The Central Bank's First Economist

Selwyn Cornish[*]

Leslie Melville (circled) at the Imperial Economic Conference, Ottawa, July 1932 (RBA Archives, PN-019030)

Abstract

In 1930, when officials from the Bank of England came to Australia to assist Australian governments with their budgetary problems, they found that the original Commonwealth Bank, then Australia's central bank, did not have an economist on its staff. They urged the Bank's Governor to appoint a qualified economist and recommended Leslie Melville, Professor of Economics at the University of Adelaide. Melville joined the Bank in March 1931. Some two decades later, when he left to become Vice-Chancellor at the Australian National University, Dr HC Coombs wrote to him saying that he had 'made a contribution to the theory and practice of central banking which is without equal in the world'. As Melville's 100th birthday approached in 2002, the Australian National University decided to hold a public lecture in his honour. Governor Ian Macfarlane was invited to give the inaugural lecture. He concluded that Melville was 'one of the most distinguished Australians of the past century'. The 20th Melville Lecture will be given in early 2022 by the Treasury Secretary, Dr Steven Kennedy. Ahead of this event, the latest records to be released in the Bank's new digital archive, Unreserved, include Melville's papers in digitised form. This article traces Melville's life and career, and his significance as the Bank's first economist.

Introduction

Until the early 1930s, the original Commonwealth Bank – then Australia's central bank from which the Reserve Bank of Australia was later formed – lacked economic expertise.[1] This was evident in its preparation for the return to the gold standard in the mid-1920s, which was heavily criticised and led to amendments to the Commonwealth Bank Act.

When the Treasurer, Dr Earle Page, introduced the new legislation into the Parliament in 1924 he declared that he was creating a central bank.[2] But it soon became clear that the Bank needed expert advice on central banking.[3] It also needed economic expertise. Consequently, in 1930, when Sir Otto Niemeyer and Professor TE Gregory from the Bank of England came to Australia to advise the federal and state governments on how to put their finances in order, they recommended that the Bank appoint an economist to its staff.[4] In early 1931 the Bank offered the position to Leslie Melville, Professor of Economics at the University of Adelaide.[5] As the central bank's first economist, Melville immediately set about to establish what became known as the Economist's Branch.[6] He began to collect and analyse statistical data, and prepared regular reports for the Commonwealth Bank Board on economic and financial conditions in Australia and overseas.

In 1953 Melville left the Bank to become Vice-Chancellor of the Australian National University (ANU). In early 2002, as his 100th birthday approached, the university decided to hold a public lecture to celebrate the occasion. Ian Macfarlane, Governor of the Reserve Bank, was invited to give the inaugural lecture. After researching Melville's career at the Commonwealth Bank, Macfarlane concluded that 'you could be forgiven for thinking that Melville was the central bank'. In his assessment of Melville's long career as adviser to the central bank and Australian governments from the 1920s to the 1970s, Macfarlane judged that 'any objective assessment of achievements would place Sir Leslie among the most distinguished Australians of the past century' (Macfarlane 2002). Macfarlane's successors, Glenn Stevens and Philip Lowe, in their Melville lectures, came to similar conclusions. Stevens noted that Melville was 'one of the revered father figures of the economics profession, and of central banking in Australia' (Stevens 2008). Though he never met Melville, Stevens said that 'it does not take long in reading about his contribution to the economic life of the nation to see what a remarkable man he was'. The present Governor, Philip Lowe, in the 2019 Melville Lecture, agreed that the Reserve Bank has 'a lot to thank Leslie Melville for' (Lowe 2019).

Melville was present in the audience at the ANU to hear Macfarlane's lecture, but he died suddenly in Canberra a little over a month later. The ANU then decided to hold an annual memorial lecture to honour its former Vice-Chancellor. In early 2022 Dr Steven Kennedy, the Australian Treasury Secretary, will present the 20th Sir Leslie Melville Memorial Lecture.

