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## Archive

Articles for the Month:

### Mike Moore prays for globalisation!

No, not *that* Mike Moore, the ex-WTO head Mike Moore. The *AFR* carries an [extract](#) from his forthcoming book, *World Without Walls: Freedom, Development, Free Trade and Global Governance*. The extract is mainly about corporate social responsibility, an agenda I don't entirely support, but it contains some worthy observations nonetheless. The concluding para: *Pray for globalisation if you fear big business. Open trade forces competition and curbs monopolies and corporate giants by exposing them to competition. Take the global telecommunications industry: closed markets mean cosy, crony capitalism, with business purchasing privilege from politicians against the interests of workers and consumers. It is the absence of competition, not the size of business, that gives them their power.*

posted on 1/31/2003

### ECB Governance

is being compromised by EU enlargement, according to this [op-ed](#) in the *FT*. However, these governance problems strike me as being inherent in the EMU project. The author, Francesco Giavazzi, also makes a serious mistake in claiming that the UK, Sweden, Australia, Canada and New Zealand all share MPC-style decision-making structures. NZ, for example, still retains a single decision-maker model, despite the recommendations of the Svensson review to introduce an MPC-style body. The UK and NZ represent world's best practice in monetary policy, but the applicability of these models to the EMU project is necessarily limited.

posted on 1/31/2003

### The multilateralist trade policy mafia

have long been promoting fear and loathing about a prospective Australia-US FTA. For those interested in this issue, Ross Garnaut and Alan Oxley will be debating the merits of such an agreement at an [ABE lunch](#) in Sydney on 27 February. As recent submissions to DFAT on the subject demonstrate, the prospective Australia-US FTA is already the target of rent-seeking behaviour by domestic interests. It was thus amusing to read John Quiggin's [op-ed](#) in the *AFR* today warning that an FTA 'far from removing trade barriers that harm us anyway, the US wants us to replace economically and socially sound policies with those dictated by the lobbying power of US interest groups.' This is certainly a risk, but this is true of any trade negotiation and Australian domestic interests are hardly innocent of such behaviour. In this regard, it must be said that one of the main potential benefits of a FTA with the US would be to subject cross-border capital flows and the ownership and control of equity capital in Australia to some semblance of the rule of law. This is an

## European Market Watch

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Fallen and I Can't Get Up: Is the U.S. Dollar About to Crash ... Again? [Learn More.](#)

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area in which Australian policy is dominated by bureaucratic and ministerial discretion and heavily influenced by domestic corporate interests. Australia would be outraged if our outward direct investment were subject to the same arbitrary and capricious treatment that we routinely administer to foreign interests. Since Australia is now a net exporter of direct investment capital, we should welcome the opportunity a FTA presents to subject cross-border investment to the rule of law.

posted on 1/30/2003

### Jennifer Hewett

has a noteworthy [op-ed](#) with the self-explanatory title 'Dealing with Saddam demands war, not words.' Hewett is a former Fairfax Washington correspondent. It is a shame they couldn't make it a permanent appointment. Instead we have the dreadful [Peter Hartcher](#) telling us that President Bush 'is quite prepared to wreck the UN-based international order.' No, Peter, he is upholding it.

posted on 1/30/2003

### Guess who said the following?

*But the voices that doubted the perfect rationality of markets were lost in the din of the "money machine", which spat out more growth and more wealth for some and the prospect, however illusory, of riches for many.* Was it an anti-globalisation protestor outside Davos? John Gray or John Quiggin perhaps? No, it is [Rolf Alter](#) of the OECD's Public Governance Directorate in the latest *OECD Observer*. Rolf asks, 'does anyone seriously believe that the world could function without government?' Hell, yes.

posted on 1/30/2003

### Normative constitutional political economy

doesn't feature very prominently in the work of financial market economists. But [Takehiro Sato](#) invokes constitutional protection of property rights as an argument against inflation targeting in Japan. Sato maintains that macro policy is moving 'inexorably closer to financial socialism.'

posted on 1/28/2003

### Jenny Macklin

tells *Age* readers 'there is a damning report about the crisis in our universities that the Federal Government does not want you to read.' Here is an [even more damning one](#) that Jenny Macklin probably doesn't want you to read.

posted on 1/28/2003

### The Disastrous US Telecommunications Act 1996

is the subject of articles by [Richard Epstein](#) and [Peter Huber](#). Meanwhile, the local digital TV regulatory saga [continues](#).

