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Archive

Articles for the Month:

Many Institutional Economics readers

have suggested that I provide a professional economic commentary service by subscription, in addition to the more informal commentary contained in this blog. In order to gauge the viability of such a service, I am asking would-be subscribers to indicate their interest by making a donation via this site's [Paypal button](#). If a sufficient number of you are willing to make a donation, I will commence this service in the near future. *Contributors over the next seven days will be made subscribers for the first year at no further cost*, if the service proceeds. The plan is for a monthly publication, covering the USD-bloc (US, Australia, Canada and NZ) and Japanese economies and markets, but I am open to suggestions as to geographical and asset class coverage. The aim will be to provide a very distinctive, classical liberal perspective that is independent of the internal and external client pressures that compromise similar research from other sources. It should be of interest to market professionals, academic, as well as lay readers. Those familiar with my output in my former capacity as director of economic research with Standard & Poor's Institutional Market Services in Sydney and Singapore will know what to expect! The dollar value of your individual donations is much less important than the total number of contributors, as I will use this to determine the potential size of the subscriber base and to set a subscription price for those who sign-up later. So if this is something that interests you, please consider making a contribution so I can assess the overall level of interest. Those who have donated previously need not contribute any further. I will automatically include you as initial subscribers for the first year. If there is insufficient interest, any donations will be retained for next year's blog hosting and bandwidth charges.

posted on 10/30/2003

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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The IMF has released its annual Article IV Consultation with Australia.

Article IV consultations are usually pretty tame. The IMF rarely puts itself in the position of embarrassing the governments of member states. The macroeconomic and policy assessments often fail to take direct issue with existing government policy and skirt around sensitive issues. [This year's Article IV consultation](#) is no exception. The following is about as critical as the IMF gets: *Policy actions will be needed to sustain strong economic performance over the longer term, especially in view of the pressures arising from an aging population. The authorities' strategy focuses on policies to raise labour participation and maintaining productivity growth. This entails continuing sound and stable macroeconomic policies, maintaining competitive product markets, investing more in education, enhancing labour market flexibility and reforming the tax and income support systems. **Specific policy measures to enact this strategy and the fiscal measures required to fund them have not yet been identified.*** (emphasis added) This is characteristically understated. The problem here is that while the need for reform is widely recognised at an official level, there is almost no momentum or constituency for further reform in many of these key areas. This is implicitly recognised in the IMF's routine use of 'continuing' and 'maintaining' in its description of policy. In many cases, the IMF uncritically accepts government policy. For example, the IMF notes the government's 'reforms' to higher education, but fails to point out the obvious deficiencies of these measures ([see Andrew Norton's critique of the government efforts](#)). The IMF also notes the Federal government's objective of 'maintaining the overall tax burden below 1996-97 levels,' when in fact the tax burden is at an historical peak when revenue is properly attributed to the Commonwealth. On house price inflation and monetary policy, the IMF essentially sits on the fence. Macroeconomic surveillance is a potentially useful function of the IMF. But the effectiveness of that surveillance must be questioned when the IMF is clearly bending over backwards to avoid saying anything critical or interesting.

posted on 10/30/2003

A new OECD Working Paper

on the [determinants of long-term interest rates](#) in recent years, including the role of fiscal policy. Main findings: *First, cyclical and portfolio-allocation factors seem to have been the main driving forces behind the decline in long-term real interest rates over 2000-2003...Second, the weight of recent evidence suggests a causal relationship from fiscal positions to long-term interest rates, at least for the United States. Thus, the actual and projected deterioration in US fiscal positions might have contributed to the recent rise in bond yields, although part of the fiscal-policy-related increase may still be yet to come. Third, there is evidence that US-denominated shocks have a greater influence on bond yields in Europe and Japan than vice versa, raising the risk that bond markets might push interest rates in Europe above the levels that would be justified by domestic determinants. However, there are some reasons why interest rate transmission from the United States to Europe may be milder than in 1994.*

