

F.L. McDougall: Éminence Grise of Australian Economic Diplomacy

by

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Abstract

This paper examines the principal economic ideas of F.L. McDougall, a largely forgotten sometime government official and ‘amateur’ economist who exercised an enigmatic influence upon Australia’s economic diplomacy in the inter-war years. Beginning with his conception of ‘sheltered markets’, the international manifestation of the Bruce Government’s vision for Australia of ‘men, money and markets’, the paper will explore McDougall’s later advocacy of a ‘nutrition approach’ to world agriculture and its extension into ‘economic appeasement’. McDougall’s ideas were theoretically unsophisticated, and realised little in the way of immediate achievements. In the longer run they could be viewed more favourably. Naïve perhaps and idealistic certainly, McDougall’s ideas were part of a broader movement that, after the Second World War, redefined the role of international economic institutions. If nothing else, McDougall’s active proselytising of his ideas lent Australia an unusual ‘voice’ in international forums at a time when it was scarcely heard.

INTRODUCTION

Rated by Hudson (1980, p.7) as ‘perhaps the most under-estimated man in twentieth-century Australian history’, Frank McDougall was (formally) merely a lobbyist on behalf of the Australian Government and certain agricultural interests in London in the inter-war years. Less formally, he was a more influential figure. The representative ‘face’ of Australia in imperial and international forums, McDougall was also the author of many of the positions Australia adopted to these forums and, in company with his patron and collaborator, the former Prime Minister and then High Commissioner in London, S.M. Bruce, the initiator of a great deal of *what passed* for Australia’s economic diplomacy during these years.¹

McDougall had two big ideas, linked through his perception of ‘progressive’ economic and social policy, but separated by time and his changing perceptions of the world around him.

The first of these was an Australian variation of the attempts to further ‘imperial economic integration’ amongst the countries constituting the British Empire. McDougall’s version of the idea, which he labeled ‘sheltered markets’, emerged at a time when once more ‘progressive’ opinion in the United Kingdom had lost faith in market outcomes, generally in favour of some broadly-defined ‘planning’. This planning was essentially corporatist in nature and was strongly informed by the demonstrative power of the United States - whose economies of scale was used by McDougall and others in the 1920s as an example of what the members of the Empire could likewise do if only they were to act together.

McDougall’s second idea which, like the first, was a mixture of idealism and a prescription consistent with Australia’s economic interests, concerned a programme of international economic and social initiatives broadly known as the ‘nutrition approach’. The nutrition approach was propagated as a means by which to restore world agricultural production on the basis of comparative advantage. It was not, however, an exhortation of the benefits of free trade, but of the implications of the newly emerging ‘science’ of nutrition, which divided food groups into those whose production was best sourced locally, and the great staples whose production was best sourced through trade. By promoting both local production and the *trade* in foodstuffs, the nutrition approach was designed to solve that most pernicious anomaly of the Great Depression - the coexistence of ‘overproduction’ of foodstuffs together with the malnourishment of much of the world’s population. Later broadened by McDougall into a campaign for ‘economic appeasement’, the nutrition approach was adopted by a League of Nations searching for legitimacy, by ‘progressive’

movements generally and, in limited ways, by governments during and after the Second World War.

SHELTERED MARKETS

Like many of those whose ideas were to shape Australian economic thought, McDougall was not born in Australia, but in London in 1884.² In 1907 McDougall left England for Australia, whereupon he took up fruit farming in Renmark. Following the First World War he became highly active in industry affairs. Elected to the Federal Council of the Australian Dried Fruit Association, McDougall became convinced that the future of the industry depended upon its ability to gain preferential access to the British market.

In 1922 McDougall was selected to be part of a delegation (part financed by the Commonwealth Government) to lobby for tariff preferences in the United Kingdom. But while tariffs were common in Australia, they were anathema to the political mainstream in Britain. The issue had been a highly politicised one since the defeat of Joseph Chamberlain's campaign to create imperial unity through tariffs and preferences in 1906, and it was to cost the Conservative Party office again at an election fought on the same issue in 1923. Nevertheless, despite the sensitive nature of the undertaking, Bruce (then Commonwealth Treasurer) agreed with McDougall that the future viability of much of Australia's agricultural sector depended on tariff preferences, and he instructed McDougall prior to his departure that 'the main duty of the delegation was to prepare the ground for further preference proposals by the Commonwealth Government'.³

McDougall found considerable success as a lobbyist and quickly established a comprehensive network of influence across the spectrum of British politics, the press, and the representative bodies of industry and organised labour. His conception of an 'imperial' economic policy too was evolving. In *Sheltered Markets: A Study in the Value of Empire Trade* published in 1925, he set out the economics behind (now Prime Minister) Bruce's attempts to source Australia's perceived need for 'men, money and markets' within the context of an imperial division of labour.⁴ 'Men', in *Sheltered Markets* simply referred to British emigration to the 'Dominions', but the other two components of the triumvirate were more complex. To secure 'markets', for example, McDougall advocated not only tariff preferences but also the wholesale reorganisation of the trade in food and raw materials via 'import and export control boards' (McDougall 1925, p.11). These would strongly favour empire producers, to the extent of creating 'semi-domestic' markets which, in turn, would provide British manufacturers with markets large enough to take advantage of the 'methods of mass production' which had so favoured the United States. 'Markets' also meant spending by the British Government on improving the

living standards of indigenous peoples in what McDougall referred to as the 'non self-governing' territories - large purchasers of British goods and by whose improvement in living standards and increased purchasing power, 'immense reserves of prosperity would be made available to the whole Empire' (McDougall 1925, p.115).

