The Two Tribes of ‘The Econ’: A Study of Economists and Economic Media Commentary in Australia

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Economists must leave to Adam Smith alone the glory of the quarto, must pluck the day, fling pamphlets to the wind (Keynes, 1972, 199)

Introduction

When Axel Leijonhufvud (1973) wrote his witty allegory equating the university economics fraternity to that of a tribe of obscure North American Indians called ‘The Econ’ he never included non-academic economists within the scope of the discussion. Yet the ‘tribe’ of non-academic economists is now a significant and highly visible part of the economics profession in Australia which has its own professional association separate from the ‘tribe’ to which academic economists belong. This paper examines the media commentary role of the leading non-academic economists that are employed in large bank and investment houses.

Are these financial market economists (FME) the ‘Shaman of the Econ’ (medicine men advising the economy) or merely ‘Oracles of the Econ’ (weather men forecasting the economy)? Either way, this paper argues that FME, as the major spokespersons of one tribe, are prominent media commentators on the state of the national and global economy and are far more visible than their academic cousins – the ‘two tribes’ thesis. FME provide the prism through which economics is seen or perceived by the general public. Further, this paper argues that this facility allows them to engender a conventional view of what is and what is not possible in economic policy. Academic economic media opinion and its critical perspective is, by contrast, only at the margins. As a profession,

the other tribe, the academic economists have, on the most part, remained in their ivory towers as they increasingly adopt an abstract analytic that Leijonhufvud warned against and is seen by the general public as peripheral to the real world.

The paper outlines the rise of FME in Australia and questions the impact of their influence. This is based on the corollary of this argument; that the vast majority of the economic profession (the academic tribe) remains focused upon deeply opaque, theoretical research that few people read or discuss, even if some of their research eventually penetrates into specific economic policy (e.g. health, education) through their influence on public policymakers.¹ We contend that while they might not have the gravitas of their academic peers, FME win more media coverage and plaudits while exerting a strong presence in setting the broad agenda and desiderata of Australian economic policy. Economic journalists enjoy a close and regular access to a large body of FME and a much more sporadic relationship with the vast majority of academic economists. Our paper asks whether this is a healthy development.

FME, in their media guise, appear as the handmaidens of what ‘the market’ wants with any departures from economic orthodoxy portrayed as stochastic, irrational shocks that disrupt the market-driven process. Consequently economic policy is judged by those who cater to financial interests. While university economists spearheaded the return of neo-liberal economics in an applied sense (Quiggin, 2005), it is their FME counterparts that now expound publicly on what are the implications of current business activity and

¹ Norman (2006) provides an excellent account of the contribution of academic economists have made since 1970 to economic policy formation through input into the public sector and the organs of political parties.

economic policy. In the process, this paper aims to throw light upon media commentary, its dissemination of economic expertise to the general public and the consequences for economics as a profession and as a policy tool.

This paper is divided into the following five sections. The first section asks why academic economists rarely stray into media commentary. The second section gives a brief history of the rise of economic media commentary. Section three provides a broad array of evidence for the ‘two tribes’ thesis. The penultimate section provides a formal model of the ‘two tribes’ thesis. A conclusion raises implications in Australia for economics as an academic discipline and as a policy vehicle.

Economic Commentary - Where are the academic economists?

There are at least 640 economists within the 27 economics departments at Australian universities (Rodgers and Valadkhani, 2006). There is also a much smaller, but unknown number in commerce and business schools, as well as some specialist economists within departments addressing specific industries: health, sports, mineral, environmental and a few other places. Only a very small minority of these have their voices heard in the media, or even within the cosseted world of journals (Pomfret and Wang, 2003: Macri and Sinha, 2002).² This development comes, rather ironically, at a time when universities

² This minority has always been crucial to economic policy development. In the interwar years and the immediate post-war era, elder economic statesmen, like D.B. Copland, R. I. Downing, H.G. ‘Nugget’ Coombs and Heinz Arndt would in public positions of authority as well as in public inquires, public lectures or newspaper articles speak out against (or in support) of economic or societal trends they considered deleterious (or beneficial) without fear of being professionally ostracised. Since the early 1970s, there are significant economists of stature that have similarly contributed in the public arena. Notable amongst this small group would be R. Gregory, J. Quiggin, B. Chapman, A. Pagan, G. Withers and Maureen Brunt (Norman, 2006). This paper is not discussing such major contributions to Australian economics. The aim of this paper is to discuss the lack of academic economists participating in the normal

have public relations and media offices with lists of their staff's expertise, but few academic economists get an airing when an economic issue arises in the news.

