

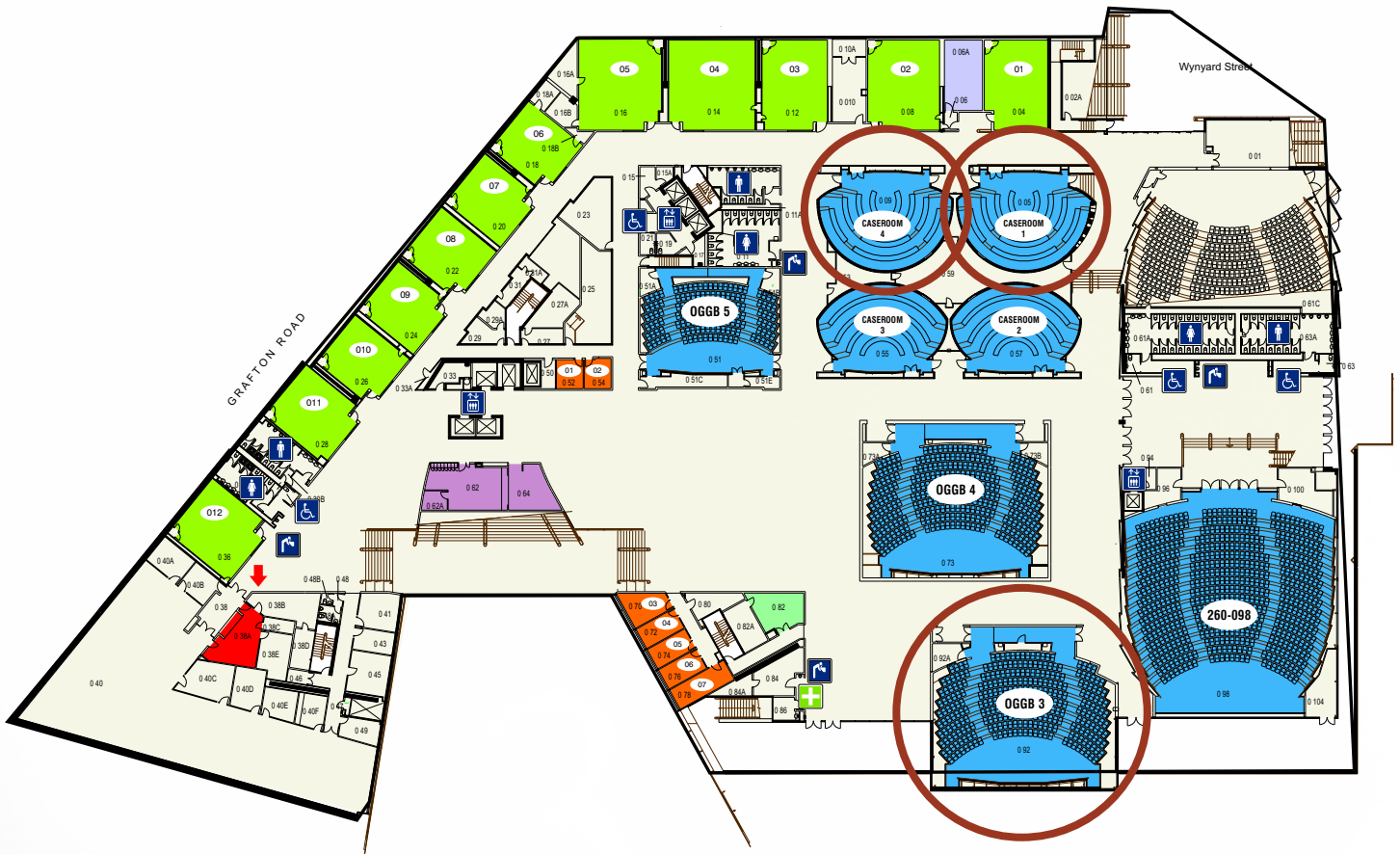
Joint Annual Conference

of the **New Zealand Association of Economists**
and **Law and Economics Association of New Zealand**



30 June 2010 - 2 July 2010

University of Auckland Business School



Disabled Toilet



Toilets



Lifts



Drinking Fountains



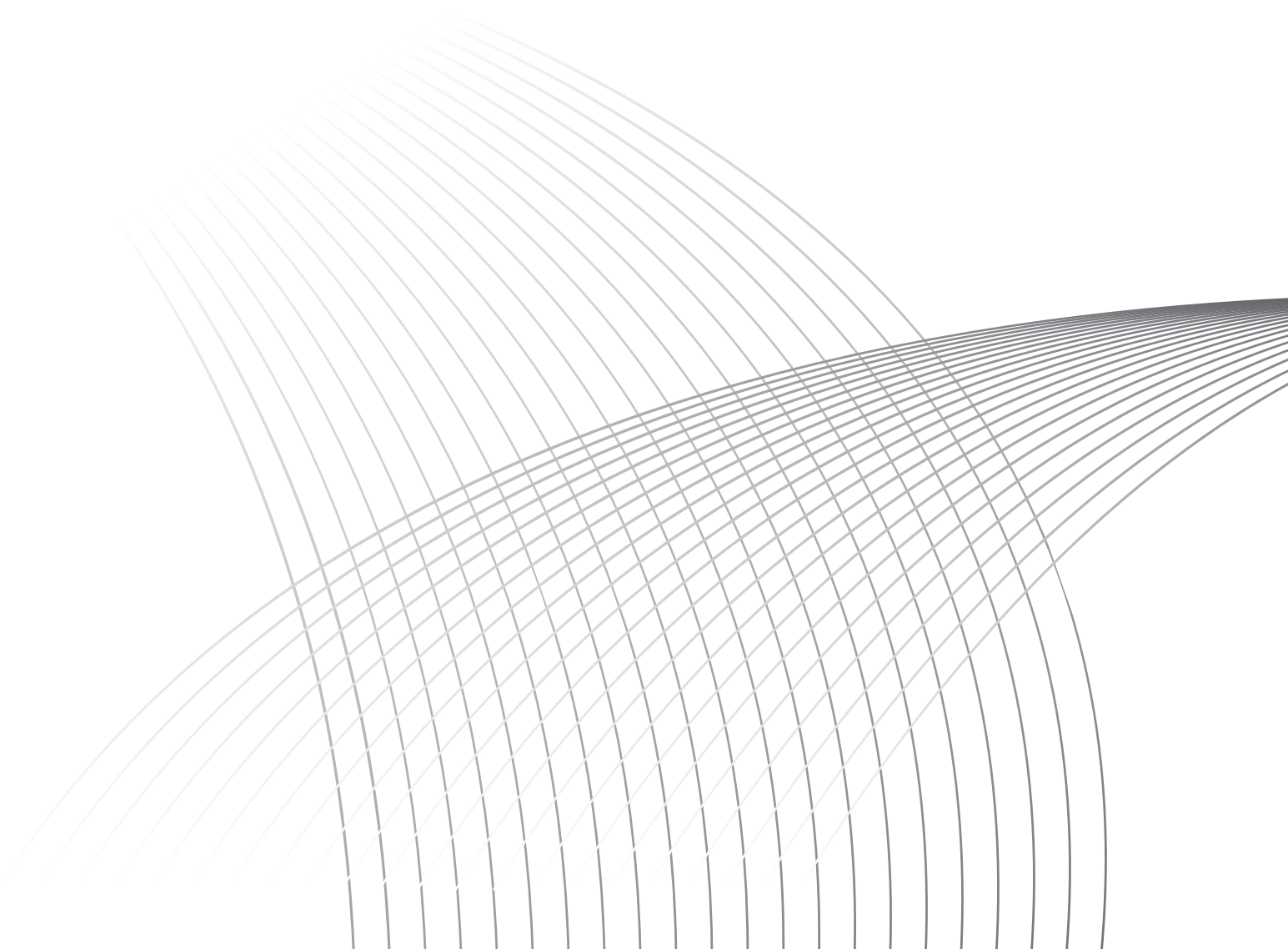
First Aid

LEVEL 0

Joint Annual Conference. Auckland 2010
 New Zealand Association of Economists
 Law and Economics Association of New Zealand

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section 1

Presidents' Welcome

It is my great pleasure to welcome you to Auckland and specifically the new University of Auckland Business School, for the Annual Conference of the NZ Association of Economists. Please do take the time to walk around the building and marvel at the magnificent views (weather permitting).

This conference continues to be the marquee event of the Association and part of the reason for this can be found in the broad community of economists who attend and participate. Robert MacCulloch (one of our keynotes from 2009) had this to say about our annual conference:

"I had a better time at the NZAE conference than at any other conference that I have ever been to. The sessions at the NZAE conference were very well attended and of excellent quality. And the main dinner was particularly friendly and held in the best venue that I could imagine in Wellington. I could not have enjoyed myself more. You and the other leadership of the NZAE managed to combine high quality economics with a super friendly and inviting atmosphere."

The organising committee for 2010 has certainly worked hard to maintain and improve on these aspects. In fact, the quality of submitted work is so good that we are turning down an increasing number of papers to meet our session restrictions. This is a compliment to all of you who have chosen this conference as the vehicle to disseminate your research. Thank you.

I am sure you will also join with me to thank the organising committee of Bill Kaye-Blake, Stephen Knowles and Seamus Hogan, ably supported by the AERU team, for their excellent organisation of this conference. We have tried a number of innovations this year that seem to have made things much easier. Your feedback will help us to continue to make improvements.

The team is sure you will enjoy the conference and benefit greatly from the formal sessions and the informal opportunities. This is one of the rare economics conferences where all the sectors of our economic community can share ideas or just catch up with old friends.

If you need any help during the conference be sure to ask at the Conference Registration Desk or any one of our helpful Conference Assistants.

Thank you for attending and aiding the Association in achieving our aim of a 'Community of Economists'.

Mary Hedges
President, NZAE

The Law and Economics Association of New Zealand is very pleased to be running a conference in tandem with NZAE again and very grateful for the enthusiasm and co-operation of the NZAE Conference organising team.

Law and economics has traditionally consisted of economic analysis of law, but we are hoping to move on from that to increasing the understanding of the importance of law and legal institutions to the economic system. In terms of both conceptual debate and current policy arguments, the linkage between the legal system and its values and the economic system and its functioning is vital. We are delighted to have secured Emeritus Professor Wolfgang Kasper to deliver the opening plenary address which will doubtless address this point.

All NZAE members are most welcome to attend any or all of the LEANZ sessions on Wednesday 30 June. I will be around all that day and at the dinner on 1 July and would be delighted to meet and talk to any NZAE members who have not had previous involvement with LEANZ but would be interested in its activities.

I look forward to meeting many new people at the conference and hope that you find the LEANZ contribution to the conference stimulating and useful.

Bernard Robertson
President, LEANZ

Conference Information

Conference Committee

Chair: Bill Kaye-Blake, Lincoln University
Seamus Hogan, University of Canterbury
Stephen Knowles, University of Otago

Sponsors and Exhibitors

The NZAE and LEANZ appreciate the support received from the following major sponsors:

Reserve Bank of New Zealand



The Treasury



Statistics New Zealand



The conference has also received support from the following:

AERU at Lincoln University
Hoare Research Software Ltd
McGraw Hill
Office Max
Routledge, Taylor & Francis Group

Routledge (Taylor and Francis – Australasia)

Building on two centuries' experience, the Taylor & Francis Group, incorporating Routledge, has grown rapidly over the last two decades to become a leading international academic publisher. With offices in London, New York, Singapore and Melbourne, the Group publishes more than 1,400 journals and 1,800 books each year. Routledge is proud to publish 'New Zealand Economic Papers', the journal of the NZAE.

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Melbourne, 3004
Australia
Phone: 03-9866 2811
Fax: 03-9866 8822
Email: enquiries@tandf.com.au

Venue

The University of Auckland Business School is hosting the conference on three levels. Please refer to the maps on the inside front and back covers for room locations.

Registration, catering, and plenary sessions will take place on the ground level. Contributed paper sessions will be held in eight rooms, across three levels of the Business School.

OGG B3 (plenary room), Case Room 1 and Case Room 4 are all on the Ground Floor. Rooms 215, 219 and 223 are on the Second Floor. Room 325 and the Decima Glenn Room are on the Third Floor.

All floors can be accessed by stairs or lifts from the Ground Floor.

Catering

Morning and afternoon tea breaks will be held in the Foyer on the Ground floor. This area will also be the lunch venue on Wednesday, Thursday and Friday. Delegates who have advised their special diet requirements as part of the registration procedure will find their food at a separate table. Food will be labelled according to diets provided for. Please do not take food from this table if you have not requested it in your registration.

If you have not asked for meals catering to specific dietary requirements and require them, please see the conference staff to arrange meals for you. Please ask staff if you are in doubt.

Conference Badges

Name badges are included in your Conference Pack. Badges should be worn at all conference events including the Conference Dinner at The Hyatt Regency on Thursday night. For ease of identification, delegates will have blue lanyards and conference committee members have red lanyards.

Conference Assistance

Conference staff will be wearing green T-shirts for easy identification. They will be at the registration desk during all sessions and will also be around the venue should you need guidance to rooms.

Should you require any assistance or have any queries during the conference about anything, please feel free to ask any of the conference assistants or a member of the committee (with a red lanyard) and they will be happy to help you.

Contributed Papers

We thank the many contributors to the programme. Their abstracts, which are included in Section Three of this programme, are reproduced without editing (except for printing or formatting). Presenter(s) of papers are denoted by bold text. Contributed papers are available on the CD-Rom that is provided in the Conference Pack and will also be made available on the NZAE website.

All contributed papers have been quality-assured in a process consistent with guidelines for the Performance-Based Research Fund (PBRF). The conference CD-Rom is an official record of these quality-assured papers.

LEANZ Contributed Paper Sessions

We look forward to the contribution of LEANZ members on Wednesday. All NZAE delegates are invited to attend these sessions. Details are included in Section Two of this programme booklet.

Poster Session

Posters will be located in the Foyer on the Ground Floor. The dedicated poster session will take place on Wednesday 30 June 3.00 – 4.00 pm where delegates can discuss posters with the authors. All posters submitted and presented at the conference are automatically entered into the People's Choice Competition. With the ballot (included in the Conference Pack) delegates have the opportunity to vote for the poster they feel is the best. For further information, please refer to the section on Competition & Awards on the next page.

Competition & Awards

The following prizes will be awarded at the Conference Dinner. The nominees are highlighted throughout the Daily Programme Summary in Section 2.

Capital Markets Competition

The New Zealand Capital Markets Paper Prize is awarded to the paper that best advances our understanding of New Zealand Capital Markets. Papers will be judged when presented at the 2010 New Zealand Association of Economists Annual Conference. A prize of \$1000 is awarded for the best presented paper. The prize is sponsored by the Reserve Bank New Zealand, Ministry of Economic Development and The Treasury.

Jan Whitwell Prize

The Jan Whitwell Prize honours the memory of Jan Whitwell (1944-1993), a former President of the New Zealand Association of Economists (1992-93), distinguished university lecturer and musician. Jan Whitwell died in a road accident in October 1993. The Award is provided by the NZAE Education Trust. Entry to the Prize is open to persons who are either engaged currently in full time study or have completed a thesis or full time study during the preceding eighteen months. A prize of \$1000 is awarded for the best presented paper.

NZIER Poster Competition

This competition is in two categories: 'Post-graduate Student' and 'Open'. A prize of \$1000 is awarded for the poster judged the best in each category. To be eligible for the 'Student' category, students must be currently studying post-graduate economics or have completed study no earlier than July 2009. Anyone who does not meet the student criterion is welcome to enter under the 'Open' category. The poster competition is sponsored by the New Zealand Institute of Economic Research. The dedicated poster session takes place Wednesday 30 June, 3.00 – 4.00 pm in the Foyer on the Ground Floor.

Statistics New Zealand Prize

The prize will be awarded to the paper that is deemed to make the best use of official statistics. The statistical series should include data from official New Zealand sources, and may include overseas data as well. The papers will be judged by representatives from both Statistics NZ and the NZAE. A prize of \$1000 will be awarded to the paper that is judged to have the best use of official statistics. This prize will be awarded at the Friday lunch.

Graduate Study Award

The NZAE Education Trust has established two awards of up to \$500 each for research students in New Zealand. In addition to the funds, awardees receive a one-year membership to the NZAE. We are pleased to welcome the two recipients of the Graduate Study Award at the NZAE Conference 2010:

Shuzhang Sun, Lincoln University
Peck-Leong Tan, Waikato University

Conference Assistant Awards

The NZAE Education Trust has established five special awards to enable students to attend the NZAE annual conference. Awardees will receive free conference registration and up to \$200 to assist with their travel. In return, they help with running the event. We are pleased to welcome the five recipients of the Conference Assistants Awards at the NZAE Conference 2010:

Fardous Alom, Lincoln University
Rachel Susan Webb, University of Canterbury
Nathaniel Robson, Victoria University
Lifeng (Daisy) Shen, University of Auckland
Darian Woods, University of Canterbury

People's Choice Award

All posters submitted and presented at the conference are automatically entered into the People's Choice Award. Delegates have the opportunity to vote for the poster they feel is the best. A prize of \$500 will be awarded to the poster that receives the most votes.

