more energetically. Reddaway was a Cambridge graduate, recruited to economics from chemistry by the shock of the Depression, admired by Keynes as the brightest in his year, and travelling to Australia as the first research fellow associated with the Ritchie chair. Along with the page proofs, Reddaway carried a draft article of his own, extending aspects of Keynes' thinking. 'The desire of individuals for security', Reddaway argued, was at the core of economic instability. In refraining from consumption and investment, particularly in relation to those 'higher wants' which contributed most to the dynamism of a 'progressive community', these individuals were denying a vital stimulus to the economy, and keeping it from the full employment of labour and resources (Reddaway, 1937). This was a proposition Reddaway would have

discussed closely with Downing, then working as GIBLIN's research assistant. And on that first evening with the Shillings, Reddaway led the discussion by focussing on what determined this 'propensity to consume', suggesting the topic 'is a fair rate of interest a mere convention?' as the best way into the *General Theory*.

After 'Mr Ward' began the discussion with a laboured analogy (comparing 'the loan of cows for milking, loans of money to buy cows for milking ...' and so on), Downing was quick to seize upon the larger compass of the topic. He began by insisting that, to be 'fair', the rate of interest must accord with the needs of both borrower and lender, 'so that a service must be rendered by the loan before interest can justly be charged thereon'. The doctrine that interest served a mechanical role in balancing saving and investment was obsolete, Downing maintained: the crucial issue lay more with the use that was made of capital, the effectiveness of inducements to innovation, and the stimulus given to the national income and its dividend. He was not entering into the monetary theorising - even 'the poetry of money', as Skidelsky puts it - which fascinated Keynes: it was more a matter of the political economy of opportunity: what was it that would most allow, or most inhibit, individuals from realising themselves through economic and social activity? Keynes, as Downing saw it, had brought 'respectability' to such questioning, and, with increasing sophistication, Downing would keep returning to this question throughout his career.

Others followed his line of reasoning that evening, building from their own particular concerns. Horrie Brown, another recent graduate, related high interest rates 'not so much to a reluctance to invest as to a too great desire to save'. Copland focussed on the 'elusive concept' of 'business confidence', advocating 'psycho-analysing the comparatively few controllers of the economic system with a view to isolating this phenomenon'. From whichever perspective, this problem was seen to provide a way of pushing further into the 'social philosophy' Keynes had sketched at the end of the *General Theory*, to be advanced through a 'much lower rate of interest than has ruled hitherto', encompassing 'the euthanasia of the rentier', the eradication of scarcity and with it the 'oppressive power of the capitalist', yet without eroding the 'craft' of the entrepreneur (Keynes, 1936, ch. 24; Skidelsky, 1992, pp. 500-502). And this problem was also one of defining an intersection between economic policy, social objectives, and subjective traits identified in the citizenry. These were matters in great flux in the 1930s, would be at the core of the challenges of wartime and reconstruction priorities in the 1940s, and continue in debate into the 'twilight zone' of macro-economic management of the 'Long Boom'. It was then, as Coombs put it, that the 1930s 'dogma' of low interest rates became caught in a tense dialectic with the post-war challenge of inflation and full employment (Coombs, 1971, p. 15-16).

Downing continued to tease away at the issue of interest through the late 1930s, later conceding that such controversies were often 'shadow fights' for other commitments and values (Downing, 1940a, p. 291). The issue often informed the brash retorts he would make to those who stood by the classical verities. Leslie Melville was the target for one such riposte in 1938, when Reddaway and Downing - the former now supervising the latter as a Cambridge postgraduate - pushed their argument further to advocate a zero rate of interest. More disposed to emphasise issues of ignorance than risk in economic behaviour, Melville's search through the thirties for a 'dynamic' model of the economy had encompassed subjective elements which, like fashions, 'will change, and may change rapidly, and alter the whole structure of the continuum'. The crucial role of interest rates, as he saw it, was to restrain a tendency to undisciplined excess in which 'consumption, saving, investment, borrowing and lending cease to have meaning' - a society, he projected, in which 'beaches would be built in places accessible to cities and provided with artificial sea and sunlight' (Melville, 1934, p. 168). As the language alone reveals

here, any suggestion of minimal or no interest rates touched many nerves for Melville: interest rates provided a vital form of restraint, a defence against excess.

