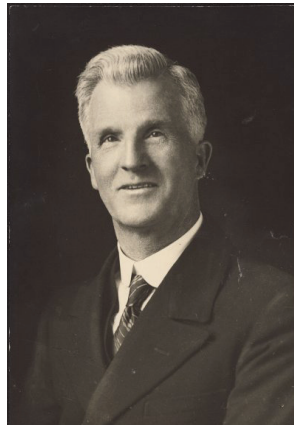


James Scullin: depression treasurer

John Hawkins¹

James Scullin had the misfortune to become Prime Minister two days before the Wall Street Crash. In the midst of the Great Depression, he had to take over as Treasurer for some months while Theodore attempted to clear his name of corruption allegations. Scullin presented a budget devised by Theodore but then left Joe Lyons as Acting Treasurer while he journeyed to Europe. On his return he reappointed Theodore as Treasurer, a contributing factor to the downfall of Scullin's Government. While supportive of Theodore's proto-Keynesian ideas, Scullin was forced by political realities to agree to the contractionary 'Premiers Plan'.



Source: National Library of Australia.

1 The author formerly worked in Domestic Economy Division, the Australian Treasury. The views in this article are those of the author and not necessarily those of the Australian Treasury.

Introduction

James Scullin PC was unusual in becoming Prime Minister with no ministerial experience. His great misfortune was to become Prime Minister just as the Great Depression struck. A second misfortune was losing his Treasurer to a financial scandal at a crucial time. But history has judged Scullin's handling of the Depression harshly.² According to Gough Whitlam, 'it is the convention to regard JH Scullin as a mere orator who found himself thrust into an economic catastrophe completely beyond him and who let Australia and his party just drift deeper into disaster.'³ During his brief term as Prime Minister, stress turned his dark hair white. Never as physically robust as contemporaries such as Lang and Theodore, he felt the strains of office keenly.⁴

A successor as Treasurer, who worked for Scullin, Casey recalls 'a shy, gentle, frail, kindly, religious man'.⁵ The son of one of his ministers described Scullin as an 'honourable, nice, trustworthy, absolute gentleman and a scholar – all the things that make for a bad politician'.⁶

Scullin was admired for his debating skills.⁷ He placed great store in education and literature.⁸ He was credited by some with 'considerable gifts of intelligence'.⁹ In Scullin (1927), he traced the history of workers' exploitation and the labour movement.

A biographer remarks that 'his knowledge of economics was substantial by the time he reached parliament in 1910, and had been so for some time. It is doubtful that he had a grasp of the theory of the subject, being in all probability unaware of the ideas of Ricardo, Adam Smith, Say, John Stuart Mill etc ... rather he built up a substantial knowledge of the *details* of the subject and his expertise in the field of taxation and ability to grasp the principles behind financial legislation were well-known'.¹⁰ However, Scullin had a low view of economists, whom he saw as unworldly, and free

2 A poll of historians rated him Australia's second-worst Prime Minister (after William McMahon); Walker and Koutsoukis (2001).

3 Whitlam's foreword to Young (1971, p ix).

4 An accident in his youth had necessitated the removal of a kidney; Colegrove (1967, pp 3-4). In 1929 he had to spend two months in bed.

5 Casey (1973). Menzies (1967, p 119) said of Scullin 'his integrity was absolute.' Clark (1987, p 200) calls him 'a gentle spirit'. His typist recalled a 'loveable man in his gentleness'; Notes by Crisp, NLA MS 5243/20/211.

6 Niall Brennan, in Laughren (1994).

7 Even his political rival Bruce called him 'a first class debater'; Edwards (1965, p 445).

8 He collected a sufficiently extensive library that he was able to supply a substantial number of books to the House of Commons library to replace their Australiana collection when it was destroyed by bombing during World War II; Colegrove (1967, p 1).

9 *The Economist*, 19 October 1929, p 706.

10 Colegrove (1967, p 1). Sir Leslie Melville's (1993, p 6) recollection, however, is that Scullin had no understanding of the economic problems during the Depression.

traders, and on coming to office abandoned the plan to establish a Bureau of Economic Research and closed the Development and Migration Commission.¹¹

Early career and entry into politics

James Henry Scullin was born on 18 September 1876 at Trawalla, Victoria, the son of working class Irish immigrants. After a succession of manual jobs, he ran a grocer's shop from 1900 to 1910. He married Sarah McNamara, a dressmaker also of Irish ancestry, in November 1907. They had no children, but it was a happy marriage and Scullin relaxed by accompanying Sarah's piano playing on his violin.

After joining the Labor Party in 1903, by 1906 Scullin was Labor's candidate in Ballarat – running unsuccessfully against the Prime Minister Alfred Deakin.¹² He won the seat of Corangamite in 1910, but lost it in 1913. Until 1921 he edited a Labor daily, the *Ballarat Evening Echo*, writing most of the editorials, many on economic themes.