posted on 1/28/2003

### The Ordinary Business of Life

My review of Roger Backhouse's history of economics can be found in the [Reviews](#) section (also forthcoming in [Policy](#)). In the review, I explain why Karl Marx deserves the label 'economic rationalist.'

posted on 1/24/2003

**Gentlemen!**

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**The Local Commentariat's**

analysis of Australia's commitment of forces to the Gulf has been almost universally bad. Tony Walker of the AFR reaches [new depths](#) by referring to the US, Britain, Australia and Israel as the Four Horsemen of the Apocalypse. He goes on to say that the coalition 'will need to do better in the next few weeks explaining not just why it is necessary to use force, but what the vision for Iraq – indeed the wider Middle East – might be after the regime has been changed.' Sorry Tony, but if you don't get it by now, you probably never will!

posted on 1/24/2003

**Norman Barry**

on how it all [went wrong](#) for Germany. The ordo liberals of the immediate post-war period conceded too much to the 'social market economy.'

posted on 1/23/2003

**US CEA Chairman Glenn Hubbard**

is [profiled](#) in the *Washington Post*. Apparently, Krugman, among others, 'accuse Hubbard of sacrificing his sterling academic reputation with politically motivated but nonsensical economic utterances.' Now that's rich! There is more on Krugman [here](#).

posted on 1/23/2003

**David Crowe**

comes out [against](#) the Broadband Advisory Group's recommendations for government intervention, noting that 'there is still no proof that broadband delivers a sufficient boost to the economy to reward strong government action.'

posted on 1/23/2003

**Heterodox economics**

is the [subject](#) of an article in the latest *Chronicle of Higher Education* (via A&LD). Austrian and neo-institutional approaches don't get much attention, but Deidre McCloskey features (check the [Reviews](#) section for my review of one of her books). The heterodox movement defines itself by its opposition to the neo-classical mainstream, but those in the classical liberal tradition are quite comfortable working with the neo-classical school.

posted on 1/23/2003

**John Quiggin**

[responds](#) to some of my criticisms of his recent op-ed. Quiggin is right to emphasise that Australia is not immune from the business cycle. But the extent of any cyclical deterioration in the unemployment rate is going to be partly a function of structural characteristics such as labour market institutions. It is significant that in order to get the Australian and US unemployment rates to even approach parity, the US had to have a severe recession, while Australia has been cooking on gas. Quiggin is therefore correct in suggesting that there is an element of policy choice in Australia's current unemployment rate, but not in the way he would like to think. The NZ unemployment rate is a function of many factors, perhaps the most important of which is very cyclical net migration flows, but has also benefited from the whole package of reforms, not just the ECA. Just as it took time for similar, albeit less radical, reforms to bear fruit in Australia, I think this is true of NZ as well. With both Australia and NZ enjoying very similar growth rates on average in recent years, NZ's unemployment rate is not a bad guide to how

much unemployment Australian policymakers have chosen by failing to follow its example.

posted on 1/23/2003

### **John Edwards**

takes a characteristically intelligent [look](#) at the Australian labour market and concludes 'it won't be long before we are more worried about finding workers than finding jobs.' And this is what John Quiggin calls the government's 'worst policy failure' (see 16 Jan post below).

posted on 1/22/2003

### **[Reason.com](#) is enjoying record traffic.**

Their secret: [sex, drugs and rock & roll](#).

posted on 1/22/2003

### **A T Kearney's Globalisation Index for 2003**

is available at their [Global Business Policy Council](#) site. Australia is in the top third, but only just.

posted on 1/22/2003

### **Andrew Smithers**

makes [some useful points](#) about the real side problems afflicting the Japanese economy. But he then goes on to argue that 'a more expansionary monetary policy is essential,' through 'expansion of the money base' and 'through expansion of the money supply directly, via a change in the government's funding policy,' by which he presumably means monetising additional government spending. He further argues that 'the prospects for the Japanese economy and stock market will improve sharply' if either Nakahara or Kuroda are made BoJ Governor. But the irony of appointing Nakahara is that his once dissenting view on the policy board is now effectively BoJ policy. Indeed, the policy board has already gone well beyond Nakahara's original base money targeting proposals. Of all the candidates for BoJ Governor, Deputy Governor Yamaguchi and Toyoo Gyohten strike me as the most impressive. But whoever becomes the new Governor, there is no monetary quick-fix for Japan.

