

NEW ZEALAND ASSOCIATION OF ECONOMISTS (INC.)
P.O. BOX 568, WELLINGTON, NEW ZEALAND

Issue no. 17

July 2003

ASymmetric information

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

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Orders...

EDITORIAL

"The old order changeth, yielding place to the new", ("Lest one good custom should corrupt the world").¹

The Association now has a new council, following the AGM at the conference. There are some old faces and some new. They are - President: Weshah Razzak; Immediate Past President: Caroline Saunders; Vice President: Grant Scobie; Treasurer: Dawn Gorman; Secretary-Manager: Val Browning; Editor, NZEP: Tim Hazledine; *Committee*: Stuart Birks; Paul Dalziel; Mary Hedges; Ralph Lattimore; Donna Petry; Frank Scrimgeour; John Yeabsley.

AI would like to encourage younger members in particular to be active in the Association, especially by competing for space in this publication.

¹ <http://tennysonpoetry.home.att.net/mort.htm>

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.

GDP revisited *by Stuart Birks*

Marilyn Waring has been outspoken in her criticism of national accounting for ignoring unpaid work. In her acclaimed book, *Counting for Nothing*, she suggested that a Canadian housewife does 96 hours of unpaid work per week of "slave labour" (pp. 100-103).

Quite apart from the hours being much higher than those indicated by Statistics Canada¹, she fails to observe that national accounts omit both the effort put in and the output from that work². For example, not only do we not include time spent cooking, but we also ignore meals produced. As such, the omission is, in a sense, balanced.

In contrast, figures such as GDP include the results of paid work, but take no account of the effort required. Similarly, they include the returns to capital, but do not measure the costs of deferred consumption in order to provide the capital. In other words, GDP measures benefits, but not costs. Introductory economic theory suggests that, in perfectly operating factor markets, the marginal supplier of a factor is indifferent as to whether or not to supply. In other words, the benefits just equal the costs, and there is no net gain, despite the marginal factor product and the factor price being positive.

While Waring might claim that the treatment of unpaid work simply reflects society's undervaluing of women's efforts, it could perhaps more convincingly be argued that the treatment of unpaid work is even-handed, whereas treatment of paid work, being one-sided, reflects society's disregard for men's sacrifices.

Of course, prices are a poor measure of net value. In order to consider the net benefit of activity (or inactivity) to society, surely we would need some measure of consumer and producer surpluses, or their equivalent for non-market activity and leisure.

¹ According to *A Portrait of Families in Canada* (Statistics Canada, 1993), in 1992, Canadian women with children under 5 whose main work was keeping house spent an average of 8.5 hours per day on unpaid work. This totals 59.5 hours per week.

² Unpaid work and GDP were discussed in "Output, well-being and all that...", *AI* No.7, p.6.

I visited the Hong Kong Monetary Authority from February 3 to April 3, 2003 as a Research Fellow to study deflation in Hong Kong, which is now threatening many economies in the region. I found the people, at the HKMA and HK in general, to be very nice, helpful, and quite interested in New Zealand. The Monetary Authority has a Research Institute, which is very modern and receives scholars from all over the world to conduct independent research. The list of visitors is impressive. Among them I recall Robert Mundell (Nobel prize winner 1999), William Branson, Andrew Rose, Michael Woodford, Larry Ball and many others. Also, The Hong Kong University has an impressive seminar program, where some well known economists attend. Professor Patrick Minford gave a fascinating lecture. The interaction between the university system and the HKMA is quite strong. We in New Zealand ought to look at this model. Professor Viv Hall was visiting the HK Institute for Monetary Research. We overlapped and had a good time.

Since 1998 Hong Kong has experienced over 16 quarters of deflation. Some asset prices, such as factory and office space prices, started to fall in the early 1990's, a long time before the Asian crisis. The number of firms and businesses that have moved out of Hong Kong are not readily available, but it is quite plausible that firms and businesses relocated to the Mainland because they expected future marginal costs to fall in response to Hong Kong's handover to China in 1997.

Weshah has written a paper on deflation in Hong Kong which includes some Phillips Curve estimation. Copies can be obtained from him on request. As those of you at the conference will know, he survived his stay in Hong Kong – ed.

And the winning caption is:



Feminism's fourth wave – men required to wear the veil.

This Year's Government Working/Occasional Papers, etc..

Treasury: <http://www.treasury.govt.nz/workingpapers/2003/default.asp>

Reserve Bank: http://www.rbnz.govt.nz/research/discusspapers/dp2003.html#P12_418

Department of Labour: <http://www.dol.govt.nz/dol-publications.asp>

Ministry of Social Development: <http://www.msd.govt.nz/publications/2003.html>

Ministry of Foreign Affairs and Trade: <http://www.mfat.govt.nz/pub.html>

Law and Economics by Stuart Birks

Imagine the following scenario:

An economist makes a poor investment using his own money.

Senior economists and the media then proclaim: “people should not invest on their own. They should be required to engage an economist.”

It might be more realistic to question either the quality of this economist’s reasoning, or the value of economics for determining investments.

Now imagine the following scenario:

A lawyer represents himself in court, and the case takes two weeks longer than expected.

Senior lawyers and the media then proclaim: “people should not represent themselves. They should be required to engage a lawyer.”

It might be more realistic to question either the quality of this lawyer’s legal skills, or the value of law for deliberating on issues in a timely fashion.