Voting will be open until 5.00 pm on Thursday 1 July and ballots for voting are included in delegates' conference packs (one per person). Please put the completed ballot in the red box located on the Registration Desk on the Ground Floor.

Social Programme

Complimentary Drinks & Social Hour

The Complimentary Drinks & Social Hour will be held on Wednesday 30 June from 5:30pm - 6:30pm in Spicers Restaurant on the Third Floor of the Business School. You are invited to join with your colleagues at this time for a convivial drink and nibbles.

Conference Dinner

The Conference Dinner is being held on Thursday 1 July, at The Hyatt Regency in the Princess Ballroom on the lobby level. This event will include the induction of Life Members to the New Zealand Association of Economists and awarding of prizes from the conference competitions (please note that the Statistics NZ prize will be awarded at lunch on Friday). Pre-dinner drinks will begin at 6.30 pm in the Princess Ballroom, with dinner commencing at 7.00 pm.

Delegates with special diets should ask the staff for the dietary selections.

The Hyatt Regency is located at the corner of Princes St and Waterloo Quadrant. It is a 10-minute walk from the Business School.



Keynote Speakers' Biographies



WOLFGANG KASPER

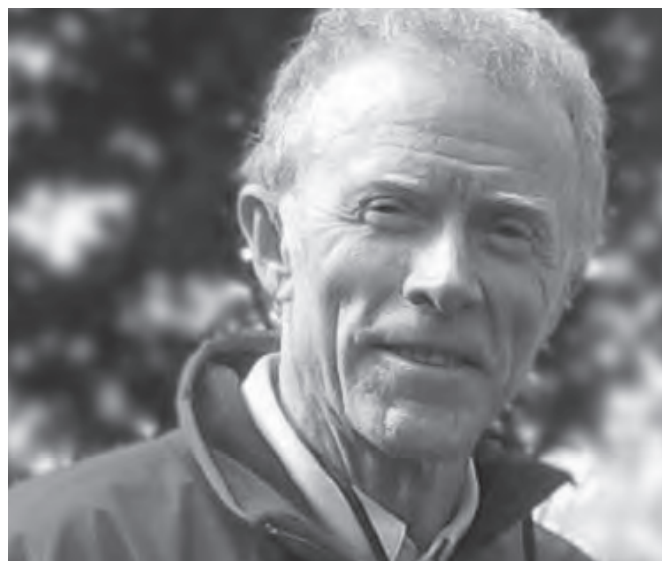
Professor Emeritus;
University of New South Wales

Wolfgang Kasper, Professor Emeritus, held the foundation Chair in Economics (1977-1999) on the Defence Force Academy campus of the University of New South Wales.

After formative years in post-war West Germany and Switzerland and a doctoral thesis in international finance, he worked on the staff of the German Council of Economic Advisors, at the Kiel Institute of World Economics, as a Harvard University Advisor to the Malaysian Minister of Finance, and at the Australian National University, the Reserve Bank of Australia, OECD in Paris, and the Fed of San Francisco.

Professor Kasper has a long record of research and consulting for international business and governments, including East-Asian and Pacific countries. He has written and lectured widely on the role of institutions in economic development and has authored some 20 monographs and over 200 articles. He contributes occasional articles to Australian and overseas newspapers.

Professor Kasper is an elected member of the Mont Pèlerin Society, an international academy, and serves on the Academic Advisory Council of the Centre for Independent Studies in Sydney.



PETER KENNEDY

BA, PhD Wisconsin
Professor Emeritus;
Simon Fraser University, Department
of Economics

Peter Kennedy is Professor Emeritus at Simon Fraser University. He has held visiting positions at numerous universities over the years, including: Cornell, Wisconsin, The London School of Economics, Singapore, Deakin, Cape Town, Canterbury, Curtin, Adelaide, Otago and EERC (Ukraine), but has been based at Simon Fraser University for the majority of his career.

He has been the recipient of four awards for excellence in teaching, and the Villard Award for research in economic education. He has written, and is best known for, his textbooks *A Guide to Econometrics* and *Macroeconomic Essentials for Media Interpretation*. Peter is an associate editor of the *International Journal of Forecasting*, the *Economics Bulletin* and *The Journal of Economic Education*, where he holds the responsibility for editing its research section.

Peter has many publications, with recent publications in econometrics in the areas of forecasting qualitative variables, unit root testing, applied econometrics, methodology and pedagogy.



DAVID HENSHER

**BCom(Hons) PhD UNSW; FASSA; FCIT;
FAITPM; CompleAust; MAPA
Professor of Management;
Director, Institute of Transport and Logistics
Studies; University of Sydney**

David Hensher is Professor of Management, and Founding Director of the Institute of Transport and Logistics Studies (ITLS): The Australian Key Centre of Teaching and Research in Transport Management at The University of Sydney. David is a Fellow of the Academy of Social Sciences in Australia (FASSA), Recipient of the 2009 IATBR (International Association of Travel Behaviour Research) Lifetime Achievement Award in recognition for his long-standing and exceptional contribution to both IATBR as well as to the wider travel behaviour community. He is also the recipient of the 2006 Engineers Australia Transport Medal for his lifelong contribution to transportation, and recipient of the 2009 Bus NSW (Bus and Coach Association) Outstanding Contribution to Industry Award.

He is a member of the Singapore Land Transport Authority International Advisory Panel (Chaired by the Minister of Transport), and Past President of the International Association of Travel Behaviour Research. David is the Co-Founder of The International Conference in Competition and Ownership of Land Passenger Transport (the Thredbo Series), now in its 21st year. David is on the editorial boards of 10 of the leading transport journals and Area Editor of Transport Reviews. He is also series and volume editor of a handbook series "Handbooks in Transport". He has published extensively (over 435 papers) in the leading international transport journals and key journals in economics as well as 12 books.



JEANNE SCHROEDER

**A.B., JD Stanford
Professor of Law;
Benjamin N. Cardozo School of Law**

Professor Jeanne L. Schroeder has been a professor of law at the Benjamin N. Cardozo School of Law, Yeshiva University, New York City for over twenty years where she teaches a variety of courses on business and finance law. In three books and dozens of articles, she has been developing a theory of property, law and markets based largely on the philosophy of G.W.F. Hegel and the psychoanalytic theory of Jacques Lacan. She also writes on the commercial law of investment securities.

Having a law degree from Stanford Law School and an A.B. in economics from Williams College, she practiced transactional business law in New York City for over eleven years before entering the academy. She has also taught at the University of Michigan, the George Washington University Law School, the University of Miami School of Law and The Interdisciplinary Center, Herzilya, Israel.

Daily Programme Summary

Wednesday 30 June	15
Thursday 1 July	19
Friday 2 July	23

NB: Presenter(s) of papers are indicated by ***BOLD ITALIC*** type.

Entries for Conference Competitions & Prizes are noted after the authors' names:

(CM): Capital Markets Competition Entry

(SNZ): Statistics New Zealand Prize Entry

(JW): Jan Whitwell Prize Entry

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section 2

Wednesday 30 June 2010

REGISTRATION

8.00 – 9.00 am

Foyer, Ground Floor

OPENING AND KEYNOTE 1

9.00 – 10.30 am

OGG B3, Ground Floor

Conference Opening

Mary Hedges, NZAE President

Keynote 1:

Session Chair: Bernard Robertson,
LEANZ President

“What’s Wrong with Neoclassical Orthodoxy?
– An Overdue *Methodenstreit*”

**Wolfgang Kasper, University of New South
Wales, Australia**

The neoclassical ‘economist king’ has tumbled from his pedestal. Enrolments in mainstream economics courses have declined the world over. Faculties of law, commerce, sociology, psychology, anthropology, history and engineering have removed conventional introductions to economics from their curricula. Moreover, the great policy reforms since the 1980s owed little to the neoclassical mainstream, which has been found wanting. The poverty of neoclassical economics becomes evident when one realises that key concepts -- such as competition, enterprise, profit, the costs of transacting business, the need for law and other rules of coordination (institutions) -- have simply been ‘assumed away for simplicity’s sake’. It is also imbued with a wrong-headed pessimism, derived from 19th century agricultural reality (law of diminishing returns).

Nonetheless, many economics faculties and major journals still cling to the neoclassical paradigm, for it makes teaching and research easy, facilitates publication and builds on established professional networks. Neoclassical assumptions allow economists to build elegant models, to adopt a utopian posture, allege frequent market failures and urge policy makers to engineer specific outcomes (constructivism), thus helping to increase the sway of the visible hand. Despite recent lapses into Keynesian (neoclassical) economics and re-regulation, an intellectual sea change is manifest. Jurists, business analysts, engineers and

historians, as well as top-level policy advisers, now increasingly embrace the Austrian (evolutionary or institutional) approach to economics. And the wider public has long jettisoned the assumption of a benevolent, all-knowing state. Instead, electorates embrace a deepening ‘public-choice scepticism’. To understand these changes, we are well advised to revisit the *Methodenstreit* (dispute over the correct method to analyse economic phenomena), which excited Continental European economists one-hundred years ago and which has been maintained on and off ever since. At its core lie fundamental disagreements over the very subject matter of human action, and specifically the admissibility of assumptions of ‘perfect knowledge’ and *ceteris paribus*. *Methodenstreit* also deals with aspirations to make economics ‘scientific’, similar to the traditional laboratory sciences (scientism), and with assertions that it can be conducted satisfactorily without reference to fundamental social values (normative economics).

If economics is again to become more realistic and relevant, economists must acknowledge the absurdity of basic assumptions that underpin the neoclassical paradigm. Economics – a child of moral philosophy – must again in essence be about the search for and use of knowledge for socially valued purposes. A focus on creativity, progress and enterprise also recommends itself, because that will turn the dismal science of rationing scarcity into a more cheerful and encouraging discipline

MORNING TEA

10.30 – 11.00 am

Foyer, Ground Floor

CONTRIBUTED PAPERS: SESSION 1

11.00 am – 12.30 pm

1.1

Health & Welfare

Room 223

Session Chair: Seamus Hogan, University of Canterbury

- Unemployment Rate & Divorce – **Susmita Roy (JW)**
- Home Heating and Asthma in New Zealand – **Rachel S Webb (JW) (SNZ)**
- The Demand for “Good Health”: Going Beyond the Human Capital Model – **Jaikishan Desai**

1.2

Economics Education

Room 215

Session Chair: Peter Kennedy, Simon Fraser University

- The Impact of Question Format in Principles of Economics Classes: Evidence from New Zealand – **Stephen Hickson**
- Ambiguity, the Certainty Illusion, and Gigerenzer’s Natural Frequency Approach to Reasoning with Inverse Probabilities – **John Fountain** & Philip Gunby

1.3

Demographics

Decima Glenn Room

Session Chair: Les Oxley, University of Canterbury

- The Economic and Social Outcomes of Children of Migrants in New Zealand – **Julie Woolf**
- Squeezed In and Squeezed Out: The Effects of Population Ageing on the Demand for Housing – **Andrew Coleman**
- Volatility in the Employment Series of the Household Labour Force Survey – **Lourdes Vivo**

1.4

Economics of Developing Countries 1

Room 219

Session Chair: Chris Hajzler, University of Otago

- How Does Central Authority Assign Provincial Leaders? Evidence from China – **Mingqin Wu**
- Does Household Credit to the Poor Benefit their Child’s Schooling? A Case Study of Peri-Urban Areas of Ho Chi Minh City, Vietnam – **Tinh Doan**, John Gibson & Mark Holmes
- Income Smoothing and Welfare Gains Across Pacific Island Countries: The Role of Remittances and Financial Aid and Savings – **Faruk Balli** & Hatice Ozer-Balli

1.5

Measuring the Impacts of Tax Policy

Case Room 4

Session Chair: Norman Gemmell, Treasury

- Measuring the Responsiveness of New Zealand Income Taxpayers to Changes in Income Tax Policy: Some Preliminary Evidence – John Creedy, **Iris Claus**, Norman Gemmell, Angela Mellish & **Josh Teng**
- US Taxpayer Reporting Responses and the Tax Reform Act of 1986 – **James Alm**
- Measuring the Impacts of Tax Reform: Some Evidence for New Zealand – **Michelle Harding**, Norman Gemmell & Angela Mellish

1.6

LEANZ Session

Case Room 1

- Commentary & discussion of Wolfgang Kasper’s presentation
- New Zealand Housing Markets: Just a Bit-Player in the A-League? – **Arthur Grimes**, Mark Holmes, Nicholas Tarrant

LUNCH

12.30 – 1.30 pm

Foyer, Ground Floor

LEANZ Annual General Meeting

1.00 – 1.30 pm

Room 325

CONTRIBUTED PAPERS: Concurrent Session 2

1.30 – 3.00 pm

2.1

Business Strategy & Skills in NZ Firms

Room 215

**Session Chair: Tim Maloney, Auckland
University of Technology**

- A Good Worker is Hard to Find: The Determinants of Skills Shortages in New Zealand Firms – Geoff Mason, Penny Mok, Peter Nunns, **Philip Stevens** & Jason Timmins (SNZ)
- Business Strategies and Employment Decisions: Interviews with New Zealand Firms – **William Kaye-Blake**, Bette Flagler; Rachel Campbell
- The Training's A-Comin' In: An Analysis of Training Decisions Using Microdata – Geoff Mason, Penny Mok, Peter Nunns, Philip Stevens & **Jason Timmins** (SNZ)

2.2

CGE Modelling

Room 219

**Session Chair: Anita King, Energy Efficiency
and Conservation Authority**

- The Economic Impacts of Retaining Tariffs in NZ: A Dynamic CGE Analysis – **John Ballingall**, James Giesecke & James Zuccollo
- A CGE Analysis for Climate Change Negotiations: The Impact of Assigned Amounts Units – **Chris Schilling**
- Discussion Session on CGE Modelling Society led by **Anita King**

2.3

Labour Economics 1

Room 223

**Session Chair: Bill Rosenberg, New Zealand
Council of Trade Unions**

- Firm Size Class Methodology in the Linked Employer-Employee Data (LEED): Initial Analysis of the Impact on Different Firm Size Class Methodologies on Quarterly and Net Gross Flow Statistics – **Karin Henshaw**
- Labour Market Flows in New Zealand: Some Questions and Some Answers – **Brian Silverstone** & **Will Bell**
- Employment by Skills in New Zealand and Migrant's Share in its Recent Growth: Trans-Tasman and Wider Comparisons – **Richard Manning** & **Ram SriRamaratnam** (SNZ)

2.4

International Finance

Case Room 4

Session Chair: Dan Farhat, University of Otago

- The Term Structure of Interest Rates, the Expectations Hypothesis and International Financial Integration: Evidence from Asian Economies – **Mark J Holmes**, Jesus Otero & Theodore Panagiotidis (CM)
- Do Sovereign Credit Ratings Affect the Composition and Maturity of Sovereign Borrowing? – **Kuntal Kumar Das** (CM)
- A Time Series Approach to the Feldstein-Horioka Puzzle with Panel Data from the OECD Countries – **Saten Kumar** & B Bhaskara Rao (CM)

2.5

Effects of Law & Regulation (Joint LEANZ & NZAE Session)

Case Room 1

- The Indirect Impacts of Smoking Bans in Gaming Venues – Joe Hirschberg & **Jenny Lye**
- Evaluating the Impact of the 2002 Amendments to the Health and Safety in Employment Act (1992) – **Philip Gunby** & Michael Wilkinson
- Regulation - It's not all about Economics – **Aaron Lloyd**

2.6

Diversity and 'Economic Assimilation' of Immigrants

Decima Glenn Room

Session Chair: Jacques Poot, University of Waikato

- Immigrant and Native Saving Behaviour in Australia – **Asadul Islam**, Jaai Parasnis & Dietrich Fausten
- The Importance of Heterogeneity when Examining Immigrant Education-occupation Mismatch: Evidence from New Zealand – **Jacques Poot** & Steve Stillman (**SNZ**)
- Diversity and 'Economic Assimilation' of Immigrant Workers: Evidence from Cities in USA – **Nazmun N Ratna** & Ian MacDonald

POSTER SESSION & AFTERNOON TEA

3.00 – 4.00 pm

Foyer, Ground Floor

KEYNOTE 2

4.00 – 5.30 pm

OGG B3, Ground Floor

Session Chair: Arthur Grimes, Motu

“Road Pricing and Road Funding”

Professor David Hensher, Institute of Transport and Logistics Studies, University of Sydney

