

Asymmetric information

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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).

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New Zealand Association of Economists Inc.

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<http://www.nzae.org.nz>

“In practice the Pareto and Kaldor-Hicks efficiency criteria often serve as decision rules in economics, even if in principle economists know that other criteria, too, should inform policy making.”

P.32 of DeMartino, G. (2011). The economist as social engineer: Maxi-max decision, utopia and the need for professional economic ethics. *Real-world economics review*, (56), 31-44.

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EDITORIAL

Time of change

Stuart Birks

This is my final editorial, so it is perhaps timely for me to reflect on the signals, if any, that might have been conveyed over the past decade and more. If there has been any particular tone or perspective that I might have favoured during my editorship, it would be that economics is far more than a set of theories, models and techniques.

Early in my academic life a statistics professor told us that statistics can only be applied in conjunction with some knowledge of the area of application. The same could be said about economics. It has been encouraging to see increasing calls by both senior academics (as with the keynotes at the NZAE 2010 conference) and by students to get out, talk to people, and see what is being said in other circles.

Mathematical models provide a good intellectual training, but they are not the real world. Their influence is waning even as rhetorical tools or sources of authority in debate. A new wave of research methods texts for the social sciences calls for novel approaches, mixed methods, and recognition of framing and the political dimensions shaping what questions are asked, how they are asked, and what we see.

New directions are suggested by broader changes in perceptions of the world. Recent approaches to history have attempted more of a "whole world" view, or recognition of diverse perspectives. This is illustrated by the BBC's *The Story of Africa*, which deliberately took an African rather than a colonial stance. We can now see, hear and read news from around the world without leaving our homes.

A younger generation is growing up with this as their norm. They also have access to many viewpoints and explanations of phenomena that we, as economists, try to understand. Their expectation will be that our explanations include an awareness of other perspectives and disciplines. Younger researchers will consider it standard practice to build their research on such a foundation. They are also subject to much rhetoric, not least by those who claim that their new models have the answers to the failings of past approaches. No models alone are sufficient. They are all simplified analogies. This is a time of change in ideas and perspectives. There are exciting challenges ahead.

In closing, I would like to take this opportunity to thank past and present Councils of the Association for their support in this venture. I would also like to thank the contributors, with special mention of Grant Scobie for his unfailing timely delivery of his most stimulating 2BRED column. I should also mention the late Gary Buurman, who was a pleasure to work with as co-editor until 2005. I have found the task both enjoyable and rewarding. The systems are now well established and run very smoothly. I look forward to assisting an incoming editor with a smooth changeover for the next issue.

FROM YOUR PRESIDENT

It is with regret but understanding that Council received notice from Stuart Birks that he would like to step down as editor of AI. He has been editor since 1999 and this seems to be the end of an era, as will be recognised at our annual conference in June. However, this gives us the opportunity to advertise the following:

SITUATION VACANT

EDITOR

Asymmetric information

Yes! This is your opportunity to direct the publication of this prestigious bulletin of the NZAE.

Are you bright, energetic, enthusiastic and innovative?

Well, good for you. But mainly what this job requires is: a willingness to accept and create offers of articles (an increasingly easy task), an ability to spell the word "asymmetric" correctly, and a computer. Your work as editor would start with the August 2011 issue.

There are numerous avenues that an editor could develop, or where members could volunteer to assist with contributions. Suggestions already to hand include members willing to be 'Foreign Correspondents' in the spirit of Weshah Razzak's inaugural contribution in this issue (more needed), and 'Conference Correspondents' reporting on Keynote Speakers, winning papers and posters. The new column, "Blog watch", promises to be an interesting feature, but more writers are needed (a great opportunity for younger members...). There are also opportunities for contributions on contemporary debates, publications and reports (such as the Bob Buckle report on tax, Don Brash on growth, Kerry McDonald on saving and Paula Rebstock on welfare). AI can also give publicity to helpful web and blog sites and forthcoming regional conferences and workshops.

If you are interested in finding out more about this incredibly rewarding* position, please contact Stuart Birks (k.s.birks@massey.ac.nz) or Mary Hedges (m.hedges@auckland.ac.nz)

* in every sense other than financial

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 (for now) 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*

<http://www.nzae.org.nz>

DOES SELLING STATE SILVER GENERATE PRIVATE GOLD?

By Arthur Grimes

New Zealand's state housing policies over the two decades following 1990 gave rise to two natural experiments regarding the sale and acquisition of state houses. The 1990s National government sought to reduce the overall state house stock and to redirect it towards more deprived areas. Conversely, the post-1999 Labour government sought to increase the overall stock, often through acquiring new state houses in fringe urban areas. In a recent working paper, Motu summer intern Katy Bergstrom and senior fellows Arthur Grimes and Steve Stillman exploit these contrasting policies to draw conclusions about the impact of an increase in homeownership on neighbourhood outcomes. Consistent with the hypothesis that a shift in housing tenure status of individuals has an impact on those residents' attachment to the community, they found that the Home Buy scheme had a positive effect on community outcomes.

This research forms part of a Royal Society of New Zealand Marsden-funded programme examining the societal impacts of homeownership. It utilises a dataset that Motu has prepared on state housing stocks and flows in New Zealand. The data, initially supplied by Housing New Zealand Corporation (HNZC), are described in Motu Working Paper 10-13 (by Alex Olssen, Hugh McDonald, Arthur Grimes and Steve Stillman). A forthcoming Motu working paper, by summer intern Morag McDonald plus Arthur Grimes and Steve Stillman, analyses the relationship of the HNZC state house data to census measures of state housing at area unit (suburb) level across New Zealand.

Previous studies investigating the impact of homeownership on societal outcomes have had difficulty isolating an exogenous event that causes a switch in tenure status from tenant to homeowner (or vice versa). The state house sales programme in New Zealand, driven by political philosophy rather than local need, is such an event. National's Home Buy scheme is especially appropriate because, by definition, the same residents remained in the house while their tenure status changed. Consequently, it offers a valuable opportunity to investigate the impacts that tenure status can have on individual and community outcomes. The effect of Home Buy sales can be compared with effects of Vacant Sales where a vacant state house was sold to another owner (potentially a private landlord).

Bergstrom, Grimes, and Stillman used house price and deprivation levels (from census data) to examine the determinants of sales and acquisitions of state houses. Generally, homebuys were higher in areas where deprivation was low and house prices were cheap (relative to the deprivation level). Vacant sales also occurred in low-deprivation areas, in accordance with the National

government's explicit intention to decrease state housing density in more affluent areas. Once deprivation levels were controlled for, vacant sales also occurred in less expensive areas. The state tended to buy homes in deprived areas, but because of the concentration of state house purchases in Auckland (where house prices are generally higher than in the rest of the country), there was a positive relationship between house prices and state house acquisitions – that is to say, the state generally bought houses in areas that were more expensive than the New Zealand average.

After reviewing the characteristics of the areas in which state house sales and purchases took place, Bergstrom et al. investigated whether an increase in acquisitions, vacant sales, and homebuys led to subsequent changes in deprivation and house prices in an area. House price changes provide a particularly useful market-based summary measure of community wellbeing. They concentrated on the impacts of sales and acquisitions conducted over the 1996–2001 period, since this period saw heavy sales and acquisition activity.

In areas with an increase in state house acquisitions over 1996–2001, a subsequent increase in deprivation occurred over 2001–2006. This relationship held both across the country and more particularly for Auckland (where the bulk of the acquisitions took place). Sales had little or no effect on subsequent deprivation levels. The results also suggest that neither state house acquisitions nor vacant sales had a significant effect on subsequent house price changes.