The scenario with the economist did not happen. The scenario with the lawyer refers to John Burrett. It seems that a judge and lawyers can, on the basis of the behaviour of a lawyer, make a case against self-representation by inexperienced people who do not know how to “play the system”.

An alternative interpretation of the case might be that lawyers can cause legal proceedings to take longer and cost more than necessary. This may not be an entirely unknown phenomenon. Sometimes this could be deliberate. At other times it could be through inappropriate behaviour. The *Weekend Herald* of 28-29 June 2003 describes the abandonment of a major trial after nine weeks due to a lawyer talking to members of the jury. Prosecution costs alone were \$250,000. Similarly, incorrect judgments could cause additional proceedings and increase costs. The *Dominion Post* of 21 June 2003 reports that the Privy Council supported an appeal by Bob Jones, stating: “the Court of Appeal ... treated as uncontradicted, evidence that was in truth very strongly contradicted”.

Rather than the Burrett case being used to challenge the behaviour of lawyers and the efficiency and quality of legal processes, we see attention being devoted only to the possible overturning of the fundamental legal right of individuals to defend themselves. If lawyers can define issues in such a way in the full gaze of the public, can we rest easy in the belief that they do a good job when not under our watchful eye?

Jim Anderton’s maths

Kevin Taylor writes in the *New Zealand Herald* of 1 July (“Sweetener for NZ filming”):

“A grant scheme aimed at big film and television productions and costing up to \$40 million in the first year has been announced by the Government. The taxpayer-funded system means film and television companies will be able to recoup 12.5 per cent of their production costs spent in New Zealand...Mr Anderton said the grant rate was the same as the GST rate”

GST is 12.5%, or one eighth, of the pre-GST price. That makes it one NINTH of the GST-inclusive price. A 12.5% rebate is one EIGHTH of the GST-inclusive price.

The Treasury Responds

AI is grateful to Kirsten Jensen of the Treasury for the following explanation of differences in reported tax revenue figures, a point raised in Issue No.16:

In response to your article in Asymmetric information titled "Maori not a burden", we would like to take you up on the offer to explain the differences you noted.

Your article makes reference to Crown revenue and receipts from the 2001 Summary of Appropriations and then core Crown tax revenue from the 2002 December Economic and Fiscal Update.

There are two differences in the definitions of these numbers.

- *The Summary of Appropriations does not include refunds and is therefore the gross revenue received by the Crown. In the 2000/01 financial year the refunds (other persons, companies and GST) forecasts were around \$7.2 billion (refer page 123 of the 2001 Budget Economic and Fiscal Update).*
- *The GST component in the Summary of Appropriations includes GST received by Inland Revenue from Government departments. On a consolidated accounting basis this revenue is removed to reflect the true level of GST received from external parties. This is approximately \$900 million per annum.*

The two documents you reference in your article are for differing purposes. The summary of appropriations provides the departmental authority from parliament to incur expenses which include GST refunds. The Economic and Fiscal Update provides a consolidated assessment of the fiscal position using accounting standards as the basis for preparation.

I hope that clarifies the distinctions between the numbers you highlighted.

Skills Action Plan - DOL

The Department of Labour has introduced initiatives to provide readily accessible information on the labour market. The information is aimed at a wide range of audiences, including school leavers, education and training providers, employers, careers advisers and job-seekers. Small and medium-sized businesses will also benefit from being able to access this information readily.

The aim of the project is to help people make better decisions about their involvement in the labour market.

This will:

- *improve the matching of people's skills to the available opportunities in the labour market*
- *maximise the future output of the economy by helping people make the best decisions about what education and training to provide and undertake.*

To find out more, go to: <http://www.dol.govt.nz/skill-mkt-plan.asp>



Victoria University of Wellington

THE HENRY LANG RESEARCH FELLOWSHIP

Applications are invited for the **2003 Henry Lang Research Fellowship**. One fellowship is available each year to be awarded to a scholar undertaking original research in an area related to the work of the Institute of Policy Studies, Victoria University of Wellington. The successful applicant is expected to set aside a period of 3 to 6 months to work full-time on an agreed research project and to complete a body of work publishable as an Institute of Policy Studies monograph. The affiliation attributed to the author for this work will be the Institute of Policy Studies. Preference will be given to people who will conduct the work at the IPS.

Scholars, from any discipline, working on issues relating to the following fields, are especially encouraged to apply:

- **The Role of the State:** Particularly the ethical underpinnings of the role of central and local government in New Zealand; social capital; and interaction of the state with Maori.
- **Income Distribution & Social Policy:** Particularly issues of labour market, education, and social assistance programmes, with explicit recognition of Maori.
- **Savings & Taxation Policies:** Particularly superannuation & taxation policy in New Zealand.
- **New Zealand & Asia:** Particularly comparative policy experiences of New Zealand, Australia and East Asian countries.

The value of the fellowship is \$35,000. Of this, a sum of \$7,000 is set aside to cover publication costs. The remaining \$28,000 is available to the successful applicant to cover time and expenses associated with the research. The successful applicant will be required to complete the research during 2004. Payments will be made in two instalments: half (\$14,000) on taking up the fellowship, and half after completion of a publishable manuscript.

Applications should be made to the Director, Institute of Policy Studies, Victoria University of Wellington, PO Box 600, Wellington, with the following materials:

- Complete Curriculum Vitae
- Detailed Research Proposal
- Names of at least two referees who may be approached by the IPS
- Estimate of time to be spent conducting the research, and timing of completion
- Example of previous work in a related field.

