The Dutch Disease in Australia: policy options for a three-speed economy

Wednesday 2 November 2011 3-4.30pm, light refreshments from 4:30-5pm in the foyer

Professor Max Corden University of Melbourne

Hedley Bull Lecture Theatre 1 Ground Floor, Hedley Bull Centre, Building 130, Cnr Garran Rd and Liversidge St, ANU

This lecture will explain the concept of Dutch Disease as it applies currently to Australia, noting the various gains and losses resulting from the mining boom. “Dutch Disease” refers to the adverse effects through exchange rate appreciation that such a boom can have on various export and import-competing industries. Particular firms or industries may be both gainers and losers.

The main discussion focuses on policy options. What should the government do – if anything – to reduce or avoid this “disease”? The principal options are: Do nothing, piecemeal protectionism, and establish a Sovereign Wealth Fund. These will be analysed in detail. Piecemeal protectionism is likely to be politically popular but there are strong arguments against it. The costs of any measures that successfully moderate appreciation of the exchange rate and thus Dutch Disease effects are noted and may be considerable. Gains to some industries are likely to be balanced by losses to others. Finally, the concept of “exchange rate protection” will be explained.

Max Corden AC, is an Emeritus Professor of International Economics of the Johns Hopkins University and a Professorial Fellow in the Department of Economics, University of Melbourne. He has also been a Professor at the ANU and earlier, Nuffield Reader in International Economics at Oxford University. He is the author of many books and articles, mostly in international economics. While at the ANU in the eighties he authored or co-authored two internationally well known articles on Dutch disease.

Further information

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