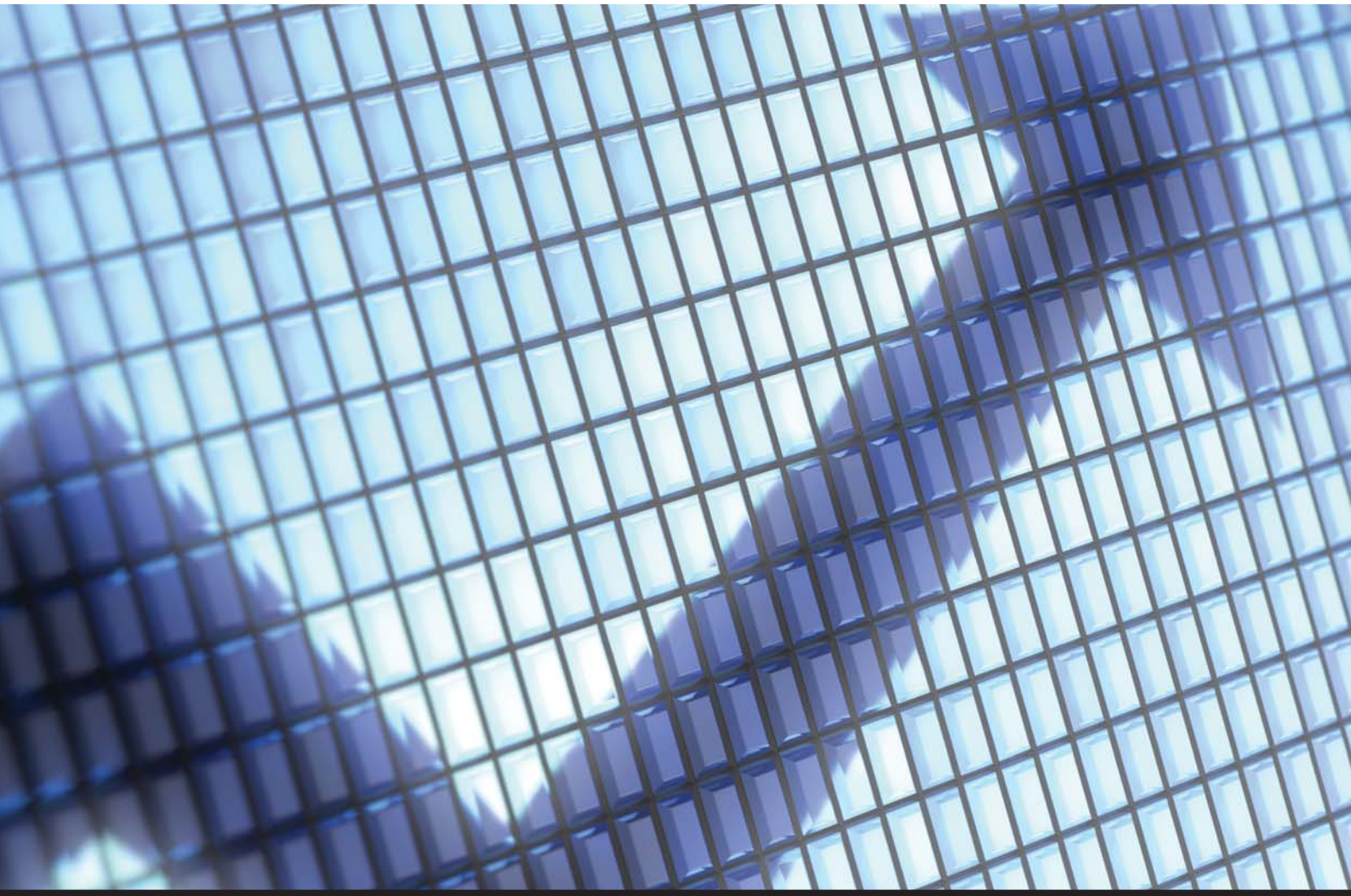
52nd Annual Conference of the New Zealand Association of Economics

nzae New Zealand Association of Economists

RESERVE BANK OF NEW ZEALAND

Statistics New Zealand TATAURANGA AOTEAROA

THE TREASURY Kaitohutohu Kaupapa Rawa

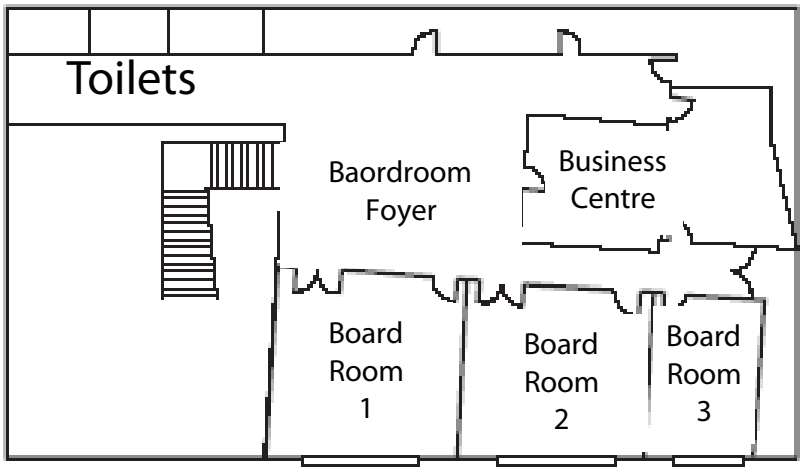


29 June 2011 - 1 July 2011. Amora Hotel. Wellington.

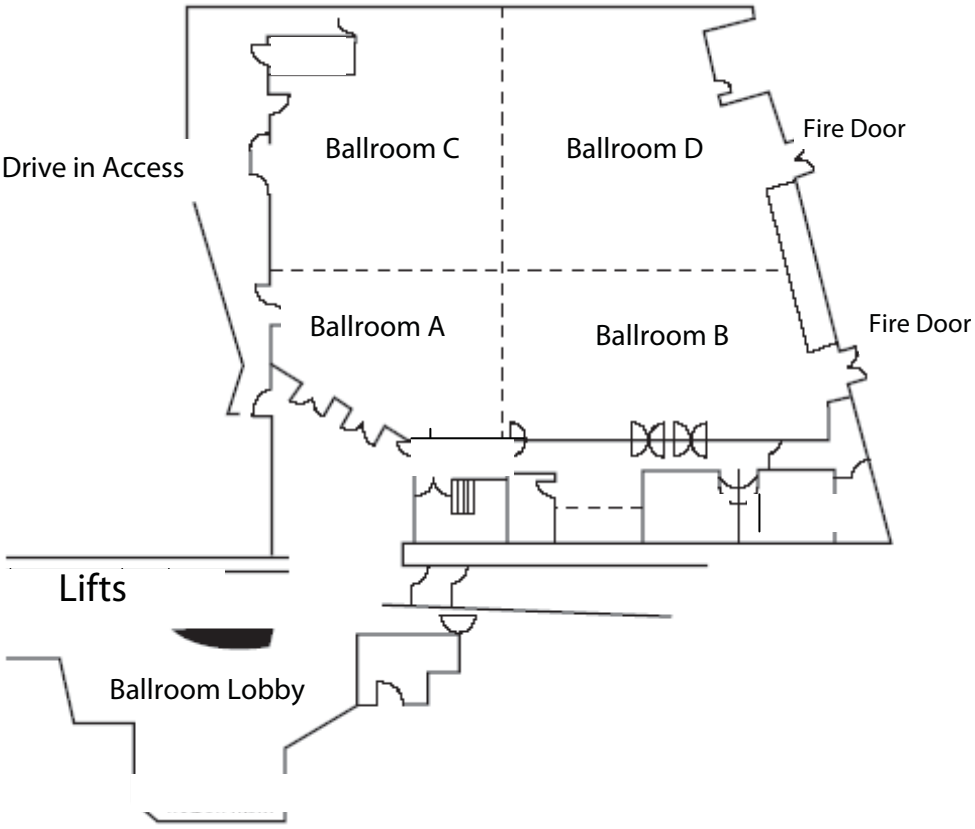
AMORA HOTEL
WELLINGTON

Amora Floor Plan

Mezzanine Level



Level 6



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President's Welcome

It is my great pleasure to welcome you to Wellington for the 52nd Annual Conference of the NZ Association of Economists.

As time goes on there is more and more pressure to maximize the publication and networking possibilities of conference attendance. Unfortunately this means that special interest conferences tend to be ranked more highly as choices are made under tight budget constraints. The good news is that our annual conference bucks this global trend. This comes down to the wide mix of attendees from academia, the public and the private sectors. It provides all of us with an opportunity to hear presentations, read papers, see posters and have conversations that move us out of our usual work and research areas. This is never more so than when the conference is held in Wellington. I believe this is our competitive advantage and one that requires all of us to actively nurture this community.

The organising committee for 2011 has certainly worked hard to maintain and improve on these aspects. It was also gratifying this year that a number of papers were submitted well before the deadline and there were a number of offers to organise sessions. Both of these things help ease the organisational burden. It is also a compliment to all of you who have chosen this conference as the vehicle to disseminate your research. Thank you.

I am sure you will also join with me to thank the organising committee of Bill Kaye-Blake, Stephen Knowles, Seamus Hogan and Stuart Birks, ably supported by the onCue team, for their excellent organisation of this conference. Each year we attempt to modify any processes that have caused problems in previous years and also keep things as simple as possible for participants. Your feedback is vital to help us to continue making improvements. Please feel free to speak to any of the committee members or myself during the conference and don't forget to complete the conference evaluation that you will be sent next week.

The team is sure you will enjoy the conference and benefit greatly from the formal sessions and the informal opportunities. This year is also an election year for the Association and an excellent opportunity to participate in the wider life of the Association and help direct it into the future. A reminder that the AGM and elections will be held during Thursday's lunch break.

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

Thank you for choosing to attend our conference and in aiding the Association in achieving our aim of a 'Community of Economists'.

Mary Hedges
President

Conference Information

Conference Committee

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

Sponsors and Exhibitors

The NZAE appreciate the support received from the following major sponsors.

Reserve Bank of New Zealand

The Treasury

Statistics New Zealand

The conference has also received support from the following:

Government Economics Network (GEN)

HRS

John Wiley

NZIER

Department of Labour

Cengage

Thursday's morning tea is sponsored by the Government Economics Network (GEN). The GEN is a newly established network to promote the better use of economics in the public sector in New Zealand. It aims to cater to economists and non-economists through a range of events and training opportunities, focused on using economics in policy advice. Please see the GEN stand in the Treasury booth at the conference for more details.

Thursday's afternoon tea is sponsored by NZIER. Please join us in celebrating the 50th anniversary of the Quarterly Survey of Business Opinion, one of the longest-running business surveys in the world. Directly afterward, we will present a review of prior research using the QSBO, and new research on its robustness as a measure of economic performance.

nzier

authoritative analysis

The New Zealand Institute of Economic Research (Inc)
is proud to support the 52nd NZAE Conference, and wishes the Association and its members a successful conference

NZIER *Quarterly Survey of Business Opinion*
50 year celebration

Thursday 30 June
Afternoon tea, Chambers Foyer, from 3.30pm-4pm
QSBO session, Chambers 4, from 4pm-5.30pm

We welcome you to join us in celebrating the 200th issue of the *QSBO* at the afternoon tea and special session on Thursday. The session will explore the history of *QSBO* research and investigate new uses for the data. Over the years, *QSBO* data have been the basis for research by Bob Buckle, Allan Catt, Brian Easton, Fraser Jackson, Brian Silverstone, and many others.

NZIER *poster competition*

Posters on display in the Chambers Foyer
Winners announced at the conference dinner

We are proud to sponsor the annual NZIER *poster competition* – student and open categories.

NZIER *Economics Award 2011*

Nominations close Wednesday 20 July
Recipient announced at NZIER's AGM on Monday 29 August

The annual NZIER *Economics Award* recognises an outstanding contribution of direct relevance to New Zealand. All practising economists (past or present) are eligible for nomination.

The winner is selected by an independent panel, with NZIER acting as secretariat and sponsor. The 2011 recipient will receive a $10,000 travel voucher and $5,000 associated spending money, along with a framed citation and an award trophy.

See **nzier.org.nz** for further details and nomination forms.

Venue

Amora Hotel Wellington is situated in the heart of Wellington, the Harbour Capital of New Zealand, a city famous for its culture, atmosphere, lifestyle and history.
We are located opposite Te Papa, The Museum of New Zealand and located only a short walk away is the central business district, shopping and entertainment areas and the TSB Bank Arena.
We are the largest in house conference venue in Wellington with 20 conference spaces and 192 accommodation rooms.

Catering

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

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

Conference Badges

Name badges are included in your conference pack. Badges should be worn at all conference events including the Conference Dinner in the Ballroom at the Amora Hotel on Thursday night.

Conference Assistance

onCue staff will be situated at the registration desk during all sessions and will also be around the venue should you need guidance to rooms.
Should you require any assistance or have any queries during the conference about anything, please feel free to ask any of the conference assistants or a member of the committee and they will be happy to help you.

Contributed Papers

We thank the many contributors to the programme. Their abstracts, which are included in Section three of this programme, are reproduced without editing (except for printing or formatting). Presenter(s) of papers are demoted by bold text. Contributed papers are available on the CD-Rom that is provided in the Conference Pack and will also be made available on the NZAE website. All contributed papers have been quality-assured in a process consistent with guidelines for the Performance-Based Research Fund (PBRF). The conference CD-Rom is an official record of these quality-assured papers.

Poster Session

Posters will be located in the Foyer outside Chambers 1-4. The dedicated poster session will take place on Wednesday from 3.00 to 4.00pm, where delegates can discuss posters with the authors. All posters submitted and presented at the conference are automatically entered into the People's Choice Competition. With the ballot (included in the conference pack) delegates have the opportunity to vote for the poster they feel is the best. For further information, please refer to the section on Competition & Awards.

Competition & Awards

The following prizes will be awarded at the Conference Dinner.

