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THE UNIVERSITY OF SYDNEY

The University of Sydney, Australia's first university, was founded in 1851. When Heinz started teaching there, its students were overwhelmingly undergraduates. Some were taking master's degrees, but most Australians studying for doctorates were enrolled at either British or American universities. In 1946, student numbers were swollen by ex-servicemen, who were encouraged to enter universities on generous scholarships as part of the Commonwealth government's program of postwar reconstruction.

Between 400 and 500 first-year students were enrolled in courses offered by the Economics Department. Of those, about one-third were studying full-time and two-thirds were part-time students, who attended classes in the evening after they had finished work. For the benefit of part-time students, lectures were often repeated in the evening. There were two lectures each week, but no tutorial classes for pass students; honours students in individual courses attended an additional tutorial class.

Heinz was responsible for establishing a system of tutorials for pass students, which were conducted by the students themselves. He called for volunteer monitors, whom he briefed on the key aspects of the topic to be discussed and who reported back to him in the event of difficulties encountered during the tutorial. While these classes were optional, they were popular because many students appreciated the additional opportunities such events provided to discuss and clarify aspects of the course in smaller tutorial groups.

When Heinz arrived at the university, the Department of Economics was located in the old Gothic sandstone buildings that stood on an elevated site overlooking the city. Heinz's office, on the third floor, looked out across the central quadrangle to the carillon. His close colleagues were Sid and Noel Butlin, who had been so helpful to him earlier on; Hermann (later Sir Hermann) Black, who had studied under Joseph Schumpeter at Harvard and was to become a long-serving chancellor of the university; John La Nauze, whose special fields were the history of economic thought and British economic history (and who was later to become Heinz's colleague at the Australian National University); and Kingsley Laffer, a microeconomist, who pioneered the study of industrial relations in

Australia. Other members of the department included Stuart Rutherford, Cyril Renwick, G.A.J. Simpson-Lee, Max Hartwell and Kurt Singer.

There was a second chair in economics, which had been offered to Ronald Walker (who had declined it) and which remained unoccupied. Heinz fixed his eye on the vacant chair, almost from the moment of his arrival at the university, hoping that he would in due course be appointed to fill it.

He got on well with all of his colleagues, especially the Butlin brothers. Of Sid, Heinz later wrote to Dick Spann that he 'is an odd bird, very intelligent and personally pleasant and helpful, but rather reserved and secretive in some ways, keenly interested in the Machiavellian game of university politics, and very good at it. I always got on very well with him and still do.'

Heinz quickly secured the respect of his colleagues for the dedicated and conscientious approach he took to his academic responsibilities. Unstinting in the time he devoted to his work, he impressed everyone with his energy, enthusiasm and dedication. Within a year of the Arndts' arrival in Sydney, La Nauze wrote to Heinz's economics tutor at Oxford, Robert Hall (later Lord Roberthall), to tell him about Heinz's work ethic. Hall replied by saying that he 'was glad to hear that Arndt was fitting in and [I] agree that he takes life too seriously. It used not to be a German academic fault but has become one.'

Heinz also acquired a reputation for being an excellent teacher. He could be demanding and unforgiving to those students who were not prepared to take academic work seriously, but conscientious listeners usually praised his lectures for their clarity and thoroughness. He took great pains to prepare himself for lectures, falling into the habit of writing the lectures out in full during the preceding summer university vacation, thereby freeing the academic year for taking classes and conducting research.

Every now and then he was accused of tending to mark down female students, although he always strenuously denied ever doing so. Some of his students, particularly those who were members of the Liberal Party, such as William McMahon (the future prime minister) and Gordon Barton (the co-founder of IPEC, the international transport group), criticised political views that he would express from time to time. These were, however, exceptions. Most students appeared to appreciate the policy context within which Heinz discussed the fundamental concepts of macroeconomics.

Of his lectures at Sydney, Heinz wrote in 1985 that he

...intensely enjoyed teaching. My lectures, I am afraid, were not very rigorous, no mathematics except for a few diagrams and the simplest algebra—and even these struck terror into the hearts of nine-tenths of the students, a majority of whom suffered from obsessional maths-phobia. I had virtually no mathematics myself and precious little systematic knowledge of economic theory. I learned this gradually by teaching. My chief concern was to pass on to students some of my own excitement about Economics as an exercise of the mind and as a guide to better policies in the post-war world. That economic theory could effectively guide policy, I and most of my generation of economists did not seriously doubt (Arndt 1985:13).

The economics program at Sydney included a general introductory course in first year, microeconomics in second year and macroeconomics in third year. There were also optional courses in mathematical economics, econometrics, industrial relations, economic history, history of economic thought, government (political science) and public administration. More than 300 students, on average, attended Heinz's third-year classes. The course in his first two years covered money and banking in the first term, trade-cycle theory in the second term and the state and economic life in the third term. In his final two years at Sydney, he covered income theory in the first term, money and banking in the second term and public economics in the third term.

