

social science analysis must cross received disciplinary boundaries and that other disciplines have also brought important insights to bear on understanding economic and social order and development (Butler, Jones, & Stilwell., 2009).

This provides an example that economists in general could seek to emulate.

References

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David Lee

Stanley Melbourne Bruce: Australian Internationalist,

Continuum, London, 2011, pp. 246, \$153.

Reviewed by Kosmas Tsokhas

David Lee's biography of Prime Minister Stanley Melbourne Bruce (1883-1967) has been reviewed and discussed in online media, in the daily press and in scholarly journals. Why so much interest in Bruce at this time? For one reason or another, Lee's book has coincided with an expansive interplay of writing and researching on contemporary issues that also preoccupied Bruce. These include the implications of international investment and trade for unequal distributions of wealth between nations; the struggles between trade unions and employers over

the regulation of the labour market; the roles of politicians and economists in the battles between neo-classical, monetarist and Keynesian ideas; and the historical lessons from the 1930s for sustained recovery from the global financial crisis.

Undoubtedly, there has been an upsurge in studies of Anglo-Australian relations during the years when Bruce held high political and diplomatic office. For example, David Goldsworthy *Losing the blanket* (2002), Deryck Schreuder and Stuart Ward (eds) *Australia's Empire* (2008) and James Curran and Stuart Ward *The Unknown Nation* (2010) have explored imagined histories of national and cross-cultural identities within a political and economic framework. The themes addressed in such work have been amplified by Alex Millmow in *The Power of Economic Ideas* (2010), in which he discusses the influence of economists on politicians, like Bruce, who were controversial or prominent during the booms and busts of the 1920s and 1930s, when the imperial economic connection was both affirmed and questioned. In addition, there have been a number of recent biographies of prime ministers, such as David Bird's *J A Lyons* (2008) and Anne Henderson's *Joseph Lyons* (2011).

Unlike Lyons, who had humble origins, an Irish nationalist background and a career in the labour movement before he defected to the conservative United Australia Party, Bruce was born into a prosperous family of Melbourne merchants. He attended the exclusive Melbourne Grammar School where he was school captain. For his university education, Bruce went to Trinity Hall Cambridge. In 1908, he was appointed Chairman of the commercial firm of Paterson, Laing & Bruce. His self-esteem grew when he became a member of the commercial law firm of Ashurst, Morris & Crisp and the Middle Temple.

By contrast with the widely held view of Bruce as a subservient agent of Britain, Lee contributes to the debate on the hybridity of Anglo-Australian identities when he argues that Bruce tried to harmonise nationalism, imperialism and internationalism in a globalised world. As Prime Minister from 1923 to 1929, Honorary Minister in London from 1932 to 1933 and High Commissioner in London from 1933 to 1945, Bruce had access to Whitehall and Westminster. Despite his self-recognition as an Australian, he was at ease in the world of the British upper class and had an aura of relaxed superiority. He was suited in background, temperament and style to conduct recurrent, and, at times,

aggressive trade and financial negotiations with British officials and politicians.

No matter how much he admired British parliamentary, legal and cultural traditions, Bruce's role and influence relied on his capacity to represent the Australian government and the industries which supported it. Lee describes how, in order to overcome electoral disputation between his Nationalist Party and the Country Party led by Dr Earle Page, Bruce brokered a coalition between the two parties and balanced the interest of urban manufacturers in tariff protection and the interest of farmers and graziers in marketing boards, price supports and subsidies. Bruce's political calculations about election campaigns, factional alignments and ideological appeals took into account the opportunities available in imperial trade and the anticipated policy responses and investment reactions of Australian and British business that sometimes clashed and sometimes coalesced.

At a time when the global financial crisis has revived the debate over free trade and protection, it could be argued that the relationship between Australia and Britain was characterised as much by interdependence as by dependence. Lee extends our knowledge of Bruce's project to build the empire into an integrated economic system. He outlines how at the 1923 Imperial Conference, Bruce argued for self-sufficiency as a form of common agricultural policy, whereby the shortfalls in domestic British agricultural production would be met by the dominions which would have preference over non-empire exporters.

In return, on the one hand, some British manufacturers enjoyed preferential tariffs over non-British foreign manufacturers in the Australian market, but only to the extent that this did not prevent the development of a domestic industrial base. On the other hand, tariffs were used to increase the market share of Australian manufacturers and induced British companies to resort to local production and assembly. However, as statistical analysis has shown, ideas of British imperial superiority and Australian colonial inferiority, of British cultural affinity and sentiment did not influence Australian companies and consumers to purchase British products over non-British ones which were similar in quality and price.