Jan Whitwell Prize

The Jan Whitwell Prize is an award to honour the memory of Jan Whitwell (1944-1993), a former President of the New Zealand Association of Economists (1992-93), distinguished university lecturer and musician. Jan Whitwell died in a road accident in October 1993. The Jan Whitwell Prize is awarded for research undertaken as part of a Bachelor's, Master's or Doctoral degree and presented at the annual conference of the New Zealand Association of Economists.

A prize of $1000 is awarded for the best presented paper.

Statistics New Zealand Prize

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

A prize of $500 will be awarded to the paper that is judged to have the best use of official statistics.

New Zealand Economic Policy Prize

The NZAE is pleased to announce this new prize to this year's conference.

This prize, which is sponsored by the Ministry of Economic Development and The Treasury, replaces the "Capital Markets Prize" offered in recent years.
The prize will be awarded to the paper that is deemed to make the best contribution to analysis of economic policy in or applied to New Zealand. Papers analysing New Zealand policy within a multi-country context will qualify to be considered for the award.

NZIER Poster Competition

This competition is in two categories: 'Post-graduate Student' and 'Open'. Presentation of a poster can be either a 'work-in-progress' OR a piece of completed work where the presenter prefers not to make an oral presentation.

People's Choice Award

All posters submitted and presented at the conference are automatically entered into the competition. Delegates will be provided the opportunity to vote for the poster they feel is the best, and the winner will be decided by ballot.
Voting will be open until 5.00pm on Thursday of the conference and ballots for voting will be included in delegates' conference packs (one per person).
A prize of $500 will be awarded to the poster that receives the most votes.

Conference Assistant Awards

The NZAE Education Trust has established seven special awards to enable post-graduate students to attend the New Zealand Association of Economists annual conference. Awardees will receive free conference registration and up to $200 (the award will be $100 for students located in the city of the conference) to assist with their travel. In return, they help with running the event. We are pleased to welcome the seven recipients of the Conference Assistants Award at the NZAE Conference 2011:

Robert Bell, University of Otago
Simon Crossan, Massey University
Lisa Hensen, University of Canterbury
Sean Hyland, Victoria University
Ross Kendall, University of Canterbury
Melissa Siegel, University of Auckland
Jesse Unger, University of Canterbury

Graduate Study Awards

The NZAE Education Trust has established two awards up to $500 each for research students in New Zealand. In addition to the funds, awardees receive a one-year membership to the NZAE. We are pleased to welcome the two recipients of the Graduate Study Award at the NZAE Conference 2011:

Fardous Alom, Lincoln University
Maggie Hong, University of Canterbury

Social Programme

Welcome Reception

You are invited to join with your colleagues at this time for a convivial drink and nibbles.

Date: Wednesday 29 June
Time: 5.30-6.30 pm
Venue: Ballroom Foyer, Amora Hotel

Canterbury Reception

Department of Economics - University of Canterbury - Reception for Alumni, Former Staff, and Friends

Date: Wednesday 29 June
Time: 7 pm (after the Welcome Reception)
Venue: Amora 1, Amora Hotel

Conference Dinner

The Conference Dinner is being held on Thursday 30 June, at the Amora Hotel in the Ballroom. This event will include the awarding of prizes from the conference competitions. Delegates with special diets should ask the staff for the dietary selections.

Date: Thursday 30 June
Time: 6.30 pm onwards
Venue: Ballroom, Amora Hotel

Demonstration of the MONIAC and tour of RBNZ Museum

Date: Friday 1 July 2011
Time: 2.00 pm
Venue: Reserve Bank Museum,
No. 2 The Terrace, Wellington
Contact: Mark Holland on (04) 471 3682;
mark.holland@rbnz.govt.nz
Website: http://www.rbnzmuseum.govt.nz/activities/moniac/introduction.aspx

Keynote Speakers

TIM HARFORD

Tim Harford is a member of the Financial Times editorial board. His column, 'The Undercover Economist', which reveals the economic ideas behind everyday experiences, is published in the Financial Times and Slate. He is also the only economist in the world to run a problem page, "Dear Economist", in which Financial Times readers' personal problems are answered tongue-in-cheek with the latest economic theory.

His first book, **The Undercover Economist,** has sold 600,000 copies worldwide in over twenty languages.

He presented the BBC television series Trust Me, I'm An Economist and now presents the BBC radio series More Or Less. He has written for Esquire, Forbes, New York Magazine, Wired, the Washington Post and the New York Times. He won the 2006 Bastiat Prize for economic journalism.

Before becoming a writer, Tim worked for Shell, the World Bank and as a tutor at Oxford University, from where he earned an MPhil in economics in 1998. He now lives in London with his wife and two daughters.

WILLIAM SCHWORM

William Schworm commenced at UNSW in 2001 after previous appointments at the University of Sydney (1995 - 2000) and the University of British Columbia (1976 – 1994). He received his Ph.D. from the University of Washington in 1976.

Bill's current areas of research are efficiency measurement, productivity, and growth. He has published extensively in the area of aggregation of factors of production and commodities and the properties of efficiency measures. He is an Associate Editor of the Journal of Productivity Analysis.

Bill has held visiting appointments at Duke University (1980-1981), Bank of Canada (1982), CORE at Université catholique de Louvain (1984-1985), l'Université de Montréal (1987), University of Western Ontario (1987-1989), China Institute of Mining and Technology (1988), Boston University (1999), Australian National University (2001) and the University of Washington (2008).

Bill has held administrative roles as Head of School of Economics and Pro-Dean of the Faculty of Economics at the University of Sydney. At the University of New South Wales, he has been the Head of School and the Presiding Member of the Australian School of Business. Bill was a member of the Executive of the ARC Economic Design Network during 2006—2009.

ANANISH CHAUDHURI

Professor of Experimental Economics
University of Auckland

Ananish joined the University of Auckland in 2003. He has taught at Wellesley College and Washington State University prior to this. His primary research area is experimental economics with an emphasis on the role of trust, reciprocity and altruism as well as the role of social norms in economic interactions. He also does theoretical and empirical work looking at incentive contracts with applications to franchising and land tenancy contracts.

RICARDO REIS

Professor of Economics
Columbia University

Ricardo Reis is a professor of Economics at Columbia University. He became a full professor at the age of 29, one of the youngest ever in the history of the University.

Reis is a Research Associate of the NBER, and a Research Affiliate of the CEPR. He received his B.Sc. from the London School of Economics and his Masters and Ph.D. from Harvard University. He taught at Princeton University before joining the Columbia faculty. Reis is a co-editor of the Journal of Monetary Economics, serves on the Board of Editors of the American Economic Review and the Journal of Economic Literature, and is an Associate Editor of the Journal of Money Credit and Banking and the Economic Journal.

His main area of research is macroeconomics. His past work has focused on models of inattention, dynamic measure of inflation and measures of persistence, together with several contributions to the study of monetary and fiscal policy.

Abstracts of
Contributed Papers in order of conference sessions

Session 1:	Wednesday 29 June	11.00 - 12.30	19
Session 2:	Wednesday 29 June	1.30 - 3.00	24
Session 3:	Thursday 30 June	10.30 - 12.00	28
Session 4:	Thursday 30 June	2.00 - 3.30	33
Session 5:	Thursday 30 June	4.00 - 5.30	38
Session 6:	Friday 1 July	11.00 - 12.30	44

Abstracts Of Poster Papers

Student and Open Poster Abstracts 49

NB: Presenter(s) of papers are indicated in ***BOLD ITALIC*** type.
Entries for Conference Competitions and Prizes are noted after the authors' names:
(NZEPP): New Zealand Economic Policy Prize
(SNZ): Statistics New Zealand Prize Entry
(JW): Jan Whitwell Prize Entry

WEDNESDAY 29 June 2011

REGISTRATION
8.00 - 9.00am

Chambers Foyer, Ground Floor

OPENING AND KEYNOTE 1
9.00 - 10.30am

Room: Ballroom C/D, Level 6

Conference Opening:
Mary Hedges, NZAE President

KEYNOTE 1: Tim Harford
Session Chair: Philip Stevens

MORNING TEA
10.30 - 11.00am

Chambers Foyer, Ground Floor

(1.1) COMPETITION

Session Chair: Phil Stevens
Room: Ballroom C/D

Competition In New Zealand Industries: Measurement And Evidence
Hilary Devine
Tinh Doan, Kris Iyer, Penny Mok and Philip Stevens

Understanding the degree of competition within and across industries is an important step towards understanding the impact of competition on economic growth. In this paper, we compare and discuss several measures of competition, including the Price-Cost Margin (PCM) or Lerner Index that has been extensively applied in the academic literature and the recently developed measure Profit Elasticity (PE). Using firm level data from the prototype Longitudinal Business Database (LBD), this paper provides the first empirical study on the degree of competition across New Zealand industries.

A Firm-Level Analysis Of Competition, Innovation And Productivity In New Zealand
Kris Iyer (SNZ) (NZEPP)
Hilary Devine, Tinh Doan, Penny Mok and Philip Stevens

Applying a comprehensive panel dataset of New Zealand firms extracted from the prototype Longitudinal Business Database, this paper derives firm specific measures of productivity and mark-up. Following the approach in Martin (2010), traditional assumptions of constant returns to scale, perfect competition and factor input exogeneity are relaxed. This ensures that the derivations from this study are particularly suitable for informing policy. The relationship between productivity and mark-up is investigated and reported by industry. Regressions of productivity and mark-up shed light on the association of these two measures with several variables of interest, including R&D propensity/intensity, scale, exporting and foreign ownership.

The Dynamics Of Competition In New Zealand
Penny Mok (SNZ)
Hilary Devine, Tinh Doan, Kris Iyer, Penny Mok and Philip Stevens

New Zealand's policies compare favourably with international best practice in areas like ease of starting a business and the general regulatory environment, but the country's labour productivity is just about 80% of the OECD average. We hypothesize that this is due to the low competitive pressure amongst NZ firms. Using the prototype Longitudinal Business Database (LBD), we measure the evolution of competition amongst NZ firms by constructing transition matrices over the period of 2000 to 2009. We further examine the effects of firms' dynamics on industry-level productivity growth in NZ. The empirical analysis is based on decomposition techniques of aggregate labour productivity growth.

(1.2) MONEY AND INFLATION

Session Chair: Christie Smith
Room: Ballroom B

CPI Inflation Targeting and The UIP Puzzle: An Appraisal of Instrument and Target Rules
Alfred Guender

Employing an optimising framework, this paper shows that a target rule dominates a simple instrument rule when the focus of monetary policy is on CPI inflation. The target rule approach produces a systematic relationship between the current CPI inflation rate and the lagged policy instrument that renders the former immune to the stochastic risk premium. No matter how policy parameters are set, the optimal simple instrument rule cannot replicate the superior stabilization results achieved by the target rule approach. The optimal simple instrument rule also fails to account for the UIP puzzle. In contrast, the target rule approach can motivate the widely reported phenomenon whereby high interest rate currencies tend to appreciate. In fact the degree of openness and the central bank's relative aversion to CPI inflation variability determine the sensitivity of observed changes in the nominal exchange rate to the lagged interest rate differential.

(Re) Introducing Money into the New Keynesian Framework
Nicholas Sander

Modern macroeconomic models such as the New Keynesian Framework ignore money aggregates. The theoretical implications of this omission have been heavily investigated; however, little research has been conducted on whether central banks respond to changes in money aggregates in practice. Using data from central banks in New Zealand and Switzerland, we examine whether central banks have used monetary aggregates as a target in the past. We find no significant relationship between the setting of interest rates and money growth for any of the banks studied.

Australasian Money Demand Stability: Application of Structural Break Tests
Saten Kumar
Don J Webber

Estimates of the demand for money provide important foundations for monetary policy setting but if the estimation technique does not explicitly account for structural changes then such estimates will be biased. This paper presents an investigation into the level and stability of money demand (M1) for Australia and New Zealand over the 1960-2009 period and demonstrates that both countries experienced regime shifts; Australia also experienced an intercept shift. Application of four time series methods provide consistent results with 1984 and 1998 break dates. CUSUM and CUSUMSQ stability tests reveal that M1 demand functions were unstable over the 1984 to 1998 period for both countries although tests for stability are not rejected thereafter.

(1.3) METHODOLOGY

Session Chair: Richard Watt
Room: Chambers 1

A Gaussian Test for Unit Roots with an Application to Great Ratios
Gulasekaran Rajaguru
Tilak Abeysinghe

Non-standard distributions are a common feature of many tests for unit-roots and cointegration that are currently available. The main problem with non-standard distributions is that when the true data generating process is unknown, which is the case in general, it is not easy to engage in a specification search because the distribution changes as the specification changes, especially with respect to deterministic components. We use a mixed-frequency regression technique to develop a test for cointegration under the null of stationarity of the deviations from a long-run relationship. What is noteworthy about this MA unit root test, based on a variance-difference, is that, instead of having to deal with non-standard distributions, it takes testing back to the normal distribution and offers a way to increase power without having to increase the sample size substantially.

One for all or all for one? Using Multiple-Listing Information in Event studies
Bob Reed

In an event study where at least some of the sample firms have their equity securities listed in more than one market, the question arises as to which is the most appropriate market (or markets) to use for the purpose of estimating average abnormal returns. When arbitrage activity across these markets is restricted in some way, estimating abnormal returns from just one of the listings potentially throws away valuable information. On the other hand, indiscriminate pooling is likely to result in the same information being counted more than once. We propose a simple solution to this problem that (i) uses all the information available from multiple listings, (ii) 'downweights' listing observations that provide little new information, and (iii) yields consistent and efficient abnormal return estimates. Finally, we apply this generalized approach to a unique sample of Chinese foreign mergers and acquisitions and compare the results with those from other approaches that have appeared in the literature.

(1.4) HOUSING & DEVELOPMENT 1

Session Chair: David Fielding
Room: Chambers 2

Warming up New Zealand: Impacts of the New Zealand Insulation Fund on Household Energy Use
Arthur Grimes (NZEPP)

The New Zealand Insulation Fund ("Warm Up New Zealand / HeatSmart Programme"), that provides

co-funding to retrofit insulation and clean heating to houses built pre-2000, was introduced in July 2009. We test the scheme's impact on energy use of over 10,000 treated houses. Monthly energy use of each treated house is compared to that of multiple control houses before and after the date of treatment, enabling a difference-in-difference specification. We find that insulation treatment significantly reduced energy consumption in colder months but heating treatment may have raised energy consumption in summer months, potentially through use of heat-pumps as air conditioners.

