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CONTENTS

Editorial	2	Labour, Employment & Work Conferences	18
Economists, worries and criticisms...	2	LEW 10	19
Conference 2002 – reports and photos	3	Weshah Razzak interviews Don Brash	20
Regulatory Impact Statements Revisited	8	Research in progress	21
From the 2BRED File	9	Australian Conference of Economists	23
Of Indices and Rankings	10	ANZSEE Conference	23
A Web Page for Economists (and others)	13	NZAE membership, database, profiles	24
And while on things from the past.....	14	NZAE new members	24
The WTO Doha Development Round	15	NZAE web-site	24
Evaluation yet again...	17		

Perspectives

EDITORIAL

This year's NZAE conference, and several pieces in this issue of AI illustrate a growing concern for the perspectives taken on issues. Economic perspectives can vary according to the models chosen and the variables considered. They may still be tied to inherent assumptions about the institutional structure, however.

Looking on the internet for a workable definition of post-modern standpoint theory, you will find that there are numerous definitions, presumably varying according to the position the writer is coming from. Our position is that the researcher's perspective can shape views on an issue. An individual's perspective need not be fixed, however. Hence, while studies have found a connection between siblings' birth order and behaviour, children's behaviour within a family and outside may be quite different. Also people competent in more than one language can behave differently (actions, mannerisms, and possibly even attitudes) according to the language they are using. People can put on one hat at work, another with friends and yet another at home.

This gives us a lot of scope to develop alternative perspectives. One way to do this is by changing context. Primary historical sources, i.e. original documents, not only contain factual information, they also indicate the way things were observed. By reading them, we get some insight into the minds of the authors and the values of the time. Many of the issues are not so different from those of today, and even when the concerns are new, it can be enlightening to consider how such matters might have been addressed at other times. If nothing else, it can help us to identify assumptions that we might otherwise have taken for granted, including assumptions about the past.

by Stuart Birks and Gary Buurman, Massey University

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

Economists, worries and criticisms

Most of us who has been involved in textbook writing have experienced the extreme market pressure to suppress criticisms and worries about the main-line models that are being taught. "Let them learn the orthodox and let more advanced courses introduce worries" is the usual market reaction to anyone who tries to introduce worries at more elementary levels. (Sadly all to many courses omit the worries and criticisms even at the more advanced levels.)

Richard G. Lipsey (email to the History of Economics email list, 23rd May 2002)

Conference 2002 (by Stuart Birks)

Well, that's another conference out of the way, and a very successful one by all accounts. All credit is due to the organising committee, ably headed by Grant Scobie and supported by Val Browning. There were about 190 attendees, and over 70 speakers, including the keynotes. Papers for most of these are available on the NZAE web site at: http://www.nzae.org.nz/past_conference_papers.php

For me, the conference was notable for the iconoclastic viewpoints, and the large number of papers that were issue-focused rather than technique-focused. It is good to remember the practical function of economic analysis as an input into real-world decision-making. This can require pragmatism, a blending of approaches, and even occasionally stepping outside the boundaries of the discipline!!

A few points stick in my mind, such as the claim that macroeconomics doesn't work, although one speaker placed great significance on comparisons of a couple of macroeconomic aggregates. To be fair, I believe the point was that political, social and other factors co-exist with those incorporated into macroeconomic models and may be of fundamental importance.

Linked to this was the emphasis on incentives. This should perhaps be one of the first things that economists consider, given that so much of economics is constrained optimisation, and incentives can be considered as arising from the nature of the constraints. Economics may fall short, however. We are also constrained by the dimensions of our analysis, and some important aspects may be assumed constant or exogenous. This is typified in the assumption that 'preferences are given', for example. These issues are central to law and economics, although lawyers commonly have more restricted vision than economists on these matters.

As an aside, and by way of illustration, I recently came across one interesting example of changing structures and their determinants at: <http://www.gliah.uh.edu/historyonline/mothersfathers.cfm>

Many structures can co-exist, as was clear from the description of several regional classifications overlaying the New Zealand landscape. Perceptions can also carry over from one sphere to another, as with the demand by local politicians for regional GDP figures despite the lack of data on inter-regional trade and factor payments. More accurate, and arguably more relevant data already exist for other variables, so this may be one instance when the piper should call the tune.

What of specific speakers? I mention only a few.

I can't tell you about **Michael Cullen's** opening address, as there was a ban on reporting. Val stalwartly enforced this restriction, despite the attempts of some. His speech, or at least a speech with his name on it, probably written by someone else, and presented not for personal gain but in a good cause, has not been destroyed and can be seen at:

<http://www.beehive.govt.nz/ViewDocument.cfm?DocumentID=14391>

Julia Lane spoke of the new US integrated employer-employee databases, suggesting that we are in a good position to do similar work in New Zealand. As with any new database, it can help with analysis, or it could be treated as a new toy. New Zealand's experience with NZDep may be a case in point. As Neil Pearce has pointed out, most deprived people don't live in deprived communities, for example.¹ Debates on integrated databases in health place much emphasis on confidentiality issues, but this was not mentioned in this address.

Gordon Moir was the keynote law and economics speaker. He gave value for money, as might be expected from someone who lives in Scotland, has an office in London, prepares for European court cases while working in the southern hemisphere, can prepare a 34-slide one-hour presentation at a week's notice, and passes through New Zealand in 26 hours. He seemed to have time to think about his work also. I like a lawyer who will admit that they may not be doing a terribly good job if it takes eight years to settle a case ("justice delayed is justice denied"), and who can talk intelligently about economics.

A memorable highlight was the after dinner (or really between courses) address by **Sir Humphrey Bollard**. He ably demonstrated his advice to a minister on how New Zealand could effortlessly move itself into the top half of OECD countries merely by redefining variables. I have a nagging suspicion that it was based on more than just a lively imagination – see the piece by Hans-Jeurgan Engelbrecht in this issue for other examples of this technique. He was highly entertaining, and put on a brave display for someone who had dragged himself from his sickbed to fulfil his task. Well done, Alan, and thank you!

¹ Page 3 of MoH, (2002) *The Well Child Framework*: "NZDep.96 was created from data collected by the 1996 Census of Population and Dwellings, and describes the deprivation experienced by groups of people living in private accommodation in a small area."

A Wellington correspondent's comments on one of the parallel sessions follow. In that instance as elsewhere, discussants made a valuable contribution. Some attendees have remarked that some were not so well suited to the topics they had been allocated, and there was inadequate time for comments from the floor. It may be that the issue will be reassessed before the next conference. I should mention that **Wolfgang Kasper's** keynote address was followed by two discussants and four invited speakers from the floor. Most notable of these was **Paul Dalziel**, whose dramatic and unexpected metamorphosis into a spokesperson for Maori - language, posturing and all - was most convincing. The speaker, being a visitor to New Zealand, was completely at a loss as to how to react.

Parallel Lines? (From our correspondent, Wellington)

For most Conference attendees, the overwhelming allocation of time at the Annual NZAE Conference seems to be spent going to parallel sessions. But this is not a valid belief.

Careful and exhaustive empirical research² suggests that (disregarding the always difficult to estimate time that is scheduled in the programme for drinks, meals and AGMs) the total running time of the parallel sessions was only approximately 52.9% of total programme time (without allowing for overruns.)

In the light of this finding we selected one particular session to try and capture the flavour of the parallel sessions, which is after all where the New Zealand economics profession talks to itself – in a manner of speaking.

The session was held on the morning of Thursday 27 June, in the Adventure Room, and was under the heading Innovation. There were three papers and thus three discussants. Given the focus in current government policy on innovation and smart thinking, in terms of a new better policy approach, one would have thought that the room might have been packed. It was Wellington in the winter, after all. In the event, turnout, even given that other topics running alongside included currency unions and monetary economics, was somewhat disappointing at around fifteen or so.

Nevertheless, presenters, discussants and commentators all seemed to enjoy the topics and the discussion among themselves. Careful preparation was obvious and some thoughtful insights emerged.

