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

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REMINDER: NZAE ANNUAL CONFERENCE
27TH, 28TH & 29TH JUNE 2007
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Relevant research and available information

EDITORIAL

I am sorry to have to admit it, but I am disappointed with this issue of *Asymmetric Information*. I had hoped to get some contributions on the value of historical analysis for economic understanding. I wasn't concerned whether it was economic history or the history of economic thought. I just wanted something. It is noticeable that economics research is currently dominated by the application of quantitative skills. It is easy to see why, with increased computing power, convenient software packages, and the provision of large quantities of readily available data. We may not be too concerned that the data fail to accurately measure the phenomena we are investigating, or that structural change precludes the existence of stable relationships over long time series (i.e. more than say 10 years). As long as we all tacitly accept the need for assume away these problems, we can continue to do our work.

So why did I want a historical input? Even with what we might consider to be long-term stable series, we are only using a very small part of all the available information. Much of the information that we are using may not fit well within the structures we are using. Does it really make much sense to assume current-period relationships, or fixed lag structures, for example? And if there are serious limitations on the suitability of our analyses, should we be concerned about the use of their findings to guide policy decisions?

It is unsettling, but maybe next issue...

by Stuart Birks, Massey University

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

Eldon Mayo and the “rabble hypothesis” of economic theory

Mayo broke with the tradition of regarding each worker as a wage-maximizing individual in isolation. He attacked what he called the “rabble hypothesis” of economic theory that was being used in industry and that still guides much of economics. There were three tenets to that hypothesis, said Mayo, and he took exception to all three: society consisted of unorganized individuals—discrete atoms rather than natural social groups; each individual acts according to calculations of his or her own self-interest, rather than being swayed by group norms; and each individual thinks logically, rather than being swayed by emotions and sentiments.

It was a brilliant criticism, heralding much modern organizational theory. Today we emphasize the group context of behavior and the way in which context shapes the individual's goals, which are not solely self-interested. And by denying that behavior is always logical or rational, Mayo anticipated the powerful influence of Herbert Simon's notion of bounded (limited) rationality. But as we shall see ... economists who now study the internal processes of organizations still expound a modified version of the “rabble hypothesis” that Mayo assailed.

Perrow, C. (1986). *Complex organizations: a critical essay* (3rd ed.). New York :: McGraw-Hill, pp.59-60

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The Nobel Peace Prize for Economics?!! by Stuart Birks

The 2006 Nobel Peace Prize went to “Muhammad Yunus and Grameen Bank for their efforts to create economic and social development from below” [<http://almaz.com/nobel/peace/peace.html>]. We might ask why something which appears to be economic merits a prize for peace. There may be a fairly direct connection, at least in the minds of those awarding the prize.

In the last issue of *AI*, there was a description of the use of “subtle strategies” to undermine the position of men and to empower women in developing countries (“What is aid for”, *AI* No.26, July 2006, p.18). I looked up the Grameen Bank and found some historical data series at [http://www.grameen-info.org/bank/hist2005\\$.html](http://www.grameen-info.org/bank/hist2005$.html). These show that, since 1990, over 90% of members have been female, reaching 96% by 2005.

It does not take an especially large leap to link this to a theme of peace. All that is needed is acceptance of a body of thought which claims that domestic violence is by men against women and children, and economic independence for women will free them from this oppression.

Internationally, such thought seems to be the dominant paradigm. One of the most recent expressions of this position can be found in the UN’s *Secretary-General’s study on violence against women*, available from <http://www.un.org/womenwatch/daw/vaw/>. An editorial on the report in, of all places, *The Lancet* (19 October 2006) reminds me of the phenomenon termed “historical institutionalism” (see *AI*, No.22, March 2005, p.24), where apparently innocuous statements and agreements evolve into major drivers of policy. To quote the editorial:

“...the numerous and multilevel recommendations outlined in detail in both reports provide, for the first time, a systematic framework for tackling violence against women and children. It is therefore imperative that each recommendation is translated into a workable action plan, with tangible outcomes and responsibilities, to which the UN, intergovernmental bodies, countries, sectors, organisations, society, and individuals can be held to account.”

Similar recommendations can be seen closer to home also. A joint CYF/MSD report was released this year, *Children at increased risk of death from maltreatment and strategies for prevention* (http://www.cyf.govt.nz/documents/Child_death_from_maltreatment.pdf). This report featured in a parliamentary Question for Written Answer (available via <http://www.clerk.parliament.govt.nz/en-NZ/PB/Debates/QWA/>):

13847 (2006). *Judy Turner to the Associate Minister for Social Development and Employment (04 Oct 2006): Why does the ministry publication "Children at increased risk of death from maltreatment and strategies for prevention" choose exhibits 5 to 8 from Moffitt and Caspi (1999) that shows only male perpetration of violence and female victims, when the same report by Moffitt and Caspi, in exhibit 2, shows that men were more likely to be victims of partner violence than women, and women were more likely to be perpetrators than men, and would this selective use of data not result in a misleading picture?*

Hon Ruth Dyson (Associate Minister for Social Development and Employment) replied: I refer the Member to my reply to written parliamentary question 13803 (2006).

Moffitt and Caspi can be found at: <http://www.ncjrs.gov/pdffiles1/170018.pdf>. I will spare you the full details of the answer to Q13803, which asked:

Judy Turner to the Associate Minister for Social Development and Employment (03 Oct 2006): When developing policy, does Child, Youth and Family consider that adult partner family violence, over-all, is predominantly found in violent relationships where both partners are violent, or that it predominantly men against women, or women against men; why?

You can check for yourselves via the above URL, but put briefly it was argued: i) women’s partner violence does not cause harm, whereas men’s does, so we can disregard data on partner violence by women; ii) nevertheless, to demonstrate the size of the problem of men’s violence, we can use data on all partner violence by men instead of only men’s violence causing harm; then iii) we can use these figures to highlight the problem of violence against children. Put another way, data that show higher rates of partner violence by women is used to support a claim that violence against children is a men’s problem. Perhaps someone from CYF or MSD can explain this reasoning.

The somewhat dubious violence story may also be connected with economic initiatives in New Zealand. It would certainly seem to serve as a justification for selecting economic independence for women as a key objective of the Action Plan for New Zealand Women (see "Economic sustainability" at: <http://www.mwa.govt.nz/news-and-pubs/publications/action-plan-nz-women>).

Meanwhile, although the tide might not be turning, there may at least be one or two ripples being made. A description of a World Bank report includes the following:

Accomplishing the goal of gender equality will be difficult, if not impossible, without considering men in the gender and development debate and focusing on the relations between men and women, according to a new book, The Other Half of Gender, released today by the World Bank...The authors believe that while there is a long way to go making a more inclusive gender perspective a reality, the first step must be to move beyond the conventional gender paradigm that focuses exclusively on women and is based on the oppositional and two-dimensional "women as victim, men as a problem" attitude that has pervaded the gender and development debate over the decades.

