

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

Issue no. 22

March 2005

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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REMINDER: NZAE ANNUAL CONFERENCE
29TH, 30TH JUNE & 1ST JULY 2005
Visit the Website <http://nzae.org.nz/conferences/>
to view the great line-up of overseas speakers!
THIS CONFERENCE IS A MUST FOR ALL ECONOMISTS!!!

Past Issues of Asymmetric Information...

*All past issues are now available for downloading (or for citing in scholarly publications)
FREE OF CHARGE From: <http://www.nzae.org.nz/newsletters/>*

Let's all jump through hoops

EDITORIAL

Numerous anecdotal reports suggest that performance based research funding (PBRF) has had a major impact on perceived incentives and appointment criteria in the academic sector. This is so even though the structure may well change in a few years, and the amount of funding involved, while not insignificant, is relatively small compared to other possible sources. The sums involved are particularly telling in relation to the effort required to go through and do well in the process. However, if people give it significance, that alone is enough to make it important, especially for those concerned about university status and, possibly, associated ability to attract students.

The perversity of these incentives is emphasized by the concerns raised about our university's attitude to time spent on things like *Asymmetric Information*. Fortunately for your editors, it seems that it is those who have risen to the top of the hierarchy who are most constrained to deliver according to the dominant criteria. We could be asking, though, what are the most relevant (and enjoyable) activities, and if we are overly restricting ourselves. Unless we are careful, even those who have less concern for established criteria may find a diminishing range of outlets for alternative work.

There is another point that can be made, drawing a parallel with an economic approach to electricity pricing. There can be a big difference between short-run and long-run marginal cost of electricity generation. Price signals also influence both current consumption and future demand. One price cannot send an accurate message for both types of decision. Similarly, are we making decisions in academia that have long-run implications, but which are in response to short-run PBRF signals?

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.

A Career at the Treasury

Do you enjoy working on economic and financial policy issues that can make a difference to New Zealanders' living standards? Do you want to develop your financial and economic skills in a stimulating policy environment?

If you have a postgraduate finance or economics degree, and you want a challenging job that fully utilises your training and experience, consider your career options at Treasury. We have opportunities for economic and financial professionals, in research and applied policy.

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THE TREASURY

Kaitohutohu Kaupapa Rawa

The Treasury values diversity amongst its employees and encourages a positive work life balance.

Comments on the NCEA Economics Paper 90631

by Bryce Wilkinson capital.economics@xtra.co.nz

The NZQA Level 3 Economics 2004 paper on market failure for seven form students attracted much criticism (rightly in my view) for parts of two questions in particular. One part-question required students to establish that a heavily-subsidised state education system would be more allocatively efficient than a caricature of a 'free market'. This caricature appeared to exclude many of the arrangements historically associated with private schooling – home education, perhaps using private tutors, extensive parental involvement, church schools, other voluntary not-for profit associations perhaps sponsored by employers, unions or friendly societies, and alumni and philanthropic support. To answer the question at all, examinees appear to have been required to assume that a system of state ownership and funding - limiting competition, disempowering parents, and emasculating the price mechanism - would produce the same cost structure, innovation, product quality and diversity as a system of voluntary exchange based on competitive and cooperative behaviour. However, students of economics should expect different incentive systems to produce different outcomes in these and other respects. The question also appears to require examinees to assume that the price charged by the state for state education will be allocatively efficient. Given the problems in a state system of limited competition, inadequate information, provider capture, rent-seeking, and the lack of any incentive to price efficiently, no well-trained student would make such an assumption.

The second part-question required examinees to establish that 'free market policies' cause income inequality. The only guidance the paper gave examinees concerning what was meant by 'free market policies' was the statement that New Zealand government policies in the last 20 years have been more 'free market'. The question gave the examinees no guidance whatsoever as to what sort of policies would prevail in the absence of 'free market policies'. Again we would have to see the instructions to markers to verify this, but the paper provides the impression that the examiner wanted examinees to assume that the only alternative to the imperfect system of human action based on voluntary exchange, cooperation and competition, is (relatively) perfect state direction. Yet histories of state action commonly record much evidence of expediency, folly, land-grabbing and disregard for common law rights.

An article by Brian Easton (Listener, 12 February) correctly pointed out that the examiner's use of the term 'free market' was ideological rather than analytical. He also observed that the paper at large gave no hint that students (or teachers) needed to understand the distinction between positive and normative propositions in economics. I agree with this, and with his assessment that a competent and well-informed economist would have had to fail the question on equality, or else give an answer that they knew was wrong. In my view, this is also true in the case of the question of state education. Both questions appear to require examinees to regurgitate statist propaganda rather than to demonstrate their knowledge of economic concepts.

Other questions in the paper bolster the impression that the examiner requires students to assume that all systems of voluntary exchange fail when compared with the virtues of coercive state action.

Question 1 asked what economists mean when they say 'a market has failed'. It does not specify whether it is referring to economists who use a comparative institutional yardstick or to economists who use the nirvana yardstick of perfect competition. For the former, the statement that a market has failed is either trivial (all human arrangements are imperfect) or a rebuttable statement that an achievable and superior alternative exists. No question asks what economists mean by government failure.

Question 2 identifies two sources of market failure: monopoly and public goods. The implied yardstick for evaluating a system of voluntary exchange is the nirvana yardstick. The focus of the question relating to monopoly is on static allocative inefficiency. One wonders if examiners would give any credit for candidates who were sophisticated enough to appreciate that dynamic efficiency might be more important for welfare than allocative efficiency in evaluating the efficiency of a monopoly. Question 2 also asks a public policy question – what

might a government do to “achieve a more socially desirable” quantity of goods in a monopoly market. This question appears to require students to assume (ludicrously) that government is perfectly motivated and fully informed, and that innovative competition will not overcome the monopoly problem in time. The barriers to competition that are most difficult for competitors to overcome are most commonly associated with statutory monopoly. Witness the current monopolies in health, roads, water, education, accident compensation, postal services and quality assurance, not to mention the past statutory monopolies in sectors such as electricity, telecommunications and producer boards and the import licence-protected monopolies. One wonders if the examiners would have given good marks to students trained in the comparative institutional approach who responded that a government that wished to achieve a more socially desirable quantity of goods should look first at reducing the barriers to competition created by government ownership and regulation.

Question 4 contains the question already discussed of free market policies and equality. Another part of question 4 invites examinees to assume that a more even income distribution is more equitable. So much for the equity of reward for merit or effort, or even for policies that alleviate poverty while making the income distribution less even. Once again the problem here is that the paper is focusing on requiring examinees to endorse the examiner’s normative prejudices, rather than to demonstrate their knowledge of economic concepts.

Question 5 presents a conflict over resource use (dairy effluent vs fishing) as an externality issue. (It may not be.) The question acknowledges that environmental problems often result from poorly-specified property rights, begging the question of the validity of its earlier diagram that purported to show that a problem exists regardless of the specification of property rights. Another part of the question proposes that the government could solve the ‘externality’ problem by re(?)allocating property rights to anglers, apparently regardless of the legitimacy of the existing allocation, the need to consider compensation for regulatory takings, or the need for any assessment of whether an alternative allocation of property rights would better solve any transaction cost problems. This approach is alarming, both constitutionally and as a matter of public policy analysis. The next portion of this question apparently requires examinees to assume that government regulation will improve outcomes regardless of the problems of inadequate information and ill-aligned incentives that can make political action so problematic. The final section requires examinees to produce a preferred government policy for this unexamined property rights/common law problem, where inaction on the grounds of insufficient information and flawed incentives appears to be impermissible. This constraint on acceptable answers appears to rule out a dispassionate approach to answering the question.

There appear to be several very disturbing problems here. One is that the paper is not adequately testing examinees on their understanding of the fundamental insights of positive economics – opportunity cost, marginal benefit and cost, comparative advantage, the virtues of choice, competition and price discovery, and the gains from trade and specialization. A second is that it falls into the trap of representing highly simplified theoretical models as if they represent specific real world situations. Perhaps this is out of a well-meaning but misguided desire to make the material ‘relevant’ to students. A third is that it fails to appreciate that it is impossible to undertake sound public policy analysis on the basis that government actions will be well-motivated and fully informed. All human institutions are flawed and a comparative institutional approach is required if a case for specific government involvement is being considered. If the syllabus does not require students to be instructed in comparative institutional analysis and public choice theory, then the exam paper should not be asking examinees to make public policy judgments. Fourth, no paper should impose the examiner’s value judgments on students.

Is this unacceptable paper an aberration? Presumably many members of the NZAE do teach economics. Is the economics that is being taught in our schools really as statist and as ignorant of public choice theory, the comparative institutional approach, and the distinction between positive and normative economics as this exam paper suggests?

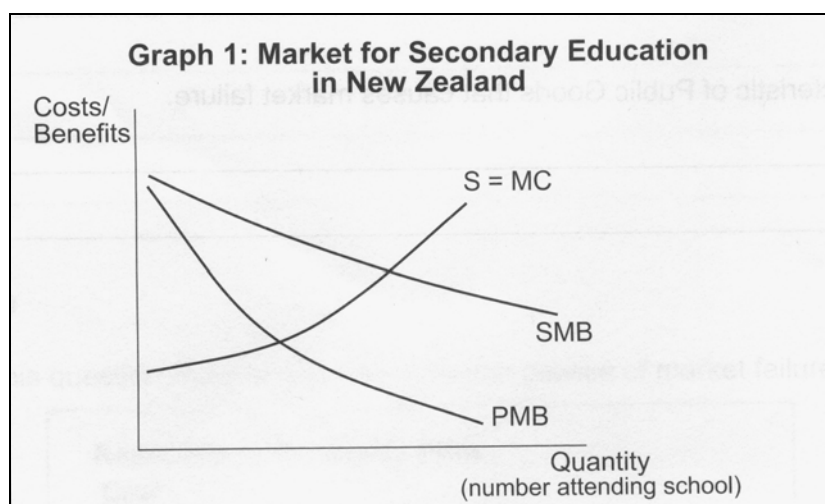
More Comments on the NCEA Economics Paper 90631

By Stuart Birks (k.s.birks@massey.ac.nz)

The NCEA economics paper be criticized not only for its ideological assumptions, but also for the economic content of some of the questions. There are still common themes, however. The basics are not accurately presented, and pupils are expected to see things in a particular way, rather than recognising other alternative explanations of the same information.