Where does this reticence come from? This has firstly to do, as with everything in economics, with the incentives to engage in this activity. The incentives for research in academia, in terms of promotion and professional approval, are very narrow as it is based on peer review through both DEST (Department of Education, Science and Training) - accredited peer-ranked journals and ARC (Australian Research Council) grants. The proposed new Research Quality Framework (RQF) where academics must put forward their most cited work will probably reinforce the tendency for academic economists to further engage in scholarly work, while a media comment or opinion piece will not amount to much in terms of RQF 'impact'. There is also an element of academic snobbery against 'hackacademics', 'media dons' and 'policy entrepreneurs' in Australia, since they are just giving opinions or providing only anecdotal stories and in this way pandering media driven issues. Another reason for economists' reservation in entering public debate is that any orchestrated attempt to influence public issues runs the risk of being ridiculed by politicians, as were (for example) 365 British economists when their denunciation of Prime Minister Thatcher's economic policies in April 1981 proved to be ill-timed (Wood, 2006). Thus, from all the above, it is quite clear to us that the vast amount of academic economists in Australia are loath to put their credibility on the line as readily as FME.

daily 'cut-and-thrust' of economic media commentary on everything from the latest non-rise in interest rates to the decrease of investment spending in South Australia by a particular automobile company.

There are practical factors to consider.³ The availability of academic economists for media comment is problematic as they are often difficult to track down – teaching and student consultation, field work (libraries, archives, etc.), sabbaticals overseas, endless university committee meetings, working at home with only personal phone connection (often on message bank). Modern forms of communication like email and mobile phones need to be addressed quickly by the message recipient in order to meet journalist tight publishing deadlines. The tasks of academic economists outlined above do not generally allow very quick turnaround in time for media comment. This has been experienced by both authors; ‘getting back later’ inevitable ends of being ‘too late’. The outcome is that academic economists are (on the whole) not media contactable. As well, they lack ‘media savvy’, in that they are generally unable to present a succinct argument that is understandable to the general public, and with short sharp ‘media grab’-type phrases. The AE in relation to this issue may not have changed much over the years, but the much easier accessibility and ‘media savvy’ of FME has made this alternative media comment avenue much more attractive to economic journalists.

A further problem exists when the academic economist has examined a particular issue from a perspective very different from the journalist composing the story. Any divergent approach to the issue that does not fit the world-view of the journalist and his/her perceived audience will not be able to be incorporated into a story already substantially written from this dominant world-view. Attempts by the economist to give a long

³ The matters discussed in this and the following paragraph reflect the experience of both authors in their attempts at media commentary.

explanation to substantiate the position held will be ignored simple because it is not understood, or can not fit into the tight word and time limits existing in journalism.

However the more muted academic economists become, the more their presence and their legitimacy is reduced in the public consciousness. This creates a cumulative causation, as reduced public exposure further reduces the willingness and ability to engage with the media on economic issues. Meanwhile with the high public exposure of FME in analysing the latest economic statistics, the common perception of an economist becomes one who predicts - and often gets wrong - future movements in interest rates and considers the implications of the latest economic statistics will have upon the economy and market sentiment. This sets up a dynamic all of its own. For instance, when a high economic official like the Governor of the Reserve Bank of Australia (RBA) wants to transmit an important message to the business community it is to the FME that he speaks, and this attracts much media commentary in the business newspaper pages and finance TV news segments.

As well, it is possible that Australian academic economists rarely stray into the public sphere because they wish to uphold the Marshallian ethic that they must avoid public applause. Australian academic economists who are notable exceptions to this rule need to be identified because they are so few. In Tasmania, Bruce Felmingham has a bi-weekly column in *The Mercury* focusing exclusively on state economic issues. In the nineties the UNSW's David Clark wrote a lively weekly opinion piece in *The Australian Financial Review* entitled 'On the other hand'. Australia's most prolific economist in the media

stakes, John Quiggin, has a fortnightly column in the same organ concentrating mostly on microeconomic issues.⁴ Other academic economists who made contact with the general public via the press media in the 2005-06 financial year were David Throsby on cultural policy, Bruce Chapman on HECS and the financing of higher education, Neil Warren on tax policy matters and Ross Garnaut on the economic implications of the mineral resource boom. Alex Millmow, Tony Makin, Sinclair Davidson, Andrew Leigh and Alex Robson are also frequent media commentators.

Despite the contributions noted above, most of which are infrequent, there is an overwhelming impression of a submissively public quiet coming from the vast bulk of the Australian academic economics profession. This is most particularly so in a land which has a huge appetite and keen interest in contemporary economic issues, greater than that of Britain or the USA (Macfarlane, 2006). The former Governor of the RBA, Ian Macfarlane reported on an informal survey conducted by the bank's research department into the press coverage in three major dailies available in Sydney on economic issues as against the comparable press coverage in both London and New York. The Australian press media featured three times as many articles on economic issues as their American equivalent and more than twice that of the British quality press. Moreover, Australian newspapers made economic stories a Page One issue far more than their overseas counterparts. This insatiable hunger for information on Australian economic trends is

⁴ Quiggin also has his own blog site on the Internet, as do a growing band of academic economists. However, blog sites are not part of media commentary. They are direct contact with the blog reader without the filter of the mass media. Blog sites are an expanding form of contact for academics with the general public as well as with students and other academics (Mitchell, 2006). This is a different issue that needs investigation.

squarely met by economic journalists working in tandem with FME. The next section discusses how this arrangement came about and how it operates on a day-to-day basis.

