

EIGHT ARTICLES WITH MOST IMPACT

See the general discussion of “impact”, and of the Social Science Citation Index, in my paper “25 articles with some impact.” The number of citations recorded in the index for the whole period 1954-2004 is in brackets (cit...) at the end of each note. I regard the two Princeton publications as articles, though they are not listed in the citation index. All papers except No 6 (“Urban Unemployment..”) are reproduced in my Elgar volume, *International Trade Theory and Policy*.

First Australian Period 1958-67

1. “The Geometric Representation of Policies to Attain Internal and External Balance,” *Review of Economic Studies* 28, October 1960, pp. 1-22. Reprinted in R. Cooper (ed.), *International Finance* (Penguin Modern Economics Readings, 1969).

The main diagram came from Hemming & Corden (1958), but this 1960 article was both simpler and more comprehensive, and was influenced by Swan’s diagram, which by then had not yet been published. It had original treatments, including “cost-based export prices”. It put a lot of stuff together and certainly was simpler than Meade’s *The Balance of Payments*. When I came to Berkeley in 1965, my first US teaching job, I found that the students knew this article and not Meade’s book – which surprised me. The paper was widely used for teaching in international economics courses.

In an appendix it expounded the Swan and Salter diagrams, and these became very influential in due course. The three articles – Swan, Salter and Corden were referred to (by Dornbusch originally) as “the Australian model”, or “the dependent economy model”. My diagram had limitations, and eventually Swan’s and Salter’s became the favoured diagrams (also by me). I think that, for a limited period, it

was a very influential article, also being cited in textbooks. But this is not apparent from the citation index, probably because it was essentially a teaching article. (cit.10)

2. Recent Developments in the Theory of International Trade, Special Papers in International Economics No. 7, International Finance Section, Princeton University, **1965**, pp. 1-78.

This survey paper, covering the period 1949 to 1964 was written at ANU for a conference symposium organised by Heinz Arndt on recent developments in economics. It later benefited from suggestions by Harry Johnson, who also took the initiative of submitting it to Fritz Machlup for the Princeton series. Its style was very “British”, with no mathematics and no footnotes – just words. It was an immediate and great success, appearing in every international economics reading list, and every textbook. I have anecdotal evidence that it was widely read. I can name (because they told me) two eminent economists to whom it appealed, namely John Hicks and Bertil Ohlin. There were two other surveys around that time, both more thorough and more advanced, one by John Chipman (very mathematical) and one by Jagdish Bhagwati (more thorough and somewhat more advanced). We three offered product differentiation to the market. If course, a survey like this dates, and after some years it was no longer read or referred to. It was the first publication to make me well known in the international economics world, and probably helped me to get the Oxford Readership, for which it came out just in time.

3. “The Structure of a Tariff System and the Effective Protective Rate,” *Journal of Political Economy* 74(3), June 1966, pp. 221-37. Reprinted in J. Bhagwati (ed.), *International Trade*, Penguin Modern Economics Readings, 1969; in J. Bhagwati (ed.), *International Trade: Selected Readings*. Cambridge, MA: The M.I.T. Press, 1981; in *Bobbs-Merrill Reprint Series in Economics*; and in Deepak, Lal (ed.), *Critical Writings in Economics: Development Economics*, Cheltenham, UK: Edward Elgar, 1992. French translation in Lassudrie Duchène (ed.), *Exchange Intérrnational et Croissance, Economica*, Paris, 1972; German translation in H. Luckenbach (ed.), *Theorie der Aussenwirtschaftspolitik*, Berlin: Springer-Verlag, 1979. (Also in Corden, Protection, Growth and Trade)

I have discussed the origin of this article and the reason for its great impact in my paper “Effective Protection and I” (2005), putting it into a broader perspective. It is my most important article, for which I will (I think!) be remembered. It is certainly a “classic” and has been the main theoretical article on the “effective protection” subject.

The main idea is now incorporated in textbooks, and many of the complications which are discussed in that article, and which gave rise to a large literature, are now forgotten. It is not cited very much now (2012), partly because it was replaced by *The Theory of Protection*, and partly because tariffs are much less important now than they were in the sixties and seventies. In addition, there have been strong theoretical criticisms, (based on issues first raised in that article) which have not stopped calculations of effective rates but have discredited the concept in the minds of some (perhaps many?) international trade theorists. I have discussed all this in my 2005 paper “Effective Protection

and I". In assessing the impact of this article, one should really combine it with *The Theory of Protection*. Once that book was published this article was less likely to be cited since, essentially, the book expanded on the article. (cit.126)

Oxford 1968-76

4. *Monetary Integration* (The Graham Lecture, Princeton University, 1971), *Essay in International Finance* No. 93, International Finance Section, Princeton University, **1972**.

