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## PUBLIC INTELLECTUAL

Heinz was determined, almost from the moment he stepped foot on Australian soil, to avoid being the typical academic economist who confined himself to teaching undergraduates and conducted esoteric research that lacked practical application. Rather, he expressly intended to become a public intellectual, using the media and speaking engagements to raise issues of social importance. Soon after he arrived in Sydney, he wrote to a friend in England

In the few months since my arrival in Australia I have been impressed by the apparent lack of interest in, and ignorance about, public affairs in general and international affairs in particular among the people one meets outside the University. This is a complaint that one hears often enough in Britain, too. But ignorance and apathy seem still more widespread here...The result of this apathy, in turn, is a certain provincialism in politics. Politicians are careful to concentrate on bread-and-butter issues; debates of principle are shunned; theory is suspect. A 'big job' for adult education.

Heinz quickly embarked on a one-man crusade to repair this deficiency. His energy and commitment to various political, social and economic causes were truly remarkable. Soon his name became a household word in Sydney and Canberra, and to a lesser degree in the other state capitals. He submitted articles and letters to the *Sydney Morning Herald* and other newspapers; he wrote a regular column for the *Australian Observer* (a fortnightly review edited by Allan Fraser, the federal Labor member for Eden-Monaro in southern New South Wales), signing himself 'An Economist'. He gave talks to the NSW branch of the Australian Institute for International Affairs, presented papers to conferences sponsored by the NSW branch of the Economic Society of Australia and New Zealand (and its Victorian and Canberra branches) and by the Australian and New Zealand Association for the Advancement of Science. He was a frequent contributor to the *Current Affairs Bulletin*, published by Sydney University's Department of Tutorial Classes, and he presented news commentaries on ABC radio.

This wasn't all, for he continued the practice that he began in Manchester of giving lectures under the auspices of the Workers' Educational Association (WEA). Throughout his Sydney years, he regularly lectured in Manly and other northern suburbs for the WEA and was often a featured speaker at its annual summer school at Newport. In 1947, he travelled to Newcastle to deliver a lecture at the Henry Lawson College of the Newcastle branch of the Australian Labor Party (ALP), speaking on the subject 'Does immigration affect our standard of living?'. At various times he addressed the Institute of Accountants (on inflation control), the Christian Social Credit Movement (on bank nationalisation) and the Singleton Rotary Club (on aspects of European affairs). For the Sydney University Department of Tutorial Classes, he gave 10 lectures in 1948 on Fabian socialism.

On the odd occasion he declined an invitation to present a talk or give a lecture, but he did so reluctantly. In 1950, he turned down an invitation to speak at a conference sponsored in Sydney by the Democratic Rights Council, an organisation associated with the Communist Party of Australia. He explained this by saying: 'I am unable to convince myself that the motives of the Council's activities are what they pretend to be. While I gladly recognise the integrity and genuine democratic convictions of some of the persons associated with the Council I am not prepared to co-operate with those who exploit liberal principles for their own illiberal ends.' To reject an invitation to speak on subjects of national importance was, for Heinz, the exception rather than the rule.

In the four years that he spent in Sydney, Heinz got to know many of the leading academic, bank and government economists in Australia. He had several conversations with L.F. Giblin, the grand old man of Australian economics, who was writing his history of the Commonwealth Bank as a central bank. On several occasions, Heinz travelled to Canberra, where he met senior economists working in the Commonwealth Public Service, at the Australian National University (ANU) and at Canberra University College (CUC). During his first visit to the national capital, he read a paper to the Canberra branch of the Economic Society of Australia and New Zealand. Held in the lecture room of CUC, the meeting was chaired by Roland Wilson. Heinz's paper dealt with Keynes's writings on wages and the relationship between wages and employment; this subject had been inspired by a review he had written of Seymour Harris's book *The New Economics*.

In 1949, Heinz went to Canberra again to discuss the work he was doing for the Treasury on the constitutional and legislative basis of economic controls. In 1950, he and other prominent Australian economists were

summoned to a meeting in Canberra arranged by Fred Wheeler to discuss whether Australia should revalue the pound. On this occasion he held long conversations with Trevor Swan, J.G. (later Sir John) Crawford and Gerald Firth.<sup>6</sup> Another person whom he met in Canberra was David Bensusan-Butt, who was on secondment to the Treasury from the Economic Section of the British Cabinet Office. Bensusan-Butt later became a close friend and colleague of Heinz's in the Department of Economics in the Research School of Pacific Studies at the ANU.