This talk focuses on the increasing role that user charges play in pricing the efficient use of roads as well as providing revenue sources to invest both back into the road network and into public transport. We review the small number of cordon- and kilometre-based charging schemes around the world as a means of illustrating the direction that countries such as Australia and New Zealand should move. The move to variable user charging is challenging for governments. The challenge is more about politics and marketing than economics and technology

LEANZ Session: Land & Money

4.00 – 5.30 pm

Decima Glenn Room

- The Securitization of Mortgages in the United States: A Market of Mass Desruction – **David Gray Carlson**
- Why the Shadow of the Law is Important for Economists – **Stuart Birks**

COMPLIMENTARY DRINKS & SOCIAL HOUR

5.30 – 6.30 pm

Spicers Restaurant, Third Floor, University of Auckland Business School

Thursday 1 July 2010

REGISTRATION

8.00 – 8.30 am

Foyer, Ground Floor

KEYNOTE 3

8.30 – 10.00 am

OGG B3, Ground Floor

**Session Chair: Mary Hedges,
University of Auckland**

“Abusing Econometrics”

**Professor Peter Kennedy,
Simon Fraser University**

Econometrics has suffered for many years from a lack of respect both within and outside the economics discipline. Although some of this disrespect is inevitable given the difficulty of producing empirical truths from economic data, much of it comes from abuses of econometrics by practitioners. This presentation discusses this issue, presents a list of the top ten abuses, and notes a recent revival of respect for econometrics, a credibility revolution. These subjective views are supported with quotes from related literature and with email correspondence from the author's twenty years of experience editing the research section of the *Journal of Economic Education*

MORNING BREAK

10.00 – 10.30 am

Foyer, Ground Floor

CONTRIBUTED PAPERS: Concurrent Session 3 10.30 am – 12.00 noon

3.1

Economic History

Room 215

**Session Chair: Stephen Knowles, University
of Otago**

- Stature and Living Standards in New Zealand: An Alternative View and Some Initial Results – Kris Inwood, **Les Oxley** & Evan Roberts
- Uncovering Uncovered Interest Parity During the Classical Gold Standard Era, 1888 – 1905 – **Andrew Coleman**

3.2

Competition Policy

Case Room 1

**Session Chair: Kris Lyer, Ministry of
Economic Development**

- Competition Policy and Credit Card Interchange Fees in New Zealand – **Stephen Gale** & **Ben Gerritsen**
- Credit Constraints and Firm Dynamics – Jorge Alonso, **El-hadj Bah** & Lei Fang

3.3

Open Economy

Macroeconomics

Decima Glenn Room

**Session Chair: Mark Holmes, University
of Waikato**

- Capital Accumulation, Non-traded Goods and International Macroeconomic Dynamics with Heterogeneous Firms – **Daniel Farhat**
- Does Exchange Rate Volatility Depress Trade Flows in a Small Open Economy? Evidence from New Zealand – **Junnan Zhao (SNZ)**

3.4

Microeconomic Theory Room 219

Session Chair: Ying Zhou, Auckland University of Technology

- Sharing a Risky Cake – **David Baqaee**
- Simultaneous Auctions at Separate Markets – Long-yu Chiou, Wei-tormg Juang & **Kuo-chih Yuan**
- Allocative Downside Risk Aversion – **Richard Watt** & Francisco Vazquez

3.5

Fiscal Policy & Productivity Case Room 4

Session Chair: Norman Gemmell, Treasury

- Uncovering Industry Drivers of New Zealand's Aggregate Productivity Growth – Adam Tipper, **Nicholas Warmke**, Lizette van Heerden, & Toby Hunter
- Taking on the West Island – How Does our Productivity Performance Stack Up? – **Brendan Mai**, Geoff Lewis, **John Janssen** & Simon McLoughlin
- The Devil is in the Details: Demonstrating the Impact of Measurement Choices on Inputs to Government Sector Productivity – **Jodi York**

3.6

Econometrics & Forecasting Room 223

Session Chair: Dorian Owen, University of Otago

- Partially Polynomial Estimation in Regression Discontinuity – **Ping Yu**
- The PCSE Estimator is Good, Just Not as Good as You Think – **W Robert Reed** & Rachel Webb
- Evaluating density forecasts: Model combination strategies versus the RBNZ – **Chris McDonald** & Leif Anders Thorsrud

LUNCH

12.00 noon – 1.00 pm

Foyer, Ground Floor

NZAE Annual General Meeting

1.00 – 2.00 pm

OGG B3 Ground Floor

CONTRIBUTED PAPERS: Concurrent Session 4

2.00 – 3.30 pm

4.1

Spatial Economics 1 Decima Glenn Room

Session Chair: Stephanié Rossouw, Auckland University of Technology

- The Accessibility to Microcredit by Rural Households: A Case of China – **Judy Xia Li**, Christopher Gan & Baiding Hu
- Getting People Out of Unemployment: A Spatial Perspective Across Auckland – Don J Webber (**SNZ**) & **Gail Pacheco**
- Residential Location Choice in Auckland – Andrew Coleman & **David C Maré (SNZ)**

4.2

Social Capital Room 215

Session Chair: Caroline Saunders, AERU

- Are Survey Measures of Trust Correlated with Experimental Trust? Empirical Evidence from Cameroon – Alvin Etang, David Fielding & **Stephen Knowles**
- Housing and Social Capital in New Zealand – **Matthew Roskrige**, Arthur Grimes, Philip McCann & Jacques Poot (**SNZ**)

4.3

Law & Crime Room 223

**Session Chair: Stuart Birks,
Massey University**

- A Spatial Econometric Analysis of Selected Impacts of Liquor Outlet Density in Manukau City – William Cochrane, **Michael P Cameron**, Kellie McNeill, Pania Melbourne, Sandy Morrison & Neville Robertson (**SNZ**)
- The Effects of Weather on Crime – **James Horrocks** & Andrea Kutinova Menclova
- The Impact of Natural Disasters on Violent Crime – **Susmita Roy (JW)**

4.4

Welfare & Environmental Economics Case Room 4

**Session Chair: Dan Marsh, University
of Waikato**

- Evidence Based Evaluation of Welfare Reform – **Susan St John** & M Claire Dale
- The Determinants of Subjective Wellbeing in New Zealand: An Empirical Look at New Zealand's Social Welfare Function – **Denise Brown**, Stefan Lindsay & Conal Smith
- A Decade of Public Perceptions of the New Zealand Environment: A Focus on Water and its Management – Kenneth Hughey, **Ross Cullen** & Geoffery Kerr

4.5

Industrial Organisation Case Room 1

**Session Chair: Philip Stevens, Ministry of
Economic Development**

- Gaming Energy: Thermal Generation with Transmission and Emission Constraints – Javier Contreras, Jacek B Krawczyk & **James Zuccollo**
- Entry and Location Choice with Network Formation – **Keizo Mizuno** & Yasunori Okumura
- Access to Capital Markets for Small New Zealand Exporters: Is there a Market Failure? – Alex Sundakov & **Ben Gerritsen**

4.6

Economic Consultants Roundtable Room 219

Session Chair: Bill Kaye-Blake, AERU

The roundtable is an opportunity for economists engaged in consultancy to discuss their specific issues and how the NZAE can support them. Possible topics include working with the Government procurement system and the role of consultancy reports in public policy debates.

AFTERNOON TEA

3.30 – 4.00 pm

Foyer, Ground Floor

CONTRIBUTED PAPERS: Concurrent Session 5

4.00 – 5.30 pm

5.1

Electricity Markets OGG B3, Ground Floor

**Session Chair: Stephen Poletti, University
of Auckland**

- Critique of Wolak's Evaluation of the NZ Electricity Market: The Incentive to Exercise Market Power with Vertical Integration and Transmission Loss – Peter Jackson & **Seamus Hogan**
- Swapping Generators' Assets: Market Salvation or Wishful Thinking? – Anthony Downward, **David Young** & Golbon Zakeri
- Does wholesale Market Power Extend to Fixed-Price Forward Prices in Electricity Markets – **Seamus Hogan**

5.2

Economics of Developing Countries 2

Room 215

Session Chair: Andrew Coleman, Motu

- The Impacts of Temporary Emigration of Lower-Skilled Females on Sending Households in Indonesia – **Peck-Leong Tan** & John Gibson
- Estimating Household Economies of Scale for the Poor in Malaysia – **Penny Thai-Yoong Mok (JW)**
- Resource-based FDI and Expropriation in Developing Economies – **Christopher Hajzler (JW)**

5.3

Finance & Housing

Room 223

Session Chair: Arthur Grimes, Motu

- Chinese Overseas M&A Performance and the Go Global Policy – Lulu Gu & **W Robert Reed (CM)**
- Forecasting House Price Inflation: A Model Combination Approach – **Sarah Drought** & Chris McDonald **(SNZ)**

5.4

Tax & Fiscal Solvency

Case Room 4

Session Chair: Howard Fancy, Motu

- Modelling New Zealand's Long-term Fiscal Position – Matthew Bell, Gary Blick, **Oscar Parkyn**, Paul Rodway & Polly Vowles
- GST Collection from the New Zealand Property Sector – **Iris Claus** & Geoff Leggett

5.5

Economic Data

Decima Glenn Room

Session Chair: Jude Hughes, Statistics

New Zealand

- Exogenous vs Endogenous Rates of Return: The User Cost of Capital in Statistics NZ's Multi-Factor Productivity Measures – **Nairn MacGibbon**
- Testing the Infrequent Purchase Model: Using Direct Measurement of Hidden Consumption from Food Stocks – John Gibson & **Bonggeum Kim**
- Job Vacancy Monitoring in New Zealand and Jobs Online – **Victoria Wall** & **Anne Fale (SNZ)**

5.6

Internationalisation of New Zealand

Room 219

Session Chair: Gus Charteris, Ministry of Foreign Affairs and Trade

- Foreign and Domestic Ownership: Evidence of Productivity Spillovers from New Zealand Firm Level Longitudinal Data – **Kris Lyer**, Philip Stevens & Kam Ki Tang **(SNZ)**
- New Zealand Commercial Service Exporters: First Evidence from the Prototype Longitudinal Business Database – **Menaka Saravanaperumal** & Gus Charteris **(SNZ)**
- Are Non-Exporters Locked Out of Foreign Markets because of Low Productivity: Evidence from New Zealand Agriculture and Forestry – Kris Lyer, Philip Stevens & **Darran Austin (SNZ)**

CONFERENCE DINNER

6.30 pm – Pre-dinner drinks

7.00 pm onwards – Dinner

The Hyatt Regency

Friday 2 July 2010

REGISTRATION

8.30 – 9.00 am

Foyer, Ground Floor

KEYNOTE 4

9.00 – 10.30 am

OGG B3, Ground Floor

Session Chair: Bill Kaye-Blake, AERU

“The End of the Market”

**Professor Jeanne Schroeder,
Benjamin N. Cardozo School of Law**

In this paper I explore the American law-and-economic movement's ideal of the perfect market from the perspective of Lacanian psychoanalysis and Hegelian political philosophy. I do not wish merely to identify the flaws of this ideal, but to suggest why so many scholars nevertheless continue to cling to it despite its flaws.

The perfect market is the end of all actual markets - in the sense of their ideal form. In normative legal economics, actual markets are the means of achieving the end or ideal of the perfect market. But this means that to achieve a perfect market would result in the end or cessation of all actual market transactions. This is not merely a pun. Rather, my statement manifests the necessary implications of the single meaning of the word "end." One acts until one achieves one's goal, upon which action stops. We desire to achieve our ends even as we fear to end. Upon the achievement of perfection there can be no improvement, so one is frozen in crystalline ideality.

Given the centrality of the perfect market in legal economic theory, it is surprising how brief and unconsidered the descriptions of it are in economic and legal literature. By parsing the scant literature, I bring out and make explicit that which is left repressed and implicit. In this context I explore in detail the economic theory of Ronald Coase and contrast it to the misinterpretation which prevails in American legal-economic literature. The so-called Coase Theorem is not, as is generally taught in the American academy, a statement about the conditions of a perfect market without transaction costs but a proposed radical break in the way economics should think about markets and costs. A true Coasean analysis of markets has startling affinities with Hegelian and Lacanian thought.

The perfect market is a place beyond all alienating distinctions of time, space and personality. It is where all market participants achieve perfect indifference and all economic intercourse stops. Legal economists assume that the perfect market is merely empirically impossible (what lawyers call impracticable). To use invoke the common metaphor, it is like a world without friction that we can approach closely if not actually reach. This is incorrect. The perfect market is a logically impossible paradox that we can not completely describe, let alone understand or get near.

The perfect market falls within the order Lacan confusingly calls the "real". The real is not reality per se but an intuition that there is a world beyond that which we can put into words or picture. It is what Cantor meant by a "real number". The real is a dream of complete satisfaction, an ecstatic, uterine unity with the universe that, if achieved, would obliterate all individuality. Consequently, we simultaneously desire and dread it.

Actual markets, in contrast, are within the Lacanian order of the "symbolic" - the intersubjective world of human relations that includes language and law. If the real represents the logically impossible concept of complete fullness, Lacan argues, based on mathematical set theory, that the symbolic must be incomplete not as an empirical matter, but out of logical necessity. On the one hand this means that the symbolic is never completely satisfying. On the other hand, its incompleteness means that the symbolic is open and dynamic and constitutes the very condition of human freedom.

Unfortunately, although the law-and-economics movement claims to analyse actual markets from the perspective of the perfect market, in fact, its models fall within the third Lacanian order, the "imaginary". In the imaginary we construct fantasy structures in a vain attempt to bridge the impossible gap between the "symbolic" and "real" orders, thereby retaining the freedom of the former while achieving the satisfaction of the latter.

MORNING TEA

10.30 – 11.00 am

Foyer, Ground Floor

CONTRIBUTED PAPERS: Concurrent Session 6
11.00 am – 12.30 pm

6.1

Trade

Case Room 1

Session Chair: John Ballingall, NZIER

- New Zealand-India Trade Relations and Trade Potential: Recent Experience and Future Opportunities – **Sayeeda Bano** & Nawal K Paswan
- Transport Infrastructure, Firm Location and Exporting – Richard Fabling, Arthur Grimes & **Lynda Sanderson (SNZ)**
- The Early Effects of Preferential Trade Agreements (PTAs) on Intra-Regional Trade within ASEAN+6 Members – Gail Pacheco, **Rahul Sen** & Sadhana Srivastava

6.2

Spatial Economics 2

Decima Glenn Room

Session Chair: Gail Pacheco, Auckland University of Technology

- Anticipatory Effects of Rail Upgrades: Auckland's Western Line – **Arthur Grimes** & Chris Young
- Sub-national Economic Vulnerability: A Spatial Perspective – **Stephanié Rossouw** & Don J Webber
- The Spatial Impact of Local Infrastructural Investment in New Zealand – **William Cochrane**, Arthur Grimes, Philip McCann & Jacques Poot (**SNZ**)

6.3

Sports Economics

Room 215

Session Chair: Kuntal Das, University of Canterbury

- How Fair is the Duckworth/Lewis Adjustment in One Day International Cricket? – **Scott Brooker** & Seamus Hogan
- Measuring Competitive Balance in Sports with Draws: Further Comments – **P Dorian Owen**

6.4

Environmental Economics

Room 219

Session Chair: Frank Scrimgeour, University of Waikato

- Emission Intensity in New Zealand Manufacturing and the Short-Run Impacts of Emissions Pricing – Matthew Bartleet, Kris Iyer & **Elisabeth Numan-Parsons (SNZ)**
- Evaluation of Conservation Biological Control Innovation in Winegrowing – **Ross Cullen**, Sharon Forbes, Rachel Grout & Clive Smallman
- Water Resource Management in New Zealand: Jobs or Algal Blooms? – **Dan Marsh**

6.5

Monetary Economics

Case Room 4

Session Chair: Chris McDonald, Reserve Bank New Zealand

- Evaluating McCallum Rule as Policy Guideline for China – **Shuzhang Sun**, Christopher Gan & Baiding Hu
- Imperfectly-Credible Disinflation of Small Inflation – Lynne Evans & **Anamaria Nicolae**
- A Bayesian Dynamic Factor Model of New Zealand's Core Inflation – **Michael Kirker**

6.6

Labour Economics 2

Room 223

Session Chair: Brian Silverstone, University of Waikato

- Does Workplace-based Industry Training Improve Participants' Employment and Earnings Prospects? – **Sarah Crichton**
- Pareto-Improving Firing Costs? – **Bilgehan Karabay** & John McLaren

LUNCH AND CONFERENCE CLOSE

12.30 – 1.30 pm

Foyer, Ground Floor

Abstracts of Contributed Papers in order of conference sessions

Session 1: Wednesday 30 June	11.00 – 12.30	27
Session 2: Wednesday 30 June	1.30 – 3.00	31
LEANZ Session: Wednesday 30 June	4.00 – 5.30	36
Session 3: Thursday 1 July	10.30 – 12.00	37
Session 4: Thursday 1 July	2.00 – 3.30	41
Session 5: Thursday 1 July	4.00 – 5.30	45
Session 6: Friday 2 July	11.00 – 12.30	49

Abstracts of Poster Papers

Student and Open Poster Abstracts	53
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section 3

Contributed Paper Abstracts
Concurrent Session 1
Wed 30 June
11.00-12.30

1.1
Health & Welfare

Title of Paper: Unemployment Rate & Divorce
Author: Susmita Roy
University of Canterbury
Presenter: Susmita Roy

Abstract:
This paper investigates whether shifts in the unemployment rate affect the divorce probability of married and cohabiting couples. Compared to the match quality shocks utilised in the existing literature, unemployment rate movements are plausibly exogenous and affect individuals through both actual as well as potential loss of a job. I find that a rise in the unemployment rate in the wife's sector increases the odds of a divorce among cohabiting couples but not married couples. Moreover, for married couples the husband's leisure time is increasing in the wife's sectoral unemployment rate; however, the same is not true for cohabiting couples.