The provision of 'money' was similarly couched in expansionist terms in *Sheltered Markets*, with McDougall advocating that the British and Dominion governments not only provide capital themselves for projects of 'Empire development', but also encourage the flow of private capital. The projects he had in mind were enormous too - including, for Australia, the construction of rail lines linking all ends of the continent and large-scale irrigation schemes with the aim of establishing intensive settlement.

McDougall's advocacy of his imperial model continued throughout the 1920s, an advocacy given increased institutional support by his appointment to the Empire Marketing Board – a body funded by the British Government to secure 'voluntary' imperial preference through advertising.⁵ He was also to increasingly align himself with sections of the British Labour Party and with the 'left wing' of the Conservative Party. This alignment was consistent with his inclinations, but it was also strategic. The left, he wrote, could 'preach "Empire" in their own way and in their own words without being branded as reactionary imperialists'.⁶ By contrast, McDougall had comparatively little to do with the Empire schemes of British industrialists. The most prominent of these, the 'Empire Free Trade' campaign of Lord Beaverbrook, McDougall judged to be 'hopeless', though he did contribute a number of articles to Beaverbrook's newspapers.⁷

McDougall had been careful throughout to cultivate Neville Chamberlain, the son of the original tariff reformer and an imperial idealist whom McDougall found to be the most 'realistic' and most likely to achieve practical results.⁸ In the end this was precisely how it turned out, and it was Chamberlain who, in February 1932 as Chancellor of the Exchequer, announced the introduction of the Import Duties Bill with its 10 percent *ad valorem* tariff (Garside 1998, p.62). Significantly for the imperial cause, Chamberlain's announcement included the provision for the negotiation of imperial preferences - to be bargained at the upcoming Imperial Economic Conference in Ottawa.⁹

DISILLUSIONMENT WITH THE IMPERIAL MODEL

The imperial model was a persistent one and, on its own terms, made *some* sense. Attacked in the contemporary economics literature on the basis of its offences to the case for free trade, it nevertheless was consistent with alternative traditions (English dissenters in the manner of the German 'Historical School' notably) which rejected calculating 'national' economic

welfare as the sum of utilities enjoyed by individuals, in favour of an approach which assumed some 'public preference' - in this case, imperial unity.¹⁰ Of course, the proponents of the imperial idea tended to hold very different assumptions about the world too which, in contrast to the Ricardo-Marshall tradition, included the existence of persistent unemployment, a barely functioning gold standard, barriers to trade elsewhere and the inviting prospect of scale economies. In contrast to Ricardo-Marshall both capital *and* labour were recognised as being mobile, but there was nothing in their movement in the absence of intervention which would maximise the output possibilities of the Empire.

According to Drummond (1974, p.127), the campaign for imperial economic integration was also a 'proto-Keynesian' doctrine which recognised what it could not articulate theoretically - that 'more borrowing and more real investment would generate higher prosperity, employment and income' within the Empire.¹¹ While care must be taken with this assessment - the pursuit of anticipators of Keynes having become an industry - there was *some* truth in it. Explicit in the writings of McDougall and other Empire idealists was a belief that if the old liberal market order was inconsistent with their central objective (imperial economic unity), it was also no longer the vehicle to provide for a dynamic or prosperous economy. It was deficient aggregate demand which was the cause of the persistent unemployment since the war, and an expansion in demand was the only socially acceptable way to bring about new investment and new jobs. What distinguished the plans of empire idealists from other groups that recognised the centrality of aggregate demand was that they took into account the external constraints against expansionary policies. Britain's persistent weakness in its external accounts, the accumulation of war debt and the related issue of moving to (and maintaining) the gold standard at its pre-war parity were problems which, together with unemployment, were to dominate policy-making throughout the inter-war period.

Yet, if a possible conclusion from the above is that the imperial model was not the theoretical nonsense which has sometimes been portrayed, it did not necessarily follow that it was also right. Hancock (1940, p.103) asserted that, despite its 'impressive logic', the imperial model was built upon significant assumptions with 'no sure foundation in historical reality'. The first of these, that the 'distinct self-governing communities of the Empire' had the will to return to a situation in which national economic policy was subordinate to the imperial whole, was an idea which ran counter to the trend of historical development. There did not exist in the 1920s an *economic unit* that was the British Empire. Dominion governments, and indeed the government of the United Kingdom, did not distinguish between 'Empire' and 'international' trade and commerce. Individual enterprises and governments cared that their production was sold, to whom didn't really matter (Hancock 1940, p.205). Making further lie to the claim for the existence of an *imperial* economic unit

was the fact that, if the imperial centre was removed, there was almost no trade between the other constituent parts. The British Empire was, in an economic sense, nothing more than a series of bilateral relationships between the United Kingdom and its existing and former colonies (Hancock 1940, p.207, Holland 1981, pp.23-39).

