

W. Max Corden (1927-2023)

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Max Corden was one of the great trade economists of all time. Although best known for developing the theory of “effective protection,” he made numerous contributions to the theory of international trade and trade policy, including analysis of the Dutch Disease, the theory of protection, including exchange rate protection, and more. He was part of an important generation of trade economists in the 1960s and 1970s, a group that included Robert Baldwin, Jagdish Bhagwati, Ronald Jones, and Anne Krueger. He will be remembered for the exceptional clarity of his exposition and his effectiveness as a teacher in the classroom, as well as his key contributions to the policy debate in Australia about protection to industry.¹

Max was born in Breslau, Germany, in 1927. His family was Jewish and felt the increasing weight of anti-Semitism during the 1930s. (In 1937, when he was nine years old, he saw Adolph Hitler drive by in an open car.) Even before *Kristallnacht* in 1938, his family planned to emigrate. After his father was briefly held at the Buchenwald concentration camp, the family immediately left for Australia, settling in Melbourne in 1938.²

Max attended the University of Melbourne and his master’s thesis, on profit maximization of newspapers, was published in the *Review of Economic Studies*. In 1953, thanks to a fellowship from the British Council, he started graduate studies at the London School of Economics. In the mid-1950s, LSE was rich with talented graduate students, including Kelvin Lancaster, Richard Lipsey, Robert Mundell, Tad Rybczynski, and others.

Max was interested in transportation economics until he read James Meade’s *The Balance of Payments* (1951) just before starting at LSE. That book, the first of Meade’s two volume work, *The Theory of International Economic Policy*, for which he won the Nobel Prize

¹ This short note will not be able to do justice to all of Max’s contributions to international economics. A start can be made by looking at some of his collected essays; Corden (1985), Corden (1992), Corden (1997), and the festschrift in his honor (Kierzkowski 1987).

² As Peter Gallagher has pointed out, Corden was the last of a remarkable generation of Jewish wartime émigrées, including Heinz Arndt, Helen Hughes, Geoff Harcourt, Fred Gruen, who formed the backbone of liberal economic policy in Australia.

in 1977, captivated Max and converted him to international economics. As a student, Corden worked through the proofs of Meade's second volume, *Trade and Welfare* (1955). Most students were daunted by the length and stilted exposition of the two books, but Max eagerly absorbed the many insights in both volumes.

At LSE, Max wrote two articles directly inspired by Meade's work: "The Calculation of the Cost of Protection," published in the *Economic Record* (1957), and "Tariffs, Subsidies, and the Terms of Trade," published in *Economica* (1957). These two articles made a huge mark. The first, inspired in part by the famous 1929 Brigiden report that examined Australian trade protection, clarified thinking about the economic distortions caused by tariffs. This paper sketches out, for the first time as far as I have been able to determine, the general equilibrium diagram of the impact of a tariff. The second paper asks whether a tariff or a subsidy should be used to protect a domestic industry from foreign competition. Both papers demonstrate Max's clarity of exposition, depth of insight, and skillful use of diagrams.

Max always acknowledged his intellectual debt to Meade, who became his supervisor. Max followed in his mentor's footsteps by making contributions to both international trade and international macroeconomics, particularly adjustment policies. But Meade also owes Max a great deal. In these papers, Max translated many of Meade's complex insights on trade policy and balance of payments policy into straightforward, teachable diagrams. In another paper, "The Geometric Representation of Policies to Attain Internal and External Balance," published in the *Review of Economic Studies* (1960), Max neatly extended Meade's work on international macroeconomic balance, something that Robert Mundell also did in his own way. (This paper also reflects the keen insights of another Australian economist, Trevor Swan.)

In 1958, Max returned to Australia and taught at the University of Melbourne until 1962, when he moved to the Australian National University (ANU) in Canberra. He began to engage in the Australia tariff controversies of the day. In several influential papers, Max used clear prose and crisp logic to examine the rationales behind Australia's tariff policies of the day. He made the case for a uniform tariff (Corden 1958) and dissected the reasoning for "made to measure" protective tariffs (Corden 1962). These and other articles had a major impact on the Australian debates, prompting a gradual rethink of policy and paving the way, at least intellectually, for the later opening of the economy in the 1970s and 1980s. His students from this period include

Richard Snape and Bob Gregory, each of whom went on to make important contributions in international economic policy.

Max also wrote his famous paper on the effective rate of protection, which focused on the impact of the tariff structure on industry value added. (The paper was rejected by the *Economic Journal* in 1965, but it was accepted by Harry Johnson who edited the *Journal of Political Economy*, where it was published in 1966.) The paper had an enormous impact on tariff theory and measurement over the next several decades.³ While the concept of the effective rate of protection has proven difficult to analyze in a general equilibrium setting, it has proven durable in helping economists think through the impact of tariffs on upstream and downstream activities. The concept has forced policymakers to consider the broader impacts of trade restrictions on both exports and imports, on inputs and outputs, and on different sectors of the economy. In essence, Max forced people to think about the trade regime more broadly in relation to the general structure of economy-wide incentives. The idea continues to prove its value, with so much international trade taking place in intermediate goods and components in recent decades.