The controversial paper was part 3 of Level 3 Economics, “90631 Describe and illustrate resource allocation via the public sector to compensate [for] market failure”.¹ The title itself is strange. Interventions are not necessarily allocations through the public sector, they may involve modifying the operation of the market. Commonly, they do not compensate for market failure, rather they attempt to correct for or limit the distortions arising from market failure. Losers from the market failures are not necessarily compensated. For example, a polluting industry may be induced to limit the pollution, but this does not mean that the pollution would be completely eliminated. Nor does it mean that those still affected would be compensated.

Question 3 relates to assumed external benefits of secondary education. Part (a) of the question asks for some information direct from the following graph.



Part (b) then poses a general question:

“The New Zealand government provides ‘free’ (i.e. heavily subsidised) education at state secondary schools. Explain why this results in a better resource allocation than the free market shown in Graph 1.”

This has been criticised for requiring students to assume that free state-provided education is better than provision by the private sector, even though there are legitimate alternative viewpoints. Someone who had queried the question with the New Zealand Qualifications Authority (NZQA) received and forwarded the following as part of the NZQA response:

In Question 3, the students are asked to explain a graph which illustrates a free market scenario. The question is about the interpretation of a graph, not a judgment about the effects of a particular approach.

This is not quite correct. The graph is a poor representation of the real world, and does not give the information necessary to support the assertion in the question.

The diagram gives one approach to representing a market where there are external benefits. A diagram with a social marginal cost curve can be preferable (being easier to interpret and observe the socially desirable market outcome) if, as here, the subsidy goes to the supplier.

It is not clear that the diagram gives the conclusion that students are asked to explain. Free education should result in consumption at the quantity where PMB cuts the horizontal axis. We do not observe this point. In any event, that would give a quantity far higher than the social optimum as described in the diagram (where S cuts SMB), just as the market outcome

¹ This should be available some time in April from: <http://www.nzqa.govt.nz>

would give a quantity lower than the social optimum. We cannot conclude that the former is better than the latter. Presumably students are expected to think that "heavily subsidised" really means a level of subsidy that will give the quantity where S crosses SMB, but this is not clearly stated.

We can also question whether secondary education is a good example of this sort of model. The assumption of externalities may not be realistic, especially as the diagram shows hardly any net external benefits at low quantities, but high external marginal benefits at higher quantities. The diagram and question are even more problematic in that quantity refers to "number attending school", as if attendance has the same impact independent of year of schooling.

There is a further issue. The question refers to education "at state secondary schools". The externality issue in the question, if correct, can justify state subsidy of education, but it gives no reason whatsoever for the suppliers to be state schools.

Moreover, there are other, more standard economic arguments for heavily subsidised secondary education. Unfortunately, given these problems, a student with a solid understanding of the relevant economics may actually find the question harder to answer than someone with more limited understanding.

Question 4 was on income distribution. It includes:

"New Zealand government policies in the last 20 years have been more 'free market'. In the same period, inequality has increased and the gap between rich and poor has grown wider.

(b) Explain why using 'free market' policies causes income inequality."

Temporal association does not equate to causality, and one example of co-existing events does not justify a general statement. As stated by Brian Easton, the question does not follow from the initial statement.

In a wider historical context, it could be argued that free market policies have reduced income inequalities. Compare a feudal society to a modern market economy, for example. The latter has a wider allocation of individual property rights, together with increased scope for exchange, specialisation and competition. It does not display the extremes of wealth and poverty that might have been observed under older, highly regulated systems.

At an even more basic level, part (c) of the question is far from clear. It is set in a Lorenz curve context, and reads, *"increased welfare assistance...will make the bottom 40% of households 20% better off. (i) Make a percentage change calculation to work out the new share of incomes received by the bottom 40% of households."*

Does this mean that their income will go up by 20 percent? If so, earlier details in the question indicate that direct income assistance would give an average increase of \$100 a week for families in the \$25,000 to \$40,000 bracket. That would equate to about 20 percent for the lowest income families only, so presumably there will be a significant increase in indirect assistance that has not been mentioned.

Even if the 20 percent figure is correct, does this mean that their initial share of total income will increase by 20 percent, from its initial 20 percent to 24 percent? This would occur if their income increase (including both direct and indirect effects) is exactly balanced by income falls for other income groups with no change in total income. It also assumes that income increases for this group have no effect on their other income-related behaviour, such as through a change in hours worked.

If the question simply means that their disposable income rises by 20 percent, there is not enough information to complete part (ii) of the question, which asks about the effect on the overall distribution of income.

To a lesser degree, such problems have been observed before. The 2003 University Entrance, Bursary and Scholarship Economics examination paper is on the web at: <http://www.nzqa.govt.nz/qualifications/ssq/exam-report/exam-2003/97219-exm-economics-03.pdf> Question A9 asks for the long run equilibrium price in a market, when the diagram only gives the cost curves for a firm in the short run. Is the firm not allowed to change the quantity of capital? Does the minimum SAC equal the minimum LAC?

Where do these questions come from?

From the 2BRED File

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

As I revealed in my last column, a significant share of my forefathers and mothers came from the Gorbals, a notorious slum area of Glasgow. I am not sure who might have risen to fame from such a miserable background, but a wee volume I've been reading lately leaves no doubt that the rest of the Scots were at the fore-front of... well... you name it. Banking, finance, economics, architecture, town planning, philosophy, transport... a sample of the areas that according to *Arthur Herman* were dominated by the Scots. His modestly entitled volume is: "*How the Scots invented the Modern World: the true story of how Western Europe's poorest nation created our world & everything in it.*" (New York: Crown Business, 2001). Of course like me, you will hunt through the book to find Mr Smith, A. – yes, of course he's there and you won't be disappointed. Strongly recommended for readers of Irish, English, Jewish, Norwegian, German, and Chinese origin ... in fact anyone (other than Scots) who might have a mistaken idea about the contribution of their distinguished countrymen and women.

What's economics worth? Now there's a conversation starter at your next social gathering. The answers will range from the unprintable to the unfathomable. *Philip G. Pardey and Vincent H. Smith* (a couple of former colleagues) have asked this question in a new edited volume entitled *What's economics worth? : valuing policy research* (published for IFPRI by Johns Hopkins, 2004). IFPRI, or the International Food Policy Research Institute is perhaps not so well known amongst economists, is a small but vital centre which publishes very good work. Your columnist spent a most enjoyable and productive time on the staff there some time in the last century. Watch for their work. Back to the new book. Economists have a long history of delving into the economics of R&D and the work of scientists. We remind them that resources are scarce, so whatever research is undertaken should have a rate of return at least equal to the opportunity cost of the funds – plus a good margin for riskiness. This time Pardey and Smith look through the other end of the telescope and assess the benefits of economic research. Some well known names author the chapters including Krugman, Harberger and Freebairn. Lest the reader think that the volume will only laud the work of economists and exalt their contribution to policy making in an orgy of self-congratulation, the chapter by Anne Krueger on the costs of import substituting industrialisation (promulgated by Prebisch and adopted so extensively by New Zealand) makes wonderful reading about the havoc and social costs that wrong headed policy advice can bring.

Readers will be reminded of the story of Khrushchev, who after standing on the dais for 5 hours reviewing Russian military might as it paraded through Red Square, was struck by three shabbily dressed people shuffling along on the tail of the parade. "Who the hell are they?" he whispered furtively to a functionary standing beside him. "Those, Comrade President, are the economic policy advisers to the Politburo". "Well why are they here?" retorted the Russian leader. "Because Comrade, they can do more damage than the rest of today's parade put together".

From *James Surwiecki* comes a little volume that is a truly unusual blend of economics, political science, decision theory and sociology *The Wisdom of Crowds: Why the Many are Smarter than the Few* (London: Little Brown, 2004). The author, a staff writer for the New Yorker, writes in a clear, convincing manner. The book is full of snapshots from biology, politics, computer science and markets that are all designed to support the central thesis: you are more likely to get a correct decision from a large group of people than from a single expert. Certainly, the use of consensus forecasts we see in economics and business is consistent with the author's proposition. This is good reading - light hearted but with enough substance to make it worthwhile.

Economics is everywhere. No: that is not a bit of neo-imperialist propaganda from your columnist but the title of a little book by *Daniel S. Hamermesh* (*Economics is Everywhere*. New York: McGraw Hill, 2004). And it is a wee gem. It is in the spirit of Harry Johnson's *The Daily Economist* and the *Economics of Public Issues* by North and Miller. Were I still

to have the joy of facing 350 ECON101 students at 8am on Tuesday and Thursday this Hamermesh volume would be on my shelf. Teaching beginning students the proof that the marginal cost curve passes through the minimum point of the average cost curve always seemed to me to have profound explanatory power in understanding why enrolments in second year economics were no more than 10 percent of the first year class. Instead, introducing economics via stories about the real world to which students can relate has to create some spark and interest in the subject instead of the stultifying approach of the mechanics of indifference curves or the elasticity of substitution. OK, so it's like giving your two year old the panadol crushed and mixed in a teaspoon of raspberry jam – but hey, maybe it works. Several hundred stories, none more than half a page fill this little volume and each has a question following it which requires some thinking... a whole new experience for most of the ECON101 darlings.

The Becker-Posner Blog on Immigration [SB]

On the Becker-Posner blog for 21 February, Gary Becker discusses the issue of immigration into the United States¹:

Since I am a free-trader, readers might expect my preferred alternative to the present system to be 19th century-style unlimited immigration. I would support that if we lived in the 19th century world where government spending was tiny. But governments now spend huge amounts on medical care, retirement, education, and other benefits and entitlements. Experience demonstrates that in our political system, it is impossible to prevent immigrants, even those here illegally, to gain access to these benefits. I believe that with unlimited immigration, many would come mainly because they are attracted by these government benefits, and they would then be voting to influence future government spending and other public policies.

There is another perspective that can be taken on this. Consider two countries, one of which heavily subsidises its tertiary education and one which does not. In the latter, qualified people will want pay which includes a satisfactory return on their relatively heavy direct investment. In the former, such a pay premium will not be expected, but taxpayers might reasonably expect some benefit in terms of having less to pay for the services of qualified people.

