

Heinz Wolfgang Arndt (1915 – 2002)

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On 6 May 2002 Professor Heinz Arndt, aged 87, died as he drove through the campus of the ANU on his way to give the eulogy at the funeral of his friend and former colleague, Sir Leslie Melville. Although Heinz had retired from his chair at the ANU in 1980, he continued to work daily at his office in University House; he was shortly to visit the Philippines, after only recently returning from Indonesia; he was co-authoring a history of economics at ANU; and he was still presenting seminars, attending conferences, publishing articles and essays, editing an international journal, assisting others with their research, and helping research students by reading and commenting on their work. His boundless energy was the envy of his friends and colleagues. His sudden, and quite unexpected, death was a shattering blow to all of them.

Heinz began his career in the 1940s as a macroeconomist, and then from the late 1950s redirected his attention to economic development, especially Indonesia. It was only upon his retirement that his long-standing interest in the history of economic thought bloomed. In 1978 he wrote a book on the evolution of the concept of economic growth as a policy objective (*The Rise and Fall of Economic Growth*); in 1987 he published a sequel, *Economic Development: The History of an Idea*. He also wrote a number of sparkling biographical essays on Australian economists with whom he had been associated over the years, including Colin Clark, Sir Leslie Melville, Sir John Crawford, R.I. Downing, D.M. Bensusan-Butt, Lord Roberthall and Helen Hughes. In his final collection of essays, *The Importance of Money*, Heinz included his insightful piece on the parallel lives of Churchill and Keynes – for Heinz, the two outstanding Englishmen of the twentieth century.

Heinz Wolfgang Arndt was born in 1915 in what was then the German city of Breslau, and what is now the Polish city of Wroclaw. Heinz completed his final secondary school examinations in the same week that Hitler became Chancellor. Though both his parents were Lutherans, three of his four grandparents were of Jewish descent, and as a consequence his father, a professor of chemistry, was dismissed from his post. Soon afterwards he was invited to take up a research appointment at the University of Oxford, and Heinz accompanied his father to Britain. At Oxford, Heinz pursued Modern Greats, the study of philosophy, politics and economics. He specialised in politics, studying economics as a subsidiary subject under Robert Hall, a former Queensland Rhodes Scholar and later Chief Economic Adviser to the British Government. At this time, Oxford's courses in economics were based on the standard works of Marshall, Taussig and Pigou. Keynes's *General Theory* was published three months before Heinz took his finals, though Harrod and Meade had been keeping Oxford informed of the latest ideas of Keynes and his group at Cambridge.

Having graduated with first-class honours, Heinz decided to pursue postgraduate studies in the history of political thought. The subject of his thesis was conservative thought in England from Burke to Disraeli. Alarmed by the spread of fascism in Europe, and concerned about the failure of capitalist societies to avoid mass unemployment and reduce great inequalities of wealth, he became involved in

left-wing politics. Though he never joined the Communist Party, he was convinced that communism was the only political ideology capable of dealing successfully with the world's major problems.

Following the completion of his research at Oxford he was awarded a Leverhulme Research Studentship at the London School of Economics, where he worked under Ivor Jennings on research inspired by Karl Mannheim's approach to the sociology of knowledge. Since his research was in administrative law, rather than in economics, he did not have the opportunity to become associated with the outstanding economists working at the LSE, though he attended lectures in economics given by Robbins, Hayek, Kaldor and Benham, and in economic history by Tawney and Eileen Power.

Following five months of internment in Canada in 1940 he was appointed research assistant at the Royal Institute of International Affairs, Chatham House. There he was fortunate to become associated with the economist, Paul Rosenstein-Rodan, often regarded as the father of development economics. Heinz's principal work was to write *The Economic Lessons of the Nineteen-Thirties*, published (and republished) by Oxford University Press. This work led in 1943 to an offer by J.R. Hicks of an assistant lectureship in economics at the University of Manchester. Heinz later wrote that it was at Manchester where he 'learned some Economics in the process of trying to teach the subject'. He recalled Hicks saying to him at their first meeting: 'Well, Arndt, as an economist, you're very much an unknown quantity'. In 1946 he successfully applied for the position of senior lecturer in economics at the University of Sydney, where he spent four years before his appointment to the chair of economics at Canberra University College (CUC), later The Faculties of the Australian National University.