Applications must be received by 31 July 2003. These will be considered by an IPS panel, and applicants will be notified of the Institute's decision in September 2003.

Motu's 'Understanding Adjustment and Inequality' Research Programme

By Dave Maré (dave.mare@motu.org.nz)

Several issues ago, Asymmetric Information noted the setting up of Motu Research – an economic and public policy research institute based in Wellington. At the recent NZAE conference, Motu ran a session to tell colleagues about one of the major research programmes that they have embarked on, under the title of “Understanding Adjustment and Inequality”. The programme is funded primarily by FoRST, through their social output class, and is initially funded for two years, with the possibility of a further three years of funding.

There are three parts to the programme. The first is to enhance existing research infrastructure in New Zealand to provide a sound basis for successful long-term socioeconomic research. We aim to build and maintain research capability by strengthening domestic and international networking, training junior researchers (including Maori) as well as by developing and sharing data.

At the conference, Jason Timmins (Motu) reported on our recent efforts in establishing a community database. We have combined demographic information at a relatively fine level of geographic detail with information that we have collected on community facilities (schools, hospitals, post offices, etc), housing markets and local government finances. We have also assembled information on ‘shocks’ that could be considered as exogenous to local communities. For instance, at the conference, Ralph Lattimore (NZIER) reported on work that he has done with us in assembling measures of rates of protection by industry.

This will be a useful input into projects relating to the second part of our research programme – to understand what has made the difference between geographic communities that have fared well and those that have not. We will look at why people and firms locate where they do, who changes location and why and how communities adjust to economic shocks.

At another session at the conference, Dave Maré (Motu) presented related work on the role of local labour market influences on internal migration flows in New Zealand. Arthur Grimes (Motu) also summarised work that he has been doing on understanding regional housing market adjustment.

The third part of our research programme aims to identify the determinants of unequal opportunities and outcomes and understand their evolution and underlying causes. At the conference session, we heard about initial work by John Gibson and Brian Silverstone from Waikato University to examine the links between inequality and growth – does growth help the poor? We also heard from Sholeh Maani and Rhema Vaithianathan from Auckland University about work they have started on health, housing and inequality.

We are committed to making the research programme a collaborative affair, and using it as an opportunity to strengthen links between researchers working on related topics. We would love to hear from you if you are interested in any of our topic areas. We also plan, wherever possible, to have our datasets on our website for you to download.

If you are interested in getting involved, in getting data, or just in finding out more about what we are up to, please visit our website [www.motu.org.nz] or contact Deb or Dave [debara.parker@motu.org.nz ; dave.mare@motu.org.nz].

Dave Maré, Senior Fellow – Motu Research

Definition section

The market and the Invisible We all know of Adam Smith and the invisible hand:

Every individual necessarily labours to render the annual revenue of the society as great as he can. He generally neither intends to promote the public interest, nor knows how much he is promoting it...He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for society that it was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.

Adam Smith (1776) *An Inquiry into the Nature and Causes of the Wealth of Nations*, Bk4, Ch2.

But before him there was Robert Burton:

What's the market? A place, according to Anacharsis, wherein they cozen one another, a trap; nay, what's the world itself?

A vast chaos, a confusion of manners, as fickle as the air, domicilium insanorum, a turbulent troop full of impurities, a mart of walking spirits, goblins, the theatre of hypocrisy, a shop of knavery, flattery, a nursery of villany, the scene of babbling, the school of giddiness, the academy of vice; a warfare...in which kill or be killed; wherein every man is for himself, his private ends, and stands upon his own guard. No charity, love, friendship, fear of God, alliance, affinity, consanguinity, christianity, can contain them, but if they be any ways offended, or that string of commodity be touched, they fall foul. Old friends become bitter enemies on a sudden for toys and small offences, and they that erst were willing to do all mutual offices of love and kindness, now revile and persecute one another to death... So long as they are behoveful, they love, or may bestead each other, but when there is no more good to be expected, as they do by an old dog, hang him up or cashier him: which Cato counts a great indecorum, to use men like old shoes or broken glasses, which are flung to the dunghill...In a word, every man for his own ends. Our summum bonum is commodity, and the goddess we adore Dea moneta, Queen money, to whom we daily offer sacrifice, which steers our hearts, hands, affections, all: that most powerful goddess, by whom we are reared, depressed, elevated, esteemed the sole commandress of our actions, for which we pray, run, ride, go, come, labour, and contend as fishes do for a crumb that falleth into the water. It's not worth, virtue, (that's bonum theatrale,) wisdom, valour, learning, honesty, religion, or any sufficiency for which we are respected, but money, greatness, office, honour, authority; honesty is accounted folly; knavery, policy; men admired out of opinion, not as they are, but as they seem to be: such shifting, lying, cogging, plotting, counterplotting, temporizing, flattering, cozening, dissembling...

Robert Burton (1621) *The Anatomy of Melancholy*, p.43

Performance-Based Research Funding by Stuart Birks

“The PBRF will encourage, recognise and reward New Zealand tertiary education organisations [TEOs] for excellent research activities. The aim is to create lively and productive research cultures which produce high-quality research, are attractive and effective learning environments for students, and are actively engaged with relevant communities.”

<http://www.tec.govt.nz/pbrf/pbrfintro.html>

Those in TEOs will be aware that they are being individually assessed on research quality. I doubt that anybody has dared to calculate the relationship between assessment cost and the funding at stake, but if anyone can find the additional time, bear in mind that the process affects marginal allocations, not the total.