On the other hand, homebuys over 1996–2001 showed a strong positive relationship with house price changes over 2001–2006. Across New Zealand, a one percentage point increase in homebuys was associated with a subsequent 2.7% increase in real house prices in that area. This effect is over and above other local house price influences. Concentrating just on the Auckland region, an even stronger positive relationship was evident, with a one percentage point increase in homebuys leading to a 5.9% increase in local area house prices. These results accord with the hypothesis that a change in the housing tenure status of a given resident from state tenant to homeowner has positive spin-offs for the local community. These positive spin-offs are capitalised into higher house prices.

It was not within the scope of the study to determine what the nature of these positive aspects were. Future work could analyse whether neighbouring properties benefit most from home buy sales, suggesting changes in observable characteristics of the house (e.g. house maintenance), or whether the effect is spatially more diffuse, reflecting increased social capital perhaps generated by more participation in community activities.

The social capital effects of homeownership are explored in another forthcoming Motu working paper (by Matthew Roskrige, Arthur Grimes, Philip McCann and Jacques Poot). This research, which utilised New Zealand's Quality of Life surveys, found (after controlling for other factors) that homeowners were likely to be more active participants in the local community than private or state renters, and that they have a more positive reported sense of community than private renters. However, in raising accountability of local government, homeownership leads to reduced satisfaction with the performance of the local council!

Unrestricted components of Motu's state house dataset are available for public use at <http://www.motu.org.nz/building-capacity/datasets>.

ON THE RECENT EVENTS IN TUNISIA AND THE ARAB COUNTRIES*

by Weshah Razzak razzakw@gmail.com

Unlike Western democracies, in almost all the Arab countries the ballot box does not change governments. The unemployed Tunisian college graduate Mohammad Bouazizi set himself on fire in protest. The rest is well known. I discuss some of the issues that might be associated with the uprising in Tunisia. There are more problems than unemployment in Arab countries.

Indeed unemployment is a problem. The International Labor Organization (ILO) reports that the unemployment rate for the Middle East, North Africa, and the world in 2008 were 9, 10 and 5.9 percent respectively. For youth, the unemployment rates were 18.8, 24.1 and 12.2 percent, respectively. Arab governments publish unemployment data infrequently.

Education is free in the Arab countries because their early stages of development required accelerated investments in education. As a result, the stock of human capital measured by average years of schooling grew significantly between 1980 and 2007.¹ However, the quality of human capital, measured by standardized test scores², has deteriorated significantly (except in Bahrain, Jordan, and Lebanon). University qualifications could be unrelated to vacancies, which results in a mismatch between qualifications and vacancies, hence unemployment.

Table 1 reports the average unemployment rates in some Arab countries along with three Southeast Asian countries over the period 1980-2008 (ILO).

**Table 1:
Unemployment Rates (%) 1980 – 2008**

| Year | Algeria | Morocco | Jordan | Tunisia | Egypt | Hong Kong | Korea | Singapore |
|--------------------------|---------|---------|--------|---------|-------|-----------|-------|-----------|
| Average | 21.6 | 14.3 | 14.1 | 15.2 | 8.7 | 3.7 | 3.6 | 3.7 |
| Standard Deviation | 5.3 | 3.6 | 3.2 | 0.70 | 1.8 | 1.8 | 1.1 | 1.3 |
| Coefficient of variation | 0.24 | 0.25 | 0.22 | 0.05 | 0.20 | 0.48 | 0.30 | 0.35 |

Typically, unemployment fluctuates around a historical average, i.e., unemployment is cyclical. In the best of times it will be lower than its long-run average and in the worst of times it jumps above it. Table 1 shows that the relative average unemployment rate is high in the Arab countries. Also, it has not changed much in nearly three decades. In Southeast Asian countries, however, it varies a lot. The coefficient of variation for Tunisia is low.

Further, almost all Arab economies, except Egypt, Oman, Morocco, and Tunisia, have negative productivity growth rates (GDP per hour). The relationships between productivity,

unemployment, and wages are not well understood in Tunisia or Egypt. More research is needed to understand the relationships between unemployment, labor productivity, real wages, skills, education, mismatch, and labor market institutions.

**Table 2:
Productivity Growth Rates 1980 - 2007³**

| | Algeria | Morocco | Jordan | Tunisia | Egypt | Hong Kong | Korea | Singapore |
|--|---------|---------|--------|---------|-------|-----------|-------|-----------|
| | -1.21 | 0.40 | -1.96 | 2.16 | 3.43 | 3.03 | 4.78 | 4.21 |

In addition to unemployment, the 2010 UNODC corruption perception index rankings (where 1 represents the lowest corruption and 178 the highest) for the Arab countries are as follows: Algeria-105, Morocco-85, Jordan-50, Tunisia-59, and Egypt-98. Singapore ranked first along with New Zealand and Denmark.⁴

Historically, uprisings and revolutions against the European kings have been associated with poverty, injustice, and high taxes. There is a substantial poverty in the Arab countries despite some such as Iraq, Saudi Arabia, and Algeria being oil-rich. According to the World Bank statistics, people who live on 2 dollars a day, i.e., the poor, are 18 percent of the population in Egypt (14.5 million people) and 12 percent in Tunisia (1.2 million). And taxes are high. We compute the aggregate effective marginal tax rate on labor income; it is relatively higher in Morocco and Tunisia.⁵

Table 3: Aggregate Effective Marginal Tax Rate on Labor Income

| Country | Effective Marginal Tax Rate |
|---------|-----------------------------|
| Egypt | 0.24 |
| Jordan | 0.28 |
| Morocco | 0.39 |
| Tunisia | 0.35 |
| Average | 0.28 |

According to Freedom House, the Arab countries rank 99 in the world in civil and political liberties and do not have free press in general. Amnesty International summarizes the situation in Tunisia prior to the recent uprising:

“Freedom of expression, association, and assembly remained severely restricted. Government critics, including journalists, human rights defenders and student activists, were harassed, threatened, and prosecuted. Hundreds of people were convicted following unfair trials on terrorism-related charges. Torture and other ill-treatment continued to be reported, and prisoners were subjected to harsh prison conditions...”⁶

Further, the judiciary is not independent in Tunisia or in almost all other Arab countries.

According to Madison's data, Korea's real GDP per person was significantly less than those in the Arab countries in 1950. Asian countries were able to develop and grow while the Arab countries stagnated.

Table 4: Real GDP per Capita (1990 International Geary-Khamis dollars⁷)

| | Algeria | Morocco | Jordan | Tunisia | Egypt | Hong Kong | Korea | Singapore |
|------|---------|---------|--------|---------|-------|-----------|-------|-----------|
| 1950 | 1365 | 1455 | 1663 | 1115 | 910 | 2218 | 854 | 2219 |
| 2008 | 3520 | 3465 | 5702 | 6103 | 3725 | 19614 | 31704 | 28107 |

Source: Madison http://www.ggd.net/MADDISON/Horizontal_Statistics/horizontal-file_02-2010.xls

So one cannot be pleased with development plans and policies in the Arab countries over the past 30 years. Given the persistently high average unemployment, poverty, negative productivity rates in most Arab countries, autocracy, widespread corruption especially at the high levels of the governments, high taxes, and the absence of civil liberties.

The Arab governments failed to understand the link between free market reforms, democracy and freedom. Free market institutions and democracy are highly associated. Amartya Sen, the 1998 Nobel Laureate, puts individual freedom at the core of economic analysis.⁸ And Friedman, the 1976 Nobel Laureate, argued that competitive capitalism is the instrument to achieving economic freedom and a necessary condition for political freedom.⁹

* Based on a piece at: <http://razzakw.blogspot.com/2011/01/on-recent-events-in-tunisia-and-arab.html>

1. Laabas, Belkacem and Weshah Razzak, 2011, Economic Growth and the Quality of Human Capital, Arab Planning Institute Working Paper, forthcoming.
2. Trends in International Mathematics and Science (TIMMS).
3. Hours-worked are estimated equilibrium figures reported in Laabas and Razzak, 2010, Taxes, natural Resource Endowment, and the Supply of Labor: New Evidence, Arab Planning Institute Working Paper, 05. Real GDP are PPP figures from Penn Table 6.3
4. http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results
5. It does not include contributions to 26-26. It is described as a national solidarity fund for development; a quasi-mandatory donation by every Tunisian households and firms, in and outside the country, to help the poor.
6. <http://www.amnesty.org/en/region/tunisia/report-2010>
7. http://en.wikipedia.org/wiki/Geary%E2%80%93Khamis_dollar
8. Sen, Amartya, S, Development as Freedom, Random House, 1999.
9. Friedman, Milton, Capitalism and freedom, The University of Chicago (1962).