(<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21101519~pagePK:34370~piPK:34424~theSitePK:4607,00.html>)

Whatever the outcome, this example suggests that we may be oversimplifying if we attempt to consider economic policies in isolation from the political and social.

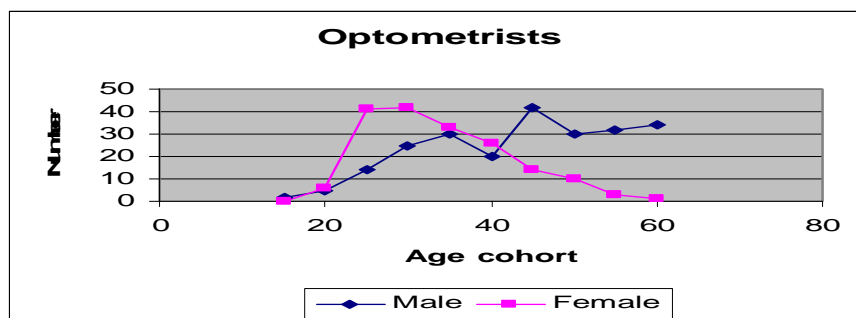
Setting Our Sights on Gender Equity [SB]

The following table is from "Optometrist and Dispensing Optician Workforce — Summary Results from the 2005 Workforce Annual Survey", <http://www.nzhis.govt.nz/publications/opto04.pdf>:

Table 1b: Age and sex of active optometrists, 2004

Sex	Age group										Not reported	Total
	<20	20-	25-	30-	35-	40-	45-	50-	55-	60+		
Male	2	5	14	25	30	20	42	30	32	34	1	235
Female	0	6	41	42	33	26	14	10	3	1	1	177
Not reported	0	0	0	0	0	0	1	0	2	1	16	20
Total	2	11	55	67	63	46	57	40	37	36	18	432

Looking at the overall picture, it appears that an influx of women in recent years means that they are rapidly catching up so that soon they will comprise half of all practicing optometrists. If, instead, we look at society broken down by age, these data indicate a clear gender switch, as shown in the following graph. The occupation is male dominated among optometrists aged 45 and over, but female dominated for those aged 25-34.



We are observing not a move towards gender equality, but the creation of significant imbalances among younger people. So where will we be in twenty years?

2007 Australian Agricultural and Resource Economics Society Conference

<http://www.aomevents.com/conferences/AARES07/>

The 51st AARES annual conference will be held at Queenstown, New Zealand, 14-16 February 2007. A pre-conference workshop is being planned for 13 February.

The members of the Australian Agricultural and Resource Economics Society extend a warm invitation to you to attend the Annual Conference in 2007. The committee and contributors are developing a dynamic and diverse program incorporating a range of specialist speakers and presenters. The conference venue is the Rydges Lakeland Resort, Queenstown, New Zealand.

The conference presents a great opportunity for all those involved in research, extension, teaching, policy making and managing agriculture and natural resources to catch up with and contribute to the latest research into those issues and to hear broader perspectives about where the issues fit in the Australian, New Zealand and world economies from some of the world's leading agriculture and resource economists.

Conference Theme and Keynote Speakers

The conference theme: **Australasia's Resource-Based Industries in a Future World**

President-elect Allan Rae of Massey University and the conference organising committee are working hard to develop the program and the keynote speakers and sessions have been identified including; Professor Giovanni Anania University of Calabria; Professor Kym Anderson, World Bank; Professor Larry Goulder Stanford University; Professor Rögnvaldur Hannesson, Bergen, Norway; Nick Rayns Executive Manager Australian Fisheries Management Authority; Mark Edwards or Robin Connor, New Zealand Ministry of Fisheries; Dr Suzi Kerr MOTU; Professor Lew Evans Victoria University of Wellington; Professor Frank Scrimgeour University of Waikato; Professor Philip McCann University of Waikato; Dr Matthew Wilson University of Vermont; Professor Mike Young University of Adelaide and CSIRO; Dr David Vanzetti ANU.

The Distinguished Fellow address will be given by Professor GianCarlo Moschini of Iowa State University.

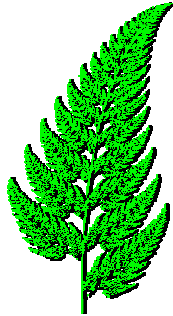
Call for Papers

Interested parties are invited to submit a title for a contributed paper by 22 September and abstracts by 24 November. For more information please go to the **Contributed Papers and Presenter Information** page:

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All Occasions Management, 41 Anderson Street, Thebarton South Australia 5031.
Phone: +61 8 8354 2285; Fax: +61 8 8354 1456; Email: merilyn@aomevents.com



NZAE

Life Membership Nominations Welcome

Procedural Requirements

Any member or retired member who has made a significant contribution toward the development of the Association and the economics profession in New Zealand may be nominated for life membership of the Association in the following manner:

- [a] Nominations are to be forwarded to the Council. Such nominations are to be signed by two financial members of the Association with a brief profile of the nominee's achievements/service/career, as appropriate, for consideration by the Council.
- [b] All such nominations will be considered by the Council which, at its sole discretion, may place suitable nominations before those attending the Annual General Meeting for confirmation by that meeting. If present at the Annual General Meeting, the proposer(s) and/or seconder(s) of the original nomination(s) shall be given the opportunity to speak on behalf of their nominee(s).
- [c] All Life Members must be elected at a general meeting of the Association.
- [d] Life Members shall be provided with an appropriate certificate signifying their Life membership status and shall be entitled to attend the Association's Annual Conference free of charge. A citation shall be published in the *New Zealand Economic Papers*. Send nominations to:

Secretary-Manager
N.Z. Association Economists Inc.
P O Box 568
WELLINGTON

Or email to: economists@nzae.org.nz

From the *2BRED* File

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

I have just returned from a spell in South Africa where I played with my 3-year-old granddaughter. This is my fifth visit to South Africa over the last decade or so, and each time I come away impressed with the country. One cannot help be struck by the sheer physical beauty of the place. This time I went to the Western Cape and on our last day travelled from Stellenbosch and Franschoek in the heart of the wine area with its backdrop of spectacular mountains, to standing on the shore at Hermanus watching whales some 30 metres offshore, to ending up in Cape Town.

While enormous strides have been made and old tensions greatly reduced, serious challenges remain. One can only hope that some of the widely touted multiplier effects from the 2010 World Cup will actually trickle down and make a difference to some lives of those at the bottom.¹ The desperate slums on the outskirts of Cape Town are some of the worst I have seen, equalling those of Bogotá or Cairo. Is the social and political order sustainable in the face of such extreme inequality?

There are no silver bullets to ensure improved living standards for all in South Africa; massive investment in health and education, electrification and water supplies are just a few of the elements of a strategy to achieve economic growth and poverty reduction. But all this will be for naught if it does not take place in the context of stable democratic institutions, the rule of law and respect of property and human rights.