Once the process gets beyond individual departments and institutions, most of us will be judged by the Management, Economics, Commerce, Business Administration and Marketing Panel. Its members are:

Professor Kerr Inkson, Massey University (Chair)
Professor John Brocklesby, Victoria University of Wellington
Professor Keitha Dunstan, Victoria University of Wellington
Professor Ian Eggleton, University of Western Australia
Mr Manuka Henare, University of Auckland
Associate Professor Janet Hoek, Massey University
Professor Robert Lawson, University of Otago
Professor Mary Mallon, Massey University
Professor Gael McDonald, UNITEC
Professor Simon Milne, Auckland University of Technology
Professor Les Oxley, University of Canterbury
Professor Dorian Owen, University of Otago
Professor Caroline Saunders, Lincoln University
Professor Dean Smith, University of Michigan
Professor Alireza Tourani-Rad, University of Waikato
Professor Michael Vitale, University of New South Wales

Can we expect the process to work satisfactorily? How can they judge the quality of our research output? A key criterion is formal quality assurance prior to publication.

By a strange coincidence, I have just come across two articles by Jefferson *et al.* published in *JAMA* in 2002¹. The first article concludes, “*peer review should be regarded as an untested process with uncertain outcomes*”.

The second: “*Given the widespread use of peer review, it is surprising that so little is known of its aims or effects...There is also anecdotal evidence that peer review has shortcomings and may even have harmful effects.*”

Perhaps the economists on the panel can convey these points to the other panel members.

Of course, the quotes are from peer-reviewed articles, and so, on the basis of the articles' conclusions, we cannot be sure that the findings are valid. On the other hand, if they were not valid, would the articles have been published?

¹ Jefferson T, Alderson P, Wager E and Davidoff F (2002) “Effects of editorial peer review: a systematic review”, *JAMA, The Journal of the American Medical Association*, June 5, 287(21), pp2784-6

Jefferson T, Wager E and Davidoff F (2002) “Measuring the quality of editorial peer review”, *JAMA, The Journal of the American Medical Association*, June 5, 287(21), pp2786-90

Regulating Utilities - current issues

James Cook Hotel Grand Chancellor, Wellington
9am-5pm, Thursday 16 October 2003

*From 1984 many of New Zealand's utilities were privatised, now comes their regulation.
This is largely a new experience for New Zealand.*

This one-day programme will be a forum for high-level discussion amongst professionals who have a good understanding of the regulatory environment and associated issues. Presented by the New Zealand Law Society, it will examine topical legal, economic and valuation issues to do with the regulation of utilities, including:

- What is the case for specific regulatory regimes?
- How appropriate or effective are the regulatory regimes that have been enacted?
- Has the time come for a specialist review authority for decisions from the Commerce Commission?
- What are the practical implications of implementing the modern approach to regulation?
- What are the lessons from the implementation of regulation?
- What are the impacts on economic growth and welfare?

Who should attend

Legal practitioners already working with or within utilities and government and local bodies; in-house counsel; economists; accountants; executives working in the regulatory field.

Fees

The registration fee includes a booklet of materials (available on the day), morning and afternoon tea, lunch, and dinner at the James Cook Hotel Grand Chancellor.

Earlybird - before Thursday 18 September	\$445 (incl GST)
After 18 September	\$495 (incl GST)

Speakers

John Fogarty QC, Christchurch - CHAIR
Henry Ergas, Managing Director, Network Economics Consulting Group, Sydney
Jim Farmer QC, Auckland
John Hagen, Deloitte Touche Tomatsu, Auckland
Victoria Heine, Chen Palmer & Partners, Wellington
James Mellsop, Principal, Director, Competition Practice (NZ), Charles River Associates (Asia Pacific) Ltd, Auckland
Paula Rebstock, Acting Chair, Commerce Commission, Wellington
Roger Taylor, Chartered Accountant, Wellington

A full brochure is
available from the
NZLS (0800 333 111)
or see our website:

www.lawyerseducation.org.nz



To: NZLS CLE Registrations, DX SP20202/PO Box 5041, Wellington Ph: (04) 472-7837
For registration inquiries only: Freephone: 0800-333-111

UTL03-F1

Please enrol me for the NZLS Intensive - **Regulating Utilities - current issues**

My cheque for \$445 (earlybird fee) / \$495 (non-earlybird fee) is enclosed, made payable to the New Zealand Law Society.

Surname: _____ Initials: _____ Title: _____ Town: _____

Firm/Org: _____ DX: _____ PO Box: _____ Phone: (0) _____ Fax: (0) _____

To be sure of receiving your materials in advance of the intensive, your registration form and cheque should reach the NZLS at least 10 days before the presentation.

From the 2BRED File

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

The 2BRED File again bulges with books by Kiwis: no need to go offshore to find good stuff at present. New Zealander **John McMillan** has produced an exciting new book which will dispel the doubts of the most ardent anti-marketeer. *Reinventing the Bazaar: A Natural History of Markets* (New York: WW Norton 2002). I found this volume rich in wonderful examples of how markets evolve and operate from all over the world. There are literally hundreds of examples including traditional Ghanaian bazaars, the Tokyo fish market, eBay, the American experiment with alcohol prohibition, , and on and on. Amazon (naturally) sells the volume, with used copies from a favourable \$US16.67. Strangely it is paired in a package deal with Stiglitz's *Globalization and its Discontents* (reviewed by Editor Tim Hazledine and your columnist –in separate reviews (!) – see NZEcP, Dec 2002).