In 1971 Fritz Machlup phoned me in Oxford to ask whether I could give the Graham Lecture. At that time there was much discussion about moves to European monetary integration, inspired by the Werner Report. This gave me an opportunity to sort out the issues. Notably, I took a Keynesian-Phillips curve approach, but also allowed for the possibility of rigid real wages. It was, in fact, the first systematic, analytical discussion of the issues, being quite comprehensive, and for about three years after that attracted much attention, and was much cited.

It led to my giving the principal paper at a Brookings conference on "European monetary unification and the US". For a short time it became my best-known paper. At the Brookings conference Harry Johnson vigorously criticised my paper for being too Keynesian (and too influenced by "the British". He overstated it, but did have a point.

I used the material in the first edition of *Inflation, Exchange Rates* (1977). By the time of the third edition (1985) I compressed that discussion, as people had lost interest in the subject, essentially because of the events of 1973-75: the oil shocks and the world recession led to a focus on more immediate problems. By 1974 the "Werner process" (which was meant to be a concerted gradual movement to exchange rate union) came to a dead stop. So my paper was forgotten.

But in 1988 monetary union proposals were revived, the Maastricht Treaty followed in 1991, and then there grew up a new burgeoning literature on monetary integration. At some stage the various authors discovered my paper - for example, Maurice Obstfeld when he prepared a Graham lecture on the same subject. It has become a standard reference, though really overtaken by later literature. I looked at the subject again, reviewing the analytical issues, and seeing where the subject had advanced since my 1972 paper, in a CEPR conference paper in 1992 entitled “monetary integration: the intellectual pre-history.” This was reprinted in a book in 2003. The new literature has been much more empirical and much less Keynesian.

My most comprehensive discussion on the subject since then has been Chapter 8 of *Economic Policy, Exchange Rates, and the International System*, pp. 125-148 (1994).

Now, in 2013, I need to look at these writings again, in the light of the crisis of the Euro.

5. “Economies of Scale and Customs Union Theory,” *Journal of Political Economy* 80(3), Part 1, May/June 1972. German translation, H. Luckenbach (ed.), *Theorie der Aussenwirtschafts politik*. Springer-Verlag, 1979. Reprinted in A. Jacquemin and A. Sapir (eds.), *The European Internal Market: Trade and Competition*. Oxford: Oxford University Press, 1990; in M.W. Jovanovic (ed.), *International Economic Integration*, London: Routledge, 1996; and in J. Bhagwati and A. Panagariya (eds.) *Trading Blocs, Alternative Approaches to Analyzing Preferential Trading Arrangements*, MIT Press, 1998. (Also in Corden, *Protection, Growth and Trade*)

There was a clear gap in customs union theory, which I discovered when in 1968 I wrote my survey of that subject (which I did not publish). This article was one chapter of the survey. I was aware that it was original, though I did not think it of great significance because at that time customs union theory was not fashionable. It was published in the JPE without any changes. It has become a standard article, a minor “classic” in the field, as indicated by reprinting and by surveys. It is certainly no better than many other articles I have done – neat diagrams etc. (Corden style).

The reason for its popularity is that the field of customs union theory revived dramatically in the eighties owing to the rise of regionalism and the growing importance of the EU. This illustrates the general point that the impact of an article depends, above all, on the way the whole subject develops. Here it must be added that, owing to the work of Krugman and others, economies of scale in trade theory became a fashionable area. Earlier I felt scale effects had been neglected, and introduced them in my 1967 *Economica* article, and also, extensively, in one chapter of *Trade Policy and Economic Welfare*. But all my work was partial equilibrium while Krugman and others (Lancaster, Helpman) put scale effects into general equilibrium models. (cit. 23)

6. “Urban Unemployment, International Capital Mobility and Development Policy” (with Ronald Findlay), *Economica* 43(165), February 1975, pp. 59-78. Reprinted in Deepak Lal (ed.), *Critical Writings in Economics: Development Economics*. Cheltenham: Edward Elgar, 1991.; and in J.P. Neary (ed.) *International Trade*, Elgar 1995. (Also in Corden, *Protection, Growth and Trade*).