Impressions that remain with me include:

- **Sean Devine's** useful resurrection of Stafford Beer's viable systems model, a valuable analytical device that has recently been neglected. He used it to look at the innovation system as a whole;
- The reinforcement by **David Bartle** of the SME status of most New Zealand firms – including the innovative - and the policy implications of that fact;
- The general lousy state of the relevant statistics – this seems to be part of the real costs of failure to be massive;
- **Ken Jackson's** thoughtful longer view of the process of growth and the links to innovation, which included some (possibly unfashionable) but still sound advice from Henry Ergas to governments that was in essence to start by testing the market devices;
- Hughes' boxes – no relation to the famous one containing Schrodinger's cat – though the contents at least as mysterious – being (1) invention (ideas); (2) R&D activity (preparing for application) and (3) innovation (application and marketing);
- Edison being seen as the innovator “par excellence” reminding us of his remark that success was “10% inspiration and 90% perspiration” fitting in well with the modern view – see the Hughes boxes above; and
- The thoughtful and involved, but still lively discussion among the audience. This also extended to the discussants, who were clearly informed and involved in grappling with the big topics under examination. Some comments were inquisitive; some were suggestive; but all were trying to contribute and be positive in terms of pushing thinking further.

Overall, this was just another parallel session from the NZAE Conference, but the story from the floor was of economists talking about important questions (and what matters more than growth?) inside the frameworks of the discipline – and even wider, when they involve Beer.

And now for some photos.....

² Work in progress, Not for publication, Not for citation

The President, Caroline Saunders, flanked by two cunningly disguised bodyguards...



And here are the real Dawn and Val...



The Vice-President, Weshah Razzak, left profile...



Post-oratorical Sir Humphrey...



“Yes, that’s the way to do it...” – Athanasios Orphanides, Grant Scobie and Wolfgang Kasper listening attentively to Sir Humphrey



The **Jan Whitwell Prize** was shared by three people, **Chitrani Agbenyegah Wijegunawardane** (Lincoln), **Christophe Schumacher** (AUT) and **Pipat Wongsart** (Lincoln). **Graduate Study Awards** were given to **Mark Ensor** (Lincoln), **Troy Matheson** (Canterbury) **Susan Olivia** (Waikato), **Viktoria Schneider** (Otago) and **Samuel Richardson** (Massey). All but Pipat are in the following photograph:



From left to right, Viktoria, Chitrani, Christoph, Troy, Caroline (the President), Mark, Susan and Sam. (You may not realise it, but Sam missed the original picture – not for nothing is NZ noted for its special effects.)

Regulatory Impact Statements Revisited

Further to Bryce Wilkinson's piece in the last issue of AI, we can see details of the policy development process mandated by Cabinet at: <http://www.dPMC.govt.nz/cabinet/guide/3.html>

This includes specifications for the content of the required Regulatory Impact Statement. In brief, the RIS should contain the following information:

- Statement of the nature and magnitude of the problem and the need for government action
- Statement of the public policy objective(s)
- Statement of feasible options (regulatory and/or non-regulatory) that may constitute viable means for achieving the desired objective(s)
- Statement of the net benefit of the proposal, including the total regulatory costs (administrative, compliance and economic costs) and benefits (including non-quantifiable benefits) of the proposal, and other feasible options
- Statement of consultation undertaken
- Business compliance cost statement

These are spelled out in more detail in paragraph 3.24 at the above URL.

Here, as an example, is the RIS for the Employment Relations legislation. Those required since 1 April 2001 are available online from: <http://www.med.govt.nz/buslt/compliance/risbccc/index.html>

REGULATORY IMPACT STATEMENT

STATEMENT OF THE PUBLIC POLICY OBJECTIVE

To establish an employment law framework for the free, fair and orderly conduct of employment relationships.

STATEMENT OF THE PROBLEM AND THE NEED FOR ACTION

Current industrial legislation is contrary to Government policy on employment relationships. The employment Contracts Act 1991(ECA) is founded on the premise that employment relationships are primarily contractual rather than social and economic, and fails to recognize the fundamental power imbalances between employees/employers. In particular, the ECA does not promote collective bargaining. Government policy is founded on the understanding that employment relationships are not just contractual, but are human relationships that should be treated differently. The legal framework should also recognise that the balance of power or influence between employees and employers is not equal, and encourage the collective organization of employees and to foster collective bargaining as a preferred means of redressing this imbalance. It is therefore intended to replace the ECA with legislation that will:

- promote collective bargaining and establish the principal of "good faith";
- recognise the role of unions and ensure union membership is voluntary; and
- implement consequential policy changes

STATEMENT OF OPTIONS FOR ACHIEVING THE DESIRED OBJECTIVE

The only feasible means of achieving Government policy in this area is to repeal the Employment Contracts Act and replace it with new legislation establishing a new statutory/regulatory framework for the conduct of employment relationships

STATEMENT OF THE NET BENEFIT OF THIS PROPOSAL

In introducing the Employment Relationships legislation, the Government's aim is to redress the imbalance of bargaining power between most employees and employers. In doing so, the Government's expectation is that increased employee involvement and commitment at the workplace level will result in increased productivity and investment in human resources and physical capital development leading ultimately to improved employment growth and distribution of earnings. The Government's intention is also that the encouragement of collective organization and improved access to information will result in a culture change towards increased co-operation in the workplace and an emphasis on employment as a relationship.

However it is acknowledged that ultimately the extent to which the legislation results in the outcomes sought depends crucially on whether it leads to the desired behaviour changes on the part of employers and employees. This in turn depends critically on how the signals sent by the legislation are perceived. If, for example, employers perceive that the risks associated with the change outweigh the benefits, and this discourages investment and hiring, employment growth could decline.

As with any new legislation, there are likely to be some initial transaction costs as employers and employees familiarise themselves with the new legal framework. These transaction costs will be associated with increased litigation as the boundaries of the new legislation are set through case law; however the Bill will be drafted with an objective of minimising uncertainty and prospective litigation. There will also be costs associated with the provision of information on the changes.

CONSULTATION

The following agencies have been advised of this regulatory impact statement and related Cabinet paper: Department of Prime Minister and Cabinet

- State Services Commission
- Ministry of Justice
- Ministry of Women's Affairs
- Ministry of Pacific Island Affairs
- Treasury
- Ministry of Commerce
- Ministry of Maori Development
- Ministry of Youth Affairs

From the *2BRED* File

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

This edition of *2BRED* comes from my holiday reading. Six weeks in obscure mountain villages in Spain, Portugal and Italy cannot be too highly recommended for a chance to read (let alone immerse oneself in Roman, Moorish and Renaissance history, art and culture). My backpack contained maybe 1kg of clothes, 2kg of assorted “stuff” and 25kgs of maps, guide books and reading matter. I once read *100 Years of Solitude* by Gabriel Garcia Marquez) in Spanish while spending 4 weeks on a Greek island – but it was all I read! (great book if you missed it). But this time I stuck to English (apart from an hour a day immersed in *El Pais*). Let me report on a couple of samples.

The first question on the Microeconomics paper for my PhD comprehensives asked for an analysis of the impact of the Black Plague of 1348 on the labour, land and capital markets of Europe. Thoroughly trained in the algebraic gymnastics of price theory I proceeded to apply an Edgeworth-Bowley box and computed changes in capital-labour ratios, marginal products, elasticities of substitution etc., and ad nauseum (I scored a high mark for the question!).

But never as before had the intellectual poverty of marginalist neo-classical economics been laid so apparent to me as in my holiday reading of *The Black Death and the World it Made* by Norman Cantor (Perennial Books, New York: 2002). Cantor certainly covers the economics – and in accessible language I hasten to add. But that is a small part of a much wider approach. He provides the historical, political, diplomatic and religious context against which the plague occurred. He traces its impact through such events as the death of the Princess Joan (daughter of King Edward III, who died in Bordeaux en route to marry the heir to the throne of Castile; through the rise of the yeomanry; through the reorganisation of the church and the transfer of lands when no heir survived, and through changes in the form of labour contracts. Cantor also argues that the problem was only partly due to the bacillus carried by fleas on black rats. Many died following similar initial symptoms but without the buboes, the hideous black welts and bulges. Their fate was attributed to anthrax borne by cattle. Of course in 240 pages which cover so many themes, the appetite is whetted rather than satisfied. But an extensive bibliography should provide an entrée for those seeking more about this history-shaping episode.