Chris Nixon and **John Yeabsley** draw on their long association with trade issues to bring us *New Zealand's Trade Policy Odyssey: Ottawa, via Marrakech, and on* (NZIER Research Monograph 68, 2003). This is bound to become a standard entry point to those seeking an overview of "from whence we have come" in the trade policy area. I did pick it up expecting to see a fairly detailed discussion of the origins, evolution and demise of import substituting industrialization: perhaps chapters like "The Legacy of Prebisch in New Zealand" and "Protection in New Zealand: It was Sutch a Mess". Interestingly a volume on trade policy seems to give little attention to such issues, and others such as exchange rate policy, single desk selling, land development schemes, RBNZ credits... in short a bunch of stuff all arguably part of our trade policy. But it always easy to carp about what isn't covered, so enough. This is a good read as they say, and one that should be compulsory for anyone probing into the murky past

The NZIER features again in this round of 2BRED with a splendid volume called *Looking at the Numbers: A View of New Zealand's Economic History* by **Phil Briggs**. This volume is notable for at least two reasons. First, it is commendable that NZIER, despite the absence of any core public funding, is able to support from time to time, projects with no immediate commercial appeal. This volume, and the work behind it is surely a close approximation to a public good.¹ It is a splendid compilation, with worthwhile and well-penned text. Above all, public spiritedness has extended to making the data available on the NZIER website.

For the main course try *Efficiency in the Public Sector* (Studies in Productivity and Efficiency, Kluwer Academic Publishers: 2002) ed. **Kevin J. Fox**, an expat at UNSW, where he heads the Centre for Applied Economic Research. Kevin assures me that he has decided not to submit the title for an award as Economic Oxymoron of the Year (but admits that it was a tough decision). Here you will find cutting edge on evaluating performance in the public sector – a large slice of the economy that is often left out of our estimates of productivity.

¹ Ever since Coase pointed out that 18th century English lighthouses were all privately owned and operated, thereby destroying the favourite example of a public good found in every freshman economics text, I have been on the alert to find another example. I undertake to publish (with my editor's approval of course) any example of a *pure* public good that any reader cares to submit. The judge's decision (i.e. mine) will be final, and no purchase is necessary.

Conference Report: Connecting Policy Research and Analysis
The Social Policy Research and Evaluation Conference 2003
Michael Fowler Centre, Wellington, 29-30 April
by Robin Johnson (johnsonr@clear.net.nz)

Your Editor and I attended this conference in April to get up-to-date with social policy trends and, in particular, to follow up our professional interest in policy research and evaluation. The conference was supposed to have been held in 2002 but was put off by the early election. Some 700-800 people attended. I have drawn the short straw for this report.

The conference was organised by the Ministry of Social Development and its Minister to develop a community of interest around evidence-based social policy and practice. They see this as developing better linkages between government advisors, social service providers and social researchers and evaluators so as to improve the quality of policy advice. Evidence-based social policy is about applying information and knowledge to public policymaking and social service design and delivery. As some may be aware, the Government set up a new advisory committee last year to coordinate these objectives – the Social Policy Evaluation and Research committee (SPEaR). Arthur Grimes is Chairman.

There was the usual pattern of plenaries and parallel sessions; a feature of the latter was the large number of alternatives – 8-9 per session! For myself, I followed up my evaluation or economic interests and naturally got the most value out of a session on ‘Wellbeing and Child Poverty’, the speakers being Simon Chapple, Susan St John and Bob Stephens! Those interested in the range of offerings can follow up at the website referred to below. I want to discuss the plenary papers in more detail.

Setting the scene was Sandra Nutley of the University of St Andrews on improving the relationship between social research and social policy; reflections and lessons from the UK. (She also spoke at Treasury the previous afternoon). The UK Government appears to have been investing in social policy research and communication for somewhat longer than NZ and there are established research units in various universities. I got the impression that they have developed coherent systems for tackling such research and have sorted out many of the communication problems on delivery to the policy users. It was not a speech about how best to use it! Nevertheless, the paper is worth reading as it is fully centered in the Westminster tradition, yet independent from it.

Second was David Ellwood, Harvard University, on policy and research linkages with regard to poverty and welfare reform in the US. Ellwood, a professor of political economy and former Assistant Secretary in the Department of Health and Human Services, presented an economic analysis of poverty program reform in the United States. His presentation put considerable emphasis on double blind trials in some aspects of the programs he described, which fitted the conference theme quite aptly. While this was a good paper, from an economist at that, I don’t think social experience in one country transfers very well to another country. Perhaps more emphasis on methodology would have been in order.

Third was Dr Geoff Mulgan from the Prime Minister’s Strategy Unit, Downing St. Here was another well-presented exposition on the actual arrangements in place in the UK and how they are coordinated at the centre. Again this sounded similar to NZ (in the Westminster framework) but was somewhat more like a political presentation than that of a practitioner. Susan St John points out that there is a fine line between a policy analyst (outside Government) and a policy advocate! Mulgan was the latter and his paper is probably better than his showing here.