These short-comings of the imperial model became apparent to McDougall at the moment of its apparent triumph at Ottawa. At Ottawa, imperial preferences became policy in the United Kingdom, the shape of which owed something to the bargaining skills of McDougall and Bruce (Resident Minister in London from 1932 following his electoral defeat in 1929, and High Commissioner from 1933).¹² The Ottawa agreements did not, however, live up to the expectations of those who had seen in imperial preferences both a device allowing for an expansion of trade and a regime for channeling it along the lines of empire development. Rather than an expansionist framework, the Ottawa agreements granted preferences only by the imposition of higher barriers against outsiders - significantly, on the side of the United Kingdom, introducing tariffs, quotas and other barriers on many goods for the first time. In the end Ottawa did nothing for the psychology of imperial unity either, being little more than a series of acrimonious bilateral bargaining sessions between the Dominions and an increasingly bitter United Kingdom.¹³

THE 'NUTRITION APPROACH'

From 1933 McDougall (and Bruce) came to believe that Australia's best hope for recovery lay in 'resolute and determined efforts to secure a revival of *world trade*...through an expansion in individual demand' (emphasis added, Australia, Parliament 1933, p.14). This belief they took to the World Economic Conference, convened that year by the League of Nations to 'decide upon measures necessary to solve the economic and financial difficulties which are responsible for, and may prolong, the present world crises' (Australia, Parliament 1933, p.1). Leading Australia's delegation was Bruce who, advised by McDougall, the Secretary of the Treasury, Harry Sheehan and by two of Australia's most prominent economists, L.G. Melville and D.B. Copland, contended that the central objective was to increase the general level of commodity prices via the enlargement of global purchasing power.

Following the lead of the British delegation, the Conference resolved on the need to increase prices but favoured the restriction of production as the means by which to bring this about. To such a policy Bruce declared that Australia was in 'profound disagreement'.¹⁴ Australia would 'never consent to such a policy of despair' which would, in any case, make it very difficult for the country to meet its external obligations.¹⁵ In the end, however, the World Economic Conference mattered little. The decision of the United States to

unilaterally devalue the dollar rendered it moribund and it adjourned soon after, never to meet again.

In later years Bruce was to claim that it was after the failure of the World Economic Conference that his and McDougall's attention swung to the idea of nutrition.¹⁶ According to Bruce, following the failure of the Conference he met with McDougall and Sir John Boyd Orr in order to arrive at a new way in which to approach questions of trade and international economic policy. Recognised as a world expert on nutrition, Orr's enthusiasm for his subject had greatly affected McDougall, who told Bruce in 1927 that he 'knew of nobody in the scientific world who has so clear a grasp of the economic objectives'.¹⁷ In 1934 Orr was conducting research into the links between poverty and malnutrition. His findings, that half the British population had an income insufficient for basic nutrition was, when published in 1936 in his book, *Food, Health and Income*, to give the issue an extraordinarily high profile.¹⁸

This small group concluded that to approach the ills of the world economy via proposals to lower trade barriers, restrict production or stabilise exchange rates, as the World Economic Conference had sought to do, was to confuse the means of economic policy with its ends. Rising living standards, good nutrition and high levels of employment were the ends of economic policy and the issues which appealed to the 'average man and woman'. In the absence of clearly enunciated policy ends, proposals for freer trade or stable exchange rates were unlikely to survive the assault of the special interest groups. In a memorandum written in 1934 which brought the group's ideas together (and from which all of the following is cited), McDougall argued that 'a wholly new approach was required if governments were to find themselves with sufficient popular support to really undertake sensible economic policies'.¹⁹

Entitled *The Agricultural and the Health Problems*, McDougall's memorandum was based on an idea then emerging in the science of nutrition that food could be divided into two groups, 'energy' foods (traditionally the largest component of the diet, primarily cereal based products and normally traded in large volumes) and 'protective' foods (thought then to be especially essential in warding off disease). The protective foods included fresh fruit and vegetables, eggs, meat and dairy products, which tended not to be traded in large volume.

Citing recent League of Nations research in the memorandum, McDougall argued that much of the world's population was malnourished. For countries in Europe and North America this did not necessarily imply that large numbers of people were starving, but it did mean that they maintained diets with insufficient quantities of protective foods. The cause of the imbalance according to McDougall was the high price of protective foods which, together

with their relatively high elasticity of demand, meant that their consumption occupied only a small part of the diet of the poorer members of society.

McDougall contended that the most important reason for the high price of food (in a world of otherwise deflating commodity prices) was agricultural protectionism. Since the end of the war (and especially since the Depression), restrictions on agricultural imports had become increasingly severe in most industrial countries. Agricultural protectionism meant that nutrition would be adversely effected, moreover, regardless of the specific foodstuff subject to restriction. A tariff on wheat would not reduce its consumption greatly since, as the principal source of calories for much of the population, its consumption was relatively price inelastic. Because it occupied such a large proportion of the average food budget, however, an increase in the price of wheat would result in a considerable reduction in consumers' real income, leaving less money available for other foodstuffs. Since protective foods tended to be both highly priced and highly price elastic, it was the consumption of these foods, important though they were for good nutrition, which would fall.

There was, of course, a paradox in all of this. Side by side with poor nutrition were ever growing surpluses of agricultural products. Restrictive trade policies ensured that domestic producers received higher prices than those prevailing in world markets, thus stimulating production and shielding inefficient methods. Effectively subsidised by the consumer, a number of normally food-importing countries in Europe had become almost self-sufficient. While 'almost every country...is familiar with the situation of supplies in excess of available demand', it was not, according to McDougall, an excess supply judged by the nutritional needs of the world, but merely by a lack of purchasing power.

But the harm done by agricultural protection was not limited to the consumer in the industrial countries. The restriction of trade in agricultural products reduced the income of the food exporting countries both through the reduction in the quantity of their exports and because of the depressive impact of protectionism on commodity prices. This lowered not only their living standards directly, but also their ability to purchase the manufactures of industrial Europe.