Title of Paper: Home Heating and Asthma in New Zealand
Author: Rachel S Webb
University of Canterbury
Presenter: Rachel S Webb

Abstract:
New Zealand has one of the highest asthma prevalence rates among developed countries and previous research attributes this partly to poor socioeconomic conditions and to insufficient home heating in particular. Retrospective empirical studies from overseas suggest that home heating is associated with asthma rates. However, the evidence to date is not conclusive. In this paper, we build a theoretical model and empirically investigate the link between home heating and asthma hospital admissions in New Zealand using panel data techniques and controlling for endogeneity. The hypothesis that higher electricity prices (via less adequate heating) increase asthma admissions will be tested.

Title of Paper: The Demand for "Good Health": Going Beyond the Human Capital Model
Author: Jaikishan Desai
Victoria University of Wellington
Presenter: Jaikishan Desai

Abstract:
The neo-classical human capital model is useful for understanding the demand for healthcare services but less useful in explaining the demand for good health, specifically how health problems, like obesity and cardiovascular diseases, develop over time. In this paper I develop an alternative explanation built on dual-process theories from social psychology which distinguish between human actions that are the result of conscious deliberation and those that are the result of habitual, automatised responses to environmental stimuli. Health-producing behaviours are hypothesised to be much more automatised, and affect-influenced, and much less consciously deliberated than conventionally assumed in the human capital model.

1.2
Economics Education

Title of Paper: The Impact of Question Format in Principles of Economics Classes: Evidence from New Zealand
Author: Stephen Hickson
University of Canterbury
Presenter: Stephen Hickson

Abstract:
This study investigates whether question format disadvantages certain types of students. I use assessment data compiled from principles of economics classes at the University of Canterbury from 2002-2008. I combine these with administrative data on student characteristics to create a comprehensive dataset of over 20,000 observations. To control for student ability, I use a battery of measures of student performance in non-economics classes. In the absence of controls for student ability, I find that question format appears to have a significant impact on student performance. These mostly disappear when student ability variables are added. The major exception is student characteristics associated with language: I find that non-native English speakers are relatively disadvantaged by constructed response questions even after controlling for student ability.

Title of Paper: **Ambiguity, the Certainty Illusion, and Gigerenzer's Natural Frequency Approach to Reasoning with Inverse Probabilities**
Authors: **John Fountain, Philip Gunby**
Presenter: **John Fountain**

Abstract:

People have difficulty reasoning with diagnostic information in uncertain situations, especially when an understanding and calculation of inverse conditional probabilities (Bayes theorem) is required. Research has shown that most people improve their ability to make sound inferences when information is presented in a natural frequency format. Unfortunately, standard natural frequency methods invoke the normally false assumption that information is precise, when in fact it is almost always ambiguous. We develop a simple graphical technique that can be used alongside proven natural frequency methods to cope with the effects of ambiguous frequency information from multiple sources on inferences via Bayes theorem.

1.3 Demographics

Title of Paper: **The Economic and Social Outcomes of Children of Migrants in New Zealand**
Author: **Julie Woolf**
Presenter: **Julie Woolf**

Abstract:

This paper uses General Social Survey data to investigate whether the social and economic outcomes of the children of migrants are different to children with both parents born in New Zealand, using logistic regression modelling. The outcomes covered are employment, income, health, home ownership, having enough money to meet everyday needs, contact with family, experience of victimisation, poor health, major problems with housing or neighbourhood and overall life satisfaction. The controlling variables are age, sex, qualification, ethnicity and region.

Title of Paper: **Squeezed In and Squeezed Out: The Effects of Population Ageing on the Demand for Housing**
Author: **Andrew Coleman**
Presenter: **Andrew Coleman**

Abstract:

This paper examines how increasing longevity affects the housing choices of working age and retired people using a heterogeneous agent overlapping generations model that incorporates owner-occupier and rental sectors, credit constraints, detailed tax regulations, and a housing supply sector. Increasing longevity generally leads to declining home ownership rates among young people, with bigger declines if the government increases taxes and pensions rather than relying on additional private provision of retirement income. The model suggests raising tax rates to provide pensions can reduce the welfare of all agents, even those who are net beneficiaries, because they tighten credit constraints when young.

Title of Paper: **Volatility in the Employment Series of the Household Labour Force Survey**
Author: **Lourdes Vivo**
Presenter: **Lourdes Vivo**

Abstract:

The behaviour of the Household Labour Force Survey (HLFS) employment series in recent years is examined and compared with other Statistics New Zealand employment data. The paper analyses the data based on two possible sources of volatility: real world changes and non-sampling errors. It inspects the disaggregated employment series to determine what is driving the movement, and how they relate to economic and social events. The paper also examines non-sampling errors by reviewing HLFS data quality checks, the effects of non-response in the employment counts, and labour force transitions between the quarters in question.

1.4 Economics of Developing Countries 1

Title of Paper: How Does Central Authority Assign Provincial Leaders? Evidence from China
Author: Mingqin Wu
The University of Hong Kong
Presenter: Mingqin Wu

Abstract:

We analyse how central authority assigns provincial leaders to 31 provinces in post-reform China. Using data containing 198 provincial chief leaders, especially 64 observations of rotated leaders, we find that the mode of central assignment depends on whether the central authority emphasizes efficiency or regional development balance. We show that positive assortative matching between leaders and provinces is implemented from early 1990s to early 2000s when central authority concerns more in improving national economic growth. After the early 2000s, it turns to be negative assortative matching when central authority concentrates more in reducing regional disparity.

Title of Paper: Does Household Credit to the Poor Benefit their Child's Schooling? A Case Study of Peri-Urban Areas of Ho Chi Minh City, Vietnam
Author: Tinh Doan, John Gibson,
Mark Holmes
University of Waikato
Presenter: Tinh Doan

Abstract:

This paper uses a novelty dataset of poor households in peri-urban areas in Vietnam to estimate impacts of small loans on child schooling. The Probit and Negative Binomial model estimates roughly indicate no strong evidence of the effect, especially of informal credit. Formal credit is likely to have positive impacts on child schooling, but its effect is not strong enough to be conclusive. The paper suggests that to obtain the target of sustainable poverty reduction, easing access to formal credit sources as well as exempting tuition and other school fees are necessary to keep poor children at schools longer.

Title of Paper: Income Smoothing and Welfare Gains Across Pacific Island Countries: The Role of Remittances and Financial Aid and Savings
Authors: Faruk Balli, Hatice Ozer-Balli
Massey University
Presenter: Faruk Balli

Abstract:

In this paper, we examine potential welfare gains and channels of income smoothing for Pacific Island countries. We find that overall welfare gains across PIC are higher than the potential gains from risk sharing under full risk-sharing. We also break down output to quantify the extent and channels of risk sharing. Estimations reveal that income-smoothing channels play a significant role in smoothing output shocks. We also analyse the effect of remittances and financial aid on income smoothing for the less developed portion of PIC. We find that income smoothing via remittances has been highly volatile whereas financial aid seems a more stable channel for smoothing output shocks.

1.5 Measuring the Impacts of Tax Policy

Title of Paper: Measuring the Responsiveness of New Zealand Income Taxpayers to Changes in Income Tax Policy: Some Preliminary Evidence
Authors: John Creedy¹, Iris Claus², Norman Gemmell³, Angela Mellish³, Josh Teng³
¹University of Melbourne, ²Inland Revenue, ³The Treasury
Presenter: Iris Claus, Josh Teng

Abstract:

The 'elasticity of taxable income' (ETI) is an increasingly attractive tool to examine taxpayer responsiveness to changes in tax policy. The elasticity aims to capture all potential responses to taxation in a single measure, without examining the specific adjustments involved, including labour supply changes, income shifting between income sources with different rates, and tax non-compliance. The ETI has the added attraction that, under certain assumptions, it is sufficient to obtain a measure of the excess burden of taxation. This paper examines the merits and weaknesses of the ETI concept and provides some evidence for New Zealand income taxation.

Title of Paper: US Taxpayer Reporting Responses and the Tax Reform Act of 1986
Author: James Alm
Presenter: James Alm

Abstract:

This paper examines the effects of the Tax Reform Act of 1986 on the reporting decisions of taxpayers, using microlevel information from the 1984 and 1989 Statistics of Income. We find that tax reform clearly mattered in the reporting decisions of individuals, with reporting elasticities that cluster between 0.3 and 0.7. However, our results also indicate that individuals' estimated responses vary in different ways for individuals with different income levels, in ways that differ by the types of incomes received by taxpayers, in ways that are sensitive to the estimation approach, and in ways that depend upon data adjustment methods.

Title of Paper: Measuring the Impacts of Tax Reform: Some Evidence for New Zealand
Authors: Michelle Harding, Norman Gemmell, Angela Mellish
Presenter: Michelle Harding

Abstract:

Analysts, policy advisers and governments are generally interested in a variety of distributional impacts when tax parameters change. But when major tax reforms happen these often involve multiple changes in the rates, thresholds and other characteristics of several taxes and/or the introduction of new taxes. In New Zealand, the data available to assess the distributional impacts of multiple, inter-locking tax changes are rarely adequate. This paper examines how tax policy advice can incorporate redistributional information with limited available data, focusing on problems of data coverage, uncertain tax incidence and the potential for different measures to yield conflicting outcomes.

1.6 LEANZ Session

Title of Paper: New Zealand Housing Markets: Just a Bit-Player in the A-League?
Authors: Arthur Grimes¹, Mark Holmes², Nicholas Tarrant³
Presenter: Arthur Grimes

Abstract:

House price trends in each of New Zealand and Australia are frequently discussed as national level developments. Sub-national developments are also important, especially where regions display differing trends from one another driven either by demand factors (differential income patterns) or by supply factors (geographical or regulatory restrictions on new supply). At a broader scale, it is possible that the New Zealand housing market (if national), or a specific regional housing market (e.g. Auckland), is part of a broader Australasian housing market. If this were the case, New Zealand house prices would converge to a broadly stable ratio of house prices in Australia (or to particular housing markets within Australia – e.g. East Coast cities). One reason that this could occur is if international macroeconomic and asset price trends dominate housing market outcomes. In this situation New Zealand authorities may be relatively powerless to control the major drivers of house price appreciation (and/or collapse) through regulatory or other policies. We extract the major drivers of house prices at regional levels within New Zealand and Australia to examine the degree of differentiation of housing markets at regional levels. While some minor regional differences are apparent, the overwhelming weight of evidence points to the dominance of a single trans-Tasman housing trend. In turn, this implies that regulation is a second order contributor to observed house price appreciation.

Concurrent Session 2

Wed 30 June

1.30-3.00

2.1

Business Strategy & Skills in NZ Firms

Title of Paper: **A Good Worker is Hard to Find: The Determinants of Skills Shortages in New Zealand Firms**

Authors: **Geoff Mason¹, Penny Mok², Peter Nunns³, Philip Stevens², Jason Timmins⁴** ¹National Institute of Economic and Social Research, ²Ministry of Economic Development, ³Formerly of Ministry of Economic Development, ⁴Department of Labour

Presenter: **Philip Stevens**

Abstract:

This paper aims to investigate the determinants of external skill shortages – that is, vacancies that are hard to fill for skill-related reasons within and across industries. This paper utilises a specially-designed survey, the Business Strategy and Skills (BSS) module of the Business Operations Survey 2008 (BOS 2008). We estimate the determinants of firms reporting having skill shortages and hard-to-fill vacancies using bivariate probit models and two-stage (Heckman) probit models with selection. We consider a broad suite of variables, including firm's size and industry, their product strategy, R&D investment, innovation, previous performance (e.g. productivity), the degree of competition they are subject to.

Title of Paper: **Business Strategies and Employment Decisions: Interviews with New Zealand Firms**

Authors: **William Kaye-Blake¹, Bette Flagler², Rachel Campbell¹**
¹AERU Lincoln University, ²Flicka Ltd

Presenter: **William Kaye-Blake**

Abstract:

A firm's business strategy does not exist in a vacuum; it requires employees to implement it. However, firms often say that they have difficulties hiring certain types of employees. Through interviews with firms and analysis of the 2008 New Zealand Business Operations Survey, this research explored the interaction between strategy and employees' skills, and differences between high value-add (HVA) and medium value-add (MVA) firms. MVA firms focused more on production methods, technical skills, and margins over costs. HVA firms focused more on the business skills of a few, professional core employees, as well as the marketing aspects of their products.

Title of Paper: **The Training's A-Comin' In: An Analysis of Training Decisions Using Microdata**

Authors: **Geoff Mason¹, Penny Mok², Peter Nunns³, Philip Stevens², Jason Timmins⁴**
¹National Institute of Economic and Social Research, ²Ministry of Economic Development, ³Formerly of Ministry of Economic Development, ⁴Department of Labour

Presenter: **Jason Timmins**

Abstract:

In this paper we utilise a specially-designed survey, the Business Strategy and Skills (BSS) module of the Business Operations Survey 2008 (BOS 2008) to investigate the determinants and intensity of training in three aspects: training of new staff; training of existing staff changing roles and the training of existing staff for their existing roles. We examine both the probability and intensity of each type of training as a function of the external and internal skill gaps as well as a suite of other variables including the firms' size, previous performance, its ownership, its competitive environment and the occupational breakdown of its staff.

2.2 CGE Modelling

Title of Paper: The Economic Impacts of Retaining Tariffs in NZ: A Dynamic CGE Analysis

Authors: John Ballingall¹, James Giesecke², James Zuccollo¹
¹NZIER, ²Monash University

Presenter: John Ballingall

Abstract:

The government announced in late 2009 that it would freeze tariffs at current levels until 2015 at the earliest. We examine the potential costs and benefits to the New Zealand economy of this policy decision using a recently-developed dynamic computable general equilibrium (CGE) model of the New Zealand economy. We find that the elimination of tariffs in New Zealand delivers a very small increase in GDP as allocative efficiency improves. However, the terms of trade effects associated with the tariff removal generate a very small welfare loss. We assess the sensitivity of the welfare results to key elasticity parameters.

Title of Paper: A CGE Analysis for Climate Change Negotiations: The Impact of Assigned Amounts Units

Author: Chris Schilling
NZIER

Presenter: Chris Schilling

Abstract:

Uncertainty surrounds the future of any international agreement on climate change. If an agreement similar to the Kyoto Protocol is achieved, New Zealand will be responsible for all emissions above its Assigned Amount Units (AAUs) allocation. This paper examines the macroeconomic impact to the New Zealand economy of changes in New Zealand's allocation of AAUs, using a computable general equilibrium model of the New Zealand economy. We find that at a carbon price of \$100/ton, an extra 15% AAUs on top of 1990 levels would increase welfare by around 0.7% and GDP by 0.2%.

2.3 Labour Economics 1

Title of Paper: Firm Size Class Methodology in the Linked Employer-Employee Data (LEED): Initial Analysis of the Impact on Different Firm Size Class Methodologies on Quarterly and Net Gross Flow Statistics

Author: Karin Henshaw
Statistics NZ

Presenter: Karin Henshaw

Abstract:

Statistics NZ's Linked Employer-Employee Data (LEED), allows us to decompose the forces behind net job change using different dimensions such as firm size. For example, which firm size class generates the most jobs? In this paper, we apply four alternative firm sizing methodologies to the LEED data; examine their effect on net and gross flows; and set the scene for further research. We find that alternative methodologies create different portraits of net and gross job flows by firm size. The statistics highlight how alternative methodologies can result in different conclusions about the employment dynamics of NZ businesses by firm size class.