Through the ebbs and flows of conflict and compromise over tariffs within the structural constraints of unfavourable terms of trade between primary commodities and manufactured goods, which are given lesser

rather than greater attention by Lee, Australia remained an exporter of primary commodities to, and, an importer of manufactured goods from, Britain. To what extent did the unfavourable terms of trade and the fluctuations in the current account, which resulted in disequilibria between Australian deficits and British surpluses, reflect unequal exchanges by means of prices? At one level, while domestic industrialisation was expected to counteract some of the effects of the movement in the terms of trade between Australia and Britain, given that some primary commodities and manufactured goods may have been undervalued and others overvalued, Lee's biography implies that there needs to be additional research on the components of trade between Australia and Britain. At another level, labour productivity, real wages and living standards tended to converge between Australia and Britain, so that the prices at which a range of primary commodities and manufactured goods were exchanged in different periods may have reflected accurately the value of the socially necessary and surplus labour-time embodied in them.

Furthermore, in the light of the recent resurgence in nationalist and populist anxieties over foreign ownership in agriculture and mining, it is worth elaborating on Lee's discussion of how Bruce was seen as Australian in Britain, but when he extolled the merits of British investment his Australian critics claimed that he colluded with British exploitation of "Australia" or of the "Australian people". The extraction of surplus-value and its distribution between capitalists through commodity circulation and monetary exchange operated domestically and internationally irrespective of whether capital was Australian-owned or British-owned. However, the proponents of the exploitation thesis have suggested that the benefits of British investment were unidirectional as a result of the repatriation of profits, and, more specifically, as a consequence of the flow of capital from Australia to service the foreign debt, on the assumption that Australia was somehow entitled to interest-free loans and should have been released from the obligation to repay principal.

By any count, the arithmetic of costs and benefits for Australia should start with a consideration of the rates of return on British investment, even though this does not come within Lee's frame of reference. While Australia was an outlet for surplus capital that accumulated in London, despite fluctuations in relative rates of return on British domestic and overseas investment in different periods, the overall rates of return on

investment in the empire were about the same as those in Britain, but lower than those in some non-empire markets in Europe and the United States. Moreover, there is no clear evidence that rates of return on British investment in Australia were higher than the rates of return on comparable Australian investment in Australia. A more specific explanation of the effects of, and, the motives for, capital export to Australia requires a disaggregation of British industries, regions and social groups during long swings when rates of return varied between British domestic and overseas investment.

So, why did British investors send their capital to Australia? One answer is that capital export tended to surge in response to cyclical downturns in Britain and that Australian bonds were favoured because they provided stable income streams, rather than high rates of return, especially from railways and other infrastructure. From an Australian perspective, while some British investors profited and others lost money on speculative booms in Australian urban real estate, agricultural land development and mining ventures, as Bruce observed, the Commonwealth and the States were able to borrow in London with a minor premium for risk, even though they no longer resorted to British government guarantees, because British financiers, underwriters and investors believed there was almost no danger of default.

Obviously, while a discussion of Lee's biography cannot validate nor refute the exploitation thesis, another way of approaching the question of whether Australia was disadvantaged by reliance on Britain as a source of capital for private and public investment, including under the Bruce-Page government, is through the consideration of political decisions which had broad economic ramifications. At this point, comparative perspectives on Australia, Canada, South Africa and New Zealand as British dominions in works such as James Belic's magisterial *Replenishing the Earth* (2009) and in the econometric essays of David Greasley and Les Oxley are relevant. Greasley and Oxley have applied time series analysis from the 1870s to the 1960s and have indicated that movements in growth and incomes were transmitted between the Australian and British economies and led to a long-term convergence. Although it is difficult to weigh in the balance short-term and long-term impacts, Greasley and Oxley have suggested that in 1925 when Bruce took relatively autonomous action to coordinate Australia's return to the gold standard with Britain's decision to do so, he hoped that this would open the way to further loans in London and ease a cyclical contraction

in domestic investment. Instead, in order to preserve Britain's gold reserves, to defend the value of sterling and to ensure the availability of capital to British firms that catered for export markets, the Bank of England and the British Treasury imposed restrictions on borrowing by Australia.

Several steps removed, the economic downturn in 1925 led to Bruce's unsuccessful attempt to defeat workplace organization and industrial action by maritime unions. Bruce returned to labour market issues in 1929 when he introduced legislation to diminish union power, to enhance workplace discipline and to prevent centralised across-the-board wage increases as part of a plan to improve productivity. Lee documents how Bruce proposed to do this through the Maritime Industries Bill, which placed workers under a new type of industrial tribunal, established not under the conciliation and arbitration power of the constitution but under the interstate and foreign commerce power. More importantly, the bill foreshadowed the repeal of the Commonwealth Conciliation and Arbitration Act, so that industrial relations would be left to the States. When the bill was rejected in the House of Representatives, Bruce took the matter to an election in which he lost his seat and his government was defeated, an outcome that anticipated the fate of Prime Minister John Howard and his government's *Work Choices*.