At the University of Sydney Heinz specialised in monetary economics and published important articles on quantitative economic history relating to Australia, often in collaboration with Noel Butlin. At CUC, he continued to specialise in macroeconomics in general, and monetary economics in particular. In 1957 he published his highly successful and influential work on *The Australian Trading Banks*. During the 1950s he also wrote important articles on the state of the Australian economy, the special accounts system used to control the growth of the money supply, the consumption function, overseas borrowing, and external economies in economic growth. One of his great disappointments after moving to Canberra was his failure to participate more intimately in economic policy discussion. He had expected that, as a Professor of Economics located in Canberra, there would be considerable opportunities to advise the government on economic issues. However by the early 1950s the Commonwealth Treasury had created its own team of economic advisers, and there seemed little need for the Government to seek the views of university economists.

In any case by the late 1950s Heinz was becoming somewhat disillusioned with the abstract approach of modern economics, devoid as it seemed to be of real-world concerns and practical applications, and had begun to redirect his interests away from macroeconomics toward development economics. In the summer of 1958-59 he spent three months in India, where he worked first at the Indian Statistical Institute in Calcutta, whose director, P.C. Mahalanobis, had been the principal architect of India's landmark second five-year plan, and then at the Indian Planning Commission in New Dehli. Following his work in India, Heinz spent his sabbatical year of 1960-61 in Geneva with the Research Division of the United Nations Economic Commission for Europe (UNECE), where he directed a major

research project aimed at identifying and quantifying the determinants of economic growth in Europe; this work led to the publication by UNECE of the book, *Some Factors of Economic Growth*; most of it was written by Heinz.

In November 1963 he was appointed head of the Department of Economics in the Research School of Pacific Studies (now the Research School of Pacific and Asian Studies). He chose to concentrate his research on the Indonesian economy, a bold decision at the time given the lack of research materials, the economic and political turmoil then besetting Indonesia, and the deterioration in relations between Australia and Indonesia. Very quickly the Indonesia Project, under Heinz's direction, came to be recognised as the pre-eminent international focus for the study of the Indonesian economy. As well as the recruitment of an impressive corps of academic staff, Ph.D. students were attracted in considerable numbers to work on Indonesia. A journal of international stature – the *Bulletin of Indonesian Economic Studies* – was launched, which Heinz edited for seventeen years.

In 1971 he was appointed by the OECD for the purpose of preparing the report of the first OECD Survey of the Australian Economy. There was talk that he might become Australia's Ambassador to the OECD. This idea, however, seems to have fallen foul of an agreement between the Departments of Treasury and Foreign Affairs that the position of Ambassador should rotate between officers of those departments. But another major assignment came in the late 1970s when Heinz was appointed by the Commonwealth Secretary-General to an expert group of ten leading economists, including Sir Alec Cairncross and Amartya Sen, to provide a Commonwealth perspective on the world's economic problems.

Following his retirement in 1980, Heinz was appointed editor of a new journal, *Asian-Pacific Economic Literature* and Visiting Fellow in the National Centre for Development Studies at the ANU. His study of Indonesia continued unabated, as did his work on the Asian economies and on development economics in general. In 1985 he published his delightful memoir, *A Course Through Life*. Earlier he had published in *Quadrant* an autobiographical essay entitled 'Three times 18: an essay in political biography'.