For Reddaway and Downing, a radical Keynesianism portrayed interest as an unnecessary inhibition on the capacity for growth and innovation through consumption. Melville, they argued, had overlooked that even at zero rates, 'there will always be saving for certain purposes - for emergencies, for security, for prestige, for old-age, and from the surplus elements in large incomes'. It was not interest which balanced saving against investment and responsible consumption, but the crucial factor of risk. Even with no liability for interest repayments, people would only save in ways that guaranteed access to their savings at a later time, or lend with confidence that they would be repaid. The other side of the issue, of course, was that the removal of interest obligations could stimulate new enterprise and investment in capital equipment through maximising 'a legitimate reward for speculation'. Downing and Reddaway - and Downing's drafts for this article were even more strident - portrayed the diversity and malleability of the modern economy from a very different perspective to Melville. 'With our multitude of commodities and rapidly changing fashions, there is always the risk that [further investment] might involve a loss, and it would not be undertaken unless there was a sufficient chance of profits to compensate for this risk' (Reddaway and Downing, 1939, pp. 94-97). It was the inducement of a return from enterprise rather than the disciplining of appetites which formed their priority.

If the problem of interest provided a way into the world Keynes gestured towards - at least in terms of such general speculations centring on a new subjectivity of consumption and investment - there was still the issue of what political context might support such a reconfiguring of issues of risk and confidence. As Skidelsky argues, Keynes attack on the 'natural' forces of the market, scarcity and self-correction left a void, perhaps to be filled by government. But what kind of government, and with what kind of remit, and with what kind of 'individual responsibility' on the part of the citizen not to abuse the lure of 'plenty'? (Skidelsky, 1992, p.593; Keynes, 1944). It was one thing, as the contemporary example of A.G.B. Fisher suggested, to welcome the release of economic policy into new domains of services - 'facilities for travel, amusements of various kinds, governmental and other personal and intangible services, music, art, literature, education, science, philosophy and the like': 'those things which people with rising incomes are likely to wish to purchase' (Fisher, 1934, pp.150-151). But this in itself did not address the issue of the balance between the public and the private sectors, or the scope for the distribution of wealth.

To some extent Reddaway achieved something of this redistribution in his appearance before the Arbitration Court in 1937, largely organised by informal links between Downing and 'moderate' unionists which had built up around those statistical calculations of the national dividend. In what became known as the 'Reddaway', he secured a 'prosperity loading' on the basis that 'a redistribution of income in favour of wage earners, who unlike other classes spend their share of income without delay, will accelerate their demand for products and so provide solid support for legitimate expenditure on capital goods' (Basic Wage Case 1937, p. 587). Again, this was good Keynesian technique, but there was a larger political issue Downing was still working towards, and which figured prominently in the next episode I want to deal with - the period of Downing's postgraduate study at Cambridge from 1937 to 1939.

Downing would later self-consciously associate himself with the 'Cambridge tradition', even though the inter-war curriculum at Melbourne had offered a more diverse diet, including a fair serving of American institutionalist economics and Australian pragmatism (Brown, 1995). When Downing returned to Australia in 1939, to a short-term position at the University of Western Australia, however, it was already as a representative of the 'Cambridge School'. In Perth and then at the University of

Melbourne in 1940 his lectures in 'Public Finance' were strident essays in Keynesian counter-cyclical expenditure. And then, in Canberra, there was deference to Downing as custodian of the more esoteric issues arising in that context: he, at least among the younger economists, had been there. Yet it is important not to over-emphasise this assimilation of Keynes, or the issues of sensibility it raises. At a personal level, Downing did not enjoy Cambridge – certainly not the research component of the PhD degree he commenced there but did not finish. Cambridge/Keynesian advocacy came easily to him; but he did not bring to it, or carry from it, the more intensive analytical or theoretical culture it demanded. Professionally, it also is significant to note the ways in which an established allocative dimension to Downing's thinking continued in a sometimes unreconciled way under the aggregative bravura of Keynesian macro-economic analysis.