Economists and non-economists alike have been flocking to see the movie “A Beautiful Mind”, in which Russell Crowe sensitively portrays the life of one of last century’s true geniuses – John Forbes Nash. Be warned however – the correlation between the movie and Nash’s actual life barely exceeds 0.2. For a masterful biography we have the book by the same name: *A Beautiful Mind* by Sylvia Nassar (New York: Simon and Schuster, 1998). Never again will I think of the Nash equilibrium condition (now in every microeconomics text book worth the name) without being struck by the total irony that his life was one hellish state of disequilibria!

Sylvia Nassar has researched and crafted a dramatic story and given economist and lay reader alike sufficient insight into mathematics to appreciate Nash’s contribution. He was a mathematician, having only ever taken one undergraduate course in economics¹. Yet his work had such wide ranging implications that more than 40 years after the original papers in game theory were published, he received a Nobel Prize in economics (1994). (He apparently remained forever disappointed, if not bitter, that he was never the recipient of the Field Medal – the Nobel equivalent in mathematics). As well as exploring abstract mathematics, the author takes us into the literature on schizophrenia to help understand the bizarre and insane world into which Nash passed for 40 years. His colleagues and especially those at MIT and Princeton (he always felt he should have been offered a chair at Harvard) tried desperately to help him “recover”. Yet he himself feared a return to normality might spell the end of his intellectual creativity. Perhaps he was at his creative best when indulging in the most bizarre behaviour – some side-splittingly funny were it not so tragic.

So now I am home and it’s back to the serious matter of economics. Paul Dalziel and Ralph Lattimore have again done the profession a service with the 4th edition of their valuable wee book (*The New Zealand Macroeconomy: A Briefing on the Reforms and their Legacy*, Oxford University Press, 2001). Since the 1st edition in 1991 I have always kept a copy at hand – and already this latest edition is well thumbed. For a quick check on the data of 84 key variables mostly from 1960-2000 there is not a more convenient source. Whether it is still too early to assess the legacy of the reforms is something the reader will have to judge and time will tell.

¹ Matthew Ryan (2002) “Mathematicians as Great Economists: John Forbes Nash Jr” *Agenda* 9:2 121-134.

(cont...)

One of the most controversial books of late seems to have been by the Danish statistician Bjorn Lomborg: *The Skeptical Environmentalist: Measuring the Real State of the World* (Cambridge: Cambridge University Press, 2001). The title reveals all: if we take the trouble to rely on the statistical evidence rather than scientific anecdote, then we would discover that the story that the world's resources are running out and the environment abused and neglected, needs to be seriously discounted. From the Club of Rome to Al Gore, popular opinion has been lead to accept the appalling degradation of the environment by greedy capitalists (the fact that much of the most serious damage was done by socialist governments seems to escape the migratory hordes of anti-globalisation protesters). So here we have a good news story: most indicators of environmental health are improving not falling. Let's hope so – it's a compelling story.

Of indices and rankings: From the bottom half of the OECD to the top of the world

By Hans-Jürgen Engelbrecht (H.Engelbrecht@massey.ac.nz)

The aim to get New Zealand (NZ) back into the top half of the OECD, which was the theme of the recent NZ Association of Economists' conference, is immensely laudable, urgent and ambitious. Comparing the relative performance of NZ in terms of GDP per capita to that of other OECD economies does provide a wake-up call. The latest figures available on the OECD website list NZ's per capita income in the year 2000 as US\$ 13,300 based on current (i.e. nominal) exchange rates, and US\$ 20,300 on a purchasing power parities basis.¹ Despite the large difference between the two figures, using purchasing power parities only increases NZ's ranking from place 21 to 20. By comparison, Australia's ranking improves from 18th to 11th place.

It is well known that GDP per capita is not necessarily a good measure of economic (or other) well-being. However, the focus here is not on the usually perceived shortcomings of GDP, but on measures that might be more appropriate for a knowledge-based economy. The peculiar features of such an economy, in particular the importance of intangible capital in all its forms (knowledge capital, human capital, social capital, organisational capital etc.), make it more of an 'unknown economy',² though major efforts are being undertaken to improve the measurement of such capital, as well as of intangible capital flows and innovation.³

To overcome these problems, an increasing number of composite indices have been developed in

recent years that try to capture some essential quality of the knowledge-based economy too difficult to capture by a single variable. My objective is to briefly introduce readers to some of the major composite indices that are used to rank broad groups of economies, and to comment on NZ's ranking. A detailed critique of the indices is beyond the scope of this note.

Information Society Index (ISI)

This index, published by World Times/IDC, is an example of a composite index developed by a commercial research company.⁴ It is advertised as the world's first measure of 55 nations' abilities to participate in the information revolution and the digital society. In its fifth instalment in 2001, the ISI is made up of 23 variables (six computer, eight information, four Internet and five social infrastructure variables). Countries are divided into four categories, in descending order of ability to take advantage of the information and digital revolution (skaters, striders, sprinters, strollers). NZ ranks in 16th place, highest in the second group, but ahead of some countries that rank above it in terms of purchasing power adjusted GDP per capita (i.e. Ireland, Belgium, Italy, France).

As is common with commercially produced indices, the methodology underlying the ISI is not freely available and has changed over time. It is, therefore, difficult to assess the reliability of the index. The detailed reports accompanying the ISI are sold at hefty prices to governments and global companies. Fortunately, researchers affiliated with international organisations or universities are increasingly producing similar indices. More often than not they are available free of charge or at low cost, with well-documented methodologies. Two such recently developed composite indices are introduced next.

Technology Achievement Index (TAI)

The TAI is contained in the latest Human Development Report, which argues for a new

¹ See <http://www.oecd.org/pdf/M00018000/M00018518.pdf>

² For a brief introduction to knowledge economy issues, see my note 'Catching the wave? A hitchhiker's guide to the knowledge economy', *Asymmetric Information*, Issue No. 12, November 2001, pp. 5-7.

³ For further information see, for example, my article 'Statistics for the information age', *Information Economics and Policy*, Vol. 13, No. 3, September 2001, pp. 339-349, and OECD, 'Special Issue on New Science and Technology Indicators', *STI Review*, No. 27, available at: http://www.sourceoecd.org/content/templates/co/co_main_periodical.s.htm?comm=stirevie

⁴ See <http://www.worldpaper.com>

partnership between technology and human development on a global scale appropriate for the 'network age'.⁵ It is the latest of a number of composite indices published in the Report to capture major aspects of the complex dimensions of development. These include the better-known Human Development Index (HDI), as well as the Human Poverty Index (HPI), the Gender-Related Development Index (GDI), and the Gender Empowerment Measure. The interested reader is referred to the 2001 Human Development Report for further details.⁶

The TAI aims to measure a country's achievements (in contrast to potential) in participating in the technological innovations of the network age, and to help policy-makers define technology strategies. It is constructed from eight indices: 1. Patents granted per capita, 2. receipts of royalty and license fees from abroad per capita (1&2 proxy technology creation); 3. Internet hosts per capita, 4. high- and medium-technology exports as a share of all exports (3&4 proxy the diffusion of recent innovations); 5. telephones per capita, 6. electricity consumption per capita (5&6 proxy the diffusion of old innovations); 7. mean years of schooling and 8. gross enrolment ratio at tertiary level in science, mathematics and engineering (7&8 proxy human skills). All indices making up the TAI are given equal weight.

The 72 countries for which the TAI is calculated are divided into four groups: leaders, potential leaders, dynamic adopters and marginalized. Many other countries for which only part of the TAI could be measured are listed in a fifth group 'others'. NZ ranks 15th among the group of leaders, which are assumed to be at the cutting edge of technological innovation. It is ranked above Austria, Italy, and France, which rank above it in terms of GDP per capita. The data limitations inherent in the development of the TAI are acknowledged. The index is likely to be improved over time as better data for the indices making up the TAI, and data for additional variables, become available.

Networked Readiness Index (NRI)

The NRI was developed by the Center for International Development at Harvard University for the World Economic Forum Report. It assesses the preparedness and potential of 75 countries to

participate in the 'networked world'.⁷ As such it is potentially of more interest for trying to forecast a country's future ranking than is the TAI. The authors plan to extend the coverage of the index across more countries and to build up time-series data to enable the assessment of trends in future editions.

