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**A newsletter to promote the exchange of information,
news and ideas among members of the
New Zealand Association of Economists (Inc).**

CONTENTS			
Editorial	2	NZAE Life Member	15
Milton Friedman Part II	3	How others see us	16
From the 2BRED file	5	Straight line graphs and parallel shifts	17
A R Bergstrom Prize, 2007	6	Coase, externalities, and options	18
NZAE Conference 2007	7	Research in Progress	19
NZAE Distinguished Fellows	11	NZEP	22
NZAE Conference photos	12	NZAE Information and New Members	22

REMINDER: NEXT YEAR'S MAJOR CONFERENCE
IN HONOUR OF A W H PHILLIPS
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9TH, 10TH & 11TH JULY 2008
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No coup in NZAE leadership change

EDITORIAL

As expected, the Council elections at the June AGM were very orderly. Frank Scrimgeour moves into the position of President, with Mary Hedges as Vice-President. Caroline Saunders' long and valuable service has come to an end and her position of Immediate Past President has been taken by Grant Scobie. They both deserve special mention for the outstanding contributions they have made. Much of this is done quietly behind the scenes, but the effects have benefited members greatly. Other changes include the end of terms by Ralph Lattimore and Gail Pacheco – thanks to you both for your sterling efforts – and a marked increase in the alphabetical concentration of the council with new members being Bill Kaye-Blake, Suzi Kerr and Stephen Knowles. My ongoing colleagues on the council are Anthony Byett, Ananish Chaudhuri, Iris Claus and Kirdan Lees. Perhaps this is a good time for me to say publicly that I have been really impressed with the dedication and diligence all these people have shown in their work for the Association. It is a pleasure to work with them, along with Val Browning and John Gallagher who has joined us recently as treasurer.

Members should note the major projects being undertaken at present, with two milestone conferences coming up in the next two years, active development of *New Zealand Economic Papers* and of the Association's web pages, increasing recognition of people's contributions to the Association and to the discipline with Life Members and Distinguished Fellows, and the ongoing initiatives of the NZAE Education Trust. We have some exciting times ahead.

by Stuart Birks, Massey University

Members are invited to submit brief articles on any issue of interest to NZAE members, and/or comments and suggestions. Enquiries and contributed articles should be sent to Stuart Birks [K.S.Birks@massey.ac.nz]. Views and opinions expressed in these articles are those of the authors, and do not represent the views of the New Zealand Association of Economists.

NZEP now on-line

Articles published in the June 2007 issue of the journal are now available via ABI/Inform ProQuest.

You will need a subscription to ProQuest to access this.

Search for "New Zealand Economic Papers" using "Publication Title" in the search field.

In addition, past issues from 1997 to 2004 are available via InfoTrack.

New Zealand Hansard

Recent coverage at: <http://www.clerk.parliament.govt.nz/hansard/Hansard.aspx>

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<http://www.clerk.parliament.govt.nz/Publications/QuestionsForWrittenAnswerIndex.htm>

Hansard searchable back to 1987 at: <http://www.vdig.net/pr/hansard.html>

A bob each way on global warming

For a novel policy suggestion designed to work whether or not there actually is global warming, see Ross McKittrick's article, "Call their tax" in the *Financial Post* of 12 June 2007.

It is available at: http://ff.org/centers/csspp/library/co2weekly/20070615/20070615_05.html

Milton Friedman (Obituary) Part II: 'Scientific' contributions By James E. Alvey

In the first part of this series I discussed the life of Milton Friedman; I now turn to his 'scientific' contributions. Friedman distinguished between his 'scientific work' and his 'writings for the general public' ('Milton Friedman' in *Lives of the Laureates* Breit, W. and Spencer, R. (eds.) 3rd ed. Cambridge: MIT Press, 1995, p. 87). Friedman claimed that economists should judge him by the former, not the latter. His 'scientific' writings are vast and of high quality. Thus, Friedman would not have had any problem during his Chicago years in obtaining an 'A' in any research evaluation exercise. In what follows, I will comment upon a) Friedman's 'scientific' research contributions mentioned by the Nobel committee, b) other 'scientific' research he completed, and c) his role as a university teacher.

According to the official citation, the Nobel Prize was awarded to Friedman for 'his achievements in the fields of consumption analysis, monetary history and theory, and for his demonstration of the complexity of stabilization policy.' This list gives some insights into the breadth of his 'scientific' work.

A Theory of the Consumption Function (1957) is regarded by many as Friedman's best work. It rejected the Keynesian view that consumption is a fixed proportion of *current* income and asserted, in opposition, that consumption is a function of *expected long-term* income (assets, physical and human, play the decisive role). Friedman's permanent income hypothesis has had a major impact on macroeconomics.

Friedman's work on the other three fields mentioned in the Nobel citation gradually merged together and all three (monetary history and theory and macroeconomic stabilization policy) met with great hostility from Keynesians. Friedman dates the start of his 'counterrevolution in monetary theory' to the publication of the *Studies in the Quantity Theory of Money*, which he edited in 1956 (M. and R. Friedman *Two Lucky People* Chicago: University of Chicago Press, 1998, p. 228). *A Monetary History of the United States* (1963, with Anna Schwartz) was one of Friedman's seminal works in the field of economic/monetary history. His assault on Keynesian monetary theory continued throughout the 1960s and 1970s; it eventually led to his attack on Keynesian stabilization policy in his 1967 Presidential address to the American Economic Association ('The Role of Monetary Policy' *American Economic Review* 58 (March) 1968: 1-17). Here Friedman objected to the Keynesian understanding of the relationship between inflation and unemployment, as depicted in the 'Phillips Curve.' Keynesians' adaptation of Phillips' 1958 article was rapid and their version of the 'Phillips Curve' became widely used by them in the 1960s. The orthodox Keynesian understanding of the Curve was that there was a 'stable long-run trade-off which offered the authorities a menu of possible inflation-unemployment combinations [in a particular economy] for policy choice' (Snowdon, B. and Vane, H. *Modern Macroeconomics* Cheltenham: Edward Elgar, 2005, p. 144). The policy implication of the 'Phillips Curve' for Keynesians (but not Phillips himself) was that some extra inflation could be traded-off for a lesser unemployment rate; the latter, in turn, could be induced, they claimed, by government manipulation of aggregate demand. In 1967 Friedman attacked the 'Phillips Curve' as a *short-run* relationship based on *given* inflationary expectations. He concluded that government attempts at manipulating aggregate demand (and hence the unemployment rate), beyond the short run, were doomed to fail once expectations adjusted to the higher price level. The essence of Friedman's theoretical critique of a *stable* Phillips Curve relationship is now widely accepted in the profession, as is his notion of a 'natural rate' of unemployment. No doubt, his success was aided greatly by the emergence of stagflation in the 1970s.

Some of Friedman's other contributions in these fields should also be mentioned. In 1975 he published *Milton Friedman's Monetary Framework*. In 1982 he published (with Anna Schwartz) *Monetary Trends in the United States and the United Kingdom: Their Relation to Income, Prices and Interest Rates. 1867-1975*.

In addition to the fields mentioned in the Nobel citation, Friedman contributed 'scientific' work to other areas, including methodology, statistics, labour economics, currency exchange rates, utility and demand theory. I will comment on the first three of these.

