Institutional ECONOMICS

Archive

Articles for the Month:

Heterodox Economics

Paul Ormerod is in Australia, having been invited to give the Federal Treasury's Chris Higgins Memorial Lecture. Ormerod often says things that sound downright Austrian, as in this outtake from the lecture: *"Governments suffer from the illusion of control." Mr Ormerod said. "In the last 50 years government had a much bigger role in the economy and in society . . . than in the previous 50 years, yet economic and social problems remain."* Yet one suspects that he gets some things right for the wrong reasons. In any event, one cannot accuse the Treasury of not listening to heterodox opinion. No doubt the invitation was designed to serve as an answer to all those silly caricatures of Treasury as being dominated by neo-classicism (Ormerod will also be at the Conference of Economists). While on the subject of heterodox economics, check out this profile of Vernon Smith, which details some interesting commercial applications of his ideas.

posted on 9/30/2003

Alan Kohler

joins the ranks of those of us who are reluctant to attribute the house price boom to a 'bubble' (a 'bubble' being any asset price inflation the person using the term cannot otherwise explain), pointing to research from the ANZ's Saul Eslake on the subject. At least one forecaster has been predicting a recession from a highly leveraged household sector succumbing to a massive tightening in monetary policy. Yet the massive rise in interest rates they are predicting would seem unlikely, precisely because the household sector is so leveraged by historical standards. One of the advantages the RBA and BoE have over the Fed is the widespread use of variable-rate consumer debt instruments in Australia and the UK compared to the US. This gives the RBA and BoE much greater traction over the economy than the Fed through setting interest rates. In Australia, monetary policy could sometimes have perverse effects when the household sector was a net lender, because it would benefit from an increase in its net interest income as a result of rising interest rates. Now that the household sector is such a heavy net borrower compared to previous years, the RBA should be able to maintain its inflation target with only a modest tightening in policy. The amplitude of the interest cycle has been steadily contracting, in part because of this change in the net lender status of the household sector.

posted on 9/30/2003

More on why the US labour market is not as bad as it looks

from Allan Meltzer: *There are two sources of labor market statistics, the Establishment Survey and the Household Survey--both conducted by the Labor Department. The first asks manufacturing and service sector companies how many employees they have. The second asks a sample of people whether they have jobs. The two give different answers and, important right now, the difference changes systematically over time. The reason is that the number of companies does not remain fixed. In our dynamic economy, old firms die and new ones are born. The Labor Department learns about the deaths quickly, but it takes longer to learn about the births... There is nothing new about the difference between the two surveys. They normally differ, and the difference is not constant. After every recession, the difference increases because many new firms start. It takes a while for the Labor Department to catch up, so the number of jobs reported by households drifts further away from employment reported by firms. The difference narrows in long expansions such as the 1960s and the 1990s as the Labor Department learns about the new firms.*
The bigger mystery is why financial markets put so much weight on labour market data. The monthly employment reports in the US and Australia are the biggest movers of both US Treasuries and Australian debt markets. Yet employment is a lagging indicator and the headline numbers are subject to very large standard errors. My own behavioural finance-type theory on this is that people are more confident in their understanding of the labour market data (employment up, economy up; employment down, economy down). Other economic data are less clearly understood and subject to a wider range of interpretations. Yet the employment data are probably a good deal less informative from a financial market perspective than many other releases that capture less market attention. I also had this experience in assigning students a range of essay questions on the Japanese economy. About 50% of students chose the question on the Japanese labour market. I suspect this was because they felt more confident that this was something they would understand, even though the question was in some ways more difficult than the other options they could have taken. Labour markets are probably the thing economists understand the least, yet non-economists think they understand it the most.

posted on 9/28/2003

John Durie

on what's wrong with the Business Council of Australia: *Somehow it appears ashamed of who it represents, which is big business and their myriad advisers whose reason for existence is to make profits.*

posted on 9/27/2003

The End of Deflation in Japan?