Other economists whom Heinz came to know well when he was in Sydney were H.C. Coombs, the Governor of the Commonwealth Bank; R.I. (Dick) Downing, future ABC chairman, who was to become Heinz's closest friend; and the Canadian-American economist Benjamin Higgins, who had taken up a short-term appointment at Melbourne University as Ritchie Research Professor of Economics. Heinz also met Sir Douglas Copland, then the Vice-Chancellor of the ANU, when Copland came to Sydney to discuss possible candidates for appointment to the foundation chair of economics at the national university. Afterwards, Professor W.K. Hancock, the director-designate of the Research School of Social Sciences at the ANU, visited the University of Sydney to discuss the establishment of the school and the leadership role he foresaw for the ANU in the social sciences in Australia. At these meetings, Heinz adopted a somewhat jaundiced view of the ANU, arguing that the national university was likely to denude the state universities of much of their talent base, staff and research students.

In his twice-yearly trips to the University College at Armidale (then affiliated with Sydney University, but later the autonomous University of New England), Heinz met Eric Russell, who was to become Professor of Economics at the University of Adelaide and one of Australia's most distinguished economists. Russell taught in Armidale the same course that Heinz was teaching in Sydney; for this reason, Heinz was expected to collaborate with Russell and to attend examiners' meetings at the University College.

On many occasions, Heinz used his expertise as an economist to speak at public forums on the leading economic issues of the day. Immigration and inflation were two such topics that drew his early attention, but there were others. One was whether Australia should join the new international monetary institutions that had been established at the Bretton Woods Conference in 1944. The ALP was hopelessly divided on the issue, with the Left vehemently opposed to Australia becoming a member of the

International Monetary Fund (IMF) and World Bank, while the Right supported Australian membership. This division was responsible for Australia failing to become a foundation member of the two institutions, though when Australia finally decided to join in 1947 it was allowed all the privileges of a foundation member.

Heinz strongly supported Australia's membership. In a letter published in the *Sydney Morning Herald* in December 1946, he wrote

To those who, like Mr [E.J. ('Eddie')] Ward [the Minister for Transport and External Territories], fear the iron hand of aggressive American capitalism in the velvet glove of the International Monetary Fund, I would say this: the USA undoubtedly stands today for a dogmatic and extreme form of capitalism, repugnant to many people in many countries, and means to impose her views on the new international economic order wherever possible. But the correct defence, if defence is needed, is not to stand aside, but to join the new international organisations and thus strengthen the hands of those countries which, like Great Britain, can be expected to represent and promote a more progressive outlook. Refusal to join merely strengthens the voting power of the block [*sic*] inside the Fund...I might add that, in the short time since my arrival in this country, I have been astonished at the lack of knowledge, even among some of those with opinions on the matter, of the detailed provisions of the Bretton Woods Agreement, and in particular of the many safeguards of the interests of the purely capitalist economies of the American variety which have been emphasised in the scheme (*Sydney Morning Herald*, 20/12/46).

He was to take a similar view a few months later in a well-publicised debate at the Darlinghurst branch of the ALP. In the debate, he opposed Ward (the sitting member for East Sydney, an inner Sydney electorate that included Darlinghurst), who was the government's strongest critic of Australia's membership of the Bretton Woods institutions.

Heinz also spoke publicly on the dollar problem: the inability of many countries, including Britain and Australia, to earn sufficient American dollars to pay for the goods and services they wanted from the United States. Speaking at a lunch-hour meeting in the Sydney University Union in September 1947, Heinz argued that the immediate solution to the

dollar problem was for the United States to maintain full employment in its domestic economy. It could thereby increase its demand for imports, reduce its capacity to export and encourage greater exports from other countries. This was the same approach that had been taken by Australian spokesmen during and immediately after the war—the so-called ‘positive approach’, or ‘full-employment approach’, which had been formulated by leading Australian economists, including Giblin, Melville and Coombs.

To this policy, Heinz added that devaluation should be contemplated by countries experiencing chronic dollar shortages, among them the United Kingdom. He recommended, too, that the United States should lend more freely to other countries and that deficit countries—including Australia—should be prepared to borrow from the United States. To the argument that America’s substantial productivity gap was the major reason for the dollar problem, Heinz thought that bridging the gap in the short term would be a tall order, considering that it was so wide. Much better, he thought, to reduce deficit countries’ export prices in American markets, by devaluation. While it was true that devaluation would raise the import costs of deficit countries and thereby feed inflation, and while he admitted that demand in the United States for some imported goods was relatively price inelastic, nevertheless it was correct, Heinz argued, for the United States to call on countries to devalue, especially sterling-bloc countries.