Title of Paper: Labour Market Flows in New Zealand: Some Questions and Some Answers

Authors: Brian Silverstone¹, Will Bell²
¹University of Waikato, ²Statistics New Zealand

Presenters: Brian Silverstone, Will Bell

Abstract:

Statistics on the flows of workers between employment, unemployment and non-participation provide some of the most interesting and useful insights into labour market outcomes. Flows data make it possible, for example, to estimate the number and probability of workers moving between labour market states, such as from unemployment to employment. Despite research, New Zealand's gross flows data are relatively neglected and almost entirely unused in published economic commentaries, forecasting, modelling activities and policy debates. Using a framework of questions and answers, this paper considers selected aspects of New Zealand's gross labour flows data including international comparisons.

Title of Paper: Employment by Skills in New Zealand and Migrant's Share in its Recent Growth: Trans-Tasman and Wider parisons

Authors: Richard Manning, Ram SriRamaratnam
Department of Labour

Presenters: Richard Manning, Ram SriRamaratnam

Abstract:

Migration has played a key role in growing the New Zealand population, its cultural diversity and as an invaluable source of skilled labour to the New Zealand economy. The link between economic growth and the skills of the workforce have been well documented in economic growth literature. This paper aims to quantify the skills New Zealand is gaining from migration. Three main conclusions arising from this analysis are: Over the last five years, New Zealand has gained people at the highly skilled level, lost workers at the three other skill classes, and the origins of migrants have also changed.

2.4

International Finance

Title of Paper: The Term Structure of Interest Rates, the Expectations Hypothesis and International Financial Integration: Evidence from Asian Economies

Authors: Mark J Holmes¹ Jesus Otero², Theodore Panagoditis³
¹Waikato University, ²Universidad del Rosario, ³University of Macedonia

Presenter: Mark J Holmes

Abstract:

The validity of the expectations hypothesis of the term structure is examined for a sample of Asian countries. A panel stationarity testing procedure is employed that addresses both structural breaks and cross-sectional dependence. Asian term structures are found to be stationary and supportive of the expectations hypothesis. Further analysis suggests that international financial integration is associated with interdependencies between domestic and foreign term structures insofar as cross-term structures based on differentials between domestic (foreign) short- and foreign (domestic) long-rates are also stationary.

Title of Paper: Do Sovereign Credit Ratings Affect the Composition and Maturity of Sovereign Borrowing?

Author: Kuntal Kumar Das
University of Canterbury

Presenter: Kuntal Kumar Das

Abstract:

I analyse the optimal choice between bank loans and bond finance for a sovereign debtor by incorporating the intermediation structures of the two debt instruments. I develop a three-period model to derive the composition and maturity structure of sovereign borrowing endogenously. The model allows for debt renegotiation in the event of financial distress, with the possibility of default. It incorporates the ability of "private monitoring" by the banks and "public monitoring" by the credit rating agencies. I find that the choice is determined endogenously by the trade-off between two deadweight costs: the cost of a default during a crisis and the cost of debtor moral hazard. In equilibrium, sovereigns use bank loans for financing short-term projects and issue long-term bonds for projects when crisis costs are large. I also test the predictions of the model using data for 48 emerging market economies between 1988 and 2007.

Title of Paper: A Time Series Approach to the Feldstein-Horioka Puzzle with Panel Data from the OECD Countries

Authors: Saten Kumar¹, B Bhaskara Rao²
¹Auckland University of Technology, ²University of Western Sydney

Presenter: Saten Kumar

Abstract:

The Pedroni method is used to estimate the Feldstein-Horioka equation from 1960-2007 with a panel of 13 OECD countries. It is found that the Feldstein-Horioka puzzle exists in a weaker form with a much reduced saving retention coefficient. The Bretton Woods agreement in particular has weakened the Feldstein-Horioka puzzle by significantly improving the international capital mobility. In comparison the Maastricht agreement seems to have had a more uniform and widespread effect on improving capital mobility. The structural break tests of Westerlund are used in this paper.

2.5 Effects of Law & Regulation

Title of Paper: The Indirect Impacts of Smoking Bans in Gaming Venues
Authors: Joe Hirschberg, Jenny Lye
Presenter: Jenny Lye
University of Melbourne

Abstract:

Recent changes in smoking laws have influenced gambling behaviour at Electronic Gaming Machine (EGM) venues. In this paper we review the literature that examines the interrelationship between gambling, problem gambling and smoking in order to gauge the indirect effects of smoking bans in gaming venues. We then perform an analysis on the consequences of a smoking ban in Victoria, Australia that was instituted on September 1st, 2002. This analysis investigates the nature of the pattern of drops in local EGM revenue and the impact on the state tax revenue.

Title of Paper: Evaluating the Impact of the 2002 Amendments to the Health and Safety in Employment Act (1992)
Authors: Philip Gunby¹, Michael Wilkinson²
Presenter: Philip Gunby
¹University of Canterbury,
²Victoria University

Abstract:

The Health and Safety in Employment Act (1992) radically changed the way occupational health and safety in New Zealand is regulated by requiring firms and workers to take 'all practical steps' in ensuring workplace safety. Despite this legislation, there continued to be a perception that accident levels were too high. In response, amendments were passed in 2001 to increase the expected cost of non-compliance with the aim of improving workplace safety. We document and analyse the changes resulting from the amendments and how they likely affected accident and fatality rates. We then use this analysis to draw general policy implications.

Title of Paper: Regulation - It's Not all about Economics
Authors: Aaron Lloyd
Presenter: Aaron Lloyd
Minter Ellison Rudd Watts

Abstract:

There are many reasons why a government chooses to regulate. Many of them encompass a desire to have a more efficient legal, political or economic system. But economic efficiency is not the only driver in regulatory reform - indeed in some cases it may be necessary to pass quite uneconomic reforms as a result of greater competing pressures. In this session we will discuss two areas of regulatory reform, being anti-money laundering and the possible criminalisation of cartels, and explore how such reforms might be uneconomic from a micro-point of view, but important nevertheless from a broader economic and political position.

2.6 Diversity and 'Economic Assimilation' of Immigrants

Title of Paper: Immigrant and Native Saving Behaviour in Australia
Authors: Asadul Islam, Jaai Parasnis, Dietrich Fausten
Presenter: Asadul Islam
Monash University

Abstract:

This paper examines whether the differences in the observed savings of immigrant and native households in Australia are related to underlying differences in observable characteristics of the two groups of households or to environmental factors. We use quantile regression and semi-parametric decomposition methods to identify the savings differential, and to isolate the factors that contribute to it. The basic finding is that while income can fully account for the observed difference in immigrant and native savings there are fundamental differences in the saving behaviour of the respective groups. Decomposition analysis suggests that the different characteristics of migrants and natives are responsible for the observed difference in savings. Immigrants have a tendency to save more than natives when compared to Australian-born households of similar characteristics. These findings are consistent with the observed disparities in the wealth holdings of immigrant and native-born households in Australia.

Title of Paper: **The Importance of Heterogeneity
when Examining Immigrant
Education-occupation Mismatch:
Evidence from New Zealand**

Authors: **Jacques Poot¹, Steve Stillman²**
 **¹University of Waikato, ²Motu
Economic and Public Policy Research**

Presenter: **Jacques Poot**

Abstract:

We use micro data from the 1996, 2001 and 2006 censuses to examine differences between each migrant's actual years of education and the estimated typical years of education in the occupation in which they work. This is done separately by gender and for narrowly defined occupations (at the 5-digit level). We find that migrants living in NZ for less than 6 years have on average 0.4-0.8 more years of education than NZ-born in the same occupations, while those living longer in NZ have on average less education than comparable New Zealanders. These differences are explained in terms of age, location, marital status, household composition, year of arrival, year of observation, region of birth, having NZ qualifications and the broad level of education.

Title of Paper: **Diversity and 'Economic
Assimilation' of Immigrant Workers:
Evidence from Cities in USA**

Authors: **Nazmun N Ratna, Ian MacDonald**
 Lincoln University

Presenter: **Nazmun N Ratna**

Abstract:

We examine if barriers to communication, created through differences in language, culture, religion or race, retard economic assimilation of immigrant workers in American metropolitan areas. Employing a panel dataset for three census years: 1980, 1990 and 2000; we estimate the impact of diversity on labour productivity (measured as average wage). Our findings indicate: one, racial diversity reduces labour productivity; two, linguistic diversity and cultural diversity enhance labour productivity, but barriers to communication mitigate the positive effects of linguistic diversity. We also discuss preliminary results of the investigation on the impact of diversity on wage gaps between immigrant and native workers.

LEANZ Session

Wed 30 June

4.00-5.30

Land and Money

Title of Paper: **The Securitisation of Mortgages in the United States**
Author: **David Gray Carlson**
 Benjamin N. Cardozo School of Law
Presenter: **David Gray Carlson**

Abstract:

The subprime market crash in the United States has had worldwide catastrophic effects. Professor Carlson explores the role of the secondary market for such mortgages in encouraging imprudent subprime loans and what Americans are proposing by way of new regulations to prevent such events from recurring. Particular emphasis will be placed on the history of "Fannie Mae," "Freddie Mac," and securitisation.

Title of Paper: **Why the Shadow of the Law is Important for Economists**
Author: **Stuart Birks**
 Massey University
Presenter: **Stuart Birks**

Abstract:

The concept of the shadow of the law refers to the way laws can affect people's actions even when there is no direct legal involvement. Often the law is used to "send a signal". This paper presents an economics perspective on this concept. An illustrative game is presented and several related economic concepts are described. An assessment is made of the implications in terms of the suitability of the signals given and various responses that may be observed. In summary, the law is a central component of policy. The paper draws attention to an important dimension of policy implementation.

Concurrent Session 3

Thur 1 July

10.30-12.00

3.1 Economic History

Title of Paper: **Stature and Living Standards in New Zealand: An Alternative View and Some Initial Results**

Authors: **Kris Inwood¹, Les Oxley², Evan Roberts³**
¹University of Guelph,
²University of Canterbury
³Victoria University Wellington

Presenter: **Les Oxley**

Abstract:

Crafts estimates that NZ had the highest Human Development Index in 1913, but by 1999 was 16th. Income statistics tell the same a picture. We analyse physical well-being in NZ, for both Pakeha and Maori, from the mid-19th century to the late 20th century from anthropometric and related evidence. The birth cohorts of 1900-1924 did not appear to grow taller despite other indicators of welfare—income, wages, life expectancy and infant mortality—indicating an improvement in New Zealand living standards. The early twentieth century was a difficult period for Maori health in spite of state efforts to ameliorate it.

Title of Paper: **Uncovering Uncovered Interest Parity During the Classical Gold Standard Era, 1888-1905**

Author: **Andrew Coleman**
Motu Economic and Public Policy Research

Presenter: **Andrew Coleman**

Abstract:

This paper examines the uncovered interest parity hypothesis using the dollar-sterling exchange rate during the gold standard era. This period is interesting because the exchange rate was seasonal, because transactions costs were high, and because occasions when uncovered interest rate speculation did not occur can be identified. The paper shows UIP speculation frequently did not occur, that speculation was most active in response to expected exchange rate changes, not interest differentials, when it did occur, and that profitability varied systematically with interest rate differentials. The estimated UIP equations are substantially improved by distinguishing occasions when sterling was borrowed not lent.

3.2 Competition Policy

Title of Paper: **Competition Policy and Credit Card Interchange Fees in New Zealand**

Authors: **Stephen Gale, Ben Gerritsen Castalia**

Presenters: **Stephen Gale, Ben Gerritsen**

Abstract:

Competition authorities allege that banks should not be able to set or influence internal fees in credit card networks (known as 'interchange fees'), because the banks are competitors in markets for issuing cards and providing services to merchants. This paper reviews the economic arguments underlying these allegations. We find that the two-sided nature of the credit card market poses unique challenges for competition law and policy. Simply dividing the total costs of the card network evenly between network users will not maximise profits for producers. Similarly, apportioning costs will not maximise profits due to the different demand characteristics of users.

Title of Paper: **Credit Constraints and Firm Dynamics**

Authors: **Jorge Alonso¹, El-hadj Bah², Lei Fang³**

¹Arizona State University,

²University of Auckland,

³The Federal Reserve Bank of Atlanta

Presenter: **El-hadj Bah**

Abstract:

We develop a general equilibrium model that links entry barriers, firm dynamics and borrowing constraints. In the model, firms borrow to finance entry cost and extra investment above net profits. To borrow, firms post collateral that depends on their future capital stock. Firms also face idiosyncratic productivity shocks every period. The borrowing constraint and entry barrier have an effect on firm dynamics. This has aggregate implications for productivity and income differences across countries. A country with lower financial development faces tighter borrowing constraint that leads to lower aggregate productivity and income.

3.3

Open Economy Macroeconomics

Title of Paper: **Capital Accumulation, Non-traded Goods and International Macroeconomic Dynamics with Heterogeneous Firms**

Author: **Daniel Farhat**
University of Otago

Presenter: **Daniel Farhat**

Abstract:

This paper examines international business cycle transmission within a two-country dynamic stochastic general equilibrium model featuring an endogenously determined trade pattern. In contrast to existing literature, this model distinguishes between non-traded final goods and traded inputs. The model incorporates capital into the production of final goods and shows that shocks to final goods production are important in replicating the empirical regularities of imports, exports, the real exchange rate and their relationship to GDP. Endogenously determined labour supply and high asset market frictions are incorporated into the model to improve the model's ability to replicate labour market statistics and international co-movement.

Title of Paper: **Does Exchange Rate Volatility Depress Trade Flows in a Small Open Economy?**

Evidence from New Zealand

Author: **Junnan Zhao**
The City University of New York,
Graduate Center

Presenter: **Junnan Zhao**

Abstract:

This paper empirically investigates the impact of real exchange rate volatility on the real export flows of New Zealand to its main trade partners, Australia, United States, Japan, and United Kingdom using quarterly data over 1991Q1–2007Q1 period. Cointegration and error-correction models are employed to obtain the estimates of the long run equilibrium and the short-run dynamics, respectively. The results obtained in this paper, on the whole, provide evidence that real exchange rate volatility has a significant negative effect on real exports for New Zealand in the long run, but an unclear effect in the short run.

3.4

Microeconomic Theory

Title of Paper: **Sharing a Risky Cake**

Authors: **David Baqaee¹, Richard Watt²**
¹The Reserve Bank of New Zealand, ²University of Canterbury

Presenter: **David Baqaee**

Abstract:

Consider an n-person Nash bargaining problem where players bargain over the division of a cake whose size is stochastic. In such a game, the players are not only bargaining over the division of a cake, but they are also sharing risk. This paper presents the Nash bargaining solution to this problem, investigates its properties, and highlights a few special cases.

Title of Paper: **Simultaneous Auctions at Separate Markets**

Author: **Long-yu Chiou¹, Wei-torng Juang²**
Kuo-chih Yuan¹

¹National Taiwan University,
²Institute of Economics,
Academia Sinica

Presenter: **Kuo-chih Yuan**

Abstract:

We study a crowding game in which simultaneous English auctions take place at several separate markets, and each market has multiple identical units of a good to sell. A bidder who knows her private valuation and the valuation probability distribution over other bidders has to choose only one market to bid. We analyse the bidders' mixed-strategy Bayesian Nash equilibrium and present an algorithm to recursively solve the symmetric equilibria when the types of bidders and the number of market are finite. Finally, we discuss the effect of relocating the numbers of the goods selling at different markets.

Title of Paper: Allocative Downside Risk Aversion

Authors: Richard Watt¹, Francisco Vazquez²
¹University of Canterbury,
²Universidad Autonoma de Madrid

Presenter: Richard Watt

Abstract:

The literature on the intensity of downside risk aversion has been clear that greater prudence is not equivalent to greater downside risk aversion, although the two concepts are linked. In the present paper we present a new concept of downside risk aversion, namely the fraction of a zero mean risk that the decision maker would optimally place on the upside. We consider how this measure can be used to identify the intensity of downside risk aversion. We show that greater downside risk aversion in our model can be measured by a relationship that is very similar to greater prudence.

3.5 Fiscal Policy & Productivity

Title of Paper: Uncovering Industry Drivers of New Zealand's Aggregate Productivity Growth

Authors: Adam Tipper, Nicholas Warmke, Lizette van Heerden, Toby Hunter
Statistics New Zealand

Presenter: Nicholas Warmke

Abstract:

This paper highlights the industry level drivers of aggregate labour productivity growth in New Zealand. We show how the various trends in labour productivity growth have been influenced by capital deepening and multifactor productivity across industries, and how each industry has contributed to the measured sector's labour productivity growth. We conclude that, in disaggregating the productivity trends by industry, important insights into the dynamics of labour productivity growth and economic growth can be gleaned. In doing so, we emphasise that there are limitations in disaggregating labour productivity growth at an industry level. Suggestions for future areas of research in this area are presented.

Title of Paper: Taking on the West Island – How Does our Productivity Performance Stack Up?