Life and career

Leslie Galfreid Melville was born at Marsfield on Sydney's north shore on 26 March 1902, the son of a bank manager.[7] He was the youngest of four children, the eldest of whom was killed on the western front shortly before the end of the First World War. After attending primary schools in Rose Bay and Darlinghurst, Melville won a scholarship to Sydney Church of England Grammar School (Shore) at North Sydney. There he excelled at mathematics, so much so that he was known as the 'Isaac Newton of Shore'. In his matriculation year he topped the state in mathematics.

Proceeding to the University of Sydney, Melville enrolled for a degree in engineering. Later he switched to mathematics when he decided to pursue a career as an actuary. Working part-time at the government superannuation board he changed his university course again to economics, enabling him to combine mathematics and economics. In his spare time he studied to qualify as an actuary through the London Institute of Actuaries. At age 22, and before he had completed either his economics degree (which he continued through correspondence) or his actuarial studies, he was appointed Public Actuary of South Australia. In this position he established a superannuation fund for public servants and provided advice to friendly societies. Frequently he was asked by the South Australian Government to advise it on economic matters. He played a prominent part in discussions leading to the Financial Agreement of 1927, gave evidence in 1928 to the Royal Commission on the Australian Constitution, and again in 1929 before the Royal Commission on the Finances of South Australia as Affected by Federation. He also presented South Australia's case as a claimant state of the Commonwealth. It was this work that stimulated his interest in federal–state financial relations and led much later to his appointment as Chairman of the Commonwealth Grants Commission.

In 1929 Melville was appointed Professor of Economics at the University of Adelaide, the first occupant of the position. He was reluctant to apply and did so after the closing date for applications at the urging of the Vice-Chancellor, Sir William

Mitchell.[8] As the only permanent member of the Department of Economics, he taught courses in economics and economic statistics. He also gave public lectures on the economic problems confronting Australia and the measures required to restore stability. In the summer of 1930/31 he worked in the Economic Department of the Bank of New South Wales, filling in for Professor Edward Shann, the first senior economist employed by an Australian bank.

Melville resigned his chair at Adelaide when he was appointed to the Commonwealth Bank in March 1931. The appointment at the Bank was originally for one year and was extended for another five years, before becoming permanent until he left in 1953. In 1932, in a progressive appointment, Melville appointed a woman, Willmott Debenham, a University of Sydney graduate in economics, as his Assistant Economist. Melville saw Debenham as an economist first and the best person for the role. When she was compelled to resign from the Bank on her marriage to JG (Jock) Phillips, later Governor of the Reserve Bank, Melville appointed Dr HC Coombs to the vacant post; Coombs would become the last Governor of the Commonwealth Bank and the first Governor of the Reserve Bank.

Before his appointment to the Commonwealth Bank, Melville had joined with other economists to provide advice on measures to deal with the Great Depression, including devaluation of the Australian pound. In 1931 he was appointed to the influential Copland Committee, established to advise the Australian Loan Council on the 'Possibilities of Reaching Equilibrium in Australia'; it was this committee that formulated the 'Premiers' Plan', which, according to JM Keynes, 'saved the economic structure of Australia' (Keynes 1932). The following year Melville was appointed to the Wallace Bruce Committee, which reviewed the progress of the Premiers Plan at the invitation of the Prime Minister, Joseph Lyons. Later in 1932 he attended the Imperial Economic Conference in Ottawa and in 1933 he went to the World Economic Conference in London. Returning home from Ottawa through London he sought the views of economic experts including Keynes, Hawtrey, Stamp, Clay, Gregory and Layton on the Australian exchange rate. Keynes invited him to lunch at his home in Bloomsbury, later taking him to Cambridge where he participated in Keynes' famous Monday evening discussion group at King's College. Melville was to meet Keynes on a number of subsequent occasions and they were frequent correspondents; often the discussion turned to Keynes' investments in Australian Government securities.

As the possibility of war loomed in the late 1930s, the government appointed a committee of economists – the Financial and Economic Advisory Committee (F and E Committee) – to provide advice on war finance. Melville was an original member of the committee. Guided by Keynes' *How to Pay for the War*, the committee maintained that additional war-related expenditure could be met, at least to begin with, by drawing upon unemployed resources rather than having to rely on taxation or direct measures such as rationing. National income estimates were used for the first time to measure actual and potential gaps between total output and expenditure. By participating in this work, Melville played a vital role in helping to construct Australia's war economy, as the papers and minutes of the F and E Committee amply attest.