The August core CPI for Japan came in at -0.1% y/y, a tenth of a percent away from price stability. So are we close to seeing an end to deflation in Japan? Note quite. Japan's deflationary experience has been most pronounced in relation to capital goods prices. These are picked-up in the non-residential investment deflator of the national accounts, but not in the measure of consumer prices, hence the wide discrepancy between these two measure of price change. Should we care about declining prices for capital goods? Probably not. Japan's economy is overcapitalised and the decline in prices for capital goods is likely an important part of Japan's overall economic restructuring. Central banks should arguably focus on stabilising consumer prices. The Bank of Japan has tied its current policy stance to a zero rate of annual change in the core CPI (an inflation target of sorts). Japan is now very close to realising a marginally positive inflation rate for consumer pices, although the BoJ has also indicated that it will not abandon its current policy stance in the near term. Still, the BoJ has had to intervene massively in the money market to keep interest rates from rising, as markets begin to discount the prospect of an end to deflation. **UPDATE:** The Cabinet Office is now also forecasting marginally positive *nominal* GDP growth.

posted on 9/26/2003

A rare point of agreement

between John Quiggin and myself: *The implications would be even more striking if the putative bubble turned out to reflect a sustainable increase in underlying values. If the doubling of house prices over a few years is not a bubble, then it is clearly impossible for economists to recognise one when it is in progress. It would be hard to imagine a more triumphant vindication of the efficient markets hypothesis than this.* John seems to find it surprising that so many mainstream economists have such little faith in market mechanisms. Yet one of the defining characteristics of the mainstream of the discipline is that it is all too ready to concede the possibility of market failure as soon as the discussion switches to asset markets.

posted on 9/25/2003

Alan Reynolds

on those US non-farm payrolls numbers: *When government officials asked people if they had a job last month, 137.6 million said "yes." But when employers were asked, they said they had only 129.8 million on nonfarm payrolls. There are several reasons why the number of people on business payrolls is bound to undercount the number of workers. If more people are working at home as self-employed consultants, or working through temp agencies, they would not show up as payroll employees. And "nonfarm payrolls" ignores the fact that agriculture added 155,000 workers in August. What is nonetheless quite remarkable is that these two measures of employment are now much further apart than they were back in early 2001. Experts decided the recession started in March 2001, two months after President Bush was sworn in, although stocks had by then been falling for a year and industrial production for seven months. According to the survey of households at that time, there were 137.7 million employed -- virtually the same as now. Yet the payroll survey then counted 132.5 million jobs -- 2.7 million more than now. Depending entirely on which measure you choose, we have either recovered all the jobs lost during the recession or lost 2.7 million.*

Reporters who relish bad news and bad politics invariably tout the latter figure. The Washington Post's reporter Jonathan Weisman wrote hysterically of "the longest hiring downturn since the Great Depression" -- a patently absurd comparison. California Gov. Gray Davis claimed "no president since Herbert Hoover has seen job losses like this." In reality, today's 6.1 percent unemployment rate is the same as it was in 1994 or 1987 or 1978 -- years in which nobody pretended to see any similarities with the Great Depression.
Reynolds also reviews the political-business cycle literature for the US, which finds little or no relationship between unemployment and US Presidential election outcomes. The limited literature on this issue for Australia has also struggled to establish a relationship between unemployment and the Federal incumbent two-party preferred vote share.

posted on 9/24/2003

More government protection for Qantas,
with the Federal Transport Minister denying Singapore Airlines access to the Australia-US route under the ‘partial’ open skies agreement signed with Singapore. According to the *SMH*: *Qantas chief executive Geoff Dixon welcomed the move.* No kidding.

posted on 9/24/2003

One of my former colleagues at S&P IMS in Singapore,
Mark Matthews, has a new blog. Mark has just taken up a position in equity sales with CLSA in Bangkok, so his site should be essential reading for those with an interest in Thai equities.

posted on 9/23/2003

The G7 Finance Ministers and Central Bank Governors
declare ‘that more flexibility in exchange rates is desirable for major countries or economic areas to promote smooth and widespread adjustments in the international financial system, based on market mechanisms.’ This is about as pointed as the G7 gets. The obvious culprit here is Japan, which has been buying the USD in record amounts this year, to the point of almost running a fixed exchange rate regime. USD-JPY volatility is at some of its lowest levels since the yen was floated. This is at odds with Article 4 of the IMF’s Articles of Agreement, which obliges member countries ‘to avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members.’ The IMF MD can institute ad hoc consultations with those countries that make inappropriate use of exchange rate intervention, but this mechanism is rarely invoked. It is no small irony that the next paragraph of the G7 statement reads ‘effective and persuasive IMF surveillance is crucial.’ Indeed.