In a labour market which allows international mobility, such pay differences between the countries will not be possible, as workers with a subsidized education would be able to emigrate to take advantage of higher pay offered elsewhere. Conversely, the countries where people largely self-fund their education will benefit from the skills of immigrants trained at the expense of overseas taxpayers. The United States may well be a beneficiary in such an exchange.

This is a basic property rights problem. How can investors ensure that they, rather than others, benefit from their investment in people? If there is no associated property right, they have no claim over the future earnings of those they train. Given international mobility of skilled workers, this may be a valid justification for tertiary education to be funded by loans, rather than grants, and for international mechanisms for collection of loan interest and repayments.

¹ <http://www.becker-posner-blog.com/archives/2005/02/index.html>

The Good Old Days

“Leaks are not as valuable as formerly because they are too common now. All the treasury clerks were tipped off on this Marlin-Rockwell Company and bought the stock.”

Clarence Barron, quoting a D J MacMillan on 28 March 1922. A footnote indicated that, six days later, the end of the company's tax dispute was announced.

[P.250 of *They Told Barron: Conversations and Revelations of an American Pepys in Wall Street – The Notes of the Late Clarence W Barron, Publisher of the Wall Street Journal, The Boston News Bureau, etc.* (edited and arranged by Pound A and Moore S T, 1930, New York: Harper Brothers)]

What Role for the NZAE in the Post-PBRF Environment?

By Paul Dalziel (dalziel@lincoln.ac.nz)

The Performance Based Research Fund rewards Universities for excellence in research. A significant component of the funding is based on a panel-based assessment of the research performance of individual research staff during the previous six years. The first of these assessments took place in 2003 (covering the period 1997-2002); the second will take place in 2006 (covering 2000-2005); and the third is intended for 2012.

Individual academics are assessed on three criteria: (a) research output; (b) peer esteem; and (c) contribution to the research environment. Depending on their total weighted scores in these criteria, each academic is placed in one of four categories: A. World Class; B. Very Good; C. Good; and R. Remainder.

The rules for assessing academics mean there are strong *disincentives* for academics wishing to be considered for the top category from getting involved in the NZAE. These rules (that is, the evidence required for obtaining 6 or 7 points in each of the three criteria) are listed in Appendix 1 at:

http://www.tec.govt.nz/downloads/a2z_publications/pbrfimplementationupdate-30april03.pdf.

A ranking of Grade A in research outputs requires that ‘a significant proportion of research outputs should be presented through the most appropriate and best channels’. *NZEP* is not likely to be considered a ‘best channel’ by the Business and Economics Panel, even for research on New Zealand issues. Since the criterion is “a significant proportion” (rather than quantity), publishing in *NZEP* has a negative effect on an academic’s chances of a Grade A for research output.

Evidence for a Grade A ranking in peer esteem includes ‘fellowships of leading learned societies/academies or prestigious institutions, or special status with professional or academic societies, or editorship, membership of editorial panels or referees of topranked journals’. The NZAE is unlikely to be regarded as a *leading* learned society, nor is *NZEP* regarded as a *topranked* journal. Indeed “editorship or membership(s) of editorial panels of reputable journals within New Zealand” is explicitly mentioned in the description of Grade B evidence.

Evidence for a Grade A ranking in contribution to the research environment includes ‘organising and hosting world class conferences’. The NZAE’s annual conference is unlikely to be considered a world-class conference.

We would all want to recognise and reward world-class economists in New Zealand who are meeting the evidence requirements listed above. The difficulty is that involvement with *NZEP* and NZAE is interpreted by the PBRF guidelines as an indicator that the researcher’s performance is below world-class, and belongs instead to Grade B or even possibly Grade C.

This would not be a concern if the next Grade recognised excellence in New Zealand oriented research or service. Instead, the category title for the Grade B is anaemic (“very good”), and its required evidence is very broad (22.6% of eligible staff received a B grade in PBRF 2003, compared to 5.5% in the A Grade category). Thus anyone with a reasonable research record who accepts some role in the NZAE reduces their chances to advance to A grade, without receiving any recognition for their unusually high domestic contribution.

This will have implications for the NZAE Council. There has always been a reasonably high personal time cost in serving on the Council. The financial opportunity cost to a University for having a senior academic staff member serving on a New Zealand professional association is much higher under the new PBRF rules.

(Edited version of a discussion paper presented to the NZAE Council, 11 March 2005.)

Frank Ferudi should approve of the above piece. He recently wrote: “*The standardisation of evaluation procedures, benchmarking, auditing and quality assurance procedures all compel academics to act according to an externally imposed script. Yet academics have barely raised a murmur about the introduction of such processes, which undermine the free pursuit of knowledge.*”

[Ferudi F (2005) “The new Chief Inquisitor on campus”,
<http://www.spiked-online.com/Articles/0000000CA8D8.htm>]

The Games Politicians Play by Stuart Birks

Parliament's Questions for Written Answer are now searchable at: <http://www.clerk.parliament.govt.nz/Publications/QuestionsForWrittenAnswerIndex.htm>.

There is also a free searchable Hansard available at: <http://www.vdig.net/>. The latter is not completely up to date, but the gaps can be filled by browsing Hansard at: <http://www.clerk.parliament.govt.nz/hansard/Hansard.aspx>. These save me having to reproduce all the details for the examples below which illustrate the nature of some political exchanges. Before presenting them, here is a quote from *The Press* of 7 March¹:

While the public perception is that Parliament is where politicians debate issues, Brash says one of his disappointments since being elected is the lack of substantive discussions in the House. He is perceived as being a poor performer in the rough and tumble environment of the debating chamber, and he readily admits a distaste for the misbehaviour the adversarial nature of Parliament provokes.

"There are times when I think the House is quite puerile," Brash says bluntly.

Example No.1: In Parliamentary Question 02169 (2005), Judith Collins asked, "What are the dates, in the last 6 months, on which Cabinet and Cabinet Committees have discussed the Government's plan to introduce a single core benefit?" Steve Maharey replied, "During the past six months plans to introduce the single core benefit were discussed at the Policy Committee on 9 February 2005 and at Cabinet on 14 February 2005".

On the basis of this answer, Don Brash then issued a media release saying the government's universal benefit proposal was a rushed idea.² The next day, a NZPA report on the matter³ included the following:

Mr Maharey said a cabinet paper setting out the timing and details of benefit reforms was circulated to ministers before Christmas.

"His claim is bizarre...Don Brash should spend less time on self-serving conspiracy theories and more time outlining what his policies are," Mr Maharey said.

Example No.2: In Question 15169 (2004). Muriel Newman asked, "What Child Support Act reviews, if any, are being undertaken; broken down by the nature of the review?" David Cunliffe replied, "No substantive reviews of the Child Support Act are being undertaken. As with any legislation, this Government is always monitoring how the law is applied in practice and will undertake reviews as appropriate."

A month later, Muriel Newman tried again in Question 16856 (2004), "Further to the reply to written question 15169 (2004) what minor reviews, if any, have been undertaken, what were they reviewing and when were then commenced?" David Cunliffe replied, "As stated in my previous response, no reviews of the Child Support Act 1991 are being undertaken. As with any legislation, this Government is always monitoring how the law is applied in practice and will undertake reviews as appropriate."

A week later, Rodney Hide asked Question 17119 (2004), "What are the dates and titles of any reports or papers prepared by Treasury for him or the Secretary to the Treasury since 1 August 2004 in relation to any issues confronting liable parents, including but not exclusive to, issues arising from the Working for Families package?" Michael Cullen replied: "I have provided below the dates and titles of reports or papers that relate to issues confronting parents with child support responsibilities (liable parents) prepared by The Treasury for either myself or for the Secretary to the Treasury since 1 August 2004..."

¹ Houlahan M (2005) "Election big ask for inexperienced Brash", *The Press*, 7 March, <http://www.stuff.co.nz/stuff/0,2106,3209688a1861,00.html>

² <http://www.national.org.nz/Article.aspx?ArticleID=3785>

³ NZPA (2005) "Brash says Govt threw together single benefit plan", 8 March, <http://www.stuff.co.nz/stuff/0,2106,3210073a11,00.html>

It would seem that, in future, to ensure they get the information they seek, opposition MPs should ask for details of all of reports, papers, reviews and discussions. That might still not be enough, however.

Example No.3: National MP, Murray McCully in his weekly report no.193⁴ (dated February 11) says the following:

The State Services Commission Human Resource Survey released just before Christmas finally reveals the figures that Ministers spent the last half of 2004 covering up (remember, Ministers simply refused to answer straightforward Parliamentary Questions like "How many staff are there in your department?" And Mr Speaker said that was OK). The number of public servants rose from 34,445 in 2003 to 37,865 in 2004 - an increase of 3,420 or 10%.

Example No.4: In Murray McCully's weekly report no.195 (dated 25 February) he stated that, on 10 February, Associate Transport Minister Harry Duynhoven denied the existence of any LTSA advertising scholarships for Maori and Pacific copywriters and art directors, but he acknowledged them in reply to another question on 23 February. It seems that the difference is that the first question, no.590 (2005), asked if the LTSA had certain programmes, whereas the second question, no.1019 (2005), asked about funding or part funding. The LTSA did not have the programmes itself, although it did part fund them.

Example No.5: In *Hansard* of 7 September 2004, there was a series of questions on the foreshore and seabed issue as opposition MPs tried to get John Tamihere to disclose the changes to legislation that he was considering. Here is an extract from the exchange⁵:

Gerry Brownlee: ... We are no further ahead than we were a couple of minutes ago. I think it is time we decided whether it is acceptable for Ministers to go around the countryside, giving their views to public audiences—quite often conflicting views, depending on the particular audience—and then to come to the House and refuse to give the House that information.

This brings me back to the quote at the top of this piece. Is Don Brash right about the poor quality of debate, or, as suggested in the heading of the article in *The Press*, is he just inexperienced? Coincidentally, a review of a recently published biography suggested "he is no political novice".⁶ Neither article presented any supporting information for their contradictory claims. Perhaps we just have both poor reporting and poor political debate. Might that also mean that we have poor policies and poor government?