Illustrious academic economists in North America do not seem to entertain the same level of inhibitions as their Australian counterparts. Despite less media interest, they intrude in public debate and indeed there are articles written to encourage them to do so. The most famous examples of media communicators would be those totems of economics, Paul Samuelson and Milton Friedman who wrote alternate op-ed pages in *Newsweek* during the 1960s and 1970s. John Kenneth Galbraith was a regular contributor to many media outlets.⁵ Before he became a full time journalist Paul Krugman's regular column in the *New York Times* espoused economic issues. The same organ also publishes a column called 'Economic Scene' in which four well known academic economists take turns to contribute an article (Varian, 2004). Further, there are published exhortations for academic economists to enter the media commentary foray. Glen Hubbard, who was also one of President Bush's economic advisers, argues that the new forms of media through cable networks and electronic broadcasting has raised the demand for instant economic commentary and that the academic economist as "a public intellectual" can and should meet this need (Hubbard, 2004).⁶

A Brief History of Australian Economic Media Commentary

⁵ Noble and Martin (2006) report a comment by humorist Art Buchwald that since 1959 Galbraith wrote "105,876 letters to the *New York Times*, of which all but three have been printed."

⁶ Hamermesh (2004) even suggests a list of 'dos' and 'don'ts' for the ambitious economic media communicator from academe.

This section aims to explain how the Australian economic media commentary situation described above came about. This history also provides some understanding of why it has occurred and how economic media commentary is conducted.

The history starts with the enigmatic figure of E.C. Dyason who straddled both worlds of commerce and academia. As a stockbroker Dyason ran his own economic digest for his clients and played a key part in the founding of the Economic Society. He was also a frequent contributor to the *Economic Record* besides being on its editorial board in the first six years of its existence. In Queensland, J. B. Brigden, who headed the Queensland Government's Bureau of Economics and Statistics, issued from mid 1932 a monthly publication called *Economic News* aimed at enlightening the public in economic matters. It offered an "economic journalism not previously seen in Australia" (Coleman *et al.*, 2006, 135).

As a specialist type of professional, FME emerged in 1933 when Alfred Davidson, General Manager of the Bank of New South Wales, established an economics department within the Bank of NSW. Before that, Davidson had, in 1931, appointed the University of Western Australia economics Professor Edward Shann as his first full-time economic adviser. Contrary to his peers at the time, Davidson was an enlightened soul, free from rigid orthodoxy and enjoyed the company of economists (Schedvin, 1988, 338; Holder, 1970). The economic intelligence section within the bank would allow Davidson to be "in a position to influence events".⁷ At one stage there were 18 economists working in

⁷ 'Intelligence department' BNSW: GM 302/281: Westpac Archive.

Davidson's department assisting Davidson and his economic adviser and helping to put out a bank circular.

The National Bank followed suit in 1936 by hiring a Melbourne University-trained economist G. R. Mountain. The other banks quickly followed this trend to ensure that their competitors did not gain a competitive advantage. Economists in these bank economics departments assumed a humble place in the bank hierarchy and were part of the 'back office' of all banks to ensure effective and quick internal advice on the state of the economy and its impact on the bank's assets and loan structures. A typical bank economist's duties in the 1970s was primarily "to act as a sieve for information getting" which was in turn passed up to the executive. This information gathering exercise ranged from sifting through economic statistics to even then reading scholarly journal articles (Chataway, 1970). At this stage, during the 1960s and early 1970s, FME were not media commentators. The commanding heights of economic media commentary were still dominated by academic economists, notably John Nevile (UNSW), Greg McColl (UNSW), Richard Downing and J. O. N. Perkins (University of Melbourne), Peter Groenewegen (University of Sydney) and Heinz Arndt (ANU).

Harcourt (1998) identified the rise of economic literacy by journalists since the mid-1970s as an added aspect of this change in this history of media commentary. He lamented the decline of public debate by academic economists who were replaced by economists who represented industrial and finance capital. Economically-literate journalists are more prone to make their own assessments from the same short-term

perspective (or world-view) as FME and would then seek from them appropriate quotes to the stories they have already framed.⁸ This was the embryonic rise of FME as media commentators.

An additional source of economic commentary also emerged in the late 1970s with the decline of the Keynesian consensus and the birth of economic-based think tanks, especially the Centre for Independent Studies (CIS) along with the renaissance of the Institute of Public Affairs (IPA) (Mendes, 2003). These organisations have since then become stunningly successful in getting their copy on the op-ed pages of Australian newspapers on major economic issues. Very few, if any, academic economists challenge these often contentious economic analyses conducted by think-tank authors or economic columnists by writing letters to the editor or replying with their own commentaries to the newspapers. One exception here is Sinclair Davidson and Alex Robson in a recent critique of the writings of Ross Gittins, *The Sydney Morning Herald's* economic columnist (Davidson and Robson, 2006).

