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An Economists' Guide To Life

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If Ian Harper had been American instead of an Australian, and if he been a professor at the University of Chicago instead of the Melbourne Business School, *Economics for Life* would have been a hit on *The New York Times* bestseller list.

As it is, *Economics for Life* won the 2011 Australian Christian Book of the Year, and it deserves to feature on Australian bestseller lists.

Put simply, *Economics for Life: An economist reflects on the meaning of life, money and what really matters* is a gem of a book. There's not really any other way of putting it. In 170 pages it covers the history and philosophy of economics, Australia's economic development, the Global Financial Crisis, and finally why there's nothing in the Bible that says Christians have to be socialists. It's a brilliant example of how you don't need three pages to make a point when two sentences will do. Hayek and Schumpeter copied Adam Smith and didn't say anything in less than a thousand pages. Harper is in the tradition of articulate economists like Frédéric Bastiat and Henry Hazlitt: the English edition of *The Law* is a mere 75 pages and *Economics in One Lesson* comes in at 190 pages.

There's so much good and thought-provoking stuff in Harper's book it's difficult to know where to begin. Perhaps as good a place to start as any is his discussion of how economists these days tend to pontificate, and how they 'find themselves cast in the role of high priests'. Harper is far too polite to name names as examples of this-but I will. Think of Ross Garnaut or Nicholas Stern as examples of the phenomenon Harper is talking about. The idea the public has of economics as a 'science' and of economists as people who always recommend good policy gives economists enormous power. Because an economist says it, it's almost unchallengeable. The fact that anything an economist says is based on a series of assumptions, some of which might be unverifiable, gets forgotten.

Harper makes a point, too often forgotten, that economists have personal opinions, just as do doctors or nuclear physicists. Differences about the meaning or significance of evidence can be the outcome of genuine differences of judgement, or they might be the result of personal opinion. This leads him to a fascinating discussion of 'consensus':

There is no agreed view among medical scientists, for example, about the specific



causes of various forms of cancer, let alone what might cure or prevent it. Indeed, people generally accept the wisdom of seeking a second opinion on serious medical issues without implying that the consultant they reject is incompetent or that medicine itself is quackery. Climate science is another example...

When the evidence doesn't fit the theory, the theory changes, as of course it did when the Copernican model of the universe replaced the Ptolemaic 'consensus'. A consensus, that might be right or wrong can prevail in economics just as it can in climate science. The point about consensus is that those who are proved wrong seldom admit they were wrong. They have too much invested in the old system, and in fact their government funding might depend on a worldview that is at odds with the evidence. Harper quotes two of the great scientific statements that explain how, in the face of this, consensus views ultimately do change. Sir Peter Medawar, who won the Nobel Prize for Medicine in 1960 for his research on immunology, summed up how science works, 'Science progresses-funeral by funeral.' Or as another Nobel Prize winner and the founder of quantum mechanics Max Planck put it, 'A new scientific truth does not triumph by convincing its opponents and making them see the light, but rather because its opponents eventually die and a new generation grows up that is familiar with it.'

In the middle of the book is a chapter modestly titled 'The Australian Economy in Historical Perspective'. It is 18 elegant pages of all you'll ever need to know about the country's economic history. It's a story that has been told many times but Harper recounts it better than anyone else. Wool, gold, and wheat made us rich, and they made us complacent. In the 1880s Australia enjoyed the second-highest material living standard in the world (after New Zealand). A hundred years later Australia had the fourteenth-highest living standard-and that was thanks to tariffs and protection.

The Harvester judgement in 1907 set Australia on a course whereby the level of wages the government forced employers to pay was determined without any reference to the employers' ability to pay, i.e. without any reference to the productivity of labour.

What happened to the firm at the centre of the case, the Sunshine Harvester Company, is interesting. As a result of the judgement the company's wages bill increased by 25 per cent. Eventually the company stopped manufacturing anything in Australia and it became simply a distributor, and in 1955 it was bought by the Canadian multinational, Massey-Harris Ferguson. As Harper ponders, 'It is tempting to wonder whether, but for the Harvester Judgement, Massey Ferguson might now be known as the McKay Harvester Company with world headquarters in Sunshine, Victoria.'

Harper's discussion of his time as chairman of the Australian Fair Pay Commission famously led to a Melbourne newspaper blasting out a headline 'God to set minimum wage' after Harper said he prayed for guidance as to whether to accept the job.

After a working life devoted to economics and public policy, Harper concludes his book optimistically.



‘As a Christian economist, I see my calling as helping to make this world an easier place to live in by releasing people from material want and deprivation. I also want human beings to flourish and express the goodness of God in the gifts he has given them. One need not look far at all to see how much remains to be done to meet the first of my goals, but this should not obscure the progress we have made towards the second’.