His article called 'The Methodology of Positive Economics' is the opening and most famous chapter in *Essays in Positive Economics* (1953). Here Friedman presented his

methodological views on economic science, including the dividing line between positive and normative economics, and the role of assumptions in economic theories. He neither revised his methodological views nor made any significant comment on his methodological critics (but see his critique of Myrdal in 'Milton Friedman' pp. 90-2). In his own work Friedman strove to remain bound by his own methodological strictures. While Friedman's methodological views were highly influential, and widely adopted in the economics profession, they met with mixed reviews from methodologists. Popperian methodologists, like Boland, are sympathetic (Boland has written at least five articles on Friedman's methodology in the *Journal of Economic Literature*, the *American Economic Review* and the *Journal of Economic Issues*). Others, such as Caldwell, are critics not only of Friedman's methodological views but of the consistency of his writings with his 'official' methodology (see 'A Critique of Friedman's Methodological Instrumentalism' *Southern Economic Journal* 47(2)(1980): 366-74). A special conference was held in 2003 in Rotterdam, the Netherlands, to celebrate the fiftieth anniversary of Friedman's 'Methodology of Positive Economics', which the organizers described as 'the most important piece of methodological writing in twentieth century economics' (see <http://eh.net/pipermail/hes/2003-September/006205.html>). Nevertheless, a central claim of Friedman's methodology, that the predictive power of a model is the only measure of a theory's worth (and that the reasonableness of the assumptions can be ignored), remains controversial.

In statistics, Friedman made various contributions in the years after completing his MA but before completing his PhD (see Alan Walters 'Milton Friedman' *The New Palgrave: A Dictionary of Economics* Eatwell, J., Milgate, M. and Newman, P. (eds.) London: Macmillan, 1987, pp. 422-4). He developed a non-parametric test which came to be called the Friedman test. After World War II, Friedman largely discontinued his work as a *pure* statistician and tended thereafter to use statistics in an instrumental manner.

Let us now consider Friedman's contribution to labour economics. In his book on professional income in 1945 (mentioned in Part I of this obituary, see *AI* No.28), Friedman claimed (with Kuznets) that licensing procedures restricted entry into the American medical profession and that competitive rates of remuneration would be lower than those that then existed. He said that 'a storm of protest' developed 'from accusing the American Medical Association of monopolistic practices that raised the cost and reduced the supply of medical care' (*Two Lucky People* p. 74). Even at this early stage of Friedman's career, his views on a competitive labour market were clearly visible.

In addition to Friedman's 'scientific' writings, one assumes that he would also like to be evaluated by his economist peers on the effectiveness of his 'scientific' teaching. As part of the Intellectual Legacies of Modern Economics series published by Edward Elgar, J. Daniel Hammond edited a two-volume work called *The Legacy of Milton Friedman as a Teacher* (Edward Elgar, 1999). These volumes contain personal accounts by four of Friedman's PhD students, and 42 articles and book chapters written by his students (including E.J. Mishan, Phillip Cagan and David Meiselman). The set is over 1,100 pages long. Although not the chairman of Gary's Becker's PhD committee, he was a very influential member of the committee and thus this set includes contributions from Becker to both parts. Friedman was clearly an influential teacher.

Friedman helped to revive some pre-Keynesian views and to establish an alternative to the mainstream Keynesian view. Despite Friedman's objections, many questions can be asked about his 'revolution.' Were the views of the Monetarist school that he led purely 'scientific'? Were the assaults that Friedman and his colleagues launched against 'Keynesians' free from ideology? Were the policies that they advocated 'scientific,' or were they, like any public policy, part of the normative realm (in the realm of 'art' rather than 'science')? Can Friedman's 'popular' writings be clearly separated from his 'scientific' writings? Even if they can be separated, why *should* an assessment of Friedman be restricted to the latter? We now leave the 'scientific' Promised Land behind. In the next issue I will conclude this series by transgressing into the *verboden* land: Friedman's public policy and 'popular' contributions.

From the 2BRED File

by Grant M. Scobie (grant.scobie@treasury.govt.nz)

The title of our first entry in this edition of the *2BRED File* certainly caught my eye. Pulitzer prize winning author **Thomas Friedman** has written a sweeping and thoroughly readable story of globalisation entitled *The World is Flat: A Brief History of the 21st Century* (New York: Farrar, Straus and Giroux, 2005). How might you ask could one expect a history of the 21st century written after a mere four years had passed? This modern flat earther argues that some things have changed – namely communications and transport costs are lower, there is more outsourcing, Wal-Mart uses supply chain management – and so on. All pretty much standard stuff from the world of globalisation and economic geography. However the metaphor is strained at best – the link to Columbus surely tenuous! *The World has Changed* would have been far more accurate a title – but a tad less commercially appealing no doubt. Still it is an interesting read.

But if you want to get your teeth into a really substantive commentary go to uclaforecast.com/reviews/Leamer_FlatWorld_060221.pdf. Here you will find a 57 page review by Ed Leamer – an economist always worth reading. As Leamer laments, economists are not great at expressing their ideas. *The World is Flat* has been on the NY Times Best Seller list and the market has rewarded the author with sales far in excess of serious works on the subject. In *Defense of Globalisation* (Jagdish Bhagwati) or *The End of Poverty* (Jeffery Sachs). So instead of lamenting that bad metaphors sell books, we had better brush up our titles and produce more *Freakonomics* if we want good economics to be more widely read.

But let's not just read economics. Two weeks sailing in the Whitsunday Islands recently, gave me a chance to do some "other" reading. The best of these was an extraordinary biography by Jason Roberts entitled *A Sense of the World: How a Blind Man became History's Greatest Traveller* (London: Simon and Schuster, 2006). James Holman (1786-1857) was a young lieutenant in the British Navy when he developed a strange affliction that caused him to go blind. He was admitted (as a special honour) to the select group of Naval Knights. In 1795 George III appointed seven 'Naval Knights' at Windsor Castle as a result of a bequest of Samuel Travers, Auditor General to George II, who wanted to found a college of naval veterans at Windsor similar to the Military Knights of Windsor. He specified that they should be 'super-annuated or disabled lieutenants of English Men of War...single Men without Children, inclined to lead a virtuous, studious and devout life'. Queen Victoria eventually disbanded the Naval Knights in 1892, following reports of 'irredeemable discord' between the two Services. While there Holman obtained leave to study at the University of Edinburgh (he was more studious than devout) where he completed most of a medical degree (but unable to finish because of the practical surgical requirements) and studied literature (the only other field offered at that time being divinity). He subsequently spent many years travelling and writing books. His journeys to remote corners of Africa, Siberia, Ceylon and Australia would have challenged a sighted person – how he accomplished this, generally alone, defies belief but makes a wonderful story.

The treatment of aboriginals has never shown our trans-Tasman cousins in their better light. So in many ways a new volume by Helen Hughes entitled *Lands of Shame* (Sydney: Centre for Independent Studies, 2007) contains no surprises. After a distinguished career at the World Bank and a professorship at the Australian National University, Helen Hughes has turned her unflagging energies to the development of Pacific and Aboriginal peoples, from her position as a Senior Fellow at the Centre for Independent Studies. Aborigines living in appalling conditions on "homelands" have a life expectancy 20 years less than other Australians.

Hughes traces the history of policies toward Aborigines, and is critical of the homelands model developed by one of Australia's leading economists and former Governor of the Reserve Bank (H.C "Nugget" Coombs). It has failed to preserve the culture and language while depriving generations of aboriginal children the opportunity for education and jobs. The

homelands have become characterised by shocking social dysfunction, family breakdowns, child abuse, drug taking, lawlessness and violence. The substantial funding flows have done little other than create a class of aboriginal elites and administrative bureaucracies. Without education and job opportunities in the wider Australian community, further generations of Aboriginal children will be condemned to miserable violent lives, in which language and culture are destroyed rather than flourishing. So a well meaning policy of providing funding and welfare payments so people could stay on their home turf and live in their traditional ways, has in fact destroyed rather than preserved language and culture.

