

# Writing the history of Australasian economic thought

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# THE BOOK

‘An offer too good to refuse’ July 2014

- Routledge had already commissioned an earlier study of Australian economic thought as part of the 1988 Bicentenary
- It was undertaken by two leading Australian economists, Peter Groenewegen and Bruce MacFarlane
- While it uncovered an astonishing degree of earlier 19<sup>th</sup> century economic literature it was considered uneven and not comprehensive enough about the growth of Australian economic thought

# The fatal embrace

- In their book Groenewegen and Macfarlane suggested that Australian economics confronted the ‘fatal embrace’ of the Americanisation of economics
- It was a controversial finding, perhaps internationalization would be a better word but the two authors were right about the end of Australian-inclined economics
- Now, internationalisation rules
- What, though, of ‘the fatal embrace’ of business schools and the collapse of eco depts into them?
- A certain marginalisation occurs with falling student interest in eco
- ‘The withering of academic economics in Australia’ (Lodewijks and Stokes 2014)

# One catch however

- My book also had to include 20<sup>th</sup> century economic thought from New Zealand
- Ambition was to write the book looking at the formation and history of the academic economics profession in both countries and how the ESANZ linked them. The story would recount the development of economic thought in both countries using a problem-orientated or applied approach to specific eco issues.

# Does Australian economic thought really warrant another book?

Yes, by focusing on economists as interesting people, less on doctrine per se and using a network approach showing how economists interacted with each other and overseas peers. These papers reveal networks and how they were influential in development of Australasian eco thought

I would do this by using the extensive but untapped archival material in Australian repositories. I would do this against the backdrop of Australian and NZ economic experience and shifting economic paradigms.

I wanted to bring out the passing parade aspect of economists, not just the good and the great, but also lesser mortals, heretics and maddies

It's a 20<sup>th</sup> century story of mostly Anglo-Saxon economists, working and thinking about their peripheral economies, and to quote Corden, sometimes great work can come from.

# Australis economicus...

- Harry Johnson, was of the view that Australia has had 'a long and respectable tradition in the subject without having been the source of major contributions to its development' not a terribly flattering comment but it raises the idea
- But in the 1960s and 70s Australian economics was more eminent and our economists renowned for trade theory and labour economics, for the economics of a small open economy with centralised wage determination
- People like Max Corden, Richard Snape, Joe Isaac wanted to 'make a difference' in trade and labour issues respectfully...and did!

# Australis economicus-some 20<sup>th</sup> century achievements

- The flowering of Australian genius - punching above its weight
- The Brigden report, the export multiplier, fiscal federalism, pushing trade expansionism.
- the Premiers Plan, 1931: a first attempt at macro stabilisation for an open economy which, according to Keynes saved the economy from liquidation
- Financing WWII using Keynesian prescription but also internationally promoting the positive or employment approach for the postwar world order 1944-5
- From the 1970s onwards Australian economists were still influential in the policy sphere and were a leading factor in the transformation of the Australian economy over last 30 years

# A brilliant start..

- Australian economics began in 1925 with the formation of the ESANZ
- in the 1930s, Australian economists were even more pre-eminent that one commentator called Australia 'the practical utopia for economists'
- ***'There are said to be, in the far north and the far south, happy lands where economists all give the same advice, where the government listens to it, where the public understands why the government has listened - and where, the cynic might add, the very prices of timber and wool play, as though by magic their appointed part in the harmonious scheme.'*** D H Robertson
- My earlier work on how the Keynesian revolution came to Australia stressed that Australia was considerably ahead of Britain and USA in adopting Keynesian precept largely because Australian economists had exclusive access to the corridors of power



# Coverage of the book...

- Book covers the contribution of New Zealand economists; most of their illustrious went overseas to ply their trade
  - And of emigre economists arriving here who made their mark ie Heinz Arndt, Colin Clark
  - Paucity of primary references for New Zealand economists, plenty for Australian economists
- Memoranda of various branches of the Economic Society

# Possible subjects

- Distinguished Fellows of the Economic Society 1987-
- Distinguished Fellows on the Association of New Zealand Economists 1999-
- Condliffe, Blyth, Belshaw, Fisher, A.W. Phillips, Simkin, Turnovsky, McMillan and Meek all spent part, if not the whole of their careers abroad but book includes Phillips on extenuating circumstances (Moniac and Phillips curve)
- Members of the Australian Academy of Social Sciences, Economic Division

