Career choice is difficult. We all know what we want to do - after we have done it for a while. To know in advance is difficult.

Economists call this information asymmetry. Lots of things in the real world are less romantic than they first seem and lots of things don't work out quite as we expect or hope.

Take medicine: young doctors work long hours under stress. They occasionally quit after only a week or two. They don't get paid much (until they are consultants).

Take Law: young lawyers – in large commercial forms – work for long hours at low pay rates. The attrition rate is high. Some are left with little or no time for leisure or a social life. I hear it said that “I know x lawyers but I don't know any happy ones”.

Lifestyle matters, so remember in making your choice try to consider the nature of the work, the conditions attached to that work, as well as the pay rate. There is no advice better than following your heart. If you know what you want to do, go for it. To hell with the relative pay rate, happiness is more important.

I'll now present to you a few words by AJ Preston to mark the retirement from Commonwealth Treasury of (former UQ student) Ted Evans:

"Almost half a millennium ago a powerful English monarch demanded of her premier public servant: 'that you will not be corrupted by any manner of gift; and that you will be faithful to the State; and that, without respect of my private will, you will give me that counsel that you think best'.

Ted Evans, the quintessential policy adviser, has forged an illustrious career affirming both the legacy and substance of those performance criteria. Absolute integrity accompanied by an unflinching judgment of people and issues. Uncompromising fidelity to a national interest understood, not in terms excessively black and white, but as thoughtful balancing of the case by case considerations facilitating immediate outcomes as well as ongoing governance. And an unyielding commitment to 'speaking truth unto power' -- all the while done quietly, unemotionally and perceptively, with a canny sense of timing leavened by an understated humour. As he now passes on the torch of Treasury custodianship, its flame burns the brighter still for his efforts."

If you think you are up to it – intellectually and in terms of integrity – you could wind up your days with words like that said about you, if you pursue a career in economics in the public service. It is much the same as medicine – social medicine that is – in that it is diagnostic and restorative. It is similar to law in that it requires attention to detail and knowledge of legislative and institutional constraints. It is much like engineering in that you are building a better social-economy. And it offers elements of biology, maths, and even ethics.
So why be an economist?

Well, life is choice and economics is the science of choice and therefore economics is the science of life.

So if you are presently enrolling in anything else, disabuse yourself of the idea and disenrol immediately. Economists want to tell you that this is where the action is.

Apart from the more obvious applications of economics in the Treasury, Reserve Bank etc, a surprising range of careers is available in less obvious activities. One economist appointed to deregulate civil aviation in the USA was lampooned for knowing nothing about aeroplanes. His response was "what's to know about airplanes? They're just marginal costs with wings." Economists likewise play significant roles in the administration of the health system, the transport system and even the prison system. They also involve themselves in questions of law and jurisprudence. They influence the procedures for baby adoption processes and divorce law. Their advice is extended to governments and corporations on issues ranging from industrial relations to inflation, trade policy to terrorism, and marketing to monopoly control.

Take your present or future studies: Should you be striving for top marks all the time? Economists would say 'no' and would say again that you should optimise not maximise. To be a little flippant for the moment an economist might say "Get 51% in an economics course and you should be top of the class, because you evidently understood the basics with respect to optimisation".

Take marriage: Doesn't sound like a matter of economics. Sounds like sociology or theology etc, but it is choice and therefore is economics. Surprisingly enough, there are mathematical articles around on the economics of marriage (and on riot participation, suicide and such like).

Econometrics: Measurement is important to economics as social science. Many ideas don't work out quite the way that we first expect. Econometricians provide the sort of quantitative evidence that helps resolve otherwise open ended debates. Does Foreign Aid cause growth? Believe it or not, the empirical evidence on that one is still coming in. It helps determine the circumstances in which Aid is most likely to be effective. Do minimum wage laws work out to the advantage of low income workers (or just cause unemployment)? Do various proposed tax reforms convey benefits to all income groups equally or disfavour the poor (or rich)? Will a US / Australia free trade agreement yield significant benefits for the Australian economy? Does TV violence cause childhood aggression? Econometricians influence the outcome of all such debates.
CONSIDER SOME CAREER PATHS (as revealed by some former UQ economics graduates):

Ted Evans (UQ graduate 1968) became top dog in Commonwealth Treasury. Maybe he didn't maximise his income but he did maximise his power to income ratio.

Bill Hayden became Foreign Minister, Treasurer and Governor General.


Michelle Baddeley: lecturing at Cambridge University.

Vince Fitzgerald: became a senior public servant and then a private consultant.

Porky Morgan: successful stock broker and one of the owner-founders of the Brisbane Broncos.

John Humphreys: public servant; private consulting firm; founder of the Australian Libertarian Party.

