

The Chair
The Senate Economics Committee
Parliament House
Canberra ACT 2600

Dear Senator

SUBMISSION TO INQUIRY INTO ECONOMIC STIMULUS INITIATIVES

I write to comment on the premise of your inquiry; namely that Treasury staff and Reserve Bank staff can analyse and constructively comment upon:

- a) the efficacy of the initiatives; and
- b) the impact of the stimulus on future interest rates.

I would draw your attention to the following article “What went wrong with economics” – from The Economist of 17th July 2009.

http://www.economist.com/opinion/displayStory.cfm?story_id=14031376&source=hptextfeature

I would further suggest that although this article calls only for the reinvention of macroeconomics and financial economics, The Economist has been sparing in its criticism. Macroeconomics, especially its neoclassical form, has been highly influenced by microeconomics, as you will find if you read the following

<http://krugman.blogs.nytimes.com/2009/09/19/memories-of-the-carter-administration/>

So the credibility of microeconomics has also been severely damaged.

In short when you tally up the damage to macroeconomics, microeconomics and financial economics, there is little in economics today that has any credibility. That is probably why Nassim Taleb – who predicted the crisis – says that economists are no better than astrologers.

<http://www.theglobeandmail.com/report-on-business/crash-and-recovery/we-still-have-the-same-disease/article1286246/>

Please bring your inquiry to an early close, and if you do recommend any measures to wind back the stimulus, I would suggest that you recommend that the first cuts be made to staffing levels at the Commonwealth Treasury.

Yours sincerely

Alun Breward