Authors: Brendan Mai¹, Geoff Lewis², John Janssen², Simon McLoughlin²

¹Statistics New Zealand, ²Treasury
Presenter: Brendan Mai, John Janssen

Abstract:

New Zealand's productivity performance has gained considerable attention in recent times, particularly compared to Australia's. Using a three-pronged approach, this paper sheds new light on that comparison. Firstly, growth rates are compared in the 12 common industries for which New Zealand and Australia compile official productivity estimates. Secondly, the paper examines the puzzle of why OECD economy-wide productivity growth rates differ from official 'measured' or 'market' sector estimates compiled by Statistics New Zealand and the Australian Bureau of Statistics. Thirdly, level as opposed to growth rates of productivity are compared, giving insight into income per capita disparities. The paper highlights the usefulness of the new industry-level dataset for New Zealand, and suggests areas for further development.

Title of Paper: The Devil is in the Details: Demonstrating the Impact of Measurement Choices on Inputs to Government Sector Productivity

Authors: Jodi York¹
¹Statistics New Zealand, ²Ministry of Education

Presenter: Jodi York

Abstract:

Statistics New Zealand's recent feasibility study into measuring productivity of health care and education noted that there are some big challenges for the compiler related to scope of measurement, definition of government output quantity and quality, and the lack of economically meaningful prices. How much difference do these choices really make? This paper uses 2000-2007 school data published by the Ministry of Education to illustrate the different output and productivity estimates that flow out of different definitions of scope, varieties of quality adjustment, and price proxies. Results are interpreted in terms of the specifics of the New Zealand school system.

3.6

Econometrics & Forecasting

Title of Paper: Partially Polynomial Estimation in Regression Discontinuity
Author: Ping Yu
University of Auckland
Presenter: Ping Yu

Abstract:

This paper proposes a new estimator of the treatment effect, called the partially polynomial estimator (PPE), in the regression discontinuity framework by extending the partially linear estimator (PLE) in Porter (2003). By treating regression discontinuity as threshold regression with a known threshold point, we interpret the PPE as a reparameterisation of the local polynomial estimator in the neighbourhood of the discontinuity point. As a result, the PPE can achieve the optimal rate of convergence which the PLE can not attain under the broader conditions specified by Porter (2003). Furthermore, we show the PLE is indeed special in the sense that the form of its bias can not be extended to the general PPE case.

Title of Paper: The PCSE Estimator is Good, Just Not as Good as You Think
Authors: W Robert Reed, Rachel Webb
University of Canterbury
Presenter: W Robert Reed

Abstract:

The PCSE estimator is commonly used when working with time-series, cross-sectional (TSCS) data. In an influential paper, Beck and Katz (1995) (henceforth BK) report Monte Carlo experiments in which the PCSE estimator produces accurate standard error estimates at no, or little, loss in efficiency compared to FGLS. Our study shows that when the PCSE estimator is tested in "practical research" environments, coverage rates for the PCSE estimator frequently fall between 80 and 90 percent. Further, we find many "practical research situations" where the PCSE estimator compares poorly with FGLS on efficiency grounds.

Title of Paper: Evaluating density forecasts: Model combination strategies versus the RBNZ
Authors: Chris McDonald¹, Leif Anders Thorsrud²
¹RBNZ, ²Norges Bank
Presenter: Chris McDonald

Abstract:

Forecasting the future path of the economy is essential for good interest rate decisions. The recent financial crisis has highlighted the importance of having not only good point forecasts, but also a good assessment of tail events. In other words, the mean or median is not enough, the whole range of possible outcomes should be forecasted and evaluated when making monetary policy decisions. We compare the implied density forecasts published by the Reserve Bank of New Zealand to the performance of a suite of statistical models and the combination of these models. Our results reveal that the model implied forecasts are just as good or better than the published forecasts across many different horizons and variables. We also find that the combined density forecasts perform better than a point forecast combination strategy.

Concurrent Session 4

Thur 1 July

2.00-3.30

4.1 Spatial Economics 1

Title of Paper: **The Accessibility to Microcredit by Rural Households: A Case of China**

Authors: **Judy Xia Li, Christopher Gan, Baiding Hu
Lincoln University**

Presenter: **Judy Xia Li**

Abstract:

This paper examines key factors influencing the accessibility of microcredit by rural households in China. The empirical approach is built upon logistic regression and data are collected through a household survey. A total of twelve household-level factors are identified as determinants in households' access to microcredit and the results indicate that households' accessibility to microcredit can also be impaired by the supply-side factors. The paper concludes that households should increase credit demand to expand their access to microcredit. In addition, microcredit institutions should improve lending schemes and loan products to better suit the diversified needs of the rural population.

Title of Paper: **Getting People Out of Unemployment: A Spatial Perspective Across Auckland**

Authors: **Don J Webber, Gail Pacheco
Auckland University of Technology**

Presenter: **Gail Pacheco**

Abstract:

Reducing the unemployment rate is an aim of most governing authorities. This paper presents a socio-economic analysis of area-level employment rate changes across Auckland using Census area-level data for the 1996-2006 period. Exploratory spatial data analyses suggest the presence of strong spatial patterns in intra-city employment rates changes. Application of seemingly unrelated regressions highlight forces, such as education, that are associated with increases in part time and full time employment relative to being unemployed. Spatial autocorrelation remains for the transition out of a state of unemployment.

Title of Paper: **Residential Location Choice in Auckland**

Authors: **Andrew Coleman¹, David C Maré^{1,2}
¹Motu Economic & Public Policy Trust, ²University of Waikato**

Presenter: **David C Maré**

Abstract:

This study examines the determinants of residential location choice in Auckland, using microdata from the 2006 Census of Population and Dwellings. It summarises patterns of population density and land prices within the Auckland Urban Area – overall, and for a range of population subgroups. It examines evidence of sorting based on socio-demographic characteristics, income levels, and proximity to a range of amenities, and the role of land rents. The study also uses count-data regression analysis of the locational choices of people moving to new locations within Auckland to gauge the relative importance of the various influences.

4.2 Social Capital

Title of Paper: **Are Survey Measures of Trust Correlated with Experimental Trust? Empirical Evidence from Cameroon**

Author: **Alvin Etang, David Fielding, Stephen Knowles
University of Otago**

Presenter: **Stephen Knowles**

Abstract:

In this paper we analyse the correlation between survey-based measures of trust and behaviour in the Trust Game in two villages in rural Cameroon. We ask a variety of questions about trust in different groups of people. In addition, we test for the possibility that behaviour in the Trust Game is motivated not just by trust, but by unconditional kindness and risk aversion by having participants play a Triple Dictator Game and a Risk Game. Our results suggest that some measures of survey-based trust are positively correlated with the experimental measure of trust.

Title of Paper: Housing and Social Capital in New Zealand
Authors: Matthew Roskruge¹, Arthur Grimes², Philip McCann³, Jacques Poot¹
¹University of Waikato, ²Motu Economic & Public Policy Trust, ³University of Groningen
Presenter: Matthew Roskruge

Abstract:

Does an individual's housing situation affect community social capital and influence regional development through this channel? We test home ownership alongside other individual, household and locational determinants of social capital using unique data created by merging the three waves of the New Zealand Quality of Life survey, a local government sponsored survey conducted in 2006 and 2008. The measures of social capital used in our analysis include trust in others, participation in social networks, attitude towards local governance and sense of community. Because homeownership is not randomly assigned, matching methods are used to control for selection effects.

4.3 Law & Crime

Title of Paper: A Spatial Econometric Analysis of Selected Impacts of Liquor Outlet Density in Manukau City
Authors: William Cochrane, Michael P Cameron, Kellie McNeill, Pania Melbourne, Sandy Morrison, Neville Robertson;
Presenter: Michael P Cameron

Abstract:

This paper employs a spatial seemingly unrelated regression approach to investigate the cross-sectional association between density of liquor outlets in Manukau City and a range of alcohol-related harms such as police events, emergency room admissions, and motor vehicle accidents. Across a range of specifications, an additional off licence outlet is associated with 60 to 65 additional police events, an additional club or bar is associated with 98 to 101 additional police events, and an additional restaurant or café is associated with 24 to 29 additional police events. Qualitatively and quantitatively similar results from all specifications suggest that the results are relatively robust.

Title of Paper: The Effects of Weather on Crime
Authors: James Horrocks, Andrea Kutinova Menclova
Presenter: James Horrocks

Abstract:

This paper uses daily data from 43 districts across New Zealand from 2000 to 2008 and employs panel econometric techniques to investigate the effect of weather on crime. Temperature and precipitation are found to have a significant effect on the number of violent crimes recorded and temperature also affects the number of property crimes recorded. Studies of this nature are important for the allocation of police resources. As an extension, the common belief that the Nor'wester wind causes 'disorderly' behaviour is empirically investigated. Data on violent crime from three Canterbury police districts is used. The Nor'wester is found to be statistically insignificant in determining the number of violent crimes in Canterbury.

Title of Paper: The Impact of Natural Disasters on Violent Crime
Author: Susmita Roy
Presenter: Susmita Roy

Abstract:

This study addresses the following questions. Do violent crimes increase following natural disasters? Does an upcoming election or the presence of a strong local media, which potentially increases the incentive of the government to provide disaster relief, mitigate the effect of disasters on crime rates? I find that crime rates tend to increase following moderate to big disasters. Furthermore, a higher pre-disaster size and growth of newspapers has a mitigating effect on the crime response to disasters. Elections have a tempering effect on the crime response to low to moderate level disasters and this mitigating effect is lower in the years close to an election.

4.4

Welfare & Environmental Economics

Title of Paper: Evidence Based Evaluation of Welfare Reform
Authors: Susan St John, M Claire Dale
University of Auckland
Presenter: Susan St John

Abstract:

Much attention in recent times was given to the concept of evidence-based policy. One outcome has been a desire for research-based evidence to inform policy design; another is for there to be proper evaluation of policies after their implementation. For policies that attempt to affect behaviour this approach can raise many challenges. The pressures politically may appear to be for timely evaluation to secure ex post justification of the policy. This paper reviews the role of evidence-based input and the policy making process with some examples from the policy development, implementation and evaluation of Working for Families. How could the framework have been used more appropriately?

Title of Paper: The Determinants of Subjective Wellbeing in New Zealand: An Empirical Look at New Zealand's Social Welfare Function
Authors: Denise Brown, Stefan Lindsay,
Conal Smith
Statistics New Zealand
Presenter: Denise Brown

Abstract:

A primary concern of any government is the well being of its citizens. This raises the issue of measurement: if wellbeing is the goal of social policy, then evidence based social policy requires a metric for wellbeing against which the success or failure of social policy initiatives can be assessed. Recently, cardinal notions of utility have gained an increasing level of credibility following convincing evidence that notions of subjective wellbeing can be empirically measured through relatively straight forward questions carried in sample surveys. This paper analyses the determinants of subjective wellbeing using data from the 2008 New Zealand General Social Survey.

Title of Paper: A Decade of Public Perceptions of the New Zealand Environment: A Focus on Water and its Management
Authors: Kenneth Hughey, Ross Cullen,
Geoffery Kerr
Lincoln University
Presenter: Ross Cullen

Abstract:

Six biennial public perception surveys of the environment have been completed at Lincoln University. The survey asks 2000 people their perceptions of the state of the New Zealand environment and its management. 2010 survey responses are analysed and compared with 2000 - 2008 surveys to identify trends and some key issues with freshwater in New Zealand. There is concern about the quality and management of lowland streams. Blame is increasingly placed on farming for damage to freshwaters. The challenge is how to match political response and policy development to the level of public concern about freshwater and its management.

4.5

Industrial Organisation

Title of Paper: Gaming Energy: Thermal Generation with Transmission and Emission Constraints
Authors: Javier Contreras¹, Jacek B Krawczyk², James Zuccollo³
¹University of Castilla, ²Victoria University of Wellington, ³NZIER
Presenter: James Zuccollo

Abstract:

Pollution and transmission line constraints often constrain not individual actions but joint actions. Both constraints may couple the strategies of the agents in their joint strategy space. To force competitive electricity generators to respect those joint constraints a regulator can appropriately tax them so that they play a decoupled game and can ignore the joint constraints. We use a three-node network model to discuss and explain the behaviour of the agents subjected to the coupled constraints. We find that the imposition of transmission and environmental restrictions may increase the output share of an inefficient generator and decrease consumer surplus.

Title of Paper: **Entry and Location Choice with
Network Formation**

Authors: **Keizo Mizuno¹, Yasunori Okumura²**
 ¹**Kwansei Gakuin University,**
 ²**Han-Nan University**

Presenter: **Keizo Mizuno**

Abstract:

We examine a firm's entry and location decision when all firms, including incumbents and an entrant, have an opportunity to form a pairwise link with mutual consent. We firstly show that when an entrant is allowed to form a link and the link formation needs mutual consent, the entrant's location can be distorted from a welfare viewpoint. Second, we show that the existing link formed by incumbents cannot be a device for entry deterrence, especially when the marginal change of cost-reducing effect generated by a link formation scarcely depends on the number of links.

Title of Paper: **Access to Capital Markets for Small
New Zealand Exporters:
Is there a Market Failure?**

Authors: **Alex Sundakov, Ben Gerritsen**
 Castalia

Presenter: **Ben Gerritsen**

Abstract:

This paper considers whether New Zealand's capital markets enable export businesses to grow effectively. We find that there are significant constraints facing smaller New Zealand exporters in raising capital for growth that are specific to the New Zealand environment, and are not faced by international firms. These constraints include thin domestic markets for venture capital and private equity, in the sense of a limited number of market participants, and high costs of accessing international capital markets, including the need to relocate their business to the investor's country of origin or the firm's target market.

Concurrent Session 5

Thur 1 July

4.00-5.30

5.1

Electricity Markets

Title of Paper: Critique of Wolak's Evaluation of the NZ Electricity Market: The Incentive to Exercise Market Power with Vertical Integration and Transmission Loss

Authors: Peter Jackson, Seamus Hogan
University of Canterbury

Presenter: Seamus Hogan

Abstract:

This paper provides a critique of the 2009 report by Frank Wolak into the New Zealand electricity market that concluded that there had been a cumulative total of \$4.3b (NZD) of overcharging over a period of seven years. We find that his conclusion that the market structure has given generators an incentive to exercise substantial market power is highly sensitive to some (unrealistic) assumptions made about the elasticity of demand and the extent of transmission loss, and that the observed correlations between estimates of that incentive and market price are also consistent with perfect competition

Title of Paper: Swapping Generators' Assets: Market Salvation or Wishful Thinking?

Authors: Anthony Downwar, David Young,
Golbon Zakeri
University of Auckland

Presenter: David Young

Abstract:

The idea of rearranging generation assets amongst firms to improve competition has once again surfaced in a recent report on improvements to the New Zealand Electricity Market. We show with examples that rearranging assets, either with asset divestiture to a new firm, or asset swaps between existing firms, may actually reduce competition in electricity markets. Our examples emphasise features that are particular to electricity, such as seasonality and transmission constraints. These results warn that applying economic rules of thumb to electricity markets may lead to erroneous conclusions.

Title of Paper: Does wholesale Market Power Extend to Fixed-Price Forward Prices in Electricity Markets

Author: Seamus Hogan
University of Canterbury

Presenter: Seamus Hogan

Abstract:

The wholesale electricity market in New Zealand has a Cournot-like structure in which generators have an incentive to withhold supply from the market in order to raise the market-clearing price. This incentive, however, is reduced or eliminated if generators are either buyers in the wholesale market as a result of vertical integration between generation and retailing, or if they pre-contract to sell at fixed prices in a forward market. This paper addresses whether the market power that firms would have in the absence of forward contracting or vertical integration will be automatically priced into forward-contracts or retail prices.

5.2

Economics of Developing Countries 2

Title of Paper: The Impacts of Temporary Emigration of Lower-Skilled Females on Sending Households in Indonesia

Authors: Peck-Leong Tan^{1,2}, John Gibson¹
¹University of Waikato, ²Universiti Teknologi MARA

Presenter: Peck-Leong Tan

Abstract:

The temporary migration of young women from developing countries to work as maids and other unskilled occupations in richer countries is a growing phenomenon but the effect on income levels of the emigrant and the migrant-sending households is unclear. We combine a survey of Indonesian maids and factory workers in Malaysia with data from three rounds of the Indonesian Family Life Survey (IFLS) to estimate that these young women may gain an additional US\$80 to US\$130 per month compared to earnings had they stayed in Indonesia. The main use of remittances is to accumulate fixed assets in Indonesia.

Title of Paper: Estimating Household Economies of Scale for the Poor in Malaysia
Author: Penny Thai-Yoong Mok
Presenter: Penny Thai-Yoong Mok
Ministry of Economic Development

Abstract:

Despite the importance of economies of household size in poverty measurement, there is no consensus on the appropriate method to measure it. In the Malaysian context of poverty measurement, the adoption of household size economies is limited to the expenditure on housing. This paper aims to estimate the indices for household consumption goods, focus on the 10th and 20th percentile of the households' per capita expenditure from the Malaysian Household Expenditure Survey using the Barten model. The results show that the poor enjoy savings from a wider range of goods as compared to the richer households.