Why has so much of the discussion around Lee's biography singled out Bruce's responses to the problems caused by foreign loans and national indebtedness? It seems that Lee's narrative has been drawn into the same sort of historical reflections that have appeared in the commentaries of professional economists, financial journalists and anti-capitalist protesters whom have debated the causes of the global financial crisis and the economic instruments and policy options available to governments. As Lee shows, in a not dissimilar way, Bruce was exercised by monetary stability mechanisms and by the management of public and private debt in what became "Bankrupt" states.

Once again, the nature and extent of Australian dependence was not obvious or settled. Lee refers to how the Bruce-Page government's formation of the Loan Council in 1924 consolidated the national debt and enhanced the bargaining power of Australian governments, both in relation to the London capital market and in relation to the Australian-owned trading banks. What Lee considers nation-building expenditures on roads, bridges, railways, sewerage, water works, docks and harbours,

which were funded largely from the London capital market both before and during the Bruce-Page government, reduced the overhead expenditures of rural industries, as well as those of commercial, manufacturing and mining companies, whether Australian-owned or British-owned. This was because services and infrastructure were provided to these industries and companies at less than their full cost.

While one year followed another, between 1919-20 and 1928-29, when the percentage of export income devoted to interest obligations increased from 16 per cent to 28 per cent, the Bank of England, the British Treasury and eventually Bruce himself, tried to restrict what they considered unsustainable borrowing. As the depression deepened, Bruce grasped the implications of interest payments on this scale after the collapse in commodity prices, the sharp decline in export income and the erosion of the sterling balances.

Despite the size of the foreign debt in the hands of British bondholders, Sir Otto Niemeyer, who visited Australia on behalf of the Bank of England, was unable to exercise much influence on the revenues and expenditures of Commonwealth and State budgets. For his part, in London, Bruce negotiated a compromise between British and Australian priorities whereby loans valued at more than £ 80 000 000 were gradually converted to lower rates of interest over two years. On the one side, the Bank of England, the British Treasury and the underwriters wanted the volume and timing of the conversions to be consistent with what the market would bear and worried about the consequences of a failed conversion for Australia's credit rating. On the other side, the Loan Council wanted to convert as much debt as quickly as possible to relieve budgetary pressure and to counter the criticism that the Australian people were bearing the costs of the depression while the British bondholders were not making any sacrifices.

Soon enough, issues around rearmament and imperial defence came to the fore. On a per capita basis, Australia spent less than half the amount spent by Britain on imperial defence. This meant that the Australian government minimised military expenditure and that more capital was available for productive investment in Australia. However, as Lee points out, during the Second World War, when he was High Commissioner to Britain, Bruce was not distracted by pro-imperial loyalty when he anticipated views attributed to Labor Party Prime Minister John Curtin

on the need to align Australia's defence with the United States rather than with Britain.

In terms of war finance, despite the reservations of the Bank of England and the British Treasury, in return for direct military support for Britain in Europe and the Middle East, Bruce secured agreements whereby Britain purchased all of Australia's wool and wheat and guaranteed, among other things, to maintain Australia's sterling balances in London at a surplus of £50 000 000. Public fixed-interest payments to foreign lenders fell by two-thirds between 1938-39 and 1945-46, Australia became a net creditor to Britain and the majority of Australia's public debt was held in Australia. All in all, the extent to which different classes, social strata and business groups in Australia and Britain were advantaged or disadvantaged by state-to-state imperial relations remains an open question.

Patrick Troy

**Accommodating Australians: Commonwealth
Government Involvement in Housing**

The Federation Press, Sydney, 2011, pp. 320, \$59.95

Reviewed by Frank Stilwell

Patrick Troy is a senior figure in Australian studies. For more than three decades he was a Fellow and then Director of the ANU's Urban Research Program, which was the nation's most important centre for research in this field and a seedbed for many of its researchers. He was also deputy head of the Whitlam Government's Department of Urban and Regional Development (DURD). His own writing has ranged over an array of urban problems and policy issues, usually with a strong emphasis on social equity and always concerned with understanding the historical dimension of how urban problems and policies have developed. Here he turns his personal experience, research skills and critical gaze on a central issue in Australian political economy – the seemingly perpetual and unresolved problem of providing adequate and affordable housing.