⁴ Accessed via: <http://www.mccully.co.nz/>. The Survey is at:

http://www.ssc.govt.nz/upload/downloadable_files/HRC_Survey_Report_2004.pdf

⁵ http://www.clerk.parliament.govt.nz/Content/Hansard/Final/FINAL_2004_09_07.htm#_Toc83114876

⁶ Browne A (2005) "Prime Minister in waiting", *The Manawatu Standard*, 12 March, p.24. The reviewed book is Goldsmith P (2005) *Brash: A Biography*, Penguin

Public Duty or Party Politics?

Alexander Hamilton, writing in 1797 of his time as a Secretary of the Treasury in America:

"In that office I met with many intrinsic difficulties, and many artificial ones, proceeding from passions, not very worthy, common to human nature, and which act with peculiar force in republics...Public office in this country has few attractions...The opportunity of doing good, from the jealousy of power and the spirit of faction, is too small in any station to warrant a long continuance of private sacrifices. The enterprises of party had so far succeeded...as greatly to take away the motives which a virtuous man might have for making sacrifices."

[Pp.304-5 of Gibbons R (compiler) (1995) *In Their Own Words*, New Jersey: Random House]

Duelling Press Releases [SB]

I get the impression that ministerial press releases can be of a tone that might not be expected or hoped for from people in positions of public office. They are sent out by email, so I looked through some of those stored on my computer. The proportion of pointedly titled releases is not as high as I'd imagined, but I still wonder as to their desirability. Here are some from late last year, and a period earlier that year:

Hon Steve Maharey: Muriel Newman's year of mistakes continues - 15 December 2004
Hon Steve Maharey: English confused again - 14 December 2004
Hon Dr Michael Cullen: He's done it again - flip-flap-flop - 10 December 2004 (on Don Brash)
Hon Dr Michael Cullen: Brash flip flop welcomed - 30 November 2004
Hon Mark Burton: Burton says-"Stop the cheap politics, Mr Mark" - 12 October 2004
Hon Paul Swain: Brash doesn't get it 14 September 2004

Hon Pete Hodgson: National playing poodle on Kyoto - 13 May 2004
Hon Phil Goff: Brash position more bizarre by the day - 7 May 2004
Hon Margaret Wilson: The only gaffe is Richard Worth's - 4 May 2004
Hon Dr Michael Cullen: More half truths and nonsense from Brash - 22 April 2004
Hon Trevor Mallard: Brash to take sledgehammer to education - 6 April 2004
Rt. Hon Helen Clark: Don Brash wriggles off his own hook - 10 March 2004
Steve Maharey: Maharey urges Nick Smith to stop crying crocodile tears - 27 Feb 2003
Michael Cullen: Bluff, blah and blather - Cullen on Nationals' economic paper - 27 February 2003
Steve Maharey: Newman's attack on employment statistics pathetic - 14 February 2003

I also had a look at releases from August 1999, when National was in office. These were the ones which, from their headings, might be considered to be personal:

Hon Roger Sowry: Cullen cracks over employment relations - 26 August 1999
Hon Tony Ryall: Clark Becoming Hysterical Over Government Appointments - 25 August 1999
Hon Tony Ryall: Clark's Integrity On The Line - 20 August 1999
Hon Tony Ryall: Is That It, Phil? 13 August - 1999

Given his reputation, I expected ACT leader, Rodney Hide, to provide some examples, but his press releases seem to have headings emphasising factual content.¹

¹ They are available on the ACT web site, <http://www.act.org.nz/>

Democracy criticized, terrible excesses in New Orleans, 1863:

Russian, and Austrian, and Prussian Generals are, doubtless, apt to be prompt and unhesitating when dealing with a civil population which dares to claim to have a will. But these men, stern though they be, have at least one restraining influence. They fear to lose caste. Loose as their code of honour is, and insufficient as it may be to prevent great insolence, grievous tyranny, and even unnecessary massacre, still these European Generals are capable of being reminded that they are gentlemen. They would shrink from acts which would imply a low and brutal nature. Not so the individual who represents Mr Lincoln and the sovereign authority of Federal Government at New Orleans. General Butler's victims hopelessly say of him that he is a mere drift of the scum of the Northern populace, "that he has no family pride, no honour to uphold," ...

This is what it is to live under the dominion of the free Democracy of the Northern States of America...Vice has sometimes been said to be capable of being refined into a dangerous resemblance to virtue. Despotism may be so polished as to shine and sparkle, and look almost attractive. But here we have the dull, coarse despotism of a sordid mob, wielded by an item of that very mob.

[p.5 of *The Southern Cross* of 14 January 1863, from Papersast]

Nikita Krushchev, speaking in the US in 1959, as recorded by Edward Ellis: *"For a long time nobody ventured to dispute your supremacy, but the time has now come when a country has appeared which accepts your challenge, which takes into account the development of the United States, and in turn challenges you. You may rest assured that the Soviet Union will hold its own in this economic development. It will overtake you and leave you behind -"*

Ellis also writes, *"I was struck by his repetition of one word: Capitalistic **faith**... Communist **faith**... These sounded more like religions than economic systems"*

[p.276 of Ellis E R (1995) *A Diary of a Century – Tales from America's Greatest Diarist*, New York: Kodansha International]

Australian Sex Discrimination Commissioner, Pru Goward: *"In the same way that special measures were made available to women seeking to enter certain sectors of the paid workforce, perhaps governments have to consider special measures to men to enable them to enter the unpaid workforce."*

[Karvelas P (2005) "Push needed for dads to stay home", *The Australian*, 10 February, http://www.theaustralian.news.com.au/common/story_page/0,5744,12202184%5E2702,00.html]

Interesting statistic no.3287 [SB]

Using average income data for "sole parent households with dependent children only" given by Statistics New Zealand's "Table Builder", it seems that the share of income coming from government transfers for these households fell from 59 percent in 1998 to 47 percent in 2003.

Aside from the problems with the concept of a "sole parent household", we could note (1) the high level for both these years, and (2) the big difference over only five years.

[Table Builder is at: <http://www.stats.govt.nz/products-and-services/table-builder/default.htm>]

Smoking, Food and Value Added [SB]

As restrictions on smokers increase, it is worth considering the relationship between smoking and weight gain. Could we be reducing deaths and ill health resulting from smoking, but, as a consequence, be increasing the same from obesity?

There are also calls for increased value added as a way to achieve economic growth. What does value added mean in relation to food? Might such a move mean that people will be eating a less healthy diet?

Meanwhile, smoking was a high-profile health issue for several years, now obesity is getting a lot of attention. Other causes hitting the media have included fireworks, cycle helmets, swimming pool fences, aging populations, domestic violence, child poverty and many others. There seems to be a similar pattern with these. The approach seems to be: 1) devise a simple message; 2) identify a simple solution, commonly legislative, or involving a funding allocation; 3) build up a power base (lobby groups, media and/or political support); 4) put your head down, and push. As we have seen this already in the material on p.7 of *AI No.21*, there is not necessarily a need for informed debate.

Today we are concerned about second hand smoke, but in 1863...

"At the present time there are many arsenical greens...and they contain from 58 to 71 per cent of arsenic...These dangerous pigments are put upon papers, toys, artificial flowers, and even ladies' dresses. A wreath of 50 green leaves may contain enough poison to kill 10 persons; and a green tartelan dress of 20 yards would contain about 900 grains of white arsenic; and considering how loosely the poison is attached, it is marvellous that serious results do not often occur from it. It has been affirmed by a Berlin physician who has inquired into this matter that a lady's dress might give off 60 grains of the poisonous pigment in a single evening - scattering a dust of poison in the air of a ball room. It is time that some measures should be adopted for the prevention of this practice."

(From p.5 of *The Daily Southern Cross*, 14 January 1863, via Paperspast. Note that 6 grains can kill an adult.)

JOINT CONFERENCE

**29th Annual Conference of
Australia and New Zealand Regional Science Association International**

**The September Conference of the
Economic Development Association of New Zealand**

**Manukau, Auckland New Zealand
27 – 30 September 2005**

CALL FOR CONTRIBUTED PAPERS

LORD OF THE REGIONS: THE MYTHS, MAGIC AND MIX FOR REGIONAL INNOVATION

ANZRSAI and EDANZ have come together to organise a joint conference in September 2005. The conference will bring together practitioners and academics from both sides of the Tasman (and further away) to focus on regional innovation. Participants can expect an exciting combination of keynote speakers, plenary presentations and contributed paper sessions covering a wide range of topics relevant to regional development.

ANZRSAI and EDANZ invite contributed papers for the conference. Papers of broad interest to regional scientists and practitioners are welcome. These might include (but are not restricted to) papers that address the conference's main themes:

- Regional innovation and innovative models
- Community capacity building and innovative solutions
- Sustainable economic development
- Indigenous issues
- Natural resource management and resource economics

Abstracts are required by Thursday the 30th of June 2005. Presenters are encouraged to submit their papers to the conference organisers prior to the conference. All papers received by **26 August** will be peer reviewed for publication in the conference proceedings, and will be eligible for the Paper of the Conference Prize.

Abstracts should be 150-200 words, and should be sent by email to James Rowe.

Further enquiries about contributed papers can be directed to:

James Rowe
Senior Planner Economic Development
Manukau City Council
Phone (64-9) 262-5191
Fax: (64-9) 262-5171
Mobile 027 277 1318
Email: jrowe@manukau.govt.nz

**The Social Policy, Research & Evaluation Conference 2004: What Works?
25-26 November 2004**

By Robin Johnson (johnsonr@clear.net.nz)

In company with the Editor, and a few other economists, I attended this conference in the light of my interests in evaluation and performance in the delivery of public policy. This is the second big conference (850 registrants) run by the Ministry of Social Development around this topic. (We reviewed it in *AI* No.17). Considering that the Association of Economists barely musters 200 at its meetings and that a session on this topic at the Auckland conference in 2003 attracted only around 25-30 participants, shows that public social policy interests a lot more professional people besides economists and/or this sector employs a lot more analysts and like-minded people concerned for outcomes of such policy programmes.

The keynote addresses were by Mason Durie (*Race and Ethnicity in Public Policy*), Cindy Blackstock, Canada (*First Nations peoples in Canada; the best caregivers for First Nations children and youth*), Helen Roberts, UK (*What Works in Child Health*), Raymond Torres, OECD (*Towards more and better jobs*), Congressman Faleomavaega Eni Hunkin, US Samoa (*Building the evidence base in cultural, social and economic programmes, some learning from the American Samoa experience*), Johan Mackenbach, Netherlands (*Tackling socioeconomic inequalities in health: an overview of European experiences*).