The two major components of the NRI, i.e. the Network Use component index and the Enabling Factors component index, are weighted equally. They are built up from a total of 65 variables, which consist of a variety of 'hard' and 'soft' variables for which data are available from international agencies and business organizations, as well as variables constructed from questionnaire responses to the global executive opinion survey of more than 4,500 businesses and government leaders undertaken by Harvard University and the World Economic Forum.

The five major sub-components of the Network Use Index are Internet users per hundred inhabitants, cellular subscribers per hundred inhabitants, Internet users per host, percentage of computers connected to the Internet, availability of public access to the Internet. All other 60 variables combined only have the same weight in the NRI as these five. The Enabling Factors include network access variables (information infrastructure and hardware, software, and support), network policy variables (ICT policy, business and economic environment), networked society variables (networked learning, ICT opportunities, social capital) and networked economy variables (e-commerce, e-government, general infrastructure). The methodology and weighting of variables are well documented, and a variety of data problems are pointed out.

NZ ranks in 11th place on the NRI, surprisingly high compared to its GDP per capita ranking. In fact, it ranks ahead of a large number of OECD countries usually regarded as being in the 'top half of the OECD', or at least with GDP's per capita above that of NZ, i.e. Switzerland, Canada, Australia, Ireland, Belgium, Germany, Japan, France and Italy.

However, the rankings of the major sub-indices making up the NRI reveal that NZ does much better in terms of network use than in terms of enabling factors (for the latter, it only ranks 21st. NZ ranks particularly low on the Networked Society sub-

⁵ United Nations (2001), *Human Development Report 2001: Making New Technologies Work For Human Development*, Oxford University Press, New York and Oxford. Available at: <http://www.undp.org/hdr2001/>

⁶ NZ's HDI and GDI rankings are not very different compared to its GDP per capita ranking, and HPI is not calculated for NZ. However, NZ does rank a lot higher in terms of gender empowerment, i.e. in 6th place.

⁷ See Kirkman, Geoffrey, Cornelius, Peter, Sachs, Jeffrey and Klaus Schwab (eds.), *Global Information Technology Report 2001-2002: Readiness for the Networked World, a World Economic Forum Report published by Oxford University Press, March 2002. The chapter on the NRI index is available at: http://www.cid.harvard.edu/cr/pdf/gitrr2002_ch02.pdf*

index (27th) and the Networked Economy sub-index (24th). Disaggregating even further, it can be seen that NZ ranks very low in terms of ICT Opportunities (47th) and E-Commerce (27th). The former sub-index is made up of survey data on brain drain of IT-skilled workers and scientists and engineers. These data are known to be quite sensitive to the business cycle and government policies, suggesting a possible lever to increase NZ's overall NRI ranking. The low E-Commerce ranking seems to be in line with other recent findings.⁸

Total Entrepreneurial Activity Index (TEA)

The last index to be discussed represents a somewhat different approach to that of composite indices, but it is also used in an attempt to capture a major aspect of the knowledge-based economy. The TEA is an outcome of the Global Entrepreneurship Monitor (GEM) Program initiated in 1997 by Babson College and the London Business School, which produces what are probably the most comprehensive inter-country comparisons of entrepreneurship. NZ was included for the first time in the latest, i.e. 2001, report, which compares a total of 29 countries.⁹ The GEM NZ project team is based at the NZ Centre for Innovation & Entrepreneurship of UNITEC in Auckland.

The TEA is calculated as the number per every 100 adult individuals who are trying to start a new firm or are the owner/manager of an active business less than 42 months old. This is seen as a measure of a country's entrepreneurial activity. Instead of aggregating the index from a large number of other possible innovation indices, it is argued that the TEA is highly correlated with many of these (see the 2000 Executive Report), and the conditions determining entrepreneurship in a country are discussed, but not combined in an overall metric.

To obtain the data necessary to construct the TEA, a survey of 2000 adults was conducted in NZ to measure entrepreneurial behaviour and attitudes. The same methodology was used in each of the participating countries. Other data sources used in the GEM reports, but not in the construction of the TEA, are detailed face-to-face interviews with local

experts (entrepreneurs, educators, politicians, and business people), as well as a variety of national economic data.

The TEA can be seen as another index of a country's potential for future growth in the global knowledge-based economy. NZ appears to be one of the most entrepreneurial countries in the world, sharing the top spot with Mexico. NZ has the highest rate of 'opportunity entrepreneurship' of all the countries included in the study. This is defined as people spotting a business opportunity and going after it. Entrepreneurs that create self-employment in response to job loss or redundancy are called 'necessity entrepreneurs'.

However, to put it somewhat mischievously, one may argue that the TEA shows how we can be top of the world (and create great newspaper headlines) if we just try hard enough to find a suitable indicator! I would argue that the TEA leaves out many facets normally associated with entrepreneurship, for example the rate of new innovations, i.e. it seems at best a partial measure. This view is strengthened when one considers the statement from the NZ country report that aspirations of most Kiwi entrepreneurs are modest and their aims low, with half of them trying to start small businesses in the inward-looking service industry focussed on the Auckland market.

Concluding remarks

To sum up, given the current shortcomings of many of the sub-indices making up the composite indices discussed above, and the poor measurement of concepts relevant to the knowledge-based economy (e.g. intangible capital, knowledge spillovers, innovation, entrepreneurship), one may be justifiably sceptical, if not somewhat cynical, about such efforts. It seems fair to say that such indices usually provide a false sense of precision, even in cases where the methodology is well documented.

However, there can be little doubt that composite indices will remain a fertile area of research in the foreseeable future, and that their continual development and improvement will help private and public sector decision makers in the global knowledge-based economy. In the case of NZ, it seems that many of the composite indices measuring actual achievement are similarly ranked to GDP per capita. On the brighter side, NZ's preparedness and potential to participate in the networked world seems way above its GDP per capita ranking.

⁸ See Statistics New Zealand (2002), *Information Technology Use in New Zealand 2001*, Wellington, May (available from: <http://www.stats.govt.nz/>), and the publications listed on the ICT Research Site of Waikato Management School (<http://www.mnngt.waikato.ac.nz/ict/>).

⁹ Reynolds, Paul, Camp, Michael, Bygrave, William, Erko, Autio and Michael Hay, *Global Entrepreneurship Monitor 2001 Executive Report*, available at: <http://www.gemconsortium.org/>. Some of the country reports, including the NZ one written by Howard Frederick and Peter Carswell, are also available from the website.

A Web Page for Economists (and Others) by Stuart Birks

All too often people hold strange beliefs about the past. My own preference is to look at primary historical sources (i.e. documents from the time) to get some feel for attitudes and experiences. Frequently this reveals descriptions that don't match current assertions about those times.

The National Library now has a treasure trove of information in its **"Papers Past"** on-line collection. This consists of 19th Century New Zealand newspapers. It already contains over 400,000 pages and is still growing.

It can be found at: <http://paperspast.natlib.govt.nz>

Pages are in jpeg files, so you cannot do a text search. You will find lots of interesting items simply by browsing, though. Go to "Getting started" to learn about the software it uses. It is very easy, and does not have to be purchased. You can print out a "Viewer quick reference guide" to find your way round it. Once you have this general information, just go to "Browse publications", select a publication and choose an issue to view. Pages do take a short time to download if you are using a modem, so be patient.

To give you some idea what to find, here is a selection of extracts from 125 years ago:

Here is something worth bearing in mind after our conference, (the *Otago Witness*, 14 July 1877, p.3): *Dr W. M. Taylor, in a lecture to the Yale students, said that the clamour for brevity in sermons is a bad omen for the churches. "No great theme," he said, "can be treated in 15 minutes."*

From the days when women were a minority in tertiary education, the same page also revealed the following:

"The directors of the Royal Free Hospital of London have formally invited the students of the School of Medicine for Women to attend instructions in clinical practice."

"At the Royal Institution, London, recently, the lectures on the human form, illustrated by anatomical details and diagrams, were attended by audiences wherein the ladies were in a majority."