It was precisely the very lack of these necessary conditions that inspired the ANC under the leadership of *Nelson Rolihlahla Mandela*. There is arguably no other single volume which could convey as much of the social, cultural and political history of South Africa over the last 50 years as the autobiography of Mandela: *Long Walk to Freedom* (Boston: Little, Brown and Co., 1994). The real luxury of a break is time to read and this was by far the highlight of my reading while in the country.

The story starts with a small boy growing up in traditional Xhosa society near Umtata, the capital of the Transkei. Through his superior performance at mission schools and Fort Hare he attained a BA degree and with subsequent exams in law become one of the very first black attorneys in the country. There are few political autobiographies that are also a page-turner, but this is surely one. Mandela weaves a rich tapestry drawing together his personal beliefs, his tribal heritage, his role in the ANC and his unswerving commitment to a non-racial democratic society. He conveys a real sense of personal anguish as he struggles with the relation between the ANC and the Communist Party, the formation of a military wing on the ANC despite the latter's commitment to non-violence, his life working for a banned underground organization, his military training as a guerrilla in Ethiopia, and his constant conflicts with authority. While he was acquitted on a charge of treason after a lengthy trial, he was finally sentenced to life imprisonment for sabotage (which he admitted). So began his 27-year term in jail. How he went from there to President of a democratic South Africa and winner of the Nobel Peace Prize is a rich and rewarding story, told by a man who was clearly unpretentious and always placed the interests and ideals of the ANC above his personal interests. His skill in seeking consensus among disparate groups (not the least of which were splinters within the ANC) makes him a model for conciliatory processes.

As the Chicago Tribune reviewer noted, it is “as emotionally involving as it is informative”. Above all this book gives insights into the man as a human being with all the doubts and frailties that implies, abstracting from the iconic status of the person which he has (deservedly) acquired.

¹ Some might wonder whether the impact on them will be any greater than the benefits of a publicly subsidized stadium for the 2001 Rugby World Cup on the lives of those at the bottom of the heap in South Auckland. The economist who invented multipliers has a lot to answer for. (Trivia alert: incidentally, it not so long ago that a survey of the past-times of we Kiwis listed knitting as far more widespread than rugby).

The first question on the microeconomics paper of my PhD prelims was along these lines: In the 14th century the Black Plague wiped out 30% of the population of Western Europe. Use appropriate economic models to show the effect on output, the capital labour ratio, wage rates, the relative price of labour to capital, etc. I attacked the question with enthusiasm using an Edgeworth-Bowley box (and apparently scored the top mark for that question!!). Like most stylised, comparative static, neo-classical models in economics my answer was totally lacking in historical context, in the dynamics of social change, in technological change, etc. But for a good read with all that and more I have recently enjoyed the new book by **John Kelly** titled *The Great Mortality: An intimate history of the Black Death* (Harper Perennial, 2005). This pulls no punches in describing the horror of a major pandemic; warning- some readers may find parts of this book disturbing. But a ghastly disease that killed 25 million people from 1347 to 1351 was never going to be a pretty sight. Could it happen again?

Michael and Judith Bassett have produced a splendid biography of *Roderick Deane: his life and times* (Penguin Books (NZ), 2005). We don't do tall poppies well in New Zealand, so it is refreshing to see documented the work of this outstanding economist (and a distinguished fellow of this association). But more than that, the authors who represent some of the best in political history in New Zealand, paint a rich backdrop of the events that formed the context to Deane's work. What is inescapable is that those events in no small measure were the product of Deane himself in his many roles ranging from the reserve bank, the state services commission, ECNZ, Telecom and Fletcher Challenge. It is indeed uncommon for a holder of a doctorate in economics and a research economist to have a career path as varied as Deane's and to contribute (not always without controversy) to so many fields, especially in the business world.

Just a minute, I hear you say. What about **Gareth Morgan** – another Reserve Bank research economist with a subsequent career in the business and consulting world? Very true – and an author to boot! *Pension Panic: Tough Talking on Sorting your Finances* (Random House, 2006) is written in the inimitable Morgan style – in fact one colleague commented to me that it read as if Gareth had dictated it. Anyone used to hearing a Morgan seminar presentation will hear the self same, hard hitting style peppered with humour in this little volume. “If you get it wrong and miss your goodbye date and live to 103, you'll be on drastically shortened rations for the last 28 years of your life”(p.40). The Retirement Commission through its Sorted website and advertisements has done a splendid job of making retirement planning accessible – and even interesting!! This book does that in print. But if you have been imprudent and not heeded the government's urging to save for your dotage you will be in for a wee shock – but that is the point of this book.

Well dear reader – that is it for 2006. May your Christmas stocking be full of things to stack up on the bedside table 2BRED (who says the elderly can't keep up with txt language?).

Utility maximization in economics survives despite the lack of empirical support for it. Why? Because it has assumed a sophisticated form in which it has been emptied of empirical content. Every elementary economics textbook has several chapters on the theory of consumer choice. The utility maximizing consumer must insure that the marginal utility of the last dollar spent on each good and service is equal if individuals are to maximize their total utility, given some budget (income) constraint. Yet when it comes to empirical analysis of consumer choice, economists retreat to the doctrine of “revealed preferences” and do not attempt to specify the procedure by which marginal utility is determined or measured. Revealed preferences, however, is just a fancy way of saying that individuals do whatever individuals do, and whatever they do, economists will call it “utility maximization.” Whether individuals buy good X or good Y they are still rational individual utility maximizers. By definition, there is no such thing as an individual who does not maximize his utility. But if a theory can never be wrong, it has no content. It is a mere tautology.

Thurow L C (1983) *Dangerous Currents: The State of Economics*, New York: Random House, pp.217-8

Econometrics, Policy and INUS Conditions by Stuart Birks

Economic analysis relies heavily on econometrics to estimate relationships between variables. The results may then be used to influence policy decisions. Some recommendations do not seem to fit very well within this framework. Here are some examples:

1) On P.48 of Cukierman A, "The End of the High Israeli Inflation: An Experiment in Heterodox Stabilisation", Chapter 2 of Bruno, M., G. d. Tella, et al., Eds. (1988). *Inflation stabilization: the experience of Israel, Argentina, Brazil, Bolivia, and Mexico*. Cambridge, Mass.: MIT Press:

In July of 1985 a comprehensive stabilization program was introduced by the Israeli government. This followed approximately six years of inflation at more than 100% per annum and at more than 400% in 1984. The officially announced aims of the program were to eliminate hyperinflation and to decrease the deficit in the balance of payments. The program immediately and persistently reduced annual inflation from the 400% range to around 20% and was, on this count, an instant success. The program combined traditional contractionary fiscal and monetary measures with less orthodox measures, such as a temporary price and wage freeze and pegging of the exchange rate.

