

Casey: the post-depression treasurer

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Casey was a protégé of former treasurer SM Bruce. After assisting Lyons on Treasury matters while Lyons was both treasurer and prime minister from 1932, Casey formally became treasurer in 1935, serving for 3½ years. While not trained as an economist, Casey was very diligent and took an interest in the views of economists. He developed proposals for banking reform based on a Royal Commission. Casey developed a plan for national insurance and shepherded it through parliament, but to his disappointment it was dropped as World War II approached. Casey later gave distinguished service as diplomat, foreign minister and governor-general.



Source: National Library of Australia.

1 The author was formerly in the Domestic Economy Division, the Australian Treasury. This article has benefited from comments and suggestions provided by Selwyn Cornish and Alex Millmow. Casey kept scrapbooks of newspaper clippings during his time as treasurer, now in the National Library's manuscripts collection, which facilitated writing this essay. The views in this article are those of the author and not necessarily those of the Australian Treasury.

Introduction

RG or 'Dick' Casey, later Baron Casey of Berwick and Westminster, PC, KGMG, CH and Knight of the Garter, had politics in his blood. He was the son of another Richard Casey, also an MP, whose biography he wrote², and Evelyn Jane Harris, whose uncle had been premier of Queensland and whose father and grandfather had also sat in parliament.

His biographer points to a busy life, serving as 'a British War Cabinet minister, governor and peer, as well as an Australian engineer, company director, soldier, public servant, cabinet minister, diplomat, party chief and governor-general'.³

In all this diverse activity, Casey's time as treasurer has tended to be overlooked. His biographer said of his time as treasurer that 'he left no significant monuments'.⁴ His wife apparently regarded revising the designs on the coinage as his only memorable act as treasurer.⁵ Historians differ in their judgements. The Depression chronicler Boris Schedvin describes him as 'energetic but uninspired in his several treasury capacities'.⁶ More positively, Professor Ross Garnaut rates Casey as one of Australia's best treasurers for securing a faster recovery from the Depression than occurred in other countries.⁷ A contemporary journalist opined 'perhaps no federal treasurer has had such grasp of detail'.⁸

A common view appears to be that Casey was 'a born diplomat and administrator but an indifferent politician', lacking the ruthlessness to seize the top prize.⁹ Casey was 'a dapper ... man about town'.¹⁰ 'His manners were impeccable'.¹¹ By one account he was 'perhaps the handsomest politician in the empire'.¹² But he was no dilettante; once confiding to his diary: 'I am conscious of getting rather more impatient and irritable than I used to be with people who take life as a leisurely business. Life is an urgent vital affair'.¹³ He was an active 'terrifically fit'¹⁴ man, interested in planes which he flew and cars which he drove.

2 Casey (2008).

3 Hudson (1986, p viii).

4 Hudson (1986, p 112).

5 Casey, M (1969, p 63).

6 Schedvin (1970, p 316).

7 *The Age*, 9 May 2005, p 4.

8 (*Melbourne Herald*, 15 October 1938.

9 Bridge, C 'Introduction', in Casey (2008, p 3); Crocker (1987, p 47).

10 Coleman, Cornish and Hagger (2006, p 163).

11 Clark (1987, p 235).

12 UK *Daily Express*, cited in the *Daily Telegraph*, 13 March 1937.

13 Diary entry, 31 July 1941. Casey (2008, p 179).

14 Rodgers, D *Labor Daily*, 22 February 1937.

Casey's early career

Casey was born in Brisbane on 29 August 1890. When he was three the family moved to Melbourne. In 1909 he enrolled in engineering at the University of Melbourne. After a year he left to study at Trinity College, Cambridge, from where he graduated with second-class honours in mechanical sciences.

Returning to Australia, he worked for his father, reporting on mining operations, and studying accountancy at night. In 1914 he enlisted and rose to be Major Casey and was awarded the MC. He returned to Australia after the armistice and took up a career in business, taking over some positions from his father who died in 1919. This in turn led to him joining the National Union, the business backers of the ruling Nationalist Party.