The New Zealand entry in this edition of the **2BRED File** is by John Singleton with Arthur Grimes, Gary Hawke and Frank Holmes, ***Innovation in Central Banking: A History of the Reserve Bank in New Zealand***. (Auckland: Auckland University Press 2006). Who could imagine a more qualified quartet to author such a volume? Gary Hawke provides the continuity with his earlier history of the Reserve Bank (1973). No dreary history here – but an attractively produced volume, extensively illustrated with photos, document facsimiles, and cartoons from the press. It covers an exciting period of New Zealand’s economic history with the interventionist years of the 70’s, the reforms of the 80’s and the emergence of a revised mandate and governance of the RBNZ following the 1989 Act. So you get two for the price of one here – not only the carefully documented history of central banking in a period full of change, but a highly readable account of and insights into the broader economic story of New Zealand over three decades. The very comprehensive bibliography will alone be a long standing mine of reference material drawn from many sources. Writing history when it is fresh has the advantage of being able to talk to the players who were at the centre of the stage, and to have access to material that might become increasingly lost over time. The downside is that one’s perspective is compressed by the more recent nature of the events. Might that perspective might be a bit different in the future? Only time will tell.

**THE A R BERGSTROM PRIZE IN
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EXTENDED DEADLINE**

Applications are being sought for the eighth **A R Bergstrom Prize in Econometrics**.

Applications should be sent, **by the extended submission date of 30 September 2007**, to:

Professor V B Hall
School of Economics and Finance
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Email: viv.hall@vuw.ac.nz

The objective of the \$1500 Prize is to reward the achievement of excellence in econometrics, as evidenced by a research paper in any area of econometrics. The Prize is open to New Zealand citizens or permanent residents of New Zealand who, on the closing date of applications, have current or recent (i.e. within two years) student status for a higher degree. It is intended that the awardee will utilise the proceeds to assist in financing further study or research in econometrics in New Zealand or overseas.

Applications/nominations must include:

- a formal letter of application and, in the case of students, a letter of nomination by their research adviser or chairperson
- 4 copies of a research paper written by a single author, reporting original research in any area of econometrics
- a CV and relevant academic transcripts

NZAE Conference 2007

For the conference programme and papers, go to:

<http://zeus.econ.umd.edu/conference/NZAE2007/program/NZAE2007.html>

Another conference has come and gone. It is the last of the “normal” conferences for a while, with the massive, not-to-be-missed AWH Phillips Symposium next year (<http://www.phillips08.org.nz/>) and the Association’s 50th Anniversary conference in 2009. So how did it go?

Christchurch is always an enjoyable conference venue. The hotel facilities are good, it is handy to town, and the airport is not far away. While there are those who would like Queenstown or the Cook Islands, they are unlikely to be viable, and Auckland is too expensive. Of course, Palmerston North would be ideal, but your writer prefers out-of-town conferences so it is unlikely to happen.

Conference attendance was very good, with about 180 people registered, many at the last minute as usual. This is perhaps 20 more than is expected anywhere other than Wellington. In addition to the four keynote speakers, there were about 90 papers on a wide range of topics. It has taken me some time to determine a particular distinguishing feature for this conference. Such observations are often individual perspectives, but I have concluded that for me it is probably one of promise for the future. I saw signs of what I would hope to find, rather than observing areas of concern.

Very positively, there was a broad age, gender and ethnic mix, with no apparent social divides (although we rarely see Maori economists). Researchers are applying a wide range of techniques and approaches, many of them relatively new to economics, even if they are commonly used elsewhere. It was encouraging to see papers on game theory and experimental economics. There is a move to more cross-disciplinary analysis and a focus on policy issues, including historical, legal and political contexts. This cannot be done by mechanically applying conventional techniques to large databases, and, as demonstrated, policy aspects are more than mere tack-ons to results from model estimation.

In several presentations I saw a lot of thought about the issues, along with the use of a range of data sources and forms to build a nuanced picture of the topics. This is significant because quantitative analysis often requires restrictive assumptions in terms of aggregation or treating diverse observations as if they are of the same underlying structure.

While there were some standard econometric estimations from databases, these were generally critically assessed. Either in presentations themselves or in subsequent discussion, a broad range of concerns was raised about aggregation, variable definition, model specification, timing of relationships, economic interpretation of results, and underlying economic theory. My own bias is to consider such matters of perhaps greater importance than the finer points of some statistical tests.

Of course there were only a few of the parallel sessions that I was able to attend, but of those, two papers stood out for me as being original in concept, simple in structure and valuable in content and relevance. They are “Antipodean electoral incentives: The pork barrel and New Zealand’s MMP electoral rule” by Eric Crampton and Hannah Kite, and “Politics, Property, and Prices: The Political Economy of Tenure Review in New Zealand’s High Country” by Ann L. Brower, Adrian Monks and Philip Meguire.

My personal impression is that economists are now receptive to a far wider range of ideas and approaches and are more critical of some more conventional economic thinking. There is an increased use of information and ideas from outside the discipline, with econometrics and mathematical modeling being assessed more in the context of their application.

It may be that economists are becoming more humble about the scope of our techniques, rather than assuming the universal applicability of standard findings. This is very healthy, and can only assist in interdisciplinary communication and debate.

As an additional observation, and despite the focus in economics of the significance of incentives, it was encouraging to see the number of papers with a New Zealand focus, despite the demands of PBRF.

The Keynote Speakers

Warwick McKibbin gave the AWH Phillips Memorial Lecture, in which he briefly presented the McKibbin-Wilcoxon Blueprint for addressing climate change as an alternative to Kyoto. A file similar to his presentation is at: http://www.rega.com.au/Documents/2006%20Forum/Speaker%20Presentations/Warwick_McKibbin.pdf. Background papers can be found at: <http://www.sensiblepolicy.com/>.

He started with a presumption that the evidence indicates global warming and an assumption that this is due to CO₂ emissions. (But note the late Augie Auers' contention that the real culprit is water vapor, as described by Andrew Swallow in the *Timaru Herald* of 19 May 2007, p.6, "Global warming debunked".) McKibbin might not be proved wrong in our lifetimes, though, given his presumed 50 year lag between a change in emissions and an impact on the climate.

He raised the issue of policy responses under uncertainty (about severity, cause, who should react and how, etc.) when outcomes could be catastrophic. Among other things, it is important to have a robust policy, which is more likely with a broadly based incentives approach. His modelling suggested that the Kyoto approach is unlikely to work, and that a system based on within-country permit trading could be more effective due to better enforcement of property rights. Intra-country enforcement is easier than inter-country enforcement as there is one common jurisdiction (a standard issue raised in law and economics in relation to international trade). However, easier does not necessarily mean practical in terms of being enforceable at reasonable cost. More general implementation/enforcement problems, such as measurement, monitoring, administration, compliance requirements, etc., could still be significant.

