

## **FRED HENRY GEORGE GRUEN (1921-1997)**

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Fred Gruen was born in Vienna on the 14<sup>th</sup> June 1921, and came to England without family in 1936. He died in Canberra in 1997. His childhood in Vienna was difficult as his parents separated during the depression. His mother died in a concentration camp during the war. In 1940 he was shipped, along with about two thousand other German and Austrians, mostly Jewish refugees, to Australia. They travelled in the over-crowded *Dunera*, and thus he was, what became known in Australia, a “Dunera Boy.” They were mistreated by the accompanying British troops, and ended up in a detention centre in Hay, in the far west of New South Wales. The Dunera boys became famous later because of the number of notable intellectuals the group contained. They were released in 1942 when it was realised that they were refugees from the Nazis and not really “enemy aliens”. Fred joined the Australian army in a non-combatant unit set up for refugees, and also studied economics part time at Melbourne University.

His first job was as a research officer in the New South Wales government department of agriculture. Thus, in 1947, he became an agricultural economist. From 1959 to 1963 he held a research position at the Australian National University (ANU), and after that, became Professor of Agricultural Economics at Monash University. During the period when he was an active agricultural economist (from 1947 to 1972) he authored over 50 published articles and became a major figure in this field. (Dillon and Powell, 1998).

In his early years most of his articles were published in the *Review of Marketing and Agricultural Economics* (published by the NSW Department of Agriculture), and many were based on farm surveys in which Fred participated. In the sixties he was a prominent participant in debates about the protection of the dairying industry and the government-supported reserve price scheme for wool. (See especially Gruen 1961b, 1963, 1964). In a widely circulated unpublished paper he noted the second-best argument for protection of Australian agriculture, known later as the case for “tariff compensation”.

He was proud that his first professional paper (Gruen, 1949) analysed proposals for breaking up large pastoral estates and bringing about closer rural settlement. He pointed out that these were unsuitable for Australian conditions. He correctly predicted failure of such schemes, as indeed they had failed after the First World War.

In 1972 he took up the Chair in the economics department of the Research School of Social Sciences of the ANU and from then on the direction of his work shifted away from agriculture and to broader Australian policy issues. He became one of Australia's leading policy economists. In terms of his influence on public policy and on other Australian economists he played a role not unlike that of Douglas Copland in Melbourne in the thirties. But before he got to work at the University there was a major diversion.

In 1973, with the advent of the Whitlam Labor government he became a part-time Consultant in the Department of Prime Minister and Cabinet, actually spending a great deal of time on this. It put him right in the middle of economic policy discussion at a time when there were many innovations and also great difficulties and mistakes. His most important initiative (also supported by Dr Coombs, another adviser to the government) was to recommend the 25% across-the-board tariff cut. He wrote about his experiences during that period in two very illuminating papers, namely 'The 25% Tariff Cut; was it a Mistake?' (1973) and 'What Went Wrong? Some Personal Reflections on Economic Policies under Labor' (1976).

The next stage of Fred's life, ranging from 1976 to 1986 (the year of his retirement from the ANU Chair) was extremely fruitful and was really the period of his greatest influence in Australian economics. He initiated, managed and edited the three volume *Surveys of Australian Economics* (1976, 1979, 1983), and founded the Centre for Economic Policy Research at the ANU. "He saw his Chair as a national one, and he was a regular and enthusiastic participant in innumerable conferences. He seemed to know everybody in economics.." (Chapman, 1998).

Among his many publications in this period, the three most important were 'The Welfare Expenditure Debate: Economic Myths of the Left and the Right' (1982), 'The Federal Budget: How much Difference do Elections Make?' (1985), and 'How Bad is Australia's Economic Performance and Why?' (1986).