While Max eschewed measurement himself, all of the concepts he developed lent themselves to quantification by others. His development of the effective rate of protection led to a cottage industry of economists calculating effective rates across countries and across sectors. The general finding, that effective rates of protection were more highly variable than nominal rates of protection, forced policymakers to confront the impact and costs of trade restrictions (Anderson 2002). To take one example, the OECD work on producer subsidy equivalents (PSEs) in agriculture that began in the early 1980s was based on work by Tim Josling in 1973, which in turn was based on Max's earlier work. The OECD's quantification of agricultural subsidies and trade restrictions proved invaluable in the Uruguay Round of GATT negotiations, which concluded an Agreement on Agriculture for the first time.

In 1967, thanks in part to the assistance of Harry Johnson, Max was offered and accepted Roy Harrod's chair at Nuffield College at Oxford University. Max lamented the lack of sunshine at Oxford but reveled in the intellectual stimulation of colleagues and students, calling his near decade there "the very best years." With colleagues such as John Hicks, Ian Little, and James

³ The paper was inspired in part by an article that Corden had read while at LSE, "Canadian Tariff Policy" by Clarence Barber, in the *Canadian Journal of Economics* (1955).

Mirrlees, Oxford became a leading intellectual center for international economics. His students included Paul Collier, [Peter Neary](#), Nicholas Stern, and Martin Wolf, while many others achieved high political positions in governments around the world.

At Oxford, Max completed two volumes on trade policy, *The Theory of Protection* (1971) and *Trade Policy and Economic Welfare* (1974). The latter volume had an especially lasting impact on students and trade professionals around the world. The book provided a clear and readable exposition of the latest theories of trade policy and succeeded in drawing many students into the field. For myself, I vividly recall stepping into Sydney Kramer Books on H Street in Washington, D.C., in 1984, and seeing a copy on the shelf. I realized immediately from the title alone that the book represented what I wanted to study as an economist. (Despite being priced at \$8, which was a stretch on my student budget at the time, I had to buy it; it remains within reach in my library to this day.) Aside from providing an accessible introduction to the theoretical trade policy issues at the time, Max introduced many original insights, such as the “conservative social welfare function.” This proposition held that policymakers behaved as if “any significant absolute reductions in real incomes of any significant section of the community should be avoided.” Max used this idea to get economists to start explaining the actual trade policies we observe and was used by others to explore these issues (Deardorff 1987).

He also published numerous journal articles on subjects ranging from intersectoral labor mobility to exchange rates and macroeconomic adjustment. His paper with Peter Neary on “Booming Sector and Deindustrialization in a Small Open Economy,” published in the *Economic Journal* (1982), became a highly cited contribution to the Dutch disease literature.

Max also had time to engage in the policy debate in Britain, where import controls were being proposed to stabilize the balance of payments and provide a macroeconomic boost. Along with his Oxford colleagues Ian Little and Maurice Scott, Max argued strenuously against import controls and in favor of exchange rate adjustment (Corden, Little, and Scott 1975, Scott, Corden, and Little 1980). Max was fond of having contributed the line “import controls breed corruption like beetles in a dung heap” in the paper. With economists at Cambridge University advocating import controls, the Oxford versus Cambridge debate received wide notoriety at the time.

After the publication of *Trade Policy and Economic Welfare* in 1974, Max began to write more on international macroeconomics. He wrote on monetary integration, exchange rates,

macroeconomic policy, and development. Once again, in this area, Max displayed his uncanny ability to simplify and illuminate complex issues within a very simple and straightforward theoretical framework without mathematics but with the aid of a simple diagram. His books here include *Inflation, Exchange Rates, and the World Economy: Lectures on International Monetary Economics* (1981), *Economic Policy, Exchange Rates, and the International System* (1994), and *Too Sensational: On the Choice of Exchange Rate Regimes* (2002).

He returned to Australia in 1978 but then ventured to Washington, D.C. to work at the International Monetary Fund (IMF) from 1986-8. Max stayed in Washington, taking a position at Johns Hopkins University's School for Advanced International Studies (SAIS) where he was an immensely popular teacher and continued producing a steady stream of books and articles.

In 2002, Max retired from SAIS and returned to his home city of Melbourne. He continued to be a stimulating intellectual companion, always thinking through the policy issues of the day. He enjoyed long walks and talks through Melbourne Park and elsewhere. The Australian government awarded him the Order of Australia and Companion of the Order of Australia, the highest civilian award, in recognition of his helping to lay the intellectual groundwork for the major changes in Australia's trade policy in the 1980s and 1990s. The Crawford School's Department of Economics at ANU was renamed the Arndt-Corden School in his honor. The University of Melbourne established the annual Corden Lecture, which has been given by Paul Krugman and other notable international economists.

I first got to know Max in the late 1980s when he was teaching at the SAIS in Washington. Max was a memorable conversationalist, always thinking about policy clearly and analytically through the lens of theory. After he moved back to Australia, my travels would occasionally take me to Sydney and Melbourne. I have happy memories of swimming with Max at Shelly Beach, a cove adjacent to Manly Beach, near Sydney and long walks through Melbourne Park. His refreshing clarity of mind and robust intellectual engagement will be missed by all who knew him.

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