Casey shared with another treasurer, SM Bruce, a wealthy upbringing, schooling at Melbourne Grammar and Cambridge, a passion for rowing and service at Gallipoli. For Bruce, Casey almost became 'the child he never had'.¹⁵

Bruce gave Casey a job as government political liaison officer; effectively Bruce's 'eyes and ears' in London, where he worked with Sir Joseph Cook, another former treasurer and prime minister. Casey wrote regularly back to Bruce.¹⁶ He wrote of the rising influence of economists there, for example, regarding an economic advisory council as a useful model for Australia.¹⁷

In June 1926 Casey married Maie Ryan, a well-connected Melbourne artist then living in London, and they later had a daughter Jane and a son Donn.

From 1928 Casey sought to obtain an informal education in economics and public finance.¹⁸ He conversed with economists from the Economic Advisory Council. He also read books on contemporary economics, but was not impressed, writing to Bruce, 'I have looked through several books on the modern economic position lately, but without any great measure of profit to myself. They seem to be an indigestible mixture of the obvious and the unintelligible'.¹⁹ This view extended to economists in general; 'apart from learning from the economists the basic proven facts of economics and

15 Hudson (1986, p 54). Bruce had rented a house from Casey's parents. They dined together and Casey drafted some speeches for Bruce while he was prime minister. Casey recalled that Bruce often addressed him as 'young fellow' or 'young Richard'. Eventually Bruce asked Casey his age and Casey replied he was in his seventies. Bruce replied 'Heavens alive – then you're not a young fellow at all. I've been wrong all these years!'; *The Age*, 10 January 1973, p 8.

16 The letters are published as Casey (1980).

17 Casey to Bruce, 9 July 1925, reprinted in Casey (1980, p 59).

18 Hudson (1986, p 71).

19 Casey to Bruce, 15 March 1928, reprinted in Casey (1980, p 318).

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finance, one can with little risk afford to ignore their fancies'.²⁰ He appeared to share the view of economics as the 'dismal science', remarking 'the economic practitioner is like the doctor, more interested in disease than in health'.²¹

Casey also got a useful grasp of the stockmarket, advising Bruce after discussions with bankers, brokers and economists in 1928 that 'a depression of ordinary share prices was probable in the next six or nine months'.²²

His early years in parliament

When Bruce lost the prime ministership he advised Casey to leave London and get into Australian politics, which he soon did.²³ With Bruce's support Casey became the successful UAP candidate for Corio. Unlike most members, who lived in their electorates, the Caseys based themselves in Canberra, where they had horses to ride and a pet emu at their private house at Duntroon. They later moved to a controversial 'resident minister's house' in Yarralumla.²⁴ This gave Casey better access to the public service. Casey 'sat on the doorstep of the Treasury and made their lives a misery – absorbing public finance like a sponge'.²⁵ He cultivated assiduously the economists and statisticians, although concentrating on public finance rather than economic theory.²⁶ He stated his intention to keep abreast of contemporary works on economic affairs.²⁷ He warned 'we neglect the education of our youth in economics'.²⁸

In 1932 he repeatedly called for the creation of a federal economic advisory council, representative of the economic subdivisions of the community, and later a federal prices board.²⁹

In September 1933 Casey became assistant minister (treasurer) as Lyons found the workload of being treasurer and prime minister increasingly onerous. Casey worked long hours and added chairman of the Loan Council to his responsibilities. In 1934 he

20 Casey to Bruce, 23 August 1928, reprinted in Casey (1980, p 319).

21 Casey to Bruce, 25 July 1929, reprinted in Casey (1980, p 544).

22 Casey to Bruce, 23 August 1928, reprinted in Casey (1980, p 396).

23 Edwards (1965, p 87). Hudson (1986, p 72) suggested Casey could have stayed on in London under Scullin, for a few years, but chose not to do so.