posted on 9/22/2003

TD Securities and the Melbourne Institute
have come up with a monthly inflation gauge for Australia, where the official CPI is only available at a quarterly frequency. The Australian Bureau of Statistics has always claimed that a monthly CPI did not stack-up on cost-benefit grounds. Yet TDS and the Melbourne Institute appear to have put together a monthly series at a small cost with a low tracking error with the official series. Perhaps they have also made a case for privatising the ABS. Unlike most other statistical agencies in the world, the ABS charges for its data, so it is already half-way there.

posted on 9/20/2003

Professor Bjørn Lomborg
is in Australia this month. Check out his speaking schedule here.

posted on 9/20/2003

The many Chinese readers of this site are invited to visit
Sinoliberal.com.

posted on 9/20/2003

An interview with the new IMF chief economist
Raghuram Rajan.

posted on 9/20/2003

A T Kearney
have released details of their FDI Confidence Index for 2003, although the full report is not available yet. According to A T Kearney, ‘four developed markets — France, Italy, Canada and Australia — dropped out of the top 10 most attractive FDI destinations this year.’ This might have something to do with the fact that Australia and Canada are in the top five in the OECD’s measure of FDI restrictiveness. The Australian government is spending a considerable amount promoting its openness to foreign investment in publications like *The Economist*, but still operates an FDI regime subject to arbitrary ministerial veto.

posted on 9/20/2003

The World Bank
has a new chief economist, François Bourguignon. According to insiders: *"He is certainly no neoclassical," the bank official said, referring to the school of economics that stresses the failures of government intervention. "François believes very strongly in the role of the state and the public sector in playing a facilitating role and being responsible for public services."* which is interesting in view of some of these results: Bernhard Boockmanna and Axel Dreher, 'The contribution of the IMF and the World Bank to economic freedom,' *European Journal of Political Economy*, Volume 19, Issue 3 , September 2003, Pages 633-649. Abstract: We analyse the effect of World Bank and IMF policies on the composite index of economic freedom of Gwartney et al. [Gwartney, J., Lawson, R., Samida, D., 2000. Economic Freedom of the World 2000, Annual Report, http://www.freetheworld.com] as well as its sub-indexes, using a panel of 85 countries observed between 1970 and 1997. With respect to the World Bank, we find that the number of projects has a positive impact on overall economic freedom, while the effect of the amount of World Bank credits appears to be negative. These effects are stronger during the 1990s than in earlier periods. There is no clear relationship between credits and

programs of the IMF and economic freedom as measured by the index.

posted on 9/19/2003

Andrew Norton

suggests that there is nothing new in Lindsay Tanner's book *Crowded Lives*, describing it 'a cross between an update of very old arguments and a mid-life crisis book.' He also gives us a mini psycho-biography of Tanner. As Norton notes, Ross Gittins has been giving this and related literature a regular airing. Gittins once confessed in his column that he went without a television for something like 20 years after his old one broke. Gittins is obviously not a materialistic kind of guy, although I also seem to recall a column in which he complained about his 'miserable screw' from the *SMH*. Gittins thinking on these issues (not to mention his wardrobe) could probably benefit from reading Virginia Postrel's *Substance of Style*. One can't help but wonder whether for many of these guys, denouncing materialism has something to do with making a virtue out of necessity.

posted on 9/18/2003

Bank of Japan Governance & Japanese Monetary Policy

a new working paper is up in the Working Papers section. Abstract: The conduct of monetary policy has played a controversial role in Japan's experience of the business cycle over the last decade. This paper sheds light on this controversy, by estimating a monetary policy reaction function for the Bank of Japan and relating this function to changes in the governance of the Bank. The reaction function parameter estimates are consistent with monetary policy playing a stabilising role in relation to economic activity. The paper also finds only limited evidence that Japanese monetary policy has become more constrained in its response to economic conditions since the mid-1990s, coinciding with the onset of persistent deflation and the approach of the zero-bound in nominal official interest rates. These findings are placed in the context of recent developments in Japanese monetary policy and the literature on central bank independence as it relates to the Bank of Japan.