2) In James C D et al, "To remove or retain user fees? Reflections on the current debate in low- and middle-income countries" [forthcoming, AHEHP Issue 5.3]

User fee abolition, enacted in a handful of African countries, focuses on removing one key cost barrier. The limited evidence available so far suggests that this policy has been most successful when supported by other measures that account for interaction with other barriers and its potential effect on provider incentives... One of the more frequently cited examples of successful recent fee abolition comes from Uganda... Importantly, fee abolition was supported by a host of other measures that both compensated for loss of user fee revenue and addressed other supply-side barriers to effective service delivery. These include increased budgets to compensate for lost fee revenue, active recruitment and increases in salaries, and implementation of a sector-wide approach.

3) Ross, H., Powell, L. M., Bauer, J. E., Levy, D. T., Peck, R. M., & Lee, H. R. (forthcoming 2006) "Community-Based Youth Tobacco Control Interventions: Full Court Press Project", *Applied Health Economics and Health Policy*, 5(3)] describes a comprehensive approach using a range of policies to change the whole environment, considering that the success depended on the multidimensional approach.

4) An OECD Policy Brief, Morrisson C (2002) *Policy Brief No.19: Health, Education and Poverty Reduction*, OECD, <http://www.oecd.org/dataoecd/59/57/1851366.pdf>, refers to mothers' education and poverty. While it mentions the statistical link between mother's education and child health, and talks of a relationship between mother's education and the demand for education for children, it also talks of "clusters of factors" and "combinations of disadvantages".

The common feature of these examples is that individual policies might be ineffective. For successful outcomes, a package of policies is required. This is consistent with an INUS approach to causality, whereby outcomes require the coincident occurrence of a specific combination of factors, and there may be several alternative combinations that can achieve the same outcome. Policies in isolation may be ineffective, but in the right combination they can work, and there may be several alternative approaches to choose from. To put this another way, a policy might be effective in some situations, but ineffective in others.

This does not fit well within an econometric modeling approach because econometric models have difficulty including conditional multivariate components. Even in the relatively simple situation of binary variables (a policy is "on" or "off") a complex mix of dummy variables and interactive terms would be required. Take a simplified version of the first example, consider a dummy variable, D1, equal to 1 when there is a tight monetary policy, another, D2, for tight fiscal policy, and D3 for a prices and incomes policy. It would then be necessary to include a variable $D1 \times D2 \times D3$.

If INUS conditions are included, there may be several possible combinations to consider. If so, it would be necessary to include all that occurred in the sample period if the structure is

to be correctly specified. This raises an additional problem. If we do not already know which combinations of policies can give the desired outcome, are there ways that we can identify and/or test for them?

This is important in a general policy dimension. A basic point is that we might want to consider broad-based, multi-dimensional, multifaceted policy, rather than the idea that we can identify individual policy variables with a fixed marginal impact on the target variables as commonly incorporated into econometric models.

Editor

New Zealand Economic Papers

Professor Ian King concludes his term as Editor of New Zealand Economic Papers with the publication of Volume 40(2) in December 2006. The Association wishes to appoint a new Editor for the next 3 volumes (June 2007 to December 2009). To this end the Council of the Association has established a Search Committee of Kirdan Lees, Dorian Owen and Frank Scrimgeour, to recommend a new editor. The Search Committee is happy to receive nominations or expressions of interest which include a statement of interest and a current CV. These should be submitted to any member of the Search Committee before Friday, 10 November 2006. Interested parties may obtain further information from members of the Search Committee.

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Position

- The job is to edit and produce an academic journal of two issues per year which is readable and relevant to economists generally and Australasian readers in particular.
- The Editor is expected to maintain the established tradition of credible economic scholarship but is free to develop his/her own editorial policy. Any written policy must be approved by the NZAE Council.
- *New Zealand Economic Papers* is expected to include original research, surveys, policy analyses and book reviews.
- The Editor will maintain a fair, efficient and rigorous refereeing process.
- The Editor will report to the NZAE Council twice a year concerning the Editorial duties and key journal statistics.

Appointment

- The Editor will be appointed for 3 volumes (June 2007 to December 2009) and will start receiving manuscripts before the end of 2006.
- The terms of appointment will be confirmed in writing by the President of the Association.
- The agreement can be broken by either party upon giving six months notice in writing to the other party.

Budget

- The Editor will be paid a stipend of at least \$2000 (after tax) and will have a budget for editorial expenses.

THE A R BERGSTROM PRIZE IN ECONOMETRICS, 2007

Applications are now being sought for the eighth **A R Bergstrom Prize in Econometrics**.

The objective of the Prize is to reward the achievement of excellence in econometrics, as evidenced by a research paper in any area of econometrics. The Prize is open to New Zealand citizens or permanent residents of New Zealand who, on the closing date of applications, have current or recent (i.e. within two years) student status for a higher degree. It is intended that the awardee will utilise the proceeds to assist in financing further study or research in econometrics in New Zealand or overseas.

The Prize can be awarded once every two years, with its value currently being \$1500. The selection committee will consist of Professors P C B Phillips, V B Hall and their nominees.

Applications/nominations must include:

- a formal letter of application and, in the case of students, a letter of nomination by their research adviser or chairperson
- 4 copies of a research paper written by a single author, reporting original research in any area of econometrics
- a CV and relevant academic transcripts

Applications should be sent, **by 1 June 2007**, to:

Professor V B Hall
School of Economics and Finance
Victoria University of Wellington
P O Box 600
WELLINGTON

Email: viv.hall@vuw.ac.nz

The Prize is supported by funds generously provided by the following sponsors:

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In addition, royalties from the Festschrift Volume *Models, Methods and Applications of Econometrics: Essays in Honor of A R Bergstrom*, P C B Phillips (ed.), Blackwell, Cambridge MA and Oxford UK, 1993, are being used to support the Prize.

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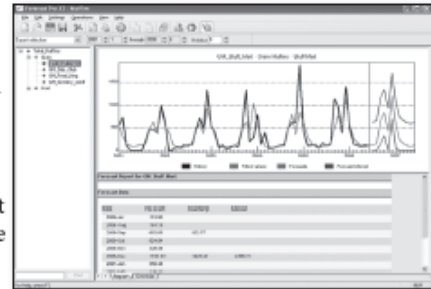
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Regression - false positives? by Stuart Birks

Sometimes an index is used as a variable in regression so as to reduce the number of variables being considered. This is based on the concept of several variables moving together, so that a variable can be constructed that will represent them all and pick up their combined effects.

An extreme approach would involve using a single indicator variable instead of a composite index. In other words, a single variable can be used to pick up the effects of several variables that are individually or in some linear combination correlated with that variable.

If a variable can be used that way, can we ever say with any certainty that any explanatory variable in a regression is not serving that function? In other words, whenever we estimate an equation, the results may represent the impact not of the individual explanatory variables included in the equation, but of all the correlated variables and combinations of variables for which the included variables can act as a proxy.