posted on 10/29/2003

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Proving once again that G7 statements don't count for much

the Japanese MoF is planning to sell JPY 50 trillion in US Treasuries and other foreign bonds to the BoJ, to provide funds for foreign exchange intervention operations to weaken the yen. According to the [Nikkei](#): *At this point, administrative-level officials from the MOF and the BOJ are hammering out the basic framework for the transactions. The MOF is expected to formally bring the proposal to the BOJ next month, with the bank's policy-setting board then giving its endorsement. The exact timing and size of the transactions remain unclear, but it is possible that the MOF will sell anywhere from several trillion yen to 10 trillion yen of foreign bond holdings to the BOJ before the end of the year.* This is a nice illustration of the point that whereas foreign exchange reserves provide a constraint on the ability of a central bank to support its own currency, there are few practical limits on the ability of the authorities to weaken their own currency, especially given the unwillingness of the IMF to throw the book at offending countries.

posted on 10/28/2003

The Cato Institute

has assembled its usual all-star cast for its annual monetary conference, this year on [The Future of the Euro](#). Unfortunately, I am already a few months away from losing a major bet on this one, unless something dramatic happens between now and January 1 (I bet at least one country would be forced to exit within five years). Given the modest progress being made on structural reform in France and Germany, the euro must now be given a much greater chance of long term survival.

posted on 10/28/2003

Former RBNZ Governor Don Brash

has just become [leader of the opposition](#) in New Zealand. Hopefully, this means we can look forward to Don Brash PM, overthrowing the Labour government in Helengrad (aka Wellington). **UPDATE:** [Colin James](#) profiles Brash: *He stands for "small government", which he interprets as "limited" but not "no" or "minimal" government. Although he insists there is a "vital role" for the government, which includes a welfare safety net and the great bulk of education funding, he otherwise defines the role narrowly. And in July he challenged his party's conference to sign up to holding increases in government spending per person at no more than the rate of inflation, which would reduce the proportion of spending to GDP by five percentage points. So Brash wants tax cuts on individuals and companies, much greater diversity and choice in education ("I don't care who owns the schools," he said in a speech on May 8), American-style welfare reforms, a higher qualifying age for the public pension (now 65) and much less regulation of the workplace, business, planning consents and the environment. All this takes him close to the Nationals' right-wing ally, ACT, which has espoused what it calls "classical liberalism" of the individual-centred 18th century variety. That appeals to business movers and shakers, but not to middle New Zealand.*

posted on 10/28/2003

Standards in the teaching of economics at Australian universities

are said to be suffering, according to this [article](#): *A rift looks likely between professional economists and university administrators over the contentious issue of standards in the increasingly popular business and economics courses. The Economic Society of Australia is so worried about the erosion of standards it is considering the possibility of pushing for radical change in the way the system operates. One option would be some form of external assessment before students receive their degrees to ensure they meet sufficiently high standards.* Despite the attempt at high drama in the introduction, the rest of the story suggests that the main person doing the worrying is Society Secretary Peter Abelson. He is conducting a survey of department heads, presumably in an effort to obtain some hard data in support of these largely anecdotal and, I suspect, greatly exaggerated claims.

posted on 10/27/2003

The FRB of Dallas

hosts a conference on [The Legacy of Milton and Rose Friedman's Free to Choose: Economic Liberalism at the Turn of the 21st Century](#). Ben Bernanke's contribution can be found [here](#).