New Institutional Economics in the Perspective of Small Settler Economies
Andre Schlueter (JW)

The NIE continuously produces novel ideas to explain differences in long-term economic growth. Among them are the latest theories from Douglass North and Mancur Olson. This paper intends to fill gaps in in-depth evaluations of both theories and their validity in the case of small settler economies. Next to a literature review, key indicators of political stability and economic prosperity for New Zealand and Uruguay are examined for their proposed intertwined relationship. Further data is assessed to substantiate the findings. Research outcomes suggest that both theories can explain the socio-economic trajectories of the two countries only to a limited extent.

Labour Market Returns to Higher Education in Vietnam
Tinh Doan (JW)

This paper employs the Ordinary Least Squares, Instrumental Variables and Treatment Effect models to a new dataset from the Vietnam Household Living Standards Survey (VHLSS) to estimate return to the four-year university education in 2008. Our estimates reveal that the return to university education is about 17% (annualized) and robust to the various estimators. The return to higher education has significantly increased since the economic reform in late 1980s.

(1.5) ECONOMICS EDUCATION

Session Chair: Hugh McDonald
Room: Chambers 3

The Teaching and Assessment of Output Taxes and Subsides. Who's Got it Right?
Stephen Agnew

The aim of this paper is to describe the approaches used to teach the imposition of a tax or a subsidy by popular secondary school and first year tertiary texts, and compare them with documents circulated by NZCETA (New Zealand Commerce and Economics Teachers Association), as well as NCEA examinations and marking schedules.
The analysis undertaken shows there are a range of approaches to teaching the effects of a tax or subsidy on the market, specifically how producer surplus is calculated.

Lights, Camera, Economics: A Novel Video Project Assessment in Introductory Microeconomics
Michael Cameron
Steven Lim

In a Semester 2011, we have been trialling a new, optional video assessment in our freshman microeconomics paper. In this optional assessment, students are asked to work in groups of up to five to create a YouTube video of between three and four minutes duration, with a theme of "Why should you study economics?". In this paper we discuss our experiences as instructors and our students experiences with the video assessment, and estimate the impacts on student learning outcomes using the augmented difference-in-difference approach and propensity score matching.

To Use Constructed-Response Assessments, or Not To Use Constructed-Response Assessment? That is the Question
Stephen Hickson

This study examines one of the hypothesized benefits of using Constructed Response (CR) questions. Namely, that CR questions test a higher-level of understanding than multiple choice (MC) questions. We argue that if this benefit is to justify the higher costs of CR questions, then one important

result is that grade outcomes from CR questions should be substantially different than those from MC questions. We use a data set composed of thousands of observations on individual students in introductory economics classes at a large public university. We note that the instructors of these classes made conscientious efforts to write CR questions that assessed higher levels of learning (Bloom, 1956). Despite this, we find relatively little difference in grade outcomes. Our analysis suggests that switching from an all-CR assessment to an all-MC assessment would produce grade variations that are similar to the differences that are observed for students across different tests. However, we also note that there are potential issues in moving to an all-MC format relating to student study habits and their perception of fairness of the assessment. While other studies have focused on test scores, frequently AP test scores, our study is the first to focus attention on grades. We hope that our inability to identify substantial benefits to CR questions will stimulate further research to identify substantive benefits from using the more costly CR questions.

(1.6) DEMOGRAPHICS

Session Chair: Stuart Birks
Room: Chambers 4

Funding the Long Goodnight: The Rapidly Growing Market for Long-Term Care of the Frail Elderly
M. Claire Dale
Susan St John

The paper outlines the challenges posed by demographic change to the pension and long-term care systems in New Zealand. In this context, the evolving approaches to provision of long-term care in New Zealand and its funding are described. One under-researched area is the use of the emerging technology to both save costs and provide better care. With means-tested subsidies for profit and not-for profit institutional care, New Zealand is in danger of being locked into an outmoded model of care. A new paradigm is required that emphasises a move away from a 'sickness approach' to funding towards an imaginative one that is both visionary and sustainable.

Funding the Long Goodnight:
More Intragenerational Risk Sharing
Susan St John
M. Claire Dale

In New Zealand, middle-income groups face under-appreciated risks in old age, including outliving capital, and stringent income- and asset-tests for expensive long-term care. Focus has been on changes to the dependency ratio, with little discussion whether those over 65 should bear more of their own costs, or spread those costs among themselves. In the past, occupational pensions have been available for some to assist with long-term aged-care. This paper explores the justifications for state intervention in adapting traditional annuities to provide insurance for aged-care costs. The improved intragenerational cost sharing may lessen concerns about intragenerational conflict.

Disaggregated Migration Flow Analysis for New Zealand: Forecast of Arrivals and Departures by Citizenship and Destination

Ram SriRamaratnam
Xintao Zhao, Dirk Van Seventer

The purpose of this paper is to outline methods and to report results of an attempt to forecast migration flows for New Zealand. Migration flows are decomposed into thirteen components: seven relating to arrivals by citizenship and origins and six components relating to departures by citizenship and destinations. Linear time series regression methods or autoregressive conditional heteroskedasticity models are applied to quarterly data from June 1978 to December 2008. Within-sample mean absolute percentage errors are presented. Full-sample estimates are used to forecast migration flows for each component over the next two years to operationalise this framework for quarterly forecast updates.

LUNCH
12.30 - 1.30pm
Chambers Foyer, Ground Floor

(2.1) HETERODOX WORKSHOP

Session Chair: Mary Hedges
Room: Ballroom C/D

Methodological Pluralism: A Model and Example of Alternative Methods
Mary Hedges

This paper will provide an introduction to some of the issues that need to be considered regarding methodology choice, particularly a pluralist approach. This discussion will introduce a triadic approach situated within a context based on an integration of the models by Hicks and Delorme. This discussion briefly covers the context or state of the world, the available data and the choice between syntax and semantics and whether a choice is really necessary. Finally, time permitting, some examples of alternative methodologies will be mentioned and one methodology experimented with by attendees.

Is It Economics? The Case For A Broad Approach To Economics Research
Stuart Birks

This paper considers the whether conventional approaches to economics research may be overlooking some possibilities. While emphasising certain types of data and analytical techniques, other aspects are downplayed. These alternatives may supplement and add value to existing work. The point is made by considering six perspectives: i) available information and efficiency in research; ii) "econometrics as history"; iii) theory as analogy; iv) questions for policy; v) data availability; and vi) outcome focus.

General Discussion

(2.2) OUTPUT & GROWTH

Session Chair: Norman Gemmell
Room: Ballroom B

Measuring The Contribution Of Financial Intermediation To Gross Domestic Product
Bruce Omundsen

The System of National Accounts (SNA) recommends partitioning interest payable by financial intermediaries on deposits and payable to financial intermediaries on loans into a service and a property income component. The service element is defined as Financial Intermediation Services Indirectly Measured (FISIM) and is allocated to intermediate and final use categories.
Updating the New Zealand national accounts to include estimates of FISIM improves international comparability of a number of statistical outputs. The paper's focus is clarifying the conceptual basis of FISIM measurement. Preliminary unofficial estimates are included to illustrate the impact on institutional sector and whole of economy accounts.

Explaining Some Puzzles in the Estimated Response of New Zealand GDP to Fiscal Shocks
David Fielding
Peter Gardiner, Oscar Parker

In this paper, we explore the reasons why previous time-series analyses of fiscal policy shocks in NZ have produced 'perverse' results, with positive shocks to tax receipts boosting GDP and positive shocks to government spending reducing GDP. We find that the real exchange rate has a crucial role to play in the transmission of fiscal shocks, and this can explain the perverse government spending result. The 'tax puzzle' may reflect a failure to account for a correlation between tax revenue and productivity.

(2.3) Oil & Income Convergence

Session Chair: Arthur Grimes
Room: Chambers 1

To What Extent Are US Regional Incomes Converging?
Mark Holmes
Jesús Otero, Theodore Panagiotidis

Long-run income convergence is investigated in the context of US regional data. We employ a novel pair-wise econometric procedure based on a probabilistic definition of convergence. The idea behind this is that the time-series properties of all the possible regional income pairs are examined by means of unit root and non-cointegration tests where inference is based on the fraction of rejections. We distinguish between the cases of strong convergence, where the implied cointegrating vector is [1,-1], and weak convergence, where long-run homogeneity is relaxed. In order to address cross-sectional dependence, we employ a bootstrap methodology to derive the empirical distribution of the fraction of rejections. Overall, the evidence in favour of convergence at state-level is weak insofar as it is only based on cointegration without homogeneity. We find that the strength of convergence between states decreases with distance and initial income disparity. Using MSA-level data, the evidence for convergence is stronger.

Estimating The Effects Of Permanent Oil Price Shocks Consistent With Optimal Factor Allocation
Emmanuel De Veirman (SNZ) (NZEPP)
Felipe Labbé

This paper estimates the real effects of oil price shocks in New Zealand. We assume that the long-run impulse-responses are consistent with firms' optimal choices about factor allocation. Since international oil prices should be exogenous to the New Zealand economy, we treat the relative price of oil as an exogenous cointegrating variable. We find that a single one-standard deviation increase in oil prices tends to dampen real economic growth by a cumulative 0.20 to 0.30 percentage points. Error-correction occurs through a reduction in oil demand in response to the oil price increase and output reduction.

Spillover Effects Of World Oil Prices On Food Prices: Evidence For Asia and Pacific Countries
Fardous Alom (JW)(NZEPP)
Bert D. Ward, Baiding Hu

This study investigates the mean and volatility spillover effects of World oil prices on food prices for selected Asia and Pacific countries including Australia, New Zealand, South Korea, Singapore, Hong Kong, Taiwan, India and Thailand. The research employs Vector Autoregression (VAR) and GARCH-family models using daily observations for the 2 January1995 to 30 April 2010 period, splitting the data into two subsamples 1995-2001 and 2002-2010. The major empirical findings of the study are as follows. World oil prices positively influence food prices of the selected countries both in mean and in volatility, though the magnitudes of effects differ from country to country for different time periods. The effects are found mostly in the short run but not in the long run. Stronger mean and volatility spillover effects are found for the more recent subsample period suggesting increasing interdependence between World oil and Asia Pacific food markets in recent times. In terms of mean spillover effects net food importer countries' food price show stronger effects to the shocks, whereas in terms of volatility spillover effects no distinction in absorbing the World oil shocks can be made between exporters and importers. The findings suggest that oil prices should be taken into consideration in policy preparation and forecasting purposes for food prices.

(2.4) PRODUCTION & INNOVATION

Session Chair: David Grimmond
Room: Chambers 2

What Drives Innovation In New Zealand? Some Preliminary Results Using The Business Operations Survey
Maggie Hong (SNZ) (JW)

This paper investigates the innovative behaviour of New Zealand firms using the Business Operation Survey (BOS). A detailed review of the international innovation literature is provided as a precursor to identifying a list of potential regression variables. A set of regression models, with four different innovation outcomes, are presented and the results suggest that New Zealand firms appear

to experience smaller positive size and market power effects than found in other countries due, in the main, to the unique characteristics of New Zealand firms. Both investment and favourable business environment appear to play an important role in explaining the drivers of innovation in New Zealand.

Measuring Economic Impact In The New Zealand Science System
Kathleen Palmer (NZEPP)

A comprehensive review of the economic impact of a decade-long billion dollar public investment in industry research will be presented. The review included grounded analysis of narrative accounts and numerical analysis through general equilibrium modelling. The multi-modal approach provided important complementary views of how Crown research institute, university and business-owned research projects have been applied to support industries and international competitiveness of New Zealand firms. A third approach, micro-data analysis, including its benefits and limitations will be discussed. The presentation concludes with a look at the value of the review in generating evidence for economic impact assessment and future policy design.

Revenue Sharing as Compensation For Essential Inputs
Richard Watt

Essential inputs are an important topic of debate for economics. One common essential input is intellectual property, in the form of either patents or copyrights, which the producers of goods and services for final consumption must necessarily purchase from the input supplier. The ensuing monopoly power of the input supplier leads in many cases to controversial outcomes, in which social inefficiencies can occur. In much of the literature on the economics of intellectual property, it is assumed that the right holder is remunerated either by a fixed payment or by a payment that amounts to an additional marginal cost to the user, or both. However, in some significant instances in the real-world, right holders are constrained to use (or may choose to use) a compensation scheme that involves revenue sharing. That is, the right holder takes as remuneration a part of the user's revenue. In essence, the remuneration is set as a tax on the user's revenue. This paper analyses such remuneration mechanisms, establishing and analysing the optimal tax rate, and also the Nash equilibrium tax rate that would emerge from a fair and unconstrained bargaining problem. The second option provides a rate that may be useful for regulatory authorities.

(2.5) SPORT & THE CHARITABLE SECTOR

Session Chair: Seamus Hogan
Room: Chambers 3

Valuing Sport and Recreation in New Zealand
Paul Dalziel (SNZ)

Sport and recreation are highly valued in New Zealand, indicated by the time and financial resources devoted to sport and recreation activities. This paper reports on a study of the value of sport and recreation, commissioned by the Sport and Recreation Council New Zealand (SPARC). It has produced value-added estimates consistent with New Zealand's System of National Accounts to suggest that in 2008/09 the contribution of the sector to gross domestic product was between 2.1 and 2.8 per cent (depending on the sector's definition) and the total value to New Zealanders (including personal benefits from participation) was $12.2 billion.

Playoff Uncertainty, Match Uncertainty and Attendance at Australian National Rugby League Matches
Dorian Owen

This paper develops a new simulation-based measure of playoff uncertainty and investigates its contribution to modelling match attendance compared to other variants of playoff uncertainty in the existing literature. A model of match attendance incorporating match uncertainty, playoff uncertainty, past home-team performance and other relevant control variables is fitted to Australian National Rugby League data for seasons 2004-2008 using fixed-effects estimation. The results suggest that the probability of making the playoffs and home-team success are more important determinants of match attendance than match uncertainty. Conventional measures

of playoff uncertainty, although more ad hoc, also appear able to capture the effects of the playoff probability.