Title of Paper: Resource-based FDI and Expropriation in Developing Economies
Author: Christopher Hajzler
Presenter: Christopher Hajzler
University of Otago

Abstract:

Expropriation of FDI is more likely to occur in resources compared to other sectors. Despite this higher risk of expropriation in resources, countries with a high propensity to expropriate also have higher shares of FDI in resources, even though they are not more resource dependent. An incomplete markets model of FDI is developed to account for this puzzle. The key innovation is the ability of the government to offer mineral rights cheaply to foreign investors in order to compensate for high political risk. When political risk is low, resource FDI is restricted instead to avert a costly future expropriation.

5.3 Finance & Housing

Title of Paper: Chinese Overseas M&A Performance and the Go Global Policy

Authors: Lulu Gu¹, W Robert Reed²
¹Zhongnan University of Economics and Law

²University of Canterbury

Presenter: W Robert Reed

Abstract:

This study uses event-study methodology to analyse overseas mergers and acquisitions (OMAs) by Chinese acquiring firms over the years 1994-2008. We examine 145 OMA events, using share some market returns from the Shanghai, Shenzhen, Hong Kong, and U.S. markets. We find evidence that markets positively responded to news of Chinese OMAs. However, we also find that markets responded less favourably after China implemented its Go Global policy encouraging overseas investment. We employ a Blinder-Oaxaca decomposition to the difference in abnormal returns before and after Go Global. There is no evidence to indicate that China's Go Global policy sacrificed shareholder wealth to pursue national strategic goals.

Title of Paper: Forecasting House Price Inflation: A Model Combination Approach

Authors: Sarah Drought, Chris McDonald
Reserve Bank New Zealand

Presenter: Sarah Drought

Abstract:

House prices have tended to play an important role in the evolution of New Zealand business cycles. However, to our knowledge, there has been little research in New Zealand that attempts to forecast house prices. In this paper we use a range of simple statistical models to forecast New Zealand house prices. We address the issue of model uncertainty by combining the point forecasts from each model using weights based on out-of-sample forecast performance. The combination forecasts are then evaluated against the individual model forecasts.

5.4 Tax & Fiscal Solvency

Title of Paper: Modelling New Zealand's Long-term Fiscal Position
Authors: Matthew Bell, Gary Blick, Oscar Parkyn, Paul Rodway, Polly Vowles
New Zealand Treasury
Presenter: Oscar Parkyn

Abstract:

As recent events in Europe make ever clearer, fiscal sustainability matters. This paper explains the modelling behind the Treasury's Long-Term Fiscal Statement, published in October 2009. We construct two main fiscal scenarios for New Zealand over a 40-year horizon. The historic trends scenario allows historic and current spending and revenue settings to interact with changing demography. A sustainable debt scenario explores the implications of a top-down fiscal constraint on public debt. Alternative policy scenarios are modelled, looking at the implications for both the fiscal position and what people receive from the state.

Title of Paper: GST Collection from the New Zealand Property Sector
Authors: Iris Claus^{1,2}, Geoff Leggett²
¹Australian National University,
²Inland Revenue
Presenter: Iris Claus

Abstract:

There has been concern in New Zealand that insufficient goods and services tax (GST) is being paid on the sale of property. Various measures have been undertaken, or are being undertaken, to address this issue. Since 2007 tax auditing of property transactions has been strengthened and in 2009 the Government issued a discussion document that proposed a legislative solution to some specific GST problems. This paper quantifies the impact on GST collection and compliance in the property sector following these various initiatives. The findings suggest that there has been an increase in GST compliance in the property sector.

5.5 Economic Data

Title of Paper: Exogenous vs Endogenous Rates of Return: The User Cost of Capital in Statistics NZ's Multi-Factor Productivity Measures
Authors: Nairn MacGibbon
Statistics New Zealand
Presenter: Nairn MacGibbon

Abstract:

The choice of methodology used to derive the user cost of capital services can have a significant impact on the relative weights assigned to the various assets used in the production function of an industry. This paper presents an analysis of the differing methods that could be used to calculate the user cost of capital, and assesses each of the methods against a range of criteria. The analysis indicates that the use of an exogenous rate of return and excluding capital gains from the formulation of the user cost of capital provides superior results in the New Zealand context.

Title of Paper: Testing the Infrequent Purchase Model: Using Direct Measurement of Hidden Consumption from Food Stocks
Authors: John Gibson¹, Bonggeum Kim²
¹University of Waikato, ²Seoul National University
Presenter: Bonggeum Kim

Abstract:

Zero expenditure on individual commodities are a frequent but awkward feature of applied demand analysis and may come from two distinct phenomena: (i) genuine non-consumption, and (ii) purchases that happen too infrequently to be captured within the survey reference period, with hidden consumption out of stocks. In this paper we test infrequent purchase models, using an unusual household survey where food stocks are measured at the start and end of the survey reference period. Parameter estimates using these direct measures of hidden consumption out of stocks are compared with estimates from infrequent purchase models that attempt to recover this hidden consumption.

Title of Paper: Job Vacancy Monitoring in New Zealand and Jobs Online
Authors: Victoria Wall, Anne Fale
Department of Labour
Presenter: Victoria Wall, Anne Fale

Abstract:

Information on job vacancies is important because it provides a range of information about the labour market. Changes in the number of job vacancies (especially occupational breakdowns of the data) is used as an indicator of changes in labour market demand to assist in the development of immigration and tertiary education policy. The overall aim of this paper is to raise the awareness of the Department of Labour's new Jobs Online, as a useful indicator of labour market conditions. This paper will present recent advancements in the collection of job vacancy information in New Zealand and highlight the history of these collections and selected international illustrations.

5.6 Internationalisation of New Zealand

Title of Paper: Foreign and Domestic Ownership: Evidence of Productivity Spillovers from New Zealand Firm Level Longitudinal Data
Authors: Kris Iyer¹, Philip Stevens¹, Kam Ki Tang²
¹Ministry of Economic Development, ²The University of Queensland
Presenter: Kris Iyer

Abstract:

This paper examines whether foreign and domestic ownership induced productivity spillovers exist in New Zealand (NZ) manufacturing. The following types of productivity spillovers are evaluated: horizontal spillovers (intra-industry) and, backward and forward spillovers (inter-industry). Four way spillovers are modelled: a) foreign to domestic, b) foreign to foreign, c) domestic to foreign and d) domestic to domestic. Foreign ownership induced spillovers accruing to exporters and non-exporters are distinguished. The analysis is carried out using a panel dataset of 11,175 NZ manufacturing firms spanning the years 2000-2007, which is extracted from the prototype Longitudinal Business Database.

Title of Paper: New Zealand Commercial Service Exporters: First Evidence from the Prototype Longitudinal Business Database
Authors: Menaka Saravanaperumal, Gus Charteris
Ministry of Foreign Affairs and Trade
Presenter: Menaka Saravanaperumal

Abstract:

Commercial services are becoming an increasingly important component of world trade. The sector has the potential to play a key role in lifting NZ's export and economic performance given the growing demand for internationally traded commercial services and the absence of typical resource and distance constraints. Little is, however, known about the characteristics and performance of the commercial services sector in NZ. This paper seeks to fill this knowledge gap by providing a set of stylized facts - including size, labour productivity and foreign ownership of firms engaged in commercial services trade, using Statistics NZ's Prototype Longitudinal Business Database.

Title of Paper: Are Non-Exporters Locked Out of Foreign Markets because of Low Productivity: Evidence from New Zealand Agriculture and Forestry
Authors: Darran Austin¹, Kris Iyer²
¹Ministry of Agriculture and Forestry, ²Ministry of Economic Development
Presenter: Darran Austin

Abstract:

Self-selection of productive firms to exporting suggests that non-exporters are locked out of international markets due to low productivity. Using a panel of 88,752 New Zealand agriculture and forestry sector firms over the period 2000-07, this paper measures the exporters and non-exporter productivity separately. Exporters are found, on average, to be twice as productive as non-exporters. Analysis of the productivity distribution in quantiles suggests that the sub-set of non-exporters with productivity levels similar to that of exporters is large. For these firms, it would be erroneous to conclude that the export propensity decision is determined by low productivity.

Concurrent Session 6

Fri 2 July

11.00-12.30

6.1 Trade

Title of Paper: New Zealand-India Trade Relations and Trade Potential: Recent Experience and Future opportunities

Authors: Sayeeda Bano¹, Nawal K Paswan²
¹University of Waikato,
²Jawaharlal Nehru University

Presenter: Sayeeda Bano

Abstract:

This paper explores the evolution of trade and trade potential between New Zealand and India. It includes an analysis of Kojima indices of trade intensities, revealed comparative advantage, intra-industry trade and trade potential indices. An econometric trade model is estimated using panel data and multivariate analysis to identify the key determinants of New Zealand's bilateral trade flows and draw policy conclusions in the context of Free Trade (FTA) and Comprehensive Economic Cooperation Agreements (CECA) between New Zealand and India.

Title of Paper: Transport Infrastructure, Firm Location and Exporting

Authors: Richard Fabling¹², Arthur Grimes²³, Lynda Sanderson¹³
¹Reserve Bank of New Zealand,
²Motu Economic and Public Policy Research, ³University of Waikato

Presenter: Lynda Sanderson

Abstract:

This paper examines the relationship between domestic transport infrastructure, firm location and merchandise export performance of New Zealand firms. Using plant-level employment, location, and export data, we describe the current mix of industrial and export activities around ports and airports. Focusing on the Auckland urban area, variation in the location of inland ports over time is used to identify firm-level responses to new transport nodes. We consider the impact of new infrastructure on both the location choices of existing export firms, and the export performance of current and potential exporters.

Title of Paper: The Early Effects of Preferential Trade Agreements (PTAs) on Intra-Regional Trade within ASEAN+6 Members

Authors: Gail Pacheco, Rahul Sen, Sadhana Srivastava;
Auckland University of Technology

Presenter: Rahul Sen

Abstract:

This paper analyses the early effect of recent bilateral and regional Preferential Trade Agreements (PTAs) involving the ten-member Association of Southeast Asian Nations (ASEAN) grouping, as well as Australia, New Zealand, China, India, Japan and Korea (ASEAN+6) countries, using trade intensity indices and an augmented gravity model. The paper estimates the impact of being a member to a bilateral PTA versus one that is plurilateral in membership, on bilateral trade flows for the 11 largest members of the ASEAN+6 grouping over the period 1994-2006. The traditional gravity model is augmented by separately estimating the effects of bilateral and a plurilateral PTA membership.

6.2 Spatial Economics 2

Title of Paper: Anticipatory Effects of Rail Upgrades: Auckland's Western Line

Authors: Arthur Grimes¹², Chris Young¹
¹Motu Economic & Public Policy Research, ²University of Waikato

Presenter: Arthur Grimes, Chris Young

Abstract:

We examine effects of urban passenger rail upgrades to Auckland's Western Line; upgrades include double tracking, station development, and urban renewal. The results reveal residents' anticipated net benefits of the developments. The rail upgrades will be completed in late 2010, but have been well publicised and so should already be factored into people's location and pricing decisions. We utilise unit record property sale prices using a repeat sales methodology to measure price appreciation. Specifically, we test the hypothesis that price appreciation is affected by proximity to Western Line stations, allowing for different effects at each station.

Title of Paper: Sub-national Economic Vulnerability: A Spatial Perspective
Authors: Stephanié Rossouw, Don J Webber
Presenter: Stephanié Rossouw

Abstract:

Millennium development goals (MDGs) were adopted by 147 countries in the year 2000 and are due to be achieved by 2015. Recent empirical papers present explorations into economic vulnerability from a sub-national perspective but contribute to this literature in an aspatial manner. This paper extends the methods currently used in this literature. Application of these methods to South African Magisterial District level data reveals a widening urban-rural vulnerability divide and any achievement of MDGs by South Africa will be the result of an urban bias.

Title of Paper: The Spatial Impact of Local Infrastructural Investment in New Zealand
Authors: William Cochrane¹, Arthur Grimes², Philip McCann³, Jacques Poot¹
¹University of Waikato, ²Motu Economic & Public Policy Trust, ³University of Groningen
Presenter: William Cochrane

Abstract:

In this paper we estimate the impact of local authority infrastructure spending in New Zealand using spatial econometric modelling, with the infrastructure spending itself endogenously determined. Utilizing data from the New Zealand Census and Local Authorities Finance data (1991-2008), aggregated to functional labour market areas, we formulate a simultaneous equations growth model of real income, population, land rent and public infrastructure investment. Estimation is conducted using a spatial 3SLS procedure. We find that an increase in local infrastructure spending increases population growth, real income and land values, but is itself endogenous and spatially correlated.

6.3 Sports Economics

Title of Paper: How Fair is the Duckworth/Lewis Adjustment in One Day International Cricket?
Authors: Scott Brooker, Seamus Hogan
Presenter: Scott Brooker

Abstract:

It is necessary to adjust the target score when a game of cricket is interrupted by bad weather. We estimate the probability of each team winning from any game situation and propose adjusting the target score in such a way that the probability of winning is preserved across the interruption. Our method is compared to the Duckworth-Lewis system currently used in international cricket to investigate the fairness of the adjustment in different game situations. We decompose the difference between the two methods into potential contributing factors; for example, the ground conditions present on the day of the match.

Title of Paper: Measuring Competitive Balance in Sports with Draws: Further Comments
Author: P Dorian Owen
Presenter: P Dorian Owen

Abstract:

This paper re-examines the calculation of the relative standard deviation (RSD) measure of competitive balance in leagues in which draws are possible outcomes. Some key conclusions emerging from the exchange between Cain and Haddock (J Sports Economics, 2006) and Fort (J Sports Economics, 2007) are reversed. There is no difference, for any given points assignment scheme, between the RSD for absolute points compared to percentages of points. However, variations in the points assignment that change the ratio of points for a win compared to a draw do result in different RSD values, although the numerical differences are minor.

6.4 Environmental Economics

Title of Paper: Emission Intensity in New Zealand Manufacturing and the Short-Run Impacts of Emissions Pricing

Authors: Matthew Bartleet, Kris Iyer, Elisabeth Numan-Parsons
Ministry of Economic Development

Presenter: Elisabeth Numan-Parsons

Abstract:

This paper reports the emission intensity of New Zealand (NZ) manufacturing at a combination of industry group and class levels (sub-sectors). The short-run impacts of emissions pricing is investigated with a focus on exporting activities. Emission intensive sub-sectors accounted for slightly over 9 percent of national GDP. It is found that there is much variability of emission intensity within manufacturing and even within sub-sectors. Several emission intensive activities are found to be export exposed. These activities are at most risk of losing competitiveness if emissions are priced in NZ ahead of other countries and they are not shielded.

Title of Paper: Evaluation of Conservation Biological Control Innovation in Winegrowing

Authors: Ross Cullen, Sharon Forbes, Rachel Grout, Clive Smallman
Lincoln University

Presenter: Ross Cullen

Abstract:

Conservation Biological Control (CBC) aims to improve conditions for natural enemies in agricultural landscapes, and has the goal of reducing pest species below threshold level and hence avoid need to use synthetic chemicals. The CBC approach has been introduced in several counties, including New Zealand. Agricultural R&D is widely studied, however agricultural innovations and their adoption is less studied. We describe environmental practices introduced in Waipara vineyards and wineries and provide an evaluation of uptake and economic sustainability of the innovations. There are ongoing costs of maintaining the innovations, and adoption of the innovation is highly variable across wine growing properties.

Title of Paper: Water Resource Management in New Zealand: Jobs or Algal Blooms?

Author: Dan Marsh
University of Waikato

Presenter: Dan Marsh

Abstract:

This paper estimates people's willingness to pay for water quality improvements in a typical dairy catchment in the Waikato region so enabling decision makers to consider both the costs and the benefits of different levels of water quality improvement. We describe the development of a choice modelling approach for assessing the value of water quality improvements. Respondents would be willing to pay for water that is safer for swimming and improvements in clarity and ecological health but are concerned about job losses even when they do not expect to be directly affected.

6.5 Monetary Economics

Title of Paper: Evaluating McCallum Rule as Policy Guideline for China

Authors: Shuzhang Sun, Christopher Gan, Baiding Hu
Lincoln University

Presenter: Shuzhang Sun

Abstract:

Economists have reached a consensus that central bank could improve its policy efficiency by following a monetary policy rule. Given that money supply is the People's Bank of China (PBC) principal policy instrument and its monetary targeting regime, this paper utilizes counterfactual simulation method to evaluate the feasibility of McCallum rule as a policy guideline for China in two simple macroeconomic models. The simulation results show that following McCallum rule could significantly reduce China's nominal GDP fluctuations. The analysis shows that rule-specified path for the monetary base changes could be used as a benchmark for PBC's policy decision.