FROM THE 2B RED FILE

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

The Christmas-New Year break is a great opportunity to catch up on that pile on the bedside table which seems to grow exponentially. So let me tell you about three books I read during a summery break at the bach.

First up my holiday reading included a substantial new biography of "the father of modern economics": **Nicholas Phillipson (2010) Adam Smith: An Enlightened Life** (London: Allen Lane). My difficulty in including this volume in 2BRED is to restrain myself from giving you endless quotes from the good professor. Whether it is trade, foreign investment, labour markets or economic growth, Smith's writings abound in gems that are as relevant today as they were in the mid seventeen hundreds. I can't resist just one (even at the risk of incurring the wrath of some of my academic colleagues). In noting that people respond to incentives, Smith was critical of paying professors a salary rather than having them earn their living directly by fees from students, concluding as a consequence that "...in the university of Oxford, the greater part of the publick professors have, for these many years, given up altogether even the pretence of teaching." Sound familiar?

Young Adam left Kirkcaldy School at age 14 and entered Glasgow University. He passed straight into the third year papers (his Greek and Latin having already surpassed the required standards), and graduated 3 years later. His philosophical positions were clearly shaped by the influence of Francis Hutcheson, and only subsequently surpassed by that of David Hume who was to become a life-long friend. On leaving Glasgow for Oxford (on a scholarship of 40 pounds a year valid for 11 years) he was described by the Professor of Greek at Glasgow as "of cachetic (debilitated) habit, his appearance was ungracious, and his address awkward. His frequent absence of mind gave him an air of vacancy, even of stupidity"... but, added the professor a little more generously: "...a very fine boy as any we have."

Phillipson has done a masterly job of weaving the story of Smith's life into the economic and social context of the eighteenth century. He concludes that Smith would be bemused today were he to realise that his legacy is as an economist when philosophy and political economy were actually the foundation of all his work. The author's efforts are all the more commendable when one appreciates how few letters and papers of Smith have survived. Much of his work was destroyed at Smith's own behest

[continued on page 6]

before his death, presumably because he did not want his work misinterpreted without an opportunity to respond. The book is a serious scholarly work – not a quick read – but well worth the effort.

Next up was in my stocking – a big thanks to Mrs Claus. As background the reader should be aware that I spent nearly a decade living in Colombia and in the later years devoting considerable time and energy to avoiding being kidnapped. I have always felt a sense of relief that those efforts, however frustrating and inconvenient at the time, were successful. That sense was strongly reinforced by this new book by **Ingrid Betancourt (2010) *Even Silence Has an End: My Six Years of Captivity in the Colombian Jungle*** (London: Penguin Press). She was a Colombian senator who spent six years as a captive of the FARC (The Revolutionary Armed Forces of Colombia). It is a horrendous tale of the abuse, degradation and appalling conditions suffered by kidnapes. At times they were marched at night through the jungle, every night for months on end as the FARC constantly tried to out manoeuvre the Colombian army. Her recounting of her several unsuccessful attempts at escape demonstrate a level of courage and determination that themselves were driven by the physical and mental stresses of captivity; in short it was worth trying very high risk options given that anything had to be better than enduring more time at the hands of the FARC.

But this is much more than a gripping adventure tale. What is fascinating is the very detailed accounts of the minutiae of the social interactions that evolved in the camps: among the captors, among the detainees and between the prisoners and their guards. Recall the FARC recruits were living under similar torrid conditions in hot, infested jungles – not a dream job. Betancourt sets out the evolution of complex networks of interactions which in themselves make a fascinating sociological study. Liaisons and conflicts arise amongst the prisoners as some struggle with their own survival even at the expense of the interests of the group, and the FARC guards live in a world with a hierarchical military structure overlain with deceit, blackmail and the exercise of power. At times Betancourt is virtually befriended by young female conscriptees to the FARC who are trying to improve their position through amorous relations with El Comandante, and value a motherly figure with whom to talk. In short a remarkable story of courage, “resilience, resistance, and faith”.

John Kenneth Galbraith established a formidable reputation as an economist, professor, diplomat and presidential advisor. It was not until recently that I became aware of his fictional writing when a colleague pointed out that he was also the author of a novel entitled ***A Tenured Professor*** (New York: Mariner Books 2001). This is a light, frothy spoof on academia, government regulation

and big business. It follows the career of Harvard professor Montgomery Marvin who, building on his obtuse PhD thesis on the pricing of refrigerators, goes on to develop a model for picking stocks which he entitles the Index of Irrational Expectations. He and his wife make vast sums of money trading on the predictions of the model, and become major philanthropists. But the Securities and Exchange Commission become suspicious and investigates them, on the grounds that no-one could possibly make a profit on every trade without relying on some skulduggery – which is only established by claiming others following him are using insider information of his system! Lovely asides of the academic trivia of life at Harvard abound in what is a great read. Set aside whether you ever agreed with some of JKG's economic arguments and enjoy his contribution to fiction.

Long standing readers of this column (both of you?) will be aware of my undisguised enthusiasm for the writings of **Thomas Sowell**. His most recent book carries the unfortunate title of ***Applied Economics*** (a revised edition from Basic Books, 2009). While an accurate title, it conveys the notion of being an undergraduate text rather than a rattling good read. Each of seven chapters puts an issue in its social and political context and then analyses the economics of it in a thoroughly interesting, insightful and accessible manner. If only we actually taught undergraduate economics like this (on second thoughts that would expand the supply of economists and reduce the real wages of existing members of the profession – surely a conflict of interest for NZAE). So if you want sensible economic insights into discrimination, immigration, labour markets, housing or health, do start here.

Finally, for those interested in social capital, I recommend the following from **Andrew Leigh**, an Australian academic who won a seat for Labour in the Federal Parliament in Canberra in the 2010 elections. As a former colleague of Robert Putman at Harvard, Leigh's approach very much reflects this association. In fact the very title ***Disconnected*** (New South, 2010) is reminiscent of Putman's ***Bowling Alone***. Leigh adopts a Steven Levitt-ish (ie ***Freakonomics***) approach of attacking an issue with masses of data. However unlike Levitt's more structured statistical analyses, Leigh gives us endless tables and graphs on a whole range of topics designed to show we have become less connected to our churches, our communities, our clubs or whatever. Leigh trawls through data on volunteering, associational membership, work and workplaces, neighbourhoods, friendships, religious belief, and participation in sport and cultural activities. Tis evident that Leigh likes numbers – but one is left wondering whether he really is nostalgic for the past, and whether reconstructing Australian society along the lines of Canberra is really a great idea.

IS IT ECONOMICS? DIVERSITY IN ECONOMICS RESEARCH

by Stuart Birks

Most economists, when asked about the nature of economics research, will emphasise mathematical models and econometric techniques. For these there are recognised conventions or criteria to follow. The same does not always apply to the same degree with research outside these bounds. Moreover, it has been suggested that “in recent economics it appears increasingly rare for individuals trained in different research approaches... to understand one another’s research” (Davis, 2006, p. 10). Consequently, some forms of less conventional economics research could be considered risky, especially for research students, but also for those seeking refereed publications.