His approach to policy development was interesting, starting with a set of six criteria for regime design. Such systematic approaches to policy design are valuable, but it cannot be assumed that New Zealand politicians would be so structured, as discussed in two conference papers, one by Philip Meguire and the other by an obscure Massey economist. McKibbin's criteria relate to: i) coverage of the policy; ii) equity issues; iii) political aspects (with top-down imposition from an international level being considered unlikely to work); iv) institutional requirements (building on existing structures); v) economic fundamentals such as property rights, scope for individual responses, diffusion of innovations; and vi) flexibility.

He suggested that New Zealand has among the highest abatement costs in the world. This is due to the already high current use of available alternatives and few additional available substitutes.

In conversation later he mentioned that it took repeated presentations at seminars and conferences to get the ideas accepted. Research does not stop at a refereed publication. Diffusion of ideas is also important.

Someone asked during the presentation whether giving people tradable permits might result in a disincentive to reduce emissions as there is an interest in enhancing the value of the permits. There might also be a wealth effect on savings if people are initially allocated permits as he suggests.

All in all, it was a well-presented and stimulating keynote address.

Deborah Cobb-Clark applied economics to a highly politically sensitive area, that of sexual harassment. In her introduction she relied on feminist material for background, mentioning MacKinnon's 1979 book, *Sexual Harassment of Working Women: A Case of Sex Discrimination*. This has been influential, but she did not consider possible political agendas behind it. She also mentioned Tailgate, or the Tailhook scandal in the US. Perceived wisdom on issues does not always coincide with balanced assessments. This is frequently apparent in gender issues. Another topical example would be recent attention given to poorer educational performance by boys, where the trend has been observed for over twenty years, but which is only now getting any acknowledgement (and see also Daniel Hamermesh below on work contributions by men and women). Tailhook has also been critically assessed in some little-publicised work, as can be seen in a collection of articles covering both sides at: <http://www.greatdreams.com/tailhook.htm>. It includes a piece by Jack Kammer, "Recovering

from a Tailspin”, first published in 1994, which gives an alternative view to the mainstream media position.

Despite this start, Cobb-Clark was no feminist apologist, and her own analysis was careful and balanced. When interpreting claims of harassment, she mentioned “**justification bias**”, where women who have left a job might claim that this was due to sexual harassment. This can apply to any claim of bias, such as for someone not getting a job, and can include other reasons such as race, religion or age. Even where there does appear to be sexual, racial or other harassment, it may simply be the vehicle whereby pressure could be exerted. People in conflict or power struggles are likely to use available means, whether this happens to be a person’s size, age, religion, colour or sex. As one feminist academic once wrote to me in an email, you use what works. Hence we see a man’s expression of his wishes described as an expression of “power and control”, as compared to women’s “assertiveness”. (For a clear example of this sort of reasoning, see Reuters, 2007, “Key to marital happiness? Let the wife have her way”, 9 July, <http://www.stuff.co.nz/4120795a19716.html>.)

I could not find “justification bias” on Wikipedia, but did come across a list of biases at: http://en.wikipedia.org/wiki/List_of_cognitive_biases. It included **Déformation professionnelle** — “the tendency to look at things according to the conventions of one's own profession, forgetting any broader point of view” (http://en.wikipedia.org/wiki/D%C3%A9formation_professionnelle). We could also note **System justification** – “a social psychological tendency to defend and bolster the status quo, that is, to see it as good, fair, legitimate, and desirable. A consequence of this tendency is that existing social, economic, and political arrangements tend to be preferred, and alternatives to the status quo are disparaged.” (http://en.wikipedia.org/wiki/System_justification)

Cobb-Clark’s own research conclusions led her to qualify some of the broader claims about the nature and effects of sexual harassment in the workplace. I noted from her paper:

- 1) the US has some very large databases;
- 2) careful economic analysis can improve our understanding of issues;
- 3) economists are still largely reliant on other areas to provide the background information on which to base those analyses, even if that information arises from questionable (perhaps politically motivated) work.

For related material by the speaker, you could look at: Antecol H, Barcus V E and Cobb-Clark D (2007) “Gender-Biased Behavior at Work: What Can Surveys Tell Us About the Link Between Sexual Harassment and Gender Discrimination?” IZA Discussion Paper No.2647, <http://ftp.iza.org/dp2647.pdf>, and Antecol H and Cobb-Clark D (2002) "The Changing Nature of Employment-Related Sexual Harassment: Evidence from the U.S. Federal Government (1978-1994)", IZA Discussion Paper No. 619, <http://ftp.iza.org/dp619.pdf>

In summary, it was good to see an objective analysis of data in this politically charged area.

Daniel Hamermesh presented a keynote address on time use data, suggesting that economists could do more with these data than the standard demographic accounting if they formulated and tested hypotheses. He presented a few examples, including an analysis of the relationship between human capital and routine. He argued that those with higher human capital were less likely to have a rigid routine. The topic is addressed in “The Demand for Variety: A Household Production Perspective,” *Review of Economics and Statistics*, forthcoming (with R. Gronau), which can be found at: <http://www.eco.utexas.edu/faculty/Hamermesh/Variety.pdf>

He considered the impact of any work (including only say one minute) on other choices. Even a small amount of work could serve as a constraint on other activities, and he found evidence to support this. See “The Time and Timing Costs of Market Work,” NBER Working Paper No. 13127 (with S. Donald) at: <http://www.eco.utexas.edu/faculty/Hamermesh/OldTimePaper.pdf>

He also compared total work done by men and women, finding little difference between the genders in developed economies. See "Total Work, Gender and Social Norms," NBER Working Paper No. 13000 (with M. Burda and P. Weil) at: <http://www.eco.utexas.edu/faculty/Hamermesh/IsoWorkToGo307.pdf>. As he states, there has

been a lot of evidence for this finding over the years, but it is still little known. This raises issues of the spread of ideas, the operation of the media, and people's "knowledge". An interesting paper on these issues is Hardin, R. (2002) "Street-Level Epistemology and Democratic Participation", *Journal of Political Philosophy*, 10(2), 212-229.

All in all, he gave a wide-ranging, lively and entertaining presentation. His time use papers are listed at: <http://www.eco.utexas.edu/faculty/HamerMesh/TimeUsePapers.html> As an aside, he commented on the pleasures of joint activities with his wife. This is central to game theory's "battle of the sexes", where payoffs are based on couples preferring different activities, but getting more enjoyment out of doing things together than individually.

While US data bases appear to dominate for many areas of research, the US time use data has a weakness in that it does not allow for simultaneous activities. The New Zealand survey asked people to record all activities undertaken at any time. It also has the advantage of covering 48 hours, so comparisons can be made over days. It would seem that we are well-placed to undertake some of the types of research demonstrated in these papers.

Patricia Apps discussed labour supply and tax policy, arguing against income splitting for income tax purposes due to the high effective marginal tax rate this imposes on the secondary income earner. Several of her working papers in this area can be found at: <http://www.law.usyd.edu.au/about/staff/PatriciaApps/>

She aimed to be controversial, and the audience responded in kind with lively discussion. She presented a model in which men were the main income earners, they had inelastic labour supply, and their behaviour was invariant to changes from individual to shared income taxation of couples. On that basis she could talk solely in terms of the effect of the tax system on women as secondary earners. She relied on an assumption that there is little scope for change in hours of full-time workers, although in New Zealand full time is anything over 30 hours and there can be large changes over time and over generations.

When it was suggested that she was taking an unrealistic woman-focused view only, she responded that women could also be the main income earner. If so, that rules out her assumption that primary income earners, being men, do not change their behaviour, while secondary income earners, being women, do change. I am reminded of Prue Hyman's suggestion that men should be taxed at a higher rate because their labour supply is inelastic.

