

Asymmetric information

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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).

PAST ISSUES

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New Zealand Association of Economists Inc.

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CONTENTS

Editorial	2
An Interview with Ilan Noy (by John Creedy)	2
The 'Five Minute Interview' (Judy Kavanagh)	6
NZAE Membership Survey 2015	7
NZAE Conference Keynote Speaker Abstracts	8
NZAE Conference Photos	10
Awards Presented at NZAE Conference 2016	12
Blogwatch (by Paul Walker)	13
(Motu) The Impact of the 90-day Trial Policy (by Nathan Chappell and Isabelle Sin)	14
WEAI Conferences, 2017 and beyond	15
GEN Annual Conference 2016	16
(Stats New Zealand) New Information in the Labour Market Estimates (by Sharon Snelgrove)	17
Two Recent New Zealand Publications	17
Research in Progress (University of Auckland)	18
NZAE Information and New Members	19
Stata advert	20



EDITORIAL

Viv Hall (viv.hall@vuw.ac.nz)

The interview in this issue is with Ilan Noy, Chair in the Economics of Disasters & Professor of Economics, Victoria University of Wellington. He is interviewed by John Creedy, Professor of Public Economics & Taxation in the School of Accounting & Commercial Law, Victoria University of Wellington, and Principal Advisor, Taxation Strategy section, New Zealand Treasury.

The 'Five Minute Interview' is with Judy Kavanagh, Inquiry Director (Tertiary education) at the New Zealand Productivity Commission.

Summary results are presented for the 2015 Membership Survey conducted by Council's Membership Committee, and the following material from the June 29 – July 1 NZAE Conference is then featured: Abstracts of the presentations by our four Keynote Speakers, James K. Galbraith, John Gibson, Janet Currie and David Teece; some key messages from after-dinner speaker, Peter Neilson; and the Awards presented at the Conference dinner, including the award of Distinguished Fellow of the New Zealand Association of Economists to David Teece.

Paul Walker contributes his regular 'Blogwatch' column, and from Motu, Nathan Chappell and Isabelle Sin provide insights from their Working Paper on the impact of the 90-day trial period.

Sharon Snelgrove from Statistics New Zealand outlines new information available from HLFS labour market estimates, and GEN presents registration information and speakers for their 2016 Annual Conference, 6 – 7 December.

Information is provided on two recent New Zealand publications: "A few hares to chase: the life and economics of Bill Phillips", by Alan Bollard; and "Rational Economic Policy: A New Zealand Perspective", by Ralph Lattimore.

This issue's Research in Progress comes from the Department of Economics at the University of Auckland, and new members who joined NZAE between mid-March and mid-June are also recorded.

Key conference information and keynote speakers for the Western Economics Association International (WEAI) Conference in Chile, January 3 – 6, 2017, is provided, along with information on further WEAI conferences, and reference to some articles on inequality emanating from last January's 12th International WEAI conference in Singapore.

Members will also note that we have a new advertisement on the back page: from Survey Design and Analysis Services, authorised Australia and New Zealand distributors for **Stata** and other software. www.surveymdesign.com.au.

INTERVIEW WITH ILAN NOY

by John Creedy



Q. First, I'd like to know how you became interested in Economics.

A. I come from a family with a long tradition in the field. My grandfather has a PhD in Economics - from the 1920s. He was a German Jew, who did a doctorate in what they then called Political Economy – actually, I'm also related to Karl Marx, another German Jew who was an economist, so I guess my profession was predetermined.

Q. That's quite a pedigree.

A. There is a pedigree there a bit, but when growing up, my dad, who is a Political Science professor, always said that I will be interested in Economics. He has a degree in Economics as well.

Q. You fought it, initially?

A. I did fight it for many years. As a teenager the last thing I wanted to do was follow in my dad's footsteps, I only started university when I was 23, and when I started I did not do Economics. I started Law, but then eventually drifted into Economics. At the end of my Bachelor degree I took some courses in Economics and said, 'ah, actually this is quite interesting' - and of course didn't tell that to my dad. But then I went to do a postgrad degree in the US in Economics, and that's how I ended up as an Economist.

Q. Is your father alive?

A. Yes.

Q. So he's now pleased with you?

A. Yeah, he's gloating about the fact that he's been telling me since I was 15 that that's what I should be doing and it took me another 20 years to realise that.