Despite the security of the familiar, there are good reasons for instead taking a broad view of economics research. Six possible explanations are:

1. Available information and efficiency in research

Especially with new information technology, there has been a change in the volume and nature of available information and in methods of analysing such data. In particular, textual data are more accessible and searchable internationally, with low cost access to many policy documents, for example. Given a change in the cost structure for undertaking research, it might be imagined that an efficient researcher familiar with economic theories of production would adapt the type and mix of research methods used.

2. Econometrics as history

Econometric data describe situations that have already occurred. Analysis of these data is therefore a form of history. When compared to the rich variety of sources and methods used by historians, econometrics implicitly excludes much of this information from the analysis. Rather than treating this as a starting and unstated assumption, we could ask ourselves this question. *Can we justify not using these data?* Economics research might be enriched through inclusion of some of this additional material. This would commonly involve the use of alternative techniques in place of, or in addition to, the more conventional tools.

3. Theory as analogy

Theoretical structures are frequently intended to give insights into real world phenomena. They may be thought of as representations of, or ways of seeing, the real world. This is suggested by the use by Kuhn and others of the term, “paradigm”. However,

this can be misleading. A model is a model, not a view of the world. It can be helpful instead to use the term, “analogy”, an alternative structure which, it is hoped, resembles in some ways the object of interest. According to the blind men and the elephant, an elephant is “like a wall”, “like a tree”, etc.. Similarly, from a range of perspectives we draw analogies. Markets are “like supply and demand diagrams”, consumers made decisions as if according to indifference curves, and real world optimal decisions meet theoretical optimality criteria (see the quote on p.1). This alternative framing of our methods suggests an additional layer of investigation, or set of reservations, when applying theoretical approaches with the aim of explaining the real world. What assumptions are being made, and are they realistic for this particular application? What does the model leave out that we also have to consider? If this policy works on a wall, can we conclude that it will also work on an elephant? We must remember that ***the wall is not the elephant.***

4. Questions for policy decisions

There are many questions that economists might be expected to ask when considering policy questions. These include consideration of feasibility, magnitudes of achievable change, costs and benefits, alternative options, and timing of impacts, to mention a few. Model estimation only goes part of the way towards addressing these matters, although they are legitimate research questions in their own right. Broadly defined research questions would incorporate these additional factors, even though they might have to be addressed using less formal structures.

5. Current knowledge and data

For many developing countries, changing institutional structure and data limitations affect the research possibilities. It may not be possible to undertake standard analyses. The existing knowledge base on the countries’ economic circumstances may be limited. For many students from overseas, their funding is tied to them doing relevant country- and issue-specific research. What can be done with the available information to increase our knowledge of these economies? ***Alternative approaches may be required.*** For example, there may be value in analyses which focus on data definition and interpretation, understanding institutional structures, and applying evidence from elsewhere with associated reservations.

6. Focus on outcomes

Economics focuses heavily on equilibria and optima. Issues of process and adjustment paths may also be important. This point is made somewhat unflatteringly for economics in the following quote:

“In consequentialism, the consequence of an action justifies the moral acceptability of the means taken to reach that end. The results of actions outweigh any other consideration; in other words, ***‘the end justifies the means.’*** Jeremy Bentham was an early and influential advocate of utilitarianism, the dominant consequentialist

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position. A utilitarian believes in 'the greatest happiness for the greatest number.'¹

There is value in additional analysis of processes of change both for assessing desirability and for understanding feasibility, lags and adjustment.

As a general comment on research methods, "**framing**" has been widely described as "**selection, emphasis, exclusion, and elaboration**" (Weaver, 2007, p. 143). Research involves framing issues in particular ways, including the choice of questions, selection of the data and the choice of methods. Implicitly or explicitly, decisions are made to deny certain questions, to exclude data and methods, and to emphasise others. As economists we would, in theory at least, suggest that an optimal decision comes from consideration of all the possible options. All research is bounded, but there is a choice as to what is included and what excluded. Perhaps we should ask ourselves whether we can justify the particular denials and exclusions associated with our choice of approaches to research.

If you are interested in the points raised in this article, note that there will be a workshop session at the forthcoming NZAE conference on alternative approaches to research. The objective is to establish a network of economists for discussion of research requirements when such issues are considered. It is hoped that this will assist researchers, supervisors and examiners and will reduce the risks faced by students who wish to include less conventional sources and forms of analysis.

Davis, J. B. (2006). The turn in economics: neoclassical dominance to mainstream pluralism? *Journal of Institutional Economics*, 2 (1), 1-20.

Weaver, D. H. (2007). Thoughts on Agenda Setting, Framing, and Priming. *Journal of Communication*, 57 (1), 142-147.

¹ <http://www.phgfoundation.org/tutorials/moral.theories/2.html>

BACK TO THE FUTURE...

"A university is an association of persons, locally situated, engaged in caring for and attending to the whole intellectual capital which composes a civilization. It is concerned not merely to keep an intellectual inheritance intact, but to be continuously recovering what has been lost, restoring what has been neglected, collecting together what has been dissipated, repairing what has been corrupted, reconsidering, reshaping, reorganizing, making more intelligible, reissuing and reinvesting."

P.310 of Oakeshott, M. J. (1962). *Rationalism in politics, and other essays*. New York: Basic Books Pub. Co.

ECONOMIC IMPACTS OF THE CHRISTCHURCH EARTHQUAKE: LESSONS FROM NAPIER

By Shamubeel Eaqub, shamubeel.eaqub@nzier.org.nz

The Canterbury earthquake has caused devastating damage to the economy. However, the outlook is more constructive than media hype would suggest. New Zealand and international evidence shows regions and economies are incredibly resilient, even after massive natural disasters.

In the immediate aftermath of the Canterbury earthquake, it is difficult to see the silver lining. Without downplaying the human, emotional and economic costs, it is also important to appreciate that Canterbury will rise again. There is encouraging precedence in our own history, the 1931 Napier earthquake.

The 1931 Napier earthquake is a good test case. The Napier earthquake led to capital losses of around 45% of regional GDP. In comparison, the Canterbury earthquake has caused an estimated damage of \$15 billion or 50% of regional GDP.

A 7.8M earthquake and following fires devastated much of the Napier and Hastings in 1931. However, the region picked up strongly; with a massive reconstruction effort and flood of regional migration (population grew by an estimated 9% post-quake). While there was significant disruption in the immediate aftermath, there was little evidence of sustained damage to agriculture or factory production, two key segments of the Canterbury economy. Reconstruction activity took about five years to complete, but it may take closer to ten years in Canterbury given the sheer scale of the rebuild.

Despite the human and economic costs, there were some positives. In particular, the earthquake provided the catalyst to invest in infrastructure and new technology. This improved Napier's standing in the New Zealand economy. Christchurch should be rebuilt to offer quality and affordable homes and buildings, to attract talented people and businesses – the key ingredients of any successful city.

Tourism is a much bigger part of the Canterbury and South Island economy, than 1931 Napier. Some 18% of international visitor nights are spent in Canterbury. However, the prognosis need not be bleak. Following the devastating Tsunami in December 2004, tourist arrivals to Sri Lanka slumped by 43% in the next two months. But the slump was short-lived; tourist arrivals were back towards normal levels only six months later. There was also no lasting reputational damage – tourist arrivals reached a record high in 2010.

Reference

Chapple, Simon. 1997. The economic effects of the 1931 Hawke's Bay earthquake. NZIER Working Paper 1997-07. Wellington: New Zealand Institute of Economic Research.

