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Newsletter #34

Economic Society of Australia,
 New South Wales Branch,
 March 2017
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Dear friend,

Events

Emerging Economist Series 2016/17

Professor Fred Hilmer AO has held numerous leadership roles in industry and academia, including heading McKinsey's Australian practice, Chief Executive of Fairfax, Dean of the AGSM and most recently President and Vice Chancellor of UNSW. He has also served as a Chair, Deputy Chair and Director of major public companies. He has written a number of books and articles on strategy, management and economic policy. Professor Hilmer chaired the National Competition Policy Inquiry, which reported in 1993, and provided the framework and approach to competition policy in Australia, as well as other jurisdictions. Since that time he has been an active writer and commentator on competition policy. His contributions in these fields were recognized by the award of Officer of the Order of Australia in 1998.

Registration to the 2016/17 Series has now closed - please [Contact Us](#) for further information.

Six luncheons with prominent Australian policymakers

The Emerging Economist Series is a unique professional development opportunity now in its seventh year. It involves six luncheons, held at the Reserve Bank of Australia in Sydney, where young economists have the opportunity to discuss critical issues with prominent Australian policymakers, as well as network with colleagues in business, academia and the public service. The luncheons include an interview-style discussion with Australia's foremost policymakers and economists, exploring the issues they have faced during their careers and highlighting Australia's key economic challenges going forward.

Subscription is for one person to attend all six lunches in the Series – this can be shared with your colleagues. Lunch dates to be confirmed.

Two or more registrations - \$660 per person | Individual registration - \$880

The Series kicks on on **Thursday 1 September** with **Liza Carver** as our guest speaker.

[View the 2016/17 Program](#)

Dates for the remaining two lunches in the series are confirmed as Wednesday 29 March - Dr Gigi Foster and Friday 28 April - Ian Macfarlane AC.

Save the Date for the Launch of WEN NSW

March 23, 2017, 12.30 pm

Lunch and panel discussion on "Empowering Professional Women in Economics". More information coming soon.

Lunchtime Seminar: Thomas Piketty: One of the Good Guys, But...

About the Speaker: **Professor Emeritus Geoffrey Harcourt AO** is Honorary Professor, UNSW Australia (2016–2019), Emeritus Reader in the History of Economic Theory, University of Cambridge (1998), Emeritus Fellow, Jesus College, Cambridge (1998) and Professor Emeritus, University of Adelaide (1988). His research interests include history of economic theory, intellectual biography and Post-Keynesian theory and policy.

Abstract : The paper will concentrate on Piketty's conflation of wealth with capital, the limitations of accounting data, and the inappropriateness of using the aggregate production function model to explain the processes at work in capitalism, ancient and modern.

ACE2017 - Economics for Better Lives



Join us at ACE2017. Keynote Speakers are **Carol Graham**, Leo Pasvolsky Senior Fellow at the Brookings Institution speaking on wellbeing and **Kip Viscusi**, Distinguished Professor of Law, Economics and Management at Vanderbilt University speaking on the economics of pricing human life.

Other sessions will consider inequality and poverty, financial regulation, taxation reform, education reform, utility regulation, transport economics, infrastructure, the macroeconomic outlook, behavioural economics, cost benefit analysis, the economics of populism, and macroeconomics in a low interest rate world. There will be special sessions on the economics of mental health, women in economics, professional ethics for economists, and the future of the profession.

Our social program includes a new event, our economics humour night, following the Welcome Drinks. The Conference Dinner overlooking Sydney Harbour is shaping up to be a night to remember.

This is the premier Australian conference for economists in universities, public policy, business and finance. Each year we welcome many overseas economists. Generations of young economists and students have presented papers and connected with others at the conference, launching their careers. Our policy panels with distinguished academic and government economists have introduced new ideas and shaped public policy.

[Find out more or Register Now via the ACE2017 website.](#)

Latest News

Mentorship Program

Program overview

We want to give our economic talent the tailored advice they need to succeed in the economics profession.