posted on 9/16/2003

The Swedes reject the euro

56-42, continuing the euro's consistent record of popular rejection. Unfortunately, we cannot take too much comfort from the result. For many Swedes, the referendum was about protecting the cradle-to-grave welfare state from the disciplines of the Growth and Stability Pact. The right decision for the wrong reasons.

posted on 9/15/2003

The *European Journal of Political Economy*

special issue on economic freedom is now available. Click through the ScienceDirect link to access the papers. One of the papers looks at the relationship between World Bank and IMF lending and economic freedom. No prizes for guessing the results.

posted on 9/14/2003

Golden Years?

This week's fall in the Australian unemployment rate to below 6% and below that in the US has seen the Prime Minister talk of 'golden years' for the Australian economy and even prompted a bout of early election speculation. Yet the comparison with the US is a damning indictment of Australia's labour market institutions. It has taken a decade long expansion in Australia and a severe contraction in the US to bring about convergence in the unemployment rate between the two countries. This is a good indication of the high costs associated with the failure to deregulate Australia's labour markets. The comparison with NZ is also instructive, where the unemployment rate is 4.7%. As for the early election speculation, conventional wisdom holds that the government would not want to hold a double-dissolution election and potentially weaken its position in the Senate. But this is surely a secondary consideration to maximising the prospects for winning a majority in the House. The prospect of a post-double-dissolution joint sitting of both houses to pass legislation currently blocked by the Senate is surely too good to pass-up.

posted on 9/13/2003

The Adam Smith Institute

has a blog. Don't forget to pick-up an Adam Smith bust made from melted-down Soviet machine parts from their Adam Smith Shop!

posted on 9/13/2003

Joe Stiglitz's

bizarre idea for the Japanese government to issue its own currency parallel to the Bank of Japan is still getting an airing in the *Nikkei*. But the Japanese authorities are appropriately dismissive: *However, a senior Ministry of Finance official gave a negative response to the idea, saying, "Such money is an 'extreme form of currency' unlikely to be accepted in a developed nation." Kazumasa Iwata, deputy BOJ governor, is also negative about the idea, saying, "Such money would cause a loss of fiscal discipline and make it difficult for the central bank to have independent monetary policies."* The *Nikkei* claims that 'the new money is still a focus of attention' by 'economists and scholars,' but fails to name any of them.

posted on 9/12/2003

Japan's cyclical upswing

is attracting attention, with many people expressing surprise that the Japanese economy is growing more strongly than the US and Europe. This is only surprising to those people who think Japan's economy has been flat for the last decade. In fact, Japan has a very pronounced economic cycle. Japan has seen two strong cyclical upswings in the 1990s and early 2000s, followed by less pronounced downswings, leaving Japan with a low but still positive average growth rate for the last decade. Japan is perhaps the G7's most cyclical economy. Given that Japan's potential growth rate has slowed in line the collapse in productivity growth in the 1990s, Japan's economy is probably already growing above potential, pointing to the prospect of yet another downturn.

posted on 9/11/2003

Contrarian Indicators

Barry Ritholtz of the Maxim Group has put together a collection of contrarian indicators on the 2000-03 bear market. There are some great *Economist* and *Business Week* cover stories that signalled major market lows.