When financial deregulation, globalisation and the information technology revolution began to impact on the banks from the late 1970s; it brought FME into the public eye. The 'back office' transformed quite rapidly into central control of major products and services for a market-based financial system (Manning, 1985). This altered the role of the bank economist into a forecaster for the bank in an ever-changing financial world. "With

⁸ Bryan and Wilson (2006) present survey evidence that indicates the public media-based world-view of all FME is very much a free market neo-liberal position, despite the fact that their personal individual (and not for public consumption) views are much more diverse and closely mirror the diversity in the wider Australian society.

the removal of state decrees on a range of financial aggregates” macroeconomic models were built to simulate Treasury data and predict economic outcomes (Bryan and Wilson, 2006, 38). Deregulation also gave rise to economists in investment houses to interpret financial data. This made the senior economists in these financial institutions adept at reading the economic ‘tea leaves’ from daily financial and economic news. FME shifted from “experience-centric to a data-centric” in approach (Battellino and McMillan, 1989). Given their knowledge and the financial corporation’s need to promote themselves in a deregulated market, the FME emerged as part of a corporation’s public relations arm, espousing their views of the economy from a short-term perspective of emerging daily financial and economic news.

In the 1980s many bank and other financial institution-based senior economists were sourced from the official family of economic advisers, namely, the Federal Treasury and the RBA. Shann (1987) showed that of the 112 senior economists who left the Australian public service between 1978 and 1984, 71 joined the financial institutions while another seven joined the financial press.⁹ This drift of talent suggests a synergy between FME and economic journalists in the press. This synergy has a large bearing upon the composition of economic news and commentary in this country. The remainder of FME are sourced as junior alumni of economics departments from mainstream economics honours degrees. Rarely do senior academic economists ever go directly to banks. Thus, the specific economic doctrine of Treasury and the RBA is filtered through to the banks and then to the general public, with academic economists left on the fringes of any public

⁹ “The Reserve Bank (1986: 45; 1987: 61) reported the difficulty in the mid-1980s of holding experienced staff in the face of the salaries offered by the private financial institutions.” (Bryan and Wilson, 2006, 38)

media debate on economic issues. Schulz (1992, 95) asks whatever happened to the pluralism of views on economic issues given that media networks as reputable as the Australian Broadcasting Corporation (ABC) always turn to FME for illumination of an issue.

FME as media commentators came from their 1970s embryonic status (as minor media information providers) to 1980s growth status (as economic forecasters). Bryan and Wilson (2006, 38) identify the final transformation of FME in the mid-1990s into their mature media status as financial strategists. Forecasting became routine, while the need for global and risk analysis in financial institutions created the much more diverse and sophisticated strategists that FME have become today. This provided a level of expertise not generally available by academic economists. The advice and opinions emanating from FME is based on their role as strategists for their own corporation's rentier and financial interests. In the media, these views are presented and packaged as the consensus view on the particular economic issue. The FME appearing as 'talking heads' regularly in the media are identified by the organisation they are employed. They speak and lobby for rentier and financial interests, yet during their commentary, their statements and views are seen as value-free analysis or 'market opinion'. From a political economy perspective, we can surmise that the FME have something of an implicit Kaleckian role in supporting the needs of 'the captains of industry' e.g. warning about inflation, wage increases, identifying economic imbalances and stressing the need for continual market-orientated economic reform (Kalecki, 1943). Few FME-*qua*-media commentators ever

publish in refereed journals. Instead, they are household names or at least familiar faces on our TV screens and in regular business journal/newspaper columns.

As a result of this development in economic commentary, the ‘Tribe of the Econ’ has divided into two. Following an acrimonious split from the Economic Society of Australia (ESA), the Australian Business Economists (ABE) was established in 1980 and as at 2006 had a 175 membership base, represented almost exclusively by the financial sector. The ABE has its own agenda. The ABE initially conducted an annual forecasting session with noted speakers and the media particularly invited. Reconciliation with the NSW branch of the ESA has resulted in a joint forecasting session. Some of the personages from ABE might have served time in official policy advice or even academia, but the general perspective of the ABE is short-term and practical financial-based. This is in contrast to the ESA which was established in 1925¹⁰ and currently has 1,400 members in seven branches. ESA predominantly consists of academic and public service economists, with a general perspective that is longer-term and abstract modelling-based. There is, thus, a division between the two tribes of economists with their own respective conferences, networks and ambit (Millmow, 1996).

The formation of the ABE was viewed by the ESA as merely another specialist group of economists (like economic historians and econometricians) with multiple memberships (in the ESA and their own specialist association) rather than a division of the economics

¹⁰ The body was established in 1925 as ‘The Economic Society of Australia and New Zealand’. In 1982, ‘New Zealand’ was removed from the society’s name after a ten-year bitter battle following the establishment of ‘The New Zealand Association of Economists’ in 1973. In the 1970s, any severance of New Zealand from the constitution was “anathema” to the Central Council of the Economic Society, despite many requests and entreaties by representatives of New Zealand economists (Scott, 1990, 59).

tribe (Scott, 1990, 76). Yet the split in terms of the media and public perceptions is quite marked: ABE members have a regular and influential relationship with the media, and then in turn, the general public.¹¹ On the other hand, the ESA members have a much more random and occasional affair with the media, with their perspective of economics rarely being observed or appreciated by the general public. Gone are the days when the ESA's Annual Conference of Economists would regularly attract media interest.