It was remarked earlier that Heinz's formal education at Oxford and the LSE was in politics. Though he became an economist, and while his major work was in the discipline of economics, he always took a passionate interest in political ideas and political movements. He broke with communism in 1940 after reading Arthur Koestler's *Darkness at Noon*, when he realised that his intellectual integrity might be compromised. He became a democratic socialist, later joining the Australian Labor Party and founding the Fabian Society of New South Wales. He supported Chifley's attempt to nationalise the private banks and was an advocate of economic controls, rationing and planning. But in 1956, in his controversial Chifley Memorial Lecture, he signalled his break with socialism when he lent support to the revisionist, Keynesian stance that had been adopted recently by Anthony Crosland, Hugh Gaitskell and others in the United Kingdom. By the early 1970s he had come to embrace free trade, flexible exchange rates, deregulation, privatisation and the monetarist prescriptions – though not the broader policy objectives – of Milton Friedman.

For more than three decades, from the late 1940s to the 1980s, Heinz Arndt was the most prolific and energetic economist in Australia. His prodigious output of articles, books, lectures, conference papers, reviews and reports is testimony to his productivity. For twenty years he was a member of the editorial board of the *Economic Record*, serving as editor for many years. He was President of the

Economic Society of Australia and New Zealand, and President of Section G (Economics) of ANZAAS. He wrote or co-wrote seven books, edited two collections of articles by various authors on the Australian economy, published six collections of his own essays, and produced more than a hundred articles, reports, book reviews and published lectures.

The restlessness and unquenchable curiosity of his active and fertile mind continued until the end. He was never one to seek personal recognition, rejecting as he did both imperial and Australian honours which were offered to him, though he did accept the award of Distinguished Scholar of the Economics Society of Australia and the Distinguished Service Star of the Republic of Indonesia. While his published work certainly exerted a powerful influence on academic and public opinion, perhaps his major impact came rather from personal contact and interaction with colleagues, students, officials, politicians and the general public. He possessed remarkable powers of persuasion, the result of his integrity, commitment, courage, generosity and charm. He expressed himself beautifully, both in written and spoken forms. He was a very elegant and most attractive man. Those who knew Heinz invariably regarded their association with him as an extraordinary privilege.

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H.W. Arndt: Selected Publications

- 1944 *The Economic Lessons of the Nineteen-Thirties*. London: Oxford University Press.
- 1957 *The Australian Trading Banks*. Melbourne: Cheshire.
- 1963 *The Australian Economy: A Volume of Readings* (ed. with W.M. Corden). Melbourne: Cheshire.
- 1964a *Taxation in Australia: Agenda for Reform* (with R.I. Downing and others). Melbourne: Melbourne University Press.
- 1964b *Some Factors in Economic Growth in Europe during the 1950s* (official publication; co-author). Geneva: United Nations.
- 1968 *A Small Rich Industrial Country: Studies in Australian Development, Trade and Aid*. Melbourne: Cheshire.
- 1969 'Three times 18: an essay in political biography', *Quadrant*, May-June.
- 1972 *The Australian Economy: a Second Volume of Readings* (ed. with A.H. Boxer). Melbourne: Cheshire.
- 1973 *Australia. OECD Economic Survey* (official publication; co-author). Paris: OECD.
- 1978 *The Rise and Fall of Economic Growth. A Study in Contemporary Thought*. Melbourne: Longman Cheshire.
- 1980 *The World Economic Crisis. A Commonwealth Perspective* (co-author with A.K. Cairncross and others). London: Commonwealth Secretariat.
- 1984 *The Indonesian Economy – Collected Papers*. Singapore: Chopman Publications.
- 1985 *A Course Through Life: Memoirs of an Australian Economist*. Canberra: ANU.

- 1987a *Asian Diaries*. Singapore: Chopman Publications.
- 1987b *Economic Development: The History of an Idea*. Chicago: Chicago University Press.
- 1993 *Fifty Years of Development Studies*. Canberra: ANU.
- 1996 *Essays in International Economics, 1944-1994*. London: Avery.
- 2000 *Essays in Biography: Australian Economists*. Supplement to *History of Economics Review*, No. 32, Summer.
- 2001 *The Importance of Money. Essays in Domestic Macroeconomics 1949-1999*. Abingdon: Ashgate.