One illustration of this point that I have come across relates to the use of a variable, "mother's education". Several documents present results about the effects of education levels of mothers along with consequential policy recommendations. For example, at http://www.worldbank.org/LSMS/research/wp/a121_140.html there are details of World Bank reports, including abstracts:

1) Masako Ii. 1995 "The Demand for Medical Care: Evidence from Urban Areas in Bolivia." Living Standards Measurement Study, Working Paper No. 123, World Bank, Washington, D.C.

"Our results also show that income and education are also important determinants of demand for medical care. For children, mother's education is far more influential than father's."

2) Paul Glewwe. 1997 "How Does Schooling of Mothers Improve Child Health? Evidence from Morocco." Living Standards Measurement Study, Working Paper No. 128, World Bank, Washington, D.C.

"Mother's education is often found to be positively correlated with child health and nutrition in developing countries, yet the causal mechanisms are poorly understood. Three possible mechanisms are: (1) Formal education directly teaches health knowledge to future mothers; (2) Literacy and numeracy skills acquired in school assist future mothers diagnosing and treating child health problems; and (3) Exposure to modern society from formal schooling makes women more receptive to modern medical treatments."

And 3) Paul Glewwe and Harry Anthony Patrinos. "The Role of the Private Sector in Education in Vietnam: Evidence from the Vietnam Living Standards Survey." Living Standards Measurement Study, Working Paper No. 132, World Bank, Washington, D.C.

"The importance of parental education, especially mother's education, as a determinant of children's ultimate attainment is confirmed."

Elsewhere I found numerous examples. Here are a few:

4) An OECD report (Morrisson C (2002) *Policy Brief No.19: Health, Education and Poverty Reduction*, OECD, <http://www.oecd.org/dataoecd/59/57/1851366.pdf>, mentioned elsewhere in this Issue of *AI* in relation to INUS conditions), while talking about clusters of factors, explicitly states on p.30, "Spending on girls' education will have an impact on the health of their children 10 or 15 years later".

5) On p.5 of a UK Treasury document, Malcolm Doney and Martin Wroe (2006) *Keeping our promises: Delivering education for all*, HM Treasury (http://www1.worldbank.org/education/efafti/documents/DFiD_Pamphlet.pdf), we read, "Evidence across countries show that for each additional year girls spend in school there is an 8 per cent reduction in the death rate of children under five."

And 6) A Joseph Roundtree Foundation document published this year states, "one extra year of a mother's education increases her child's probability of staying on in school beyond compulsory school-leaving age by 8 to 10 percentage points". [Stephen Machin and Sandra McNally (2006) *Education and child poverty: A literature review*, Joseph Roundtree

Foundation, <http://www.jrf.org.uk/bookshop/eBooks/9781859354773.pdf>, described and quote taken from <http://www.jrf.org.uk/child-poverty/publications.asp#machin>]

Why is this important? All these studies are making claims that could be used to support policy decisions. However, I also undertook a Google Scholar search on “mother’s education” + proxy and found:

- 1) “mother's education serves as a proxy for family's socioeconomic situation” in [Maternal Education and Child Health: Is There a Strong Causal Relationship?](#) S Desai, S Alva - Demography, 1998
 - 2) “if parental education is merely a proxy for genetic stock or ...” in [Parental Inputs and Children's Achievement](#) A Leibowitz - The Journal of Human Resources, 1977
 - 3) “This suggests that the significance of the effect of mother's education on child ... First, there are those who regard education as a proxy for economic ...” in [Infant mortality and mother's education in Ondo State, Nigeria](#) JA Adetunji - Social Science and Medicine, 1995
 - 4) “using a variable, such as mother's education, as a proxy for resources” in [Family Background, Educational Resources, and Educational Attainment](#) JD Teachman - American Sociological Review, 1987
- and about 1150 others...

It would seem that some policy recommendations are claiming to be based on a stronger evidence base than is justified. Here the contrast is clear. How often are other variables that we use merely proxies, giving us false confidence in our resulting recommendations?

Testing stabilisation policy limits in a small open economy

This book contains the proceedings of a conference held in Wellington on June 12th this year. The conference included keynote papers and policy reviews by overseas experts in monetary and fiscal policies, plus a panel discussion by experts from the International Monetary Fund, the Organisation for Economic Cooperation and Development and Victoria University of Wellington. The brief of these experts was to critically review New Zealand's macroeconomic policy frameworks and consider whether alternative, possibly non-conventional, policy tools might be needed to better manage inflation, the exchange rate and economic growth over the business cycle.

The conference discussion suggested several areas of policy that warrant further scrutiny, including issues to do with (i) the role and conduct of monetary policy, (ii) the stabilisation role of fiscal policy, (iii) exchange rate behaviour and potential effects on productivity and (iv) structural policies, particularly as they relate to savings and incentives to invest in residential housing.

The book is available for download from:

<http://www.rbnz.govt.nz/research/workshops/12jun06/2837468.html>

or: <http://www.treasury.govt.nz/testingstabilisationpolicy/>

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Regression – false negatives? *By Stuart Birks*

Economists are well aware of aggregation problems when considering relationships between variables. Aggregation reduces the number of variables we have to handle, and hence the number of relationships between variables that we have to consider. If aggregates are to provide valid simplifications, then we need homogeneity of the components of an aggregate in terms of their relationships with the other variables under consideration (except in the presumably unusual situation of constant composition of the aggregate as its size changes). We could add a further requirement of heterogeneity between aggregates, as otherwise we could reduce the number of variables by combining further.

Aggregates are far more common than is commonly stated. One distinction between macroeconomics and microeconomics is that the former is based on aggregate variables. However, even in microeconomics we commonly aggregate over space and time, not to mention aggregation over suppliers of goods and heterogeneous units of factors of production such as labour.

I wish to focus here on the issue of aggregation over time. While the economy operates in continuous time, the data that we have available are aggregated into discrete time intervals, as with daily, monthly, quarterly or annual data. We then consider simultaneous, lead, or lagged relationships with these aggregate data.

What does the aggregation mean? Consider quarterly money supply and price level data. A simultaneous relationship running from money to prices could be interpreted as a change in money supply in this quarter having an effect on the price level also in this quarter. The aggregation issue means that we assume that a money supply change will have the same effect on this quarter's price level whether it occurs on the first or last day of the quarter. Similarly, we assume that an effect on the next quarter's price level will be quite different if a money supply change occurs on the last day of this quarter rather than the first day of the next.

Aggregation also influences the interpretation of our results. Consider a distributed lag model with a series of estimated coefficients. We should not interpret the coefficient of the one period lag on quarterly data as the impact to be expected 4-6 months after a money supply change. For a change on the last day of the previous quarter, the next quarter reflects the impact in the first three months following the change. To treat the lag coefficients as the effects to be expected in the current, next and subsequent quarters is to assume that all the money supply changes occur on the first day of their quarter.