posted on 10/25/2003

Australia has been playing host to the Presidents of the United States and China

over the last few days. In the absence of both [Tim Blair](#) and [Peter Gallagher](#), I should make a few comments. [Jennifer Hewett](#) is critical of the choreographed nature of the Bush visit, but also observes: *Outside, the crowd of protesters surged and shouted and a handful got arrested. Their numbers hardly indicated mass support for the vehemence of their opposition to the George and John show. Quite the reverse. And in that sense, the visit will only be a big political boost for the Prime Minister, who was described by Bush yesterday as "a man of exceptional courage".* Most members of the press gallery would rather vomit than concede that! But Hewett is a serious journalist. [Laura Tingle](#), by contrast, is beginning to sound like a press secretary for Greens leader, Bob Brown: *It was Brown's speech to the Senate last week that encapsulated the indignation of many MPs - and citizens - about Parliament House being closed to Australians so the US President could visit.* Name one, Laura! I was in Parliament House for the visit of George Bush Snr in the early 1990s and similar security arrangements applied, for obvious reasons. Complaints about such trivia as Parliament being closed to the public for a few hours betray a profound lack of seriousness by the likes of Bob Brown. These [SMH poll results](#) are not exactly an overwhelming endorsement of Brown's actions, which says something about the disconnect between Fairfax writers and their readers. Tingle is also talking up the Greens electoral prospects and is puzzled why people are not taking this more seriously. But there is an obvious cycling between the political parties that make up what I call the 'anti-globalisation bloc:' the Democrats, Greens and One Nation. This electoral cycling more or less regulates itself, since small parties that are electorally successful invariably split or implode due to internal rent-seeking, although as Tingle notes, the Greens are somewhat more disciplined. The three main anti-globalisation parties have essentially the same policy agendas and so it makes little difference which of these parties gains at the expense of the others, so long as the total anti-globalisation vote is held in check. The

visit by the President of China is expected to kick-off the process of negotiating an Australia-China FTA. This follows agreements already entered into with Thailand and Singapore. The idea that Australia's pursuit of a FTA with the US would somehow leave Australia out in the cold with the rest of Asia is looking increasingly discredited. **UPDATE:** *In terms of bringing home the bacon, the Chinese visit was more important. The Dubya-Howard mutual back-pat was okay but the Chinese brought a \$30 billion deal on natural gas exports. Did we get the best part of that or what? They give us the money and all we have to do is hook up a pipeline to Bob Brown's mouth.* [Peter Ruehl](#).

posted on 10/24/2003

The Australian dollar recovers USD 0.7000 for the first time since 1997.

Indeed, there are good reasons for thinking that the secular decline in the Australian dollar since it was floated in 1983 may be over, because Australia's terms of trade are no longer trending lower. Import prices have been declining more rapidly than export prices, reflecting the fact that Australia is a net consumer rather than a producer of ICT goods. Those who previously advocated that Australia aggressively pursue ICT production through government-led initiatives would have condemned Australia to a decline in national income if their policy prescriptions had been adopted. For an examination of the existence of excess returns based on the relationship between the Australian dollar and the terms of trade, [see here](#). At this rate, I will have to think about re-denominating [my USD tip jar](#). Or you guys could just raise the level of your contributions (none too subtle hint!)

posted on 10/22/2003

The Research Institute for Asia and the Pacific at Sydney University

will be hosting a lecture by Prof Takatoshi Ito on the subject of 'The Japanese Economy and Politics: Challenges and Prospects' on 6 November. You can find details of the lecture [here](#).

posted on 10/21/2003

Who do the left call upon in troubled times?

Why Fritz Hayek of course! This is [just one of a number of articles](#) I have noticed in which the left resort to an examination of Hayek's writings on political strategy to explain their own decline in intellectual competitiveness, especially his [The Intellectuals and Socialism](#). There is a great irony in this, because this classic work was inspired by what Hayek saw as the left's comparative advantage in the battle of ideas at the time of writing (1949). As is typical of left (and, in should be noted, extreme right) commentary on Hayek, the article greatly exaggerates and mischaracterises his political influence (remember Wilson Da Silva's ridiculous description of Hayek as the 'political puppet-master of the 20th century?') But the article is fascinating for admissions such as this: *Without dissecting the particulars of this or that group, one must simply ask: Does the left take ideas seriously? Does the left have popular theories of how intellectual work—the politics of political explanation and storytelling—affects politics? Does it have a forward-looking intellectual strategy? The answer, largely, is no. While the movement gets on with the business of activism, ideas degenerate into decadent and perverted playthings for academics, who do not help matters with their careerism, impenetrable language and cloistered disdain for reaching broad audiences. But that's another story, or should I say "narrative." Hayek invites us to*