While on the topic of distortions in the labour market, one stirrer in the audience made the valid point that unpaid work is not taxed. Apps dismissed this possibility as impractical, in addition to mentioning the use of time for leisure, which is also not taxed. A tax covering all of these would be a poll tax. This might not be acceptable in the current monetized world. However, if contributions and individual endowments were measured in terms of time, society's views might be quite different. It is all a matter of perspective. (See "Charity, Tax and Contributing to the Public Good", *AI* No.25, March 2006, pp.10-12) While on perspectives, perhaps "unpaid" work is a misrepresentation. The payment for unpaid work in the home is a payment in kind and goes directly to the worker or the worker's household. Maybe we should simply refer to this as "untaxed" work.

A problem with Apps topic is that there is a wide range of possible work patterns for couples, so she either has to make restrictive assumptions or focus on a few examples. She chose the former, whereas I would have preferred to see the latter. For example, she could have made a comparison of the effective marginal tax rates faced by each partner under individual and combined income tax systems with first one full-time income earner and second with one full-time and one part-time income earner at some specified levels of income.

Her policy suggestions were teased out in the discussion. Perhaps unsurprisingly given her European involvements, they were based on a belief that increased women's labour force participation is essential. This mirrored the 2004 SPREC Conference presentation by Raymond Torres of the OECD (see "SPREC 2004 - A Conspiracy Theory Perspective", *AI* No.22, March 2005, p.16-18). She did not give research-based explanations for these, as she had for her findings, but argued for publicly provided childcare due to its being relatively cheap through having rent-free accommodation, for example.

It may be a consequence of time limitations and of discussion straying off the central topic of the presentation, but I was left with an impression of incomplete analysis and an underlying political agenda. This was prompted in part by the focus on one area of political debate, women's labour force participation, but not another, the impact of taxation on family structures and family stability. In 2004 the then United Future MP Gordon Copeland indicated an interest in income splitting, in part so as to assist single-income couples with children.¹ Should this be seen as feminist support for caregivers as workers, or as patriarchal oppression by tying women to the home? Choose your spin.

Overall, I think the audience appreciated the spirited presentation and discussion.

¹ Press Release: United Future NZ Party, 24 March 2004, "Copeland: Family tax breaks should come first", <http://www.scoop.co.nz/stories/PA0403/S00567.htm>

NZAE Distinguished Fellows

The New Zealand Association of Economists made two new Distinguished Fellows Awards at its Conference dinner on 28th June. They went to **Dr Don Brash** of Auckland and to **Professor Bruce Ross** of Wellington. **Professor John Gould** was also presented with his award as he had been unable to attend in 2006. The award is given in recognition of lifetime contributions to economics, especially those of particular significance to New Zealand.

Here are brief summaries of the Association's grounds for the Awards:

Dr Brash has had a distinguished career as a professional economist, most notably as Governor of the Reserve Bank from September 1988 to April 2002. He was subsequently appointed Leader of the Opposition in the Government of New Zealand, a position he held from October 2003 until November 2006.

During his time as Governor, the Reserve Bank of New Zealand became the first central bank in the world to formally embark on inflation targeting and pioneered a fundamentally different approach to the relationship between government and central bank. The essence of that approach has since been adopted by the Bank of England, the Reserve Bank of Australia, the Bank of Canada and others.

Under his leadership, the Reserve Bank of New Zealand also pioneered a new approach to banking supervision, and made major improvements in the efficiency of the central bank's operations (for example, in reducing total staff numbers from 550 in September 1988 to fewer than 200 in April 2002).

Professor Ross has had a distinguished career in economics as a researcher, research administrator and professional economist over a 40 year period. He played a major role in the economic modelling of policy significance not only for New Zealand, but also for the OECD.

His term at Lincoln University saw his rise to the position of Vice-Chancellor, a post he held from January 1990 to August 1996, before moving to Wellington to serve initially as Director-General of Agriculture, and subsequently combining his Ministry with that of Forestry in 1998. He is now retired, but still serving on important national committees.

Professor Gould is one of New Zealand's outstanding economic historians. In 1963 he was appointed by Victoria University as the first Professor of Economic History in New Zealand. Of his many scholarly contributions two books stand out: *The Rake's Progress: The New Zealand Economy since 1945* (1982) and *The Muldoon Years* (1985) as informed and judicious analysis.

The Association now has twelve Distinguished Fellows. The other nine are Professors Sir Frank Holmes, Conrad Byth, John McMillan, Peter Phillips, Gary Hawke, Lewis Evans and Peter Lloyd and Doctors Brian Easton and Roderick Deane.

The Association is delighted to have this opportunity to recognize the important contributions made by its Distinguished Fellows.

Conference Photos

Gary Hawke (L)
congratulating
Distinguished Fellow
John Gould



Distinguished Fellow Don Brash

Paul Dalziel (R) with
Distinguished Fellow
Bruce Ross



NZAE Immediate Past President
and 2BRED columnist Grant Scobie



Incoming President Frank Scrimgeour congratulates new Life Member Brian Silverstone (R)

Jan Whitwell Prize winner Leo Krippner making his acceptance speech



(L to R)
Keynote Warwick McKibbin with John McDermott and Viv Hall

Keynote Patricia Apps about to give her address



Keynote Daniel Hamermesh in thoughtful mood



Keynote Deborah Cobb-Clark looking relaxed



Val Browning and our new treasurer, John Gallagher

Former NZAE Immediate Past President Caroline Saunders in an off-the-shoulder wearable flora outfit, “The Hanging Gardens of Christchurch”



**Frank Scrimgeour's Speech on the Awarding of
NZAE Life Membership to
Brian Silverstone
June 2007**

It is with great pleasure the Association honours Brian Silverstone with the award of Life Membership of the NZ Association of Economists. Brian, a graduate of both the University of Otago and the University of Waikato is an active member of the Association who has taught macroeconomics and engaged in research at Waikato for nearly 40 years. He has made valuable research contributions including publications pertaining to Okun's law, capacity utilisation and employment. In making this award we wish to honour Brian for his service to the profession and the Association in particular. Brian has made numerous high quality contributions over a long period.

Brian has:

1. Provided numerous acts of high quality service to the Association. He has organised Workshops for the Association such as the 1981 NZAE Workshop on Fiscal Performance in Dunedin, He has refereed numerous journal articles for *New Zealand Economic Papers*, and he has served as Convener and/or member of judging panels for *NZAE Young Economists Essay Competition* (1983), *NZAE Best Presented Student Conference Paper* (1992-95), *NZAE Maori Scholarship in Economics* (1995) and *NZIER/Qantas Prize in Economics* 1994-95.

2. Organised and facilitated numerous conferences of the Association. He was convener or co-convener of six NZAE Annual conferences held at Waikato University in 1971, 1974, 1978, 1982, 1986 and 1992 (jointly).

3. Provided service and leadership to the Association by serving as Council Member (1980-83 and 1990-95), Vice President (1991-93) and President, (1994 and 1995).

4. Served as Assistant Editor (1979) and subsequently Editor (1980-83, inclusive) of *New Zealand Economic Papers*.

Brian has been a model and mentor to many NZ economists and has facilitated the involvement of Association members in a set of important projects. Examples include his joint editorship with Alan Bollard and Ralph Lattimore of *A Study of Economic Reform: The Case of New Zealand* Amsterdam: Elsevier, 1996, 518pp., and organisation on behalf of the New Zealand Association of Economists the *Festschrift* in 1972 (with Allan Catt) in honour of Professor A.W.H. Phillips. This included presenting the essays to Professor Phillips on the occasion of his sixtieth birthday, 18 November 1974.