The Evidence on Economic Media Commentary

History provides the background and an appreciation of the current situation in economic media commentary, but it is evidence from the past and current situations that underlie the extent of the situation. This evidence can not be anyway comprehensive or systematic, given the broad and random nature of economic commentary. An attempt is made here to provide some indicative evidence that may encourage more research into this vastly underrated area of inquiry.

Evidence starts from the heart of the major tribe itself. The major communication organ of the ESA is *The Economic Record*. From the mid-1970s, the *Record* increasingly became more technical and with less of an Australian focus in an effort to make it "...a

¹¹ Ken Henry, Secretary to the Treasury, from his own very close view of the situation addressed the ABE and its FME members directly in Sydney on 29 May 2001 in the following stern terms: "Official and private forecasters on the one hand, and economic journalists on the other, interact to powerfully influence not just the day's 'news', but more fundamentally the entire public perception of what economics is about. Virtually no reporting of an ABS release of data on anything economic would be printed, or broadcast on radio or television, without its including a few quotes from an [financial market] economist. For this reason, even if the reporter manages to avoid introducing his or her own opinion into the story – a feat that most would appear to find altogether too challenging – all 'news' stories become, through the extensive use of verbatim quotes, little more than comment pieces of economists. It is often remarked that the Australian media is at the most sensationalist end of the international spectrum. In this, it appears to have found a willing accomplice in the [financial market] economics profession. No doubt sensationalism sells; if it didn't, we would have much less of it. But I would ask you to ponder how much good it is doing to the reputation of the economics profession." (Henry, 2001)

vehicle for both Australian and overseas authors and viable in the international community of economists.” (Scott, 1990, 38) Efforts were exercised by ESA to address this trend. Commissioned surveys in the *Record* began in the December 1980 issue with John Nevile on fiscal policy. Meanwhile *Economic Papers* was taken over from the NSW branch to give national exposure to more current and accessible articles. Despite this, in 1990, ten years after these changes by ESA, Scott (1990, 75) reported that: “Contributions to the *Record*, now originating mainly in the academic community, were judged by their selectors on academic and technical grounds, not in terms of immediate application and popular interest”. *Economic Papers* was to address current concerns and issues for the ESA members rather than the broader community - leading to a rather quixotic journal that is “still seeking its place” (Scott, 1990, 77). The question needs to be asked whether, 16 years on, the situation with both journals has at all changed.

A second piece of evidence relates to economic forecasting and its role in media commentary. Forecasting is an important part of economic commentary as is implied by Ken Henry. Forecasting became recognised as more than just “finger-in-the-wind” since the development within university economics of the ORANI and IMP macroeconomic models in the late 1970s.¹² As a result, in 1983, the Victorian Branch of the ESA began a series of Forecasting Surveys, publishing a median figure for forecasts of movements in major economic variables and indicators made by a number of respondents: “This was a popular move which over the years, was to attract increasing attention” (Scott, 1990, 70) . *The Australian Economic Review*, put out by the Institute of Applied Economic and

¹² For an account of the various macroeconomic models developed by academic economists at that time and the great intellectual debate that ensued, see Challen and Hagger (1979).

Social Research (IAESR) at Melbourne University also featured prominently in commentary about the future of the economy (McDonald, 2006).

With the rise of FME described in the previous section, the role of economic forecasting has shifted away from academia into financial houses. McDonald (2006) notes how the IAESR has moved to more applied analysis and less forecasting. Peter Brain, who developed the IMP model has recently informed one of the authors that whereas his private consulting company, National Institute of Economic and Industry Research (NIEIR), began with chiefly macro-forecasting, that role has declined to only minor in-house use.

Disseminating economic forecasts to the media is a high profile media commentary role, and in the mid-2000s it has been taken over virtually completely by FME. *The Age* and *The Sydney Morning Herald* conduct half-yearly surveys of economists' macroeconomic forecasts which are heavily drawn from FME. For example in *The Age* mid-2006 economic survey, 19 economists were surveyed and their forecasts were averaged (Gettler, 2006). Ten were economists from financial institutions, the remaining are four from industry lobby groups, one from Telstra, and (for the first time) an economist from the trade unions (Brad Crofts, AWU). Also included were two private consultants, Peter Brain (from NIEIR) and Duncan Ironmonger (Dunn and Bradstreet) who were former academics. Neville Norman from the University of Melbourne is the only current academic economist who is consulted for this survey. Norman has been consistently consulted in these surveys over the last ten years. Even more clearly biased to FME is the

half-yearly economic survey conducted by the ABC on its evening news at around the same time as *The Age* survey. The ABC News in the first week of July 2006 had five forecasts and then averaged them, in which all five were from financial institutions (ABC, 2006). Two were from the same institutions appearing in *The Age* survey of the same week.