IN MEMORIAM

John Goodlet Pryde OBE 1925-2011*

Life Member of the New Zealand Association of Economists

John Goodlet Pryde, OBE

Born 1925

Kings High School, Dunedin, Otago University, Victoria University of Wellington

Reserve Bank 1948-1957

Federated Farmers Economist, 1958/1963

Chief Executive Federated Farmers 1964/1975

Lincoln University 1979/89

Director Kellogg Rural Leadership Programme

Director Agribusiness and Economics Research Unit

Economic Advisor to Joint Statutory

Producer Boards 1991

Economic Consultant 1992

Nuffield Scholarship 1963

President, NZ Association of Economists 1975/1977

USA State Department Foreign Travel Grant 1978

Life Member NZ Association of Economists 2004

Fellow, NZ institute of Management

For much of half a century, John Pryde played a significant part in establishing the place of economics in New Zealand public life. He began by working from 1948 to 1957 in the Reserve Bank of New Zealand as one of the economics research staff. His peers were, like John, an extra-ordinary group who later had distinguished life-long careers in economics. Allan Catt writes of this time:

As a group, we young economists were at odds with the conventional wisdom of the day that monetary policy was inherently ineffective as a macro-economic tool. We felt the problem was the Bank's efforts being inadequate and John was courageous in expressing that view. It was a stimulating environment made the more enjoyable on occasions by John's ability to mimic and satirise those with whom we disagreed.

At a time when official statistics in economics were not strong, John introduced New Zealand's first retail trade survey. This was just one of several statistical initiatives taken then. Meanwhile John completed his MA in economics at Victoria University.

In 1957, John joined Federated Farmers, and was their Chief Executive from 1964 to 1975. He played a key part in the

hearings of the Court of Arbitration, the National Development Conference and its later Targets Advisory Group, as well as in international trade negotiations and in farming policy generally. When Britain did eventually join the European Community, John played an important role in the negotiations over New Zealand's continued access to British markets. He was the Chief Executive of Federated Farmers in a period when farming fortunes and those of New Zealand were on the wane. That kept him intensely involved in ensuring both that farming was well engaged whenever New Zealand's future was the subject of discussion, and that New Zealand's elected farming leaders were equipped for this.

In 1975, John and his family moved south when he was appointed a senior fellow at Lincoln College, carrying out specialised research studies on farming issues. In 1978, the Lincoln College Council agreed to his proposal to run a leadership programme for future farm leaders. Lincoln had no money to deliver on this, and serendipitously John quite audaciously obtained the funding for the first five years of the programme from the US Kellogg Foundation. 1979 saw the first of the ten annual leadership programmes that he ran. Each programme had 25 students, producing a total of 250 leaders of farming in New Zealand. Graduates included one Prime Minister (Jenny Shipley), and at least one cabinet minister. John's dream and vision shaped the Kellogg Leadership programme, but it also required passion, determination and drive to not only put it in place, but sustain it.

When John retired from Lincoln in 1991, he remained active as Advisor to the Joint Statutory Producer Boards, and continued to pursue his quest for a better understanding of free trade among New Zealand's leaders and our key trading partners.

John Pryde was an inaugural member of the New Zealand Association of Economists, and served as President from 1975/1977. He strongly advocated for the promotion of women in the economics profession.

In all his roles, John has been strongly involved in matters of concern to New Zealand's future. He has made a major contribution to the place of economics and economists in public life, carrying this on long after he formally retired. He was highly regarded and well-liked, as described by Allan Catt:

John was a wonderful colleague, good company with a great sense of humour. He was the epitome of a compassionate, generous, well-informed and rational human being. As I write this I look back with a sense of personal loss that we didn't see more of one another once we went our different ways.

Our thoughts are with his family.

The NZ Herald obituary and guestbook are at: <http://notices.nzherald.co.nz/obituaries/nzherald-nz/obituary.aspx?n=john-goodlet-pryde&pid=149406933&fhid=12778>

*Len Cook is to be thanked for his input into this piece.

HAVE YOU MET SoFIE YET?

By Carolyn Fyfe (carolyn.fyfe@stats.govt.nz)

What is SoFIE and why is it important?

The Survey of Family, Income and Employment (SoFIE) is Statistics New Zealand's first ever longitudinal survey designed to study people's income, family type, and employment, and how these change over time. SoFIE ran from October 2002 until September 2010, and the complete data set will be available by the end of this year.

The value of SoFIE lies in the fact that it is a longitudinal survey, in which the same people were revisited over a period of eight years, or 'waves'. This means that it is possible to build a picture of how individual circumstances changed during this time, and examine factors that may have influenced these changes. This is in contrast to typical 'cross-sectional' surveys, which measure an individual's circumstances at the time of a single interview.

What sort of information was collected in SoFIE?

Two questionnaires were used to collect information for SoFIE – the household questionnaire and the personal questionnaire.

Household Questionnaire

The household questionnaire was answered by one person in each household.

Information collected included household membership, how household members were related, dwelling ownership and related costs, and the presence of certain possessions.

Personal Questionnaire

A personal questionnaire was completed with every person aged 15 years and over who was eligible and who responded to the first wave of SoFIE. A slightly shorter version of the personal questionnaire was completed with all other eligible members of the household aged 15 years and over who were not in the survey in wave 1.

The personal questionnaire collected the following information:

| Topics | Example of Contents |
|-----------------------|---|
| Demographics | Age; Sex; Ethnicity (Demographics for children under 15 years residing in the household are answered by a nominated adult) |
| Labour market history | Age when first started working for pay or profit (excluding holiday work); If the person has a period of 12 months or more when they were not in paid employment since they started working |
| Education | Qualifications; If currently studying |

| | |
|--|--|
| Family | Periods when this person was living with particular members of their family (for example, partners, parents, siblings, and children). |
| Labour market | Timeline of workforce related activity; Occupation; Industry; Hours |
| Income | From paid employment, including self-employment and casual work; Superannuation; Government transfers; and all other forms of income |
| Assets and liabilities - Waves 2, 4, 6, and 8 only | Residential property (domestic and international); Timeshares; Investments and business; Inheritance; Maori assets and family trusts; Bank accounts; Vehicles and sporting equipment; Household items; Life insurance and superannuation; Mortgages; Credit card debt; Other liabilities and money owing |
| Health – Waves 3, 5, and 7 only | Incidence of chronic disease; Major health events; Risk factors; Health service usage; Self-rated health status (each wave) |

What population does SoFIE cover?

The wave 1 target population for SoFIE was the usually resident population of New Zealand living in private dwellings, during the year ended 30 September 2003. This means the survey excluded overseas visitors who intended to stay in New Zealand for less than 12 months, non-New Zealand diplomats and diplomatic staff and their dependants, members of non-New Zealand armed forces stationed in New Zealand and their dependants, and people living in institutions or establishments such as boarding houses, hotels, motels, and hostels.

The target population of subsequent waves then became members of the population outlined above who have not emigrated, died, or moved permanently to certain non-private institutions before the end of the wave in question.

For practical reasons, the population surveyed is restricted to people whose usual residence at the time of sample selection was a permanent private dwelling in the North Island, South Island, or Waiheke Island. These exclusions should be noted when comparing SoFIE data with other sources, as results may differ in cases where any of these excluded groups have been included in the target population.

Survey Methodology and Response Rates

At wave 1, 15,100 randomly-selected households were approached to take part in SoFIE. Data for use in final estimates were collected from 22,200 eligible adults, in 11,500 households. Data were also collected for 7,500 children aged under 15 years.

People who were eligible and responded to the first wave of SoFIE were asked to complete an interview in all eight waves of the survey, regardless of how their household may have changed during this time. Anyone who began living with a SoFIE respondent from wave 2 onwards was also asked to complete an interview, but only for as long as they continued to live with someone who was eligible and responded in the first wave.