With regard to welfare policy (the 1982 paper) Fred's left wing myth was that incentive effects did not matter, and the right wing myth was that the country could not afford adequate redistribution policies. For the 1985 paper he had analysed fourteen Australian budgets, and, as a result of detailed empirical work, he disproved the myth that governments (whether Labor or Liberal) made little difference. In fact, governments brought about substantial incremental changes through their budgets, so that there were large changes over time. The 1986 paper was a substantial review of all the issues concerning Australia's rather modest growth rate post-war. The evidence clearly rejected the then popular right wing hypothesis that a large public sector was adverse for growth, since Australia's public sector share in GDP was (relative to most other OECD countries) quite small. He concluded:

“Australia fits the Olson thesis very well. We have a dense network of interest groups each strenuously resisting any economic change which affects it adversely whether it be running trains with one driver, increasing shopping hours, higher diesel fuel prices or introducing tax reform. Government is often not sufficiently powerful to impose economic change on resistant pressure groups.... The result has been a sacrifice of economic growth for what are basically very petty short-run distributional considerations.”

After his retirement from the ANU Chair in 1986 Fred wrote numerous papers, as well as a joint book on ‘Labor's Achievements and Failures’, written with the well-known journalist Michele Grattan. His two principal interests in this period were the assessment of the incomes policy of the Hawke Labor government (Chapman and Gruen, 1991), and various aspects of the welfare state. He was a supporter of targeted welfare, which would ensure that welfare payments went to those really in need. Australia was unusual among OECD countries in having targeted rather than universal welfare payments. He approved of this, though recognising the disincentive effects (Gruen, Mitchell and Harding, 1994, Gruen 1995)). In 1984 he had chaired a government committee to review the “assets test” for the provision of old age pensions, and recommended some changes.

Fred produced two theoretical articles, both inspired by Australian conditions. ‘Agriculture and Technical Change’ (1961a) considered the effect of technical change on supply reactions. He had in mind the effect of the introduction of myxomatosis in Australia on the product mix. This theoretical framework was new and published in a US journal. He showed that technological improvement could lead to lower farm

incomes. The other article (Gruen and Corden, 1970) showed that, with three products and three factors, and factor intensities similar to those in Australia, a tariff was likely to worsen the terms of trade. Fred had the idea and Max Corden formalised it.

Fred knew and used theory – and kept up to date - but he “was much more interested in finding workable solutions to contemporary policy problems” (Chapman, 1998). While at Monash University and as Acting Dean, having to deal with the prevalent radicalism of some students, he published ‘The Radical Challenge to Bourgeois Economics’ (1971) and took seriously the critics from the student left. He wrote “I am a bourgeois economist who believes in the tools of his trade and who believes in the reform of capitalism rather than in its destruction”. That, indeed, sums up his position and life long work. To use a term that has become fashionable in Australia, he was an “economic rationalist”, but he made it clear that he was concerned not just with efficiency but also with distribution and welfare. His writings were always remarkably balanced, indeed the work of a mature mind not interested in shocking readers or seeking novelty, but rather in seeking understanding of issues that were often difficult.. He was critical of extremists and thus both of the overselling of particular arguments by the right – e.g. the adverse effects of a large public sector or of welfare policies - and of the muddles of the left. As Chapman (1998) remarked, “In general Fred was critical of research that was ideologically motivated.” Fred was like a one-man Royal Commission, always balanced and giving all relevant sides of an argument. One must qualify this by adding that (unlike some Royal Commission reports) his articles were always clear, concise, and with unambiguous conclusions.

He was notable for his mentoring of so many young Australian economists, many of whom became prominent later. As a person he was greatly loved and admired. Indeed, he was a gentleman. He loved debate but without personal unpleasantness. As many obituaries remarked he was a true intellectual and highly respected. He was utterly straightforward in expressing his opinions, did not mind making and admitting mistakes, and carried no baggage of insecurity (Corden, 1997). He has been President of the Australian Agricultural Economics Society (1961-62), of the Academy of the Social Sciences in Australia (1975-78), and of the Economic Society of Australia (1984-86). In 1997 he was elected a Distinguished Fellow of the Economic Society of Australia. In 1986 he was awarded the Order of Australia for contributions to education and the development of economic policy.

The most important references on the life and work of Fred Gruen are Chapman (1998), and Gruen and others (1998). The latter includes 'A Short Autobiography', which is actually quite comprehensive, especially about his early life. On his work in agricultural economics, see Gruen (1998) and Dillon and Powell (1998).

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