The Association honours Brian for his economic citizenship and has pleasure in awarding him life membership of the Association.

Public transport peak hour capacity about 50 per cent!

This was pointed out in a letter by Christchurch Councilor Nicky Wagner, described as Chairwoman, ECan public passenger portfolio, published in *The Press* of 27 June 2007. As she stated, "They are packed taking people to work in the morning or back home after work in the evening, but at the end of that line they return to town largely empty".

Economics gives frameworks for the analysis of policy issues. There are underlying assumptions that are sometimes too readily accepted by economists, and important dimensions that are commonly overlooked. For a glimpse at these aspects of policy, have a look at recent texts on policy and policy making.

These texts commonly describe problems with economics, often based on criticism of “rational choice theory” (as individual, materialistic and with exogenous preferences), and many use this to reject the economic approach as irrelevant. The logic is questionable. There are weaknesses with all approaches, so why, when it comes to economics, should they be treated as a fatal flaw rather than just a limitation?

What emerges in some texts is a focus on competing power groups. Such a perspective on policy making processes tends to sidestep issues of what will actually happen (outcomes), or what might be desirable or otherwise for society as a whole (in an aggregated or disaggregated sense). Other texts focus on historical institutionalism, path-dependence and the longer-term effects of decisions in that they shape the environment, attitudes and options for the future. Overall, it would seem that economics is hard done by, but not entirely without justification. There are some weaknesses to economic perspectives, and there are other dimensions that economists frequently overlook. Here are some illustrations of the policy literature:

Some [policy] text books can also provide a version of rational choice theory (or economic choice theory) to contrast with these other types, although interestingly there are few texts which recommend rational choice as a method, perhaps because many rational choice propositions are designed to show why public policy is a bad idea. (Considine, 2005, pp. 4-5)

The [rational choice] model seems at first glance to honour an objective set of criteria for policy-making. Regardless of the problem at hand, this approach is apparently a robust method for moving towards better decisions. But the model is not without its own cultural meaning system and nor is it therefore free of distinctive bias. This can soon be appreciated if we question the foundation principle of the schema, the idea that all actors have goals which can be turned into explicit preferences. In many cases we find that goals emerge from the decision-making encounters between actors, and do not precede them, as would be required by the model. (ibid, p. 78)

The act of deciding a new policy is both a decision about a particular outcome and a laying down of precedent for the next decision that comes along. (ibid, p. 15)

...resistance to change is often called path dependence and there is an impressive literature on the reasons why institutions endure even when they may be sub-optimal. (ibid, p. 105)

The methodology of policy analysis may be seen as a process of inquiry designed to discover solutions to practical problems. As used here, inquiry...does not refer to solutions that have been “proved” by means of pseudo-scientific modes of research that stress quantification as an ideal language, science as value free, pure objectivity as an achievable goal, and the collection of infallible “facts” that are independent of the frames of reference of analysts. To be sure, the methodology of policy analysis is based on scientific methods. But policy analysis also rests on art, craft, and persuasion. (Dunn, 2003, p. 2)

Dunn (pp. 47-55) describes eight “models of policy change”. “Comprehensive economic rationality” is one of these, with a brief mention of modifications for transaction costs, imperfect information, et cetera. Other approaches include: “disjointed incrementalism” with numerous small changes taken after narrow, partial analysis; “mixed scanning” with some broad strategy and other incremental (“operational”) choices; “erotetic rationality” or rationality in the face of ignorance, where the information required is not available (“*Albert has stated the major principle of erotetic rationality succinctly in his critique of the use of benefit-cost analysis in judicial settings.*” p. 53); and “critical convergence” where “*individuals and groups combine to set agendas and formulate policies [but success] depends on the ability to recognise critical moments*” (p. 54).

Hudson and Lowe (2004) discuss rationality, bounded rationality and the importance of key personalities: "...in certain circumstances the personality and political ambition of ministers is crucial to the general direction taken by departments of state". (p. 197)

"The policy cycle – or stages approach... – implies a 'top-down' view of policy making in which there is a high degree of rationality. As a result, it fails to take into account the impact of front-line workers (or street-level bureaucrats); does not adequately explain how policy moves from one stage to the next; and does not easily account for the myriad and complex sets of policy networks that are at the heart of real-world politics." (p. 5)

"We believe that the historical institutionalists have produced the most powerful work to emerge from the new institutionalist school, not least because they have emphasised the role of history in shaping policy outcomes." (p. 149)

Having said this, economists have not been blind to these criticisms. For access to some of the relevant literature, see the Ministry of Economic Development's coverage of "Behavioural Analysis for Policy", accessed via: http://www.med.govt.nz/templates/ContentTopicSummary_23770.aspx

References:

Considine, M. (2005). *Making public policy: institutions, actors, strategies*. Cambridge: Polity Press.

Dunn, W. N. (2004). *Public policy analysis: an introduction* (3rd ed.). Upper Saddle River, NJ: Pearson Prentice Hall.

Hudson, J., & Lowe, S. (2004). *Understanding the policy process: analysing welfare policy and practice*. Bristol: Policy.

Posner on Agency Costs

"We know that agency costs – the costs resulting from the difficulty of fully aligning an agent's incentives with those of his principal – are a problem even in private, profit-maximizing enterprises. The performance of the enterprise itself is objectively measurable by its profitability, but it may be difficult to assess the contribution to that performance of an individual employee. Agency costs are even more serious in public agencies, in part because the absence of a good performance measure for the agency as a whole relaxes the pressure on the agency head to minimize agency costs."

From pp.671-672 of Posner, R. A. (2007). *Economic analysis of law* (7 ed.). Austin, Tex.: Wolters Kluwer for Aspen Publishers

Straight line graphs and parallel shifts [SB]

When teaching economics from textbooks it is common to refer to graphs where relationships are presented as straight lines and shifts are shown as parallel movements in these lines. This is commonly observed in microeconomics with supply and demand diagrams, for example, and also frequently in macroeconomics. It is sometimes explained as a simplification for ease of exposition, with real world relationships being more complex. The implication might be that economists analysing real world situations would not rely on such simplified forms.

How, then, are we to justify the specifications in multivariate linear regression, with its additive separability and the frequent additive incorporation of "control variables" and dummy variables? Surely these are nothing more than straight line relationships with parallel shifts.

Coase, externalities, and options by Stuart Birks

Consider pollution as an external cost of production of a product. A standard textbook approach is to assume a constant external cost per unit of the good and so to suggest the use of a per unit tax.

We know that this is an oversimplification. A second, more involved approach is to target the externality by requiring polluters to purchase pollution rights. This relaxes the above assumption and gives producers an incentive to change their production methods to reduce the amount of pollution generated.

Coase identifies a third dimension in his classic 1960 article (Coase, R. H., 1960, "The Problem of Social Cost", *Journal of Law and Economics*, 3, 1-44). The cost of a unit of pollution may not be fixed. This is because those affected by, or potentially affected by, an external cost may also have choices available to them. They are making decisions based on the environment they face. The individuals may change (through moving into or away from an affected location), or they may change their behaviour. In particular, they may change in response to one of the above policies, or alternatively they may have options to change which are more economical than policies targeting the good or the externality.