24 Langmore (1997); Millmow (2007).

25 Cited by Hudson (1986, p 86).

26 Hudson (1986, pp 86, 98).

27 Letter to the economist R Hawtrey, 19 June 1933, cited by Millmow (2010, p 152).

28 Casey (1933a, p 35).

29 Hudson (1986, pp 87-8); Millmow (2010, pp 126-7). See Casey (1932, p 28) and his speeches collated in Casey (1933b, pp 41,44 and 68).

presented to cabinet detailed papers on public finance and unemployment, although they had little impact.³⁰

Unusually for his side of politics, he worried that 'the profit motive, if exercised without proper regard for the public interest, will kill the present system'.³¹ Perhaps reflecting his engineering background, he was less averse to the concept of economic planning than most of his conservative colleagues.³²

Casey presented the 1935 budget, despite Treasurer Lyons being in the House. He announced a small cut in the special tax on income from property and foreshadowed further reductions in what he called 'a severe form of emergency taxation'.³³

Treasurer

Casey was formally appointed treasurer in October 1935. After the 1937 election he was also responsible for development and scientific and industrial research.

Budgets and taxation

In his first budget speech as treasurer, Casey exulted 'it is a great satisfaction to be in a position to present a budget which has so many happy features'.³⁴ He was pleased to present proposals for cuts to taxes, including the abolition of the special property tax, reductions in income tax and a lower rate and increased exemptions for sales tax. Pensions were increased. Casey also took pride in the marked drop in unemployment. Concerned about Australia's dependence on natural resources leaving it vulnerable to global economic fluctuations, Casey hoped to build up the manufacturing sector.³⁵

Casey opposed the use of taxation for redistributive purposes; 'the punitive use of taxation would be destructive of the system of private enterprise and individual initiative'.³⁶

Casey provided the cabinet with an extensive brief on the budget each year.³⁷ He would get exasperated at the lack of rigour and organisation in cabinet discussions.³⁸

30 Hudson (1986, p 93).

31 1936 remarks cited by Hudson (1986, p 92). Crocker (1987, p 43) calls Casey 'not an unqualified admirer of the capitalist system'.

32 Hudson (1986, pp 100, 212).

33 *Hansard*, 23 September 1935, p 51.

34 *Hansard*, 10 September 1936, p 44.

35 Millmow (2010).

36 *Adelaide Advertiser*, 27 August 1936.

37 Weller (2007, p 66).

38 Weller (2007, p 66).

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He later commented 'a budget tends to be a conflict between politics and economics in which politics nearly always wins'.³⁹

In his 1937 budget speech, Casey proclaimed that 'the present level of prosperity is higher than it has ever been'.⁴⁰ He spent a good deal of the speech listing the tax cuts made under the Lyons governments but regretted no more could be offered on this occasion due to the need to increase defence spending.

Casey opened his 1938 budget speech by referring to the 'wide fluctuations and instabilities experienced in many important overseas countries' and contrasting it with the 'appreciable economic advance' domestically.⁴¹ Unusually, the treasurer did not just discuss estimates for the current year but looked forward to the prospective deficit 'with further liabilities for defence, national insurance and invalid and old-age pensions'.⁴² This led to the need to raise income taxes, sales tax, land tax and excise duties.

Consorting with economists

Casey continued to keep abreast of contemporary academic work on economics. He took a close interest in Roosevelt's 'new deal', visiting the USA in 1937.⁴³

Casey built up the economic expertise available compared to previous treasurers. He appointed an economics graduate, Ian Potter, as his personal secretary and the brilliant Roland Wilson as his economic adviser; 'besides knowing all the economic nonsense ... has a good head, good judgement and general balance'.⁴⁴ He also took an interest in the Commonwealth Bank's economists, interviewing Nugget Coombs for a post as Melville's assistant.⁴⁵ The increasing role for economists attracted some favourable comment overseas, with Australia called the 'utopia of practical economists' and the land where 'the plans of the Economic Men have been put in place'.⁴⁶

Casey did not go as far, however, as wanting economists with him in parliament: 'It is often said that there should be more ... economists in public life. That is quite wrong ... we in politics should display honesty of purpose, ordinary horse sense and

39 Diary entry, August 1953, cited in Hudson (1986, p 224).

40 *Hansard*, 27 August 1937, p 261.