Another aspect of the F and E Committee's work, of which Melville played a defining role, was Australia's response to war assistance provided by the United States. Article 7 of the Mutual Aid Agreement between the United States and the United Kingdom, and subsequently between the United States and Australia, required recipients of American assistance to work toward the dismantlement of barriers to international trade, including the preferential tariffs between members of the British Empire.[9] Australia's response to Article 7 was the so-called 'Full Employment Approach' (or 'Positive Approach'): in return for Australia's support for US plans for post-war international trade and finance, the United States and other world economic powers would commit to domestic policies aimed at maintaining full employment. The rationale was that buoyant levels of demand in the world economy would assist small, open economies like Australia to preserve internal and external balance. The 'Full Employment Approach' was taken by Australian delegates to all the major international conferences during and immediately after the war, including most notably at Bretton Woods in 1944.[10] LF Giblin, Melville and Coombs were the principal authors of the 'Full Employment Approach' (Cornish 1981; Cornish and Schuler 2013).

As well as his work for the F and E Committee, Melville was chosen to lead the Australian delegation to the important British Commonwealth talks on finance and trade in London in 1944. Keynes, who also attended the conference, was so impressed with Melville's contribution at the conference that he wrote to Giblin saying:

> I saw … a good deal of Melville's conduct of his business at the meetings. You can feel very confident that he upheld the dignity and integrity of Australia with the most marked success … he handled himself most impressively, was clear, cogent and never unreasonable, put his point forcibly yet moderately, and achieved, in my judgment, as much as was humanly possible to move matters in the direction he desired. He had quite a difficult task and accomplished it supremely well.[11]

Later in 1944, Melville was appointed by Prime Minister Curtin to lead Australia's delegation to the United Nations (UN) Monetary and Financial Conference at Bretton Woods, which created the International Monetary Fund (IMF) and the World Bank. There he had mixed success in achieving the government's objectives and was embarrassed when he was instructed not to sign the Final Act incorporating the conference resolutions. Instead, he was simply to certify that the record of proceedings was accurate. Melville himself was not altogether satisfied with what had been agreed at Bretton Woods, preferring greater exchange rate flexibility, larger quotas and borrowing rights, and an increased obligation on creditor nations to assist countries experiencing external payments problems. In the end he urged the government to support Australian membership of the IMF and World Bank. In 1945 he observed the first meeting of the governors of both institutions at Savannah, Georgia, as the representative of Australia. From 1947 to 1950 he chaired the UN Economic and Social Council's sub-committee on Employment and Economic Stability.

In 1948 Melville's career suffered a setback when the Prime Minister and Treasurer, JB Chifley, nominated Dr Coombs to fill the position of Governor of the Commonwealth Bank. Coombs himself agreed that the position should have gone to Melville, admitting that he had argued without success in favour of Melville in discussions with the Prime Minister.[12] The decision, however, was a political one, motivated by Chifley's disappointment over the rebuff to his plans to nationalise the private banks. Melville was subsequently appointed Assistant Governor (Central Banking), declining offers to become Ritchie Research Professor of Economics at the University of Melbourne and Director of the Research School of Social Sciences at the new national university in Canberra; earlier he had narrowly missed out to Copland for the position of inaugural Vice-Chancellor at the ANU (Cornish 2007). He decided to take a year's sabbatical leave to familiarise himself with the latest mathematical and econometric techniques in economics, and to work on the draft of a book he was writing entitled *The Unstable State*, which sought to apply dynamics to existing economic theory.[13] (A digitised copy of *The Unstable State* is available for the first time in Unreserved along with his Bank papers.) Melville's sabbatical year ended in 1950 when he was appointed Executive Director for Australia and some other countries at the IMF and World Bank in Washington. There he became a powerful advocate of the convertibility of sterling and related currencies. When he retired from the Commonwealth Bank on his return to Australia in 1953 to succeed Copland as the ANU's Vice-Chancellor, Coombs wrote to him saying that 'in the years you were with the Bank, you made a contribution to the theory and practice of central banking which is without equal in the world'.[14]