"The decision just made by the Senate of the University of London to admit women to the medical degrees is one of considerable importance."

While on the topic of health, the papers are full of advertisements and testimonials, often relating to natural remedies. And perhaps some girls could do anything even then:

"Among the newspaper reporters in the French Senate is a young lady, aged about 20 years."

...and I thought that a baker's dozen was always 13: *"The Castlemaine bakers have decided not to raise the price of bread, but to reduce "the baker's dozen" to the storekeepers from fourteen to thirteen loaves."*

Still 125 years ago, here are some extracts from the *Nelson Evening Mail*, 14 July 1877, p.2. First, for the anti-smoking enthusiast:

"I read in a home paper the other day:-'The French Society for suppressing the abuse of tobacco has prepared a petition, to be presented to Parliament, asking them to prohibit youths under sixteen from using the weed in public places.' If such a society with such an object in view were to start in Nelson, they would, if they performed the duties they had undertaken thoroughly, work themselves to death in a fortnight. If they confined themselves to endeavouring the habit of smoking in children under 10, they might possibly last a month, but not much longer, for the work would even then be too great for human endurance. I speak from personal observation."

And would we see a story reported like this today?

AUCKLAND, Friday

At a meeting of the creditors of S. Meyers and Co., the liabilities were shown to be 18,000 pounds and the assets 9,000 pounds. It was resolved that the estate should be liquidated in the Bankruptcy Court. There is much sympathy for the bankrupt in consequence of the heavy business losses shown by the statement.

Somewhat closer to the present, for those seeking quantitative information, page 9 of the *Otago Witness*, 5 March 1881, reported that the total reserve in gold and bullion at the Bank of England was 17,375,000 pounds.

And of some historical significance, but receiving minor praise from the *New Zealand Observer*, 5 March 1881, p.7:

Honour to whom honour is due. Last week I gave my meed of praise to the Hon. Robert Campbell for the purpose attributed to him in the Southern papers of making an experimental shipment of frozen food to England. I find by later intelligence that Mr. Campbell does not intend to do this at his own expense solely. He is promoting a company for the purpose. I wish the company all success. It would have been gratifying to find one great capitalist taking the beneficent work on his own shoulders, but I am content, though in a minor way,

to see him taking an active part in promoting his own interest, with which, in the present case, is certainly coupled [with] the interest of the Colony.

And a pot-pourri on p5:

-In presenting their annual report the other day, the directors of the Columbia Goldmining Company recommended the shareholders to pay their 100 pounds for their services out of the first gold returns. The shareholders did not see the matter in the same light, and refused to accede to the request, one of them remarking that they could easily get the same quantity of brains for nothing.

-I find that four other young ladies besides Miss Helen Simpson, passed the recent matriculation examination. Their names are...The first and last named are said to be very clever girls and will doubtless make a noise in the student world ere long.

-The newly formed Auckland Society of Arts is a capital idea, and well deserves to succeed. I think though that funds should be set aside for the purpose of purchasing models and copies of work by the great masters, so as to ensure that the art practised shall be sound art. The thing that strikes me in most of the works of the local artists is their pettiness and poverty of design. They seem to know nothing and to have seen nothing.

-There was an exciting race between two cabs returning from the cricket match. Both were open. The one in front contained two ladies, whose names are not mentioned in polite society. The second one, which was in hot pursuit, contained a number of our most respected citizens. The latter say that the race resulted from a row between the cabbies, and of course, I don't like to doubt their statement

Those with an interest in trade protection should note the item, "Farmers and Protection Again", on page 4 of the April 20, 1888 edition of *The Mataura Ensign* (not what you might expect), and the soap advertisement in the first column of the same page.

There is another National Library online collection, "Timeframes" at: <http://timeframes1.natlib.govt.nz/> For those of you who believe that men have kept women down, see the page in the collection from a National Party 1949 election pamphlet at: <http://timeframes1.natlib.govt.nz/nlnz-get-info?Action=Info&RefNum=Eph-A-NZ-NATIONAL-PARTY-1949-01-03> (click on the thumbnail for a larger picture) Or, to save you time, note the description: "This is HER election too! Women will protest ... Wives obliged to work. Safeguard family life with better value for money."

And while on things from the past.....

A challenge for your students - can they find errors in logic in the following?

***Free-trade**, n. The unrestricted interchange of commodities between nations - not, it must be observed, between states or provinces of the same nation. That is an entirely different thing, so we are assured by those who oppose free-trade, although wherein the difference consists is not altogether clear to anybody else. To all but those with the better light it seems that what is sauce for the goose is sauce for any part of the goose, and if a number of states are profited by exclusion of foreign products, each would be benefited (and therefore all prosper) by exclusion of the products of the others. To these benighted persons, too, it appears that if high duties on imports are beneficial, their absolute exclusion by law would be more beneficial; and that the former commercial isolation of Japan and China must have been productive of the happiest results to their logical inhabitants, with the courage of their opinions. What defect the Protectionist sees in that system he has never had the goodness to explain - not even their great chief, the unspeakable scoundrel whose ingenious malevolence invented that peerless villainy the custom house.*

From: Ambrose Bierce (1971) *The Enlarged Devil's Dictionary*, Penguin

Snail-breeding is never likely to catch on as a high action sport. Yet when compared to the unwieldy courtship currently underway among trade negotiators in Geneva, the nocturnal liaisons of snails and other dual-sexed organisms seems both comparatively pacey and an apt metaphor.

Hermaphrodites have all the equipment they need to do the business. Yet without each other there can be no issue. Negotiators in Geneva find themselves in a similar position: they began the courtship of the “Doha Round” of the World Trade Organisation in the Qatari capital last November. Now they are limbering up for an all-in embrace that will last for *at least* the next two-and-a-half years. The aim is to produce a settlement that WTO members hope will make the international trading environment more predictable and more open than at any time before.

Precisely because New Zealand is one of the countries that has suffered most from protection against our agriculture exports we stand to make significant gains if we get those barriers rolled back. It won't be easy because the protectionist forces that put those barriers in place to begin with are still around. But we have everything to gain from making the effort.

What we got last time

Detailed research by the Ministry of Foreign Affairs and Trade conservatively puts the gains from the Uruguay Round, completed in 1994, at \$525 million a year since then - \$400 million of that on agricultural goods. (Note:1) The figure, roughly equivalent in value to a year's kiwifruit exports, is conservative because it includes only the gains from lower duties – and doesn't take account of new members, such as China and Taiwan, nor countries that have preferential trade agreements with New Zealand, like Australia. The estimated gains take no account of the dynamic effects of turning on the trade tap where it was previously capped or rusted.

The research also fails to take into account gains from increased access for our services exports.

So the potential benefits of a successful Round are huge. But the costs of doing nothing more to liberalise trade are huge, too. The tariffs our exports face continue to stifle the economy. The MFAT analysis calculates that deadweight cost on agricultural exports – again, without taking into account dynamic effects - at \$750 million. That does not factor in the destructive effect on our exports of the array of non-tariff barriers, such as spurious standards or labelling requirements that are often used as a fall-back by countries forced to lower conventional hurdles to imports. These are squarely in the sights of New Zealand's negotiators.

New challenges

For New Zealand, a major focus is inevitably agriculture – not only because it accounts for half of our exports, but because the potential pay-offs are enormous. Agriculture remains the bastion of protectionism around the world. For example, dairy – our leading export sector – faces tariffs as high as 1000 percent in Japan. To cite another example, the affluent EU allows us to export just 300 tonnes of beef a year to that market of 380 million consumers.

Australian research estimates that even a modest reduction in tariffs – similar to the 36 percent achieved in the Uruguay Round – coupled with reductions in government support, would deliver us well over half a billion dollars in welfare gains each year. (Note 2.)

But tariffs represent just one of three fronts we're fighting on. Another is against the export subsidies a handful mostly of developed countries pay to their farmers. These subsidies undercut otherwise-competitive New Zealand products that have won markets on their merits and without subsidies. Again, the possible gains from reform are significant: the Australian Bureau of Agricultural and Resource Economics has estimated New Zealand would reap an extra \$630 million if the volume of dairy exports using export subsidies were to be halved. (Note 2a.)

