

Danger – Economists at Work: The joke that can damage your children's welfare

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If all economists were laid end to end, they would not reach a conclusion.

Attributed to George Bernard Shaw
cited in *Hamlyn Dictionary of Quotations*, Rosalind Ferguson (1989:142).

I must admit at the outset that I only studied economics for a year. At the end of the undergraduate year, I sat an exam on the subject and passed. It was, as I recall it, a close-run thing however.

A number of us had already provoked the exam adjudicators by turning up late. Students were allowed into the exam hall up to twenty minutes after the exams had started, and this being the late 1960s, it was very cool to affect nonchalance by entering ten minutes or so late after everyone else had settled down. Such a late arrival not only gave the required appearance of casual unconcern, but also caused considerable disruption, especially if the latecomer was seated in the middle of a row of scibblers. Working one's way down the line of desks, loudly muttering 'Excuse me', 'So sorry', 'Excuse me', and so on was guaranteed to arouse the ire of diligent student and conscientious adjudicator alike.

Before the first hour of this particular Economics paper was over, I was amongst a group of students who were close to being thrown out of the exam hall for laughing. One of my friends, sitting two rows in front of me, had turned around and asked another student if she understood Question Three. 'Question Three?' was the response. 'Question Three? I don't understand any of the questions, so what I've done is combine it with Questions Nine, Ten and Twelve'.

The laughter that erupted came close to the hysterical. Trapped in an exam hall with hundreds of other students, facing a paper I didn't understand on a subject that I found incomprehensible, my laughter and that of my

fellow students attracted the attention of the adjudicators, one of whom warned us that the exam would be over if another sound was heard.

I still find it hard to believe that I passed the subject. I suspect that there was probably some mix up over the results and, as a result I was given someone else's marks by mistake. (This means, of course, that some poor fellow student failed when he or she should have passed.) Nevertheless, there is a delightful irony in roars of laughter disturbing the silence of an exam on what the historian Thomas Carlyle called the 'Dismal Science'. The experience clearly makes me exceptionally well-qualified to comment on current economic thinking.

I am writing this just days after the Federal Election. The campaign focused almost exclusively on economic arguments, as Judith Brett (1993) wrote in her perceptive essay in *The Age*, 'What ever happened to moral purpose?' Brett, biographer of Sir Robert Menzies, bemoans the lack of any 'real conflict of principles' in the 1993 campaign. Only occasionally could 'the very faintest echoes of the high clash of principles' be heard:

...the competing visions of society carried during this century in Australia by, on the one hand, a liberalism centred on the individual's capacities for free and independent action, and on the other a liberalism that gave the state a central role in ensuring the development of all individual's chances for freedom and dignity.

Brett, *The Age*, 27th February 1993

Brett's argument is that Sir Robert Menzies believed that it was his task to ensure that moral purpose remained at the centre of Australian politics. Neither leader of the major parties is

currently undertaking that role, Brett believes, and Australia is the poorer for it.

Brett expands on this in a piece for *The Australian* published immediately after the election. In "Libs lose track of the forgotten people" (17th March 1993), she describes the groups alienated by current Liberal Party policy, groups that prevent the Liberal Party regaining power. One such group, Brett explains, is those people who work in the public sector:

It's not just that many of them stand to lose their jobs if a party committed to cutting back the public sector were to form government, but that such a party seems contemptuous of the work they do.

Brett, *The Age*, 17th March 1993

These people, Brett asserts, do not see themselves as costly liabilities, but as nurses, teachers and so on who play a vital and valuable role in our society.

As is often the case in Australia, a perceptive cartoonist summed it all up beautifully. Nicholson (or perhaps it was Tanner) in *The Age* drew a picture of Keating and Hewson in bed together and sharing some bedtime reading – a book on rational economics.