posted on 9/11/2003

It is difficult to feel much sympathy for Qantas

now that the Australian Competition and Consumer Commission has knocked back its proposed tie-up with AirNZ. Given the way in which Qantas played the foreign investment ministerial intervention game, there is a certain justice in the airline then falling victim to the ACCC's own discretionary intervention. And as Alan Kohler suggests 'ensuring the survival of a company that is 82 per cent owned by the NZ Government is no basis on which to run Australian competition regulation.' But what is the basis for Australian competition policy in this case? While ACIL is taking the decision at face value, more cynical observers are suggesting that this has more to do with the new Commissioner putting his stamp on competition policy: *This is a big week for Samuel and he seems to want to use it to establish his credentials by both bashing big business in the form of Qantas and AGL (albeit in both cases correctly) and to back small business through a parliamentary submission which went some way to supporting this powerful lobby without guaranteeing success. The new ACCC boss wanted to maximise the public perception of all three moves to establish his credentials. Image is clearly important to him but it would be far better to let his actions speak for themselves... Samuel made it clear the tribunal would make its decision based on the market at the time, including the impact of Emirates and Virgin in NZ. The only reason for pointing this out* ***when he considered them irrelevant for the purposes of his decision*** *was to clear his standing in case his decision is overruled. Air New Zealand and Qantas could have played their hand differently by listening to what the ACCC said in its draft round and knowing there was no way politically Samuel could do anything but reject the deal.* Or maybe they think they have a case.

posted on 9/10/2003

Samuel Brittan

reviews John Gillingham's *European Integration, 1950-2003: Superstate or New Market Economy?* and discusses Hayek's views on European intergration: *Readers may be more surprised to find the name of Frederich Hayek given as the source of the alternative neoliberal interpretation. For most of today's self-proclaimed Hayekians view everything to do with the EU with intense suspicion. Indeed I was sufficiently surprised myself to look up some of Hayek's writings on the subject. Although he played no part in the post war institutional discussion, he had written at some length on the problems of federalism in the late 1930s. Hayek was among those who believed that some form of federalism, whether in Europe or on a wider basis, was an important step towards a more peaceful world. In a 1939 essay, remarkably anticipating the EU Single Market Act, he argued that a political union required some elements of a common economic policy, such as a common tariff, monetary and exchange rate policy, but also a ban on intervention to help particular producers.* This should come as no surprise, because Hayek was very much caught-up in the inter-war idealism shared by many liberals at the time (I make brief reference to some of these debates here) and federalism has always been seen by classical liberals an effective way of constraining the power of the state. I doubt Hayek would have much sympathy for what has become of the European Union.

posted on 9/10/2003

The Chinese Yuan and the Yeti of Economics

US Treasury Secretary John Snow has come in for criticism from respectable circles for his suggestion that China should float the yuan. Fixed exchange rate regimes are almost always a bad idea, and China provides a good illustration of the macroeconomic imbalances that can build up behind such a regime. But China almost certainly qualifies as a special case, because of the way in which the rest of its financial markets are also regulated. Floating the yuan in the presence of the current regulatory framework could also have unwelcome consequences. Most commentators are suggesting that this is a matter of getting the sequence of reform right, pointing to the experience of other emerging market economies that are said (after the event) to have reformed in the wrong order. Floating the yuan would simply expose China's many other problems, although perhaps it would also speed the pace of adjustment. Snow has also been criticised on the basis that floating the yuan would not make much of a difference to the US current account deficit. The US authorities almost certainly accept this in private, but find it convenient to keep the heat on the Chinese in public. But many of the critics of Snow share his supposedly mercantilist world view, perhaps best illustrated by *The Economist's* silly reference to the US 'living beyond its means.' Current account deficits reflect preferences over saving and investment. Exchange rates are not the issue here. Unless one can make a compelling case for some sort of capital market failure, it is difficult to get overly concerned about the US current account deficit. As for the role of the exchange rate, I have wanted to link to this excellent article by Ben Craig and Owen Humpage on USD policy for sometime now, which argues that the 'strong USD policy' is the 'yeti of economics.'
UPDATE: Glenn Hubbard also says 'don't blame the yuan.'