Next was David Zussman from the Public Policy Forum in Ottawa. The Public Policy Forum is a government-sponsored organisation committed to bridging the gap between government, business, labour and the voluntary sector. Of interest to me was that he was previously Assistant Secretary, Program Review and Machinery of Government in the Privy Council Office. Canada has a history of scrutiny of public policy and behaviour in the ‘policy shop’. Zussman is an impressive speaker, though I will need to look at the web site to remind myself what he said!

Finally there was Professor Meredith Edwards, Director of the National Institute of Governance at the University of Canberra, talking about Australian policy and practice. She is well known for her work in developing policy in the areas of child support, education and long-term unemployment. This was a practical presentation in circumstances not unfamiliar for NZers. Only the federal structure in Australia differentiates the policy approach, given the time that has to be devoted to inter-state coordination.

Summing up, I thought the overseas presentations very commendable in quality and presentation, but of lesser importance as applying to NZ conditions. There was no NZ presentation on the state of the craft for instance, though one parallel session attempted this in a disappointing way. The aim of the Conference was to publicise the change in direction that the SPEaR initiative and strengthening of Vote Welfare for research will bring about. Some conference comment was that it didn't do much at the grass roots level. I heard for the first time the phrase 'clipping the ticket' from such people; apparently it refers to bureaucracy taking too large a share of the funds voted at the expense of the delivery system and the final recipients. I think the conference succeeded in its primary aim, but I saw and heard little media comment. I think another conference is needed at the grass roots level, possibly outside Wellington.

Papers will be available at www.msd.govt.nz;
see also www.msd.govt.nz/keyinitiatives/conference

Politics and the making of policy – an example by Stuart Birks

Sociologist, Rosemary du Plessis, wrote:

*"Claims about women's common interests have been used as a strategy to ensure that international organisations such as the United Nations attend to the political status of women. It has also been vital in developing women-focused structures in particular nation states (such as New Zealand's Ministry of Women's Affairs) and at the level of community organisations, trade unions, churches, workplaces, professional associations, and educational institutions."*¹

In the same publication, she acknowledged the great diversity of women's experiences, and she also wrote: *"...although equal employment opportunities initiatives have benefited some women, those most advantaged have tended to be the women who most resemble those who fill the equal employment opportunities (EEO) positions in organisations."*(p.222)

In other words, a false picture was presented for political advantage, where the results could favour a privileged sub-group.

We can see this process in operation when we look at the fifth New Zealand report on the International Convention on the Elimination of All Forms of Discrimination Against Women² (CEDAW). It includes a discussion on the distribution of family/household income³:

*"Recent research (Fleming & Easting 1994) shows that couple or household income is not necessarily a reliable indicator of access to money by those living in the household...In European families it was found that the more a woman contributes to household income, the more she is **likely to have some say** in household financial decisions..."* [my emphasis]

¹ P.221 of du Plessis R (1997) "Women, Feminism and the State", chapter 12 in Rudd C and Roper B, *The Political Economy of New Zealand* Auckland: OUP

² Ministry of Women's Affairs (2002) *The Status of Women in New Zealand 2002*
<http://www.mwa.govt.nz/pub/CEDAW-RPT-NZ%27s-5th-Report-2002.pdf>

³ <http://www.mwa.govt.nz/women/status/cedaw016.html>

This should result in a response urging the NZ government to increase women's economic autonomy through changes in the home, in education and in the workplace. It also reinforces the dominance of a "patriarchal power and control" model for analyzing families. Given the policy agenda of both Labour and the Greens, such a response would be most helpful.

The claim about the research is misleading, however.

1) Fleming and Easting⁴ say (p.32), "*Sample selection for qualitative studies is not bound by the same constraints as sample selection for quantitative research aimed at generalizing to the wider study population...the requirement for random sampling does not apply*". Comparison with data from the NZ ISSP survey for the same year indicate that their sample is not representative, and so their results cannot be used to make the claim in the report on CEDAW. Moreover, they do not even show what the report claims.

2) Fleming and Easting distinguish between "management" and "control" of finances. According to their Table 5, men had total management in 3 of 59 cases, compared to women in 20 cases, and men had the greater share of management in 5 cases, compared to 11 for women. Joint management occurred in 17 cases, with 3 couples having an independent system. Clearly, where one partner has more say in management, that partner is most likely to be the woman.

3) "some say" in the above quote most probably refers to control. "*While management involves spending the household money, making day to day decisions about what to buy, and making sure there is enough to meet set commitments, control is about deciding whether to spend, what the upper limits are, are where the family's spending priorities lie.*" (p.55) Table 6 of the report shows a fairly even numbers of men and women having most control, with somewhat more men than women having full control and somewhat more women than men having main control.

4) Tables 8 and 12 provide information on the amount of say in relation to share of total couple income. Two groups are defined according to whether the woman earns at least or less than one third of this income. "*Table 8 supports the conclusion that women earning more than one-third of the total couple income are more likely to share in the control of money on an equal, or even a dominant basis*" (p.72) Table 12 considers only high income households. In no cases where the woman earned a third or more of the couple's income did the man have more control than the woman. In other words, for high income couples, the man had to earn at least twice as much as the woman to have a chance of more say than the woman. Out of all couples, many women in the group earning less than one-third of the income still had more control. Of women who earned over a tenth and less than a third, "the majority were in joint, woman joint, or woman control situations" (p.72).

Rather than using the term "some say", the report on CEDAW should really have said "most say". Both management and control appear to favour women, balanced to a small extent by the man's chance of a greater say in control if his earnings are markedly greater than his partner's. In general, Fleming and Atkinson's findings appear to suggest that, in European families: 1) the more a woman contributes to household income, the more likely she is to have major control over household finances; and 2) generally, a man has to earn significantly more than a woman in order to get the same amount of say in the use of household income.