A third front is trying to combat the domestic support for production and trade handed out to farmers by governments – again, mostly in developed countries. This is not pocket money: at US\$1 billion a day, subsidies to agriculture in high-income countries are equivalent to giving away the entire New Zealand economy every couple of months.

Development Agenda

And the so-called “Development Agenda”? The bill for agricultural subsidies paid to OECD farmers amounts to six times the total foreign aid those countries give to poorer nations. At the same time the richer

nations keep much of their own markets closed to the developing world – and New Zealand – and thus block the route to economic development through trade.

Little wonder, then, that the developing world – which now makes up more than two-thirds of the WTO's membership – has pushed so hard for the negotiations launched at Doha to be a genuine 'Development Round.'

The Doha Agenda mentions development related commitments under virtually every issue. This includes providing technical advice on managing the WTO process and related negotiations, thus helping to equip poorer countries to take full advantage of the new trade opportunities that will come through the Doha Round.

New Zealand endorses the development of appropriate "special and differential" measures to help the transition of developing countries into the WTO mainstream, and we want to extend technical assistance. But we believe the best assistance is to reduce the current distortions and barriers in the world trading system as quickly as possible – just as New Zealand already offers tariff-free access to imports from least-developed countries and the South Pacific.

Fishing with friends

In other areas, the Development Agenda amounts to mutual self-interest for New Zealand. Our campaign to eliminate subsidies on fishing involved teaming up with Switzerland - admittedly an unlikely sidekick on things pelagic. This so-called "Friends of Fish" lobby within the WTO succeeded in putting the proposal to eliminate fish subsidies - particularly those paid to European fleets - squarely on the Doha Agenda.

Subsidies lead to our fish exports being displaced by products priced artificially cheaply. There would be benefits on three levels from reducing these subsidies. Firstly, it makes economic sense: the incomes of all fish suppliers would be determined by the full market price. Secondly, the elimination of subsidies would benefit unsubsidised fishing communities in poorer countries – a development gain. Thirdly, it would further the environmental goal of sustaining the world's fisheries, by reducing the incentives to over-fish.

Non-agricultural goals

Under the WTO fish come under the "non-agricultural" sector of these negotiations, as do wood products. The improved access for wood products sought by New Zealand and other exporters would open the door to many items currently banned, or taxed prohibitively by tariffs and other levies in many markets. Negotiations will also cover a host of "non-tariff measures" such as standards and building codes.

Exports of forest products are prone to "tariff escalation" – whereby tariffs grow progressively steeper as value is added to the product. This helps lock exporting countries into commodity production. An example of tariff escalation - and what is achievable through the WTO - is provided by China, which became a new member last year. As a condition of joining, China will lower its tariffs on wood panelling from between 15 percent and 17 percent now, to between four percent and eight percent in 2004.

The challenge for New Zealand in the non-agricultural negotiations is to reduce tariffs across the WTO membership, and to smooth down some of the tariff peaks and escalating tariffs that effectively make our exports in some key markets unviable.

Services

With New Zealand's sales of services to foreigners growing faster than our merchandise exports – 55 percent versus 50 percent since 1997 – we have much at stake in the General Agreement on Trade in Services. New Zealand submitted detailed lists to our 24 leading trading partners at the end of June, outlining where we seek better opportunities to grow those earnings still further. Topping the services request lists are:

- Business services, such as legal services, engineering, architecture and consulting;
- Communications, including postal and courier and audio-visual services;
- Construction and related engineering;
- Education;
- Environmental services;
- Tourism;
- Recreation, culture and sporting services;
- Transport.

Obstacles to New Zealanders' success in these sectors range from prescriptive business regulations, equity caps and other limits on foreign investment, restrictions on who can work in certain sectors and refusal to recognise New Zealand qualifications.

New Zealand is well placed to capitalise on any new opportunities that arise from the GATS negotiations. We have moved well ahead of most of the world in opening our own services markets and – having reached or set international benchmarks – would have the inside track going into newly-opened markets elsewhere.

A cheese by any other name...

We may, however, be in for a testing time on another front – intellectual property. The EU wants to extend the locality-based restrictions on what some products can be called, much as France has done already by confining the labelling of “Champagne” to bubbly bottled in that region. Parma ham and Parmesan cheese are examples of product names the EU believes should be confined to the eponymous city of origin. New Zealand is in the thick of the charge against the EU’s “geographical indications” gambit. Similarly, the EU’s efforts to foist their wine labelling requirements on New Zealand and other “new world” producers could have serious implications for our \$132 million wine export trade to Europe, if the EU proposal gets legs.

In the meantime we need to get a clearer picture of how New Zealand might gain from the Doha Round. New Zealand research is currently thin, and outside of government it is not always targeted as well as it could be at our specific circumstances. There may be modest funding available to encourage trade-related research.

To explore this further, contact:

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Or the author at: stephen.harris@mfat.govt.nz

Stephen Harris is MFAT’s Trade Policy Liaison Adviser.

Notes:

1: Ministry of Foreign Affairs and Trade, *The Uruguay Round: Significance for New Zealand’s Merchandise Exports with an Emphasis on the Analysis of Tariff Reductions*, Wellington, 2002.

2: Australian Bureau of Agricultural and Resource Economics, *Reforming World Agricultural Trade Policies*, Canberra, 1999.

2a: ABARE, *Impacts of Liberalising World Trade in Dairy Products*, Canberra, 2001.

Evaluation yet again... (compiled by Stuart Birks)

In the past, some very poor decisions have been made. The following is from page 4 of *The Mataura Ensign* of April 20, 1888 on the Premier’s tour around New Zealand:

Another point that he has made deputations remember is that the Harbor Boards have nearly got to the end of their tether. They have borrowed by the hundred thousand; they have provided accommodation for the ships that never come and for the trade that does not exist. They have built breakwaters to contend with drifts of shingle that can no more be checked than the tide; they have enclosed basins to be filled with sand; they have attempted to dredge the ever flowing silt of great rivers; they have filled up the tidal space that was necessary to provide scour to keep the bar open; they have built docks fifty years in advance of the necessities of the colony simply because other ports have done so; they have taxed whole communities to do works which would compete with the railway for which the community was also taxed; they have sold reserves and squandered money to give labor to make some local party or politician popular; and in short, what they have done that they ought to have done and what they have left undone that they should not have done [sic]! But their game is nearly played out. The number of taxing and squandering bodies is not to be indefinitely increased. If the merchant wants a port in his back yard he is no longer to make the community pay for digging it.

Thankfully, things are not so bad today. Michael Wilson authored a piece in the *New York Times* of 11 July 2002 at: <http://www.nytimes.com/2002/07/11/national/11MEGA.html>, “Study finds steady overruns in public projects”. To quote: “Cost overruns for large public works projects have stayed largely constant for most of the last century, according to a study of 258 projects published this week in *The Journal of the American Planning Association*.” The study¹ found that cost overruns averaged 28 percent, and estimates are no more accurate now than 90 years ago. ...*The Channel tunnel between England and France came in 80 percent over budget...The study was undertaken by Professor Flyvbjerg. "Either the people who do the budgets are incredibly stupid, but this is highly unlikely," he added. "The other possibility is they manipulated the budgets to make sure the projects are approved." The study, though, found little incentive for change.*

So where are the greatest gains to be made – through fine tuning the techniques, or through tightening up on the fundamentals? And can economists ignore political factors?

¹ Flyvbjerg B, Holm M S, and Buhl S (2002) “Underestimating costs in public works projects: error or lie?” *Journal of the American Planning Association*, Summer, v68 i3, pp.279-296

LABOUR, EMPLOYMENT AND WORK IN NEW ZEALAND.
A REPORT ON THE 'LEW' CONFERENCES, by Philip S. Morrison (Philip.Morrison@vuw.ac.nz)

Every two years since 1984 students of labour, employment and work (LEW) in New Zealand have gathered in Wellington for a two-day conference, dinner and wine. Their aim has been to monitor the progress this country is making in providing paid work for its citizens. Researchers – labour economists, industrial /human relations specialists, economic geographers, sociologists and many others – share their ideas and research with each other, policy makers, practitioners and successively new cohorts of young graduates who play musical chairs on the 'labour' desks of government departments. **The 10th of these biennial conferences is to be held this coming November at the downtown campus of Victoria University of Wellington.** Full details on the conference web site: <http://www.geo.vuw.ac.nz/conferences/lew10/>

Since the fifth conference in 1992 full proceedings have been published and are lodged in most of the major public and university libraries. [If your library has missing copies let me know - proceedings from the 7th through 9th conference are still available]. Each volume of proceedings contains about 35 papers. Some subsequently see the light of day in professional journals or government reports. For most however, the proceedings is their only public appearance. The contents of each conference can be viewed on the conference web site (see menu item 12, *Proceedings for sale*).