Giving to Africa and Perceptions of Poverty
Stephen Knowles
Alvin Etang, David Fielding

We conduct an experiment in which student participants are invited to give some of the money that they have earned to World Vision. In different treatments, participants are given different information about the country in which the donation will be spent. The information on the country includes income per capita and, in some treatments, different possible reasons as to why the country is poor. We find that experimental behaviour depends largely on the characteristics of the participant rather than the treatment. The most important characteristics are the participant's intended major subject, level of happiness and the frequency of religious activity.

(2.6) ELASTICITIES & FACTOR SUBSTITUTION

Session Chair: Kris Iyer
Room: Chambers 4

Review Of Export Elasticities:
Stock Take And Next Steps
James Allen
John Ballingall

Computable General Equilibrium (CGE) models are increasingly being used to analyse the economic effects of policy decisions in New Zealand. CGE models have been criticised for the sensitivity of their results to changes in the model's behavioural parameters. Export elasticities are an example of one of these parameters. In New Zealand there has been some recent discussion about the sensitivity of research outcomes to the CGE model's export elasticity parameters.
This paper discusses the origins of elasticities used in NZIER's Monash-NZ model, and reviews studies that have estimated export elasticities in New Zealand and abroad. Based on this review, recommendations on how to review or update New Zealand's estimates are made.

One for All? The Capital-Labour Substitution Elasticity In New Zealand
Adam Tipper

This paper tests the assumption of a Cobb-Douglas production function at the measured sector, sector, and industry level by estimating the elasticity of capital-labour substitution. Econometric estimates, using Statistics New Zealand's industry-level productivity data, suggest that the Cobb-Douglas function is valid in the long-run for the measured sector, but in the short run the capital-to-labour ratio adjusts slowly to changing prices. This paper concludes that the Cobb-Douglas approach to estimating productivity is appropriate for some industries in New Zealand, but in the short run the Leontief production function is more applicable. These results imply a downward bias exists in multifactor productivity estimates and that it reflects more than technological change.

CGE Analysis And The Welfare Impact Of Factor Substitution
James Zuccollo

Computable general equilibrium modelling is increasingly being used for policy analysis to determine the national impact of projects; however, the outcome of the modelling depends crucially upon the parameters of the model and many of those are based on overseas, or outdated, information. In this paper we compare new estimates of the elasticity of primary factor substitution from Tipper (2011) with previous, overseas estimates by simulating an increase in immigration, following Nana (2009). We demonstrate that varying the elasticity produces significant changes in both the overall welfare effect, and the distributional effects, of the policy.

POSTER SESSION & AFTERNOON TEA
3.00 - 4.00pm
Foyer outside Chambers 1-4

KEYNOTE 2: Bill Schworm
4.00 - 5.30pm
Session Chair: Seamus Hogan
Room: Ballroom C/D

Measuring Productivity and Efficiency without Prices

Traditional methods of measuring productivity change depend on the availability of price and quantity data for production decisions made in competitive environments with no technical or allocative inefficiency. In this talk, I will survey methods of measuring inefficiency and productivity change in economic environments with limited or no price data, strategic decisions by producers, and the possibility of both technical and allocative inefficiency in production. I present some recent results developed with my co-author R. Robert Russell on evaluating efficiency measures based on a consistent set of axioms describing desirable properties of such measures. I will present an efficiency or productivity measure that is novel but has a long and venerable lineage. The measure exploits shadow prices to achieve some of the benefits that prices provide in standard measures. By using the shadow prices with production data, procedures similar to Varian's non-parametric methods can be used to generate efficiency and productivity change measures. The measures satisfy a maximal set (in a sense I will explain) of the desirable properties we have proposed.

Welcome Reception
5.30-6.30 pm
Ballroom Foyer, Amora Hotel

Canterbury Reception
7 pm (after the Welcome Reception)
Amora 1, Amora Hotel

KEYNOTE 3: Ananish Chaudhuri
8.30 - 10.00am
Session Chair: Mark Holmes
Room: Ballroom C/D

Governing the commons: swords or covenants?

I provide an overview of recent developments in the experimental literature that looks at the issue of sustaining cooperation in social dilemmas. These are situations involving tension between cooperation (which is in the best interests of the group as a whole) and self-interest (which makes the individual better off at the expense of other group members). A variety of economic problems that require collective action ranging from the exploitation of common pool resources to the private provision of public goods can be thought of as social dilemmas. A major research strand in this literature revolves around the idea of "strong reciprocity", which is different from socio-biological theories of cooperation such as kin-selection, reciprocal altruism or costly signalling. Strong reciprocators are conditional co-operators, (who are willing to cooperate as long as they believe that others will do so as well) and altruistic punishers (who apply sanctions to free-riders even when such punishments are personally costly and confer no long-run benefits). Indeed, it has been argued that such "altruistic" punishments have played a major role in fostering cooperation in our evolutionary history. I show that while the availability of punishments does increase cooperation, the efficiency implications of such punishments in terms of the earnings accruing to participants are ambiguous. I go on to discuss that while punishments may be sufficient to sustain cooperation they may not be necessary since other more benign mechanisms such as communication or advice giving that foster suitably optimistic beliefs among conditional co-operators can also have similar cooperation enhancing effects as punishments.

MORNING TEA
10.00 - 10.30am
Chambers Foyer, Ground Floor

CONTRIBUTED PAPERS
Concurrent Session 3
10.30am -12.00pm

(3.1) LABOUR 1

Session Chair: Peter Conway
Room: Ballroom C/D

Exploring The Probabilistic Link Between The Household Labour Force Survey And The Linked Employer-Employee Dataset
A McLeish Martin

Statistics New Zealand's quarterly Household Labour Force Survey (HLFS) is used to produce official estimates of the numbers of employed and unemployed people, those not in the labour force, and the official unemployment rate for New Zealand. A recent Statistics NZ project created a probabilistic link between this survey data and administrative data in the Linked Employer-Employee Data (LEED) dataset. The link covers respondents in the HLFS from the December 2006 quarter to the June 2010 quarter, and those same individuals' LEED records from April 1999 to December 2009. This linked data has allowed the creation of research datasets comparing, at a unit record level, a respondent's labour force status in the HLFS with their employment and benefit status in LEED. This paper explains how the data was linked, explores the results of these comparisons, and discusses the possible use of administrative data in the HLFS if a live link between the two datasets were to be created.

Small Area Estimation Of Unemployment: From Feasibility To Implementation
Soon Song (SNZ)

The Household Labour Force Survey (HLFS) is the main source of regional information on the labour market at the regional council level. However, Statistics New Zealand does not publish employment measures for territorial authorities (TAs) from the HLFS due to the small sample sizes at this level. In 2009, we investigated the feasibility of using small area estimation techniques to produce TA level employment measures, using a model

developed from a research programme funded by Eurostat. We have further developed the model to produce an experimental series for TA level model-based quarterly unemployment rates using the HLFS sample. This paper presents some initial results from this work.

A Fresh Insight Into New Zealand's Labour Market: Unit Labour Costs

Lizette Van Heerden and Paul Sutherland

Eldon Paki

In June 2011, Statistics New Zealand will release the first set of official unit labour cost statistics. Unit labour costs represent a direct link between productivity and the costs of labour used in production. This paper investigates the neo-classical model that says real wages should equate to the marginal product of labour, and therefore wages should, in the long run, rise at the same rate as labour productivity. The outcome of the analysis will confirm whether New Zealand's unit labour cost has grown faster or slower than gains in labour productivity.

(3.2) LAND & NATURAL RESOURCES 1

Session Chair: Suzie Kerr
Room: Ballroom B

Preferences For Coastal Erosion Management Options: A Latent Class Analysis Of Visitors To Buffalo Beach

Yvonne Phillips

Buffalo beach, Whitianga, provides a range of ecosystem services to residents and visitors. In recent decades beach erosion and flooding has been an issue. Public and private property owners constructed rock seawalls, negatively affecting visual amenity, biodiversity and recreational values. We conducted a choice experiment survey of people on the beach, to help inform the development of a coastal management strategy. Most users have negative Willingness-To-Pay for seawalls and positive WTP for high tide width, reserves, and access. A latent class analysis revealed there are distinct sub-groups with different preferences for protection structures, development, and natural character.

Empirical Discrete Choice Models Of Land Use And Land Use Change In Rural New Zealand

Levente Timar

Land use decisions are critical for a broad spectrum of environmental and social outcomes. I use a large dataset on the observed land use decisions of New Zealand landowners to estimate a cross-sectional multinomial logit model of land use. In this model, the profit-maximizing choice of land use depends on geophysical attributes of the land, the cost of access to markets and on land tenure (Māori communal title versus freehold). I employ the estimated relationship in a counterfactual scenario to assess the overall impact of Māori governance on the willingness of landowners to supply of land for four major uses: dairying, sheep or beef farming, plantation forestry and an economically unproductive use, scrub.

The Value Of 'Free': Estimating The Contribution Of Free Water Inputs To Agriculture Industry Productivity

Jodi York

The productivity model used by national statistical organisations assumes that the marginal product of an input to production is equal to its marginal cost. This means that any free inputs, such as natural resources, are implicitly assumed to add nothing of measurable value to the production process. This paper uses the case of water that is currently free to farmers and to examine the potential impact of these free natural resources on industry productivity and consider methods for estimating their contribution. Analysis uses volumes derived from Ministry for Environment water allocation data for irrigation and stock 1999, 2006, and 2010.

(3.3) CPI

Session Chair: Gary Hawke
Room: Chambers 1

An Analysis of Provincial Prices in New Zealand: 1885-1913
Ekaterina Sadetskaya (SNZ) (JW)

The paper presents new data on the consumer price index for each of the four main provincial districts: Auckland, Canterbury, Otago and Wellington for the period 1885-1913. Analysis of the movements of the overall sub-indices by main region reflect a shift in the industrial and pastoral production Northwards (from South to North), with most regional prices converging from 1900. The existence of convergence/common trends and common cycles for the price indices across the four provinces were analyzed using a range of relevant time-series methods (e.g. Engle-Granger (1987); Johansen (1988) and Vahid and Engle (1993)).

Estimating Price Movements From Scanner data
Frances Krsinich

In the New Zealand Consumers Price Index, price movements for the supermarket products are currently estimated from prices collected in store, for a sample of products priced once a month. The value and quantities of all products sold are available from the scanner data collected by supermarkets through checkouts and this can also be used to estimate price movements. However, the features of scanner data mean that traditional index number formulae are inadequate, and new methods are required. We present the results of applying these new methods to Australian and US supermarket scanner data and New Zealand consumer electronics data.

Early Influences On The Development Of A Consumer's Price Index In New Zealand
James Keating

Retail price collection in New Zealand has a long history. Early indices were prescriptive, with price changes measured in items proscribed as staples. The development of a price index to meet the evolving demands of the government, domestic labour and international organisations was an imperfect process and these conflicts gradually changed its nature and purpose. This paper documents the history of retail price collection in New Zealand, from compilation of basic commodity prices in the 1840s through to the beginnings of the Consumers' Price Index as we now know it, a positivist index based on actual household consumption (expenditure) patterns.

(3.4) FISCAL ISSUES

Session Chair: Paul Dalziel
Room: Chambers 2

Broadening Our Understanding Of Living Standards: International Developments in Defining and Measuring Wellbeing and Treasury's New Policy Framework
Ben Gleisner (NZEPP) and Mary Llewellyn-Fowler
Fiona McAlister, Rachel Pettigrew

This paper discusses some international developments in defining and measuring wellbeing, before describing Treasury's Living Standards Framework. The Living Standards Framework clarifies how Treasury understands its vision of "higher living standards for New Zealanders". Taking a capital stocks and flows approach, the Framework defines living standards broadly, recognising that both material and non-material factors matter, some of which are not captured by traditional economic measures alone.

The Fiscal Incidence Of Government Expenditure In New Zealand In 1987/88, 1997/98 And 2006/07
Matthew Gibbons (SNZ)
Omar Aziz, Gerald Minnee

This paper examines how the net distributive impact of government expenditure and taxation on households has changed between 1987/8 and 2006/7. We analyse the static effect of the government on households by comparing the distribution of "final incomes" (market income minus tax plus transfers and in-kind services) with the distribution of market and disposable income. As well as including cash benefits and income tax, this study includes government expenditure on housing, education and health services and revenue from indirect taxes. This paper extends Treasury's fiscal incidence study of 1987/88 and

1997/98 (Crawford and Johnston, 2004) using 2006/07 HES and administrative data, as the next step in a planned continuing series.

Basic Income Flat Tax and Public Property Rights
Keith Rankin (NZEPP)

Taxation is a right of governments to shares of the incomes of the countries they govern. To some it is akin to a right of conquest; such "legalised theft" can be called the warlord view of taxation. To others, taxation may represent a property right of "the crown" where the sovereign power, akin to a landlord, possesses a public property right. In this alternative view, in a democracy taxation represents distributable income. The basic income flat tax approach, in the landlord tradition, applies equity principles to shed light on the tax-benefit interface. This framework allows us to visualise a future of both decreased inequality and smaller government.

(3.5) FDI/POLICY

Session Chair: Ozer Karagedikli
Room: Chambers 2

The Ultimate Sources Of Foreign Direct Investment
Mallika Kelkar

Foreign direct investment has a large impact on small open economies like New Zealand. Complex chains of investment and ownership, crossing many international boundaries, can conceal the ultimate sources of foreign direct investment, which may be different from the immediate sources of funds. Identifying these investment flows could change our understanding of which countries have the biggest impact on the New Zealand economy. The results of this study focus on comparing the level of immediate investment from a country or country grouping, to the level of ultimate investment from a country or country grouping.