Interviewing of respondents was spread across the 12 months of wave 1, making it a continuous process throughout the year. Sample members were interviewed in approximately the same month for all waves of the survey. Data was collected in the following survey periods:

- Wave 1: 1 October 2002 – 30 September 2003
- Wave 2: 1 October 2003 – 30 September 2004
- ...
- Wave 8: 1 October 2009 – 30 September 2010

The response rate for a longitudinal survey will inevitably decline over the course of the study as individuals die, are unable to be located, or stop participating. SoFIE maintained a relatively high response rate when compared with other international longitudinal studies. Eighty-three percent of eligible households responded to the first wave of SoFIE.

However, in some cases Statistics NZ has been unable to collect valid data from all selected eligible individuals. The most common reasons for this were that a respondent was unable to be contacted, or that a respondent was unable to provide all the relevant information asked for.

Beyond the initial interview, the common measure of the quality of a longitudinal survey in a given wave is the retention rate, which looks at how many possible respondents become actual respondents. Retention rates are calculated on the longitudinal sample and do not factor in the response rates established at wave 1.

Overall retention rates for SoFIE after wave 1 were:

- Wave 2: 90 percent
- Wave 3: 85 percent
- Wave 4: 82 percent
- Wave 5: 80 percent
- Wave 6: 78 percent
- Wave 7: 74 percent.

What data is available and how do I access it?

Information that Statistics New Zealand has produced from SoFIE is available at: <http://www.stats.govt.nz/sofie>. The most recent release looks at the short-term changes in average annual income experienced by people who moved into or out of the Auckland, Wellington, or Canterbury regions, and those who did not.

In addition, data from SoFIE is able to be accessed in the Statistics NZ Data Lab:

- 'SoFIE waves 1 – 7' data is currently available in the Statistics NZ Data Lab
- 'SoFIE waves 1 – 8' data is due for release into the Data Lab in late 2011

For further information about the Statistics NZ Data Lab please visit: http://www.stats.govt.nz/tools_and_services/services/microdata-access/data-lab.aspx

How are people using this information?

Government organisations, universities, and the media are some of the groups who are using data from SoFIE for a wide range of reasons. Some examples include:

- The Treasury has used SoFIE data in its research on housing, saving, wealth accumulation, and retirement. For more information, visit: <http://www.treasury.govt.nz/publications/research-policy/wp/2007/07-04>
- The New Zealand Families Commission examined how family living arrangements change over time, visit: <http://www.nzfamilies.org.nz/research/relationship-support/moving-on>
- The University of Otago's Wellington School of Medicine has several major research projects that rely on SoFIE data, including the SoFIE-Health study which is looking at the relationship between social and economic position and health, and the impact of serious illness on income, wealth, family circumstances, and work. For more information, visit: <http://www.uow.otago.ac.nz/academic/dph/research/HIRP/SoFIE/SofieIndex.html>
- Motu Economic and Public Policy Research is looking at how people have to change their spending, saving, and employment habits in response to an economic shock like someone falling ill or being made redundant. In another study, they are also exploring the relationship between home ownership and neighbourhood well-being. For more information, visit: <http://www.motu.org.nz/research/detail/homeownership>
http://www.motu.org.nz/research/detail/impact_of_economic_shocks

For more information about using SoFIE data, please contact:

Adele Bremner
Acting Project Manager - SoFIE
Ph. (04) 931 – 4374
Email: adele.bremner@stats.govt.nz

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.

Over the last year Health Services Research Centre (HSRC) has been engaged in a variety of health economics research. The following lists and briefly describes these research projects.

Cost Effectiveness of Interventions to Prevent Obesity

is an HRC-funded study that investigates evidence on the relative cost-effectiveness of selected population-based initiatives aimed at preventing obesity and obesity-related chronic health problems in New Zealand. This research was led at the HSRC Director Associate Professor Jacqueline Cumming, and involved researchers from HTAnalysts based in Sydney, Australia, and the University of Canterbury. The final reports are available on the HSRC website.

Hospital productivity, efficiency, and quality is part of a collaborative HRC funded project with the Universities of Auckland and Otago, and Motu Economic and Public Policy Research. The purpose is to compare and analyse New Zealand Hospitals' productivity, efficiency, and quality of care across hospitals and over time using panel econometric analysis. Jacqueline Cumming, Dr Jaiki Desai and Economics Master's student Nick Bowden are working on this project.

Improving health through primary care reform: an economic analysis, another HRC-funded collaborative study with Motu Economic and Public Policy Research, examines the impact that changes in fees charged by local primary health care providers since 2002 have on utilisation of primary and secondary health care services. Data from three New Zealand Health Surveys are used to estimate the relationship between user fees and service use. Jacqueline Cumming is leading this research.

The Equity in Prescription Medicines Use Study is also funded by the HRC and led by Professor Pauline Norris at the University of Otago. Jacqueline Cumming is working with Pauline and others to examine the costs of prescription medicines for people living in the Gisborne region.

The **Pathways to Care and Outcomes for Elective Surgery: A prospective cohort study**, also an HRC-funded study, followed a cohort of around 1600 patients considered for surgical referral by GPs and identified those receiving and

not receiving surgery, investigating the reasons in each case, and auditing patients' health care utilisation, expenditures, and health outcomes. Data from this study is being used to examine the relationship between waiting times (to elective surgery) and economic costs to individuals. This research is being undertaken in collaboration with the Department of Primary Health Care and General Practice at the University of Otago, Wellington and involves Jacqueline Cumming and Master of Public Health student Zac Gerring.

Another HRC-funded study, **Evaluation of the Implementation and Intermediate Health Outcomes of the Primary Health Care Strategy**, measures change in programmes' processes and outcomes during the adoption and implementation of the Primary Health Care Strategy: assessing the impact of the Strategy on reducing health inequalities involving Māori, Pacific peoples and the financially disadvantaged; and identifying positive and negative influences. This research is also led by Jacqueline Cumming and reports on the findings are on our website. Jacqueline's work in this area is continuing with a focus on the further development of integrated care in New Zealand over the next few years.

Other health economics-related research has included a behavioural economics exploration of the demand for health, a study on the economic impact of visceral leishmaniasis on poor households in eastern India, and a gendered analysis of health outcomes and healthcare use over 15 years in Vietnam, each being undertaken by Dr Jaiki Desai.

For further information, visit our website at: <http://www.victoria.ac.nz/hsrc/> Note too that the HSRC has moved and we're now based on the Third Floor on the Bunny St side of the Old Government Buildings on Lambton Quay.

BLOG WATCH—THE CHRISTCHURCH EARTHQUAKE

This is the first in what we hope will become a regular feature in *Asymmetric Information*. The aim of this column will be to direct readers to interesting discussions taking place on blogs written by economists in New Zealand and overseas. Blogs can be an excellent medium for quickly disseminating the results of recent research, both with blog summaries and links to full papers. They are also a good source of material for current-issues discussions in introductory economics classes.

In this first edition, we introduce some New Zealand economics blogs by looking at their coverage of the economics issues arising from the February 22 earthquake in New Zealand. Rather than provide full URLs for the columns referred to here, we will simply provide some key words to use in google. The on-line edition of AI will include hyperlinks to the relevant posts.

The Visible Hand of Economics typically takes a centre-right perspective on issues. Of its four authors, Matt Nolan is the most prolific. After the quake he was *quick* to pre-empt a resurrection of the broken-windows fallacy that had occurred in some media discussions at the time of the earlier, September 4, earthquake in Christchurch (google, “TVHE quakes aren’t stimulus”).

Offsetting Behaviour is a more libertarian blog by Eric Crampton of the University of Canterbury. As a Christchurch resident, he had many posts on the earthquake, but the one that attracted the most attention was a reprise from September of his defence of price gouging (googling “offsetting behaviour price gouging” links to a number of posts.) His post, “*double petrol prices do it now*”, originally posted on Bernard Hickey’s blog, *interest.co.nz*, (google “double petrol prices do it now” with and without the key word “Hickey”) generated lots of debate on both sites, both about the role of prices as a coordinating mechanism after a disaster and the economics profession in general. James Zucollo, who blogs at TVHE under the pseudonym, Rauparaha, *responded* with a spirited defence of Economics (google “TVHE on pricing and altruism”).