Title of Paper: Imperfectly-Credible Disinflation of Small Inflations
Authors: Lynne Evans¹, Anamaria Nicolae²
¹Newcastle University,
²Durham University
Presenter: Anamaria Nicolae

Abstract:

In this paper we study and quantify the effects of a disinflationary policy on output and welfare. The analysis takes place in the context of a New Keynesian DSGE model with time varying velocity and imperfect credibility. The nonlinear solution method reveals that early output losses may be more pronounced and more prolonged than previously suggested in the literature, and that the disinflationary output boom found by Ball (1994) and Ireland (1997) may disappear in such context. We also show that the optimal speed of disinflation is further decreased.

Title of Paper: A Bayesian Dynamic Factor Model of New Zealand's Core Inflation
Author: Michael Kirker
Reserve Bank of New Zealand
Presenter: Michael Kirker

Abstract:

I estimate a measure of core CPI inflation for New Zealand using a Bayesian dynamic factor model with Gibbs sampling. Within the model, I identify one factor as a tradable inflation factor, and the other as a non-tradable inflation factor. I examine the properties of both the model's core inflation CPI estimate as well as the tradable and non-tradable factors driving it. My results show core CPI inflation is heavily influenced by non-tradable prices. As an application, I use a simple Taylor-type rule to examine how monetary policy has responded to the persistent (core) component of inflation.

6.6 Labour Economics 2

Title of Paper: Does Workplace-based Industry Training Improve Participants' Employment and Earnings Prospects?
Author: Sarah Crichton
Department of Labour & Statistics
New Zealand
Presenter: Sarah Crichton

Abstract:

This paper investigates the employment and earnings outcomes of those who participated in industry training during 2003–05. The research uses a new dataset constructed for the Employment Outcomes of Tertiary Education feasibility study which successfully linked administrative data on participation and achievement in tertiary education and training with earnings and income data from the Linked Employer-Employee Database. We found that the impact of training varied considerably by the level of qualification achieved, age and sex. The estimates are based on comparing the outcomes of participants with non-participants who had similar characteristics before training started.

Title of Paper: Pareto-Improving Firing Costs?
Authors: Bilgehan Karabay¹, John McLaren²
¹University of Auckland,
²University of Virginia
Presenter: Bilgehan Karabay

Abstract:

We examine self-enforcing contracts between risk-averse workers and risk-neutral firms in a labour market with search frictions. Employers promise wage-smoothing, consistent with incentive conditions that ensure they will not renege during low-profitability. Equilibrium is inefficient if these incentive constraints bind, with risky wages for workers and a risk premium that employers must pay. Mandatory firing costs make it easier for employers to promise credibly not to cut wages in low-profitability periods. We show that firing costs are more likely to be Pareto-improving if they are not severance payments, or (for affluent economies) if the economy is open.

Abstracts of Poster Papers

Student Poster Abstracts

Title of Poster: Discrete Choice Modelling: An Application to Use of Eco-Labels
Author: Sini Miller
Lincoln University

Abstract:

People make choices constantly. Discrete choice modelling has been developed to evaluate these choice outcomes by measuring the attributes of alternatives. It includes data analysis but also statistical experimental design to increase its efficiency. Parameter estimates provide information of the attribute effects in the choice decisions, particularly by a financial ratio of willingness to pay – a feature that makes this an appealing tool. Discrete choice modelling is applied here to an eco-labelling (environmental communication tool) study, which is used as an example here. The aim is to study customers' attitudes towards eco-labelling and its effect on purchase choices.

Title of Poster: Vertical Integration in New Zealand Electricity Markets
Author: Lifeng (Daisy) Shen
University of Auckland

Abstract:

In April 1998, New Zealand government announced a package of electricity market reforms to generation, distribution and retail. It included corporate separation of lines and energy business. Controversy to this, after 12 years, ministerial review into electricity market performance report proposed to allow lines companies back into retailing and constructing new thermal generation with some restrictions. This research investigates on logical thinking behind this policy changes, as well as review New Zealand electricity market's performance before and after 1998. Since New Zealand electricity is highly vertical integrated, it emphasize on the merits of vertical integration as well as arisen problems. An examination of market power will also be conducted in this research.

Title of Poster: Sole Parent Household Poverty in New Zealand: An Investigation of Identifying Characteristics
Author: Hugh A. McDonald
Motu Economic and Public Policy Research

Abstract:

This paper investigates sole parent household poverty in New Zealand. A logit model is used to determine which attributes identify households experiencing poverty, with the definition of poverty varied by poverty line and household equivalence scale. The findings indicate education level, employment status and ethnicity of the sole parent, and the size of the sole parent household are the most important indicators of poverty. These results were sensitive to the poverty line used, while the choice of equivalence scale had a much smaller impact on the findings.

Open Poster Abstracts

Title of Poster: Bank lending Channel in China's Monetary Policy Transmission Mechanism: A VECM Approach
Authors: Shuzhang Sun, Christopher Gan, Baiding Hu
Lincoln University

Abstract:

This paper tests the existence of the bank lending channel to explain the monetary policy transmission in China from 1997Q1 through 2008Q4. To disentangle the bank loan supply and bank loan demand effects of monetary policy movement, this study uses a VECM model to test for exclusion and exogeneity restrictions on the existing cointegration relationships among the variables. Research result confirms the existence of a lending channel for monetary transmission in China. The VECM's short-term dynamics show that monetary policy plays a role in restoring equilibrium in the credit market by affecting the official commercial bank lending rate.

Title of Poster: Drivers of Employment in the Building and Construction Industry
Authors: Ram SriRamaratnam, Xintao Zhao
Department of Labour

Abstract:

The purpose of this research was to understand the employment dynamics in the building and construction industry and apply a robust methodology to forecast employment trends in this important but volatile New Zealand industry. It involved building a research framework to test the importance of a variety of factors which contribute to the changes in employment in this sector. It also helped to separately identify and explain the relative importance of individual drivers of demand both economic and demographic factors. The elasticity values and the lag results of impacts derived are based on econometric analysis using a detailed conceptual framework.

Title of Poster: Limitations of the Relative Standard Deviation of Win Percentages for Measuring Competitive Balance in Sports Leagues
Author: P. Dorian Owen
University of Otago

Abstract:

The relative standard deviation of win percentages, the most widely used measure of within-season competitive balance, has an upper bound which is very sensitive to variation in the numbers of teams and games played. Taking into account this upper bound (for example, by calculating a normalized standard deviation measure) provides additional insight into comparisons of competitive balance across leagues or over time.

Title of Poster: Capturing Farmer's Land Use Decision Process in Modelling: A Case of Balancing Economic and Environmental Outcomes of Land Use in New Zealand
Author: Femi Olubode-Awosola
AgResearch

Abstract:

Decision support tools can help to balance economic and environmental outcomes of land use options at farm-level in New Zealand. However, failure to underpin these tools on empirical understanding of land use decision making process at farm-level may limit the usefulness of these tools. Literature review suggests not enough studies to establish generalisable or specific decision making process among the New Zealand farmers. In short to medium term, it is necessary to seek existing information about farmers' decision making process. Long-term research plan will include empirical survey of farmers' land use decision making process.

Title of Poster: Fixing Gross Flows Data
Authors: Will Bell, A. McLeish Martin, Peter Gardiner
Statistics New Zealand

Abstract:

The Statistics New Zealand, Household Labour Force Survey is designed to estimate the cross section of people currently employed, unemployed and not in the labour force each quarter. It can also be used as a longitudinal survey, to reveal the number of people who change their labour force status between quarters. These gross flows estimates are currently produced during the regular production cycle, but are not made publicly available because their totals are not consistent with official employment and unemployment totals. This paper explores the raking method to make gross labour market flows consistent with official estimates.

Title of Poster: The Transition to ANZSIC06:
The Commodity Dimension
Author: Paul Sutherland
Statistics New Zealand

Abstract:

Commodity proportions are calculated using values collected through a Commodity Data Collection (CDC) survey. These commodity proportions are used in the National Accounts supply and use framework to reconcile the production and expenditure approach of Gross Domestic Product (GDP). The data is also used to provide weights for producer price indexes (PPIs) which are used to deflate current GDP to get real GDP estimates.

Statistics New Zealand has recently completed converting commodity proportions at an industry level from the ANZSIC96 classification to the ANZSIC06 classification. The new classifications and the updated commodities better reflect current activity in the economy.

Title of Poster: Does Tenure Review in
New Zealand's South Island give
Rise to Rents?
Authors: Ann Brower¹, Philip Meguire²
Alba DeParte³
¹Lincoln University, ²Univeristy of
Canterbury, ³Paris Institute of
Technology for Life Food and
Environmental Sciences
(AgroParisTech)

Abstract:

In this poster, we examine economic outcomes from land reform in the South Island high country, that splits ownership of Crown pastoral leases. The Crown sells its residual interest in the most developable land, and buys the lessee's interest in land with conservation value.

After reform, 47% of new owners have onsold some or all of the new freehold.

We compare the price (per ha):

- At which the Crown sold its interest in leasehold land to the lessee;
- Received by a new freeholder who onsells part of the freehold.

We then consider possible economic explanations for the results.

Title of Poster: Counting the Cows - Dairy Cattle
Demography
Author: Andrew Chou
Statistics New Zealand

Abstract:

Two key methods have been developed to validate dairy cattle estimates using concepts common to population demography: Use of 'cohort' analysis modelling where a 'natural' model has been developed. This model uses the previous year's figures and assumptions about mortality, fertility and migration to derive expected numbers for each age/sex group. It is applied at national and regional levels. Use of population demography concepts involving different subject populations.

The 'usually resident' concept is used to calculate the number of dairy cattle usually resident on the home farm, taking into consideration factors such as feed availability.

Title of Poster: Has the New Zealand forestry
sector's competitiveness been
affected by real exchange
rate changes?
Author: David Evison
University of Canterbury,
New Zealand School of Forestry

Abstract:

This paper examines how exchange rates and inflation rates have influenced export competitiveness of the forestry sector. This analysis calculates New Zealand's real exchange rates with major forestry trading partners. The real exchange rates of Singapore and Chile with respect to these five countries were also calculated for comparison.

A trade-weighted real exchange rate index for New Zealand's top five forestry markets showed an average decline of 39% between 1984 and 2008. The magnitude of this decline supports claims that exchange rate changes have reduced forestry's competitiveness, and therefore contribution to the New Zealand economy and prospects for future expansion.

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section 4

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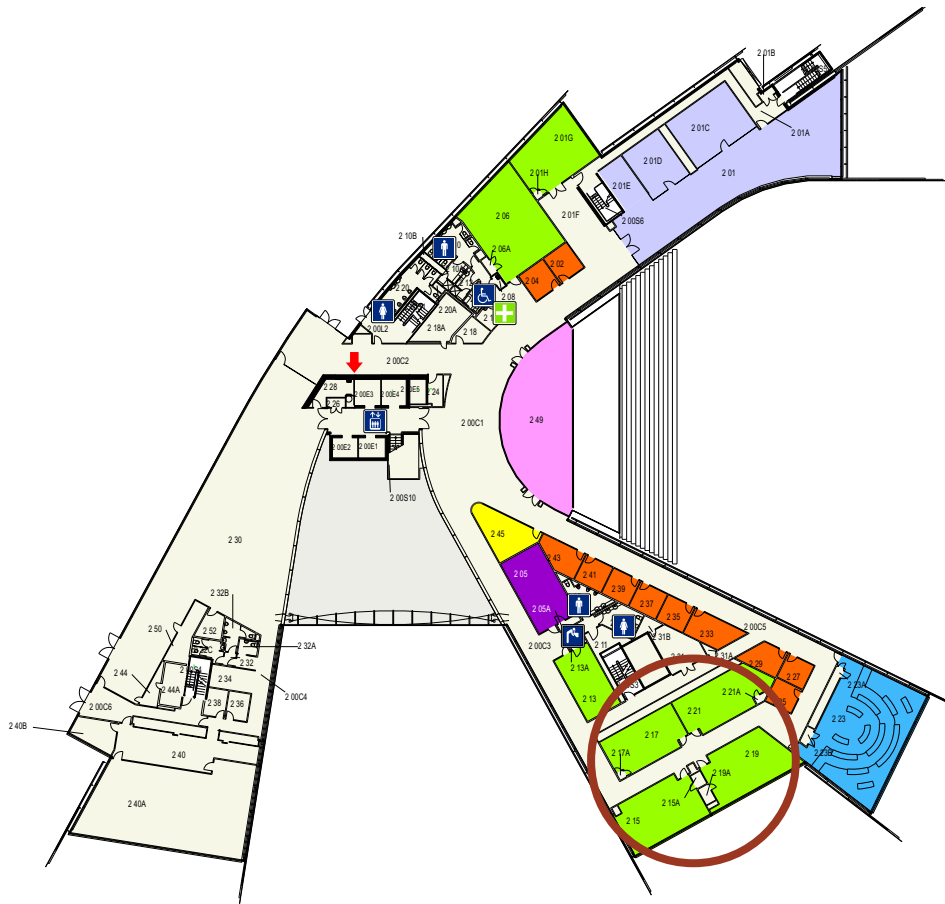
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Disabled Toilet
- 
Toilets
- 
Lifts
- 
Drinking Fountains
- 
First Aid

LEVEL 2



Decima Glenn Room

- 
Disabled Toilet
- 
Toilets
- 
Lifts
- 
Drinking Fountains

LEVEL 3

Joint NZAE & LEANZ Conference

WEDNESDAY 30 JUNE 2010

8.00-9.00	Registration	Foyer, Ground Floor
9.00-10.30	Opening & Keynote 1 - Wolfgang Kasper	OGG B3 Ground Floor
10.30-11.00	Morning Tea	Foyer, Ground Floor
11.00-12.30	Concurrent Session 1	
	Health & Welfare	Room 223
	Economics Education	Room 215
	Demographics	Decima Glenn Room
	Economics of Developing Countries 1	Room 219
	Measuring the Impacts of Tax Policy	Case Room 4
	LEANZ Session	Case Room 1
12.30-1.30	Lunch	Foyer, Ground Floor
1.00-1.30	LEANZ AGM	Decima Glenn Room
1.30-3.00	Concurrent Session 2	
	Business Strategy & Skills in NZ Firms	Room 215
	CGE Modelling	Room 219
	Labour Economics 1	Room 223
	International Finance	Case Room 4
	Effects of Law & Regulation	Case Room 1
	Diversity & 'Economic Assimilation' of Immigrants	Decima Glenn Room
3.00-4.00	Poster Session & Afternoon Tea	Foyer, Ground Floor
4.00-5.30	Keynote 2 - David Hensher	OGG B3 Ground Floor
4.00-5.30	LEANZ Session	Room 325
5.30-6.30	Complimentary Drinks & Social Hour	Spicers, 3rd Floor

THURSDAY 1 JULY 2010

8.30-10.00	Keynote 3 - Peter Kennedy	OGG B3 Ground Floor
10.00-10.30	Morning Tea	Foyer, Ground Floor
10.30-12.00	Concurrent Session 3	
	Economic History	Room 215
	Competition Policy	Case Room 1
	Open Economy Macroeconomics	Decima Glenn Room
	Microeconomic Theory	Room 219
	Fiscal Policy & Productivity	Case Room 4
	Econometrics & Forecasting	Room 223
12.00-1.00	Lunch	Foyer, Ground Floor
1.00-2.00	NZAE AGM	OGG B3 Ground Floor
2.00-3.30	Concurrent Session 4	
	Spatial Economics 1	Decima Glenn Room
	Social Capital	Room 215
	Law & Crime	Room 223
	Welfare & Environmental Economics	Case Room 4
	Industrial Organisation	Case Room 1
	Economic Consultants Roundtable	Room 219
3.30-4.00	Afternoon Tea	Foyer, Ground Floor
4.00-5.30	Concurrent Session 5	
	Electricity Markets	OGG B3 Ground Floor
	Economics of Developing Countries 2	Room 215
	Finance & Housing	Room 223
	Tax & Fiscal Solvency	Case Room 4
	Economic Data	Decima Glenn Room
	Internationalisation of NZ	Room 219
6.30 onwards	Dinner at The Hyatt	

FRIDAY 2 JULY 2010

9.00-10.30	Keynote 4 - Jeanne Schroeder	OGG B3 Ground Floor
10.30-11.00	Morning Tea	Foyer, Ground Floor
11.00-12.30	Concurrent Session 6	
	Trade	Case Room 1
	Spatial Economics 2	Decima Glenn Room
	Sports Economics	Room 215
	Environmental Economics	Room 219
	Monetary Economics	Case Room 4
	Labour Economics 2	Room 223
12.30-1.30	Lunch & Conference Close	Foyer, Ground Floor