At the ANU, Melville continued the work of his predecessor to create a university of world stature. By the end of his seven-year term this objective was accomplished. One of his final and most difficult tasks was to negotiate the amalgamation of the

ANU and Canberra University College. After the Vice-Chancellorship he resumed his career as one of the nation's most prominent economic advisers. He wrote articles on policy issues, was appointed to government advisory committees, occupied a seat on the Board of the Reserve Bank, and chaired at Coombs' invitation the regular meetings of university economists with the Governor of the Bank.[15] During this period, Prime Minister Menzies appointed him to several government committees, including the Economic Advisory Council and the Immigration Planning Council.

The most important appointment he accepted after leaving the ANU was Chairman of the Tariff Board. This was always going to be a difficult assignment for one who strongly believed that Australia's tariff protection was excessive and that tariff-making required a rational rather than an emotional approach. After two years of considerable turbulence he resigned following irreconcilable differences with the Minister for Trade, John McEwen. The Minister, according to Melville, 'was trying to bully the [Tariff] Board into recommending higher tariffs than were justified on any basis. Finally I got fed up with this business and felt I couldn't go along with it any longer' (Cornish 1993, p 29).

Thereafter, until his effective retirement in the late 1970s, Melville worked first as a consultant to the Development Advisory Service of the World Bank, leading missions to Syria and to the Philippines, where he was stationed for two years. On his return to Australia, he undertook several government assignments, including inquiries into: Wages and Industry in the Territory of Papua and New Guinea; the Oil Industry's Terms and Conditions for the Refining of Indigenous Crude Oil; the Treasurer's Proposals for a New Superannuation Scheme for Australian Government Employees; and the Commonwealth Committee of Enquiry on Health Insurance. Throughout the 1950s he had been a member of the Board of the Commonwealth Bank; he was appointed to the Board of the Reserve Bank in 1959 and remained a member until 1974 (except for the period when he worked for the World Bank). He joined the Commonwealth Grants Commission, and for eight years was its Chairman. For most of this time he held a Visiting Fellowship in the Department of Economics at the ANU's Research School of Pacific Studies. There he participated actively in seminars and occasionally presented papers.

Ideas and policies

Melville dismissed any suggestion of belonging to a particular school of economic thought. During the 1930s he was often regarded as a 'deflationist' rather than an 'expansionist'. Giblin certainly thought that Melville was 'a strong deflationist' (Cornish 1999, p 130). Roland Wilson also asserted that 'Melville was fairly notorious for his deflationary views'.[16] Although the claim is arguable, it has to be balanced by Melville's strong support for devaluation, which he believed was necessary for the purpose of limiting deflation. In fact, Melville's interpretation of the causes of the Great Depression, and the policy position he held during the Depression and recovery, were remarkably consistent. In the case of Australia, the Depression was the result of a combination of internal and external influences. The nation had borrowed extravagantly in the 1920s; much of it was spent on public works of an unproductive nature. The servicing of external debt had become unsustainable by the late 1920s, a problem made worse when export prices plummeted as a result of the Depression. It was Melville's view that Australia would have experienced a sharp downturn in economic activity for domestic reasons alone, though he conceded that the international depression greatly magnified local difficulties.

For Melville, the task facing Australia in 1930 was to absorb the loss of real income without creating further problems. In his policy advice he offered three recommendations. The first was to stabilise public finance by bringing state and Commonwealth budgets closer to a balanced position; he considered that this was essential for the restoration of confidence. The second was to reduce domestic costs; this did not amount simply to a cut in wages, but a reduction in all incomes, including those derived from the ownership of capital. Third, he believed there was little hope of restoring prosperity without a recovery of prices, both international and domestic; here, Melville was a strong supporter of exchange rate flexibility and internationally coordinated attempts to reflate economic activity. He was emphatic that Australia could not adopt a unilateral policy of increased government expenditure in the face of the massive loss of confidence by overseas investors. Yet he was realistic enough to admit that budget deficits could not be eliminated immediately and that borrowing from the banking system by the issue of Treasury bills might have to be maintained for some time, even though he supported in principle the funding of floating debt. On the other hand, he was never faint-hearted about the necessity of wage cuts, continuing to advocate them throughout the 1930s as a stabilisation measure.