reconsider the role of ideas and the long-term timeframe of their impact. He reminds us that having a clear intellectual program and thinking—which in our case should be done by everybody, not only specialists—is not a luxury but a necessity. He reminds us that today's political struggles, while essential, usually offer only a narrow range of outcomes. Short-term struggles are massively important, but we will lose most of these fights, and thus must ask ourselves what lasting, ideological or intellectual impact such lost fights can and should deliver. Hayek invites us to be bold and imaginative and, if not utopian, at least radical in our vision and plan. Well Hayek did dedicate [Road to Serfdom](#) 'To Socialists of All Parties.'

posted on 10/20/2003

'Studmuffins of Science.'

Looks have been [found to play a significant role](#) in student evaluations of academics, especially for the guys: *Some male professors also may be dismayed about another finding of the study: "Good looks generated more of a premium, and bad looks more of a penalty, for male instructors," say Mr. Hamermesh and Ms. Parker in a paper about their findings, "Beauty in the Classroom: Professors' Pulchritude and Putative Pedagogical Productivity."* According to their data, the effect of beauty (or lack thereof) on teaching evaluations for men was three times as great as it was for women. The evaluations for my last course included 'His looks' as one student's response to the question 'What are the lecturer's main strengths as a teacher?' Given the question being asked, this could in fact be read as back-handed criticism! Unfortunately, the qualitative comments we receive are not cross-referenced with the quantitative aspects of the evaluation. The positive influence of looks on income and career success is well established, so it would be more surprising if academics were somehow an exception to the rule.

posted on 10/18/2003

Samuel Brittan

[laments](#) the lack of popular treatments of economics: *You only have to go into any half serious bookshop to see masses of books on popular science and, nowadays, on history. Nothing of this kind exists in economics, where you only see business guides tempered by the occasional polemic against globalised capitalism. You may find on some very low shelf some economic text books which have been prescribed for examinations.* Brittan is wrong in saying 'nothing of this kind exists in economics' (check out the many titles to be found [here](#), for example). But it is true that you won't find them in many bookshops. I suspect this reflects the prejudices of both mainstream publishers and store owners, who fail to appreciate the diversity of their readers. This is why the advent of the large multinational chain stores like Borders is such a huge benefit. They market themselves in large part on catering to all tastes and are less prone to capture. I was stunned to find incredibly obscure works in Austrian economics on sale in Borders in Singapore. In any event, follow the link above to read Brittan's attempt to fill the gap in his address to the [St Andrews Liberty Club](#). [Martin Wolf](#) also has a go at defending capitalism, although he concedes more to its critics than he perhaps realises.

posted on 10/17/2003

All that bad advice from the OECD

supporting fiscal stimulus measures in Japan is coming back to bite it. Now Japan wants to cut spending and has [got the OECD in its sights](#): *The Japanese government is demanding that its contribution to the Organization for Economic Cooperation and Development (OECD) be cut by about 20% in 2004, insisting that its burden is too heavy in relation to the nation's economic strength...Japan says that it cannot explain the huge disparities in OECD dues to its taxpayers.* Well fiscal consolidation has got to start somewhere, although I would be surprised if this was top of the list of taxpayer concerns in Japan!