In 1922 he won the seat of Yarra, which he held to 1949. Upon returning to Parliament he established a reputation for authority on taxation and economic matters. In 1927 he gave a series of speeches attacking the Government's economic policy, stressing dangers in the trade balance and the build-up of foreign and government debt.¹³

Scullin's skill in debate soon caught the attention of his colleagues and in 1926 Scullin was elected to the executive of the parliamentary party. He acted as leader in the House when Charlton and the assistant leader Anstey were both ill in July 1926. In 1927 Scullin became deputy leader, and he beat Theodore to become Labor leader in April 1928. He gained eight seats at the 1928 election. When Bruce called a poll in October 1929, Scullin led Labor to what was then its greatest victory.¹⁴ But the opposition still controlled the Senate.¹⁵

11 Castles (1997, p 28). Millmow (2004, p 148).

12 Scullin was assisted in his campaign by visiting English Labour MP Ramsey MacDonald; Molony (2000, p 143). Around twenty five years later they met again in London as Prime Ministers of their respective countries; Crisp and Atkinson (1971); Buchanan (1940, p 5).

13 His arguments were similar to those developed by Edward Shann (1927); Robertson (1988). He decried the extent of capital inflow as 'financial imperialism gone mad' and drew parallels with the period before the 1890s depression; Molony (2000, p 145). Menzies (1967, p 119) refers to Scullin achieving 'a considerable grasp of such a complex and difficult matter as taxation.'

14 His platform included reforming the Commonwealth Bank, expanding public works and introducing unemployment insurance. His arrival in Canberra after the election was greeted by cheering crowds and a band playing 'See the conquering hero comes', showing a triumphalism that Scullin himself did not share; Colegrove (1967, pp 17-18).

15 Some of Scullin's colleagues, notably the radical Anstey, advocated a double dissolution, but by the time it was realised that the obstructive Senate was leaving Labor in office but not in

Scullin as Prime Minister

Scullin was sworn in as Prime Minister two days before the Wall Street Crash signalled the onset of the Great Depression. He appointed his deputy Theodore as Treasurer. Neither Scullin nor any of his ministers had any previous federal ministerial experience, although Theodore and Lyons had been state premiers.

At cabinet's second meeting Scullin called for proposals for public works to lower unemployment. Other early actions included raising tariffs, abandoning the Gold Standard and increasing social security payments. Scullin wanted, however, to await the return of prosperity before implementing many Labor reforms.

In October/November 1930, caucus voted to require the Commonwealth Bank to provide credit for public works, but the Bank's chairman Robert Gibson refused. So powerful was Gibson that some called him 'more definitely Prime Minister of Australia than Mr Scullin'.¹⁶

In June 1930, Scullin invited the Bank of England to send out an adviser, apparently without reference to either cabinet or caucus. Sir Otto Niemeyer, the Bank of England's emissary, was seen by many as a 'receiver' appointed by the British banks.¹⁷ Niemeyer did not form an admiring view of Australia or its financial prospects.¹⁸

Scullin's tenure as Treasurer

Theodore resigned as Treasurer just before the 1930 Budget. Scullin took over as Treasurer, with Lyons as Assistant Treasurer. Scullin started his budget speech by referring to the 'severe economic disturbances at present prevailing in nearly all countries', which were leading to the 'derangement of government finance'. Australia faced falling commodity prices, surging import volumes and a drying up of the large amounts of capital inflow to which she had become accustomed as the 'opinion in Great Britain that Australia was overborrowing' became more widespread.¹⁹

power, Scullin thought calling a third election in three years in the midst of the Depression would be a mistake, and was keen to make his trip to London; Colegrove (1967, pp 60-68).

16 Denning (1937, pp 72-3). Schedvin (1970, p 85) comments 'more than any other individual, Gibson determined the course of economic policy during the Depression ... a man of exceptional administrative capacity and business acumen, but, with his limited economic and financial knowledge, it was a tragedy that he was able to influence policy to such an extent'.

17 Niemeyer had a distinguished career, finishing first in the 1906 civil service entrance exam ahead of Keynes (and thereby forcing Keynes to join the Indian Office rather than Treasury).

18 See Niemeyer's (1930) account of his trip.

19 *Hansard*, 9 July 1930, p 3889.

The immediate response to the trade problem was to raise tariffs dramatically and take other measures to cut imports. In the medium term it was hoped that increased manufacturing output would replace some of the imported goods. However in the short term, the resultant reduction in customs revenue made the budget deficit worse.