posted on 1/21/2003

### **'Who is Jane Galt?'**

[highlights](#) the key difference between [Krugman](#) and [Friedman](#)'s respective responses to the recent US fiscal package. The former takes government spending as given, so tax cuts increase deficits; the latter assumes government spends what it gets. Anyone who has watched the Expenditure Review Committee at work knows that government spending is essentially fitted to available revenue. Meanwhile, [Bruce Bartlett](#) has a nice survey of what the literature says on the relationship between deficits and interest rates.

posted on 1/21/2003

**Is Jason Soon**

[to the left](#) of [The Guardian/Observer](#) and the [Brookings Institution](#) on war with Iraq? Some of the best analysis on this issue comes, unsurprisingly, from [John Keegan](#). The key quote: 'The UN inspectors can only inspect. They cannot prevent Saddam developing weapons of mass destruction in secret, let alone ensure that, once he gets what he wants, he is prevented from defying America in perpetuity. Legalism in international affairs suffers from this weakness. Resolutions by international organisations have no force unless they are imposed. Only sovereign states, which in this case means the United States, possess the power to enforce international law. The legalists therefore evade the real issue by their insistence on seeking one UN resolution after another to justify military action.'

posted on 1/20/2003

**The Japanese government**

is turning financial institutions into 'something like former Soviet-style cooperatives.' More penetrating analysis of Japan from the dynamic duo of Feldman and [Sato](#).

posted on 1/20/2003

**CIS Social Policy Director Peter Saunders**

[highlights](#) the absurdity 'that tax liability starts at an income well below subsistence level. The current tax threshold of \$6000 is less than half what a single unemployed person gets in income support and rent assistance...and is just over a quarter of the federal award minimum wage.' And that's *after* tax reform.

posted on 1/20/2003

**Australia's economic outperformance**

is the subject of a [feature](#) by Peter Sheehan. There is much that could be added to Sheehan's discussion of the reasons for Australia's recent economic outperformance. Perhaps most important in terms of the recent global downturn has been the fact that Australia is a net importer rather than exporter of ICT. But then Sheehan makes the bizarre claim that 'airlines are useful leading indicators of economic management,' pointing to the current profitability of Qantas. Airlines operate in one of the world's most heavily regulated markets. If foreign ownership restrictions in Australia and NZ had not prevented the recapitalisation of AirNZ and Ansett by SIA, Qantas would be in a very different situation today. That it is why it is hard to feel much sympathy for Qantas in its efforts to lift its own foreign ownership limits to lower its cost of capital, because it has played such a selective game on foreign ownership.

posted on 1/18/2003

**John Quiggin**

[bemoans](#) the inattention to unemployment, arguing that 'Australia's unemployment rate has been stuck between 6 and 8 per cent for the best part of a decade' and that 'prospects for the coming year do not look good.' This was a brave call on the day of the December labour force release, which could well have posted a new cycle low for the unemployment rate sub-6%. As it happened, the recent strong gains in employment have also been associated with large increases in the labour force. Quiggin also ignores the fact that the most recent cyclical deterioration in the unemployment rate produced a peak well below the previous high. So much for the government's 'worst policy failure.' But if Quiggin really wants to lower the unemployment rate, take a look across the Tasman. The unemployment rate in NZ has already posted a low of 5.1% and could well push sub-5%. The NZ case demonstrates that a more liberal approach to labour market institutions can be successful in lowering unemployment. The government's 'worst policy failure' was its failure to follow the NZ example.

posted on 1/16/2003

**Allen Consulting Group co-chair David Charles**

is [peddling](#) the NZ government's dubious 'innovation statement.' Charles asserts, without citing any data, that 'Australia's growth rate has exceeded New Zealand's.' The exact numbers depend on the time-frame chosen, but the average growth performance of the two countries is almost identical over the last few years, even if you include NZ's 1998 recession. NZ grew at a thumping 5% y/y on an expenditure basis in the year ended in the September quarter 2002. Charles does note, however, that the [Business Roundtable](#) is putting up some admirable resistance to the government's policies.

posted on 1/15/2003

**Allan Meltzer**

on [Argentina and the IMF](#), which is 'under pressure from members to lend enough to maintain the illusion that no one defaults on IMF loans.'