For those who did not make the last conference in November 2000 here is a brief overview. For those wishing to present at this year's conference please see the '**Call for Papers**' at the end of this article.

Report on the Ninth LEW Conference, November 2000

Each new conference in this series produces research which advances the field, often in unexpected directions. The ninth conference began by focussing our attention on two rapidly growing areas of labour market research: the dynamics of the labour market and its geography. Interest by New Zealand researchers in both these areas has largely been stimulated by the policy direction of the present Labour government. Their research has been greatly facilitated by developments in data collection and computer software: the study of the dynamics by the release of panel data and longitudinal surveys, and the study of the geography by developments in Geographic Information Systems (GIS). In both areas the research has been driven by the need to move beyond analysis of the labour market in general, and to tackle the experiences of *particular* cohorts of individuals and *particular* local labour markets. Both have become important for putting in place policy initiatives that are increasingly sensitive to client and community needs.

While research on labour market dynamics and geography was a significant feature of the ninth conference, our understanding of labour, employment and work was advanced in other directions as well. The experience of women in the labour force, the role of community institutions in employment generation, the potential impacts of aging on the labour market and, for the first time in the LEW series, the employment experience of Pacific Island peoples in New Zealand. Notable also was the attention paid to health and safety issues, particularly those associated with work stress and mental health. Managing the work force continues to be a major research area, and in this conference papers addressed topics ranging from problems in small businesses through to corporate behaviour, including the public sector's own attempts to evaluate their employment programs.

There is little doubt that, under the present Labour government, research within government departments is not only being expanded in terms of staff and resources but is also being placed on a more professional footing. This has been accompanied by widespread dissemination of working papers through the internet which allows researchers outside government much greater involvement in contemporary in-house debates. This welcome development is increasingly being reciprocated as more university research becomes available online. The result is a growing complementarity across the various research environments: the academy, private research institutions, government, and individuals.

CALL FOR PAPERS

TENTH CONFERENCE ON LABOUR, EMPLOYMENT AND WORK

The tenth in this series of biennial two day conferences will be held at **Victoria University of Wellington's Downtown Campus** on Thursday November 21st and Friday November 22nd, 2002.

The first of these national conferences on Labour, Employment and Work was held in May 1984 and since then the conference has become established as the leading labour market research conference in New Zealand. The aim continues to be to offer researchers from throughout the country an opportunity to meet and discuss their research. Proceedings of the fifth, sixth, seventh, eighth and ninth conferences may be consulted in major public and university libraries. Proceedings of the seventh, eighth and ninth conferences may be ordered through our website – (see below).

Papers are invited from any university discipline, CRI or other public or private organisation or individual undertaking research. The only criterion is that the paper reflect the author's current or recently completed research on labour, employment or work issues in New Zealand. Proceedings will be published.

Special Sessions: * **Impact of the Employment Relations Act 2000** * * **The Future of Work in New Zealand** * * **Regional Issues** * * **New Employment Institutions** *

The contribution by graduate students has been a feature in recent years and we would like to continue to encourage their participation.

These conferences are organised jointly by the Industrial Relations Centre and the Institute of Geography, Victoria University of Wellington. For further information, please contact:

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Web site: <http://www.geo.vuw.ac.nz/conferences/lew10/index.html>

CALL FOR PAPERS (LEW10)

I would like to present a paper

Date: _____

Name: _____

Organisation/affiliation*: _____

*If graduate student please indicate degree enrolled in and year (e.g. 1st, 2nd..)

Address: _____

Phone: _____ E-mail: _____ Fax: _____

Title of Paper (approximate) _____

Please send me a copy of the Proceedings of the 9th Conference (\$50 for registered participants; \$76 for others) _____

Please send me a copy of the Proceedings of the 8th Conference (\$20) _____

Please send me a copy of the Proceedings of the 7th Conference (\$10) _____

* All prices include GST + postage and handling.

Weshah Razzak interviews Don Brash

Weshah Razzak interviewed Don Brash on March 27, 2002. The transcript is on the web at: <http://www.geocities.com/razzakw/brash.pdf>

Here are some quotes from Don Brash's responses:

When I came on 1st September 1988, I don't think that either the Bank or I had a very clear understanding of the monetary policy transmission mechanism.

...like many others, we were surprised at the speed at which inflation fell towards the end of the process. I think that most of us thought that getting inflation down from double digits to about 5 would be the relatively easy bit, but getting it below 5 would be very very difficult because of the inertia in wages and prices and so on.

Interestingly, I probably get more letters complaining when [interest] rates go down than when they go up. But it's not visible in the media. I don't get a huge number of letters in any event, but I probably get at least as many when rates are reduced as when they go up and probably somewhat more and they are from people who are often older. Sometimes elderly citizens say "look I've got savings, the Government has been trying to encourage me to save and now you reduce interest rates. That is crazy because I can't live. What's the point of saving when rates are only 4.5%."

I'm sympathetic to Rogoff's argument that governments deliberately, or should deliberately, appoint a conservative central banker.

I am absolutely convinced that low inflation is the best contribution monetary policy can make to economic growth, and to social justice.

I think that the Romer and Romer argument that if you care about social justice or social equity then you will favour low inflation is very compelling point because affluent people, and certainly people with assets, can, not only protect themselves against inflation they can also make money out of inflation. Now if they are making money out of inflation, they are making money out of it at someone else's expense, by definition, since there are no additional goods and services produced and the people they make money out of are the people who can't protect themselves against inflation. So even if I was a total softy and cared mainly about social justice and not at all about low inflation, I would want low inflation.

I think that, subject to keeping inflation under control, if one can additionally reduce the volatility of output that's a gain.

...the inflation target is symmetrical and ... we're just as keen to avoid deflation as inflation...

you can't be confident at all of delivering low volatility of four things (inflation, output, interest rate, and the exchange rate). In fact, to reduce the volatility of inflation you may need to have more volatile output...I think the Board is very strongly of the view that inflation is the key thing. They have a very hierarchical objective function, so they are nervous about 4c¹ for two reasons, one is because it makes their monitoring job more difficult, but partly they worry that I may put too much weight on output, interest rates or the exchange rate at the cost of inflation so they are watching me to see that I don't play down the importance of keeping inflation under control.

¹ Clause 4c of the Policy Targets Agreement: "c) In pursuing its price stability objective, the Bank shall implement monetary policy in a sustainable, consistent and transparent manner and shall seek to avoid unnecessary instability in output, interest rates and the exchange rate." See: <http://www.rbnz.govt.nz/news/1999/0092613.html>

research in progress...

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

... economic research at Victoria University as at July 2002.

Prepared by Stephen Burnell [stephen.burnell@vuw.ac.nz]

Dawn Bowden (Dawn.Bowden@vuw.ac.nz)

"Financial Modelling for Managers" (with Charles Rayhorn).

(Global) Financial Markets and Maths (in conjunction with the UK Association of Corporate Treasurers).

Roger Bowden (Roger.Bowden@vuw.ac.nz)

(a) Ordered Mean Difference. This is a body of theory and associated techniques that are concerned with utility theory, portfolio design, performance measurement, and stochastic dominance. The VUW originated paper was in the Journal of Empirical Finance 2000 and current work extends this to wider contexts. VUW and overseas follow up research has shown that OMD techniques can be used to solve for the stochastic dominant portfolio set, a long standing and hitherto unresolved problem in Finance. Other papers are concerned with using it to test CAPM and market equilibrium models, the herd effect, and other issues in the theory and practice of investments, capital markets and risk management. A less technical paper exposing the techniques and their practical application for wider industry audiences is in preparation.