At King's College, Downing worked most closely with Gerald Shove, 'the carthorse of inter-war Cambridge economics', but also a self-confessed 'veteran rebel' who reacted against the 'disappointingly conservative' directions and abstract methods - 'the geometrical political economy' - adopted by younger colleagues (Skidelsky, 1992, p. 5; Moggridge 1973, p. 1; Shove 1933). With Shove, Downing rehearsed a range of debates relating to imperfect competition and the theory of the firm. He closely followed Shove's approach to these issues as complex 'jig-saws', marked more by the endurance of essential monopolistic 'business units or employment nuclei' than by the 'hydro-dynamics' of effective competition (Shove, 1942, p. 329). And his essays record neat formulations of these arguments: the concept of 'elasticity of demand' as determined by competitive pricing being replaced by the 'plasticity of demand' - that is, the ability of sellers to selectively stimulate the response of buyers through intermediaries such as advertising (Downing, nd.b). Sometimes Downing burst forth into fervent admiration for 'the Master' - this was Keynes - even to the extent of asserting:

Atheism, hedonism, fatalism and nihilism have disposed of a number of the unpleasant forms of self-mortification imposed by the Puritan ethic. Now Keynesianism has finally dispensed with any virtue attaching to thrift (Downing, nd.a.)

Yet Keynes was not in residence at Cambridge during Downing's time there; other influences were more immediate. In 1938 he attended the first year of Joan Robinson's lectures, and his notes bristle with the aggressive confidence and critical engagement with 'orthodoxy' (a favoured Cambridge term) of the time. The criticism of reflationary policy, for example, was 'really run by people who objected to a Labour government'; the problem with public debt 'doesn't matter': 'you're using up unused resources', the only real cost being the 'nuisance cost of collecting taxes'. Hayek is bluntly dismissed as 'unintelligible', holding as he did to antediluvian assumptions of full employment as the norm and that savings determined investment (Downing, nd.b). There was a confidence to these Robinsonian pronouncements Downing clearly relished, and a style he adopted in his persona.

But the more profound impact on his thinking at Cambridge was through his contact with Michal Kalecki. More than Robinson, Kalecki pushed his analysis of the causes of economic crisis beyond the precepts of reformism to a structural critique of capitalism's inherent instability. Where Keynes was not interested in income redistribution, Kalecki was; and where Keynes trusted to persuasion, Kalecki argued for a more active, political redress. The role of the state, for Kalecki, must at least be one of subsidising mass consumption, if there could be no more fundamental recasting a system tending always towards the inefficiencies of monopoly. Downing's contact with these ideas was mostly through a afternoon discussion group of postgraduates, which he attended but sat silently throughout (Tew, 1996). And the area of Kalecki's work which most held his attention were the ideas emerging in Kalecki's essay on 'Money and Real Wages', with its asides to those "workers' friends" who try to persuade the working

class to abandon the fight for wages' on the grounds that increases in wages must lead to unemployment (Kalecki, 1939, p. 91). Given capitalism's easy recourse to (even requirement for) the discipline of unemployment, and of the tendency for capital to ride out economic cycles on the cushion of worker's wages, Kalecki insisted that wage campaigns could be deployed to influence the distribution of income. The 'workers' friend' should support wage increases and industrial action in an attempt to bring 'our imperfect system nearer to the ideal of free competition', and to instil a measure of thrift among the capitalist classes instead. Greater flexibility in the wages system, Kalecki argued, offered a way of overcoming the maldistribution of profits from economic expansion.

These ideas were wholly incorporated into Downing's Cambridge Diploma thesis, 'The Control of Wages in Australia', although they were adjusted to those aspects of Australian practice which saw the wage not as a claim on capital but as a vehicle for the distribution of national income, and a guarantee of a normative standard of living. While Kaleckian precepts had in that thesis a fairly exhortatory quality, they also formed a foundation to which Downing would often return in his commentary in the post-war years. Seizing on Kalecki's uncoupling of wages from productivity, Downing revisited the industrial wage basis of the Harvester judgement, remodelling it as a social wage which could more effectively allocate a kind of individualised national dividend to each member of the family unit. Drawing on a hypothetical statistical profile premised on one half of the work force being married men, with a dependant wife and two children, Downing proposed a notional formula in which workers received half the wages bill, wives received a quarter, and children an entitlement of one eighth each. The calculation was as follows:

1936-37: wages bill £65m for 382,000 adult males employed;	
382,000 employees get £85 each	£32.5m
191,000 wives get £85 each	£16.25m
382,000 children ger £42/10 each	£16.25m
Total	£65m

On this basis, total family income would be 50 per cent higher than the basic wage, and funded by employers paying every employee a single man's wages 'and a tax (of 100 per cent) on his wage bill to the government who would then distribute the money according to family needs'. The concept here of a motherhood wage is striking - and it would recur later, implicitly, in Downing's 1940 informal advice to Chief Justice Beeby of the Arbitration Court on the issue of child endowment and the introduction of 'a true "needs" basic wage' (Downing, 1940b). Equally forceful was his suggestion that in the campaign against monopoly:

I should prefer the [Arbitration] Court to adopt a policy of gradually raising money wages in order to give a gently rising price level, not only on account of its effect on the degree of monopoly, but also because it would tend to maintain entrepreneur's expectations and gradually reduce the burden of debts (Downing, 1938, pp. 75, 79-82).

Both of these ideas were largely undeveloped in the thesis: that they were presented as principles only in need of application indicates the latitude then allowed in economic education for the 'culture' of the economist. Even so, they provided principles, and institutional modes, to which Downing often returned in later campaigns for redistribution, from the informal contacts with Chief Judge Beeby of the Arbitration Court leading to the 1941 introduction of child endowment (Arndt, 1976, p. 283), the pension reforms he proposed in the 1950s, the wages policies of the 1960s, through to the

minimum income campaigns of the 1970s. As with his thinking on the issue of interest, but now transposed to a more institutionalised domain of arbitration and social service policy, it is the integration of new models into specific contexts and continuing debates which is striking here, especially as they attempt to reconfigure basic economic and social relationships.

There is not space here to go into the complexities of wartime policy formulation as Downing experienced it, and contributed to it, right up to the final drafting of the 1945 White Paper on Full Employment. In many ways, the debates of that period, over issues ranging from the management of incentive in a controlled economy through to conceptualising the rights of the consumer in reconstruction, reflected themes already touched on - albeit in the peculiar, almost laboratory context of 'total war', and under a concern over the threat to the full mobilisation of resources and of post-war inflation which effectively inverted the formula of the 'Reddawage'. Now, the priority was to more effectively tax the incomes of those who spent their incomes most immediately. In some ways a more revealing image of the official recognition given to Keynesian theory and economic expertise is provided in the post-war years - and this period provides my third episode.

In 1947 and 1948 Downing was travelling between the University of Melbourne, where he lectured to the huge enrolments of the post-war years, and Canberra, where he had been seconded to ameliorate 'acute difficulties' in the Department of Post-War Reconstruction. Trevor Swan, since 1946 the Department's Chief Economist, was in London, studying the ways in which economic and administrative issues were being handled there so that he might advise on 'the general development of economic expertise ... in the Australian Public Service and Universities'. Coombs was also overseas for much of 1947-48, participating in discussions leading to the General Agreement on Tariffs and Trade. 'Mr Downing's technical equipment and imaginative approach to the problems of analysis and policy would be invaluable', Allen Brown, acting for Coombs as Director-General, assured a university that could scarcely spare Downing's time, but was forced to concede that there was too little such expertise to go around (Brown, 1947).