The rest of the conference was devoted to 4 by 8 concurrent sessions organised around topical NZ subject matter. I chose 4 in the evaluation area, and may have missed some material germane to economists. The Editor may well have something to say in this area. I believe reports on these proceedings will be posted on the MSD website.

Of the keynote speakers I liked Helen Roberts best as she took the classic UK approach and actually summarised the evaluation/research results being achieved at City University, London and elsewhere. Torres and Mackenbach attempted meta-type surveys that try to encompass broader experiences in job promotion and health. I find these disappointing precisely because they obscure local content, but they are very popular in other quarters nevertheless! The remaining speakers were more concerned with presenting a certain point of view on social inequality which I would leave for readers (if there are any) to look up for themselves. I remain convinced that overseas experience is of limited value in making domestic social policy, and that internal evaluation and monitoring is far more relevant. I also abhor international comparisons of ratios and percentages which suggest we have to conform to other peoples standards and goals. We should concentrate on our own problems and solutions by high level analysis and subsequent retrospection.

I went to concurrent sessions on *Public Good research meets policy and practice*, *Best practice Research and Evaluation*, *Tertiary Education capability development*, and *Getting the Evidence for NZ Policy*. In these sessions actual practitioners presented their frameworks and results and provided, to me, a very good summary of the state-of-the-art in current policy evaluation methodology. I believe some very interesting results are coming up from this work and will help to modify design and delivery of future social policy programmes. One aspect missing from these presentations is any quality evaluation of the people writing and evaluating policy programmes. I believe the SSC and the new School of Government at Victoria University have still to engage with the prospect of ongoing training and updating of existing civil service staff, not to mention new entrants. The new premises at the down-town campus of the University are admirably suited in size, facilities and location to tackle this problem soon/next.

From an economist's view, these meetings do not evaluate economic programmes in the same way as they do social programmes. Economics seems to have departed the fold! Is economics no longer one of the social sciences? Someone put it to me at the conference that one problem is that the universities offer more and more courses in social policy and less and less in social sciences. Self-selection of the courses does the rest. Another feature I would suggest to future organisers is

a little refresher course in civics at the beginning of the conference. Quite a bit of discussion time was taken up with a 'me-them' attitude to the policy process. It's OK apparently to say in public discussion that something is 'political' and therefore not worth pursuing or discussing. A number of presenters like Bob Stephens and Bob Gregory do not make this assumption, but suggest that the holistic framework must take in both aspects of the policy making process. Those of us with an institutional or public choice background would agree with the two Bobs, and would also suggest that the social policy community at large have not yet grappled with really objective and independent advice processes for Ministers. Have the Social Policy departments at Universities come on board yet, for that matter?

SPREC 2004 - A Conspiracy Theory Perspective by Stuart Birks

This was a big conference, much bigger than New Zealand academics might expect to have. I do wonder whether the organisers did enough to demonstrate their independence from government. Such a significant conference should not only be independent, but should also be seen to be independent. It should include a range of speakers who could present a diversity of views, and attempt to get some broad coverage of perspectives in the sessions. Perhaps it should also include more economists.

One of the keynote speakers, Raymond Torres, is an economist, and Head of the Employment Analysis and Policy Division of the OECD in Paris. He is described as, "currently editor of the OECD Employment Outlook, and in charge of the preparations for the reassessment of the OECD Jobs Strategy."¹ His theme was "Towards more and better jobs: highlights from recent ECD work". I shall concentrate on his paper. It is not on the conference web page, but his PowerPoint presentation is there². It included the following:

"The OECD Ministers met in September 2003 and agreed to a comprehensive strategy. More and better jobs are needed...Some groups (women, older workers, etc.) are underrepresented in the workforce. 35% of working age people are either unemployed or, more often, inactive. This is unsustainable in the face of population ageing."

According to a newspaper article, the British Government has said, "Britain must revolutionise attitudes to working, and encourage solo parents, retired people and people on incapacity benefits back into employment"³. Similar sentiments can be found in the recent speeches by both Don Brash and Helen Clark. This may not be entirely coincidental. National wants to reduce the cost of benefit payments, and Labour wants more autonomy for women, so this international initiative is convenient for both of them.

The message may not be as significant for New Zealand as for other countries, however. The article on Britain states that the five year plan is "working towards an employment rate equivalent to 80 percent of the of the working-age population". Raymond Torres showed a graph of 2001 data indicating that New Zealand had an employment rate of about 79 percent, well above the OECD average of about 66 percent, and close to the OECD maximum of about 84 percent. However, the next graph in the presentation showed a 2003 employment rate for New Zealand of about 73 percent.

There are several aspects of the presentation which give cause for concern.

He states, "The OECD Ministers met in September 2003 and agreed to a comprehensive strategy". Does this mean that a group of Ministers got together and committed their governments to a common policy direction? Who was the Minister from New Zealand? On what authority could a commitment be made? Have the New Zealand public been informed of this major development? Has there been any consultation?

¹ <http://www.msd.govt.nz/events/conferences/social-policy-04/speaker-profiles.html#torres>

² <http://www.msd.govt.nz/documents/events/strategic-social-policy/conference-04/raymond-torres.ppt>

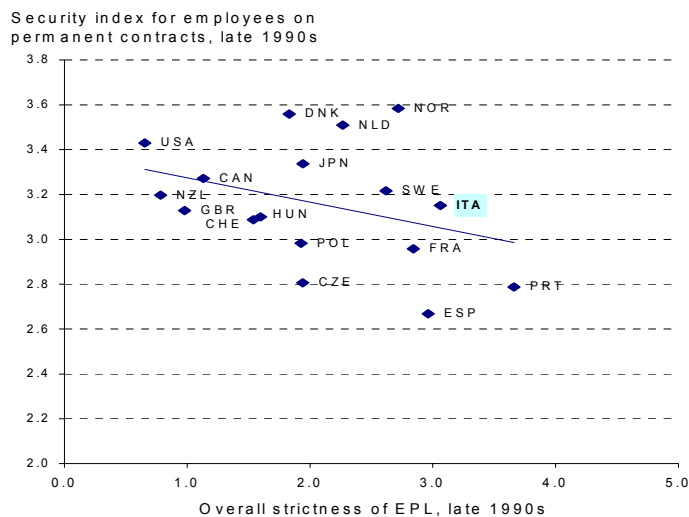
³ NZPA/Reuters (2005) "Britain wants more in work", *Manawatu Standard*, 5 February, p.13

The conference audience consisted of about 900 academics, policy analysts, professionals and representatives of interest groups. It was organised by the Ministry of Social Development with other Ministries, government bodies and a university as sponsors. This could be considered a high-powered audience, and so should be given reasonably sophisticated presentations. However, there are reasons to question whether the proposed policy directions are well supported by evidence.

After calling for more and better jobs, slide 12 asks, “Why ‘better’ jobs?” The answer includes the claim, “There is a sense that some workers do not realise their productive potential...” Who senses this, and why? It also says, “facilitating access to better jobs can *in principle* go hand in hand with increasing employment rates on a durable basis and should raise productivity”. The italics are on the slide. Are there reservations about this approach in practice? Is this a satisfactory basis for action?

Slides 20 to 22 include graphs and (presumably) regression lines, purporting to show relationships between variables. They all give rise to similar concerns. Here is the graph from slide 20, which was headed “EPL leaves workers feeling insecure” where EPL appears to stand for “Employment Protection Legislation”. While there is a downward sloping line, indicating a somewhat negative statistical relationship, the relationship is weak, with a wide scattering of points. There may be wide differences in conditions between countries, with potentially complex underlying causal factors.

In addition, there could be large differences in circumstances within countries. Presumably each country is given equal weight, in which case results could be quite different if, say, US data were given state by state instead of as one country.



Also, we do not know the quality of the measures of employee security and strictness of EPL. If the variables on each axis are composite measures, their values, and the relative values of the countries, will depend on how the components are combined. Without a clear unit of measurement, we do not know if a one unit difference between say 1 and 2 for strictness of EPL means the same as a one unit difference between 4 and 5. The values could be changed while maintaining the same rankings. If this is possible, then the same information could be presented in different ways, possibly producing different apparent relationships. It may even be possible to transform the values so as to reverse the slope of the line. This could be done without altering the ordering of Y values by compressing the Y values below the line and expanding the spread of Y values above the line.

Slide 26 considers a relationship between human capital (here measured in terms of trained versus non-trained workers) and workplace outcomes. He suggests that trained workers, if laid off, find it easier to get a job, have lower unemployment rates, and get higher wage growth. The suggestion is that there is a causal relationship, and so training will give these benefits for the non-trained. Another possibility is that training currently indicates a commitment to employment and a desire for high pay. The same outcome might not be observed if more training were given to people motivated in other ways.

These are just a few of the slides, but in brief, the information given in the presentation is not convincing, and yet the speaker was describing an internationally accepted strategy that is being adopted by numerous countries to increase the number of people in paid work and the skill levels of the workforce. It is not clear that this has been debated publicly in the individual countries, nor that the possible social issues have been considered.

To give some historical context, and bearing in mind the 80 percent target participation rate in the UK and a recent New Zealand participation rate somewhere between 70 and 80 percent⁴:

1) 1951 Census figures from the 1954 New Zealand Official Yearbook show a 15-64 population of 1,191,666 (p.47), and an actively engaged population of 740,496 (p.965). This gives a participation rate of 62 percent. We can also calculate the ratios of actively engaged to total population of all ages. It was equal to 0.38, or 38 percent, in 1951, compared to 0.50, or 50 percent, in 2001.

2) Page 2 of a National Party brochure for the 1949 election can be found on the National Library "Timeframes" on line database.⁵ It includes the headings, "This is HER election too!...Women will protest...Wives obliged to work." The National Party won that election.

Also relevant to the general policy issues in the Torres paper, and having a bearing on international comparisons, there was a Reuters report on the Stuff web site on 6 February.⁶ It described protests in France, which happens to be where Raymond Torres is based. Apparently unions are objecting to moves that, they say, will bring an end to the 35 hour week. Should we make international comparisons of participation rates without also considering differences in length of the working week and length of holidays?