Implied in much of Heinz’s approach to the dollar problem was criticism of the Australian government’s policy of refusing to borrow in the United States. Such borrowing, to be sure, would augment debt repayment obligations in the future. On balance, though, Heinz thought the risk was worth it. Provided ‘we make sure that borrowed dollars are providentially spent on projects which will develop the Australian economy, and not squandered on semi-luxuries like petrol for pleasure motoring, films or tobacco, there is a strong case for exploring the chances of obtaining a substantial dollar loan now’. Of course, should it prove impossible to borrow sufficient dollars, or if devaluation failed to correct external imbalances, cuts in dollar imports would have to be resorted to by imposing various controls. But such cuts, he argued, should ‘not be allowed to reduce the total volume of trade more than is absolutely necessary’.

As to Australia’s domestic economic policy, Heinz was highly critical of the Chifley government’s strategy of maintaining excessive levels of aggregate demand. Here, he was at one with the majority of Australian

economists, among them the architects of Australia's full-employment policy. Contrary to recent belief, there was nothing Keynesian about the way economic policy was conducted in Australia in the late 1940s and early 1950s. An economic policy based on the economics of Keynes would not have permitted the number of unfilled vacancies to rise above the numbers registered as unemployed, which was the case at the time. The consequence of excess demand was clear: a rate of inflation by 1949 that exceeded 10 per cent and was accelerating well before the outbreak of the Korean War in 1950. Heinz supported the view associated with Copland, who pointed out that excess demand was reducing labour productivity as large numbers of poorly trained and unskilled workers were attracted into Australian manufacturing industries. In effect, Australia was suffering not from a deficiency of aggregate demand and mass unemployment, as had been feared would be the case once the war was over, but from excess demand and chronic over-full employment.

Just a few days before the announcement of sterling devaluation in September 1949, Heinz predicted in one of his news commentaries on ABC radio that devaluation was imminent. After giving the talk, he told Ruth that if the 'sterling should, after all, be devalued, I shall have a field day; already I have been pestered by all the papers'. What he failed to predict, however, was that Australia would itself devalue with sterling by the full amount against the US dollar. Instead, he had speculated that Australia would go only part of the way with sterling. Considering the country's strong balance of payments and tight labour markets, it beggared belief that the government would act so irresponsibly. But he failed to take account of the government's desperate need to shore up its rural political support only months before the 1949 federal election.

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Heinz did not join the ALP until after he moved to Canberra in 1950. This was because he was reluctant to join a political party before his naturalisation was approved, a principle that he had steadfastly adhered to when he lived in Britain. But that principle did not stop him from expressing political views, which he did publicly, frequently and in a robust and forthright manner. He opposed, for instance, the Menzies government's Anti-Communist Bill, informing Allan Fraser that 'I am opposed to the whole principle of the Bill'; he was a signatory to a letter signed by staff at Sydney University who were opposed to the Bill.

Among the first things he did in Sydney was to join with some of his Sydney University colleagues, including Noel Butlin and Kingsley Laffer, in the establishment of the Fabian Society of New South Wales. He was elected its research officer and was responsible for arranging the production of seven publications, the most significant of which was one setting out a case for bank nationalisation. In 1947, Chifley had announced the government's intention to nationalise the private banks. As a member of the *Royal Commission into the Australian Monetary and Banking Systems* in the 1930s, Chifley had written a minority report supporting the nationalisation of the banks. In 1945, however, he had been persuaded by Coombs and others that nationalisation would not be needed and that legislation giving the central bank—then the Commonwealth Bank—additional powers to control the banks would itself ensure that the banking system would function in harmony with the government's economic policies.

Yet the fear that the private banks would challenge successfully in the High Court the constitutional legality of important provisions of the 1945 bank legislation rekindled Chifley's fears about the banks and the likelihood that they might oppose government policy. In 1947, the High Court invalidated Section 48 of the 1945 banking legislation. It did so in terms that seemed to open other, and more significant parts, of the legislation to the danger of successful challenge in the courts.

An Act passed in Federal Parliament in 1947 gave the Commonwealth the power to acquire the shares of all private trading banks (in return for compensation to be assessed by a special Federal Court of Claims) and the power to prohibit private banks from undertaking banking business in Australia after a specified date. In the event, the Act was challenged in the High Court. By a majority judgment, the legislation was declared *ultra vires*, on the grounds that the prohibition on private banking infringed Section 92 of the Australian Constitution. The Commonwealth appealed to the Privy Council in London, but that body upheld the High Court's verdict.