We must all take the blame for allowing political debate to be so narrow. It is important to return to basics and even the relatively straightforward, undergraduate economics texts can assist us. Riddell et al.'s book provides help through the title alone: *Economics: A Tool for Understanding Society* (Riddell et al., 1987). Early in such texts, the authors, even though they are economists, at least allude to the fact that economics is merely one of the social sciences about one particular aspect of social life.

In spite of claims by people like Milton Friedman that economics can be or is objective (McKenzie, 1983) it is only one of the social sciences and, as such, its powers of prediction struggle to advance beyond the pathetic (Donnelly, 1991). Nevertheless, many economists claim that the study of economics is a science that explains the real world:

Accordingly, many economists and policymakers firmly believe that economics provides a largely (if not totally) mechanical, non-normative, impersonal, and independent means of seeking social improvement. (McKenzie, 1983:57)

Samuel Johnson, more than two hundred years ago, described patriotism as the last refuge of the scoundrel. Events have clearly overtaken him: claiming to be 'scientific' is perhaps the latest refuge for scoundrels.

Economics provides but one narrow, value-laden angle from which to view the world. Even from that isolated viewpoint, different sights can be seen. Nothing, however, can be done to disguise the fact that much of the world cannot be seen at all, and much of the rest is ignored.

I remember reading Tanya Petridis's review in the now sadly defunct *Australian Society* of Marilyn Waring's excellent book *Counting for Nothing* in which she described a scenario that has become all too common. A chemical factory explodes, releasing huge amounts of toxic waste, killing all life in the nearby river. A huge effort is made to clean up the area, with resources pouring into the region. All this activity stimulates the economic indices and economic 'growth' is said to have occurred. As a consequence, economists say that everyone is better off.

Waring (1988) condemned modern economics for its gender bias. Women have been rendered 'invisible' (Watts 1993:9) in current economic thinking. The problem, however, is far worse than this, as Waring herself notes. Clean water and clean air have been given no economic value (unless we use and abuse them to produce something that has been granted a value):

...it is quite clear that what many of us regard as the flagrant destruction of natural resources is recorded as growth and thus part of our well-being.

(Waring, 1988:127)

The dangers of the market and the profit motive were seen years ago and the arguments are fundamentally old ones. Engelbrecht and Hanighen (1934), in their study of the international armaments industry, described in detail how guns condemned as 'obsolete' and 'dangerous' were sold as new during the American Civil War in order to satisfy the profit motive. People were maimed and died but actions were seen as justifiable (rational even?) when viewed in terms of trade.

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Michael Pusey (1991) has done more than most in Australia to expose the blinkered view of economists and those who are responsible for implementing policy. The cause has been taken up by others including, as one would expect, the Public Sector Union (1992) amongst others.

Pusey contributed to the *Ideas for Australia Week* in 1992 and provided a damning indictment of economic rationalism, describing it as 'uni linear' and 'monological' theory that always comes up with the same prescription:

- * It's **always** necessary to cut public spending.
- * Wages and salaries are **always** too high and we must **always** redistribute the nation's income upwards and away from wage and salary earners...
- * Welfare spending is **always** too high.
- * It's **always** a good idea to move the burden of taxation away from inputs on business and on to consumers (the consumption tax) and/or wage and salary earners.
- * We must **always** accept higher levels of unemployment.
- * We must **always** deregulate the private sector and remove public sector controls over business.

In his contribution to *Ideas for Australia Week*, Kenneth Davidson (1992) attempts to 'defrock' the high priests of economics. He shows that a central aim of economists used to be the maintenance of full employment. This logically leads to some major questions that we should be asking of government and the economists.

Firstly, even if we accept that new industries will appear, why should we allow some industries to close before those new industries are in place to provide employment? Secondly, as Mathews points out in his review of the books by Home (1992) and Carroll and Manne (1992), no matter how efficient our industries become, some of them will never be able to compete with countries who rely on cheap labour (even child labour), economics of large scale, and huge tariff barriers.