Reducing the *retail* price of food, therefore, was the most important single measure by which better nutrition could be secured. It was also, according to McDougall, the means to a solution of the crisis in world agriculture. Cheapening the price of food required a reorientation of agricultural production on the basis of comparative advantage. European agriculture, based on small holdings, high value land, high labour costs and short growing seasons, was 'better suited to mixed farming embracing mainly animal husbandry and small crops' than to the large scale cereal cultivation that it was presently attempting to emulate. Such farming was, in short, best suited to the production of the protective foods.

The production of protective foods in the industrial countries would, under a 'nutrition approach' to agriculture, displace the production of energy foods and re-open the channels of trade in such commodities. The mostly food exporting countries, as the cheapest and most efficient producers of energy foods, stood not only to regain this trade but also the increased trade which would flow from the *increased* consumption of these foods. No less real were the benefits accruing to the industrial countries from a reorientation of agriculture, where increased demand for food imports would likely be more than offset by 'the beneficial effects upon their industrial exports'.

Giving McDougall's memorandum a further radical flavour were two other measures designed to improve the ability of the 'poorer classes' to obtain the foods necessary for good health. The first of these was simply a demand for a redistribution of wealth and income. In this first memorandum McDougall did not elaborate on what this might mean, other than it would include higher taxation and a vague reference to 'measures to increase the proportion of the profits of industry paid to employees'. McDougall thought that with the election of Roosevelt and his championing of 'the cause of social justice', government action to secure a more equitable distribution of wealth were likely to meet less resistance than it previously would.

The second measure designed to improve access to basic foodstuffs was a favourite of McDougall's - indeed, it was one which was a standby for 'progressive' opinion generally in the inter-war years - the exhortation for 'efficiency' in distribution.²⁰ McDougall pointed to the 'large profits' made by the 'great distributing and processing firms' during even the worst years of the Depression as evidence of exploitation or at least inefficiency, and suggested that perhaps the time had come that such activities were made the preserve of public utilities. He also proposed the creation of 'cash and carry' food markets in industrial areas as a counter to the rent-yielding 'credit and delivery systems' of retailers.²¹

Propagating the 'Nutrition Approach'

After unsuccessfully attempting to enlist the support of the British Government in promoting the nutrition approach, McDougall and Bruce took up the propagation of the idea themselves. Their first success came in June 1935 when they persuaded Australia's delegate to the annual conference of the ILO, Sir Frederick Stewart, to move that the ILO investigate the question of workers' nutrition and whether measures designed to improve it could also 'raise standards of life and reduce the depression in agriculture'. Stewart's resolution was adopted unanimously and in 1936 the ILO published the results of its inquiries in *Workers Nutrition and Social Policy*.²²

It was, however, the League of Nations which was the focus of McDougall and Bruce's efforts. By 1935 both had become increasingly involved in the work of the League and increasingly convinced of its worth as a vehicle for advancing *economic and social goals*. Australia's chief delegate to the Assembly since 1932, Bruce was appointed to a seat on the League Council in 1933, became its rapporteur on financial and economic questions in 1934 and became President of the Assembly in 1936. McDougall had been Australia's delegate to the League's Economic Section since 1927 as well as Australia's substitute delegate to the Assembly.

Bruce and McDougall remained reluctant, however, to be seen as the initiators of the nutrition approach, lest Australia 'be accused of putting forward a rather cunning device to get rid of our wretched surplus product'.²³ With this in mind, Bruce again approached the United Kingdom and, after having his own entreaties rejected once more, convinced Australian Prime Minister Joseph Lyons to approach the British Government on the same. This also having failed, Bruce 'hawked it to every government I could think of'. Bruce tried France and then Italy, 'none of them could see it and none would touch it. They thought our heads were in the clouds...So, very regretfully, we decided that I had to take the plunge'.²⁴

Bruce launched the nutrition approach at the League's annual Assembly at a time of increasing tensions in international affairs.²⁵ Notwithstanding this, indeed, perhaps because of it, the launch was extremely successful. Discussion on the idea continued for three days, suspending normal business, and in the end the Assembly produced a set of resolutions identical to the draft written by McDougall and presented by Bruce. The Assembly also appointed a 'Mixed Committee' of agricultural, economic and health experts to take the issue further. McDougall represented Australia on the Committee and became its driving force. The Mixed Committee's final report was presented to the Assembly in 1938 and published the same year. Largely written by McDougall and a faithful representation of his ideas, the *Final Report of the Mixed Committee of the League of Nations on the Relation of Nutrition, Agriculture and Economic Policy* became the League's largest selling publication ever. The Report was also critically well reviewed, the *New York Times* calling it 'by all odds the most important book published in the year'.²⁶ Alexander Loveday, the Director of the Economic and Financial Section of the League thought, somewhat rhetorically, that its implications were profound indeed:

The nutrition campaign seems to me to be of paramount importance not only on account of its immediate object...but on account of the influence it is likely to have on our whole economic outlook. Ever since the time of Adam Smith economic thought has centered around the art of production or the conditions of citizens as producers. The nutrition movement reflects the first serious

endeavour, certainly on an international scale, to consider the economics not of production but of consumption.²⁷

Comment:

The Mixed Committee Report recommended the establishment of *national* nutrition committees, through which most of the practical steps in improving nutrition could be undertaken and which would be co-ordinated by the League. By 1938 over 30 of these had been established including, following Bruce and McDougall's lobbying of Lyons, Australia. These were effective, though perhaps not in ways their original promoters might have envisaged. Used as the basis of the administrative machinery of rationing in a number of countries during the Second World War, in the United Kingdom the successor to its nutrition committee presided over a regime in which nutritional standards were 'maintained, and perhaps even improved' during the course of the conflict. To the adherents of the nutrition approach this was not a surprise since, of all the devices available, rationing represented the most complete means of directing consumption (and pegging prices) according to nutritional needs rather than according to income (Hammond 1951, pp.218-230).²⁸