When in Melbourne, Downing expounded his usual enthusiasm for public intervention and the stimulus of private consumption. He adopted a rather off-beat approach, for example, to 'that American depression': the certainty that soon that 'neurotic' society would fall into a slump, having exhausted its 'frontiers' of capital accumulation, perfected its distrust of government in a reactionary 'red menace' paranoia, and maintained 'a nineteenth century pattern of income distribution' (Downing 1947, p. 5). His reading centred on theoretical debates over the relationship of the consumption function to economic change, and on whether econometric models, or extensive surveys of family budgets, or demographic projections were the best way to grasp what the citizenry wanted, and what they were doing (Downing, nd.c). In Canberra, on the other hand, he was to give direction to the Investment and Employment Committee, recently established 'with general responsibility for seeing that the proposals set out in the Government's 1945 White Paper on Full Employment are implemented'. The Committee had particular reference to 'the preparation of a reservoir of works, including large-scale developmental projects' to ensure a flexible balance of public and private spending. With a membership including the Prime Minister as chair, the Secretary of the Treasury, the Governor of the Commonwealth Bank, the Secretary of Labour and National Service and the Minister of Post-War Reconstruction, the Committee was, Brown continued, 'striving to develop novel techniques, the success of which will largely determine whether we emerge from the present post-war boom into a period of depression and unemployment or a period of economic stability and prosperity' (Brown, 1947).

Expressed in these terms, the work of the Committee was central to the policy aspirations of full employment: that an extensive and adaptable program of public works - the 'shelf' - could be kept in readiness and deployed to stimulate the economy at any sign of decline in activity, regional or national. Downing's work with the ILO clearly indicated his sympathy with such a project. But from very early on the practical and political complexities of managing such a list of works, especially when private investment and consumption were already straining after scarce resources and notional 'freedoms', marked one of the major reappraisals within post-war public policy. Even in the formative stages of the Committee's design, while Swan shrugged off any narrowly 'financial' role, claiming for it a more comprehensive expertise, Coombs was quick to caution that it would be 'unwise to suggest any form of restraint on private industry in order to release resources for public works' (Investment and Employment Committee, 1948).

For those meetings Downing attended, the work of the Committee involved keeping close watch on areas of demand and supply stress, in addition to attempting to incorporate these surveys into a wider sense of the post-war direction of the economy. It was work that involved the selective use of a variety of tools and interventions, at different levels of proximity to industry. From the start, Downing concerned that there would be a tendency to 'conservative' assessment in these areas. As one way to redress this default, he advocated that 'the point of investigation should not be into essentiality but into the long-run possibilities of sustained development'. Downing put this view to a meeting in which the Committee was dealing with the more intractable, immediate challenges of an economy still caught between demobilisation and development, and considering - for example - detailed submissions from the Department of Works regarding 'an urgent need for chisels, bits, gauges, planes, trowels, saws'. There was scarcely a meeting of minds on that day, or very often: the academic and the administrator had very different perspectives (Downing, 1948b).

Still, Downing argued, the crucial issue was whether priority should be given to increasing the available gross domestic product or limiting expenditure. In pushing for a national economic survey, his preference was for the former and all that it would entail: an expanding labour force through immigration, for example, and an increasing participation of women in the workforce. These measures would lead to an increase in demand, but their stimulus might well outweigh their strains. Again, his confidence was not widely shared. By June 1948 Melville, for the Commonwealth Bank, was arguing that 'something like a state of chaos has developed'; the horse of inflation, as Henry Bland, from Labour and National Service, put it, 'was already out of the stable' (Investment and Employment Committee, 1948). There was no time to speculate on long-term trends or the shaping of a new society: the imperative, from their perspective, was to discipline consumption - the 'nigger' of excess demand (in Coombs' unfortunate phrase) had come out from behind the woodpile of a full employment economy (Coombs, 1944, p. 29).

Informing all of this debate was not so much the question of 'planning', as it is so often extrapolated from this post-war context, but the more basic issue of seeking some point of regulatory purchase on social and economic change. Locating that point, however, clearly required a decision as to where pressures were concentrated and whose interests should be advanced in dealing with these strains. And such an exercise also required a level of flexibility - not just ideological dexterity - in responding to the changing sources of pressure, available resources, and the point of engagement between policy and society. The post-war period brought rapid change on all these fronts. At the ILO, for example, there was sudden disquiet about publishing Downing's housing report: at a time when developing countries required technical assistance attuned to their own circumstances, Downing's modernist, theory-driven imperative was likely to be

'embarrassing' (Ainsworth-Johnston, 1948). And in Australia there was an increasing awareness that the dynamics of capitalism could not easily be replicated, or even controlled, with the kinds of instruments available, for example, to the Investment and Employment Committee. This awareness forced deep rethinking, and again Downing provides a revealing index of what this process could mean.