Others have made their way into merchant banks, the IMF, World Bank, AusAid and similar international institutions.

It is said that if you laid all the world's economists end to end, they still wouldn't reach a conclusion.
While this sounds negative, in reality it means that there is much debate to contribute to. That won't change. In fact you can do a lot with a little. A mere 9/10 ideas in economics allow you to address practically anything.
Talk 2: INCOME DISTRIBUTION and ECONOMIC DEVELOPMENT

1. Somewhat surprisingly, income distribution questions excite relatively little interest in economics.
   Most discussion is focussed on questions of economic efficiency (not equity).

2. Nonetheless, once you enter the work force you will start taking a much greater interest in such questions.
   How much will you be paid, and how much should you be paid?
   How much tax will you pay, and how much should you pay?

3. Why do questions of income distribution tend to be left aside relative to questions of efficiency?
   In large part, the answer is that according to economic theory (the first fundamental law of welfare economics) issues of efficiency can be looked at independently of issues of distribution (ie efficiency and equity are separable).
   But like all economic theories, this premise is based on certain assumptions – which may not hold in practice.

4. Consider issues of both
   (i) domestic income distribution, and
   (ii) international income distribution.

5. Domestic income distribution:
   (i) How much should you be paid?
      Orthodox theory says we are paid our worth ie our marginal products.
   (ii) Is it always easy to identify, measure and reward marginal product (MP)?
        Not at all.
        What are the MPs of your respective school teachers? Are they paid accordingly?
   (iii) MP is of obvious relevance. Brain surgeons are paid more than street sweepers for good reason.
        But is something more involved?
(iv) J.K. Galbaith long argued that economics considers the economics of everything – except power. He argued that POWER is a determinant of income distribution, not just MP.

(v) Note the recent publicity/scandal regarding the enormous salary packages many corporate CEOs have managed to secure for themselves – even when they were leading their companies to disaster. What was the MP of the leaders of such failed companies (consider HIH, Enron or AMP for example)? These corporate salary packages reflected an attempt to solve an economic problem to the advantage of shareholders – a principal/agent problem – but shareholders associations are obviously unpersuaded that this “solution” actually worked.

(vi) Note too the animosity to trade unions – which are condemned by many economists as an interference with competitive behaviour in labour markets. If one takes the academic labour market, it is obvious that there are interferences with competitive behaviour in the labour market on the employer side as well, insofar as the federal government effectively has monopoly power over the ownership of Australia’s universities. Are trade unions bad, per se? Or are they a counterbalance to monopoly power and business concentration on the other side of the labour market?

(vii) TAX POLICY is a major influence over income distribution. What is the highest effective marginal tax rate you believe has been exacted in Australia in the last decade or two? Most people say 50-60%. They also say that it has been imposed on the rich. That is wrong on both counts. The poor have sometimes paid an effective marginal tax rate of over 100%.

(viii) SOME PRESENT CONTROVERSIES:

(a) Family income tax. Should the basic tax unit be the individual or the individual family?
(b) Paid maternity leave is now on the agenda. Who gains and who loses from such a policy? If income tax goes down and HECS goes up, did you gain or lose? More generally, government
expenditure policy has to be considered alongside tax policy, since what you get for your tax may be changing along with your tax rate.

(c) Is the Australian tax system a “good” one?
(d) Many would say “NO” – on all three relevant grounds of horizontal equity, vertical equity, and simplicity.
(e) Do wage and salary earners pay a disproportionately large share of total tax accruals?
(f) Is Australia becoming more egalitarian or more inegalitarian?

6. International income distribution:

   (i) What proportion of the world’s population lives on less than US$1 per day?

   (ii) Do the rich countries help the poor countries to overcome poverty by donating significant foreign aid?

   (iii) Does that foreign aid actually work (ie does it increase growth rates in recipient countries)?

   (iv) Is there such a thing as anti-aid?
          (a) Is the foreign trade game rigged? ......
          (b) European Union agricultural subsidies .....
          (c) Note the case of the small Pacific Islands and the OECD campaign against “unfair tax competition”.

   (v) The international case for “a level playing field”, and the case of Filipino cattle subsidies. The Philippines has discontinued a domestic poverty alleviation scheme which was deemed to be distorting world cattle trade by virtue of subsidies to some impoverished farmers. Meanwhile the 2002 US Farm Subsidy Bill increased already large subsidies to US farmers.

   (vi) Do international income distribution policies matter? Eg are they related to anti-Americanism and world terrorism? Critics of American/EU policies certainly charge the USA and others with hypocrisy in respect of some trade reform policies (ie increasing their own agricultural subsidies at the expense of people in poor countries).