John Small’s blog, *Progressive Turmoil*, is the most left-leaning (or at least the least right-leaning) of the economics blogs listed

here. In his only earthquake-related *post* (google “progressive turmoil other peoples sunk costs”), he touches on the question of whether Christchurch should be rebuilt. This question, applied to New Orleans, was discussed in the US blogosphere after Hurricane Katrina but has not received much attention in New Zealand.

Paul Walker’s blog, *Anti-Dismal*, provides a lot of links to interesting economics available on-line. The damage to AMI stadium lead him to link to work on the economic impact (or the lack thereof) from public funding of sports stadia (googling, “anti-dismal economics of the sports stadium” will link to the *earthquake-related post* plus earlier posts on the same theme.)

Although not strictly speaking an economics blog, the blog of former MP, Stephen Franks, *StephenFranks.co.nz* is worth a look for economists with an interest in Law and Economics. He has had a number of posts relating to the earthquake (google “Stephen.Franks.co.nz Christchurch”), most relating to issues about the degree of central control in the recovery.

Not surprisingly, the Christchurch quake hasn’t generated a lot of attention in the international economics blogosphere, but the more destructive Japanese quake has resulted in a number of thoughtful posts. A very good *post* with a number of links comes from The Economist, with the post “Japan and the Economics of Natural Disaster” (google this title).

Finally, although not related to the earthquake, we should make mention of the *undercover economist* blog of Tim Harford, who is one of the keynote speakers at the annual NZAE conference this year. Harford is no longer blogging, but the blog archives are still accessible and well worth a read (google, “undercover economist blog”).

Afterword: We are keen to develop a regular column in *Asymmetric Information* on developments in the blogosphere. If anyone is interested in taking on this assignment, please contact the editor.

NZAE CONFERENCE 2011, 29 JUNE – 1 JULY The Amora Hotel, Wellington

The deadline for abstracts has now passed and the programme is currently being drawn up. There has been a particularly large number of abstracts submitted this year, along with several offers for organised sessions. We are also hoping to have a vibrant poster component to the event. Several events are also planned separately by other groups for the day preceding the conference (see notices on p.14).

To date, there are three confirmed keynote speakers. They are:

Tim Harford, author and senior columnist for the Financial Times. Mr Harford will present the McMillan Lecture, drawing

from his work as The Undercover Economist on the economic motivations of everyday behaviour. We can expect a lively and stimulating presentation, and will probably learn some lessons on how to take economics to a wide audience.

Tim is noted, inter alia, for his “The Undercover Economist” column and his unique economist’s problem page, “Dear Economist”. Unlike most of us, *Tim*’s work is in high demand. His first book, “*The Undercover Economist*” sold one million copies worldwide in almost 30 languages. He has published others, and his latest, “*Adapt*”, which will be published in May. He presented the BBC television series “Trust Me, I’m an Economist” and now presents the BBC radio series “*More or Less*”.

Pier Carlo Padoan, Deputy Secretary-General and Chief Economist of the OECD. Mr Padoan will speak on 29 June, about the Eurozone sovereign debt crisis and its lessons for New Zealand.

[continued on page 14]

He has had a wealth of experience at the cutting edge of economic policy making. As described on the OECD web site (<http://www.oecd.org/>), he took up his functions as Deputy Secretary-General of the OECD on 1 June 2007. As of 1 December 2009 he was also appointed Chief Economist while retaining his role as Deputy Secretary-General. Prior to joining the OECD, Mr Padoan was Professor of Economics at the University La Sapienza of Rome, and Director of the Fondazione Italianeuropei, a policy think-tank focusing on economic and social issues. From 2001 to 2005, Mr. Padoan was the Italian Executive Director at the International Monetary Fund, having previously served as Economic Adviser to the Italian Prime Ministers, Massimo D'Alema and Giuliano Amato.

Prof Ricardo Reis, Columbia University. Prof Reis is a macroeconomist with an interest in monetary and fiscal policy. He will deliver the Phillips Lecture, in honour of New Zealand economist Bill Phillips.

As a relatively young keynote speaker (born in 1978), there is perhaps less to say except to point to the impressive list of publications, editorial responsibilities, and other recognition and duties achieved in a very short time. He is a Portuguese economist with degrees obtained at the London School of Economics and Harvard. He is currently Professor of Economics at Columbia University in New York. As of December 2009, Reis was ranked among the most cited young economists in the world. His main fields of research are International and Monetary Economics.

THE NEW ZEALAND ECONOMIC POLICY PRIZE

The NZAE is pleased to announce a new prize to this year's conference, The New Zealand Economic Policy Prize. This prize replaces the Capital Markets Prize, which was offered in recent conferences. Like the Capital Markets Prize, the New Zealand Economic Policy Prize is jointly sponsored by the Ministry of Economic Development, the Reserve Bank of New Zealand, and the Treasury. The prize will be awarded to the paper that is deemed to make the best contribution to analysis of economic policy in New Zealand.

The Law and Economics Association of New Zealand (LEANZ) AGM and Public Debate, 28 June 2011

LEANZ will be holding its AGM at 5.45pm Tuesday 28 June in Wellington, venue to be confirmed.

This will be followed by debate between:

Dr Russell Norman of the Green Party and
Dr Jason Potts of the University of Queensland

On: **GDP v Happiness Index proposals.**

The event will last until about 7.30pm.

All welcome!

CGE MODELLING WORKSHOP

28 June 2011

A Computable General Equilibrium (CGE) Modelling Group has been started under the auspices of the NZAE, with Anita King (EECA) leading the way. The Group is planning a pre-conference workshop on Tuesday 28 June 2011 about CGE modelling.

The workshop will include both presentations of research and methods, as well as hands-on and interactive work. Topics are still being decided, but possibilities include:

- a panel on obtaining and working with data,
- building a SAM from the NZ national accounts,
- static vs dynamic models,
- closure assumptions and their impacts, and
- interpreting model results.

The cost will be \$80 per person. The workshop will be held at the Treasury, and catering will be provided.

Participants are invited to register on the NZAE 2011 conference website.

For more information, please contact Anita King (workshop organiser - Anita.King@eeca.govt.nz) or Bill Kaye-Blake (conference organiser - bill.kaye-blake@nzier.org.nz).

1ST YEAR CO-ORDINATORS

WORKSHOP

28 June 2011

The 2011 gathering of first year co-ordinators group is to be held pre-conference on Tuesday 28 June 2011.

This meeting will continue earlier discussions on texts, use of online support, literacy and numeracy skills and assessment issues. include presentations of some additional online resources that are available to us and discussion on text books and sharing additional support materials. Topics are schedule are not yet final, but possibilities include:

- presentations of additional online resources,
- discussion on text books,
- possibility of sharing additional support materials (creative commons),
- higher education and pedagogy journal options,
- transition from school to university (the ability to follow instructions).

This event will not be catered. There are a number of cafes and pubs around the venue and we probably know each other well enough to make our own arrangements. New-comers are welcome though – from university, polytechnic and school sector.

The workshop will be held at Victoria University of Wellington, Pipitea Campus (Railway Station). Room details will be sent on receipt of RSVP.