Moreover, the OECD may be taking a short-term view on the issue of population aging. An article by Stanley Kurtz raises some longer term issues.⁷ He highlights the problems of falling birth rates and an ageing population in terms of the increased demands on young people, hence:

To support the ever-growing numbers of elderly, governments may raise taxes on younger workers. That would make children even less affordable than they are today, decreasing the size of future generations still further.

Drawing on several recently published books, he speculates on the possibility of a cumulative downward spiral. This is not an inevitable outcome, but it does send a signal. When considering problems of an ageing population, we should at least be looking beyond the next generation, rather than simply aiming to induce or compel them to meet the needs of their elders.

⁴ From the 2001 Census, New Zealand's 15 to 64 usually resident population in and not in the labour force totaled 2,363,199, of whom 1,816,434 were in the labour force, giving a participation rate of 77 percent. An additional 50,745 people 65 and over were also in the labour force. (Labour force status was unidentified for an additional 88,000.)

⁵ <http://timeframes1.natlib.govt.nz/nlnz-get-info?Action=Info:RefNum=Eph-A-NZ-NATIONAL-PARTY-1949-01-03>

⁶ Reuters (2005) "French protest longer working hours", 6 February, <http://www.stuff.co.nz/stuff/0,2106,3179077a12,00.html>

⁷ Kurtz S (2005) "Demographics and the Culture War", *Policy Review Online*, February, <http://www.policyreview.org/feb05/kurtz.html>

Today we worry about global warming, but in 1875...

"The New York World gives some results of calculations, based on observations of the transit of Venus. The distance is now estimated at eighty-eight millions, four hundred and forty-three thousand, seven hundred and twenty-six miles, or three or four millions closer than according to the last computations. At the same ratio in fourteen hundred and forty years, the earth will fall into the sun, but as the motion probably accelerates a less time is likely."

(P.2 of the *West Coast Times* of 9 March 1875, via Paperspast)

Helen Clark's use of Treasury advice by Stuart Birks

Helen Clark gave her "Statement to Parliament" on 1 February.¹ She placed a strong emphasis on free trade agreements with other countries, with the implicit assumption that interventions in those markets lead to harmful distortions. The approach to internal policies is markedly different, however. In particular, a range of policies are proposed to raise labour force participation rates. To quote from the speech:

While overall New Zealand's labour force participation rates are high, coming in seventh in the OECD in 2003, our women's rate lags – and in particular sits below the OECD average for women aged 25 – 34. Treasury estimates that our GDP per capita would rise by 5.1 per cent if we lifted our participation rates overall to the average of the top five OECD nations.

The 5.1 percent figure comes from a Treasury Working Paper using 2001 data.² The same paper also considers an increase in female 25-34 participation only, estimating that this would increase GDP by 1 percent. The top five countries considered for this comparison are Iceland, Norway, Sweden, Denmark and Portugal. For the Scandinavian countries at least, policies are very different from those in New Zealand. It is not clear that their, or any other policies would lead to similar participation rates here. The average for the five countries is pulled up by the rate for Iceland, a country of about 300,000 people in 1997, so that reaching the average would actually put New Zealand ahead of most of these countries.

There could also be problems with international comparisons of participation rates. They may be low in rural areas due to limited work opportunities, or poorer child care facilities, or unrecorded work on farms, say. On the figures given in the Treasury paper, New Zealand has almost the same participation rates for young women as Australia, and higher rates than theirs overall. Rates are much higher than in Italy, which has a particularly low fertility rate.

The Treasury paper is circumspect, but not so the speech. The above quote is immediately followed by the assertion, "That's a worthwhile objective and at this time of labour shortage, it's a good time to be pursuing it". We do not know if it is achievable, the costs of achieving it, any side effects in terms of changed behaviour elsewhere, and how well it matches people's aspirations.

In terms of analysis, Treasury assumes that a change in participation by one group has no effect on participation rates by other groups. There is a one-off increase in GDP on the basis of estimated productivity of the extra labour, without consideration of the need for associated capital, etc., or the productivity of that capital (although these issues are mentioned).

The Treasury's female 25-34 scenario also assumed that they worked the same hours as existing women in that age group, even though the increase is likely to include a higher proportion of mothers of young children. The resulting 1 percent increase in GDP will include some costs of child care, and should be balanced against reduced unpaid work, including the childcare that would have been done by these women. The scenario giving the 5.1 percent increase in GDP assumed that each age and sex specific participation rate rises by 5.1 percent (i.e. 5.1 percent of the population in each cohort). The additional workers are assumed to be somewhat less productive than existing workers.

The working paper states, "government policies designed to increase labour force participation are costly, and their efficacy is variable" (p.13). The paper ends, "Further work will focus on how labour force participation can be increased" (p.14).

So, is Helen Clark actually giving a policy direction, or simply saying that the government will look at the question of introducing policies, while having no firm suggestions yet? The

¹ <http://www.beehive.govt.nz/ViewDocument.cfm?DocumentID=22087>

² Bryant J, Jacobsen V, Bell M and Garrett D (2004) *Labour Force Participation and GDP in New Zealand*, New Zealand Treasury Working Paper 04/07, June, <http://www.treasury.govt.nz/workingpapers/2004/twp04-07.pdf>

section of her address on “Lifting Participation Rates in the Workforce” mentions several policies, and, despite the reservations in the working paper, makes claims as to their effects.

Helen Clark referred to the overall participation rate growth scenario’s 5.1 percent figure as being worthwhile, but her discussion on increasing participation rates seemed to relate only to women, and young family women in particular. Using Treasury figures, if the policies only affect females 25-34, and they manage to raise their participation rate by not 5.1 percent but 11 percent, this would only give a 1 percent increase in GDP.

That raises several points. 1) The speech is misleading. 2) Is this growth worthwhile given the social change required? 3) Is it achievable, or even wanted by these women? 4) Would there be no changes elsewhere, such as lower participation by older women who switch from the workplace to caring for their grandchildren?

It may not be entirely coincidental that Raymond Torres spoke at the SPREC last year, calling for higher workforce participation rates, or that the Prime Minister of Sweden visited New Zealand in February. Goran Perrson’s visit was used to promote the idea of increased workforce participation by mothers.³ The impression seemed to be that, if New Zealand could copy Sweden in that respect, then the result would be a matching of per capita incomes.

That is quite a big jump in reasoning, as illustrated by another document, *Economic Development Indicators 2005*, which recently arrived on my desk.⁴ A graph on p.25 gave international comparisons of labour utilisation in terms of hours worked per capita. New Zealand came second, after the Czech Republic, and far ahead of Sweden. Another graph on p.30 showed annual average hours worked per person employed. New Zealand, at over 1800 hours per year, is far ahead of Sweden at well under 1600. If New Zealand moved to copy Sweden by increasing participation rates to that country’s level, and this resulted also in a change in hours worked to correspond with those in Sweden, then the total hours worked in New Zealand would fall. As recorded hours would include paid childcare replacing current unpaid childcare, the country could well end up significantly worse off.

We can take this reasoning a step further. The Swedish example shows that New Zealand’s comparatively poor economic performance is not a result of inadequate hours worked. It must therefore be a question of productivity. This can depend on available capital, but is also related to quality of labour. That in turn depends on the education, training and experience of the workers. If these are spread too thinly over a large number of workers, then the benefits will be low. On the other hand, if the same amount of education, training and experience is concentrated in relatively few workers, they will each be more productive. We would therefore get better results with the same total hours worked if we have lower participation rates, but highly productive workers. The government’s aim of increasing participation will actually run counter to their growth objective, if it just spreads the investment in human capital more thinly while not increasing the total work effort expended.

The Labour Government may have yet another reason for promoting higher participation rates for women. The last paragraph of the participation section of Helen Clark’s address states: “*Women’s participation is also likely to be affected by pay rates in female dominated sectors. Last year the nurses’ pay claim was settled, on the basis of moving to remedy years of under pay in that sector. The government is continuing to work on a staged programme to address pay equity issues in the public sector.*” So this can be linked in to support initiatives in relation to the “gender pay gap”, but that, with its inflationary impact and interest rate repercussions, is another major area to consider.

³ Espiner C (2005) “Clark hopes NZ can emulate Sweden”, *The Press*, 15 February, <http://www.stuff.co.nz/stuff/0,2106,3187868a11,00.html>

⁴ *Economic Development Indicators 2005*, Ministry of Economic Development and The Treasury (no publication date given).

National Women's Convention 3-6 June 2005 [SB]

A National Women's Convention is to be held on 3-6 June.¹ This is not to be mistaken for a convention for the women in the National Party. It could be a significant meeting, focusing on "the needs of women and men", although it is not immediately obvious that men's needs will get a realistic airing.

A media release dated 16 August 2004 is intriguing.² Here is an extract:

16 August 2004

Learn from the Past, Look to the Future 30 years on from the last New Zealand Women's Convention

It was announced today that a National Women's Convention is to be held in Wellington in June 2005, 30 years after the last one held in 1975.

The Hon. Margaret Shields, convenor of the steering committee established to organise the convention, said today: "The convention has a number of important objectives. It will review and evaluate the progress made for and by women over the last 30 years in terms of demographics, and work and home life as well as the growth in understanding of the imperatives of environmental sustainability and peace. It will most particularly look at the situations of young women today and the different society of which they are a part. This will help us to identify achievable policy objectives to accommodate the changing needs of women and men in today's world.

"The conference will address many issues that are fundamental for New Zealand, aligning women's achievements and aspirations with the country's social and economic development, and setting a path for the next 30 years," Margaret Shields said.

Although earlier referring to meeting the needs of young women, the last sentence has an echo of the Torres speech (see above). Are young women to be allowed to specify their aspirations, or are they to be "guided" to meet the requirements of an older, retiring generation? Presumably men's aspirations don't matter, even though they might be expected to have a part to play in social and economic development.

The media release refers to a steering committee, and states, "Most of the women involved played a significant role either as participants or organisers of the 1975 convention". There would also appear to be close links to government, given that the *Action Plan for New Zealand Women*, launched in 2004 by the Ministry of Women's Affairs, is a base document for the convention.

¹ <http://www.womensconvention.telecom.co.nz/>

² <http://www.womensconvention.telecom.co.nz/assets/sm/38/7/MediaRelease1.pdf>

It wouldn't happen today...