Coase (p.41) describes a situation where a factory emits pollution at an estimated cost of \$100. He suggests that the factory could be taxed \$100 if it pollutes. Alternatively the factory may have an option of paying \$90 to eliminate the pollution, which would give it a net gain/saving of \$10. "Yet the position achieved may not be optimal. Suppose that those who suffer the damage could avoid it by moving to other locations or by taking various precautions which would cost them, or be equivalent to a loss in income of, \$40 per annum. Then there would be a gain in the value of production of \$50 if the factory continued to emit smoke and those now in the district moved elsewhere or made other adjustments to avoid the damage."

Coase argues that the allocation of property rights does not affect final outcomes if, subsequently, costless market transactions between the parties are possible. While there will be distributional implications, he suggests that parties would negotiate the most efficient course of action. Consequently why consider intervention through taxation, for example. His main point is really that in practice transactions are likely to be costly. In this case court decisions would have efficiency implications, so we really want the court to allocate property rights in such a way that the right incentives exist without the need for further bargaining.¹

Coase's examples can be taken a step further. He is considering situations that already exist. There is an earlier stage where people make decisions that lead to those situations arising. In a dynamic environment, it may be possible to choose strategies where people can take advantage of their property rights, or realise potential property rights, thereby imposing costs on others and hence influencing outcomes.

We could imagine a situation where a factory (or church) is generating noise pollution, for example, where few people are adversely affected. People may then choose to locate near the factory, thereby increasing the external cost of the given amount of noise, after which the factory could be required to limit the noise, pay an increased charge, or even close down or relocate. We could see this with a rural pig farm gradually surrounded by expanding city suburbs, or a speedway track in a city.

We can even see examples of tactical use of rights, as with the penalty imposed on Team New Zealand by Alinghi's manoeuvre in the final race of the America's Cup. Such actions may be considered skilful in sport, but would we want economic activity to be determined by such behaviour? Game playing can occur as a result of allocated rights, or through uncertainty about rights. In the latter case the time and money costs that can be imposed by one party on another through legal action may be enough to determine an outcome even when the party's case is weak. With our economic measures, maybe we should not worry too much about this, though. At least the financial cost of these legal services is included in national income.

¹Economists might question the court's ability to do this, even at the basic level of setting a penalty for polluting. While legally this might be based on the total cost imposed on others, an economically optimal solution would be to set the penalty to equate the marginal penalty and the marginal cost.

research in progress...

Continuing our series on the research projects currently underway in Economics Departments and Economics Research Units throughout New Zealand, in this issue we profile the research currently being undertaken by economists at the Health Services Research Centre at Victoria University of Wellington. The objective of this section is to share information about research interests and ideas **before** publication or dissemination - each person was invited to provide details only of research that is **new** or **in progress**.

... economic research at the Health Services Research Centre as at July 2007.

Compiled by Jackie Cumming (jackie.cumming@vuw.ac.nz)

The Health Services Research Centre/Te Hikuwai Rangahau Hauora is an independent research unit established under the umbrella of the Institute of Policy Studies in the School of Government at Victoria University of Wellington.

Our current research activities with an economics component are set out below. HSRC staff involved in the projects are listed in bold.

Contracting for whānau ora

This post-doctoral research explores the issues and challenges that funders, planners and providers have in contracting for “whānau ora” at the district level. It builds on two significant pieces of work undertaken by this research group: Amohia Boulton’s doctorate which examined performance measurement for Māori mental health providers, and the Health Reforms 2001 project which evaluated District Health Board establishment. Through a detailed case study in a single DHB, an understanding of the contracting process between DHB and providers of services to Māori and mainstream will be gained. The research will seek to improve the local contracting process by synthesising provider, purchaser, policy and indigenous perspectives.

Researchers **Amohia Boulton**, *Chris Cunningham (Te Pūmanawa Hauora, Massey University)*, and **Jackie Cumming**

Improving performance in New Zealand health care: Hospital outcomes

This project is adapting and applying new outcome measures and modern statistical approaches to evaluating hospital performance in New Zealand. As well as providing information on variability and trends in in-patient outcomes and hospital-level predictors of these outcomes, the project will provide the statistical basis for a sophisticated system for analysis and monitoring of hospital outcomes. A particular focus of this project is the identification of aspects of hospital organisation and working environment which may be related to patient outcomes.

During 2006, we developed age- and sex- standardised raw indicator sets, and used of US-developed software to derive variables for co-morbidity adjustment of the raw indicators. Options for severity adjustment have also been determined and data collection for predictor variables has also commenced. Proxy variables have been developed from data on nurse working environments and hospital financial performance, and a 'quality elements' framework has been used to structure data collection on quality processes implicated as relevant to outcome measures in the literature. Key informant interviews and hospital quality documentation reviews will occur later in 2007.

Researchers **Jackie Cumming**, **Antony Raymont**, **John Fraser**, **Zac Gerring**, *Patrick Graham*, *Phil Hider (Christchurch School of Medicine, University of Otago)*, *Gregor Coster* and *Mary Finlayson (University of Auckland)*

Improving health through primary care reform: An economic analysis

This research is using economic techniques and data from two national health surveys to examine the impact that fees charged by local primary health care providers have on

utilisation of primary and secondary health care, and on health outcomes. The implementation of the Primary Health Care Strategy has resulted in a large reduction in the fees charged by primary health care providers and, by examining data from both before and after its introduction, we can identify whether lowering fees affects health-related behaviours, and if so who is most affected. This preliminary research to test the feasibility of this approach will also more broadly describe the experiences of different population groups over time in relation to fees paid, health care utilisation, and self-reported reasons for not accessing care, to provide context for our main results.

A number of analyses were completed during 2006, focusing on utilisation of GP services and the fees paid for GP services. The results will be released in 2007, along with more findings relating to Māori and Pacific experiences, and on health outcomes.

Researchers **Jackie Cumming, Antony Raymont, Lynne Pere, Steven Stillman** (*Motu Economic & Public Policy Research*) and **Gregor Coster** (*University of Auckland*)

Evaluation of the implementation and intermediate health outcomes of the Primary Health Care Strategy

The HSRC has continued with research work on the evaluation of the implementation and intermediate outcomes of the Primary Health Care Strategy. During 2006, we undertook a second round of data collection for the evaluation – completing interviews with Board members and staff in around 20 Public Health Organisations (PHOs); undertaking a national survey of general practices and medical and nursing staff working in practices; and collecting quantitative data on fees and utilisation of services from 129 general practices. The data are currently being analysed and findings will be reported later in 2007. The research has a specific focus on how the Strategy is working to improve access to services for Māori, Pacific and lower income communities.

Research managers **Jackie Cumming, Antony Raymont, Barry Gribben, Carol Boustead** (*CBG Health Research*)

Researchers **Jackie Cumming, Antony Raymont, Judith Smith, Janet McDonald, Lynne Pere, Bronwyn Croxson, Clare Clayden, Zac Gerring, Barry Gribben, Carol Boustead**, (*CBG Health Research*), **Pauline Barnett** (*Christchurch School of Medicine, University of Otago*), **Mary Finlayson** (*University of Auckland*) and **Terri Green** (*Department of Management, University of Canterbury*)

Consultant researchers **Professor Tony Dowell** (*Wellington School of Medicine and Health Sciences, University of Otago*), and **Professor Nicholas Mays** (*London School of Hygiene and Tropical Medicine*). *In addition, Lisa Kitone is seconded to the research team from the Ministry of Health.*

Experiences of primary health care

A number of projects are underway in conjunction with the Ministry of Health, researching the experiences of New Zealanders with respect to primary health care, using data from the New Zealand Health Survey 1996/97 and 2002/03.