This year, ESA NSW in conjunction with YEN NSW will launch the inaugural YEN Mentorship Program. This program aims to provide young economists with guidance and support as they embark on a career in economics. In doing so, we hope to foster long-lasting connections across the diverse sectors of economics and fuel a life-long passion for the discipline.

Mentors and mentees will be connected based on their experience, fields of interest, career goals and ... chemistry. Upon filling out the application, successful applicants will be invited to our very own 'mentorship match-up' event, where each participant will meet a handful of potential mentors/mentees.

We'll then link you up, and make sure you stay connected through our events throughout the

program.

Keydates

| | |
|-----------------|--|
| March | Applications are received |
| April | Successful applicants are invited to a 'mentorship match-up' event. Participants are informed of the mentor/mentee pair |
| May | Opening networking event |
| August | Mid-program networking event |
| November | Closing networking event |

Applicant requirements

- Must be a member of ESA NSW
- Mentees are in the: last two years of uni - first two years of their career
- Mentors must have experience: 2-10 years
- The program will run for eight months, and mentors and mentees must be committed to maintaining contact for this period

Applications opening March 10

Women in Economics - Website and Launch Dates

Each State will host a launch event featuring prominent female economists including Assistant Reserve Bank Governor Dr Luci Ellis (in Canberra), Senior Economics Writer Jess Irvine (in Melbourne and Sydney) and Economic Leader Carolyn Hewson AO (in Adelaide).

Details of each state event:

- ACT – Monday, 20 March (lunchtime)
- Victoria – Wednesday, 22 March (evening)
- NSW – Thursday, 23rd March (lunchtime)
- WA – Thursday, 23rd March (evening)
- South Australia – Friday, 24th March (lunchtime)
- Tasmania – Friday, 24th March (tba)
- Queensland – (tba)

The launch will provide an opportunity to meet other women in economics and to hear about the activities that WEN will be offering over the coming months.

Further details on events and how to register will be coming soon. In the meantime please visit the newly developed WEN website.

[Check out the WEN website](#)

Economics teaching - micro before macro?

Our first poll of the ESA National Economic Panel for 2017 tries to shed some light on a perennial debate amongst economics educators - one which might influence the direction of the next generation of undergrads who are about start their introductory courses in economics all around Australia.

We asked our panellists for their views on the following proposition:

"It is more effective to teach an introductory course in micro-economics first before an introductory course in macro economics"

For transparency, we also asked the panellists to answer the following question about themselves:

"On balance, I consider myself: a) more of a microeconomist than a macroeconomist OR b) more of a macroeconomist than a microeconomist"

Complete poll results, charts and panellist comments are on the [ESA-Monash Forum website](#).

We would like to thank Professor Ross Guest (Dean (Learning and Teaching), Griffith University) for his overview of the results. Click here to [read](#) the overview.

Update on NEP Panellists

Last year the Economic Society of Australia established the National Economic Panel to help further the Society's objectives of encouraging the study of economic questions and public debate of economic questions; and promoting the standing of the profession in the Australian community. In order to achieve a better gender and demographic balance in the Panel and to improve the statistical validity of the results, the Society has expanded the membership of the Panel by an additional six members at this point with further additions to the NEP planned.

We are delighted to confirm that six new panellists have agreed to participate in the Panel.
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We would like to congratulate these panellists on their appointment to the NEP.

[View the full list of ESA's National Economic Panel](#)

Kenneth Arrow: an immortal amongst economists

Obituary by Professor Richard Holden - first published in the Australian Financial Review | 23 February 2017



Earlier this week Professor Kenneth Arrow, Nobel Laureate and Stanford faculty member, passed away. He was widely, and rightly, regarded as the greatest economist of all time. And although he will be missed, his intellectual legacy is perhaps more relevant today than ever before.

Arrow made numerous contributions, but two stand out.

In his doctoral dissertation at Columbia University, Arrow grappled with the issue of how corporate boards of directors might make decisions. As he struggled to see how they could turn individual preferences into a coherent collective choice he discovered a remarkable fact: there is no principled way to do so – in any setting.