# The Melbourne ascendancy

- Using the ESANZ as the platform for the study
- Victorian branch first established and important force behind the Premiers' Plan, 1931
- Copland as the 'George Washington' of Australian economics
- Giblin 'Grand old man of Australian economics' occupies first research chair in Australia at Melb uni
- The ER edited in Melbourne for first 50 years

# Australasian economics

- Need to find what other eminent economists made of Australasian economics... plenty of 20<sup>th</sup> century eminent visitors from Benham, Niemeyer, Gregory, Reddaway, Robinson, Kaldor, Samuelson, Friedman, Hayek, Johnson onwards

# Some Grand themes

- My book disagrees with the line taken Arndt and Corden that post war Australian economic policy dominated by bureaucrats
- Similar story behind New Zealand economic revolution led by RBANZ and Treasury economists, not university boffins
- Each generation feel left behind by the younger generation, Arndt and Downing inability to handle technical stuff but they laboured with the best technical skills they had at the time
- Naïve research antics until the 1960s: Indolence, Provincialism, Lucky Jims
- Economic Record perceived as a closed shop – the arrival of Aust Economic Papers in 1962
- A Palace revolt at the *Economic Record* 1974-75
- Postwar expansion, the B.Ec the degree of choice
- The decline of academic influence.. a natural development with the dissemination of economic advice...a contested space
- Will the venerable Economic Society actually make its 100<sup>th</sup> birthday? Yes, but most attending party will be non-academic economists

# Some grand themes 2

- Similarities between the two countries in history, location, culture, nature of economy, governance, even performance until the last 30 years but...
- NZ had a rocky ride of economic experimentation beginning in 1935 with extensive agricultural price supports and stabilization, insulation, more price, employment and trade stabilisation in postwar period until events in mid 1980s necessitated a complete overhaul and redirection of their economy.
- Hard to assess how Keynesian economics arrived there
- Just what were NZ economists saying about this collectivisation and stabilisation of their economy? Seems that it was pragmatically-led by politicians,
- Too much noise?; economists voices incoherent, reform driven by events, not ideology

# Some grand themes 3

- The formal end of the ESANZ 1983 as NZ economists form own association,
- Creation of the NZIER 1958 as they realize not enough research done on NZ economic problems - equivalent to CEDA in Australia which Copland established
- Sociology of the profession in either country cross-fertilisation

# Some lesser themes

- The department of Bruces
- Not just applied economists, theorists too
- Using key figures in the narrative ie Douglas Copland, Colin Clark and what was appearing in the Economic Record as milestones
- Vignettes, humour, irony, a light touch throughout the narrative
- The economic history and the policy issues arising being the moving background to our story



# Just how influential was academic opinion?

- the interplay of economic ideas and economic policy
- Certainly Australian uni economists were influential in the interwar era (only experts in the field then) probably less so in NZ
- but economic policy and policy makers guided more by circumstances, events and pragmatism than academic voices and economic ideas
- Keynes' 25 year rule; Keynes's famous quote about ideas being more important than vested interest...percolating down to influence policy over the long term
- In the 1970s free uni educ seen as benefitting middle class more than battlers, HECS system introduced 1988

# The \$64,000 question

- Who were Australia's greatest economic theorists?
- Giblin, Swan, Harcourt, Corden, Kemp  
Clark Garnaut
- And for New Zealand?
- AGB Fisher, Belshaw, A.W Phillips,  
Condliffe, Simkin, Turnovsky

# Friends, what did Australasian economics ever do for us?

- HECS income contingent loans for university
- Inflation targeting by central banks (RBNZ the first)
- The 25% rule on government spending/taxation (Colin Clark)
- the GDP
- The export multiplier
- Effective rate of protection; other areas of trade theory
- Import licensing!
- Fiscal federalism
- Macro stabilisation for small, open economies
- Karmel, Downing, Isaac, Salter and Russell works on centralised wage determination under fixed exchange rates and how to adjust wages to movements to the terms of trade

# Friends, what did Australasian economics ever do for us?

- Medicare medibank system
- Economics of immigration
- Trade Practices and ACCC
- The PBS
- Competition policy under Hilmer
- The Tariff Board (a direct bridge between Rattigan and Corden)
- The mixed fruits of Privatisation