Even if there is a fixed temporal relationship between cause and effect, aggregation problems can result in highly uncertain and imprecise estimates of the relationship. To illustrate this, I set up a simple problem. First I will describe the method of generating the data, and then I'll present two possible interpretations, followed by the regression results.

I generated two series, X and Y, by the following steps (the data can be provided on request):

- i. Let X be the value of a throw of a die. Take 50 observations, 1-50.
- ii. Toss a coin 50 times, one for each X observation.
- iii. If it comes up heads, the X value contributes to its matching Y.
- iv. If it comes up tails, the X value contributes to the next period Y.

One interpretation (A) of this structure is that there is one occurrence of X each period, either at the start or the end of the period. There is a deterministic relationship between X and Y such that $Y_t = X_{t-1/2}$. If X happens at the start of a period, the full impact on Y is felt in that period. If it happens at the end of a period, the full impact is felt in the next period. Which of these occurs is determined by the throw of a die. As an alternative interpretation (B), it could be considered as a model with variable lags, having a 50% chance that the effect is felt in either of the current or the next period. In either event both X and Y actually occur at particular instant, not spread over time. This differs from the more complicated effect of a change such as a tax cut, where the effect on disposable income (X) and any resulting impact on consumption (Y), say, can take some time.

In generating Y, it happened that 23 of the 50 X observations resulted in lagged impacts on Y. Pairwise correlations were as follows: $(X_t, Y_t) = 0.565516$; $(X_{t-1}, Y_t) = 0.06752$; $(X_t, X_{t-1}) = -0.01865$.

I then ran a regression, $Y_t = \beta_0 + \beta_1 X_t + \beta_2 X_{t-1} + \varepsilon$. Despite interpretation A being based on a deterministic relationship between X and Y, the specification of time periods resulted in an R^2 of only 0.3259. A standard interpretation might be that variations in X explain only 33 percent of variations in Y. It could then be suggested that other variables and random error are responsible for the other variation. In other words, X is a poor predictor of Y.

Coefficients for the β s, plus standard errors, are given in the table. Note that the coefficient on the

	β_0	β_1	β_2
Coefficient	-0.29101	0.961213	0.135912
Standard error	0.982915	0.205265	0.210735

lagged variable is small and not statistically significant. We would conclude that there is no lagged effect with this particular sample, despite 23 of the 50 observations actually having a lagged impact. With the estimate of β_1 being significant and near to unity, we would conclude that the magnitude of the effect is as in the underlying model, but that all the impact occurs in the same period as X.

Note that the problem is not one of misspecification through an incorrect functional form in that it is linear, nor one of an omitted variable. Rather, it arises from incorrect aggregation over time. It shows the potential for econometrics to give false negatives simply because we rely on aggregation within discrete time periods. Models with quarterly data do not merely require that the effects be felt within a quarter. They actually require the effects to be felt instantaneously if all the effects are to be observed within the same quarter as the cause. Lagged impacts inevitably result in impacts being spread inconsistently over time periods, resulting in imprecise estimates of the underlying relationships.

Is this a problem for economists? Not only do we know that economic effects are not instantaneous, but also microeconomic theory suggests distinct short-run and long-run adjustments so the effect of a change in a variable is likely to have a complex temporal structure. Are lags likely to be of fixed length? Consider a few economic examples. There can be lags between an event occurring and a decision being made on a response. Petrol prices change, and you decide to get a more economical car. Some new equipment might be needed, but a decision has to be made at an infrequent committee meeting. There can then be lags between the decision and resulting action. How long does it take to sell a house, or find a new job, or to get a tradesperson to do some work? There can be a lot of variation in the time between an event that can cause the initiation of an action and the end result.

In summary, time, and aggregation over time, are not trivial matters for economists. Given the potential problems as illustrated by the numerical example here, we need to consider very carefully how we interpret estimates of lag structures and their significance or otherwise. Of course, we could take this a step further and ask what, if anything, we are really doing with analyses based on such phenomena as Granger causality, unit roots, or VAR models which are based on patterns over discrete time periods.

International Conference on **Energy and Environmental Modeling**
 Moscow, September 13-14, 2007, <http://www.ecomod.net>

The conference is co-organized by the EcoMod Network, the Institute for the Economy in Transition, and the Academy of National Economy under the government of the Russian Federation. The goal of the conference is to promote and stimulate the exchange of ideas in the field of energy and environmental policy modeling.

You are cordially invited to submit your abstracts or full papers (preferred) on our conference management Web site: <http://www.ecomod.org>, The deadline for submissions is **January 31, 2007**.

**Third international conference on Economics and Management of Networks (EMNet)
Rotterdam, The Netherlands, June 28-30, 2007.**

<http://www.univie.ac.at/EMNET/2007/index2007.html>

The increasing economic significance of networks has fueled rapid growth in research at the intersection of management and economic disciplines. *EMNet* conferences serve to promote communication and awareness among researchers in economics and management and provide a forum to present current research and to discuss issues of common interest, such as relevant developments in organizational economics and management. The content of *EMNet* conferences include all forms of networks, such as franchising, joint ventures, licensing, virtual organizations, strategic alliances, cooperative networks, clusters, venture capital relations and other forms of hybrids.

Relationship Problems? Ask an Economist [SB]

We all know how difficult relationships can be, and how hard it is to get good advice. Now, thankfully, economists are starting to apply their formidable analytical skills to address these most important of issues. Here are a couple of examples, plus a diversion:

1) This is from a largely economic analysis of the move away from parenting published in *TCS Daily*. [Reynolds G H (2006) "The Parent Trap", *TCS Daily*, 17 May, <http://www.tcsdaily.com/article.aspx?id=051706C>] It argues that the decline in births is partly due to increased economic and non-economic costs and declining benefits of having children:

...parenting has become more expensive in non-financial as well as financial terms. It takes up more time and emotional energy than it used to, and there's less reward in terms of social approbation.

2) And here is something on specialisation and division of labour in the home [from: Bradford Wilcox W and Nock S L (2006) "What's love got to do with it? Equality, equity, commitment and women's marital quality", *Social Forces* 84.3, March, p1321(25),

<http://www.virginia.edu/sociology/peopleofsociology/wilcoxpapers/Wilcox%20Nock%20marriage.pdf>]:

...we saw evidence that women who are more egalitarian-minded and more upset with the division of household labor receive lower levels of positive emotion work from their husbands, perhaps because they are more likely to initiate conflict with their husbands. Thus, rising expectations among women for marital equality may also have the unintended effect of lowering investments in marital emotion work on the part of men; this, in turn, may be associated with declines in marital quality for American women.