41 *Hansard*, 21 September 1938, p 16.

42 *Hansard*, 21 September 1938, p 26.

43 Casey (1937).

44 Casey to Bruce, 20 February 1935, cited by Millmow (2010, pp 169-70).

45 Rowse (2002, p 73).

46 Goodwin (1974, pp 235-7). See also Millmow (2010, pp 21-22, 156).

fair-mindedness. These bread and butter qualities are not the prerequisites of any profession.⁴⁷

He became gradually more Keynesian. By 1936 Casey declared 'we are all expansionists', arguing it was matter of degree.⁴⁸ In 1937 Casey said 'expand public works in depression and contract them in better times was the broad advice given by economists', with which he agreed.⁴⁹ It has been claimed that 'the first threads of comprehensive economic management in Australia came with the 1939-40 budget, which put into circulation the Keynesian technique of estimating the inflationary gap ...'.⁵⁰

Banking and monetary policy

The Royal Commission on Banking was established with terms of reference drawn up largely by Casey.⁵¹ It followed the appointment of similar inquiries in Britain, Canada and New Zealand.⁵² After several months' consideration, Casey reached across the aisle to appoint former Labor minister (and future treasurer) Ben Chifley to it, viewing him as a moderate Labor voice with an interest in finance. Professor Mills was appointed as the main economist on the Commission, possibly because he had not already publicly stated his views on the issues before it.⁵³ Most of Australia's leading economists appeared before the Commission, some at great length.⁵⁴ Broadly, the Commission supported a counter-cyclical monetary policy and private banks being required to place deposits with the Commonwealth Bank. This fitted with Casey's desire to 'tackle the conversion of the Commonwealth Bank into a real central bank'.⁵⁵

In 1938 Casey asked the Commonwealth Bank and private banks to report to him on the Commission's recommendations. In November 1938 he introduced a bill to amend the *Commonwealth Bank Act*, setting up a mortgage bank and giving it some minor powers to supervise private banks. Casey wanted the private banks to hold deposits

47 *Brisbane Sunday Mail*, 9 August 1936.

48 Millmow (2010, p 177).

49 *The Age*, 24 September 1937.

50 Millmow (2010, p 3).

51 'To inquire into the monetary and banking systems at present in operation in Australia, and to report whether any, and if so what, alterations are desirable in the interests of the people of Australia a whole, and the manner in which any such alterations should be effected.'

52 Scullin had initiated a parliamentary debate calling for such an inquiry in March 1933. Casey was initially 'horrified' at the idea but later conceded it 'may even possibly do some good'; Sutherland (1980, pp 26, 29).

53 Sutherland (1980, pp 40-41). Sir John Phillips, the Commission's assistant economist, suggested to Sutherland that another factor was that Mills was 'likeable, fair and gentle'.

54 Hytten was a witness for five days; Millmow (2010, p 210). The inquiry is described in Giblin (1951, pp 212-226) and Sutherland (1980).

55 In a 1932 letter cited by Hudson (1986, p 102).

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with the Commonwealth Bank and assigned Wilson to develop a Trading Banks Bill in 1938, but Cabinet first deferred it, then watered it down and finally let it lapse.⁵⁶

National insurance

At the 1937 election, Lyons promised to introduce a national insurance scheme, combining elements of health insurance and superannuation, a policy Casey as treasurer had been developing and advocating.⁵⁷ Casey put immense effort into the project.⁵⁸ The legislation included benefits for sickness, old age and widowhood. It passed through parliament in July 1938, but employers (and even some members of the government) opposed it and concerns were expressed about administrative difficulties. Unlike the 1928 proposals, this time the Labor party opposed the compulsory contributions. As the expenses of a second world war loomed, the government became even less keen on it. Lyons instructed Treasury to abandon the scheme. Casey's role in its abandonment is unclear.⁵⁹

Politics

When Lyons died in April 1939, the leadership was thought likely to fall to Casey, Hughes or Menzies.⁶⁰ But instead of lobbying furiously for it, Casey joined the Country Party leader Page in unsuccessfully calling for Bruce to return.⁶¹ In the leadership ballot, Casey was eliminated and Menzies defeated the septuagenarian Hughes.