*Economic Appeasement*²⁹

Following the success at the League, McDougall sought to expand the nutrition approach after 1936 into a broader campaign for improving living standards generally. Intrinsically worthwhile, these measures were also considered as being essential to address the economic ills which McDougall was certain lay beneath the world's increasing political tensions. This campaign, which McDougall most often referred to as 'economic appeasement', followed his by now usual pattern of personal advocacy and the placement of memoranda with prominent individuals and organisations. He eventually produced countless of these, their tempo and sense of urgency increasing as the decade wore on.³⁰

Of course, the idea that economic considerations were a force in determining war and peace was not an unusual one, especially not amongst writers identifying underconsumption as the cause of the global Depression. A set of ideas that were very much part of public discourse in the 1930s, McDougall's writings were redolent with the *lingua franca* of underconsumptionist thought. At its most basic the idea that consumption expenditure was insufficient to absorb the total output of an economy at prices consistent with normal profits, underconsumptionist thought had been around for centuries but it had re-emerged with particular vigour with the 'new wave of business cycle studies' which had grown out of the Depression (Lee 1989, p.133).³¹

Underconsumptionist had been famously linked to war in Hobson's *Imperialism: A Study*, first published in 1902. McDougall eschewed linking his ideas with any particular economic theory, but that he *self-consciously* identified them as being consistent with the underconsumptionist tradition was apparent in a memorandum he penned in 1938. This memorandum, *Note on Consumption Policies in Relation to the Trade Cycle*, drew heavily upon

Chapters 22 and 23 of Keynes' *General Theory* - the chapters in which Keynes paid tribute to underconsumptionist thought as one of a number of precursors to his own departure from the 'classical' mainstream.

As with the nutrition approach, the League featured strongly in McDougall's attempts to 'sell' economic appeasement, establishing (following McDougall's presentation of the idea to the League's Economic Committee) an ad-hoc committee to investigate the issue.³² McDougall's ideas were also championed by sections of the British Foreign Office who used them in a number of unofficial approaches to Germany.³³ The Australian Government was in favour of appeasement in its political aspect throughout the 1930s, but McDougall succeeded in having Prime Minister Lyons read a speech he had written favouring its economic variety before the 1937 Imperial Conference.³⁴ Curiously, Neville Chamberlain, with whom the word appeasement is inextricably linked, did not favour *economic* appeasement, declaring in 1938 that he disagreed 'with those who think you can solve political difficulties by removing economic thorns from the flesh. Politics in international affairs govern actions at the expense of economics, and often of reason'.³⁵

McDougall and Bruce yielded some influence on the issue of economic appeasement, and their efforts were identified by the British Foreign Office as ranking alongside those of the American Secretary of State, Cordell Hull, who sought similar ends by way of the bilateral trade treaties. The Royal Institute for International Affairs came to a similar conclusion in 1938, noting that by then the idea 'became almost commonplace in ...economic and political discussions' (Fisher 1938, p.56).

THE FOOD AND AGRICULTURE ORGANISATION

In 1941 McDougall was appointed to represent Australia in negotiations for an international wheat agreement in the United States, giving him the opportunity to present his ideas to a new audience in a country little touched by the international initiatives of the inter-war years. Pitching his ideas initially to the Department of Agriculture, they soon found favour in the State Department - and especially from two fast-rising under-secretaries, Dean Acheson and Sumner Welles. They also attracted the attention of the United States' Surgeon-General and the Vice-President, Henry A. Wallace. Something of an amateur economist himself, Wallace was to champion McDougall's ideas for the remainder of the war.³⁶

The most important of Wallace's contributions to McDougall's cause was to introduce him to Eleanor Roosevelt. Unusually active in such a role in economic and social affairs, Eleanor Roosevelt became enamoured of the nutrition approach and invited McDougall to the White House to put his ideas directly to the President. According to McDougall's own account the meeting

was a very successful one. Goaded Roosevelt to put substance into the 'freedom from want' objective of the Atlantic Charter by naming nutrition as the first issue for international discussion of post-war reconstruction, McDougall recorded that the President 'expressed considerable interest' in the idea.³⁷ Some months later Roosevelt issued invitations to all members of the 'United Nations' to a conference to discuss 'post-war plans and prospects for the production and trade in foodstuffs – particularly in the light of possibilities of progressively improving in each country the levels of consumption within the framework of an expansion of its general economic activity'.³⁸ From this conference, which McDougall would participate in officially as a representative of Australia, would emerge the first autonomous body of the United Nations – the Food and Agriculture Organisation (FAO).

The extent to which McDougall's advocacy brought about the Hot Springs conference on food and agriculture and, subsequently, the creation of the FAO, cannot be answered in any definitive way. Certainly his role is celebrated as a defining one within the FAO itself. In official FAO publications McDougall, Bruce and Orr are venerated as 'the men from Geneva' who established the pre-war sentiment out of which the FAO was born.³⁹ McDougall's performance at Hot Springs itself is likewise celebrated as formative. Decision making in the Roosevelt Administration, however, torn as it so often was by competing factions, was a most imprecise art.⁴⁰ Food and agriculture was also perhaps least controversial amongst the issues of post-war reconstruction, and therefore a likely issue for first negotiations anyway. Equally though, McDougall's efforts were important in bringing such ideas to the attention of influential individuals and institutions, from whence they could be chosen to kick things off. The Roosevelt Administration's cultivation of McDougall continued throughout the war, and he was appointed as an advisor to the American delegation for the Hot Springs conference. Following the conference the Administration requested the Australian Government release McDougall in order that he be appointed to the Interim Commission of the FAO. By far the leading light on the Commission, McDougall was to remain with the FAO for the remainder of his life.⁴¹

INFLUENCE AND ACHIEVEMENTS?