The Framing And Econometrics Of Child Support
Stuart Birks

The approach taken to child support in New Zealand has shaped perceptions and outcomes. Despite ongoing dissatisfaction, substantial changes to the legislation have yet to be made. The current Government is considering changes which address some of the major issues: costs of children; incomes of parties; and shared care. IRD analysis replicates an Australian approach to derive a proposed alternative formula. This paper focuses on the importance of framing for shaping perceptions and outcomes, and the way econometrics is playing a part in this process. The analysis may have a wider relevance for the use of economics research.

(3.6) TAXES & SAVING

Session Chair: Andrew Coleman
Room: Chambers 4

The Elasticity Of Taxable Income And The Tax Revenue Elasticity
John Creedy (NZEPP)
Norman Gemmell

This paper examines the elasticity of tax revenue with respect to a marginal rate change, at both the individual and aggregate level. The roles of the elasticity of taxable income (the effect on taxable income of a tax rise) and the revenue elasticity (the effect on revenue of a change in taxable income) are highlighted. The revenue elasticity is the central concept in examining fiscal drag, but it has an additional role in the context of the revenue effects of tax changes when incomes respond to rate changes. Illustrations are provided using changes to the New Zealand income tax structure in the 2010 Budget. This reduced all marginal tax rates while leaving income thresholds unchanged.

Kiwisaver: An Initial Evaluation
David Law (NZEPP)
Lisa Meehan, Grant Scobie

Kiwisaver is a voluntary savings scheme aimed at increasing the retirement wealth of a target population. This paper asks: to what extent do individuals participate in the scheme; and, having chosen to participate, to what extent have their attitudes and practices toward savings been modified? It is based on the results of a national survey conducted in 2010. Key findings are that health status and New Zealand Superannuation are critical factors in shaping attitudes and behaviour toward retirement planning and saving; that only about one third of the contributions represents additional savings; and in the long run the effect on net national saving would appear to be marginal at best.

Did Monetary Policy Reduce The New Zealand Savings Rate?
David Preston (NZEPP)

New Zealand had a similar economic experience to a number of other developed countries in the first decade of the 21st century. These included a long period of rising spending, high growth in borrowing, a rising deficit in the current account of the balance of payments, and a rapid rise in property prices. The spending boom eventually culminated in a financial crisis and recession. In the New Zealand case the boom which began around 2002-03 had come to an end by early 2008, somewhat prior to the peaking of the international financial crisis in late 2008. Discussion on the New Zealand developments has often focused on two linked themes, apparently low domestic saving and massive overseas borrowing. This paper analyses the available statistics, and also looks at the issue of whether monetary policy during the boom period contributed to an inadequate level of domestic saving.

LUNCH
12.00 noon - 1.00pm
Chambers Foyer, Ground Floor

NZAE Annual General Meeting
1.00 - 2.00pm
Ballroom C/D

CONTRIBUTED PAPERS
Concurrent Session 4
2.00 - 3.30pm

(4.1) EXPERIMENTAL

Session Chair: Ananish Chaudhuri
Room: Ballroom C/D

Do Legal Standards Affect Ethical Concerns of Consumer? The Case of a Minimum Wage
Dirk Engelmann

In the last decades, firm policy with regard to worker protection, climate change, or other ethical and environmental issues has received a lot of attention from the public. Firms can profit from fair behavior towards their workers or from environment-friendly production technologies if a sufficient number of consumers is willing to pay a higher price for its products than for products of other firms. Acting according to the consumers' views of proper conduct allows a firm to gain a reputation for being ethical. Thus, it is possible that fair behavior survives in a market environment. However, this depends crucially on the preferences of consumers.

Does Competition Resolve the Free-Rider Problem in the Voluntary Provision of Impure Public Goods? Experimental Evidence
Maros Servatka
Tibor Neugebauer

In this paper we assume that a public project creates different payoffs to different contributors. Within this environment we study two institutions: Rank Order Voluntary Contribution Mechanism (Rank-Order-VCM) and Random Order Voluntary Contribution Mechanism (Random-Order-VCM). In Rank-Order-VCM individuals compete with their observable contributions towards a public project for a larger share of the payoff that the project generates. Rank-Order-VCM ensures that people who contributed more (and thus earned a larger share of the payoff) are less likely to feel taken advantage of as it has often been reported by subjects in a voluntary contribution mechanism experiments. To test whether Rank-Order-VCM overcomes the free-rider problem we design a laboratory experiment studying the impact of competition on voluntary contributions and compare it to Random-Order-VCM -- an institution

that allocates the shares from the public project randomly.

An Experimental Study of Bubble Formation in Asset Markets Using the Tatonnement Trading Institution
Steven Tucker

We report the results of an experiment designed to study the role of institutional structure in the formation of bubbles and crashes in laboratory asset markets. In a setting employing double auctions and call markets as trading institutions, bubbles and crashes are a quite robust phenomenon. The only factor appearing to reduce bubbles is experience across markets. In this study, we employ the tâtonnement trading institution, whose role in the formation of bubbles has not been previously explored in laboratory asset markets, despite its historical and contemporary relevance. The results show that bubbles are significantly reduced, suggesting that the trading institution plays a crucial role in the formation of bubbles.

(4.2) LAND & NATURAL RESOURCES 2

Session Chair: Carolyn Saunders
Room: Ballroom B

Nutrient Management in Lake Rotorua: Using the NManager Model
Simon Anastasiadis (NZEPP)
Marie-Laure Nauleau, Tim Cox, Suzi Kerr, Kit Rutherford

This paper examines six approaches to water quality management and simulates the economic costs and environmental impacts associated with them using NManager, a partial equilibrium simulation model developed by Motu and NIWA. We focus on Lake Rotorua in the Bay of Plenty in New Zealand where managing water quality is made difficult by the presence of groundwater lags: nutrients that leach from the soil arrive at the lake over multiple years. The management approaches we consider are land retirement, requiring best practice, explicit nitrogen limits on landowners, a simple nutrient trading scheme and two more complex trading schemes.

Does Tenure Review in New Zealand's South Island Give Rise to Rents?
Philip Meguire
Ann Brower and Alba DeParte

Under "tenure review," a New Zealand pastoral lessee surrenders part of his leasehold to conservation and acquires a freehold interest in the remainder. 28 new freeholders paid the Crown $6.9 million for freehold rights to 101,752ha, then sold 46% of that land for $135.7 million. We model tenure review as a sequential real option – first to acquire freehold, then to subdivide and sell all or part of their new freeholds. We find little evidence that the Crown accounted for these option values when negotiating tenure review, and conclude that the capital gains enjoyed by former lessees are rents.

Modelling Economic Impacts of Nutrient Reduction Policies in Hurunui and Waiau Catchments
Oshadi Samarasinghe
Adam Daigneault, Robyn Sinclair, Suzie Greenhalgh

This paper uses a comparative-static, regional, mathematical programming model of regional New Zealand land use to analyse the economic and environmental impacts of imposing nutrient reduction caps on landowners in the Hurunui/Waiau catchment in Canterbury. The model is formulated such that nitrogen and phosphorous caps can be placed on, and then traded across, the entire catchment, individual zones within the catchment, or specific enterprises within the catchment. We also assess issues when using data from two different biophysical models, OVERSEER and SPASMO, to estimate changes in nutrient loads, and recommend how to deal with the differences in these data.

(4.3) MACROECONOMICS

Session Chair: Mark Holmes
Room: Chambers 1

The Response of Consumption to Transitory Wealth Changes
Emmanuel De Veirman (SNZ)

We analyse the relation between non-trend fluctuations in household net worth and consumption. Empirically, we find that a transitory wealth increase anticipates a substantial transitory increase in consumption. We can largely explain the hump-shaped consumption response theoretically by allowing for time-varying returns in an otherwise standard Permanent Income Hypothesis (PIH) model. When households expect the wealth increase to be transitory, they bring consumption forward in anticipation of negative returns on saving. The PIH model fully explains the consumption response when we also allow for incorrect expectations, in the sense that households incorrectly believe that the wealth increase will be permanent.

Recessions and Recoveries in New Zealand's Post-World War II Business Cycles
Viv Hall (NZEPP)

We compute classical real GDP business cycles and growth cycles, and contrast classical recessions with 'technical' recessions. Calling a technical recession after two successive quarters of negative growth can provide conditionally useful information, but can also send false signals. Expansion and contraction phases of classical real GDP and employment cycles have, on average, had an 86% association, but individual cycle circumstances should additionally be assessed. There is prima facie evidence that the severity of New Zealand's recessions has mattered for a subsequent recovery path, and New Zealand's average pattern of recovery has differed from that for U.S. NBER cycles.

Using Macroeconomics Forecasts to Produce Detailed Forecasts of Industry GDP and Employment
David Grimmond (SNZ)

A mix of principal component and regression techniques is used to link key macroeconomic indicators (eg inflation, interest rates, unemployment, the exchange rate, business profitability etc) to prospects for individual industries. The approach produces forecasts for individual industries that account for the recent performance of the industry, the impact of key macroeconomic influences on performance in that industry, and is also constrained to ensure that the sum of production in all industries equals forecasts of overall economic activity. Forecasts of employment in individual industries are derived from the industry output forecasts and industry specific forecasts of labour productivity.

(4.4) BANKING & FINANCE

Session Chair: Alfred Guender
Room: Chambers 2

An Empirical Assessment of Australasian Bank Interest Rate Risk
Rebecca Craigie

Financial intermediaries are potentially exposed to interest rate risk because of their role in transforming short-term liabilities (for example, retail deposits) into long-term assets (for example, mortgages). Such re-pricing mismatch implies that sharp increases in interest rates will feed into bank costs faster than revenues, causing a temporary decline in profitability. However, New Zealand banks are widely believed to be subject to little interest rate risk given that most re-pricing mismatch is hedged through interest rate swaps. This paper uses data on New Zealand's largest subsidiary banks and their Australian parents to test the accuracy of this belief.

DFC NZ - A Cautionary Tale of One Company's Financial Failure
Christie Smith

We provide a case study of the failure and statutory management of DFC NZ Ltd, formerly the government-owned Development Finance Corporation. The failure of DFC NZ reflected pressures both on the liability and asset sides of its balance sheet, with the latter proving particularly problematic. DFC NZ was heavily exposed to central business district property development and the agricultural sector, both sectors contracted markedly in the wake of the 1987 share market crash. While DFC NZ was in (quasi) private sector control, many of its investment problems resulted from its heritage as a development finance institution.

Payment Instrumental Demand - How Would You Like to Pay?
Michael Wilkinson (JW)

Consumers and merchants will prefer payment instruments that reduce the costs of their transactions. This paper analyses incentives lying behind the demand for payment instruments, including the causes of these costs. Consumers and merchants will use the instrument that generally reduces demand-side – i.e. consumer and merchant – transaction costs, compared to other available instruments. Yet intriguing differences occur in the usage of certain instruments between Australia, Canada, New Zealand, Norway, the United Kingdom and the United States. The analysis in this paper suggests that it is instruments' attractiveness to merchants that is a dominant determinant of these differences.

(4.5) IMMIGRATION

Session Chair: Dorian Owen
Room: Chambers 3

Immigration Integration and Workplace Discrimination in New Zealand
Bridget Daldy (SNZ)
Jacques Poot, Matthew Roskruge, Marietjie Van Dyke

We use micro data from the Confidentialised Unit Record File of the 2008 General Social Survey to examine the relationship between the number of years a migrant has spend in New Zealand and self reported discrimination experienced in the workplace. This is done separately by gender and with a range of interaction effects. We find that migrants are significantly more likely than New Zealand-born workers to report experiencing discrimination in the workplace; however the likelihood decreases and reaches parity with New Zealand born after approximately 20 years. The highest likelihood is found amongst migrants from Asian and Pacific regions.

Immigrant Integration and Social Capital Formation
Matthew Roskruge
Arthur Grimes, Philip McCann, Jacques Poot

This paper uses micro data from the 2006 Adult Literacy and Life skills survey to examine the impact of migrant integration on social capital formation. Both social participation and volunteerism are used to approximate individual social capital investment. Our findings suggest that migrants have significantly lower rates of participation and volunteerism over the first few years of their move to the host country. This rate converges to that of native born after a period of time, and then diverges again when migrants approach their retirement years, suggesting that a life-cycle approach is needed to understand their investments in social capital.

Does the SMC Points System Predict the Labour Market Outcomes of Skilled Migrants?.
Juliette Grangier (NZEPP)
Rob Hodgson

The Skilled Migrant Category (SMC) is a points-based policy allowing people to gain permanent residence in New Zealand according to employment and capacity-building factors. The aim of this research is to assess how well the points that are allocated act as a predictor of labour market outcomes for successful applicants three years after being granted residence and to draw implications in terms of public policy. Using data from the Longitudinal Immigration Survey: New Zealand (LisNZ), multivariate models are developed to critically analyse the points that are currently allocated and test the role of additional observed characteristics.

(4.6) COSTS TO SOCIETY

Session Chair: Chris Schilling
Room: Chambers 4

The Cost of Cost Studies
Eric Crampton (NZEPP)
Matt Burgess

We review methods and assess the policy influence of a series of publicly-funded Cost of Illness studies, mostly published since 1990. Our analysis shows that headline cost estimates, including the influential paper by Collins and Lapsley (2008), depends on an incorrect procedure for incorporating real world imperfections in consumer information and rationality, producing a substantial over-estimate of costs. Other errors further inflate these estimates, resulting in headline costs that are unrelated to either total economic welfare or GDP and therefore of no policy relevance. While their headline figures have no economic merit, they appear effective in mobilizing public opinion towards increased regulation and taxation.

Cost of Illness Studies.
Why Do The Results Vary So Much?
Des O'Dea

Cost of Illness Studies involve calculating the 'costs' of a specific disease, typically under three headings:

- "Direct" costs – treatment , rehabilitation, prevention.
- "Intangible costs" – deaths, years of life lost to premature mortality, and lost quality of life.
- "Indirect costs" – the 'lost production' from illness or disability.

The problem is that sometimes estimates by different researchers differ widely – in the case of recent estimates for All Injuries by several magnitudes. We tabulate and discuss in this paper the differences in estimation methods which account for these differences; and recommend possible improvements.