These projects commenced with a focus on utilisation by Māori health services, Pacific health services and by different socio-demographic groups. Reports are due for publication in 2007/08.

Researchers **Jackie Cumming, Megan Pledger**

Assessing governance, purchasing and accountability in the New Zealand health care sector

This project documents and analyses the new relationships under District Health Boards, assessing their strengths and weaknesses compared with other ways of organising health care systems. All fieldwork on the project has been completed and research reports will be finalised in late 2007.

Researchers **Jackie Cumming, Tai Walker, Marie Russell, Sue Buckley, Marianna Churchward, Janet McDonald, Lynne Pere, Toni Ashton, Tim Tenbenschel** (*University of Auckland*), **Lanuola Asiasiga, Fuafiva Fa'alau** (*Independent Researchers*), **Pauline Barnett, Clare Clayden** (*Christchurch School of Medicine, University of Otago*), **Amohia Boulton** (*Massey University*), and **Nicholas Mays** (*London School of Hygiene and Tropical Medicine*).

District variations in rates of hospital admission

This project is a continuation of previous work on this topic. The intention is to identify areas with low (or high) rates, unjustified by population characteristics. These data will be fed back to policy makers for use in their priority setting to increase the fairness of the public system. Variation across districts is an international issue and has been ascribed to supply factors, population differences and practitioner style. Research in New Zealand is in a good position to shed light on these factors since the relationship between populations and hospital services is defined and the total volume of public hospital admissions is determined by contract but the mix of surgery, and the volume of private surgery, is determined by clinical decisions. A first set of analysis has been completed and is in the process of being submitted for publication.

Researcher **Antony Raymont**

Surgical needs analysis

An analysis of the future needs of the New Zealand population for surgery and for surgeons was commissioned by the Royal Australasian College of Surgeons. Data on current levels of surgery was projected out to 2026 using Statistics New Zealand population projections. A survey of surgeons was carried out to assess current and future workload. Projections and workload were combined to estimate the need for surgeons in the future. Variations in surgical rates were used to estimate the current level of unmet need for surgery. A report has been submitted to the College and work is underway on a paper for publication. It is hoped that the estimates will assist in planning surgical services and in the design of surgical training programmes.

Researcher **Antony Raymont**

Pathways to care and outcomes for elective surgery: A prospective cohort study

This study recruited approximately 1,500 patients considered for non-emergency surgical referral by GPs. These patients were followed for 18 months or until 6 months after surgery. Two papers on the findings have been prepared: one describes the cohort and their surgical needs; the second analyses the choice between public and private referral. Data are almost ready to analyse the outcomes of care for these patients – their pathway to care, their final destination and the duration of each trajectory. Subsequently, the quality of life of each patient will be analysed and related to condition, process and treatment. The economic impact of the process – i.e. the costs of waiting - will also be analysed.

Principal Researchers **Dr Debbie McLeod** (*Wellington School of Medicine & Health Sciences, University of Otago*), **Jackie Cumming**, **Antony Raymont**, **Megan Pledger**, **Tony Dowell**, **Kevin Dew**, **Sonya Morgan**, **Donna Cormack** (*Wellington School of Medicine & Health Sciences, University of Otago*), **André van Rij** (*Otago University*)

Coronary artery bypass graft surgery: Evaluation of the validity of the prioritisation score and the impact of waiting

This study is testing the power of Clinical Priority Assessment Criteria (CPAC) scores (and components of scores) and several serum bio-markers, to predict patients' clinical and socioeconomic outcomes while waiting for bypass surgery.

The data collection period has been lengthened in response to changes in the design of the CPAC scoring tool which were implemented by the Ministry of Health in 2005-2006. Data collection continues, and full patient follow-up for economic and quality of life outcomes will be completed in 2008.

Principal Researchers **Dr Mary Seddon**, **Professor Rod Jackson**, (*School of Population Health, University of Auckland*)

Researchers **Jackie Cumming**, **John Fraser**, **Dale Bramley**, **Joanna Broad**, **Sue Crengle** (*University of Auckland*), **Elana Curtis**, **Patrick Graham** (*Christchurch School of Medicine, University of Otago*), **Terri Green** (*School of Management, Canterbury University*), **Ralph Stewart**, **Harvey White** (*University of Auckland*)

Treasury Working Papers

The latest working papers and related links can be found at:

<http://www.treasury.govt.nz/workingpapers/>

New Zealand Economic Papers

Ananish Chaudhuri, the editor of *New Zealand Economic Papers*, invites members to submit their papers to the journal. In keeping with tradition, papers in all economic subject areas will be considered, and papers covering New Zealand topics are particularly encouraged. See also the special announcement on the previous page.

Offers and ideas for symposia of papers on particular topics are also welcome.

Book reviews and books to review (or suggested titles) are also needed.

Write to: a.chaudhuri@auckland.ac.nz

...about NZAE

The New Zealand Association of Economists aims to promote research, collaboration and discussion among professional economists in New Zealand. Membership is open to those with a background or interest in economics or commerce or business or management, and who share the objectives of the Association. Members automatically receive copies of New Zealand Economic Papers, Association newsletters, as well as benefiting from discounted fees for Association events such as conferences.

Membership fees:

full member: \$90

graduate student: \$45 (first year only)

If you would like more information about the NZAE, or would like to apply for membership, please contact:

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email: economists@nzae.org.nz

EMAIL DATA BASE

We are currently setting up an email database of members to keep up to date with technology, and we are working towards eventually e-mailing as many of our notices/publications as possible. *If you have not yet supplied the Secretary-Manager with your email address please email: economists@nzae.org.nz*

MEMBER PROFILES WANTED!!!

Is your profile on the NZAE website? If so, does it need updating? You may want to check...

If you would like your profile included on the website - please email your details to: economists@nzae.org.nz

Welcome! *to the following people who have recently joined NZAE...*

Keith Johnson (NZIER); **Katharine Christine Connolly** (Statistics NZ); **Suchern Ong** (Dept. of Labour); **Dean Rutherford** (Dept of Labour); **Shaun Twaddle** (Dept. of Labour); **Jenny Connor** (Dept. of Labour); **David Paterson** (Dept. of Labour); **Dafydd Davies** (Dept. of Labour); **Maria Guerra** (Dept. of Labour); **Mar Simon David Hall** (Dept. of Labour); **Helen Gilbert** (Dept. of Labour); **Robert Heyes** (Dept. of Labour); **Peter Gardiner** (Dept. of Labour); **William Cochrane** (University of Waikato); **Louise Homes-Oliver** (Statistics NZ); **Henry Minish** (Statistics NZ); **Alex Bayley** (Statistics NZ); **Blair Cardno** (Statistics NZ); **Rashmi Aora** (Student); **Stephen Hickson** (University of Canterbury); **Patrick Nolan** (NZIER); **Robert Reed** (University of Canterbury); **Josefino San Diego** (Unitec NZ); **Ian Reid** (Urban Economic Strategies Ltd); **Aidan Yao** (Reserve Bank of New Zealand); **Philip Anderson** (Reserve Bank of New Zealand); **Lesley Baddon** (Auckland Regional Council); **Jiani Wu** (BERL); **Carole Canler** (Auckland Regional Council).

WEB-SITE - The NZAE web-site address is: <http://nzae.org.nz/>

(list your job vacancies for economists here)