Arndt (1944, p.244) noted that following the failure of the World Economic Conference, attempts to repair the workings of the world economy fell into three categories. Firstly, there were the efforts of the United States to secure liberal economic internationalism via the pursuit of bilateral trade treaties. Secondly, there were the attempts by the League of Nations to secure the same through 'a new approach to economic problems in the subordination of

economic policy to social objectives'. Finally, there were the attempts to secure peace through economic appeasement.

It was an extraordinary thing that two of the three campaigns listed by Arndt were identified with Australia. A country of insubstantial diplomatic and economic weight in the period, Australia was identified with these not because of the actions of its government fighting beyond its weight, but because of the efforts of McDougall noted above.

Explaining precisely why McDougall was so successful in the *propagation* (if not the implementation) of his ideas is a none too easy task. One answer, by no means likely to be the least accurate but by all means most difficult to establish, would give priority to personal factors - to wit, McDougall's proselytising skills. Such a proposition would be most difficult to sustain in any rigorous way, since it is the nature of such channels of influence that they are often necessarily informal and, importantly for later historians, unwritten. Notwithstanding this, it would also be less historically accurate *not* to note the array of accounts attesting to the remarkable *personal* influence McDougall had upon a great many significant figures of the inter-war years.⁴²

A more conventionally explicable explanation would highlight McDougall's remarkable relationship with Bruce, and the ways in which *his* official position was exploited to the ends sought. The idea that Bruce was a much more influential figure in the counsels of the British Commonwealth in the inter-war years is one of comparative recent origin, and owes much to Edwards (1979 and 1983), who saw Bruce as occupying multiple roles as High Commissioner in London. Firstly, Bruce was the official representative of the Australian Government in London and in this role was the instrument for the presentation of Australia's views on international and Commonwealth affairs. Until 1935 Australia did not even have a separate department for external affairs and had no distinct diplomatic representation outside of Britain until 1940. This meant that through much of the period under examination in this paper, Australia's foreign policy was enacted *through* the United Kingdom. As Australia's representative with the British Government, Bruce's role as High Commissioner gave him enormous scope for the *presentation* of ideas (nominally of the Government he represented) and, importantly, access to officials and the highest political offices in the country.

In his role as the representative of Australia, Bruce was also, *ex officio*, Australia's chief delegate to the League of Nations. This, as has been examined, was heavily used by McDougall and, together with his cultivation of certain sections of the British press, was the vehicle through which his ideas were granted their widest audience. The failure of the League to prevent the Second World War has tended to obscure the popular support it enjoyed in the 1930s and, whatever their private thoughts, political leaders in the United

Kingdom and elsewhere were always careful to couch foreign policy in terms of its consistency with the League's covenant. In 1935 Stanley Baldwin (then British Prime Minister) could still say that supporting the League was to 'hitch your wagon to a star' (Parker 1993, pp.46-47).

Bruce's third role in London called upon the way in which his official position gave him something of a voice in the British political system independent of his specific role as the representative of Australia. This was something shared generally by the Dominion High Commissioners in London, to be exploited more or less at will to gain access to political leaders in Westminster or the bureaucracy in Whitehall. For the High Commissioners the advantages of such a system were obvious, but there were advantages for the British Government too, which had a channel of 'consultation' with the Dominions that short-circuited the complexities of full scale inter-Commonwealth negotiations. This was an opportunity that McDougall made much use of, as demonstrated by the nature of the causes he championed (most no more connected to Australia than any other country) and their initiation independently of the Australian Government (many not even reported back to Canberra until they were well underway).

An important point in assessing the influence of McDougall (through Bruce) according to these roles is that neither Bruce (nor McDougall in his name) made much of an attempt to distinguish between them. Was Bruce, the propagator of memoranda on nutrition and economic appeasement, acting as the representative of his Government, or was he acting as S.M. Bruce, the distinguished former Dominion leader and Privy Councillor with some rather radical views on economics and foreign policy? To the recipients of his advocacy there could not have been an easy answer, even if they had thought to ponder the question.

Successfully establishing a voice for advocacy, however, and having such advocacy implemented as policy were two very different things - and in this context, and in the immediate sense of policy in the 1930s, McDougall's efforts can only be said to have failed. The nutrition approach, particularly, promoted an extraordinary amount of interest. For it to have succeeded along the lines predicted by McDougall, however, it required *fundamental* changes in economic policy, in the role of the state in the economy and in the very structure of economic activity in individual countries. None of this, however, came to pass. There were, indeed, only two instances - a decision by the government of Estonia to reduce the duties on dried fruit, and that of the government of India to reduce duties on dried skim-milk - in which commercial policies were *specifically* adjusted according to nutrition (Fisher 1941, p.14).

Perhaps the least successful and most problematic of McDougall's causes was his advocacy of economic appeasement. As noted below, the call for higher

living standards to be placed at the forefront of economic policy-making was not, in the 1930s, merely a platitude, but equally it could have had little appeal for regimes that deliberately sought the subordination of such ends. On the few occasions that policies consistent with economic appeasement were put to the totalitarian states they were either ignored completely or given lip-service while the real momentum continued elsewhere. The philosophy behind economic appeasement in the end was based on a misunderstanding of the dynamics of totalitarianism which lay not in the domain of economics, but in power.