The genesis of his logic dates back to the 18th century French mathematician the Marquis de Condorcet. Condorcet considered three people (Ms 1, Ms 2 and Ms 3) and three alternatives (A, B and C). Suppose Ms 1 likes A more than B and B more than C. Ms 2, however, likes B more than C and C more than A. Finally, Ms 3 likes C more than A and A more than B.

Now suppose we have a majority vote to decide which option to pick. If we pit A versus B then two of the three people (Ms 1 and Ms 3) prefer A. If we pit B versus C then two of the three people (Ms 1 and Ms 2) prefer B. And if we pit A versus C then two of the three people (Ms 2 and Ms 3) prefer C. So our mini society prefers A to B, B to C, and C to A. Whoops!

This "cycling" seems very undesirable. Worse still, if we have a runoff (say A versus B and then the winner versus C), the order of the voting matters. With this paradox, Condorcet showed that some voting rules seem to be problematic.

Arrow, however, went much further. He stipulated that any rule that aggregated individual choices into a collective (or "social") choice should satisfy four principles or axioms. Roughly put: (i) no person's choice should exclusively determine the social choice; (ii) the social choice should account for all possible individual preferences; (iii) in comparing any two alternatives another option should not matter; and (iv) if all individuals rank one option above another the social ordering agrees.

Hard to disagree with any of those. Yet, in an epoch-making monograph published in 1951, Arrow proved that it is impossible to aggregate individual preferences into a social choice without violating at least one of those four axioms. No rule – not assigning points to choices, not Australia's "Hare-Clarke" system, nothing you can think of – will do the trick.

Massive contribution

The result, known as 'Arrow's Impossibility Theorem' has had breathtakingly large implications for democratic systems. Any system has at least one major problem. We have to give up on something important to make collective decisions. Political scientists and economists have been in a tailspin ever since – trying to figure out which is the least bad thing to give up on, why, and when.

It is no overstatement to say this is probably the second-greatest intellectual contribution of the 20th century – behind Einstein's theory of General Relativity. But Arrow didn't stop there.

The work for which he received the Nobel Prize in Economic Sciences in 1972 (the youngest ever recipient at age 51) concerned another age-old problem. Arrow, along with French economist Gerard Debreu, provided an elegant and comprehensive mathematical proof of Adam Smith's notion that competitive markets lead to an efficient allocation of resources.

As with all economic theories, the conclusion is true under a set of assumptions. The importance

of the mathematical rigour, though, is that one can't question the logic – it is inescapable – only the assumptions.

Two of the most important assumptions behind Arrow's proof of what became known as the "First Fundamental Theorem of Welfare Economics" are that markets are complete and that all parties have symmetric information. In practice, of course, neither of these two things hold.

But by highlighting the way in which these assumptions are crucial, it focused the attention of economists on settings in which they are violated. Pollution is a notable example. Without a market for, say, carbon-dioxide emissions, the overall economy will not deliver an efficient allocation of resources. In particular, there will be too much carbon emitted. A carbon tax (or emissions trading scheme) creates this missing market, and rescues Adam Smith's invisible hand.

Markets need help, too, when it comes to information asymmetries. As fellow Nobel Laureate George Akerlof subsequently showed, if one party knows more than another (perhaps about their health, or the quality of the car they wish to sell) then markets can break down. Modern health systems, like "lifetime community rating" in Australia or "Obama-Romney care" in the US are designed to address this informational problem.

Far from being an apologist for unfettered markets, Arrow's work showed when government interventions can help, and when they hurt. No ideology – just the immutable logic of mathematics. Our current crop of politicians would do well to read his work.

Kenneth Arrow was a social scientist the likes of which we will not see again any time soon. He illuminated the biggest issues of the age: voting and markets, and counted four fellow Nobel Laureates among his PhD students. He was the very model of modern social scientist.

If Ken Arrow had been a religion, I would have converted.