Around 1948 Downing was offering an awkward combination of Joseph Schumpeter's emphasis on entrepreneurial innovation and Kalecki's sense of the reliance of capital on profit expectations. As he argued at an Economic Society conference in 1948, private investment could never be stabilised - its freedom to open up new areas was an inherent part of economic growth, and Downing always retained an admiration for innovation, for industrial creativity: the 'craft' and risk of the entrepreneur. Equally, the role of government policy lay in compensatory public works schemes - but they alone would not be sufficiently flexible. 'It is probable that social and economic needs would be better met if a significant part of anti-cyclical policy were concentrated on consumer subsidies, reduced hours and reduced taxation, increased social services and so on' (Downing, 1948d, pp. 5-15). Here, 'needs' had assumed a more active role, and a more private figure of the citizen as consumer than in the inter-war discussion of a public figure of entitlement. Coombs' perspective, however, was more basic: to the same conference he argued that too much post-war industrial expansion had occurred without 'the discipline of a competitive market' and at a pace which reflected a popular resistance, at a social and political level, to any sustained, comprehensive economic and technical management (Coombs, 1948, pp. 43, 47, 50, 53).

In Melbourne, lecturing on 'Public Finance', Downing could be more expansive and didactic than tense meetings in Canberra, or professional conferences, allowed. And, in setting out his subject, he expanded on this shift from his pre-war and wartime thinking. By the time he was giving his third term lectures in 1948 - after coal and transport strikes, basic wage increases, and an intensification of international anxiety - new emphases were evident. Now the private sector was firmly allocated a vital role, even if that meant that economic fluctuations had to be accepted as part of the cycle of innovation and reaction, entrepreneurial zeal and caution. Given the necessity of that cycle, the attendant role for government was premised on the fact that - with Downing's heavy italics - it 'alone is able to consider and act in relation to the community as a whole', and it may well be that over time that the success of the government in pursuing such 'conscious positive policy' will accustom business to intervention and lessen the magnitude of the cycle. In this interpretation, the demands of labour remained a 'problem' which required other solutions. 'As an economist', Downing informed his class, 'I say merely that the aim of full employment is not consistent with stable wages so long as wages are determined by collective bargaining':

As I said before, in the end all workers will have finally to accept wage control or else the anti-inflationary forces in the economy will probably be strong enough to force an abandonment of full-employment (Downing, 1949b).

In these circumstances, Downing argued for a heavy increase in all income taxes, and for a preparedness to 'slash them mercilessly' at a sign of depression - a restraint coupled to investment in 'social and cultural public works which are vital to an improvement in our living standards' (Downing, 1949).

It was this kind of policy responsiveness which Downing would advocate all through the 1950s and 1960s, calling for an exemplary handling of the macro-economic levers somewhere between the 'hydraulic' and the 'fundamentalist' Keynesian modes (Skidelsky, 1992, p. 558), but still also dealing with the ways in which the less privileged might have a claim on 'the economy'. In the later 1940s, however, such advocacy was still embedded in a breadth of explicit questioning, revealing not just the search for sure theory or technique, but in the form of social contract it encompassed. This questioning

provides the last episode to be considered here: another indication of the discipline, culture, persona dynamic as it negotiated its way between two modes of economic analysis.

In the second half of 1948 R.G. Casey, as Federal President of the Liberal Party, made contact with Downing and Ben Higgins - the short-term post-war occupant of the Ritchie Chair, who had come with Downing from the ILO - both of whom Casey found to be 'good types'. Searching for a more inspirational presence for the Liberal Party, Casey was keen to enlist their assistance in shaping an economic platform to take to the 1949 election. There was, Casey was arguing, a need for a more encompassing sense of the 'public interest' to supplement the Party's narrow political rhetoric of private enterprise and an industrial culture preoccupied with jobs and profits rather than 'partnership'. With Higgins, he discussed the need for a 'unifying principle' across the social sciences, a sense of 'responsibility for the community as whole', fostering 'some rough and ready social justice'. Neither Downing nor Higgins was pro-Liberal in any clear sense, but they did share a disquiet at a lack of momentum and an increasing ideological narrowness in Labor circles - and there was a fee: £146 between them, for one day's work a week over six months (Casey, 194; Higgins, 1992).