Notwithstanding its lack of immediate success, most contemporary assessments of the nutrition approach were encouraging with regard to its longer term prospects and the spirit in which it had been propagated. Arndt (1944, p.248), for example, after disclaiming any immediate benefits with regard to commercial policy, declared nonetheless that it ‘provided a valuable corrective to the confusion of thought which tended to turn shibboleths of “finance”, “economic laws”, and “free trade”, balanced budgets or gold standards, into ultimate criteria of economic policy, and pointed to a saner approach to economic problems’. Fisher, who in his annual economic surveys for the Royal Institute of International Affairs was wont to put a greater stress on the reduction of trade barriers than many other contemporary accounts, noted too that it was a ‘damning commentary’ that the nutrition approach sought to emphasise living standards. Such an emphasis *should* have been a truism:

Unfortunately, it was not possible always to assume that this principle could be taken for granted as an obvious platitude, and on that account the argument...was not likely to be rejected (Fisher 1938, pp.64-65).

CONCLUSION

In terms of the immediate objectives he set out to achieve, McDougall’s initiatives in the fields of nutrition and economic appeasement can only be judged to have failed. In this they were no different to all the other attempts at international cooperation in that turbulent period. The urgency of domestic economic, social and political problems tended to blind governments to the possibilities of concerted international action. As the 1930s proceeded and the political situation worsened, countries began to systematically prepare for war. Policies which called for the production of butter instead of guns could hardly have found a less auspicious political environment in which to be advanced.

A longer run perspective would be more charitable to McDougall’s efforts. Conceived during this unfavourable political environment, and pitching sometimes naïve ideas against a generally hostile economic mainstream, they nevertheless contained a range of initiatives that would later be realised at a time when political realities and economic theory were more conducive. In many ways prefacing the efforts of Australian representatives a decade later to

promote 'social justice' in the post-war reconstruction of international institutions, if nothing else McDougall's activities lent Australia 'voice' at an unlikely time and in some unlikely places.

NOTES

¹ The extent to which McDougall influenced Bruce is the subject of some discussion in the works that have dealt with their activities, especially the three biographies of Bruce that have appeared thus far. Gladwyn Jebb, a long-time associate of both McDougall and Bruce, wrote in his own autobiography that 'McDougall was a fascinating and brilliant man who to a great extent used Lord Bruce, ex-Prime Minister of Australia, as a vehicle for his own ideas' (Lord Gladwyn 1972, p.63). Bruce's biographers, Edwards (1965), Stirling (1974) and Cumpston (1989) are in general agreement as to the strength of McDougall's influence. With regard to the issues of concern in this paper, McDougall's primacy is undoubted.

² References to McDougall are mostly confined to works dedicated to the history of Commonwealth relations between the wars, such as Hancock (1940) and Drummond (1974) and to the biographies of Bruce and other works dealing with some aspect of *his* activities; Edwards (1965), Stirling (1974), Cumpston (1989), O'Brien (1987), Edwards (1979 and 1983), Lord Gladwyn (1972), Stirling (1973) and Attard (1994). In 1986 the Australian Department of Foreign Affairs and Trade published (McDougall 1986) the surviving correspondence between McDougall and Bruce between 1924 and 1929, but thus far this resource has been little analysed.

³ 'F.L. McDougall to his brother Norman, 8 February 1923', National Library of Australia (NLA), 'F.L. McDougall Papers', MS 6890, Box1, Folder 1. Biographical details for McDougall have been gleaned from these papers and from the introduction to McDougall (1986) by W.J. Hudson and W.Way.

⁴ 'Men, money and markets' was first articulated by Bruce before the 1923 Imperial Economic Conference from a speech substantially written by McDougall.

⁵ An illuminating discussion of the Empire Marketing Board can be found in the 'introduction' to McDougall (1986), by W.J. Hudson and W.Way.

⁶ McDougall to Bruce, 3 September 1925, in McDougall (1986), pp.84-87.

⁷ Details of McDougall's links with Beaverbrook can be found in 'Notes and Comments, F.L. McDougall, 1925-34', Archives of the Food and Agriculture Organisation of the United Nations (FAO), Frank McDougall Papers, 'Notes and Comments, F.L. McDougall, 1925-43', RG 3.1.

⁸ See, for example, McDougall's account of his meeting with Chamberlain, 'McDougall to Bruce', 25 July 1925, in McDougall (1986), pp.870-871.

⁹ Accounts of the United Kingdom's fateful abandonment of free trade ideology and its embrace of imperial preferences abound, but two of the best accounts are Holland (1981) and Drummond (1974).

¹⁰ The most significant individual in this tradition was W.A.S. Hewins, Alfred Marshall's *bête noir* during the 'tariff reform' debate and the first Director of the London School of Economics. For a most critical contemporary review of the imperial model (including a critique of 'purchasing boards') see Hicks (1931).

¹¹ Drummond (1974) used 'proto-Keynesian' as an expression to convey, with the benefit of hindsight, how the imperial model was one consistent with a growing acceptance of the importance of government in maintaining aggregate demand, rather than as an attempt to suggest that the model contained any of the theoretical insights established by Keynes later. Keynes himself, of course, was in no way associated with the schemes of empire idealists.