Melville's most persistent policy recommendation, however, concerned the exchange rate. While he continued to see merit in seeking to preserve exchange stability in normal circumstances, he supported adjustments to the exchange rate – even a floating rate – when external conditions deteriorated fundamentally. He was opposed to the determination by Sir Robert Gibson, the Chairman of the Board of the Commonwealth Bank, to restore parity with sterling and return the currency to the gold standard (Cornish 1993). As a member of the Wallace Bruce Committee, Melville supported recommendations for a further devaluation (from A£125 to A£140 = £stg 100) and additional wage cuts, believing they would strengthen the balance of payments and provide greater scope for monetary expansion. He never concealed his disappointment that Keynes did not support the committee's argument for a further devaluation.

When in 1936 the government established a Royal Commission on the Australian Monetary and Banking Systems, Melville took the opportunity to explain his position on monetary policy in a written statement and in oral evidence.[17] He asserted that the objectives of monetary policy were threefold: the stability of economic conditions; the maximum level of output; and full employment. He acknowledged that it would be difficult to achieve all these objectives simultaneously and choices between them would have to be decided. The authorities should use all the available policy instruments – including the exchange rate, credit controls and the rate of interest – to ensure that optimum choices were made. For the purpose of controlling credit, he agreed that private banks should be compelled to lodge a certain proportion of their deposits with the Commonwealth Bank. A variation of this idea was recommended by the Royal Commission and applied by the monetary authorities during the Second World War, becoming the principal mechanism for controlling credit growth for some decades thereafter. Melville himself would have preferred to conduct monetary policy by market operations, having been the major force behind the failed attempt by the Commonwealth Bank in the mid-1930s to use open market operations. For him, the Special Accounts mechanism (later Statutory Reserve Deposits) adopted during the war represented a second best solution.

Because of the inherent complexity of the economic policy process, Melville saw the need to follow simple rules. It was necessary, he wrote in his submission to the Royal Commission, to 'select one factor in the economy and attempt to fix it, at the same time endeavouring, as far as possible, to make every other factor in the economy adapt itself to the fixed factor'. His choice of policy anchor was the exchange rate. 'Having regard to the necessity for Australia to trade on friendly terms with other countries, her need for overseas capital, and the convenience of traders and financiers', he considered it 'best in her case to fix the exchange rate and adapt the economy to that fixed rate'. In these circumstances, domestic policy would be guided by the level of foreign reserves: monetary policy would be eased when the reserves rose and tightened when the reserves fell. However, while he recommended that the exchange rate should provide the anchor – or compass, to use his terminology – upon which monetary and other policy settings should be adjusted or guided, this did not mean that he supported a fixed exchange rate in all circumstances. On the contrary, there would be 'exceptional circumstances' when the exchange rate would have to be adjusted to avoid excessive deflation (or inflation).

Melville greatly admired Keynes, both as a person and as an economist. Yet there was always some ambivalence about his allegiance to Keynes (Cornish 1993). He admitted that he was greatly stimulated by many of Keynes' theoretical arguments and policy proposals. But he was not committed to them in their entirety. He accepted the broad Keynesian framework of aggregate demand and its key determinants. He agreed also that an economy dependent solely on market forces would not necessarily tend to full employment and that there were strong grounds for managing the level of aggregate demand by public policy, especially by monetary policy in normal circumstances, and perhaps by fiscal policy when the economy was greatly depressed. For the most part, he endorsed Keynes' approach to war finance, the Bretton Woods system and full employment. Yet there were always qualifications.