The Fabian Society's pamphlet supporting bank nationalisation was written largely by Heinz, with the assistance of Noel Butlin. It sold more copies than any of the society's other publications, thanks in large measure to the 40,000 copies purchased by Chifley for distribution to party members, government officials and the public. In the pamphlet, Heinz took the view that the inherent weakness of the 1945 legislation made it necessary to secure public ownership of the banking system, for the purpose of maintaining full employment. He argued, further, that a publicly owned banking system would provide improved banking services.

As well as writing the Fabian pamphlet, Heinz explained at several public forums why he supported the nationalisation of the private banks. After an address he gave at Sydney University, he was challenged by an arts student, Mary Walsh, to answer some of the concerns she had about the government's bank-nationalising intentions. In particular, she wanted to know how the nationalisation of the banks might prevent or mitigate a slump originating from overseas. Heinz responded by saying that, while 'there is nothing we can do to prevent the impact on Australia of a foreign slump', what 'we can do and must do is at least prevent the repercussions of the initial impact on industrial incomes and employment. The government must, mainly by means of deficit budget policy, maintain home incomes; at the same time, efforts must be made to maintain or stimulate home investment.' It was here, he said

...where credit policy comes in. By themselves the private banks are hopeless in such a situation. Adequate action by the banking system presupposes effective central bank control (such as envisaged in the 1945 legislation) or by nationalisation. Since the courts have held that the Commonwealth Government does not possess adequate powers of control under the Constitution, while there is no reasonable doubt that it has the power to nationalise the banks, there is the course which it has decided to take.

Walsh then asked Heinz whether nationalisation of the banks would arrogate excessive power to the government, to which Heinz agreed that economic power should not be highly concentrated, whether in private or in state hands. Yet he was adamant that

...there are some purposes so important and urgent that, whether we like it or not, we must endow the Government with adequate power to enable it to pursue them effectively...Anyone, therefore, who concedes...that nationalisation is economically essential for the prevention of poverty and mass unemployment in depressions, but refuses to allow the Government the necessary powers, in effect merely expresses a value judgement on the relative importance and urgency of preventing poverty and unemployment, on the one hand, and say national defence, on the other. He says, in effect, that national defence is important and therefore

we must give the Government adequate powers, poverty and unemployment are not important and therefore we are entitled to refuse the Government adequate powers. In some degree, that does seem to be precisely the situation.

To her question about the inefficiency of government enterprises compared with privately owned businesses, Heinz responded by saying that, while ‘I do not...deny that the maintenance of efficiency in a public enterprise presents problems’, it was ‘the primary characteristic and virtue of public enterprise that it makes possible to put the public interest above profit considerations in these cases where there is conflict’. Here he referred to A.C. Pigou’s classic work, *The Economics of Welfare* (1920), in support of his case. He rejected the idea of a national referendum that would seek public endorsement of bank nationalisation on the grounds that the Chifley government had been re-elected to office scarcely a year before and thereby possessed a mandate to govern. Besides, referenda were held to alter the Constitution and this was not at issue in the current case. Very soon, of course, the question of whether the Act to nationalise the banks was constitutional became the issue.

Walsh, however, was not convinced by Heinz’s arguments. She wrote to him again with further questions. He became rather cross, thinking now—perhaps correctly—that his interlocutor was not the naïve university student he had thought she was, but rather a political activist with an axe to grind. To her questions of an economic nature, he responded abruptly by saying: ‘Your reply shows that you do not understand the most elementary principles of a practical full employment policy.’ To the claim that the majority of Australians seemed to prefer a private banking system to a state-owned one, Heinz replied

It must be remembered that the press in this country is a tight monopoly of the opposition parties and points of view, that the banks and big business are prepared to spend, and are spending, unlimited funds in support of their privileged position and to influence the public by propaganda, however unscrupulous, against the government’s proposal. I know from personal experience that it is hardly possible for the other side to make itself heard in the press or at meetings.

To her claim that, while poverty and unemployment were tragic for those who found themselves in these conditions, there was nothing the government could do about them, Heinz responded by saying that 'this statement would be laughable if it were not tragic. Do you really believe in *laissez-faire*? In the teeth of all the evidence of the history of the last 100 years and all informed opinion today as far to the right as Professor Bland and beyond? Think again!'