The work began with briefing notes prepared by the Federal Secretariat of the Party on issues such as the possibility of increasing the contributory basis of social service finance, or realigning the Commonwealth-State Housing Agreement to private ownership rather than rental provision. Yet their discussions seem to have been mainly with Casey personally, who would sometimes write ('My dear Downing ...') with further questions after reflecting on the morning's debate. A central issue in these conversations was the encouragement of incentive. Among the headings listed in one set of notes from the Secretariat were:

- 'investigate the possible use of "incentive taxation"';
- 'should employee superannuation schemes be encouraged by tax exemptions'
- 'how can the family be helped and encouraged?'
- 'how can social services be financed without throwing a direct and crippling burden on the budget? Can and should the present social services tax be spread amongst a wider range of the community than at present'
- 'encourage ownership and a more even spread of wealth throughout the Australian community. Encourage the working proprietor and those working on their own account';
- 'how can the condition of women (the housewife) be eased by Federal Government action. Aid re mechanical labour saving devices';
- 'what economic policy should be followed to anticipate and prevent depressions or severe recessions? Inflation checks?'
- 'how to offset the present deterrents to thrift';
- 'is it possible to conceive city workers living largely outside the cities and having a few acres each?'

Some issues reflected Casey's own enthusiasms for modernisation: he was, for example, intrigued by the notion of 'alleviating the domestic situation of mothers and housewives in the middle class bracket' through defined 'codes of service' encompassing pay, conditions and holiday entitlements, or at least of providing subsidies to the purchase of labour-saving equipment for the home. Other topics reflect more on a desire to shore-up ideological presumptions about self-reliance, middle-class virtues and the family unit.

Yet such incentives, so directly favouring private interests, were of little interest to Downing and Higgins: whatever their short-term benefits, they advised Casey and the Party, these measures would only prematurely exhaust, and bring disorder to, a phase of economic growth which would be better managed by government and stimulated through adjustments in personal income taxes. If the tax system was to encourage enterprise, they

favoured instead a system in which, on the one hand, an entrepreneur's liability was averaged over an eight or ten year period (with the option - unrealistic, they conceded - of the government sharing in the losses to the same extent as in the gains, through paying a portion of debts on investment) and, on the other, an attack on inherited wealth in which 'heavy estate duties would attack at the base of one of the most objectionable sources of inequality of incomes'. They recommended, from Pigou, 'completely eliminating inheritance of estates within two or three generations' (Downing, 1948c).

Again, what is striking here is the way in which economic analysis was used to cut through ideological claims and interests to identify particular functions in terms of innovation, welfare and equity. Government, driven by these imperatives, was seen as an agent divorced from the political process - a view no doubt, of little interest to the Party. Not surprisingly, little of Downing and Higgins' advice found its way to the Liberal platform, or into the policies of the Menzies government. Yet it is possible to see such an exchange - one which greatly alarmed colleagues at Post-War Reconstruction, given Downing's continuing association with the Investment and Employment Committee - as both the expression of the kind of questioning which had occurred over the past twenty years, but also as the end of such a process amid an increasing fragmentation and specialisation of expertise, social engagement and policy.

In 1949 - aged 35 - Downing was restless, as were many colleagues, wondering where their futures might lie. He was considering returning to the bureaucracy ('Canberra offers about \$1500 for a permanent job'), to the I.L.O. or the prospects of academic work in England. For a while he had been scanning the scene, waiting to see what Coombs and Roland Wilson might agree upon in establishing some kind of continuing economic secretariat: 'we are all anxious that it shouldn't become the exclusive province of the Treasury' (Downing, 1948a). He was also being pressed in relation to the Ritchie Chair, which Higgins had left the year before. Melville, Downing gossiped, was being considered as a short-term appointment, 'but there is strong opposition to M. in some quarters for any term on the grounds that he is a Communist - this is not a joke but is actually the opinion of two members of the Committee'. Downing had also been approached, 'however the same authority who brands M. as a Communist has called me one to my face, in public. Frankly, in my present state of mind I don't want it'. He knew that he was not a researcher of the kind that such a position required: 'I am an exponent by nature, and my discoveries and researchers are pedagogic rather than fundamental' (Downing, 1949a). He was busy instead with a project which might adapt the Keynesian revolution of the late 1930s and 1940s to the times which lay ahead, distilling from it a technique which now might be understood by citizens who were no longer merely the subjects of economic expertise.