Melville over the years spoke and wrote on a number of contemporary policy issues. When he was at the IMF in the early 1950s he participated in the debate on currency convertibility, especially sterling convertibility. At first he opposed sterling convertibility, on the grounds that the United Kingdom was 'bankrupt and couldn't really make their currency convertible at that time. In effect, there was no alternative for them but to have something like the Sterling Area'. But as time progressed it seemed to him that nothing was being done to dismantle the Sterling Area and so he began to support convertibility, writing an influential paper on the subject when he was at the IMF, which was widely circulated.[18] He disclosed in a later interview that he did not write the paper at the prompting of the Australian Government, though he was aware that it favoured convertibility. On his return to Australia he wrote an article for *Australian Quarterly* setting out his reasons for supporting convertibility. In essence, he was concerned that, by being a member of the Sterling Area, Australia was forced to buy goods from the United Kingdom at higher prices than they could be purchased from the US (Melville 1954).

In four important papers written between 1942 and 1946 Melville focused on the prospects for achieving full employment after the war. In these publications he addressed both theoretical and policy issues (Melville 1942, 1945, 1946a, 1946b). While he supported the emphasis that was placed on achieving full employment through the management of aggregate demand, he questioned the government's aim to maintain the level of unfilled vacancies in excess of the numbers registered as unemployed. Rather, he thought the government should aim to achieve an unemployment rate of not less than 3 per cent, since there would always be some frictional and structural unemployment. Of the policy instruments available for the purpose of maintaining employment, he conceded that monetary policy might be too weak in exceptional circumstances to arrest powerful deflationary forces. Instead, fiscal policy, centred on the expansion of government expenditure in the form of public works, might be necessary to combat unemployment. But he cautioned that a great deal of prior planning of public works would be required. On several occasions he doubted that a small, open economy such as Australia could successfully apply unilaterally an expansionary domestic policy aimed at combatting unemployment, especially at times when the international economy was in a depressed state. Nor was he convinced that the new international institutions such as the IMF would be able to assist countries like Australia in these circumstances. Above all, there was the strong possibility that a fully employed economy would give rise both to a permanent state of inflation and to inefficiencies in the utilisation of resources as the sellers of goods and services – and of labour – acted to exploit their market strength in conditions of buoyant demand.

On the question of floating exchange rates, Melville took a pragmatic view. His preference was for a fixed but adjustable rate somewhat along the lines of what had been agreed at Bretton Woods, though with greater scope for adjustment. But for that to work there would have to be a reliable anchor, which there had not been since the US dollar went off the gold standard in 1971. Since that time, there was no country that he would have liked the Australian dollar to be anchored to, and accordingly there was no alternative to a floating rate. In the early 1990s he admitted that he would have preferred to return to the Bretton Woods system under the guidance of the IMF. But to succeed, he thought that Germany, Japan and the United States would have to adopt firmer monetary and fiscal policies. If that were to happen, he said, 'we'd then have a very firm anchor on which we could link the Australian dollar' (Cornish 1993, p 37).

On the question of central bank independence, Melville agreed that the Reserve Bank 'ought to be made as independent as possible', but he did not believe that it could be 'completely independent of government'. For him, that was 'not realistic'. Nor did he think it was necessary since the Bank, according to its statute, was 'free to challenge the government. If the government tells it to do something, it can say, 'we won't'. The government can then only make the Bank fall into line by having the nature of the dispute, and the government's directive to the Bank, tabled in Parliament'. Referring to the situation as it was in the early 1990s, he was 'inclined to think that is about as independent as you can get' (Cornish 1993, p 38).