posted on 9/9/2003

PIMCO's Bill Gross

is the subject of this profile in the *AFR* by Pam Williams. While I'm a fan of some of what Bill Gross has said and done, in this article he comes out sounding confused, especially on the issue of whether the Fed should target asset prices: *Gross remains testy about the Fed's role. In his soft, high voice with its Californian cadence, he says there are legitimate questions about the Fed's ability to accurately monitor the economy - and whether it should be fixing money in this era of open competition and globalisation. "I think they deserve not only my criticism and questions, but that of the markets as well. I do think the belief in the omnipotence of the Fed, in terms of the ability to set the proper rate for any economy at any specific time, is a little bit of a stretch. And I think the marketplace, in the past few months at least in the United States, has lost a little bit of their faith as well. When they appear to focus on inflation, the inflation they focus on is, typically, everyday prices in the marketplace, but not the prices of securities or financial assets or homes that either benefit or are hurt by that policy as well. "In other words, not only is the Fed's ability to fix a short-term interest rate suspect, but what they look at in order to do it is suspect as well. Why they should focus on consumer prices as opposed to financial asset prices is beyond me. Because it has been the financial asset prices, in the last three years at least, that have created all the* *problems."* It is strange that in the same breath that he calls into question the Fed's ability to conduct monetary policy, Gross also suggests that the Fed should concern itself with asset prices. If you think the Fed's actions destabilise financial markets now, wait until the market is put in the position of second-guessing the Fed's view on asset prices. A cynic might suggest that the resulting volatility would be good for a bond fund manager, but Gross is more public-spirited than that. Pam Williams also needs to work on her understanding of the relationship between bond yields, prices and the state of the economy to avoid howlers like this one: *PIMCO sold off $US6 billion in Treasury bonds in July and August (alarmed by early signs that the US economy was ticking up - a harbinger of falling yields).* Embarrassing.

posted on 9/6/2003

The anti-globalisation left have turned a pie in the face
into a high honour, while at the same time betraying the fact that they have little to contribute to the debate over and above what we might expect from The Three Stooges. Don Luskin has a tongue-in-cheek pie schedule worked out for Paul Krugman's forthcoming book tour. We trust that more substantive arguments in response to Krugman's book will also be forthcoming.

posted on 9/5/2003

GMU economists Tyler Cowen and Alex Tabarrok
now have a joint blog, Marginal Revolution. These guys are producing some of the most interesting work coming out of the economics discipline today, so be sure to pay them a visit. Also noteworthy is the fact that blogging has featured in the Columbia Journalism Review.

posted on 9/5/2003

P J O'Rourke
on why Hayek's *Serfdom* is better than your average tractor manual: *It is very hard now to shock people into thinking about government regulation and the extent of government involvement in life... about fundamental Hayekian ideas. Ever read any [Friedrich] Hayek? He's great. The Road To Serfdom is like... I'm not a big political-science reader, but I actually dog-eared my copy. I ended up going back through it and writing a précis, I was so impressed by this book. It's all about what happens when government tries to make everything right. I mean, Hayek is not protesting that things like child labor and stuff are good. He's just trying to show that when government undertakes to make everything good for everybody, this is what happens. And he addresses it to socialists of all parties. It was written during WWII, and basically it's an anti-Nazi, anti-communist thing, but also it's an anti-Conservative and anti-Labor-party thing aimed at the British. He was an Austrian, writing in Britain. And I feel like now, I guess, everybody pays lip service to libertarian—and, indeed, many conservative—ideas, and yet they keep moving forward with an increasingly bureaucratic state. It shows itself in all sorts of little ways. I'm not screaming about injustice here, or gulags. I buy a tractor two years ago, and four-fifths of the tractor manual is about not tipping over, not raising the bucket high enough to hit high-tension wire... not killing yourself, basically. The tractor itself is covered with stickers: Don't put your hand in here. Don't put your dick in there. And in that manual, I found out —and it cost me a thousand dollars—that when the tractor is new, 10 hours into use of the tractor, you have to re-torque the lug nuts. If you don't, you will oval the holes. This is buried between the moron warnings. I never found*

it. I take the tractor in for its regular servicing, and they say my wheels are gone. A thousand dollars worth of wheels have to be replaced because I didn't re-torque after 10 hours. There is also some interesting biographical detail for PJ fans.

