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A.W.H. Phillips

Entry for *The Encyclopedia of Keynesian Economics*

Few economists in the post-war period have made such a lasting impression on macroeconomic policy as Alban William Housego `Bill' Phillips. The empirical Curve, with which he is most often associated, examined wage inflation and unemployment data for the United Kingdom for 1861-1957, with a view to gauging the size of the equilibrant forces that would be necessary to reduce the swing of the business cycle `pendulum'. The idea of an inflation-unemployment `trade-off' derived from a glance at this Curve, was `snatched at' first by American Keynesians, and, in an extraordinarily brief period of time, it became the cornerstone of applied macroeconomics. In the process, much of the subtlety of Phillips' analysis was replaced by wishful thinking about the potency of macroeconomic manipulation. Phillips' zero inflation advocacy was, likewise, replaced by the belief that ongoing inflation would purchase sustainable reductions in unemployment. Keynesian advocates, in their moment of apparent triumph, gave a hostage to fortune which Milton Friedman, and others, brilliantly exploited, thus facilitating the monetarist counter-revolution.

Phillips was born on 18 November, 1914, at Te Rehunga, Dannevirke in Southern Hawke's Bay in the North Island of New Zealand. He matriculated in December 1929 (shortly after his fifteenth birthday), but the onset of the Depression curtailed his education. For a decade he `wandered': running a cinema in Tuai; carrying his swag - and his violin - across Australia; earning a living by shooting crocodiles; travelling to Britain, via China and Russia, (where he was unable to obtain a job in the mines because of the plentiful supply of political prisoners); graduating at the Institute of Electrical Engineers, in November 1938, following several years of correspondence study.

Phillips was commissioned into the RAF in August, 1940, and was appointed Munitions Officer at Kallany Aerodrome, Singapore. He was evacuated from Singapore on *The Empire Star*, and operated a machine gun for 3½ hours during an attempt by the Japanese to sink the ship. Shortly afterward he volunteered for further action in Java, and was shot down by Japanese aircraft. He and two colleagues attempted to make a discarded bus seaworthy in preparation for the voyage to Australia; but they were betrayed by some local villagers, and captured.

Thus began three-and-a-half year of incarceration in prisoner-of-war camps.

Phillips' heroic role in making and operating a secret radio which kept the prisoners in touch with the war, has been documented by Sir Laurens van der Post (1985) and Sir Edward `Weary' Dunlop (1990) and summarised in Leeson (1994a). At great risk to himself - he would have been tortured to death had the radio been discovered by the Japanese - Phillips played a truly remarkable role in maintaining morale amongst the prisoners under some of the most unfavourable conditions that human beings could face.

These qualities of selflessness, endurance and fearlessness enabled him to survive his ordeal - although he weighed only seven stone by the time of liberation. He possessed quite outstanding characteristics; in a profession where jealousy and resentment of the fame of others are not altogether unknown, he was universally admired by all economists who knew him, regardless of their political or policy allegiances.

Phillips was awarded an M.B.E. (Military Division) for a variety of contributions, including fearlessness in the face of the enemy. He completed an undergraduate degree in Sociology in 1949, a Ph.D. in Economics in 1953, and rose to the rank of Tooke Professor of Economics in 1958 - all at the London School of Economics. He accepted a chair at the Australian National University in 1967; after his first stroke he taught a course on `The Development of the Chinese Economy since 1949' at the University of Auckland.

Had the Second World War not intervened, Phillips would, in all likelihood, have been a brilliant, but largely anonymous, electrical engineer. As it was, his wartime experiences persuaded him to retrain as a social scientist. As a consequence of his incarceration, he had just over a decade (1950-1961) to make his contribution to the formulation of macroeconomic policies which aimed at prevailing the type of dislocation which had led to the War. In the 1960s, he became dogged by ill-health, and at age 54 he suffered a crippling stroke. He suffered a fatal stroke on March 4, 1975. It is highly likely that his ill-health and premature death were, in part, caused by the malnourishment and maltreatment inflicted upon him during his wartime incarceration.

Phillips left four eponymous legacies. The first was the Phillips Machine, which he constructed whilst still an undergraduate (Phillips 1950; Meade 1951; Newlyn 1950; Barr 1988). It was a brilliantly original 7 feet x 5 feet x 3 feet representation of the macroeconomy, one model of which is now displayed near Babbage's machine in the Science Museum, in South Kensington, London. Oriented around monetary stocks and flows - represented by coloured water flowing around plastic pipes - this Machine, or

Moniac, offered the opportunity of policy simulation exercises. When demonstrated at an American Economic Association meeting in 1950, it caused a minor sensation; lending an almost magical aura to any relationship which bore the prefix Phillips. This may help to explain why the Curve which was named after him so rapidly conquered policy thinking in the 1960s.

He also developed (1968a) the Phillips Critique, which was subsequently named after Robert Lucas (Leeson 1994a; Blyth 1989). But his most famous contribution was his Curve. First developed at a theoretical level (1953, 1954), and subsequently fleshed out with empirical analysis (1958a, 1959a), Phillips intended to offer both an analysis of the business cycle, and of the perilous nature of naive counter-cyclical policies. His empirical work was designed to illustrate the magnitude of the equilibrant forces necessary to reduce the deviations of the macroeconomy from the position of zero inflation. Although Phillips had no tolerance for the idea that ongoing inflation would purchase sustainable reductions in the level of unemployment, this trade-off proposition, which came to be named after him, was rapidly thrust into operation as a supposedly reliable basis for macroeconomic policy manipulation.

Perhaps his most important and lasting contribution is the Phillips Law of Macroeconomic Controversy (Leeson 1994a). Phillips' life and work were models of scholarship, integrity and service. But in the competition for influence in the political market-place, other values became dominant. The posturing and promising of the 1960s and 1970s were ill-suited to a modest and unassuming scholar, such as Phillips. In the process, the subtlety and wisdom of Phillips' stabilisation exercises were largely overlooked, as Monetarists and Phillips Curve Keynesians battled it out for policy influence. Both invoked Phillips' name - the Monetarists worked with a concept called the Natural-Rate Expectations Augmented Phillips (N-REAP) Curve model. Much of this disputation invoked the `Manichean fallacy of two species' (Leeson 1994a, p.614), which inevitably resulted in the tendency to characterise policy-opponents as `stage villains'. Phillips found all of this profoundly distasteful and depressing, and gradually abandoned macroeconomics for Chinese economic studies.

The Phillips Curve episode serves as a reminder that it was nearly fatal for Keynesian economics to become associated with the proposition that ongoing inflation would purchase sustainable reductions in levels of unemployment - a proposition that both Keynes and Phillips cautioned against. It also serves as a reminder that we neglect at our peril the sociology of knowledge in the economics profession. If more attention were paid to the ways in which ideas are picked up, simplified (and sometimes

distorted), and transmitted to policy makers - then perhaps there would be a much wider appreciation of the unbridgeable gap between Phillips' contributions to stabilisation policy and the trade-off misinterpretation of that work.

Robert Leeson

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