3) While on the general theme of marriage, there is a classic column from the satirical web site, *The Onion*, illustrating that the way we see things depends fundamentally on the perspective we choose to take. See "Housewife Charged in Sex-For-Security Scam" at: <http://www.theonion.com/content/node/39495>.

Disclaimer: *Asymmetric Information* takes no responsibility for any action anyone might take as a result of the above information.

Mechanical Controls?

"...people decide how legitimate authorities are, and how much to defer to those authorities and to their decisions, primarily by assessing the fairness of their decision-making procedures. Hence, using fair decision-making procedures is the key to developing, maintaining, and enhancing the legitimacy of rules and authorities and gaining voluntary deference to social rules."

"Recent social science thinking has been dominated by rational choice models of the person. As a consequence, command and control, deterrence, or social control strategies have dominated discussions about social regulation."

Both quotes from p.120 of Tyler T R (2000), "Social Justice: Outcome and Procedure", *International Journal of Psychology*, 35(2), pp.117-125

research in progress...

Continuing our series on the research projects currently underway in Economics Departments and Economics Research Units throughout New Zealand, in this issue we profile the research currently being undertaken by economists at the University of Auckland. 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 the University of Auckland as at November 2006.

Compiled by Mary Hedges (m.hedges@auckland.ac.nz)

Email addresses and personal webpages for members of the department can be found on the department's website: <http://www.business.auckland.ac.nz/comwebcontent/1/7/20/142.html>

The Economics Department at the University of Auckland has 25 academic economists on its staff plus a number of postgraduate students undertaking research at Honours, Masters and PhD level.

Debasis Bandyopadhyay: Money supply and economic growth in the absence of a fractional reserve system. A new welfare improving scheme for designing social security. Emigration of skilled labour and education policy. Long-run productivity growth in New Zealand

Ananish Chaudhuri: Experimental research on the evolution of social norms including the role of trust, reciprocity and altruism in economic interactions. Theoretical and empirical work looking at incentive contracts with applications to franchising, land tenancy and credit markets.

Tatyana Chesnokova: International trade and economic development, the effects of imperfect credit markets on occupational structure, income distribution, and comparative advantage. My joint research project with Rhema Vaithianathan looks at intra-family allocation of child labour and the effects of punitive measures such as child labour bans on average level of child labour in the economy.

Horag Choi: Open economy macroeconomics, specifically dynamic general equilibrium modelling with heterogeneous agents to explain issues in open economy macroeconomics, such as puzzles in the international business cycles, real exchange rate dynamics, and welfare effects of trade liberalisation.

Begona Dominguez: Macroeconomics, Public Finance, Time-Consistency of Optimal Policies and Computational Methods

Tony Endres: Exchange rate theory and exchange rate controversies in the twentieth century. The monetary implications of currency internationalisation and currency competition in the present process of global economic integration. Entrepreneurial behaviour: Austrian and behavioural perspectives

Heiko Gerlach: Industrial Organization, Applied Microeconomic Theory, Competition Policy and the Economics of Information. Current papers include Partial Communication and Collusion with Demand Uncertainty.

Tim Hazledine: Airline pricing and its implications for competition policy. This is joint research with Professor David Gillen of the University of British Columbia into the 'new airline price discrimination' -- pricing and competition on NZ, Tasman, Canadian and trans-border air travel routes in the age of the internet and competition from low-cost carriers. What makes countries rich and happy? This project develops the concept of "moral capital" as the indispensable input that permits the division of labour and consequent prosperity, allowing countries to choose to differ in the dimensions of prosperity and happiness.

Mary Hedges: Currently working in the area of psychological economics and developing a personal construct theory of tertiary training choice (PhD thesis). Another area of research

interest is economic pedagogy specifically Curriculum Design and Assessment: An Integrated Approach to Learning.

John Hillas: My research is mainly concerned with the topic of strategic equilibrium in noncooperative games. One strand focuses on foundational issues concerning the nature of various equilibrium concepts and how we should understand them. Another strand concerns the technical aspects of the definition of strategic stability and the relation between different definitions that have been proposed.

Bryce Hool: Bryce is Head of Department and on countless committees which means he has about as much chance of getting research done as Hell has of hosting the next Winter Olympics.

Dmitriy Kvasov: Development and application of game-theoretical tools to Contract Theory and Political Economy. How specifics of contract design affect performance of contracting parties and how the choice of contractual terms influences the structure of relationship. Spatial models of electoral competition.

Sholeh Maani: Joint research with Guyonne Kalb (Melbourne) The Importance of Self Selection and Background and Peer Characteristics in the Analysis of Academic Performance Data. *With* Lawrence Kahn (Cornell) The Effect of Labour Market Structure and Skill on Wage Disparity. *With* Rhema Vaithianathan, Income Inequality and Health Outcomes: Is Housing Crowding the Link? *With* Saul Schwartz (Carleton) Lessons From University Fees and Student Loan Policies in Canada, New Zealand, and Australia.

Tim Maloney: The relationship between job mobility and earnings using Linked Employer-Employee Data. Cognitive achievement and school-to-work transitions using Christchurch Health and Development Study data. Ethnicity and academic success at university. Evaluating the effects of active labour market programmes. Minimum wages effects on both employment and wage and income inequality.

John Panzar: Director of Centre for Research in Network Economics and Communications and part of the Energy Centre. Research includes Industrial organization, regulation economics and applied microeconomic theory.

Peter Phillips: Stationary and non-stationary time series econometrics, Bayesian methods, econometric model determination, time series forecasting, finite sample econometrics, non-parametric and semi-parametric techniques, panel data asymptotics and modelling, dynamic non-linear modelling, financial econometrics.

Steve Poletti: Economics of Network Industries. Regulation and design of electricity markets. Currently working on "Market Power, Real-Time Pricing and Government Procurement of Peak Generating Capacity in the Electricity Market".

Alan Rogers: Main research area is econometric theory. Recent research has been concerned with the behaviour of certain minimum norm estimators (including the least absolute deviations estimator) in regression models with non-standard error distributions, and also with certain geometrical aspects of linear estimation theory.

Matthew Ryan: (i) *Theory and applications of non-expected utility theory.* Most recently, I've been studying risk aversion beyond the EU paradigm. Involved in a joint project with Arkadii Slinko (Maths, Auckland) and Walter Bossert (Montreal) on applications of *abstract convex geometries* to decision theory. (ii) *Internet auctions.* With various co-authors - Simon Grant (Rice), Atsushi Kajii (Kyoto) and Flavio Menezes (UQ) - I have been studying sellers' optimal choice of reserve price, auction duration and use of "Buy Now" prices.

Erwann Sbai: Structural econometrics for empirical games. (i) Empirical part: study of bidders behaviour, for example in Treasury bonds auctions or electricity spot market. (ii) Theoretical part: study of a local identification tool and applications to different game theoretical models.