A third piece of evidence is current daily commentary on economic affairs. On a daily basis, FME are consulted on the impact of changes, both in Australia and overseas, of stock exchange prices, petrol prices, exchange rates, interest rates; as well as disasters like cyclone devastations. This seems appropriate, as they generally are more *au fait* with daily movements in economic and financial data; and they are more easily accessible immediately such changes hit the news desk of a reporter. However, when a major economic event has occurred which has more long-term impacts and is more to do with broader economic developments, the media, rather than seeking out academic economists who would be appropriate to comment, still approach FME. To illustrate this, after the 2006 Tasmanian and South Australian state elections, in which the Australian Labor Party retained office in both; *The Age* interviewed ANZ Chief Economist, Saul Eslake. The substantial article of over 600 words began by referring to Eslake: “One of Australia’s top economists has advised Victorian Premier Steve Bracks to take a lesson from Labor’s election victory in Tasmanian; it’s the economy, Bracksie” (Moncrief, 2006). The advice was a predictable mainstream response for Bracks to have a tight budget and not to spend to an extent that would limit the ability of the State to give tax cuts. Any divergent view on the need for much greater public infrastructure spending

seems to remain sidelined, as *The Age* economic columnist, Kenneth Davidson, often argues.

The Age also had a substantial piece by Maiden (2006) reporting on the emergence of China and India as major economic nations that are driving the global economy over the next forty years. This is a long-term global economic issue that academic economists would presumably have some unique insights into. The article quotes three economists only: Saul Eslake (again), Andy Xie and Gokul Loria both from financial giant, Morgan Stanley. All are providing the mainstream view of the emergence of China and India, despite many important unstated qualifications and assumptions that underlie this prediction.

Through April and early May 2006, in the lead up to the 2006/2007 Federal Budget, *The Australian Financial Review* had several high profile FME present their views in the op-ed pages of what the forthcoming budget should address. The Budget had been preceded the week before by an interest rates rise which had taken nearly half of the FME by surprise. In the month before almost all of them had dismissed that possibility arising soon (Colebatch, 2006). In the avalanche of reaction and opinion in three newspapers *The Age*, *The Australian* and *The Australian Financial Review* there was not one contribution from academic economists to explain this divergence between the mainstream view of FME (no interest rate rise) and the reality that followed (interest rate rise). That situation was repeated in the aftermath of the Federal Budget, when the standard approach to fiscal

policy was outlined as a secondary policy tool that needs to adjust to the demands of the ruling monetary policy stance.

The final piece of evidence presented is a historical record of media commentary in *The Australian Financial Review* (AFR). The AFR was launched in August 1951. A content analysis was conducted in the AFR to find articles authored by academic economists (AE) for the periods identified below in the table. Note that AE contributed 38 commentary pieces in the first two and a half years of AFR's existence when it was a relatively small bi-weekly publication. The topics were all on Australian economics issues of the day. There were no specialist economic journalists writing for AFR at that time.

Table: Academic economists' contributions to *The Australian Financial Review*

Publication's frequency and year	Number of articles	Exemplary contributors	Issues
<i>One per week</i> 1951 (Aug – Dec)	12	B. Cameron, D.B. Copland, E.J. Donath,	Inflation, wheat
1952	8	J.K. Gifford, K. Laffer,	marketing,
1953	7	J.O.N. Perkins, W. Prest	exchange rate
1954	11		management, wages
<i>Five per week</i> 1978	12	M. Corden, D. Ironmonger, J.O.N. Perkins	Stagflation, real wage overhang, etc.
1991	9	T. Aspromourgos, H. Clarke and K. Ng, T. Makin, J Freebairn	Third Sydney Runway, BoP, Migration, GST effects

In 1978, the AFR had an Economics Editor in P. (Paddy) McGuinness who was very knowledgeable on the state of Australian economic research and debate within academic economics and was able to bring much of this research to light for the business community that the AFR served. Other economic writers at the time were Robert Haupt, Bert Kelly and Brian Toohey. Despite this significant economics coverage, AE contained 12 authored contributions. A debate on how to deal with the stagflation of the time was sparked by J. O. N. Perkins and other economists from the University of Melbourne who wanted a macro mix of expansionary measures to deal with stagflation. Perkins and later, Duncan Ironmonger contributed separate articles to the AFR outlining the idea of a cut in business taxes along with an increase in the budget deficit financed by bonds.¹³ When an editorial in the AFR criticised the proposals it provoked further debate and letters to the editor from economists from both the ANU, who were mostly supportive of the AFR line, and the University of Queensland who were in support of the Melbourne economists.¹⁴ An exchange of views was conducted by letters to the editor and the odd opinion piece. A further debate arose later the same year over the real wage overhang thesis which economic officials believed was the true cause behind the unemployment problem. When Max Corden contributed an article on the wages-productivity link it was welcomed by a glowing editorial. A subsequent editorial criticised Perkins' pamphlet, *Crisis Point in Australian Economic Policy*.¹⁵ However it went on to welcome his contribution as "a worthy innovation, reminiscent of the active role of economists at the time of the Great Depression during which it may be remembered, the orthodox were almost unfailingly