¹² The United Kingdom's decision to impose wide-ranging tariffs on a preferential basis was clearly not McDougall's or Bruce's doing. Such a monumental shift in British political economy was the result of incremental shifts that had been underway for a very long time, but brought into sharp focus with the onset of the Depression. Nevertheless, there *is* much to suggest that they did play a pivotal role in *what emerged from the Ottawa Conference*. As noted by O'Brien (1987, p.577), the agreements reached at Ottawa were a triumph of the bargaining strategy employed by the Australian delegation there. Led by Bruce, this uncompromising strategy meant that Australia made very few concessions of its own but came away with what they regarded as most significant ones from the United Kingdom. This was to lead to problems later, with subsequent negotiations coloured by British resentment over what had been won and lost at Ottawa. O'Brien (1987, pp.575-576) highlighted too the impact of McDougall's

advocacy immediately prior to the Conference on what ultimately transpired there. Indeed, he declared that the 'decisive breakthrough' was McDougall's representations to Malcolm McDonald (then Secretary of State for Colonies and Dominions) from which he discovered that the British Cabinet had already decided to establish imperial preferences - but which was not meant to be revealed until *after* Ottawa. As O'Brien (1987, p.576) noted, this left the British negotiators at Ottawa with little room for bargaining - 'and the Australian negotiators were quick to exploit that deficiency'. For more on McDougall's role in preparing the way for what emerged at Ottawa, see also Tsokhas (1990), pp.90-91.

¹³ See, for example, Tsokhas (1989 and 1990).

¹⁴ Australia, Parliament (1933), p.32.

¹⁵ *ibid.*

¹⁶ See, for example, his account in Edwards (1965), pp.414-415.

¹⁷ McDougall to Bruce, 16 November 1927, National Archives of Australia (NAA), M111 1927.

¹⁸ Orr was later to become the first Director-General of the FAO and, in 1949, won the Nobel Peace Prize for his work on nutrition.

¹⁹ 'The Agricultural and the Health Problems', 1934, FAO RG 3.1, Series D1, Notes and Comments F.L. McDougall, 1925-34.

²⁰ See, for a further example of this, Macmillan (1938).

²¹ McDougall was writing, of course, before the advent of the modern supermarket. In a later memorandum he wrote of the success of retail enterprises such as 'Woolworths, Sears and Roebuck, Boots, or Marks and Spencer' in supplying mass consumer goods but noted that, '[i]n most countries this modern trend has not been applied to food'. Memorandum by F.L. McDougall, 'Economic Appeasement', 21 December 1936, Public Record Office (United Kingdom - Kew) (PRO): Foreign Office Files, FO 371/21215, W373/5/50.

²² For details of Stewart's speech to the ILO and the resolutions adopted see Australia, Parliament (1936). The ILO's subsequent report closely resembled Orr's work, albeit on a broader scale.

²³ Bruce cited in Edwards (1965), p.415.

²⁴ *ibid.*, p.416.

²⁵ The dispute between Italy and Abyssinia was the principle item on the agenda of the 1935 Assembly of the League.

²⁶ Cited in McDougall (1938), p.14.

²⁷ Loveday cited in Lamartine Yates (1955), p.41.

²⁸ As the United Kingdom's official historian of the Second World War and food policy noted, certain nutrition experts even welcomed the war as an opportunity to test the practicality of a nutrition based food distribution policy (Hammond 1951, p.101).

²⁹ Linked indelibly to Chamberlain and Munich, the word 'appeasement' in its modern manifestation has become a pejorative suggesting weakness and unprincipled concession. This was not its meaning in 1936, when it simply meant to bring peace, to assuage, to settle *just* grievances and fears. See Little *et al* (1933).

³⁰ 'Economic Appeasement', *op.cit.* The memorandum was also later published by the League of Nations (League of Nations 1937a).

³¹ Underconsumptionist thought was particularly common in Australia where, indeed, it had taken root in the labour movement and at the fringes of the economics discipline in the depression of the 1890s. For more, see Goodwin (1966), pp.251-259.

³² Whose work and findings were subsequently published as League of Nations (1943) and (1945).

³³ An examination of Britain's economic approaches to Germany at this time can be found in MacDonald (1972).

³⁴ For more on Australia and appeasement, see Andrews (1970).

³⁵ Chamberlain cited in Gilbert (1966), pp.1156-1157.

³⁶ For Wallace's economic ideas and his involvement with McDougall, see Wallace (1973).

³⁷ 'Roosevelt', FAO RG 3.1, Series II, Meetings with F.L. McDougall.

³⁸ 'Sumner Welles, Acting Secretary of State, to the Chargé in the United Kingdom', 8 March 1943, United States of America, Department of State (1963), p.821.

³⁹ See, for but one of these, Food and Agriculture Organisation of the United Nations (1965). See also Lamartine Yates (1955), p.49, and Hambidge (1955). McDougall remains a celebrated figure at the FAO to this day, which has named the main conference room in its Rome headquarters after him.

⁴⁰ For more on this, and the likelihood that an outsider could influence affairs, see Bennet Woods (1990, *passim*).

⁴¹ McDougall's dominance of the Interim Commission is noted in a telegram from the British delegation to the Foreign Office, 16 June 1943, 'Lord Halifax to Foreign Office', PRO FO 371/31515 U1227. That the Foreign Office was concerned that this could lead to McDougall's appointment as the FAO's first Director-General is apparent in a further telegram to their delegation on the Commission, 25 June 1943, 'Foreign Office to J.E Coulson', PRO FO 371/31515, U1227.

⁴² The extent of this influence is remarked upon in almost all accounts in which McDougall is mentioned, even if only briefly. See, for example, Lamartine Yates (1955), Edwards (1965), Lord Gladwyn (1972), Stirling (1974), and Cumpston (1989).

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