posted on 10/16/2003

The Reserve Bank of Australia

is mandated with managing the economy's liquidity, but we didn't expect it to take its mandate [quite so literally](#): *In the basement of the central bank's Sydney headquarters – alongside the heavily-guarded vaults containing the nation's cash reserves – is a taxpayer-funded wine cellar housing almost 4500 bottles of Australia's finest wines. The premium reds and whites that would be the envy of any wine connoisseur are regularly quaffed by the RBA's nine-member board after it meets each month to set official interest rates which affect millions of homeowners. Documents obtained under Freedom of Information laws show the RBA's wine cellar stores a collection, which includes \$500-a-bottle vintage Grange Hermitage, worth more than \$100,000.* Unfortunately, I don't recall *any* Grange being consumed at the few RBA lunches I have attended.

posted on 10/16/2003

Alex Millmow

has established himself as a critic of mainstream economics, although not a very effective one. His discussion of the contribution of Nobel prize winners Engle and Granger in the [AFR](#) is simple anti-intellectualism: *To most of us, however, econometrics remains a voodoo science, something for the eggheads.* Speak for yourself, Alex. [David Warsh](#) has a rather more thoughtful discussion of Engle and Granger's contributions.

posted on 10/14/2003

Samuel Brittan

[discusses](#) the run-up in consumer debt in the Anglo-American economies and the 'Coalition of Cassandras' that worries about this issue. As Brittan's article indicates, central bankers in both the UK and Australia have been especially concerned, because of their preoccupation with smoothing the economic cycle. But as Brittan reminds us, 'it is not possible in a free society to keep a free economy on an entirely smooth path.'

posted on 10/14/2003

With the end of deflation in sight for Japan,

at least as measured by the CPI, the [Bank of Japan](#) has sought to clarify the relationship between its quantitative easing policy and the likely realisation of a zero rate of annual change in the core CPI: *With the aim of laying the foundation for sustainable growth of Japan's economy, the Bank is currently committed to maintaining the quantitative easing policy until the consumer price index (excluding fresh food, on a nationwide basis, hereafter the core CPI) registers stably a zero percent or an increase year on year. Such commitment is underpinned by the following two conditions. First, it requires not only that the most recently published core CPI should register a zero percent or above, but also that such tendency should be confirmed over a few months. Second, the Bank needs to be convinced that the prospective core CPI will not be expected to register below a zero percent. This point will be described in such materials as the analysis and the forecasts of Policy Board members in the Outlook Report. To be more specific, many Policy Board members need to make the forecasts that the core CPI will register above a zero percent during the forecasting period. The above conditions are the necessary condition. There may be cases, however, that the Bank will judge it appropriate to continue with quantitative easing even if these two conditions are fulfilled.* By appending additional conditions for a change in the current policy stance, in conjunction with an increase in the target for current account balances at the BoJ, the Bank is trying to prevent further increases in market interest rates. However, the BoJ will eventually have to formulate a more detailed long-term exit strategy from its quantitative easing stance, in the form of sufficient conditions for its termination.

posted on 10/13/2003

The Centre for American Progress

bankrolled in part by George Soros, is profiled by the [NYT Magazine](#). The article makes apparent the extent to which the left in America are struggling with intellectual capital formation. There is a significant offset to this in the strong position the left hold in America's elite universities, something the article neglects to mention. But there is still an obvious shortfall in the area of think-tanks. This parallels the exuberant disarray among Australia's left-wing think-tanks documented in the recent series by the *SMH* (see previous posts below). The *NYT Magazine's* contributing writer can't help but slip in the following: *There also came a flood of conservative theorists -- like Charles Murray, whose book "The Bell Curve" attacked assumptions about racial equality, and John Lott, who proposed that we would be safer if everyone carried a gun -- whose arguments, however dubious, bled indelibly into the public debate.* 'However dubious'? No amount of cash and organisation will buy success for bad ideas, no matter how consoling it might be for the left to believe otherwise. **UPDATE:** [Andrew Norton](#) continues his psycho-biographical examination of Australia's left-wing ideas people as a mid-life crisis phenomenon. Perhaps this explains the disarray among their think-tank community. These aren't think-tanks, they're cries for help!