Can we really expect this sort of political activity to result in satisfactory policies? Whom are they designed to benefit?

⁴ Fleming, R & Easting, S K (1994) *Couples, Households and Money: The Report of the Pakeha Component of the Intra Family Income Study*, Wellington & Palmerston North, Intra-Family Income Project in association with the Social Policy Research Centre, Massey University.

NZAE CONFERENCE 2003

(as seen by AI)

Another conference has come and gone. The venue was good, food was plentiful, and the company convivial. The organization went smoothly, with Val and Dawn in attendance and much work having gone on behind the scenes. Thanks are due to them and the organizing committee, headed by Mary Hedges.

Attendance was lower than for a conference in Wellington, but this is only to be expected with conferences in provincial centres. There was a good turnout from the Reserve Bank and Treasury although, following recent trends, their delegates blended in and seemed no different from the rest of us. In fact, overseas visitors were struck by the relaxed and sociable atmosphere, commenting on the lack of blood on the floor. This might mean that we do not have a competitive edge, à la Porter, however one keynote speaker did suggest that there is now greater recognition of the importance of other factors besides cold, hard competitive market forces.

Many delegates presented papers. We were struck by the broad range of topics and the focus on relevant questions and results. As with the application of any discipline, this involves blurring of disciplinary boundaries and the incorporation of information and perspectives from elsewhere. Rather than relying on questions identified by economists, it can be useful to observe the issues that others, including policymakers, are grappling with, and to see how economics can add to the debate and to understanding. In our opinion, this is where economics can really show its strength and the valuable contribution it can make to policymaking.

There was also a focus on the policymaking process. *AI* would contend that, for economics to play a part, two requirements must be met. First, economics must have something of value to offer. Second, the policymaking process must be able and willing to incorporate this information. There will always be problems with both these requirements. Many of the conference papers suggest that the first requirement is taken seriously. Unfortunately other papers demonstrated that the second requirement could be a major concern.

In one distinct respect we found the conference reassuring, namely in relation to social change arising from new technology. We must confess to some discomfort at the apparent inverse relationship between status and size of cell phone. At the very least, there is a practical problem caused by the distance between ear and mouth. Others might find additional causes for concern. It was most encouraging, therefore, to observe an emerging positive relationship between status and size of database. Given the generous increased accessibility to information, we should all be able to undertake quicker and more powerful analyses.

Conference papers will soon be available on the web at: <http://www.nzae.org.nz/>

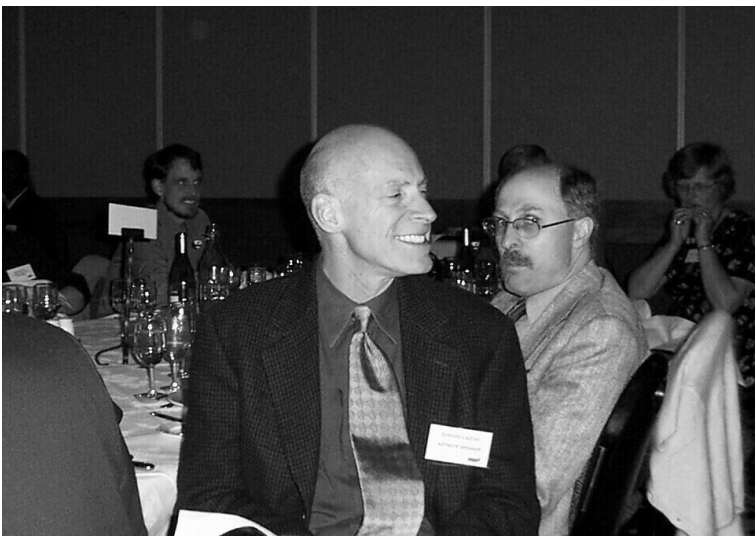
Conference Dinner Photos



Keynote David
Colander with
conference convener
Mary Hedges



Keynote Charles
Kenny poses for AI
with council member
Donna Petry



Keynote Ed Lazear:

“We wouldn’t get an
after-dinner speech
like this at the AEA!!”

Frank Scrimgeour in
the background

This picture has
been purchased by
C Saunders

Caroline Saunders entertains
delegates with a very fluid after
dinner address



Paul Dalziel
claims a right
of reply



Kirdan Lees, the winner of
the Jan Whitwell Prize,
makes a grand acceptance
speech

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 Waikato 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 Waikato University as at July 2003.

Prepared by Frank Scrimgeour [scrim@mngt.waikato.ac.nz]

The Department of Economics at Waikato currently has a busy research programme over a range of areas:

The significant externally funded topics are:

1. **Modeling efficiency, growth and innovative practices of New Zealand enterprises:** A new FRST funded project led by Dimitri Margaritis. The goal of this research is to model the efficiency of enterprises, and the determinants and consequences of their innovative business practices, so that policy makers, employers, workers and investors will have a better knowledge base for engaging in innovative wealth creation activities in New Zealand. The driving motivation for this research programme is the acknowledgment that New Zealand's growth rate will have to be consistently above the OECD average, if the Governments stated goal of returning New Zealand's per capita income to the top half of the OECD is to be realised. Given that rapid growth in New Zealand has traditionally been driven by increases in the labour input, ambitious growth programmes can only be realized if there is enhanced understanding of the determinants of efficiency and productivity.
2. **Socio-economic Impacts of Information and Communication Technologies.** A FRST funded project led by Ted Zorn in Management Communication and Les Oxley (at Canterbury) is focusing on labour market impacts. The work involves multiple members of the Department including PhD student Chris Hector. This work has recently been funded for a further period so we are expecting lots more out of this programme.
3. **Energy Resources and Energy Resource Economics.** This FRST funded project finished at the end of June 2003. This also involves collaboration between Frank Scrimgeour and Koli Fatai at Waikato and Les Oxley. The latest two outputs presented at Modsim 2003 were *Modelling Economies of Scale and Imperfect Competition Using CGE: A Comparative Application to the Energy Sector of New Zealand, Canada, Singapore and Mozambique* and *Energy Efficiency and the New Zealand Economy: A Dynamic CGE Analysis*. More outputs are still expected.
4. **Maori Sustainable Development in Te Puku o Te Ika.** This FRST funded project is also finishing but it has formed a platform for the work of Catherine Iremonger who has also established a Maori Sustainable Economic Development website www.mngt.waikato.ac.nz/msed for her resources.
5. **Public and Private Funding of Social Security.** This Marsden funded work involves collaboration between John Gibson at Waikato and Scott Rozzelle at UC Davis.

In addition to the larger grants Anna Strutt is involved in CGE modelling of trade issues in collaboration with colleagues at NZIER and at Massey, Steven Lim is involved in MFAT funded research on AIDS and development in Thailand, Warren Hughes is analysing regional impacts of climate change and business development initiatives, Frank Scrimgeour is working with Ken Piddington and Arthur Grimes on aspects of Environmental Tax Reform, Richard Dawson is researching Treaty issues focusing on natural resources and John Gibson, Dan Marsh, Geua Boe-Gibson and others are researching humanitarian demining activity. John is also working with Grant Scobie at Treasury on the adequacy of retirement savings.

The Department has some increased research Capacity with the appointment of **Arthur Grimes** as an **Adjunct Professor** of the Department. Arthur although based in Wellington is a regular visitor to Waikato and is actively involved in research projects, PhD supervision and selected teaching assignments. In September Dr Pamela Kaval ex Colorado State University takes up a position in the Department. Pamela has a background in environmental economics. During the second half of 2003 Professor Michal Sznajder will be here on sabbatical working on a book on the dairy industry and Dr Lucyna Przezbórska will be here on a post doctoral fellowship working on aspects of the economics of tourism.

The Department of Economics at Waikato also has an active working paper series which can be accessed at: <http://ideas.repec.org/s/wai/econwp.html>. It includes papers on biotechnology by Dan Marsh:

- Fostering Innovation in a Small Open Economy: The Case of the New Zealand Biotechnology Sector
- Modern Biotechnology in New Zealand: Further Analysis of Data from the Biotechnology Survey 1998/99
- Does New Zealand have an Innovation System for Biotechnology?

macroeconomics by Brian Silverstone, Steven Lim and others

- Asymmetric Adjustment of Unemployment and Output in New Zealand: Rediscovering Okun's Law
- Respondent Dynamics within the NZIER Survey of Business Opinion: An Introductory Perspective
- Dynamic Modelling of a Three-Sector Transitional Economy
- Some Aspects of Labour Market Flows in New Zealand 1986-2001

development economics and trade by John Gibson, Sayeeda Bano and others

- Improving Estimates of Inequality and Poverty From Urban China's Household Income and Expenditure Survey
- Why Does the Engel Method Work? Food Demand, Economies of Size and Household Survey Methods
- An Illustration of the Average Time Measure of Poverty

Intra-Industry Trade and Trade Intensities: Evidence from New Zealand

**32nd Conference of Economists,
Business Symposium and
Economic History Society of Australia and New Zealand Conference**

**29 September – 2 October 2003
Canberra, Australia**

More details at: <http://www.ecosoc.org.au/acthome.html>

New Zealand Economic Papers

Tim Hazledine, editor of New Zealand Economic Papers, invites members to submit their papers to the journal.

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

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

Write to: t.hazledine@auckland.ac.nz

...about NZAE

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

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

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EMAIL DATA BASE

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

MEMBER PROFILES

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...

Patrick Er (Westpac Institutional Bank); **Richard Sullivan** (Westpac Institutional Bank); **Nick Tuffley** (Westpac Institutional Bank); **Tu Van Nguyen** (Manukau City Council); **Paul Kelway** (Air New Zealand); **David Webber** (Economics & Strategy Group); **Philip Barry** (Taylor Duignan Barry Ltd); **Kirdan Lees** (Reserve Bank of New Zealand); **Anne Louise Mahon** (Reserve Bank of New Zealand); **Dr Chris Hunt** (Reserve Bank of New Zealand); **Daniel Ian Wills** (Reserve Bank of New Zealand); **Roger Procter** (Ministry of Economic Development); **Rachael Milicich** (Statistics New Zealand); **Dr Richard Fabling** (Ministry of Economic Development); **Danica Irvine** (Reserve Bank of New Zealand); **Rachel Taylor** (Reserve Bank of New Zealand); **Andrew Aitken** (Motu: Economic & Public Policy Research); **Scott Hook** (Queensland Treasury); **Nick Davis** (Ministry of Economic Development); **Ananda Jasenthupatabendige** (University of Waikato).

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