¹³ 'Wanted the right policy mix to get the economy moving' AFR 14/6/1978, 'Overcoming fears of current account deficits' AFR 18/6/1978 and 'Economic policy charges answered' AFR 25/7/1978

¹⁴ 'The unemployment gloom settles in' AFR Editorial 17/7/1978

¹⁵ 'A return of the pamphleteers' AFR Editorial 31/10/1978

wrong, to see an academic economist entering the ranks of the pamphleteers.” This episode and the previous documented content analysis shows that in earlier times AE were visible and vocal over economic issues.

In 1991, a year of recession, FME were well established as “data-centric” experts, but not the economic strategists they later became. Thus, it is not surprising to find that FME were little quoted, cited or had authored any material on the recession Australia was engulfed in. Also in this period, there was very little that emerged from AE on the recession.¹⁶ At the time there was a stable of economic journalists writing for the AFR including the Economics Editor, Michael Stutchbury, Tom Dusevic and Alan Kohler.

This was supplemented by the weekly columnists John Stone (the former Secretary of the Treasury), Peter Walsh (the former Minister for Finance), David Clark and a former AFR editor, Peter Robinson. With such a large team, economic issues could be well handled internally, yet unlike 1978, there was no debate by AE in the AFR. Compared to 1978, nine articles in 1991 is ‘below par’ despite much more content; with no major debate emerging. Compared to the earlier years analysed in the table, the larger 1991 academic economist fraternity was making a smaller impact on media commentary.

Analysis and Basic Model on Economic Media Commentary

Overall, the idiosyncratic evidence provided in the previous section leads to a few preliminary analytical conclusions. First, over a long period of time since the inter-war

¹⁶ At the same time, the monthly journal *Quadrant* (May 1991 issue), asked nine “leading public figures and economic thinkers” to contribute a piece on “What is to be done?” in relation to the deep and enduring recession: two economic/financial journalists, two politicians (including one ex-political scientist who had written much on ‘political economy’), two right-wing activists, a leading businessman, a professor of Japanese Studies, and John Stone. No economist was featured.

period and up to the present, there have always been a very small group of eminent Australian AE who have been involved in the practical side of policy-making as advisers, consultants, expert committee members, and even a few political activists. As part of their *modus operandi* they would occasionally also offer (or be requested) to provide media commentary in their field of policy intervention expertise. This is not the group, nor their general policy-making that is of the concern of this paper.

Second, our analysis of the evidence provided indicates that there is a quantitative and qualitative difference in the overall contributions of AE to economic media commentary. The significant role in media commentary through debate on current economic issues that is evident in the period up to the first few years of the AFR has diminished. The first reason is the appointment of economics journalists and columnists in the 1970s to raise the standard of debate on significant current economic issues like stagflation. We do not know whether this was a reaction to already reduced media commentary from AE or a proactive endeavour by newspapers to respond to rising concern about current economic issues in the business community and the general public? The second reason is the rise of FME who developed a special relationship with the economic journalists in the provision of media commentary.

Third, with the establishment of ABE in 1980, there became a marked difference between the two tribes of economists. One, the Australian AE, increasingly became concerned with following the economic orthodoxy developed overseas, particularly the USA. They became less interested in identifying how the peculiar circumstances of the Australian

economy raised issues and questions that need to be queried and evaluated against this ruling orthodoxy. Was this due to Australian AE wanting to gain greater citation impact from overseas, or observing that Australia's economy was so closely tied to the major advanced economies that this required a more orthodox approach? The jury is out on this one. The other tribe, the FME, at the same time moved out of the banks' 'back office', and gathered in greater numbers for the growing investment houses. They, in unison, responded to their corporation's need to market themselves in a competitive environment by selling themselves as financial data experts first and then as economic strategists on the specific nature of the Australian economy and its connections to the global economy. The two tribes are now so far away from each other in terms of both analysis and *modus operandi*, that they may be seen as two different professions. Due to the state of economic media commentary, the public associate the term 'economist' with the FME and their activities rather than AE.

A simple model of economic media commentary can be provided based on this analysis above. The first is a set of 'push' factors that detract from AE making economic media commentary. The second is a set of 'pull' factors that have attracted the media towards FME.

The push factors are:

- Attempts by Australian-based economists to gain an international reputation engaging in the central technical, and generally more abstract, questions being addressed by the mainstream economics discipline in USA and United Kingdom in particular.