posted on 10/11/2003

The Woodrow Wilson School of Public and International Affairs

is being sued by the family that endowed it. They want their money back - [all \\$525m of it](#). The Robertson family claim that the School is failing to fulfill its original mandate of channeling graduates into government service. Channeling the best and brightest into public service is a strange aspiration, yet a lot of philanthropy is devoted to this end. The School's students seem to be voting with their feet on this one, so perhaps the Robertson family should re-think its aspirations. This episode reminds me of a local outfit that is overly dependent on a single donor: The Frank Lowy Institute for International Policy.

posted on 10/10/2003

Engle and Granger

win the [Nobel for Economic Science](#).

posted on 10/9/2003

Laissez Faire Books

is having a [15% off everything sale this month only](#). Laissez Faire discounts heavily as a matter of routine and claim that their prices are 30% lower than Amazon on average. (Disclosure: as you might have guessed, I'm an LFB Associate).

posted on 10/9/2003

Ross Gittins

highlights the [secular trend](#) in Commonwealth spending and taxing: *I rang the nation's leading independent expert on budgetary matters and asked him whether it was true the Howard Government was our highest-taxing government. "Yes," he said, "it is. But I don't make a lot of it because it's been true of every previous federal government." Get the message? The burden of taxation has grown inexorably for many decades. In each of the 1980s and '90s, the level of total federal and state taxes rose by 2 percentage points of gross domestic product (about \$16 billion in today's dollars) per decade... The size of government and the burden of taxation have gone, and will go, in just one direction: up. It follows that all the many tax cuts we've had over the years have been illusory. Though they've slowed its rate of growth a little, they've never reduced taxation. Their main role has been to foster the illusion of lower taxes - especially around election time.* Not that this is surprising from a public choice perspective. My favourite graph in the Commonwealth Budget papers is the one showing the general government sector outlay and revenue shares of GDP. Treasury puts such a wide scale on the vertical axis, it gives the appearance of a flat trend, rather than the secular increase that becomes apparent when you plot the data on a more reasonable scale. All that white space around the two series is a bit of a giveaway.

posted on 10/8/2003

"Rich Countries Are More Protectionist Than Poor Ones."

Not even close, says [Arvind Panagariya](#).

posted on 10/7/2003

The Economist

is [once again](#) giving aid and comfort to the LDP old-guard in Japan, who argue for additional macroeconomic stimulus at the expense of structural reform. According to *The Economist*, 'the solution' to Japan's problems is 'reflation on a heroic scale.' *The Economist* [goes on to argue](#) that: *Eventually, all the money that the Bank has been printing will be sucked through the financial system and expelled into the economy in the form of higher prices and rising nominal interest rates. But it is taking a perplexingly long time to happen.* There is nothing perplexing in this at all. Given the collapse in velocity to record lows, it is not at all obvious that the BoJ's quantitative easing policy will translate into stronger growth rates for broader money and credit aggregates or nominal income. Even orthodox monetarists like [Robert Hetzel](#) argue that the BoJ is merely accommodating reserve demand through its quantitative easing policy, rather than forcing excess liquidity on the economy. In any event, PM Koizumi has proved admirably resistant to the reflationary policy prescription for Japan, correctly associating it with the forces opposed to reform. This explains why Koizumi appointed Fukui, an orthodox career BoJ official, as Governor of the BoJ to replace Hayami when the latter's term expired earlier this year. Back in March, *The Economist* [was scathing](#) in its criticism of Koizumi's appointment of Fukui, claiming, 'What Mr Koizumi lost by this appointment was the chance to show that he really does want novelty, that he truly wants to change Japan.' The problem is that there is nothing novel in the inflationary policy prescription for Japan and it is certainly not conducive to change. Over-reliance on macroeconomic stimulus has introduced moral hazard and further delay into the structural reform process. With the annual rate of change in the core CPI approaching zero, the BoJ will soon be looking to formulate an exit strategy from its current policy stance.