Character and honours

Melville was a person of his time and social circumstances. Born in the second year of Federation, he worked for most of his life in institutions created by the Commonwealth. He possessed a restrained and earnest temperament, and was never one to seek the limelight. Though a university professor for scarcely two years, he continued throughout his life to adopt a detached and scholarly attitude, being generally addressed at the Commonwealth Bank – though not at his insistence – as 'Professor Melville'. He distrusted flamboyance and excessive exuberance, and was quick to condemn opinions and actions that appeared to him to be irresponsible. He never doubted his own abilities, which were substantial. Nor did he shy away from responsibility, which had been thrust upon him at a remarkably early age. He continued throughout his career to regard himself primarily as an economist and was proud of the respect with which economics and economists had come to be held within Australia by the middle of the 20th century. He served as President of the Economic Society of Australia and New Zealand (later the Economic Society of Australia), having joined it as a foundation member in Adelaide in 1925. He was also President of Section G (Economics) of ANZAAS (Australian and New Zealand Association for the Advancement of Science). He was elected a Distinguished Fellow of the Economic Society of Australia upon his 90th birthday in 1992, an honour that gave him great satisfaction. In 1943 he was elected a Fellow of the Social Science Research Council (SSRC), the precursor of the Academy of the Social Sciences in Australia, of which he became an Honorary Fellow; he had been a member of the first group of Fellows of the SSRC and was its Chairman from 1953 to 1958. He was the author of more than 30 published articles, lectures, reports and submissions to public enquiries, but the bulk of his writing can be found in unpublished papers and memoranda at the archives of the Reserve Bank in Sydney and the National Archives of Australia in Canberra. He was made a Commander of the British Empire (CBE) in 1953 and created a Knight of the British Empire (KBE) in 1957. Honorary degrees were conferred upon him by the ANU and the universities of Sydney and Toronto. He was a Fellow of both the Institute of Actuaries (London) and the Actuaries Institute of Australia.

On the occasion of Sir Leslie Melville's 100th birthday, Ian Macfarlane rightly remarked that Melville was one of 'the most distinguished Australians of the past century'. He, more than any other person, introduced central banking to Australia. He represented Australia at many of the most significant international economic conferences of the 20th century, chaired one of the United Nations most important economic committees, was the chief executive of what became one of the world's great universities, chaired the Australian Tariff Board and the Commonwealth Grants Commission, led World Bank missions to developing countries, chaired countless government committees at the request of Australian Prime Ministers and senior government ministers, and continued to present papers at university seminars into his eighties (Arndt 2000). The Reserve Bank can be justly proud that Leslie Melville was the first economist appointed to the nation's central bank.

Footnotes

[*] Selwyn Cornish is the Reserve Bank of Australia's Historian and an Associate Professor at the Australian National University. The author acknowledges the assistance of Jacqui Dwyer, Virginia MacDonald and Greg Tyler.

[1] For more information about how the Reserve Bank evolved from the Commonwealth Bank of Australia to become an independent central bank, see RBA, 'Explainer: Origins of the Reserve Bank of Australia'. Available at <https://www.rba.gov.au/education/resources/explainers/origins-of-the-reserve-bank-of-australia.html>.

[2] See Commonwealth of Australia (1924), *Parliamentary Debates*, Vol 106, p 1265.

[3] Montagu Norman, the Governor of the Bank of England, was invited to Australia to advise the Bank. Unable to visit himself, he sent one of his senior officials, Sir Ernest Harvey, whose advice was that the Commonwealth Bank should follow the design and practices of the Bank of England, shedding its commercial banking functions and using market operations to conduct monetary policy. However, Australia was yet to develop a short-term money market and the Parliament was not ready to establish a separate central bank (Giblin 1951, pp 37–46).

[4] See RBA Archives C.3.15.10.7, Ernest Riddle to Montagu Norman, 25 August 1931.

[5] See RBA Archives BM-M-5.

[6] This was later the Reserve Bank's Research Department and since the early 1990s the Bank's Economic Group.

[7] See Cornish (1993) and National Library of Australia (undated).

[8] See University of Adelaide Archives, Series 200/26/29, LG Melville to Registrar, 23 February 1929.

[9] These preferential arrangements had been established at the British Empire Economic Conference in Ottawa in 1932 to foster closer relations among British Empire countries as they sought to recover from the Great Depression.

[10] These conferences included: the Food and Agriculture Conference in Hot Springs, Virginia, in 1943; the International Labour Conference in Philadelphia in February 1944; the Monetary and Financial Conference at Bretton Woods in 1944; the United Nations Conference in San Francisco in 1945; and the various international trade conferences culminating in the Havana Conference in 1948.