On page 2 of the *West Coast Times* of 9 March 1875 (on the Paperspast web page), news from Auckland: *The schooner Tawer caught fire whilst lying at Mechanics Bay this morning...The Fire Brigade at first refused to go, being just beyond the city boundary, but the cost of horse hire being guaranteed, they proceeded after a lapse of over an hour, and succeeded in extinguishing the fire...*

Or would it...

On page 3 of the *Manawatu Standard* of 15 March 2005 is a report ("No hospital help for collapsed man", NZPA) about a man who collapsed 200 metres from Auckland Hospital. A staff member in the almost empty emergency room said that there was nothing they could do, and to call an ambulance.

Perhaps just in Auckland?

Whose voices, whose worlds? [SB]

Academics run the risk of far more being read into their findings than is supported by their data. They sometimes fall into this trap themselves, as when they generalize from past data to make definitive statements about the present and the future, or when they use information from an unrepresentative group to draw conclusions about the whole of society.

Raising Children in New Zealand: Patterns of Family Formation and Change in New Zealand can be downloaded from the Ministry of Social Development web page.¹ Although published in 2004, the report was based on an analysis of “data from the 1995 New Zealand Women: Family, Education and Employment survey, which collected information on the family histories of a large random sample of New Zealand women” (p.7). Not only might there have been significant behavioural changes since then, especially given the legal changes, but also the use solely of this data source seems to reinforce a woman-centred and defined view of family.

The report states, “Around one woman in three can be expected to separate within the first 20 years of marriage. The increases in propensity to separate have also been mirrored by increases in propensity to repartner. Around one woman in three can be expected to repartner within two years of a separation.” It would not be surprising if this proportion of separated women enter into a relationship within two years of separation, but this could be transient, and the standard requirement is a two year period before divorce is allowed.

On p.8, “in addition to providing a picture of broad shifts over time in dynamic processes of family formation and change, the report focuses on the proportions of children who spend part of their lives in sole-parent and reconstituted or “blended” families, the duration of time children spend in sole-parent families and patterns of leaving home among children in different family circumstances.” This illustrates the woman-centred concept of family, with no consideration of shared parenting or of children spending time with non-custodial parents.

“The survey involved interviews with 3,017 women aged 20–59 in 1995 and collected retrospective information on their partnerships, use of contraception, pregnancies, births, education and work histories, among other things.” (p.8)

At the very least, there should have been some acknowledgement of the limitations this data source imposes.

¹ <http://www.msd.govt.nz/documents/work-areas/csre/patterns-family-formation-nz.pdf>

AUT Academic Blames Economists for Domestic Violence

Emma Davies writes:

Economists can't continue to lead our decision-making in how to deal with social problems. If professional economists were doctors, says Canadian philosopher John Ralston Saul, they would be mired with malpractice suits.

Economists have failed in their attempts to apply models and theories to the reality of our civilisation. Violence is part of that reality.

Perhaps this helps to explain why we have a situation in New Zealand where we haven't been able to act on an apparent increase in public awareness of domestic violence over recent years.

Perhaps our public service has become too fixated on efficiency at the expense of effectiveness in our approaches to social problems.

(From: Davies E (2005) “Need to halt domestic violence”, *The Press*, 12 March, <http://www.stuff.co.nz/stuff/0,2106,3214407a1861,00.html>)

On postmodernism, Jonathan Rose writes: “...like so many postmodern critics, Professor Smith could be naively confident that she was in full possession of the facts, even without the benefit of research”.

[Rose J (2004) “The Classics in the Slums”, *City Journal*, Autumn, <http://www.manhattan-institute.org/cfml/printable.cfm?id=1700>]

Layard on happiness [SB]

Richard Layard's new book was published this month.¹ He authored a related article in *Prospect*.² This is not a review of the book, but a comment on one bold assertion at the beginning of his article:

Over the last 50 years, we in the west have enjoyed unparalleled economic growth. We have better homes, cars, holidays, jobs, education and above all health. According to standard economic theory, this should have made us happier.

Standard economic theory does not really say anything of the sort, unless an additional, unwarranted assumption is made. Much of economic theory is in the form of "static analysis". There is no time dimension. In that context, individual choices can be analysed with the theory of consumer behaviour, specifying people's preferences in terms of utility functions and indifference curves. Such analyses have an assumption that "preferences are given". This can be quite reasonable, in that, at any point in time, people have certain preferences. They may change over time, but they will not change in a timeless setting. Such preferences commonly indicate that people are in a better position when they have more. This also, it would generally be reasonable to expect.

However, none of this automatically translates to consideration of people's levels of satisfaction, or utility, over time. In fact, it would be hard to justify an analysis of perceived wellbeing over time that did not also consider the factors influencing people's perceptions. It might be worth digressing to state some of the restrictions of static (and comparative static) analysis.

The finding that an economy with perfect competition everywhere is Pareto Optimal is based on static analysis, with given preferences, technology and available resources. It says nothing about the suitability of this situation over time, or its relative ability to develop technology or the quality and quantity of resources (this point was made by Bryce Wilkinson in relation to NCEA in this issue of *AI*).

Equilibria may be neither likely nor desirable if we consider the path of an economy over time. One spur for change is people's plans not being realised. It may be that the best course for an economy requires ongoing disequilibria, generating changes which move us to a different position.

We could digress further to mention another concern, described by Avinash Dixit³, that discussions on the suitability of economic systems often compare a theoretical "market economy" with some other system, such as a centralised command economy. The reality is that, even in market economies, we have a mixed system, with markets and the state co-existing and interacting. A theoretical structure consisting only of markets does not therefore reflect our societies. Any conclusions arising from such theory have to be tempered to take account of these limitations.

As an additional digression, can we even tell if a market is at equilibrium? We might ask if demand equals supply, but, that is not always observable. A common example where this does not happen is with frictional unemployment, with its search process by potential workers and employers. It is not enough to see if vacancy numbers match the numbers looking for that type of work. Consider the situation where, each week for a particular type of job, there are a hundred new vacancies, a hundred people enter the market looking for work, and a hundred positions are filled. That certainly means that there is a situation of "balance", and a form of equilibrium, but numbers of vacancies and jobseekers need not match. If, say, it takes two weeks to fill each vacancy, but only one week for a jobseeker to find a job, then each week there would be one hundred jobseekers, but there would be two hundred unfilled vacancies (one hundred from the previous week, and another hundred new ones that week).

Static analysis is very powerful, but there are severe limitations to its practical application.

¹ Layard R (2005) *Happiness: Lessons from a New Science*, Allen Lane

² Layard R (2005) "Happiness is Back", *Prospect*, Issue 108, March,
http://prospectmagazine.co.uk/article_details.php?id=6761

³ Dixit, A K (1996) *The Making of Economic Policy: a Transaction-Cost Politics Perspective*, Cambridge, MIT Press, briefly mentioned in *AI* No.9, p.5

Historical Institutionalism – a New Zealand example [SB]

I've come across an interesting article by Paul Pierson⁴, in which "historical institutionalism" is described as, "a range of scholarship that has tried to combine social science concerns with a recognition that social processes must be understood as historical phenomena" (p.131). This is a particularly telling criticism of static analysis, because it suggests that the present depends not only on current structures, but on the paths taken to get here. He suggests, giving an example of gender policy in the European Union, that a general statement of intent, thought to be "merely hortatory", can be made to assume greater significance later. In other words, an apparently innocuous agreement to move in a general direction can be turned, a few years later, into an obligation to pass legislation.

He also makes a more general statement, "*Complex social processes involving a large number of actors always generate elaborate feedback loops and significant interaction effects that decision makers cannot hope to comprehend*" (p.136).

Unanticipated effects of a policy are illustrated by the two recent New Zealand newspaper reports. It seems that brothel managers are having difficulty recruiting staff these days. In part, it is hard to compete with the better pay and conditions in Australia, but also, "the paperwork created by the decriminalisation of prostitution put some women off".⁵ Apparently also, "decriminalisation of prostitution has made it harder to monitor gangs and organized crime".⁶ According to Greg O'Connor, president of the Police Association, it is now easier for these groups to launder money, as the police can no longer supervise and investigate these activities.

⁴ Pierson P (1996) "The Path to European Integration: A Historical Institutional Analysis," *Comparative Political Studies* 29:2, April, pp. 123-163

⁵ Thomas K (2005) "Australian brothels lure Kiwi prostitutes", *The Press*, 25 February, <http://www.stuff.co.nz/stuff/0,2106,3198780a11,00.html>

⁶ NZPA (2005) "Gangs gain from prostitution law", *The Manawatu Standard*, 12 March, p.4.

Paying for training [SB]

There was news item recently about the shortage of tradespeople in general and electricians in particular.¹ The Electrical Contractors Association complained of lack of funding for apprentices. Education Minister Trevor Mallard was critical, "Electrical trades – which received \$9.5 million in funding for training this year, \$1.4 million more than in 2004 – contributed just 21 per cent toward training, compared with an average 30 per cent in other industries, he said."

This raises some interesting questions. If industries are expected to make a significant contribution to the training costs of their workers, is the same expected of professions? What industry contributions are made to the training of teachers, lawyers, accountants, doctors and nurses, for example?

¹ Dewes H (2005) "Trade shortage hits 'crisis'", *The Dominion Post*, 28 February, <http://www.stuff.co.nz/stuff/0,2106,3201293a11,00.html>

Ministerial overload? [SB]

It can be hard corresponding with Ministers. One exchange was held up recently due to a cabinet reshuffle. Now a new Minister has to explain comments by her predecessor, which could be difficult. It could also take some time, as the Minister in question is rather busy.

Marian Hobbs has nine portfolios, six as Minister and three as Associate Minister. To list them all, they are: Disarmament and Arms Control – Minister; Environment – Minister; Law Commission – Minister; National Library – Minister; Archives New Zealand – Minister; Urban Affairs – Minister; Foreign Affairs and Trade - Associate Minister; Justice - Associate Minister; and Biosecurity - Associate Minister. Can we really expect someone to have a thorough understanding of all these portfolios, and the time to adequately handle them?

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 Massey 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 Massey University as at March 2005.