posted on 9/4/2003

Geoffrey Wheatcroft

reflects on September 11, 2001: *On the face of it, Islam and the western left have nothing in common at all. But they do, in fact, something profoundly important. They share the common experience of defeat. Islamic terrorism is not a function of success but of failure. As a culture and society, Islam enjoyed a glorious golden age between the 8th and 12th centuries, but it has been in decline for many centuries past, some would say since the first fall of Baghdad. As the 20th century ended, it saw another great defeat. Marxism-Leninism long predeceased Soviet Russia; even democratic socialism has conceded victory to the competitive free market. There was, and is, a distinction between the practical and intellectual left. In the 1930s, the "practical" left on either side of the Atlantic weren't much interested in communism, but got on with making the New Deal, or preparing the Labour party to win a decisive election. It was the intellectual left, or part of it, which lost its heart to Stalin. But if those Stalinoids were nasty enough when they explained away the Moscow trials, they weren't silly, and they could plausibly believe that history was on their side. To re-read that catalogue of nonsense from two years ago is to realise that their descendants simply aren't serious any longer. If the old Leninist left was buried politically in the rubble of the Berlin wall, the literary-academic intelligentsia disappeared morally in the ashes of ground zero.*

posted on 9/3/2003

Labour Day

Mark Steyn reflects on the toiling masses: *If you want to see what "the masses" are meant to look like, buy a DVD of the film Metropolis, Fritz Lang's 1926 "expressionist masterpiece." As futuristic nightmares go, it's hilarious: The workers are slaves, living underground, chained to the levers, wheels, cranks and cogs of a vast machine, dehumanized by the crushing anonymity of their servitude, etc., etc. Alas, nothing dates faster than a futuristic vision: Today, the nightmare that beckons is quite the opposite. Instead of a world in which the workers are forced to operate huge, clanking machines below the Earth all day long, the machines are small and silent and so computerized no manpower is required and the masses have to be sedated by shallow distractions like supersized shakes and Wal-Mart and 24-hour lesbian wrestling channels on Premium Cable. It took the workers' tribunes a while to catch on: Even today, when your average union leader issues his annual Labour Day address, you can tell at heart he still thinks it's 1926 and Metropolis is just around the corner.*

posted on 9/2/2003

Dan Drezner

is at the American Political Science Association’s annual meeting and is reporting some of the things he has overheard from his professional colleagues: "There's a rumor circulating that the perestroika crowd is distributing a 'most-wanted' deck of playing cards with the top rational choice scholars on them." "99% of APSA's membership could write Paul Krugman's column: 'I loathe Bush.'; 'Bush is stupid.'; Yada, yada, yada." A nice reminder of why I left that discipline.

posted on 9/2/2003

Jack Stiglitz,

a new contributor over at group blog Henry Thornton, expresses what I think is a widely shared frustration with the *Australian Financial Review*: *Without going too far off the deep end here, what is with the AFR these days? Most of its Canberra correspondents are so obviously subject to the dictates of a partisan agenda that it is, by construction, impossible for them to objectively report on the political rhythms of the day. (Polemicists such as Ramsey, on the other hand, are paid to tender particular perspectives, and cannot therefore be accused of seeking to insidiously manipulate the minds of the masses.) The complexion of the op-ed pages is an absolute disgrace, and dominated by the likes of Barker, Hewson, Harris, Quiggin and Tingle! In fact, so overwhelming is the AFR's venomous verbiage that Jack sometimes feels like he's reading the goddamned Guardian. Let there be no doubt folks that this is one of the most left-wing (and expensive) financial broadsheets [sic] in the developed world today! It is certainly sad to think that many readers will be left with the impression that the vast majority of Australian journalists are intellectual invalids in desperate need of a decent dose of cerebral steroids.* The complaint I hear most often about the Fairfax press is that its op-ed and feature pages have been completely taken over by their own journalists. Since much of their ‘reporting’ already reads like an opinion piece, people have had quite enough of them by the time they get to the opinion pages. The *AFR* is still worth buying on Tuesday and Thursday for Peter Ruehl. There is a certain irony in the fact that the columnist who is supposedly there to provide light relief turns out to be a much more astute observer than most of his colleagues. **UPDATE:** the economists at Henry Thornton have secured some interesting advertisers, most notably an upmarket brothel! I'm not sure what this says about HT's readership. But we're all in favour of capitalist acts between consenting adults here at Institutional Economics.

posted on 9/1/2003