[11] See Kings College Archives (University of Cambridge), JM Keynes to LF Giblin, 24 March 1944.

[12] See RBA Archives GHC-48-2, HC Coombs to LF Giblin, 3 December 1948.

[13] See RBA Archives GGM-55-1-A & GGM-55-1-B and Melville (undated).

[14] See RBA Archives ST-PR-35, HC Coombs to LG Melville, 13 January 1954.

[15] See RBA Archives C.3.15.9.29 & C.3.15.9.30.

[16] See RBA Archives GLG-51-5, R Wilson to LF Giblin, 7 December 1949.

[17] See Commonwealth of Australia (1937a, 1937b).

[18] See RBA Archives C.3.7.6.43; Melville (1952); Cornish (1993).

References

Arndt HW (2000), 'Leslie Galfreid Melville. Citation for an Honorary Degree', *History of Economics Review*, 32(Supp), pp 15–17.

Commonwealth of Australia (1924), *Parliamentary Debates*, Vol 106.

Commonwealth of Australia (1937a), *Report of the Royal Commission on the Monetary and Banking Systems of Australia*.

Commonwealth of Australia (1937b), *Submissions to the Royal Commission on the Monetary and Banking Systems of Australia*, Vols 1 and 2.

Cornish, S (1981), *Full Employment in Australia. The Genesis of a White Paper*, Research Report No 1, Department of Economic History, Australian National University, Canberra.

Cornish S (1993), 'Sir Leslie Melville: An Interview', Working Papers in Economic History No 173, Australian National University, Canberra.

Cornish S (1999), 'Sir Leslie Melville: Keynesian or Pragmatist?', *History of Economics Review,* 32(Summer), pp 126–150.

Cornish S (2007), 'The Appointment of the ANU's First Professor of Economics', *History of Economics Review*, 46(Summer), pp 1–18.

Cornish S and K Schuler (2019), 'Australia's Proposals at Bretton Woods and Roads not Taken', in Ian Shapiro and Naomi Lamoreau (eds), *The Bretton Woods Agreements, together with Scholarly Commentaries and Essential Historical Documents*, Yale University Press, New Haven and London.

Giblin LF (1951), *The Growth of a Central Bank. The Development of the Commonwealth Bank of Australia, 1924-1945*, Melbourne University Press, Melbourne.

Keynes JM (1932), 'World-Famous Economist Praises Our Efforts', *Melbourne Herald*, 27 June, p 1.

Lowe P (2019), 'Some Echoes of Melville', Sir Leslie Melville Memorial Lecture, Canberra.

Macfarlane, I (2002), 'Sir Leslie Melville. His Contribution to Central Banking in Australia', Sir Leslie Melville Memorial Lecture, Canberra.

Melville L (undated), *The Unstable State. An Inquiry into the Nature of Non-Equilibrium Economics*, unpublished manuscript, Reserve Bank of Australia Archives, RBA Archives GGM-55-1-A & GGM-55-1-B.

Melville L (1942), 'Economics of New Orders', *Economic Record*, 18(Dec), pp 143–157.

Melville L (1945), 'The Post-War Economy, in Melville et al, *Australia's Post-War Economy*, Sydney, Australasian Publishing Company.

Melville L (1946a), 'Some Post-War Problems', *Economic Record,* 22(June), pp 4–22.

Melville L (1946b), 'Where Are We Going?', *Economic Record*, 22(Dec), pp 193–198.

Melville L (1952), 'Sterling Convertibility. The Rival Faiths', 11 April, RBA Archives C.3.7.6.43.

Melville L (1954), 'Sterling Convertibility', *Australian Quarterly*, 22(3), pp 12–24.

National Library of Australia (undated), Interview with Sir Leslie Melville conducted by Alan Hodgett for the Oral History Collection of the National Library of Australia, NLA/TRC-182.

Stevens G (2008), 'Liquidity and Lender of Last Resort', Sir Leslie Melville Memorial Lecture, Canberra.