posted on 10/5/2003

Richard Medley of Medley Global Advisors

has been visiting Japan and gave an [interview](#) to Dow Jones critical of US conduct at the G7 meeting in Dubai. Medley's reported comments make little sense, particularly his claim that US exchange rate policy, such as it is, might 'trigger a series of crises in US asset markets...as well as in the recovery patterns in Japan and Europe.' Medley also says that the Bush Administration is a 'very free-market government.' Given the tenor of the rest of the interview, we can only assume this is meant as criticism. If only it were true.

posted on 10/4/2003

Some readers have objected to my post on 2 October,

in which I expressed what many consider to be an overly sanguine view of the US current account deficit and its implications for the USD. In particular, some readers argue that the US plays a very different role in world capital markets to Australia and therefore an Australian size current account deficit or currency volatility becomes a more serious concern. I was looking for a compelling argument on this in *The Economist's* survey of the world economy. The best we got was the claim that USD volatility would 'roil' financial markets. *The Economist* resorts to this 'roiling' claim several times. There is no argument being offered here, just a vague sense that this is something the US should worry about. I still need an argument on this to be convinced that what has proven to be very good for Australia is somehow bad for the US. Those who have been preaching for central banks to become more activist on

asset price inflation, with *The Economist* being perhaps the worst offender, would do well to read FRB Governor [Ben Bernanke's](#) latest. Bernanke has been sounding a cautionary note on this issue for some time. He has done some additional research that deserves a wide audience: *monetary tightening reduces stock prices primarily by increasing the risk premium for holding stocks, as opposed to raising the real interest rate or lowering expected dividends. The risk premium for stocks will rise only to the extent that broad macroeconomic risk rises, or that people experience declines in income and wealth that reduce their ability or willingness to absorb risk (Campbell and Cochrane, 1999). This evidence supports the proposition that monetary policy can lower stock values only to the extent that it weakens the broader economy, and in particular that it makes households considerably worse off. Indeed, according to our analysis, policy would have to weaken the general economy quite significantly to obtain a large decline in stock prices.* Bernanke's research with Ken Kuttner does not represent the views of the Fed, but it is reassuring that Fed economists are arguing against the view that central banks should aggressively target asset prices.

posted on 10/3/2003

Australian Productivity Commission Chairman, Gary Banks

gives us something to look forward to in his speech to the Conference of Economists on ['The good, the bad and the ugly: economic perspectives on regulation in Australia'](#) *The Income Tax Assessment Act - often taken as a regulatory 'barometer' - has grown particularly rapidly since its inception. At nearly 7,000 pages, the ITAA (the 1936 and 1997 statutes together) is now nearly 60 times longer than the paltry 120 pages that did the job when it was first introduced in 1936 - notwithstanding admirable recent attempts at simplification. To take a fanciful turn, were this rate of growth to continue unabated, I am informed that by the end of this century the paper version of the Tax Act would amount to 830 billion pages; it would take over 3 million years of continuous reading to assimilate and weigh the equivalent of around 20 aircraft carriers!*

posted on 10/3/2003

This year's survey of the world economy

by [The Economist](#) is much less interesting than last year's, which took a refreshing Austrian perspective on the business cycle. This year's survey is all current account deficit and USD angst. Coming from a small, open economy, where large cyclical current account and exchange rate deteriorations are the norm, it is very difficult for me to take this stuff seriously. I thought the most revealing chart was the one labelled 'dangerous path,' which sought to show a projection for US net debt to GDP out to 2034, but which also showed where other countries have stood historically in relation to this projection. New Zealand, Ireland and Australia had the highest net debt to GDP ratios. It is not coincidental that these countries also had the strongest growth rates in the OECD during the 1990s. The US would be lucky to be living so 'dangerously.'

posted on 10/2/2003