The Value of a 'Preventable Fatality'.
New Zealand and Elsewhere.
John Wren

It is two decades since the 'Value of a Statistical Life' (VoSL) was first calculated for New Zealand, by researchers in the transport sector (Dr Jagadish Guria and others). Namely the amount New Zealanders were willing to spend on average to prevent one road fatality. The value at the time was NZ$2 million, or in 2008 dollars (wage-adjusted) NZ$3.35 million. The VoSL has been widely used since in road transport investment decisions, and also in other sectors – although subsequent research has indicated that the VoSL in other sectors can differ significantly from the 'transport VoSL'. The number has also been used to derive a 'Value of a Statistical Life-Year' (VoSLY), used frequently in health sector evaluations. Again, more recent research has indicated that such calculations may have been too simplistic, and that the VoSLY rather than being constant with age in fact varies with age in a rather complex fashion.

(4.7) MARKET BEHAVIOUR

Session Chair: Jodi York
Room: Board Room 2

Food Safety in the Poultry Industry: An Estimate of the Health Benefits
Gail Duncan (JW)

A compliance programme applied to poultry primary processing since 2007 has reduced the burden of disease. By addressing the primary source of this foodborne disease campylobacteriosis notifications dropped by 58% since 2007, and public health costs dropped proportionately. Mutually linked externalities generated great advantage for public health at some expense to the private industry profit margin. A cost benefit analysis of health benefits against industry costs following the application of the Campylobacter compliance programme was undertaken. A clear positive linkage between the industry and regulatory cost of compliance and the internal social benefit to the New Zealand economy is demonstrated.

Trading Efficiency in Water Quality Trading Markets: An Assessment of Trade-Offs.
Hugh McDonald (NZEPP)

A crucial factor in the success of any water quality trading market is its ability to cost-effectively reallocate nutrient allowances from initial holders to those users who find them most valuable; its trading efficiency. This paper theoretically investigates the extent to which regulators should pursue this 'trading efficiency', and discusses policies which will enable its achievement. We find that minimising transaction costs faced by participants at the time of trade has significant benefits for the operation of trading markets, but that its attainment can be costly, and requires the consideration of many trade-offs, including increased set-up costs and environmental uncertainty.

Price Discounting in New Zealand
Andrew Coleman (SNZ)

This paper analyses the extent that firms offer temporary retail discounts in New Zealand using a new, comprehensive dataset compiled by Statistics New Zealand for the period 2004 - 2009. It documents the extent discounting varied over time and by sector and shows that while discounting was a regular occurrence for 30 percent of the items by weight in the CPI, it occurred rarely for 50 percent of the items. While discounting was more frequent in the contractionary rather than the expansionary part of the cycle, and while changes in the frequency of discounting were very persistent, at most fewer than ten percent of the prices in the CPI were discounted. Since quarterly changes in the level of discounting were typically responsible for only a 0.1 percent change in the CPI, discounting appears to be of only modest importance in explaining macro–level changes in the price level.

AFTERNOON TEA
3.30 - 4.00pm
Chambers Foyer, Ground Floor

CONTRIBUTED PAPERS
Concurrent Session 5
4.00 - 5.30pm

(5.1) HEALTH 1

Session Chair: Des O'Dea
Room: Ballroom C/D

Accounting for Quality in the Measurement of New Zealand Hospital Output
Nick Bowden (JW)
Jaikishan Desai

Measuring quality in the health sector and adjusting productivity indices for changes in the quality of services has been widely recommended, but empirical research on this issue is limited. In this paper we construct three hospital quality indices based on a set of 20 patient safety indicators and apply these to New Zealand hospital admissions data from 2001 to 2009. One index is based on equal weights for the indicators, another uses weights based on principal components analysis of covariation, and a third uses weights based on the "expert opinion" of clinicians.

The Economic Impact of a Health Shock on Poor Households in Eastern India
Jaikishan Desai (SNZ)
Rhonda Sarnoff

Health shocks are widely acknowledged to be critical determinants of poverty, but there are few empirical estimates in the literature. In this paper we use panel data to examine the economic impact of an infectious disease on poor households in eastern India. The immediate health shock of the disease, in terms of unexpected treatment expenditures and lost income, is measured directly with specific survey questions. Impact on well-being is estimated econometrically by comparing changes in living standards between three post-disease survey points in disease-affected households, with changes in comparable households that were not affected by the disease.

A Panel Data Comparison of Two Commonly-Used Health-Related Quality of Life Instruments
Zachery Gerring (SNZ)
Jaikishan Desai

Economic evaluations of health interventions require measuring their impact and this is usually undertaken with health-related quality of life measurement instruments like the EQ-5D and SF-36. In this paper we examine the concordance between SF-36 and EQ-5D using panel data on a set of 1176 New Zealand patients referred for elective surgery between 2003 and 2006. We analyse the relationship between the two measures amongst patients who did not have surgery during the 18-month study period, and separately analyse the sensitivity of the two measures in measuring the impact of elective surgery (amongst those who had surgery).

(5.2) CLIMATE & EMISSIONS

Session Chair: Ross Cullen
Room: Ballroom B

Modelling New Zealand Agricultural Climate Policy
Adam Daigneault (NZEPP)
Dr Suzie Greenhalgh, Robyn Sinclair, Oshadhi Samarasinghe

This paper uses an economic catchment model to assess changes in land use, enterprise activities, farm management and greenhouse gas emissions from a series of policies that introduce carbon prices on land-based production in the Hurunui and Waiau catchments, Canterbury. We also assess the benefit of an emissions reduction policy on nutrient loading levels in the catchment. Estimates show that imposing a carbon price on agricultural enterprises can reduce both GHG emissions and nutrient loadings, but landowner response to different prices is generally non-linear, and the policy could result in significant changes in farm income and land use.

The Economics of International Policy to Reduce Emissions from Deforestation and Degradation
Suzie Kerr
Charlotte Streck, Arthur Van Benthem

We synthesise the economics relating to international level efforts to reduce deforestation and degradation in developing countries as part of the global climate change mitigation effort. Previous efforts have been mostly unsuccessful. The presentation focuses on the design of results-based contracts with countries that have institutions strong enough to effectively control deforestation if they choose to. The recent agreement between Norway and Brazil is an early example of such a contract. 'Strong' countries are capable of responding to the price signals in such agreements so the gains can be large enough to outweigh the high risks. The paper discusses the motivations for addressing deforestation with some urgency, and covers issues of compliance, permanence, scope/scale, risk-bearing and distribution and how they affect the design of contracts.

Business Responses to the Introduction of the New Zealand Emissions Trading Scheme: 2010 Basline
Elisabeth Numan-Parsons (NZEPP)

This paper reports the intended responses of business to the Emissions Trading Scheme (ETS). It is part one of a two part study on the effect of economic instruments on business decision making and strategy. This first part involved the collection of survey data at the time of the introduction of emissions pricing for stationary energy, liquid transport fuels and industrial processes, 2010. This data is analysed statistically and econometrically to draw tentative conclusions about the degree to which the intended and observed responses align with expectations, particularly: the degree to which emissions pricing is being passed through to end consumers or resulting in actions to abate emissions; the degree to which a domestic market of "clean tech" is developing; and the relative importance of emissions pricing versus other drivers such as shareholder and customer expectations. Part two of this research project will be carried out during the course of 2011 to explore the effect of the emissions price one year on.

(5.3) LABOUR 2

Session Chair: David Mare
Room: Chambers 1

Recent Changes in Labour Market Outcomes For Youth
Vij Kooyela

Youth (15-24) unemployment has been a major concern in New Zealand since the 2008-09 recession. Youth unemployment increased rapidly from 12.6% in December 2008 to 19.0% in December 2009. However, since December 2009, this trend has started declining. The youth unemployment rate stood at 17.8% in March 2011. Youth employment, on the other hand, declined sharply between December 2008 and December 2009 but has levelled off at 48.3% since then.
In particular, of great concern to Government officials and policy makers is the number of young people who are not in employment, education or training (NEET). A total of 63,000 youth were NEET as at March 2011, an increase of 8,300 from March 2009. The proportion of young people who are NEET also increased during this period from 8.9% to 9.9%. A breakdown by age group shows that the NEET rates for 20-24 and 18-19 year olds were still very high in March 2011 while the 16-17 NEET rate returned to its pre-recession level (8.2% in March 2011). It appears that more 16-17 year olds are choosing to stay at school as labour conditions remain tough.
The overall aim of this paper is twofold: first to develop an information platform which will inform readers about how labour market outcomes for youth are tracking especially after the 2008-09 recession. Secondly, the paper aims to highlight some key considerations for policy makers to pick up from here.

No Country For Old Men: A Note On The Trans-Tasman Income Divide.
Hugh McDonald

Although much work has been done analysing the possible causes of the New Zealand-Australian income gap, to date there has been little analysis of the extent to which this gap differs by gender and age. Using New Zealand and Australian employment and census data we examine these differences and find that (1) over the last 25 years the incomes of New Zealand women have declined less rapidly than those of New Zealand men, relative to Australian incomes; (2) this poor relative performance of New Zealand males was felt most by those in middle age; and (3) the stronger relative income growth of New Zealand females appears to be largely driven by increased public sector wage growth, and as such, its long term sustainability is questionable.

The Short Run Effects of Age Based Youth Minimum Wages in Australia: A Regression Discontinuity Approach
Alex Olssen

This paper uses age based youth award rates (minimum wages) in Australia to identify the short-term effect of minimum wages on both actual wages and youth employment. Youth minimum wages are typically based on adult minimum wages, starting at 50 per cent for 16 year olds and increasing by 10 per cent per year until the full rate at 21 years of age. I find some evidence to suggest a 10 per cent increase in youth minimum wages results in an increase in actual wages of around 6 per cent. I find no evidence that increasing youth minimum wages affects youth employment hours.

(5.4) EDUCATION 1

Session Chair: Stephen Hickson
Room: Chambers 2

Effects of Age at Entry to Year 1 on Later School Outcomes
Trinh Le

This paper uses data from the Longitudinal Surveys of Australian Youth to examine the effect of age at entry to Year 1 on schooling outcomes at around ages 15-20. The OLS/ probit estimates usually indicate a significant association between entry age and three outcomes, including test scores in reading and mathematics at around age 15-16 and probability of grade repetition by that age. However, most of the IV estimates, which account for the endogeneity of entry age, are insignificant. The only significant result is that a one-year delay in

repetition by 27-66%. Given that delayed school entry necessitates child care costs and reduces working lives, our findings suggest that it is not sensible for governments or schools to raise school entry ages or for parents to delay their children's school enrolment.

Productivity Changes in Australasian Universities 1997-2005: A Malmquist Analysis
Warren Smart

This paper applies Data Envelopment Analysis (DEA) to derive Malmquist productivity indices for Australasian universities between 1997 and 2005. The results show that Total Factor Productivity (TFP) growth in Australian universities was higher on average than New Zealand universities. In particular, newer Australian universities and Group of Eight universities achieved the highest TFP growth. Much of the TFP growth in Australian universities was driven by improvements in technology rather than efficiency gains. Further analysis of the TFP estimates showed that a change in the proportion of international students, financial performance and structural change were all associated with variation in TFP growth.

Egalitarian Versus Elite: A Higher-Education Policy Comparison of Education Regimes Types
James Graham (JW)

I consider the efficiency and equity effects of a novel higher education policy control variable I call an education regime. The education regime aff ects the relative difficulty of education for agents of differing ability but may also determine the relative productivity of their human capital.
Using numerical analysis within an overlapping generations framework, I find that egalitarian regimes – those benefitting low- relative to highability students – are associated with higher output and less inequality than other regimes.
When the choice of regime also aff ects the relative productivity of human capital, egalitarian regimes are associated with even lower levels of inequality.

(5.5) INTERNATIONALISATION OF NZ FIRMS

Session Chair: Gus Charteris
Room: Chambers 3

Intra-Industry Productivity Spillovers From Exporting in New Zealand
Menaka Saravanaperumal (SNZ)
Gus Charteris, Kris Iyer

Utilising a panel dataset of 440,829 firms over the period 2000-08, this paper investigates intra-industry productivity spillovers from domestic and foreign owned exporters in New Zealand. Three types of exporters are distinguished: goods exporters, services exporters and goods and services exporters. There is no evidence of spillovers from services and goods and services exporters. In the case of goods exporters, there is evidence of positive spillovers, but the spillovers accrue only to other exporters in the same industry. There is no marked difference in the evidence obtained when spillovers generated by foreign owned exporters and domestically owned exporters are distinguished. Our sober findings are consistent with the broader evidence reported in the international literature.

Getting Out There: Overseas Direct Investment and Exporting in New Zealand Firms
Philip Stevens

New Zealand has low levels of both exporting and outward foreign direct investment (ODI). In this paper we examine firm's internationalisation, in the context of their broader outward international strategy (e.g. the decision to service a foreign market through ODI or exporting). We use data from the prototype Longitudinal Business Database, and in particular the Business Operations Survey, to examine firms' propensity to conduct ODI and exporting using qualitative limited dependent variable models.

Taking Another Look at New Zealand's Comparative Advantage
Shirley Nesbit (NZEPP)

This paper updates Ballingall and Briggs' 2002 analysis of New Zealand's revealed comparative advantage (RCA) in order to inform economic development policy. It extends Ballingall and Briggs by analysing merchandise exports in more detail and including services exports. New Zealand's exports continue to be concentrated in sectors with slower than average world growth. New Zealand's strongest revealed comparative advantage is still largely in processed and unprocessed products from the food and fibre sectors. The more detailed analysis also reveals a strong comparative advantage in a number of niche manufactures. The services analysis indicates a comparative advantage in certain services, for example tourism.

(5.6) QSBO

Session Chair: Bill Kaye-Blake
Room: Chambers 4

A Brief History of the QSBO
James Allen
Peter O'Connor

NZIER's Quarterly Survey of Business Opinion (QSBO) has been one of New Zealand's leading economic indicators for 50 years. Over this time the QSBO has been a source of accurate information about the effect of impacts on the economy as they are happening. This paper reviews what the QSBO told us about some of New Zealand's key economic events since 1961. The paper also discusses the reasons for its foundation, how it has evolved and developed, some of its academic applications, and how it can inform better business decision making.