Our trade deficit remains high, even with a million or more unemployed. No one has explained to my satisfaction what will happen if unemployment is reduced and the newly employed spend their money on consumer items, such as cameras, videos, computers, and stereos, which are no longer made in Australia. A further balance of payments crisis is likely to set the whole process in motion again.

Returning to London each year, not that far from my economics exam fiasco, provides me with a series of snapshots of 1980s economics and Thatcherism in action. The views are not appealing. Every time I travel on a thirty-year-old bus trapped amongst the Fords, Rovers and Jaguars, or get squashed in a dirty Tube train, I am reminded of Brian Barry's (1988) forceful essay on "The Continuing Relevance of Socialism".

What I see created around me in London (or for that matter, to varying degrees, in Chicago, Sydney or Melbourne) is a society that for too long has responded to 'market failure' by further, doomed, individual efforts:

- Q. Does the public health service have long waiting lists and inadequate facilities?
A. Buy private insurance.
- Q. Has public transport broken down?
A. Buy a car for each member of the family above driving age.

- Q. Has the countryside been built over or the footpaths eradicated?
 A. Buy some elaborate exercise machinery and work out at home.
- Q. Is air pollution intolerable?
 A. Buy an air-filtering unit and stay indoors.
- Q. Is what comes out of the tap foul to taste and chock-full of carcinogens?
 A. Buy bottled water.

Barry argues that the substitute private solutions he describes are not only probably far more expensive but also 'poor replacements' for 'good public policy' (1988:157).

Acting through the market, we can do nothing to change a grotesquely unjust distribution of income, to create an adequate system of income-maintenance, to prevent industries from polluting and farmers from destroying the countryside, or to provide ourselves with properly funded public services of all kinds. Only in our capacity as citizens can we, acting collectively through local and national governments, bring about the outcomes that we want. (Barry, 1988:157)

Limits have to be set on many potentially dangerous human activities. Car drivers and their passengers are required to wear seat belts, cyclists and motorcyclists must wear helmets. We usually insist that car drivers remain sober and refrain from driving along pavements. For some strange reason, we have allowed the economists and a subservient media to go completely feral, roaming at will throughout the city and countryside, doing a lot of damage to the flora and fauna.

We have allowed economic irrationalists to distort our language and subvert our values: there is little that is rational about rational economics. We have allowed them to describe as value-less much that we value, indeed much that we need (water, air) to stay alive. Women are not the only people that are disenfranchised in the process. Caring for children barely rates a mention. The fact that Australia is an extraordinarily successful experiment in multicultural living is ignored. The skills and knowledge of Aboriginal people are completely overlooked. We have created a dole queue that is in official terms one million people long, with perhaps another million shuffling behind, under-employed or unemployed but hidden from view.



Laughing in an economics exam in the late 1960s was a serious offence. Perhaps, on reflection, we needed more people to laugh longer and louder. There was a sketch in **Monty Python's Flying Circus** about a joke that was so funny that it killed people who heard it. As in so much Pythonesque humour, the sketch operated at more than one level. As I remember it, the British decided to use this joke in the war and a team was employed to translate it so that it could be yelled at the enemy from the trenches with fatal consequences. The joke was so funny that each translator could only do one word – one linguist was seriously ill after translating two words. Economics, as Riddell (1987) and his colleagues have said, is a tool which we can use to think about life (and death). Allowing academic theories to become ends in themselves is a joke played upon us all, and one that, as in Monty Python, is potentially fatal to some of those on the receiving end. ♦

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An Apology

Several people wrote to me after reading my last contribution to *Children Australia* which referred to Ronnie Biggs' exile in Rio. I try to make a point of replying to letters (or the non-abusive ones, anyway) but the correspondence was lost in a minor flood in my study. One of the letters, demanding that I explain what I meant in one part of the article, failed to enclose a name or address in any case. If that writer, and the other correspondents, would write again to be at the Social Work Department, Monash University, I will happily attempt to answer queries and complaints.

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