Heinz based his course in income theory on Keynes, as interpreted by Alvin H. Hansen's *A Guide to Keynes* (1953), Dudley Dillard's *The Economics of John Maynard Keynes* (1948) and L.R. Klein's *The Keynesian Revolution* (1947). These texts he supplemented with two of Joan Robinson's books, *Introduction to the Theory of Employment* (1937) and *Essays in the Theory of Employment* (1937), Hicks's 'Mr Keynes and the Classics: a suggested simplification' (1937) and Tom Wilson's *Fluctuations in Income and Employment* (1940). Honours students were set Keynes's own *General Theory* (1936), Seymour Harris's *The New Economics* (1947) and works by Michal Kalecki, James S. Duesenberry and Franco Modigliani. For the course on money and banking, students were encouraged to read R.S. Sayers' *Modern Banking* (1938), A.F.W. Plumptre's *Central Banking in the British Dominions* (1940) and Thomas Balogh's *Studies in Financial Organisation* (1947).

Since there were no comparably recent and authoritative studies of Australian banking and the monetary system, Heinz was forced to fall back, when considering those topics, on the *Report of the Royal Commission on the Australian Monetary and Banking Systems*. Because this was outdated—it had been completed as long ago as 1937—and, in any case, was not entirely appropriate for his purpose, Heinz soon resolved to write a book himself on the Australian banking and financial systems. This came to fruition some 10 years later with his book *The Australian Trading Banks* (1957). For the course on international monetary economics, he used Roy Harrod's *International Economics* (1949), Fritz Machlup's and Joan Robinson's writings on the theory of foreign exchanges and articles on contemporary issues such as the dollar shortage.

Heinz was justly proud of his initial batch of Sydney students. Among those who became academics were Harry Edwards (a Professor of Economics at Sydney and Macquarie and later a member of the House of Representatives in Canberra and a shadow minister), Alan Hall, Don Lamberton, Noel Drane and Alan Barnard; among those who became central bankers and public servants were Don Sanders, Jack Wright, Gordon Menzies, Jack Donovan, Ken Foreman and Roy Fernandez.

Because he participated in debates on current economic policy and scarcely concealed his political views, Heinz was often sensitive to allegations of political bias in his lectures. In April 1949, he wrote to Warwick Fairfax, publisher of the *Sydney Morning Herald*, responding to a critical article Fairfax had written in that newspaper about personal political opinions expressed in classes by university teachers. Though Fairfax had not named Heinz, he did name others.

Heinz responded by admitting to Fairfax that there 'is no doubt that the politically controversial character of many of the problems on which economics sheds light presents a special problem to the teacher of economics'. Yet it was Heinz's view that 'all teachers of economics in my acquaintance are painfully aware of this problem; you would find that most of them tend to lean over backwards in their anxiety to cope with it'. 'The fact is,' Heinz went on, 'that, while economists, like scientists in all other fields, disagree on a host of questions, there are also a great many important matters on which the overwhelming weight of professional authority is on one side of an argument.'

As well as teaching, Heinz was expected to conduct research, and to publish the results. He did this at Sydney with an eagerness and enthusiasm that was to mark his entire academic career. Before he had left Manchester,

Oxford Economic Papers had accepted for publication a paper of his entitled 'Productivity in manufacturing and real income per head in Great Britain' (1944), and the *Review of Economic Studies* had agreed to publish an article on 'The monetary theory of deficit spending: a comment' (1946).

His first publications in Australia covered the International Monetary Fund (IMF) and the projected International Trade Organisation. His paper on the IMF, 'The International Monetary Fund and the treatment of cyclical balance of payments difficulties' (1947), appeared in the *Economic Record* and was the first of many articles to appear in that journal in the next 40 years. Heinz had written it originally for the Australian and New Zealand Association for the Advancement of Science (ANZAAS) conference in Perth in August 1947. In the event, Heinz was unable to travel to Perth, so it was read for him by Professor Gordon Wood of Melbourne, the President of Section G of ANZAAS (Economics). Wood wrote to Heinz after the conference saying that the paper 'was generally accepted as a first class piece of work and as a splendid curtain-raiser for the declaration two days later by [Hugh] Dalton [the British Chancellor of the Exchequer] of the inconvertibility of sterling. That gave it both point and added interest in the discussion.'

The major research Heinz conducted in Sydney was not in the field of applied macroeconomics—the core subject of his teaching—but rather in Australian economic history. Here his chief collaborator was Noel Butlin, later to become Australia's leading economic historian. With Butlin, Heinz examined the work of T.A. Coghlan, the eminent Sydney statistician of the late nineteenth and early twentieth centuries. Heinz and Butlin reworked Coghlan's estimate of the gross domestic product for New South Wales in 1891, and the *Economic Record* published their findings. Also, Heinz published an article (this time in the *Economic Journal*) on Coghlan as a pioneer of national income estimation; never again did that august journal publish Heinz's work. Heinz and Butlin recovered much of the information they needed for these two papers from the storerooms of the office of the NSW Statistician, Stanley (later Sir Stanley) Carver.