- The rise of professional and sophisticated economic journalism in Australia dating from the mid-1970s has reduced the demand for economics expertise from the academe. So fewer openings exist for those who want to enter the public debate.
- The demands of the mass media for a simple story that fits into the perceived world-view of its audience, in which the requisite short statement by the economist needs to reinforce this perspective already devised by the journalist.
- The rise of economic think tanks with their own house journals has diversified the sources for economic expertise.
- The appointment of economic expertise on staff of business houses (like Telstra), chambers of commerce and other industry lobby groups (like Master Builders Australia). .

The pull factors are:

- The difficulty in accessing the views of AE (in comparison to the FME available) both from a position of getting a comment, and then trying to write it in a way that the general public would understand.
- Academic economists having views that challenge the world-view already pre-packaged by the journalist on a tight timeline to write the story, compared to the ability to gain access to FME that support this world-view.
- Despite universities wanting their academics to interface with the wider community the incentives in higher education are all in communicating with one's peers. In economics this means publishing in technical top-ranking economic journals. This DEST-driven practice is central to the research assessment exercise that operates in

Britain and will operate here as the Research Quality Framework (Vaitilingham, 2005).

- Getting involved in the media lacks incentives from the university and is seen by colleagues as an amusing pastime rather than serious economics.

This ‘push-pull’ model explains the complexity of the economic commentary issue. It is not the fault of anyone in particular, nor the lack of public spirit by academic economists (many who contribute in various civic endeavours regularly). It is to do with the complex interaction of all the above ‘push-pull’ factors working in tandem.

Conclusion

There is certain inevitability to the conclusions of this analysis. This is because the authors identified a serious lack of academic input when listening to, reading, and participating in media commentary on economics. The authors set out to investigate the reasons for this situation. We were reminded of Leijonhufvud’s 1973 comment about academic economists retreating to their ivory towers as they increasingly adopted an abstract analytic. Our clear memory of the role of Australian academic economists in the economic debates of the early post-World War II period rang strongly. Australian economists were renowned internationally for their pragmatic and ‘down-to-earth’ approach to economics as many participated in the determination of how this fledgling country would develop.

The implications of this relative shift away from media commentary for our economic discipline must be considered. The concerted and intentional attempt by the ESA to become a stronger voice in the international community of economists, while downplaying the role of *The Economic Record* in domestic economic debates was a significant part of the change identified. With the domestic front neglected, economics in universities is seen as less relevant to potential students (and also to the declining number of economics students in high school) and to the community in general. Economics as a discipline is lessened for it is perceived through the voice of financial market economists as part of the daily volatility of stock markets and the economic interests of the wealthy financial community.

Economics as a policy vehicle has also suffered in this move away from academic media input. Some academic economists will still put in submissions on policy issues to various public committees and commissions in respect to particular reports, and this may have some policy influence. However, in terms of the debate of economic policy in the media, academic economists are generally not out there attempting to shape the views of the public on important issues like budget deficits, interest rates, industry policy, industrial reform, taxation reform or even broader issues of economics and the environment and the state of Australia's infrastructure. On the broader issues, it is left to other academics from other disciplines to comment (take for example the debates on lack of infrastructure and skills in Australia in the mid-2000s). On the narrower economic issues, the field has been left completely for the financial market economists to influence public opinion, and their views are naturally biased to the needs of their employers who are the major financial

houses in our community. These views also neatly dovetail with the world-view of the journalists in their efforts to write up short articles. This is not a healthy outcome as it narrows the options for the public to be aware of in terms of viable economic policy alternatives. There is an inevitability of the TINA complex: There Is No Alternative.

Ending on an optimistic note, as this paper was being completed, we came across two examples that provide hope and encouragement. First example is an article by Daniel Mulino. He is a young economics lecturer at Monash University whose article was published in the AFR. Mulino (2006) critiques the hype of the Australian resources boom, pointing out the crucial role that improved efficiency in the large domestic service industries has played in raising Australia's living standards. Ironically, Mulino refers to Paul Krugman at the start of his article to justify his critique. It is a refreshing article that tilts at one windmill created by the major economic interests in the country. It is short, concise, perceptive, and challenges standard economic views. There is a need for more 'Mulinos' and more of Mulino himself - young economists prepared to debate in the media and shift the focus of economics away from the market economists' views as seen in the public perception. Second example is a letter to the *The Age* by Phillip Hone (2007). He is a senior economist at Deakin University who wrote a letter challenging issues raised in articles by Kenneth Davidson (*Age* economic columnist) and Martin Feil (a business consultant who regularly writes in *The Age*) on the need for increased manufacturing protection. The letter generated two further letters to the paper, one from another academic. This is the stuff of economic media commentary that we would like to see much more of.

There is a need to make academic economics relevant again in Australia. It is time that the tribe of the academic economists engage with the economics of today in Australia via economic media commentary that communicates to the business and wider community. The field of media commentary should not be left (except for the few examples mentioned in this paper) to the standard journalist perspective of economics and the oracles in the tribe of the financial market economists that currently dominant economic commentary. In the way that Keynes suggested in the opening quote, academic economists need to “pluck the day”, not by pamphlets, but by regular and effective economic commentary in the media in all its modern forms.

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