Compiled by Stuart Birks, k.s.birks@massey.ac.nz, with assistance from Sue Edwards, s.edwards@massey.ac.nz

Peren Arin (k.p.arin@massey.ac.nz) researches in the areas of macroeconomics, public economics, public finance and financial economics. More specifically, he is currently working on aspects of monetary and fiscal policy, especially tax policy, privatisation, and political economy of growth.

Terry Auld (t.s.auld@massey.ac.nz) is researching:

1. Application of state space models and spectral analysis to economic time series;
2. Investigation of the long-run relationship between output growth and volatility for New Zealand;
3. Demand for tourism to New Zealand;
4. Use of the internet by consumers to access health information and the policy implications;
5. Participation in the Business Excellence in Micro Enterprises project organised by the New Zealand Centre for SME Research, Massey University, Wellington campus

Stuart Birks (k.s.birks@massey.ac.nz) is investigating a range of issues in relation to policy formation and debate, especially in the areas of law and economics and gender issues.

Gary Buurman (g.b.buurman@massey.ac.nz) is researching efficiency and inefficiency implications on labour force participation arising from government intervention in families.

Neil Campbell (n.a.campbell@massey.ac.nz) has a current interest in the economics of kick backs. Specifically, he considers the issue of a manager, deviously appropriating some of the owners' potential profit, by purchasing inappropriate technology from a supplier who then rewards the manager with a covert payment, that is a kick back. This is an example of where corruption really matters. That is, it substantially affects the allocation of resources with the firm using the 'wrong' technology. This type of analysis is useful for gaining insight into the long-held idea that less-developed countries frequently use inappropriate technologies.

Srikanta Chatterjee (s.chatterjee@massey.ac.nz) is engaged in research in three main areas:

1. research into income distribution and inequality in NZ is continuing; a further paper examining some ethnic dimensions of inequality is expected to be published in the near future.
2. Collaborative research involving the application of computable general equilibrium modelling techniques to simulated scenarios of trade liberalisation to quantify the effects on the volume of trade of NZ, and the impact on the economic welfare of selected economies and country groupings.
3. New research on poverty in NZ is to begin this year with a view to identifying who the poor are and why they are poor. The policy implications of any observed changes to poverty amongst New Zealanders are to also be addressed.

Anne de Bruin (a.m.debruin@massey.ac.nz) continues to be a principal researcher on the FRST funded interdisciplinary labour market dynamics research programme. The last phase was on non-standard work and the current phase is examining pathways to sustainable employment for young people (15-34 years) from both the supply-side (worker) and demand-side (employer) perspectives. Her other main research area is entrepreneurship - particular new conceptualisations, entrepreneurship in the creative industries, and women entrepreneurs.

Oguzhan Dincer (o.c.dincer@massey.ac.nz) is researching the link between corruption, income inequality and growth across states in the US.

Hans-Jürgen Engelbrecht (h.engelbrecht@massey.ac.nz) is working on the following research projects: 1. Preliminary title of project: Seti, social production and economic growth. This project tries to analyse the determinants of participation in SETI, an example of shareable goods production (also known as 'social production') through distributed computing. Sharing as a modality of economic production has recently been in the news, and SETI is a prime example of it. The analysis is based on the convergence of a number of hitherto mostly unrelated literatures. 2. Further research on the nexus between human capital, social capital and economic growth. 3. Further research on ICT and productivity growth in NZ. 4. A paper on the PBRF and the changing role of knowledge production in society.

Rukmani Gounder (r.gounder@massey.ac.nz) has research interests that include economic growth, economic development, international capital flows, applied economic analysis, macro-econometric model, New Zealand's economic growth, Asia-Pacific economies.

Krishna Iyer (k.iyer@massey.ac.nz) has a research interest in: spillovers from foreign investment and trade; technology transfers from the outward orientation of economies; application of panel data econometric techniques; application of frontier techniques such as the stochastic frontier technique, data envelopment analysis, metafrontier technique; software development for the metafrontier technique; the Australian economy. Work in progress includes collaborative projects on: globalisation and the technology gap; measuring efficiency externalities from trade and foreign investment; trade, foreign investment and economic growth in Australia; trade, foreign direct investment and technological catching up; examining the determinants of foreign portfolio investments in the OECD.

Xiao-Ming Li (x.n.li@massey.ac.nz) is currently researching: 1. The effect of fiscal policies on human capital investment in OECD countries; 2. Does market integration make foreign portfolio investment more responsible for the risk of potential losses in emerging emarkets; 3. Application of the copula model to option pricing; 4. Derivative pricing methods for trading and hedging strategies with non-Gaussian asset price fluctuations.

Anton Meister (a.meister@massey.ac.nz) is currently researching in three areas: 1. Development of an economic risk assessment model for volcanic eruptions (Mt Taranaki). This work basically looks at how one identifies the hazards and then estimates the socio-economic impacts of a hazardous event. 2. Facilitating the CAP reform: Compliance and competitiveness of European agriculture. This research focuses on the value-adding resulting from introducing cross-compliance as a tool to improve compliance with existing standards in European agriculture. The research also investigates the cost implications and competitive effects of compliance to EU standards for European agriculture. 3. Water resource allocation and income distributional consequences in South Korea. An examination of the a greater use of transferable water rights in South Korea and well as a look at the income distributional impacts dam development and water allocation.

Brendan Moyle (b.j.moyle@massey.ac.nz) is currently undertaking research on the precautionary principle in biodiversity contexts and elaborating an Austrian perspective on Environmental Economics.

James Obben (j.obben@massey.ac.nz) is researching: 1. Foreign aid and economic growth in less developed countries; 2. Scale and scope economies in New Zealand banking.

Kim Hang Pham Do (k.h.phamdo@massey.ac.nz) has an interest in: 1. (on going) the values for games with externalities: introducing the feasible solutions for the distribution of the gain/lost from cooperation for games with externalities; the relationship between free trade and environmental quality. 2. (new) the analysis of the special conditions of international cooperation in the production of a global public good: international free riding, greenhouse policies and international trade, reconciliation by developing countries of development requirements and ecological discipline; the examinations of questions relating to the smooth working of an international market permits.

Allan Rae (a.n.rae@massey.ac.nz) is currently undertaking research based around two programmes. One is research on agricultural trade policy reforms, including those of the WTO process. These involve analysis of possible outcomes and the global and New Zealand

implications, the study of interactions between agricultural trade reform and the environment, and studies of preferential trading arrangements. The other major programme is on China's agricultural sector. So far, the emphasis has been on the livestock subsector, has involved econometric investigations of consumption developments, and productivity growth in livestock production.

Peter Read (p.read@massey.ac.nz) continues research focusing on the political economy of climate change response strategies. With support from the United Nations Foundation, he convened an expert workshop in Paris last September to address the policy implications of potential abrupt climate change (visit www.accstrategy.org) which recommended the creation of a global market in bio-energy with (mainly) 'South-North' trade in bio-fuels such as ethanol and bio-diesel. This would yield numerous benefits, apart from placing the world in a better position to respond to abrupt climate change in the event it is deemed to have become imminent. The main economists' interest in this work is the inadequacy of mainstream environmental economics, which fails to capture the beneficial learning externality in its conventional policy prescriptions, and neglects the dynamic theory of competing technologies.

Sam Richardson (s.a.richardson@massey.ac.nz) is currently undertaking PhD research on assessing the suitability of government involvement in sports facilities in New Zealand. He is also completing a paper that investigates the determinants of attendance at provincial rugby in New Zealand.

Christoph Schumacher (c.schumacher@massey.ac.nz) is currently working on: 1. The relationship of trust and control in strategic alliances. Do alliance partners use trust as a substitute for control measures. Results show that firms invest resources in building trusting relationships and replace control measures with trust. Evidence of such trust based alliances suggests the emergence of a new form of business relationship. 2. The role of trust in strategic alliances. Empirical findings suggest that trust positively influences economic performance. SMEs should therefore focus their attention on trust-building procedures during the design, implementation and execution stage of an alliance.

Guy Scott (g.scott@massey.ac.nz) recent research has focussed on health economics, health policy, and public policy issues. Research projects in progress include: 1. Health information on the internet: The internet is an important and rapidly evolving source of health related information but little is known about who accesses this information and how it is used in Aotearoa New Zealand. The aims of this research are to; identify internet sources of health information, determine how respondents use the information, and measure the value of such information to the consumer. 2. Shooting accident trends and cost in New Zealand: The study aims to investigate trends in accidental deaths from firearms in New Zealand and to estimate the incidence and the economic cost of firearms accidents.

Shamim Shakur (@massey.ac.nz) researches primarily in the area of agricultural trade and policy. Research in progress includes north-south trade in the new trade round, world sugar economy, financial sector reforms and currency crisis.

Jen-Je Su (j.j.su@massey.ac.nz) focuses on time-series econometrics. Currently, he is working on the following projects: 1. Testing for Granger-causality using Sub-sampling Methods with Applications (with R. Gounder); 2. Further Results on Testing for No Autocorrelation under Weak Assumptions; 3. Bootstrapping the Lobato Test of Autocorrelation; 4. On the Size of the Kapetanios-Shin-Snell (KSS) Test under Conditional Heteroskedasticity.

Treasury Working Papers
The latest working papers are listed at:
<http://www.treasury.govt.nz/workingpapers/2004/>

New Zealand Economic Papers

Ian King, the new editor of New Zealand Economic Papers, invites members to submit their papers to the journal. In keeping with tradition, papers in all economic subject areas will be considered, and papers covering New Zealand topics are particularly encouraged.

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

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

Write to: ip.king@auckland.ac.nz

...about NZAE

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

Membership fees:

full member: \$90

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

Val Browning

Secretary-Manager, NZAE

PO Box 568

Wellington

phone: (04) 801 7139

fax: (04) 801 7106

email: economists@nzae.org.nz

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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*

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

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

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

Thea Lloyd (Whitireia International Business School); **John Nash** (Inland Revenue Department); **Tahia Equb** (Statistics NZ); **Roger Clifton**; **Susan Schroeder** (Auckland University of Technology); **James Douglas** (The Treasury); **Seamus Hogan** (University of Canterbury); **Osman Hussein** (Palmerston North City Council); **Tony van Zijl** (Victoria University of Wellington); **Gail Pacheco** (Auckland University of Technology); **Brenda Dixon** (Bank of New Zealand).

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

(list your job vacancies for economists here)