Another major research project that Heinz embarked on when he was in Sydney—again, with Butlin's assistance—was a study of foreign investment in Australia between 1864 and 1914. This was sparked by Heinz's interest in the balance-of-payments adjustments required to accommodate external flows of capital. The research involved collecting quantitative data from the *Australasian Insurance and Banking Record* and other contemporary

publications. Some of this work was funded by two grants awarded by the Commonwealth Research Grant Scheme (a precursor of the present Australian Research Council scheme). In his application for the first grant, Heinz stated that the purpose of the research was to fill an important gap in Australian economic history and to illuminate a number of unresolved problems of economic theory.

The research was expected to examine several fields: first, a number of historical and theoretical problems, including the effects of foreign investment on the industrial structure and distribution of company ownership in Australia. Second, the relations between capital imports and the balance of payments (as a check on Roland Wilson's indirect estimates of capital inflow for the same period). Third, the nature of the monetary transfer mechanism (along the lines of Jacob Viner's studies for Canada and Wilson's for Australia).⁴ Fourth, the relationship between capital imports and the trade cycle, focusing on the effect of changes in the flow of capital imports on the level of economic activity in Australia, and the effect of domestic economic conditions on foreign investment. Given the nature of the material, Heinz found himself unable to work with a research assistant. He had engaged one, from the proceeds of the research grants, but he never tried to do so again.⁵ As to the work itself, it did not get very far. In fact, no results of it were ever published, though some of the theoretical issues were to resurface in several of his later publications.

As well as this historical work, Heinz's research in Sydney included several projects undertaken for the Commonwealth Bank and the Commonwealth Treasury. L.G. (later Sir Leslie) Melville, Economic Adviser to the Commonwealth Bank, and chairman of the United Nations' Sub-Commission on Employment and Economic Stability, commissioned Heinz to prepare a paper on 'The causes and consequences of inflation in the postwar world' for his work for the United Nations.

Melville later wrote to Heinz congratulating him on the quality of this paper. 'I heard,' Melville wrote, 'many comments of praise for your original draft from the staff of the United Nations, members of the Sub-Commission, and the staff of the International Monetary Fund who had copies.' In fact, Melville informed Heinz that he was 'quite sure that without your draft the Sub-Commission would never have produced a report and, although the final report [of the sub-commission] is perhaps not very good, it did help to set the machinery of the United Nations in action and will, I hope, prove of some value.' For this work, Heinz received £50.

A paper on the 'Impact of immigration on the Australian economy', commissioned again by Melville, this time for the Commonwealth Bank, was published in the bank's *Statistical Bulletin* for October 1950. It was one of five reports on the subject contributed by various authors.

In this paper, Heinz argued that immigration had demand and supply consequences. Moreover, there would not necessarily be a balance between the two. In the current circumstances of full employment, it was clear to him that the demand effects, at least in the short term, would exceed the supply effects. Heinz took the opportunity to hammer home the point that the Australian economy was hopelessly overstretched at the time, and that some reduction in investment, defence expenditure or consumption was necessary. As he put it: 'If defence, investment and consumption claims are pushed regardless of the adequacy of available resources, the allocation will, in effect, be left to the haphazard force of inflation. The consequences will be not merely social injustice, but a disorganisation of the economy which will not permit even small proportions of each of these claims to be satisfied.' What Heinz was saying, in other words, was that conflicting policy goals had to be reconciled by policymakers. In particular, they would need to choose between greater immigration on the one hand and less expenditure on the other, if inflation was to be avoided.

Heinz's work for the Commonwealth Treasury was commissioned early in 1949 by Fred Wheeler, later Secretary to the Treasury. At this stage, Wheeler was in charge of the Treasury's division handling macroeconomic policy. Heinz was asked to undertake an 'urgent job' of drafting a memorandum stating an economic case for the retention of economic controls under the Commonwealth's defence powers. It had to be completed within three weeks and for this labour Heinz was to be paid 100 guineas.

Of the payment, Heinz admitted to Ruth that 'it's outrageous, but of course very nice for us! I expect it will be quite a sweat but still easier than any alternative way of earning that much extra.' To his father, he wrote that he had gone to Canberra for the day: 'a dreary day there,' he said, 'drafting and redrafting, but a very pleasant trip there and back in the private plane of the Governor of the Commonwealth Bank—most luxurious and comfortable.' Altogether, though Heinz had been in the country for little more than three years, he was clearly making his mark in the rather small community of Australian economists.