Scullin proclaimed that 'the balancing of the budget is an essential step for the restoration of the credit of Australia'.²⁰ Accordingly he aimed at a surplus, funding increased spending by higher income tax and postal charges and a new sales tax. At the Melbourne Premiers' Conference, Scullin subscribed to Niemeyer's plan to cut wages and government spending and balance budgets.²¹ Lang repudiated the Melbourne Agreement and won the New South Wales election, raising the pressure.

Scullin made two serious political mistakes. He controversially renewed Gibson's term as Commonwealth Bank chairman in mid-1930 (despite assuring caucus they would be consulted before any such decision).²² And he decided to attend the Imperial Conference in London himself, removing himself from the domestic political scene for over four months.²³ He left Lyons as Acting Treasurer and Fenton as Acting Prime Minister, and they struggled to contain the dissatisfaction within the left wing of caucus about the Melbourne Agreement.

20 *Hansard*, 9 July 1930, p 3892.

21 Cabinet agreed to balance the budget on 20 August 1930 and this was reaffirmed at a meeting under Fenton and Lyons on 5 September which Gibson attended.

22 Cabinet minutes for 4 August 1930 support Scullin's claim that cabinet agreed although the matter was questioned at a cabinet meeting on 6 September; Crisp papers, NLA MS 5243/20/156. Anstey, who was at the meeting, disputed this claim and Beasley, who had been absent, complained of not being consulted. *Hansard* 29 April 1931, p 1369 and 5 May 1931, pp 1609-12. Other sources suggest Theodore opposed the reappointment; Green (1959, p 31). Theodore distanced himself from the decision in a contemporary speech; 'No doubt Mr Scullin had good reason for not changing the chairman at that time. I do not know the reason.'; *Sydney Morning Herald*, 17 January 1931, p 17.

23 Scullin believed his attendance at the Conference could help increase inter-colonial trade, he could help arrange a loan to tide Australia over the balance of payments difficulties, he could improve the reputation of Australian companies in London and he wanted to pursue the King to appoint an Australian-born Governor-General, and these goals outweighed the misgivings he had about leaving Australia at such a crucial juncture; Colegrove (1967, pp 78-81). Denning (1937, p 180) suggests Scullin was 'cracking under the strain' and partly went for a respite. McMullin (1991, p 163) called the trip a 'convalescent voyage'.

The fall of the Scullin Government

Soon after he returned from London in January 1931, Scullin persuaded caucus to reinstate Theodore as Treasurer.²⁴ After much conflict (see the table and commentary on the 'battle of the plans' in the essay in this series on Theodore), the Premiers' Conference of May-June 1931 agreed to cut all adjustable government spending. This 'Premiers Plan', reluctantly supported by Scullin and Theodore, was strongly influenced by Niemeyer and Gibson. By this time unemployment was over 30 per cent.

Lyons and some supporters left the Labor Party and soon aligned with the opposition to form the United Australia Party. A group of Lang supporters also split off from Labor and now held the balance of power. In December 1931 they brought down the Scullin government. At the subsequent election, Labor was reduced to 14 seats.²⁵

Elder statesman

Scullin carried on as opposition leader. He emphasised banking reform, making this the centrepiece of his 1934 campaign, where he won back nine seats but was still well short of a majority.²⁶ In October 1935, his health failing, Scullin resigned as leader, and was replaced by John Curtin. He was very quiet for the next couple of years, although he served on a caucus committee which examined Labor's monetary policy. Once Labor was back in office, he did not seek a cabinet position, although he could probably have got one.²⁷ He occupied an office between Curtin and Chifley and both respected his advice. Kim Beazley Senior asked Scullin about writing his memoirs of the Depression but Scullin declined, saying 'it nearly killed me to live through it'.²⁸

Scullin did useful committee work on uniform taxation and the 'pay-as-you-earn' system of income tax collection.²⁹ A dying Curtin asked Scullin to convince Chifley to stand as leader.³⁰ Scullin was active in the 1946 campaign and Chifley entrusted him with some tasks. But he was ill from May 1947 until he retired in December 1949. He died on 28 January 1953.

24 The caucus vote was close; 24-19; C Hughes (1976, p 82). This was a controversial move but it is not obvious what was a better alternative. Scullin's health would probably have not stood up to him continuing to be both Treasurer and Prime Minister. According to Hart (1970, p 43), Lyons did not want the job.

25 Winning an election during the Depression would have been difficult even if Scullin's party had stayed united. As Head (1978, p 14) notes, 'there were thirteen state and federal elections during the years 1929 to 1933, and in twelve cases the government was overturned'.

26 Scullin's opponent in his own seat was a young Harold Holt, later to become Treasurer and Prime Minister himself.

27 This is the view of his biographer Robertson (1988).

28 Beazley (1966).

29 The Scullin papers in the National Library show that taxation remained a subject of special interest to him in the 1940s.

30 Alan Reid, *Bulletin*, 5 February 1980, p 38.

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