QSBO as a Forecasting Tool
Peter O'Connor
Qing Yang

NZIER's Quarterly Survey of Business Opinion (QSBO) provides a wealth of information as an indicator of economic activity. While its predictive capabilities are well known, the QSBO has largely been used to forecast the next quarter's results. This paper investigates extending forecasts for GDP and inflation by breaking down QSBO series by sector, firm size and region. Domestic trading activity and average costs provide the strongest proxy of GDP and inflation, but forecasts are assisted by other series in the survey. NZIER have developed econometric models using VAR to forecast one year ahead of data releases.

Predictive Ability of Sector-Level QSBO Data
Lulu Zeng (SNZ)
William Kaye-Blake, Shamubeel Eaqub

Surveys of business opinions provide timely information on the economy, but the data are generally coarse. Chindamo (2010) showed that sector-level business survey indices were not equal in their success as leading indicators. The New Zealand Institute of Economic Research Quarterly Survey of Business Opinion (QSBO) covers around 65% of GDP and 85% including backward and forward linkages. Using Granger causality tests, the research assessed whether the QSBO is a useful leading indicator of official data for each sector. The research found that the accuracy of predictions and the strength of Granger causality varied by industrial sector.

(5.7) DEVELOPMENT, TRADE & POLITICS

Session Chair: Les Oxley
Room: Board Room 2

Determinants of Poverty in Fiji
Neelesh Gounder

This paper uses household survey data to model the determinants of household poverty in Fiji. A multivariate empirical analysis is conducted to ascertain those household characteristics important in determining household welfare and poverty. The ordinary least squares (OLS) estimation results show that higher levels of education, supporting agricultural growth policies and reallocation of labour into the formal sector of the economy will prove effective in reducing poverty at the household level. The robustness of the results is checked by estimating a probit model. The probit estimates show the coefficients are robust to an alternative empirical approach.

Mercantilist Reasoning in Economic Policy Making
Keith Rankin

Mercantilism, historically, is both a form of economic reasoning and policy making that prevailed in Europe from the 16th to 18 centuries. Its emphasis was on rivalrous national behaviour, with particular attention given to the desirability of a nation running a trade surplus and thereby accumulating "treasure" in its Treasuries. In its modern guise, mercantilism can be understood as a form of normative economics that emphasises production and competitiveness over consumption, productivity, living standards and equity. This paper investigates the role of mercantilism in modern policy making.

Systematically Biased Beliefs about Political Influence: Evidence from the Perceptions of Political Influence on Policy Outcomes Survey
Eric Crampton
Bryan Caplan, Wayne A. Grove, Ilya Somin

Retrospective voting circumvents many of voters' cognitive limitations, but if voters' attributional judgments are systematically biased, retrospective voting becomes an independent source of political failure. We design and administer a new survey of the general public and political experts to test for such biases. Our analysis reveals frequent, large, robust biases, with an overarching tendency for the public to overestimate politicians' ability to influence outcomes. Retrospective voting usually gives elected leaders supraoptimal incentives, though there are important cases where the reverse holds.

CONFERENCE DINNER
6.30pm onwards
Ballroom, Amora Hotel

KEYNOTE 4: Ricardo Reis
9.00 - 10.30am
Session Chair: Ozer Karagedikli
Room: Ballroom C/D

Using Phillips' insights to understand inflation

Understanding inflation, and how it changes over time, involves four steps. First, one must define a measure of inflation. Second, one must take a stand on inflation's univariate properties, most notably its persistence. Third, one would like to understand how it relates to other variables, in particular measures of real activity or welfare. And fourth, inflation would ideally be part of some structural relation, or economic law, that arises from purposeful economic behaviour, that can be included in larger models of the macroeconomy, and that provides constraints on what macro policy can achieve.

Alban Phillips' seminal article on the Phillips curve took a stand on all four of these steps. After reviewing Phillips' answers, this lecture will provide some new perspectives on the four issues. Recent research has produced new knowledge on each of these topics, while often using Phillips' insights as the starting point.

MORNING TEA
10.30 - 11.00am
Chambers Foyer, Ground Floor

CONTRIBUTED PAPERS 11.00am
Concurrent Session 6 -12.30pm

(6.1) HEALTH 2

Session Chair: John Yeabsley
Room: Ballroom C/D

Pre and Post Natal Drivers of Childhood Intelligence: Evidence from Singapore
Mary Hedges
Gail Pacheco, Chris Schilling, Susan Morton

The Singapore Cohort Study of the Risk Factors of Myopia (SCORM) is used in this paper to assess determinants of childhood IQ and changes in IQ. This longitudinal data set, collected from 1999, includes a wealth of demographic, socioeconomic, and prenatal characteristics. Using ordered and multinomial logit analysis, we find mother's education to be a consistent and key determinant of childhood IQ. We also find that father's education and school quality are key drivers for increasing IQ levels above the average sample movement.

Background and Epidemiology of Life Course Modelling
Susan Morton

The International Healthy Start to Life project brings a life course epidemiological approach to the modelling of costs across the life course associated with markers of poor development very early in life. It extended a theoretical model of life time costs associated with infants being born low birth weight (less than 2,500grams) in a developing country, originally developed by the World Bank.
The new model translates the scientific knowledge about life course effects of early development into information that can be utilised to inform policy decisions regarding appropriate interventions to improve health and developmental outcomes for populations to improve their human capital and economic productivity over time.

Using Microsimulation Modelling for Analysis of Early Life Health Interventions
Chris Schilling
Peter O'Connor, Chris Nixon

Policy analysis of early life health interventions is typically difficult. The benefits accrue over many years, the impacts of interventions vary across demographics and the costs and benefits of life and health are difficult to value. We investigate the use of microsimulation modelling for policy analysis of early life health interventions. Specifically, we develop a New Zealand population model, linked to health care costs, to analyse interventions that reduce smoking during pregnancy. The results indicate that early-life health interventions can have lasting health benefits and be cost-effective. However, the results are sensitive to the discount rate.

(6.2) LOCATION & WATER MANAGEMENT

Session Chair: Viv Hall
Room: Ballroom B

Preferences, Location Choice and the Residential Composition of Cities
Andrew Coleman
David Mare

We investigate the spatial determinants of industrial location and productivity variation within the Auckland Urban Area. For over 300 local areas, we consider the influence on location choice and productivity of proximity to selected infrastructure, local services, and consumption amenities, and of the density and industry composition of local employment. Using data from a microdata panel of firms, we use count-data methods to model the location choices of new firms, and production function estimation for productivity estimation. We identify distinct location patterns across industries but, overall, the accessibility and employment composition measures that we examine do not account for industrial location and productivity patterns within Auckland. This increases the challenges of anticipating and planning for future business location patterns.

Patterns of Business Location in Auckland
David Mare
Andrew Coleman

We investigate the spatial determinants of industrial location and productivity variation within the Auckland Urban Area. For over 300 local areas, we consider the influence on location choice and productivity of proximity to selected infrastructure, local services, and consumption amenities, and of the density and industry composition of local employment. Using data from a microdata panel of firms, we use count-data methods to model the location choices of new firms, and production function estimation for productivity estimation. We identify distinct location patterns across industries but, overall, the accessibility and employment composition measures that we examine do not account for industrial location and productivity patterns within Auckland. This increases the challenges of anticipating and planning for future business location patterns.

Sharing A River: A Bilateral Mekong River Basin Management
Kim Hang Pham Do

The Mekong River (MR) Basin is shared by 6 countries: China, Myanmar, Thailand, Laos, Cambodia, and Vietnam. Over the years there have been conflict and cooperation aspects to the relation among the riparian on water resources management. This paper exploits an axiomatic bargaining approach to examine how MR Committee might achieve effective development and proposes an alternative offering in MR Basin's joint management that can lead to improved river basin management that are preferable from the perfective of all nations to their status quo.

(6.3) EDUCATION 2

Session Chair: Steve Agnew
Room: Chambers 1

The Labour Market Returns to Further Education for Working Adults
Sarah Crichton
Sylvia Dixon
What benefits do working adults gain from further education? This paper investigates the impacts on the earnings of working adults aged 25 to 64 years, who returned to study at a tertiary education provider between 2003 and 2005 and completed a certificate or diploma. It uses longitudinal administrative data from the Employment Outcome of Tertiary Education (EOTE) dataset and longitudinal survey data from SoFIE. We compare the earnings growth experienced by the students over the pre-study to post-study period with the earnings growth experienced by a matched comparison group of working adults who did not return to education. We examine the impacts of further education for all students and for sub-groups of students, including graduates in different fields of study.

Skills Used on the Job: How Well do Employees' Literacy and Numeracy Skills Match Their Job Tasks?
David Earle (SNZ)

Around 40 percent of employees have insufficient literacy and numeracy skills to meet the increasing demands of a knowledge economy, according to the Adult Literacy and Life Skills (ALL) survey. However, there is limited information about how well employees' skills match their job tasks.

This presentation will summarise recent research using data from the ALL survey which looked at:

- The types of literacy and numeracy job tasks
- Match and mismatch between employee's skills and their job tasks
- The relationship between skills match / mismatch and access to further education and training

Are Private Providers More Productive Than Public Providers of International Education? Evidence from New Zealand
Dayal Talukder (NZEPP)

This study has investigated total factor productivity (TFP)-growth and efficiency of private and public providers of international education in New Zealand and has calculated the DEA-based Malmquist productivity index for measuring TFP-growth and efficiency during 1999-2010. It argues that on an average, private providers are more productive by TFP-growth but not more efficient than public providers of international education efficient as both types of providers exhibited a constant return to scale during 1999-2010. It also argues that TFP-growth of New Zealand's international education was determined by technological change (TC), not by technical efficiency change (TEC) during this period.

(6.4) THE SIZE OF GOVERNMENT IN NZ

Session Chair: John Creedy
Room: Chambers 2

Government and Economic Growth:
Does Size Matter?
Diana Cook
Carsten Schousboe, David Law

The size and structure of the state sector plays an important role in overall economic performance, with general government expenditure accounting for more than 40% of GDP. This paper explores the theory and evidence around the impact of 'size' of government on economic growth. The paper concludes that the impact on economic growth of the level of expenditure will depend on the type and quality of expenditure and the mix of taxes used to finance it. However, there is some evidence of scope to boost economic growth by reducing the level and improving the composition of expenditure in New Zealand.

The Wisdom of Ageing:
Lessons from Fiscal Projections
Matthew Bell

At each Budget, Treasury projects and reports on the government accounts to the mid-2020s, but projections can be extended to 40 years or further. Recent Budgets have produced quite different

long-term projections. This paper examines the causes of changes to primary balance and net debt projections, and shows the effects of constraining debt. It argues that, even though the level of debt-to-GDP shifts, the messages remain the same: spending and possibly tax policies need to change if we are to avoid passing our debt onto our descendents, and early changes alleviate the need for more drastic revisions in the future.

Calculating Average Marginal Tax Rates for New Zealand, 1893 - 2009
Fiona McAllister
Jeremy Couchman, Gordon Liao

Fiscal policy potentially impacts on economic growth rates via changes in the marginal tax rates (MTRs) faced by different economic agents and changes in public expenditures. Recently Barro and Redlick (2011) have estimated the multiplier effects from taxes and public defence expenditures on US GDP over 1917-2006, using war episodes to address endogeneity concerns. This paper reports on the first stage of a project to replicate this study for New Zealand. It reports estimates of income-weighted MTRs for personal income taxes since 1893, and provides an revised dataset on actual and expected defence expenditures, and total expenditures, over the period.

(6.5) LABOUR & CAPITAL

Session Chair: Bob Reed
Room: Chambers 3

To Make or Buy (Skills): An Analysis of Training Decisions Using Microdata
Jason Timmins (SNZ)
Geoff Mason, Penny Mok, Peter Nunns, Philip Stevens

The purpose of this paper is to examine the impact of skill shortages on the supply of training within New Zealand firms. The study uses a specially designed survey, the Business Strategy and Skills (BSS) module of the Business Operations Survey 2008 (BOS 2008). The paper evaluates the impact of skills shortages on the incidence and intensity of training across firms. A unique feature of the BSS module is the ability to measure differences in training intensity for three types of staff: new staff; existing staff changing roles and existing staff for their existing roles. The paper also considers other factors such as firm size, previous performance, its ownership, its competitive environment and the occupational breakdown of its staff, that can impact on a firm's decision to undertake training. We extend the analysis by including additional explanatory variables by combining the BSS module with data from other sections of the current and previous years' BOS and the prototype Longitudinal Business Database (LBD). We use probit regression models to estimate the impact of skills shortages on the probability of a firm training staff and the proportion of staff trained controlling for a range of employer and employee factors. We find a positive relationship between firms that report a shortage of skilled workers and the probability of firms training their staff. Among firms that train staff we find some evidence that a shortage of skilled labour is associated with training a larger fraction of existing staff changing roles.

Working Harder or Hardly Working? Adjusting Productivity Statistics for Capacity Utilisation
Nicholas Warmke and Toby Hunter
Adam Tipper

This paper outlines the implications of adjusting productivity statistics for a variable rate of capital utilisation. One assumption of productivity measurement is that the rate of capital utilisation is constant. However, different industries have different levels of capital utilisation. The paper concludes that more meaningful estimates of industry-level productivity growth in the measured economy can be produced by incorporating industry-specific data on capital utilisation into Statistics New Zealand's capital input series. This paper also discusses how accounting for a variable rate of capital utilisation affects multifactor productivity growth and growth cycles.

(6.6) A STAR STUDDED FINALE

Session Chair: Stephen Knowles
Room: Chambers 4

A Coordination-Failure Model of Demand Management in Electricity Markets.
Seamus Hogan

It is something of a puzzle that most retail electricity markets are characterised by fixed-price contracts, since the absence of demand management necessitates investment in rarely used peaking plant. In this paper, we explore a possible explanation for this puzzle—that markets for historical reasons are caught in an inferior equilibrium of a coordination failure game. The idea is that there is a strategic complementarity in retail contracts in which the smaller the proportion retail contracts in which the smaller the proportion of consumers opting for flexible-price contracts, the greater is the resulting volatility in spot-market prices, reducing the attractiveness of flexible-price contracts to risk-averse consumers.