He had begun work on what became the standard Australian textbook on social accounting in Australia - and in the process engaged in revealing exchanges with Horrie Brown, then working at the Bureau of Census and Statistics, over what should be included where in such an exercise. (On the sensitive issue of bank profits, for example, Brown conceded 'I deliberately shrouded the whole subject in mystery' given the complexities of accounting for the role of the Commonwealth Bank. Downing's response: 'I love you for your ingeniousness and my resultant feeling of superiority over the other nearly 8 million Australians who can't ever hope to understand it') (Downing, 1949b). The booklet, *National Income and Social Accounts*, revised over many editions, was a perfect emblem of the new autonomy of macro-economics, and of the homogeneity of the nation as expressed in the aggregate, and through the discrete expertise of the post-war economist (Seers, 1976, pp. 94-96). Introducing the book, Downing wrote of the value of social accounts in setting out the 'simple proposition' of Keynesian demand management, showing 'how wealthy the community was and how evenly the wealth was distributed'. The text, Downing hoped, might assist the 'public and its parliamentary

representatives appreciate the need of governments to intervene in order to ensure that total national expenditure might be large enough to give employment to all seeking work' (Downing, 1951, pp. 7-9).

Around this 'proposition', after finally accepting the Ritchie Chair in 1954, Downing constructed the intense life of the advocate. Over the editions through the 1950s and 1960s the conditional 'if governments are to carry this full responsibility' became the procedural 'for governments to carry this full responsibility'. Complex hydraulic diagrams were simplified down to a series of tables and reflections on the 'frustrations' that might be experienced in the shaping of economic policy. Through all of this Downing accepted 'a certain stop-go, stop-go character to economic progress'. 'But', he added, 'this character is, after all, natural to human beings so it should not be strange to find it also in their economic institutions' (Downing, 1966, p. 58) – this was an analogy which would hold at least into the 1970s. In some ways, the post-war period of prosperity was a context, and required a technocratic sensibility, different to that which Downing had come into in the 1930s. The interventions once mapped out to allocate a national dividend across a population were now geared more to securing the assent of citizens in the aggregate to economic growth and social welfare. In finding his way through the intervening years Downing was – like Melville and Coombs in their own ways and spheres – a pragmatist (was this synonymous with being a Keynesian, as each Tim Rowse and Selwyn Cornish also wonder in this collection of papers?) Even so, the sensibility of that earlier period was still there, adjusted to new circumstances but not dulled by them, and not easily summarised in adherence to theory. For both Coombs and Downing, in the very different turns their careers as advocates took, the 1970s would test this sensibility again – Downing in taking the ABC into its most controversial phase in the 'permissive society'; Coombs in his advocacy of the rights of indigenous Australians. Certainly, in retrospect, the value of what they felt was secured in the post-war years under the rubric of Keynesian management, only to be threatened again in another cycle of economic and political reaction, is perhaps worth taking seriously as the outcome of a sensibility as well as a technique, and as something enmeshed in their lives-in-context as much theories-in-practice.

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Abbreviations

AA 571 refers to the Department of Treasury files at the Australian Archives. AA CP6 refers to the papers of the Economic Adviser to the Prime Minister (Douglas Copland) at the Australian Archives. AA CP268 refers to the papers of Alan Brown at the Australian Archives. ESANZ refers to the Economic Society of Australia and New Zealand. ILO PS 144 refers to personnel files in the archives of the International Labour Office, Geneva, Switzerland. Ms 6150 refers to the papers of R. G. Casey at the National Library of Australia. RSSS refers to the Research School of Social Sciences, ANU.

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(Note: The Downing Papers, held at the University of Melbourne Archives, are an extensive but as yet largely uncatalogued and unsorted collection, acquired in several consignments. There is no uniform system of citation appropriate to them.)

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