In addition to this exchange, Heinz wrote several letters to the *Sydney Morning Herald* on the issue of bank nationalisation. The paper opposed the government's nationalisation policy; Heinz defended that policy. Several of the letters were published. One of them took the form of a reply to a correspondent who had claimed that bank nationalisation would not allow impartiality in the administration of the nationalised banks. In a private banking system where decisions were based on commercial criteria, an aggrieved customer could go to another bank. This, the correspondent said, would not be possible if the government operated all the banks. Heinz dismissed this contention, asserting that the safeguards implied in a privately owned system were only partial: commercial considerations, for example, often discriminated against small customers who lacked influential connections. As he put it: 'There has always been the risk of discrimination based on personal motives. And co-operation in such matters between banks, as well as the normal difficulties in obtaining accommodation from any bank but that with which a firm or individual is already connected, have always rendered the possibility of resort to a competing bank somewhat illusory' (*Sydney Morning Herald*, 26/8/47).

Moreover, he saw no reason why a system of appeals could not be devised to meet the problem, were it to arise in a nationalised banking system.

In another letter to the same newspaper, in which Heinz took issue with an editorial criticising nationalisation, a vital sentence was deleted from the published version. This had the effect of changing completely the intention of the letter. Instead of giving clear support to the government's policy, it appeared that Heinz was endorsing a court challenge to the government's legislation (*Sydney Morning Herald*, 23/9/47). In his letter of protest to H.A. McClure-Smith, the *Sydney Morning Herald's* Editor-in-Chief, Heinz complained: 'What I find most disturbing about this incident is that most of the people to whom I have mentioned it have retorted: "What do you expect?" Rightly or wrongly, there seems to be a general

conviction that anyone who writes a letter to the *Herald* which does not conform to the policy of the paper runs the risk, if the letter is published at all, of having it mutilated for political purposes.'

McClure-Smith replied that his paper was publishing a balanced collection of letters and that no lesser person than the Prime Minister himself had commended the *Herald* for its impartial coverage of the government's bank policy. For Heinz, this simply reinforced his view that the paper was politically biased and deserved the contempt in which it was held by the general public.

In 1997, Heinz was asked by the editor of the *Canberra Bulletin of Public Administration* to contribute an article on the fiftieth anniversary of the Chifley government's policy to nationalise the banks. Looking back, Heinz found it hard to believe that this blatant act of socialism had occurred in Australia only 50 years before. He now thought the decision was 'incredible' and, while he made no attempt to justify his earlier support for bank nationalisation, he did acknowledge that 'the devastating unemployment and rural and urban poverty [experienced during the 1930s had] instilled widespread doubt about the validity of the capitalist and financial system'.

The bank nationalisation episode was Heinz's major venture into the political arena when he was at the University of Sydney. But there were other political issues that also drew his attention. On the Cold War that had recently broken out between the United States and the Soviet Union (this was the time of the Truman Doctrine and the Marshall Plan), he took what he believed to be a critical attitude towards both superpowers. In a letter sent to the *Australian Observer* in July 1947, the purpose of which was to criticise the support that periodical gave to 'the American point of view on the major international issues', Heinz said that his 'own preference is for a critical attitude equally towards the USA and Russia'.

When another paper at the time asked him why he was a socialist, he replied candidly that there were two sets of reasons, one economic and one non-economic. Socialism, he claimed, was capable of greater efficiency than capitalism: less competition meant less waste of scarce resources; there was the possibility that public ownership would provide greater economies of scale; socialism was likely to overcome the problem of externalities; there would be more incentives for workers; and it was more likely that full employment would be maintained in a socialist system than in a capitalist one. As well as these economic arguments for justifying

socialism, Heinz asserted that there were moral reasons why he chose to be a socialist. For him, the 'basic objection to capitalism' was the uneven distribution of income for which it was responsible, inequalities of social status and the irresponsible use of power based on wealth. Further, he objected to what he called the 'spirit of capitalism', by which he meant its underlying selfishness, the emphasis it placed on competition and rivalry and the ethos of the 'devil take the hindmost'. He believed, in short, that the 'capitalist individualist system has placed a premium on objectionable traits'. As for himself, Heinz said that he wanted to live in a country that placed a premium on cooperation and service, rather than one that glorified aggressive competition and acquisitiveness.

This was certainly a bold and uncompromising statement of support for socialism. Nevertheless, to some of his old friends, Heinz appeared to have undergone a fundamental shift of political allegiance since he had left Britain. He was now a proclaimed Fabian socialist and about to become a paid-up member of the ALP, a party mainly of social democrats. In effect, he had turned his back on his youthful dalliance with communism.

Tom Wilson wrote to him in October 1949, saying that Heinz's former Sydney colleague Max Hartwell had told him in Oxford 'about the opening of your eyes to the menace of Stalin the Beast. Perhaps in another ten years you will also see that socialism is a menace. You are slow-witted but you seem to make progress in the end...Are you a professor yet? If not, I presume you will be one soon.'