

Explaining the Economist

IT is idle to deny that economists are not notably popular with the rest of the community—more particularly, perhaps, with the business community. This is possibly partly traceable to the economist himself. If he is misunderstood maybe it is because he has never bothered to explain himself. Perhaps he is in need of a little public relations.

Thirty or so years ago it would not have mattered very much whether the economist was popular or unpopular. In those days there were comparatively few economists and for the most part they were attached to universities. Occasionally the recognised leaders would emerge from their cloistered seclusion to write a newspaper article, deliver a public lecture or to offer advice on some special matter referred to them by governments. Then they would return to their prime task of university teaching.

But over the last decade or two this situation has been transformed. The annual output from universities of people with some pretensions to specialised economic knowledge is now considerable. True, a good number of these, either through lack of opportunity or for other reasons, never engage in practical economic work. But many do. Government departments, especially those of the Commonwealth, are now well stocked with graduates in economics. Most departments have their economics divisions, their chief economist, deputy chief and research officers. In several instances—and this is a most significant acknowledgment of the value of the economist in public administration—economists have risen to the eminence of departmental heads. Thus, the present Secretaries of the Treasury and the Department of Commerce and Agriculture are economists. So is the Governor of the Commonwealth Bank.

All this is not peculiar to Australia. Similar developments have occurred in the United Kingdom, the United States and other countries. In the process of modern government the economist is regarded as indispensable.

In business, opportunities of employment for the economist *as an economist* have been more restricted. But even here there has been a disposition to make greater use of the specialised knowledge that a training in economics provides.

Most of the big banks and some life assurance companies now have their economics sections; economics is an almost essential qualification for the financial staff of the modern newspaper; a growing number of the larger industrial organisations have begun to employ economists for special work.

Over the last decade or so the economist has thus become a figure of some significance in the every-day affairs of the community. It is therefore in his own interests, and perhaps in the interests of the community too, that the work he does, and is capable of doing, the practical worth and also the practical limitations of his particular brand of knowledge, should be better appreciated.

* * *

Let us examine some of the main criticisms directed at economists. Six at least keep cropping up :

1. Economists never agree.
2. They are practically all socialists.
3. They can't predict the future.
4. They don't prevent depressions.
5. They are academic and impractical.
6. They should never be anything else but advisers.
("Good or indifferent servants but bad masters.")

1. *Economists never agree.*

The layman's attitude on this point might be summed up in a remark—made no doubt in facetious vein—attributed to Sir Winston Churchill : "Whenever I ask England's six leading economists a question, I get seven answers—two from Mr. Keynes".

Economists, of course, do disagree; so do doctors, lawyers, scientists, engineers and businessmen. But to suggest that economists disagree more often than they agree is not true; and if they differ more than the members of other vocations this may be excused by the almost terrifying complexity of the matters with which they deal and by the comparative youth of their particular science.

On the fundamentals of economic policy there is usually a wide degree of unanimity among responsible economists. For instance, the plans of financial and economic reconstruction prepared by economists during the war in countries such as the United Kingdom, the United States, Canada, Australia, Sweden, to mention a few, bore a notable similarity. So too

did the methods of war finance which were followed in World War II by the different countries and which were based largely on the advice of economic experts.

The differences that occur most frequently arise on matters of detail, of interpretation or emphasis, on the relative importance to be placed on factor A as compared with factor B. These differences are many. They are sometimes very important in formulating practical proposals. But they should not be allowed to obscure the very wide and significant measure of unanimity that exists.

Admittedly the disagreements occasionally cut deeper. For instance, economic policy in Australia since the war has been profoundly influenced by an uncritical acceptance and, consequently, a reckless application of Keynesian doctrine. This form of thought, which predominates in departmental and university circles, is one with which other economists strongly disagree and one to which our economic difficulties in Australia at the moment can, in the I.P.A. view, be largely attributed. This is a difference not merely of emphasis but on the very bases of thought and policy.

But other fields of knowledge and activity are not entirely free from fundamental disagreements of this kind. It should not, therefore, lead the layman to overlook the multitude of matters on which the great majority of economists see eye to eye—for instance, in the modern world, on the desirability of “managed” currencies as opposed to the traditional gold standard, and on stable (as distinct from “fixed”) internal prices and exchange rates, on the dependence of better living standards on higher productivity, on the use of government budgets to stabilise economic activity—the list could be expanded to fill a page.

2. *They are practically all socialists.*

This belief is important because it accounts to a large extent for the unpopularity of the economist in some business circles. Fortunately, it is not true.

If one made a list of the leaders of economic thought in the main democratic nations few could be labelled “socialist.” An overwhelming majority of responsible economists today would regard private enterprise to be an indispensable ingredient of a progressive, democratic economy. At the moment, indeed, the trend of much economic thinking in high places is

toward more free enterprise rather than less, and certainly there is an aversion to "control for the sake of control".