I was very impressed by the Harris-Todaro article in the AER 1970. Its model seemed to me genuinely insightful, illuminating the phenomenon of urban unemployment in developing countries. It led me to work out a simpler exposition with a neat specific-factors diagram (looking like a partial equilibrium one). I used it for *Trade Policy and Economic Welfare*, and also presented it at a seminar at Columbia University in 1973 (when I visited Princeton). It turned out that Ronald Findlay had also been working on the Harris-Todaro model, but putting it into a more orthodox mobile-capital-and-labour framework. So we decided to join forces. Our writing styles were very similar, and after a lengthy meeting in Princeton the rest was done by mail.

I believe my diagram (with its “Harris-Todaro curve”) really caught on, and is probably the main reason why this article – based on Harris and Todaro’s original idea – has been so popular among development economists. I never expected this. The number of citations is remarkable. But the subject is certainly important for understanding an aspect of developing countries. (cit.107)

Second Australian Period 1977-86

7. ”Booming Sector and De-industrialization in a Small Open Economy” (with J. Peter Neary), *The Economic Journal* 92(368), December **1982**, pp. 1-24. (Also in Corden, Protection, Growth and Trade)

This paper, as well as its predecessor “ Exchange Rate Protection” (1981), was inspired by the UK Dutch Disease discussion (resulting from the discovery of North Sea oil and the UK real appreciation at that time). The basic concepts – booming and lagging sectors, spending and resource movement effects were in the 1981 paper. There were also two earlier Australian papers – by Gregory (1976) and by Snape (1977)

which anticipated some of it. I had both the UK North Sea oil case and the Australian resources boom in mind.

Peter Neary and I collaborated during my visit to Nuffield College (where he was a research fellow) in 1981. He expanded my original model for the cases where capital is mobile between two and between all three sectors, and also did the mathematical appendix. Peter ensured that various cases were thoroughly worked out and made the article really professional.

This article has received more citations than any other I have written. This is clearly explained by the continued relevance of the model. It applies to sectoral booms of any kind, not just resources booms. And there will always be such booms. (cit.160)

8. “Booming Sector and Dutch Disease Economics: A Survey,” *Oxford Economic Papers* 36(3), November 1984, pp. 359-80. Reprinted in Deepak Lal (ed.), *Critical Writings in Economics: Development Economics*. Cheltenham: Edward Elgar, 1992; in P.N. Junankar (eds.) *The Economics of Unemployment*, Elgar 2001; and in D. Greenaway and W. Morgan (eds.), *The Economics of Commodity Markets*, Elgar 1999. (Also in Corden, Protection, Growth and Trade)

This was a follow-on of the previous article. It was an attempt both to consolidate the whole subject (since there was now a considerable literature) and to explore special cases. I was particularly interested in the application of the model to various historical cases. I introduced many realistic complications, for example international capital and labour mobility. I think this has been one of my best papers. First I produced an ANU working paper, and when I sent this to Ronald Findlay at Columbia University he asked for more copies; his response showed to me I had produced something of significance. (cit.77)

OVERVIEW

In my judgement, one article stands out in this set, namely No. 3 (“The Structure of a Tariff System.”). It was original on an important topic, and dealt with fundamental issues. It was overtaken by *The Theory of Protection*, but it contains many of the essentials of that book. Because of this book, and because tariffs and trade subsidies and taxes have become less important, I expect the article to be less noticed in the future, as indeed has been evident in recent years. The two articles on the Dutch Disease (Nos.7 and 8) are less fundamental, but the topic is likely to be perennially relevant. It will never go away. Hence, I think these two articles will last the longest, and it is not surprising that No.7 is the most cited article in this collection..

Three articles are, or will be dated, and hence forgotten, though they were much noticed once. This is obviously true of No. 2 (survey of trade theory), but also applies to No. 1 (policies to attain internal and external balance) and to No. 4 (monetary integration). Both the latter have been overtaken by later literature.

Finally, the common characteristic of five articles is that each is built around one or more diagrams. To a considerable extent, these articles are expositional. Their popularity has rested on my comparative advantage, namely diagrammatic exposition. There are only three (Nos. 2,3 and 4) that contain no diagrams at all.

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