Rob Scollay: Director of the APEC Study Centre. Research includes Regional trade agreements, Asia Pacific trade relations, trade policy analysis, WTO issues, trade problems of Pacific Island states

Basil Sharp: Three current projects: Joint project with Chris Batstone (Cawthron Institute) on time series analysis of quota prices which looks for evidence of Clark-Munro optimal conditions across selected fisheries management areas; (ii) with Geoff Kerr (Lincoln

University), application of choice modelling experiments to valuing the impact of incursions on indigenous biodiversity; (iii) with Michael Krausse (Landcare Research) spatial econometric modelling of house prices in the Auckland region.

Susan St John: Economies of the family and child poverty, researching policy development of working for families, tax and benefit reforms. Also working in the Retirement Policy and Research Centre (with M Littlewood) on current policy issues, eg KiwiSaver, household wealth and saving, decumulation policies including annuities and home equity release. Activities of the centre include development of the *Pensionsreforms* website which has international editors providing policy summaries and commentary on key academic contributions to pensions debates.

Donggyu Sul: 1. Theoretical Econometrics on Panel Data: (i) transitional behaviour of heterogeneous individuals over time. (ii) estimation and testing idiosyncratic components in panel data. (iii) panel unit root tests and cointegration. 2. Empirical Economic Growth: (i) Determinants of economic growth. (ii) Testing growth convergence (iii) Causality relationship between economic growth and social, political variables. 3. International Finance: (i) Explanation of current account deficit. (ii) Determination of real exchange rates

Rhema Vaithianathan: Health economics and health care financing, with a broader interest in public economics. Currently I am undertaking a number of projects. One is an empirical analysis of child labour in Mexico which looks at whether child-labour bans might be bad for a developing economy. I am also starting to work on the economic determinants of obesity in New Zealand. In particular, whether the socio-economic determinants of obesity amongst Pacific Island people is different due to the more positive attitude amongst Pacific Island people to large body size.

The department is also home to four research centres plus two collaborative research groups. These are:

Centre for Research in Network Economics and Communications (CRNEC)

CRNEC was established in 1995 with the goal of studying economic issues arising in network industries. Our research interests include questions about: Strategic interaction between competing firms; Optimal pricing, including non-linear pricing; Interconnection between networks; Investment - timing, scale, and technological choice; Antitrust and regulatory policy; Market efficiency and its measurement; While some of our work applies to network industries generally, we also have expertise in the following industries: Telecommunications; Electricity; Transportation - road, rail, air and Posts.

Energy Centre

This involves staff from the Department of Economics (John Panzar, Stephen Poletti, Bart van Campen) and the Faculty of Engineering (Robert Kirkpatrick). The team are currently researching, (i) network economics & competition (ii) electricity price volatility and risk assessment. (iii) - influence of different generation portfolios on price volatility and risk. (iv) electricity real time pricing, price elasticity and market power and (v) - transportation studies. Details about the Centre can be found at the Centre website:

<http://www.business.auckland.ac.nz/energy/18027.html>

Asia Pacific Economic Cooperation (APEC) Study Centre

The Centre aims to promote interdisciplinary study and research on APEC related themes involving political, social and cultural, as well as economic issues. The Centre will be located alongside the New Zealand Asia Institute and the Development Studies Institute at the University of Auckland, and will work closely with both of these institutes. The research focus of the centre includes: trade and investment issues in APEC, human resources issues in APEC, liberalisation performance of APEC economies, design and effects of free trade agreements, trade architecture of the Asia-Pacific region, implications of the spread of preferential trading initiatives in the Asia-Pacific region.

Retirement Policy and Research Centre:

The 'Retirement Policy and Research Centre' operates as a virtual centre with its own web page: http://www.auckland.ac.nz/uoa/business/retirement-policy-and-research-centre/retirement-policy-and-research-centre_home.cfm. One of the major first initiatives of

the RPRC has been to create a not-for-profit webpage www.PensionReforms.com to stimulate high quality, international debate on pension issues - both public and private. A key RPRC project is underway to survey the 100 largest employers in New Zealand on employee benefit issues. This will set a baseline from which the impact of KiwiSaver can be measured. The RPRC will also work with the SME (small and medium enterprises) survey team from Massey University to monitor the effects on smaller businesses. This survey builds on one conducted in 2003 on workplace superannuation for the Periodic Report Group. The information generated from this initiative should allow KiwiSaver to be evaluated for its impact on existing schemes and workplace costs. In addition to these major projects members of the centre continue to deliver a number of papers and had invited overseas speakers deliver papers here including Alison O'Connell (Director Pensions Policy Institute, London)

Discrete Mathematics in the Social Sciences (DMSS): This is a fortnightly interdisciplinary workshop co-hosted by the Departments of Mathematics and Economics. Presenters discuss their own work in progress or present mini lectures on relevant topics from the literature. Guest presenters have included Murali Agastya (Sydney), Walter Bossert (Montreal) and Herve Moulin (Rice).

Economic Design Network (EDN): Auckland is a member of the EDN, a research consortium of Australasian Economics Departments. The EDN is funded by the Australian Research Council to promote research into economic theory and experimental economics, and their application to key policy issues, especially regulation, health and the environment. See the EDN website at <http://pluto.ecom.unimelb.edu.au/ednetwork/> for more information. In particular, there is a sign-up page for new members.

A comma that cost millions...

Canada's *Globe and Mail* tells of an extra comma that caused a major difference in the interpretation of a Canadian contract [Robertson G (2006) "A basic rule of punctuation", *Globe and Mail*, 6 August, <http://www.theglobeandmail.com/servlet/story/RTGAM.20060806.wr-rogers07/BNStory/Business/home>]:

A grammatical blunder may force Rogers Communications Inc. to pay an extra \$2.13-million to use utility poles in the Maritimes after the placement of a comma in a contract permitted the deal's cancellation ... Page 7 of the contract states: The agreement "shall continue in force for a period of five years from the date it is made, and thereafter for successive five year terms, unless and until terminated by one year prior notice in writing by either party."

The problem comma is after "terms".

Treasury Working Papers

The latest working papers and related links can be found at:

<http://www.treasury.govt.nz/workingpapers/>

New Zealand Hansard

Recent coverage at: <http://www.clerk.parliament.govt.nz/hansard/Hansard.aspx>

Questions for Written Answer at:

<http://www.clerk.parliament.govt.nz/Publications/QuestionsForWrittenAnswerIndex.htm>

Hansard searchable back to 1987 at: <http://www.vdig.net/pr/hansard.html>

New Zealand Economic Papers

Ian King, the 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: iking@business.otago.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

graduate student: \$45 (first year only)

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

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email: economists@nzae.org.nz

EMAIL DATA BASE

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

MEMBER PROFILES WANTED!!!

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

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..

Hillmaré Schultze (Te Pune Kokiri); **Dirk van Seventer** (Dept. of Labour); **John Stephenson** (NZIER); **Tracy Mears** (The Treasury); **Lauren Jewell**

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