It may be true that many university lecturers and students exhibit pronounced socialist tendencies. Admittedly in these circles there is a noticeable lack of sympathy toward the business community and free enterprise—although this is probably much less so today than in the years directly after the war. But that it exists is not altogether surprising. If one is not rebellious against the existing order of things in one's youth one is hardly ever likely to be. Wisdom and tolerance come later. Idealism leads to dissatisfaction with reality and dissatisfaction to far-reaching notions of reform.

But more important than this—and a question the business community should frankly ask itself—is how far its own attitude towards the economist is responsible for the "pinkish" tendencies of many university students. May it not be, at least partly, a case of action breeding reaction? If business took a more sympathetic attitude to the economist, if it endeavoured to understand his problems better, would it not evoke a response in kind?

The fault no doubt lies on both sides. Many of the, shall we say, "academic" beliefs about business arise from a woeful lack of understanding of the inescapable raw material of human nature and of the problems which the businessman is compelled to confront. If the University man would modify the attitude of intellectual arrogance which he too often tends to assume, and the businessman frankly concede that success in business does not necessarily qualify him to speak with authority on complex economic issues, there would accrue real benefits to the community as a whole. What are wanted are a little more tolerance and a great deal more understanding on both sides.

3. *They are academic and impractical.*

Of course many economists are—possibly too many. But all branches of knowledge in which research is proceeding have their academic men, their impractical dreamers. It is probably true that too much of economic discussion and research is carried out in an atmosphere remote from the hurly-burly of the market-place. But this is not easy to change. And in any case it is not desirable that it should be wholly changed. The finest creations of the human intellect have often come to

fruition in an environment of peaceful quiet far out of ear-shot of the disturbing noise and bustle of everyday affairs. Many of the most valuable ideas in economics—valuable in the ultimate practical sense—have been the product of the pure academic mind, of men who were “academicians” in the full sense of the word, and who could not have been and did not wish to be anything else. They are not to be despised for that.

Mistakes, however, arise when the academician—and this frequently happens—comes forth to prescribe policies for everyday problems, without any conception of what is politically possible or administratively practical. The most brilliant theoretical qualifications do not necessarily mean that their holder will be, or could ever be, a reliable economic practitioner. Of worldly matters his ignorance may be abysmal.

If we want more good economists, that is, good in the practical as distinct from the academic sense, then the way to get them is to give the economist opportunities to supplement his theoretical knowledge with personal experience of the market-place. Perhaps the business community could help in this.

One further connected point may be made. Economists are frequently assailed for writing and speaking in a jargon which is incomprehensible to the layman. The criticism is partly justified. When the economist is endeavouring to influence or to educate public opinion he should strive to express himself in a way in which he can be readily understood. Too often he fails to do so. When he is speaking to his fellow economists it doesn't matter. And in any case the development of the theoretical aspects of the subject would be seriously impeded if the economist were not free to use a technical jargon which to him and his fellow-workers is little more than a convenient form of shorthand.

4. *They can't predict the future.*

The economist might justly retort: “Who can?” When the economist enters into the field of prediction he is sometimes, but not always, wrong. There was the classic case of the leading Australian economist who, in 1950, on the eve of the Korean outbreak, predicted that the peak of inflation had been reached and that we could look forward to a period

of stability in prices and costs. The next two or three years saw the greatest inflation in our history.

The example is worth mentioning. It illustrates precisely why the economist finds it so difficult to play the part of soothsayer. Could the man who ventured this prediction be expected to read the minds of Asiatic communists? How easy it would be for any forecasts of economic conditions in Australia over the next year or two to be turned completely haywire by the outbreak of a major conflict.

And it doesn't need world-shaking events of that kind to falsify the predictions of the economist. What happens in the Australian economy is very largely determined by the course of wool prices. Who can be sure what the course will be? The economist may go to the wool experts, but can these experts be certain? What if revolutionary new developments should occur in the field of synthetic fibres? That is not entirely in the realm of fantasy. Any predictions indulged in now could be made to look ridiculous.

This does not mean that we should give up all attempts at forecasting the future. Indeed we have no alternative but to try. And it is fair to claim that in these matters the economist is more likely to be right than anyone else. It is better that we should have a forecast with a 6 to 4 chance of being correct than one with only a 4 to 6 chance, or than no forecast at all.

When the economist is invited to address a gathering of businessmen he is invariably requested to speak on "The Economic Prospect." His audience hope to hear something definite and conclusive on which they can base their business plans for the coming months or years. They usually come away disappointed with feelings akin to those aroused by the great English statesman, Lord Balfour, renowned for his power and lucidity of exposition in stating an issue. His audiences were frequently left to wonder: "Was he 'for' or 'against'?"

The economist who is definite about the future is usually a crowd-pleaser or a publicity-chaser (there was a notable example in America last year). The responsible economist—the one worthy of respect—is more likely to disappoint. He will leave his listeners with a balance sheet of "fors" and "againsts," of possibilities and probabilities, and he will not omit all the reservations which must be attached to predictions in this highly unpredictable world.

5. *They don't prevent depressions.*

A criticism perhaps more appropriate to the 'thirties than to today. The economists might retort: "We propose, the politicians dispose."