Richard Holden is Professor of Economics at UNSW Business School and will deliver a seminar for ESA members on Kenneth Arrow's work on Thursday 4 May from 12.30 - 1.30 pm. This will be held at the RBA Building, 65 Martin Place Sydney - more details to come via ESA website and newsletters.

Partner Events

Society of the Advancement of Behavioral Economics (SABE) Conference

The University of Newcastle's Faculty of Business and Law would like to welcome colleagues to the 2017 Society of the Advancement of Behavioral Economics (SABE) conference, being held on the 6 - 8 July, 2017. The SABE conference will be held in the CBD of Newcastle, NSW Australia, in the Hunter Region (famous for its wineries), a short two-hour drive north of Sydney.

Conference Overview

The Faculty of Business and Law invites all researchers to submit an extended abstract (Max 1000 words) to be presented at the conference, as well as PhD student papers and poster presentations. To submit papers and for additional information, please visit the [website](#). **Abstracts close 20 March, 2017.**

The Organising Committee for the SABE 2017 conference consists of Prof Morris Altman (University of Newcastle), Dr David Savage (University of Newcastle) and Associate Professor Gigi Foster (University of New South Wales).

Key Note Speakers

The conference will host two key note speakers who will bring a wealth of knowledge and background to the SABE conference. The key note speakers are:

- Prof Paul Glimcher, Institute for the Interdisciplinary Study of Decision Making (IISDM), Director & Julius Silver Professor of Neural Science, Economics, and Psychology, New York University.
- Dr Jessica Sommerville, Department of Psychology, University of Washington.
- Dr Rebecca Morton, Professor of Politics, NYU Abu Dhabi

Registration and Costs

All registration fees include refreshments, morning teas, lunch, afternoon teas and transport to and from HRMI (additional costs include the conference dinner and Newcastle harbour tour).

Registration fees are listed below:

- Conference registration (early bird) \$615 AUD (includes Conference Dinner)
- PhD student registration (early bird) \$595 AUD (includes Conference Dinner)
- Conference Dinner \$100 AUD

Early Bird prices close 31 March, 2017

For more information - visit the [Conference Website](#)

Economics and Theology

Professor Paul Oslington has recorded an online course which aims to deepen understanding of the relationship between economics and theology. No previous study of

economics or theology is assumed. Available free [here](#).

University of Adelaide - 1974 - 1978 Economics Reunion



THE UNIVERSITY
of ADELAIDE

Date: Saturday 22 July 2017

Time: 6:30pm until 10:30pm

Location: The National Wine Centre, Adelaide, SA

Are you a graduate from the School of Economics, the University of Adelaide, who graduated or had your degree conferred in the years 1974 through to 1978? If so, you are invited to join fellow alumni for a memorable evening of reminiscing and celebration. Please email [Luke van Trigt](#) or phone +61 8 8313 4200 to find out more.

Careers

Keep an eye on our jobs page as opportunities sometimes come up after the newsletter has been distributed.

Two roles - Director and Project Manager, EDSP

Two fixed term, senior economic positions are available in the Economic Development Strategic Projects Division (EDSP) of the Victorian Department of Economic Development, Jobs, Transport and Resources (DEDJTR).

The Director, EDSP leads project teams to undertake key strategic projects aimed at improving Victoria's productivity and competitiveness, supporting the growth of industries and regions, and stimulating the creation of jobs. Reporting to the Director, the **Project Manager, EDSP** is responsible for leading and contributing to strategic projects in the division.

These positions are well suited to highly motivated professionals with a strong track record in strategy, economics and public policy.

Further details on these positions are available on the Victorian Government careers website: Director position (jobs.careers.vic.gov.au/jobs/VG-022033) and Project Manager position (jobs.careers.vic.gov.au/jobs/VG-000425A).

Applications close at midnight on Monday 13 March 2017.

Advertising an economics position on the ESA website is a good way to get wide exposure for a role. If you would like to advertise a role on the website, please contact our [administrator](#) for more information. There is a small fee of \$110 inc GST.

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