The Effect of Domestic Violence Policy on Dowry Violence: A Theoretical Analysis
Susmita Roy

Domestic violence is rampant in several south-Asian countries, including India. This paper proposes a theoretical model of domestic violence and evaluates the effect of the recently introduced Protection of Women from Domestic Violence Act in India. The Act seeks to provide relief to women subjected to domestic abuse. Unlike that in developed countries, most incidences of domestic abuse in India are tied to dowry demands made by the husband and his family. The policy has the potential to reduce not only dowry related beatings but also dowry related spousal murders. Unfortunately, currently the policy is not immune to false reporting by wives which is making the policy unpopular. The paper presents three models of domestic violence. The first model discusses the implications of this policy on dowry violence and subsequent spousal murders in a world without false reporting. Next, I introduce false reporting in the model. Finally, I propose an amendment to the policy that would make false reporting more costly and make the policy more effective.

Forecasting New Zealand's Labour Market with Multiple Datasets
Kirdan Lees

Small open economy central banks often require forecasts of current and future economic activity in large trading partners to help inform forecasts of the domestic economy. Forecasts of the domestic economy will be constructed for the purpose of monetary policy meetings, the timing of which is not synchronized with international data flow. We show how dynamic factor models can be used to produce real-time forecasts for large trading partner economies that incorporate the ow of international data on a daily basis. Using the example of the three of the largest world economies, the US, euro area and Japan we show that these forecasts deliver both near-term forecast improvement over standard statistical time series models and crucially,competitive forecast performance relative to the average of private sector experts provided in the popular Consensus Forecasts.

ABSTRACTS OF POSTER PAPERS

The Relationship between the Global Financial Crisis and the Gaming Industry: The Case of Macao from 2007 to 2010

Victor Chan

Macao has long been a typical gaming (and tourist) city and now has the world's largest gaming market. Since 2007, a global financial crisis swept through the global financial markets and economy for several years. Macao's gaming industry was not spared. This paper attempts to construct statistical models to link Macao's gross gaming revenue with the key performance indicators of the global financial markets over these years of turmoil. Results reveal that they are closely correlated, with the gross gaming revenue lagging behind by two months. This model may provide Macao and other gaming cities with forecasts for strategic planning.

Economic Development Indicators Report 2011: Understanding the performance of the New Zealand economy Ministry of Economic Development, the Treasury, and Statistics New Zealand

Shirley Nesbit

The Economic Development Indicators Report draws together a broad range of publicly available data to provide a comprehensive picture of New Zealand's medium-term economic performance and the underlying determinants of that performance, compared to other OECD economies. Since the 1980's, the rate of decline in New Zealand's GDP per capita relative to the OECD mean has slowed. Underlying this, there are both strengths and weaknesses relative to the OECD mean and Australia. For example, New Zealand's performance is above the OECD mean in the quality of regulation and institutions and below the OECD mean in saving, equity market development, outward foreign direct investment and management skills.

Differences in Returns to Foreign and Domestic Education in New Zealand

Jaimee Phillips

This paper uses data from the 2006 Adult Literacy and Life skills (ALL) survey to examine how foreign and domestic education credentials affect earnings. The research extends findings obtained from census and NZIS data. Specifically, years of education are split into education obtained in New Zealand and education abroad. Our findings suggest that among immigrants the education gained in their country of birth has a lower return than education gained in New Zealand. Their rates of return are generally lower than those of the NZ born. The highest returns are found for education acquired abroad by the New Zealand born.

Specifics of ERP applications in public sector: comparative analysis

Andriy Sknar

This paper approaches to the ERP applications from the economical rather than from technical perspective. Comparative analysis is supported by relevant international practical experience (implementations), and by fundamental analysis of economical nature of business processes used by public entities. The key advantage (based on a historical timeline) comes from a full integration of financial scope and operational activities.

Using the example of ERP (as one of the drivers of productivity & performance improvement), the paper is aiming to underline how to bring the best practice and technology (data management and logical architecture) from the private sector into the public sphere.

Earthquakes and Statistics: The HLFS experience

Chris Hansen, Emma Bentley, Michelle Smith and Nathan Young

The earthquakes that struck the Canterbury region in September 2010 and February 2011 had a significant impact on the region and Statistics NZ's ability to produce survey statistics. This poster focuses on the Household Labour Force Survey (HLFS) experience, and is very much a work in progress as future quarters will provide more data for analysis. The September earthquake occurred during the collection period for the September 2010 quarterly HLFS estimates and the February earthquake during the recently published March 2011 quarter.

Impacts Of The New Zealand Emissions Trading Scheme On Agriculture And Forestry – Land Use In Rural New Zealand Model Simulation Results

Wei Zhang

The New Zealand Emissions Trading System (NZETS) started in 2008 to assist New Zealand's compliance with the Kyoto Protocol and future international climate agreements. Initially only forestry is included in the system (from 1 January 2008). Under current legislation, agricultural emissions (methane and nitrous oxide) will fully enter the system from 1 January 2015. No country has included agricultural emissions before, so the design challenges are considerable and economic consequences uncertain. It is important for New Zealand to address agricultural emissions effectively because they make up nearly half of our gross emissions. It is even more important to obtain a clear picture of what possible impacts the NZETS would have on agricultural sector because it is the back bone of the New Zealand economy. The Land Use in Rural New Zealand (LURNZ) model can be potentially useful in assessing possible impacts of NZETS on rural sectors.

LURNZ is a GIS based, dynamic, partial equilibrium model built by Motu Research. LURNZ simulates rural land use change and the related change in economic activity from different policy scenarios. The latest version of LURNZ offers greatly improved reliability, user friendliness and output diversity. LURNZ simulations assume full policy certainty.

In this poster we look at an application of the LURNZ model to simulate outcomes from different climate change policies.

Under current legislation, agriculture sector will be covered by the NZETS in 2015. At this time, local agriculture processors will be required to purchase New Zealand Units (NZUs) to cover the corresponding amount of greenhouse gas emissions from their economic activities. We use LURNZ to simulate potential impacts of NZETS with the assumption of no free allocation of NZUs and a price of $25 dollars per tonne of CO2 equivalent. We find that NZETS has virtually no impact on dairy sector compared with business-as-usual (BAU) in terms of land use change, production and emissions. By contrast, land use in the sheep and beef sector would shrink by 120,000 hectares compared with BAU in 2030. We find that this would lead to a decrease in animal numbers of 360,000 sheep and 70,000 beef cattle.

We find that under the NZETS, the plantation forestry sector's land use area in New Zealand would expand by nearly 8% (or 190,000 hectares) relative to BAU. According to recent government reports, large amounts of emissions from the plantation sector around 2030 (due to a concentrated period of harvest around this time) is very likely to make New Zealand a net emitter, given current rates of afforestation (Ministry for the Environment, 2009). Results from our simulations indicate that afforestation rates under the ETS will increase to 20,000 ha per year, equivalent to an increase in sequestration of 8% compared to BAU in 2030. Results suggest that additional sequestration from new plantations would be large enough to offset emissions from this projected harvest spike around 2030.

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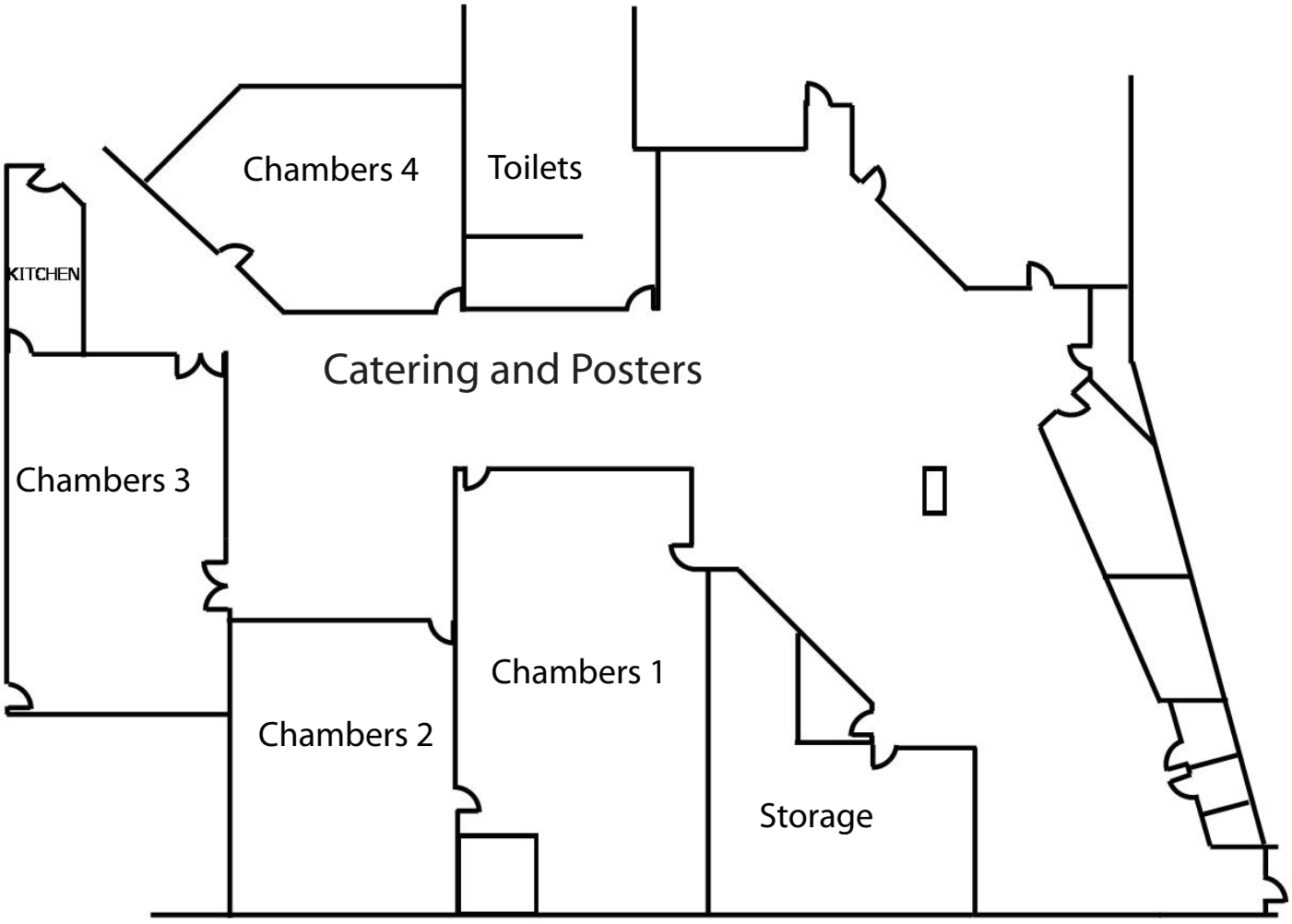
AMORA HOTEL
WELLINGTON

Amora Floor Plan

Chambers



NZAE Conference

WEDNESDAY 29 JUNE 2011

8.00-9.00	**Registration**	Foyer
9.00-10.30	Opening & Keynote 1 - Tim Harford	Ballroom C/D
10.30-11.00	**Morning Tea**	Foyer
11.00-12.30	**Concurrent Session 1**	
	Competition	Ballroom C/D
	Money & Inflation	Ballroom B
	Methodology	Chambers 1
	Housing & Development	Chambers 2
	Economics Education	Chambers 3
	Demographics	Chambers 4
12.30-1.30	**Lunch**	Foyer
1.30-3.00	**Concurrent Session 2**	
	Heterodox Workshop	Ballroom C/D
	Output & Growth	Ballroom B
	Oil & Income Convergence	Chambers 1
	Production & Innovation	Chambers 2
	Sport & the Charitable Sector	Chambers 3
	Elasticities & Factor Substitution	Chambers 4
3.00-4.00	**Poster Session & Afternoon Tea**	Foyer
4.00-5.30	Keynote 2 - William Schworm	Ballroom C/D
5.30-6.30	**Welcome Reception**	**Ballroom Foyer**
7.00pm	**Canterbury Reception**	**Amora 1**

THURSDAY 30 JUNE 2011

8.30-10.00	Keynote 3 - Ananish Chaudhuri	Ballroom C/D
10.00-10.30	**Morning Tea**	Foyer
10.30-12.00	**Concurrent Session 3**	
	Labour 1	Ballroom C/D
	Land & Natural Resources 1	Ballroom B
	CPI	Chambers 1
	Fiscal Issues	Chambers 2
	FDI/Policy	Chambers 3
	Taxes & Saving	Chambers 4
12.00-1.00	**Lunch**	Foyer
1.00-2.00	**AGM**	Ballroom C/D
2.00-3.30	**Concurrent Session 4**	
	Experimental	Ballroom C/D
	Land & Natural Resources 2	Ballroom B
	Macroeconomics	Chambers 1
	Banking & Finance	Chambers 2
	Immigration	Chambers 3
	Costs to Society	Chambers 4
	Market Behaviour	Board Room 2
3.30-4.00	**Afternoon Tea**	Foyer
4.00-5.30	**Concurrent Session 5**	
	Health 1	Boardroom C/D
	Climate & Emissions	Ballroom B
	Labour 2	Chambers 1
	Education 1	Chambers 2
	Internationalisation of NZ Firms	Chambers 3
	QSBO	Chambers 4
	Development & Trade	Board Room 2
6.30 onwards	**Dinner**	**Ballroom, Amora Hotel**

FRIDAY 1 JULY 2011

9.00-10.30	Keynote 4 - Ricardo Reis	Ballroom C/D
10.30-11.00	**Morning Tea**	Foyer
11.00-12.30	**Concurrent Session 6**	
	Health 2	Ballroom C/D
	Location & Water Management	Ballroom B
	Education 2	Chambers 1
	The Size of Government in NZ	Chambers 2
	Labour & Capital	Chambers 3
	A Star Studded Finale	Chambers 4
12.30-1.30	**Lunch & Conference Close**	Foyer
2.00pm	Demonstration of the MONIAC and Tour of RBNZ Museum	Reserve Bank