It would be a fair answer. The government, after all, is the maker of the decisions which, for good or ill, affect our economic destinies. The economist is expected to advise but it is for governments to say whether they will accept his advice.

Nor, if things go amiss, can it always be blamed on the government. To some extent—it should not be too great an extent—the government is forced to adjust its sails to the winds of public opinion, often blown up into gale force by the bellows of powerful pressure groups. Government decisions are made not wholly on grounds of economics but partly on grounds of politics, and no government can entirely avoid this.

But all this greatly lessens the responsibility of the economist for what actually occurs. Before the war, so long as things went smoothly, governments were inclined to forget the existence of economists. When disaster threatened they rushed to the doctor for a prescription. In the Great Depression a commission of economists was appointed to say what Australia should do to climb out of the economic abyss into which it had fallen. This they did. Their advice was largely followed. Health returned to the Australian economy. This was a contribution of transcendent importance. But people have short memories; time passes; other people or groups claim credit to which they are not entitled; and the real benefactors are forgotten.

Since the war the democratic countries have experienced a decade of unparalleled economic good health. There has been no depression or serious recession. The movements that have taken place have been little more than ripples on the calm, benign oceans of long-continued prosperity.

Has all this been just a miracle of good fortune? Or is it partly to be attributed to conscious planning, to the fact that we have profited from past errors? Is it conceivable that the despised subject of economics has made contributions of some value to our knowledge of how to control our economic destinies? No one will surely dispute that, in the economic sense, the post-war world has been a far better place for the great majority to live in than the pre-war world, yet in these post-war years the reliance of government on the economist is

well known. Economic advice is apparently proving of some worth in the complex arts of government.

This being so, would it be too bold to claim that if an Oscar were to be awarded to the profession that had conferred the most notable benefaction on mankind during the last decade, measured in physical terms of the amelioration of human misery and the betterment of the human lot—would it be too bold to claim that the Oscar should go to the economist?

6. *They should never be anything else but advisers.*

There is a view, not narrowly held, that the economist should never be entrusted with large executive responsibilities, that his activities should be confined to backrooms, so to speak, and that he should be restricted to functions which are strictly advisory.

If this were correct it would amount to a condemnation of all university training. It would, in effect, imply that anyone holding a university degree is *ipso facto* unfitted for work which requires drive, practical capacity and executive skill. Yet in the business world today the executive heads of large organisations are not infrequently drawn from the ranks of university trained scientists and engineers. So far as we know, in Australia, no economists have earned similar recognition.

One point here is most relevant. Economics is not just a body of knowledge. It is, in one sense, an intellectual discipline, a training in how to think accurately and imaginatively. The contribution made by a university education in economics to the general intellectual development and, even more, to the attitude to life, the philosophical slant, of the person who partakes of it is just as important as the specific theoretical and technical knowledge that it imparts. It is surely wrong to suppose that a person who has undergone this mental discipline and has developed to a fine pitch his powers of thought, and who has at the same time acquired a distinctive philosophy of life, is thereby unfitted for the conduct of great practical matters. On the contrary!

But if the economist is to fit himself for the managerial and directorial heights, he must play his part. He needs to indulge in a little salutary self-improvement. Three faults are at present discernible.

First, among those who have achieved more-than-ordinary academic distinction, there seems to have been some reluctance

to undertake the routine of practical business detail. No one can expect to be entrusted with high executive responsibility without a working knowledge of everyday business procedure, of technical and industrial processes, and of the nature of the problems that confront those called upon to make decisions. If the economist prefers a backroom where he can analyse statistics and read the current economic journals in comfortable solitude—wearying as this can be—he must expect his opportunities to be limited.

Second, he has of late years been over-ready to take a strong partisan position in the great free-enterprise-socialist debate. This has detracted from his worth as an economist, as a man, and as a prospective leader. To say this is not to argue that the economist should remain loftily aloof and refrain from taking sides at all. But there is a world of difference between assuming a position on a critical political issue after mature reflection, and jumping impulsively to a conclusion which is more the product of prejudice and sentimentality than of rational thought.

Third, his horizons have been too confined. He has revealed, in a rather striking degree, all the drawbacks of specialism in a world of specialists. Economics after all deals with a part of life only and that not the most important part. Without a broad appreciation of the other branches of man's activities the economist cannot hope even to be a good economist. Lord Keynes once wrote—

“The master economist must possess a rare combination of gifts. He must be mathematician, historian, statesman, philosopher. He must study the present in the light of the past for the purposes of the future. No part of man's nature or his institutions must lie entirely outside his regard. He must be purposeful and disinterested in a single mood, aloof and incorruptible as an artist, yet sometimes as near the ground as a politician.”

This is a tall order and few will come within a hundred miles of achieving it. But the point holds good. Indeed there is probably nothing more important for the present-day economist in Australia to learn and observe. If he adheres inflexibly to a narrow specialism, he will almost certainly find his opportunities restricted. If, on the other hand, the economist can transcend himself as an economist, all doors may be opened to him.