Participants are invited to also register for the NZAE 2011 conference at www.nzae.org.nz

For more information and/or programme suggestions, please contact Mary Hedges at m.hedges@auckland.ac.nz

NEW ZEALAND ECONOMIC PAPERS

Mark Holmes, Editor-in-Chief, holmesmj@waikato.ac.nz

New Zealand Economic Papers publishes research in all areas of economics, both theoretical and empirical. At the same time NZEP has a keen interest in research on important issues relevant to New Zealand, Australia and the Asia-Pacific. The journal also publishes survey articles, book reviews and welcomes articles that explore important policy initiatives affecting the region and the implications of those policies. Authors are invited to submit their manuscripts to NZEP online (<http://www.tandf.co.uk/journals/rnzp>). NZEP is in the process of joining iFirst. This means that manuscripts that have completed the NZEP review process and have been accepted for publication will be available online through the Taylor and Francis iFirst early-online-publication system. This will serve to reduce the time from article submission to publication. iFirst articles published with page spans can be cited as usual. iFirst articles will be published as "Forthcoming Articles" that can be cited using their DOIs, or Digital Object Identifiers, in addition to the article and journal titles. The DOI is a unique number assigned to an article that stays with that article throughout its digital life, allowing researchers to find and reference these articles.

WHATS AHEAD

Seminar programmes and workshops are in full flight at this time of year, as shown in the list at www.nzae.org/conferences/general. This webpage is a collation of seminars, workshops, forums and conferences of relevance to New Zealand economist, updated regularly by the NZAE. Please provide details of your event to anthony.byett@xtra.co.nz for inclusion.

A sample of the events coming up in the next few months include:

- 26-Apr. Seminar in Auckland on "People and the Economy" as part of the visioning tomorrow's Auckland 4-part series, organised by IPANZ and Auckland Council.
- 17-May. Victoria University hosts a 1-day "Symposium on the Future of Coal" in Wellington, drawing on international and local experts from a range of disciplines.
- 23-Jun. The Treasury, Reserve Bank and Victoria University bring together in Wellington some eminent policy researchers to lead a 2-day forum on "New Zealand's macroeconomic imbalances – causes and remedies".
- 29-Jun. The 3-day 52nd NZAE Annual Conference starts in Wellington.

BIODIVERSITY

We hear of concerns about loss of the Amazon rain forest, but what about our activities on land that we already use?

"Mankind depends on near about 5000 plant species worldwide to meet food and other needs. This number is just a fraction of total world flora of 2.5 lakh [1 lakh = 100,000] species of mosses, ferns, conifers and flowering plants. More than 50,000 plant species are yet to be documented. Today only about 150 plant species are important in meeting the food (calories) needs of humans world wide. There is still greater dependence on a few plant species; 20 to 30 in global context."*

So there are about 250,000 plant species, of which 150 important for human food needs, with dependence essentially on only 20-30. Is it enough just to avoid species extinction, or should we be actively encouraging widespread diversity, including diversity in crops?

[From book description at: <http://www.vedamsbooks.com/no50747/biodiversity-horticultural-crops-vol-i-edited-by-k-v-peter-z-abraham>]

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.

WEB-SITE

The NZAE web-site address is: <http://nzae.org.nz/>
(list your job vacancies for economists here).

MEMBERSHIP FEES

Full Member: \$120 | Graduate Student: \$60 (first year only)
If you would like more information about the NZAE, or would like to apply for membership, please contact:
Bruce McKeivitt - Secretary-Manager,
New Zealand Association of Economists
PO Box 568, 97 Cuba Mall. WELLINGTON 6011
Phone: 04 801 7139 | fax: 04 801 7106
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...

NEW MEMBERS

Oliver Herrmann (MED); **Tamara Linnhoff** (Treasury); **Samuel Thornton** (MED); **Hilary Devine** (MED); **Ankit Shishod** (Ian Wallis Associates); **Graham Phelan** (None); **Bevan Graham** (Axa Global Investors); **Andriy Sknar** (Interger); **Dinh Khoi Phan** (PhD Student Lincoln University); **Nicholas Myers** (Nicholas Myers & Associates); **Anne Boniface** (Westpac); **Murray Shadbolt** (IRD).

<http://www.nzae.org.nz>

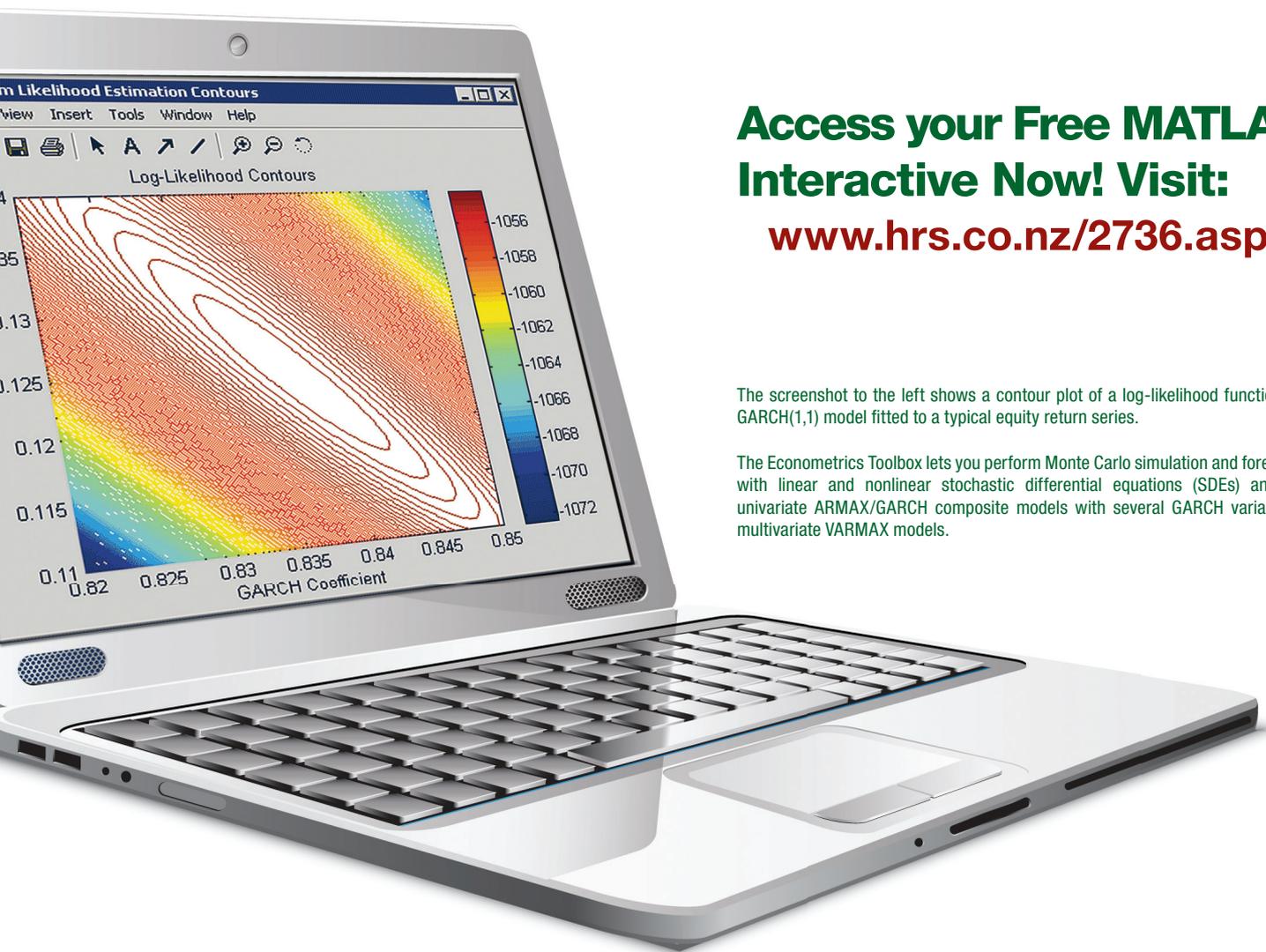
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The screenshot to the left shows a contour plot of a log-likelihood function for a GARCH(1,1) model fitted to a typical equity return series.

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