(b) Exchange rates, with special reference to the NZD. This is a continuing programme, beginning with the Y2000 Common Currency study. More recent work has explored the relationship of the real exchange rate with asset prices, following on from the Y2001 VUW workshop in foreign exchange. The object is to improve the poor predictive performance of standard macroeconomic models.

(c) Macroeconomics and Finance. This is an umbrella programme that researches the interface between the two disciplines. It has proved fruitful in generating data and insights for the VIAF coursework in the area.

Stephen Burnell (Stephen.Burnell@vuw.ac.nz)

A theory of monopoly in the supply of currency (with Young Sik Kim)

Optimal taxation with heterogeneous agents.

Lew Evans (Lew.Evans@vuw.ac.nz)

Theoretical analyses of the structure and performance of co-operatives based on a dynamic economic model (with Graeme Guthrie)

The choice of regulating networks on the basis of historical or replacement cost (with Graeme Guthrie)

Other work includes the circumstances of tacit collusion in markets and the implications of New Zealand specific factors, whether local incorporation or branch banking is preferable in NZ, and the implications of competition law for the functioning of contracts and for dynamic efficiency (with Neil Quigley).

Analysis of the economic performance of the NZ spot electricity market.

Chirok Han (Chirok.Han@vuw.ac.nz)

Estimation of a panel data model with parametric temporal variation in individual effects with an application;

Estimation with many weakly identifying moment conditions;

On robustness of L1 GMM estimation.

Viv Hall's (Viv.Hall@vuw.ac.nz) research interests include:

business cycles and economic growth
macroeconomic and CGE modelling

monetary and fiscal policy

Viv's recent and current research (with others) involves: analysis of New Zealand's current account deficit; examining whether New Zealand's adopting the Australian dollar would provide superior monetary policy in New Zealand; and further analysis of New Zealand and Pacific Rim business cycles.

Gary Hawke (Gary.Hawke@vuw.ac.nz)

Gary Hawke is continuing research in New Zealand economic history and a number of policy issues, notable, with John Singleton and others, on the history of the Reserve Bank of New Zealand.

Judy Kavanagh (Judy.Kavanagh@vuw.ac.nz)

No-Fault Public Liability Insurance: Evidence from New Zealand. (with B. Howell and L. Marriott)

Efficiency-enhancing regulation in the New Zealand telecommunications industry: Good management or extraordinary good luck?

Mohammed Khaled

(Mohammed.Khaled@vuw.ac.nz)

"On the choice of functional form in measuring economies of scale and scope"

"On measuring cost of allocative inefficiency in the translog cost system".

Kunhong Kim (kunhong.kim@vuw.ac.nz)

Business cycle theory, Time series econometrics and its application to dynamic stochastic macroeconomic models.

"How Important is the Intermediate Input Channel in Explaining Sectoral Employment Comovement Over the Business Cycle?" (with Young Sik Kim)

"Asset Pricing Puzzles and the Business Cycle in Agency-Cost Model" (with Young Sik Kim)

"Open Economy SVAR Model of the New Zealand Economy" (with Robert A Buckle, Heather Kirkham, Nathan McLellan, and Jared Sharma)

Jacek B. Krawczyk

(Jacek.Krawczyk@vuw.ac.nz)

Why Countries with the Same Technology and Preferences Can Have Different Growth Rates (accepted for publication)

Coupled Constraint Nash Equilibria in Environmental Games (under review)

Use of Coupled Incentives to Improve Diffusion of Environment Friendly Technologies (conference paper)

Economic Coordination in an Environmental Dynamic Game (conference paper)

Jacques Poot (Jacques.Poot@vuw.ac.nz) is

currently editing two books, which are both concerned with aspects of economic geography. *The Region in the New Economy* (Ashgate) focuses on the impact of ICT, innovation and knowledge production, sustainability, and regional policy. *On the Edge of the Global Economy* (Edward Elgar) addresses the issue of peripherality in an international context and focuses on the impact of location, scale and density on long-run growth. Jacques is also doing various projects on regional labour markets, including an analysis of changing income inequality at the regional level, and spatial spillover effects. Another major project is the development of new techniques for meta-analysis in economics, with applications to earnings functions and the empirics of economic growth.

Leigh Roberts (Leigh.Roberts@vuw.ac.nz)

Slicing and reflection results for coefficients of expansions of Jack polynomials;

On the expansion of monomial symmetric functions in power sum functions;

Meta-analysis of partial effect sizes (with Stephen Keef).

John Singleton (John.Singleton@vuw.ac.nz)

The history of the RBNZ 1970-2000.

Australian Conference of Economists

*Adelaide, South Australia
30 September – 3 October 2002*

Business Symposium

*The Economic and Business Implications of the Aging Baby Boomers
4 October 2002*

<http://www.ecosoc.org.au/conf2002.html>

The annual Australian Conference of Economists is now a major event in the calendar of the profession. At the last Adelaide conference, held in 1995, there were over 500 people in attendance. This year's conference will begin on the evening of 30 September with cocktails and conclude on 3 October. There will be a business conference on 4 October.

The conference venue is the Stamford Grand Hotel at Glenelg, by the sea, at the end of Adelaide's only surviving tram line. Delegates who want to live in the hotel can do so, but there is other accommodation nearby or in the city.

There will be special segments on fiscal equalisation, microeconomic reform, the Japanese economy, water economics, wine economics, economics of electricity, trade and trade issues and islamic economics. Many other segments are still being finalised. Invited speakers will include David Card (University of California at Berkeley), Bob Nobay (London School of Economics), Edward Barbier (University of Wyoming), John Quiggin (Australian National University and Queensland University of Technology), Mervyn Lewis (University of South Australia) and Jeff Bennett (Australian National University). The business symposium will be on the theme of the economics of population aging.

We have already received several promises of financial support for the conference.

Contributed papers on all topics are being sought. Abstracts of no more than 300 words must be submitted by 30 June 2002.

More information, program updates and the registration form are on our web site - <http://www.ecosoc.org.au/conf2002.html> - please take the time to view this site OR contact the conference organisers on ecoconf@adelaide.edu.au

Australian New Zealand Society for Ecological Economics (ANZSEE) 2002 Conference - 2-4 December 2002

At: University of Technology Sydney (Broadway campus)

**Theme: Strategies into action: regional and industry policy applications
of ecologically sustainable development**

The deadline for abstracts was 28 June. Earlybird registrations have to be in by 26 July.

To find out more about the ANZSEE 2002 conference or to register, visit the conference website: <http://incres.anu.edu.au/anzsee/ANZSEE2002.html>

Email contact is Mark Diesendorf <mark@sustainabilitycentre.com.au>

...about NZAE

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

Membership fees:

full member: \$90

graduate student: \$45

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

Val Browning

Administrator, NZAE

PO Box 568

Wellington

phone: (04) 801 7139

fax: (04) 801 7106

email: economists@nzae.org.nz

EMAIL DATA BASE

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

MEMBER PROFILES

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

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

Roger Jenner (Waiariki Institute of Technology); **Nicola Chadwick** (ASB Bank Ltd); **Silupevaelei Molioo-Vaai** (National University of Samoa); **Wai Kun C. Lau** (*Malaysia*); **Carl Bakker** (The Treasury); **Dr Peter Bushnell** (The Treasury); **Vhari McWha** (NZIER); **Satish Ranchhod** (Reserve Bank of New Zealand); **Aron Gereben** (Reserve Bank of New Zealand); **Florin Vasile Citu** (Reserve Bank of New Zealand); **Andrew Whiteford** (Department of Labour); **Justin Coutts** (LECG Limited); **Mark Goodchild** (Business and Economic Research Ltd); **Stuart Shepherd** (LECG Limited); **Paul Godfrey** (The Senior College of New Zealand); **John Stacey Ballingall** (NZIER); **Carl Hansen** (M-Co New Zealand Ltd); **David Bartle** (Foundation for Research, Science & Technology); **Peter Morten** (Foundation for Research, Science & Technology); **David Giles** (University of Victoria, *Canada*); **Mark Blackmore** (The Treasury); **Adam Podmore** (NZ Trade Development Board).

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