Other interests

In 1937 the Caseys attended the coronation of George VI. While in England they bought a Picasso, believed to be the first Picasso oil painting to be brought to Australia. Casey and Maie both became licensed pilots and sometimes flew themselves between Melbourne and Canberra.

56 Coleman, Cornish and Hagger (2006, p 164).

57 In February 1936, Casey had taken a submission to cabinet on it and suggested a British expert be invited to Australia. Casey met with European experts while in the UK in 1937. In his election campaign that year he called the plan 'one of the most progressive that had ever been advanced'; *Geelong Advertiser*, 7 October 1937.

58 Hudson (1993).

59 His biographer notes that Casey gave contradictory accounts about whether it was his or Lyons' initiative to drop the scheme; Hudson (1986, p 105). Contemporary press reports suggest Casey supported the scheme almost to the end and it was dropped due to pressure from the Country Party and doctors. On one account, Lyons said of Casey's support for the scheme 'He talked us into this. I could see the difficulties. I never wanted it ...'; Millmow (2010, p 251).

60 An interesting conjecture is that some believe that had Lyons been able to speak when visited on his deathbed by the governor-general, he would have advised that Casey be called as his successor; Bridge (2004, p 478).

61 *Argus*, 17 April 1931, p 1. To his credit, Casey also spent time looking after the needs of the Lyons family; Lyons, E (1972, p 125).

His subsequent career

In April 1939 Menzies decided to take the treasury portfolio himself and Casey was shifted to minister of supply and development.⁶² In 1940 Menzies sent Casey as Australia's first ambassador to Washington, many said to exile a rival, where he encouraged the US to enter the war against Germany. Casey subsequently served as a British minister in the Middle East and then as governor of Bengal, before returning to Australia as federal president of the Liberal Party. He also took on the role of public intellectual, writing books. He argued for faster population growth, improved infrastructure and a greater role for the Australian government in the housing market.⁶³ Casey maintained some interest in economics, meeting with Keynes and circulating memos.⁶⁴

Casey returned to parliament at the 1949 election, now representing the outer Melbourne seat of La Trobe. He became minister for supply and development, and then works and housing. From 1951 to 1960 Casey served as foreign minister.

Casey warned of the emerging inflationary pressures in the early 1950s and wanted a stronger policy response, including an appreciation of the exchange rate. Unimpressed with the Treasury's expertise, he wanted an economic secretariat to service cabinet.⁶⁵

In 1956 he was defeated by Holt for the deputy leadership of the Liberals, effectively ending his ambition to become prime minister. He received a life peerage when he stood down from parliament in 1960 and as Baron Casey served as governor-general from September 1965 to April 1969. He was the 1969 Australian of the Year. After a retirement in which he seemed frustrated by the lack of activity, and following a car accident in 1974 from which he never fully recovered, Casey passed away on 17 June 1976.

62 A possible reason is that Menzies wanted to be able to offer the treasurer's job readily to a Country Party member if the coalition was reformed; *Herald*, 25 April 1934 and *Sydney Morning Herald*, 26 April 1934.

63 In Casey (1949, p 4) he doubted Australia would double its then population of 7½ million by the end of the 20th century, which he regarded as 'much too slow'.

64 His diary entry for 16 July 1941 records 'J M Keynes called and had good discussion. He describes his attitude as being optimistic on economic possibilities and not so optimistic on probabilities' and called him 'one of the world's great people'; Casey (2008, p 175).

65 Hudson (1986, p 213).

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