posted on 1/14/2003

**The Shakedown of Microsoft Continues**

with a \$1.1bn [settlement](#) of an antitrust law suit in California. And how does one settle an antitrust law suit? Give the alleged victims vouchers to buy *more* Microsoft software.

posted on 1/13/2003

**'Somewhere between Nostradamus, Pascal and writings of the Unabomber'**

is how [Ian Hargreaves](#) describes John Gray's new book *Straw Dogs*. He also recounts his 'strangely vivid visual recollection of John Gray from several years ago. I had just boarded a bus, in Cambridge I believe, and saw Gray, someone I had met on a handful of occasions, sitting towards the back of the vehicle, staring with a fixed expression into vacancy.' Why does this not come as a surprise? And Hargreaves is trying to be *sympathetic!* (via A&LD).

posted on 1/11/2003

**Not Before Time**

more than a year after the election, the Federal government seems to have found [a third term agenda](#).

posted on 1/11/2003

**Not The Dawson Review**

after all the sound and fury, expectations for the Review are pretty low. [Here's what not to expect](#).

posted on 1/11/2003

**Jagdish Bhagwati**

tries to [make the case](#) for a more sensible approach to global migration, but gets the emphasis wrong. He is still hawking the idea of taxing migrants, saying "even a slight tax on Indian nationals abroad would substantially raise Indian government revenues." He seems not to appreciate the relationship between migration and fiscal competition. Together with his [views on capital flows](#), Bhagwati's reputation as a free trader is difficult to understand.

posted on 1/9/2003

**Ken Rogoff**

mounts a [defence](#) of the IMF from its many and varied critics. He is correct in suggesting that much of this criticism stems from a failure to understand the IMF's role. But that is hardly surprising. The IMF has never really defined its post-Bretton Woods role. The increasingly *ad hoc* nature of its mission is what leaves it so open to attack from so many diverse perspectives. The IMF offers something to offend everyone.

posted on 1/9/2003

**Shaking Down Wall Street**

[Roy Smith](#) takes the US authorities to task for the USD 1.4 bln group settlement with the securities industry. Smith's article is actually a little understated, but sometimes understatement can make the point much more effectively.

posted on 1/7/2003

**Austrian economics**

has been gaining currency through the current cycle. The Economist's most recent [survey](#) of the world economy was partly inspired by an [IMF working paper](#) relating recent developments to Austrian theories of the business cycle. Even Morgan Stanley's economists are getting in on the act, with Dick Berner characterising the outlook for 2003 in terms of '[post-bubble Austrian economics](#).'

posted on 1/7/2003

**Globalisation, poverty and inequality**

Laura Secor takes an [intelligent look](#) at these issues and manages to do justice to some of the complexities involved.

posted on 1/7/2003

### **You won't read this is in a column by Stephen Roach**

TNR's Joshua Kurlantzick on the [myth of China's economic boom](#), including some disturbing observations on Chinese official attitudes to September 11. A reality check for Sinophiles.

posted on 1/6/2003

### **Greenspan Shrugged**

Jerome Tuccille's new book *Alan Shrugged* is out. Tuccille snr's *It Usually Begins with Ayn Rand* is essential reading for those seeking to understand the early development of the libertarian movement. But having just read an [extract](#) from his new book, I am not that impressed. There seems to be little new here that has not been covered before, especially in Justin Martin's book (see my [review](#) of Martin). However, I will suspend further judgement until I have read the whole thing. [Buy the book here](#).

posted on 1/6/2003

### **China's Easy Ride**

'When the Soviet Union was still there, apologetics for Moscow's politics were not uncommon among foreign experts -- but the Soviets never got such an easy ride as the Chinese are getting now.' [Ian Buruma on Chinese dissidents](#).

posted on 1/6/2003

### **Former Treas Sec John Stone Savages Treasurer Costello**

[saying](#) he would have been "ashamed" to work under Costello. Stone's main complaint against Costello seems to be that he is not a social conservative. However, Stone overlooks an important possibility. The current PM's skillful exploitation of social conservatism may in fact work against further economic reform. Those who exploit the electorate's conservative biases are hardly creating an environment conducive to economic change. Indeed, the current government's stance on asylum-seekers taps directly into anti-globalisation sentiment.

posted on 1/6/2003

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