Q. Do you use him as a critic at all?

A. Yes. And my mum is an English language editor, so sometimes I send them my writing for comments.

Q. I tend to think joint authors are your harshest and your most sympathetic critics. Is he like that with you?

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- A. Well he's a parent. It's a different dynamic. I think he's not a very harsh critic. My mum, who is a language editor and loves the English language, is harsher.
- Q. So although you have this pedigree you could say your father wasn't really a mentor in terms of Economics.**
- A. No.
- Q. But are there any teachers or mentors who were particularly influential, that you'd like to mention?**
- A. I became interested in Economics initially when I read John Kenneth Galbraith.
- Q. *The Affluent Society*, or others?**
- A. Several books. I don't remember which one was the first, but once I had read one of his books then I read quite a few others.
- Q. Did you know his background at the time you read them?**
- A. No, I did not. I, by coincidence, stumbled on a book. I was actually travelling in India at the time, backpacking in India and found a book of his in a bookstore in Delhi.
- Q. Have you read his novels?**
- A. No, I haven't read any of his novels. He was an Ambassador in India at some point, so it's quite easy to find books of his in India. He's quite popular there. So I read him and that, I think, influenced me a lot. Then once I started studying, I had a teacher who taught History of Economic Thought, which I really found very interesting (June Flanders).
- Q. I'm pleased to hear of somebody else coming to the subject from the history.**
- A. Yes. Then later on my doctoral supervisor and other people I worked with during my doctoral degree, especially Joshua Aizenman.
- Q. Who was your supervisor?**
- A. Michael Hutchison. I still see him occasionally and we work together.
- Q. Supervision experience can be very varied in the US, can't it?**
- A. I had a very, very good experience. I was in a very small PhD programme; very friendly relationship between the Faculty, the staff members and the students; it was a very small cohort. Very open door policy and very accessible.
- Q. Moving on to your career, you've taken a rather interesting route. You've gone from Hebrew University to California as a student. Then you've gone to the University of Hawaii, and finally here. Could you tell us something about those steps and what brought you to Victoria, in particular?**
- A. Once I finished my Bachelor in Israel and realised I want to do economics, then in Israel everybody's told, a bit like here, to go do their doctorate in North America.
- Q. We send nearly all the good ones overseas**
- A. Yes, so does Israel. It's a bit of a shame, because we are essentially encouraging a brain-drain. But on the other hand, there are clear personal advantages of going to different places. I went to California to do a graduate degree. That degree was focussed in international economics. I was very interested in international economics because earlier I worked as a tour guide, in South and South-East Asia, mostly China and India. I was very interested in development and international topics. In May 1998 I was in Bali in Indonesia when the revolution against Suharto occurred. That made a big impression on me. At the time when we were in Bali, me and my wife, we'd just

got married at that time, so this was sort of our honeymoon. The revolution started with a lot of violence in Jakarta. We had obscure passports (Mexican and Belgian) but both of us are Israelis, and there is no Israeli presence in Indonesia (Israelis are still not allowed into Indonesia to this day). So, all the tourists were evacuated by their countries and we stayed. We were basically the only foreigners in Bali, which was quite a striking experience. The revolution was sparked by the Asian financial crisis, so the importance of the financial crisis was very apparent, and the dramatic collapse of the rupiah and all the dislocation and pain that that entailed.

That's why I was interested in development and in international financial crises and these are the topics that motivated me when I was doing my PhD. I ended up doing a PhD on financial crises. After that, I looked for a job as an academic, and the job offer from Hawaii was hard to resist. I spent a decade in Hawaii.

Hawaii was difficult to resist. At the time I already had two kids that were born during my PhD studies, and with a family, salaries and practical things like that were also factoring into that decision. I was very happy there. Professionally it was a good place, although a bit isolated.

Q. But you built up a lot of international connections while you were there, didn't you?

- A. The University of Hawaii is the most isolated university on the planet. The nearest university is a five-hour flight away, so it's much more isolated than Wellington, for example, where you have a lot more access to 'fellow travellers.' So it is a bit of a challenge, and I did manage to develop an international network. I ended up being in Hawaii and in Wellington mostly for personal reasons. I'm very happy here, but I was also very happy there.

Q. You've talked about your earlier work on financial crises. Looking through your publications, am I right in thinking your first paper on the economics of disasters was published in 2009?

- A. Yes. How did I shift? This is also a practical story. After the Southeast Asian tsunami in December 2004, I was, like everybody else on the planet, glued to the television and looking at what happened there. I also knew a lot of the places, so I knew some of the places that were hit. I knew some people who disappeared in Sri Lanka. Eventually they resurfaced but they were missing for a week or so. While watching the TV and looking at all this footage from Thailand, I started to think about what are the economic aspects of this and what will happen to these regions after the event. I was specifically motivated actually by Sri Lanka because this is a country that was hit dramatically in its tourism sector. And because I used to work as a tour guide, I was familiar with that sector.

And then issues like, what kind of aid will they get, will it be aid in-kind or in-cash, and if it's cash, then what will happen to inflation rates? So there's a lot of economic questions that one can ask about what will happen. Probably before the end of December 2004 I went on EconLit to look for 'what is the literature on this?' and basically found nothing. There was one article from the early 1990s by a British academic and there was *one* paper done by two World Bank economists which was a descriptive case study, done in 2002, and that was the literature on disasters.

Q. There's quite a literature going back a long way on the economics of war.

A. Yes.

Q. Did you go through that literature at all?

A. A little bit. But there are a lot of, I think, differences. Wars are not as regional/local as disasters are. Wars also have a lot to do with ethnic divisions and institutional failures and things like that, so it's a lot more endogenous in a sense. From an empirical perspective, and I'm an applied economist, it's much more difficult in wars to identify any clear causality channels, because everything is endogenous.

Q. In terms of the costs, there may be common financing issues?

A. Yes, but again it would be very diverse. There are various channels that have to do with institutional failures, so what is driving the credit contraction? Is it institutional failure, is it the actual war, is it the ethnic tension and discrimination between ethnicities? There are all kinds of potential explanations. Most of the wars in the last 50 years have been civil conflicts within countries. These are even more endogenous. I think that literature has struggled a lot with that question of identification, which is to some extent much easier, with what I am interested in.

Q. But did you feel a kind of excitement that, here's an area that I could really contribute towards, or did you have anxieties, thinking, what am I doing here?

A. No, I actually felt excitement. I said, okay, nobody has done anything; I have these tools that I've learned and developed. Looking at financial crises, there are some similarities, and let's do something about this. Then I spent the next two years trying to convince anybody to work with me and nobody was interested. I contacted my co-authors and my supervisor and they were all un-enthusiastic. In 2006, I had one of these periodic evaluations with my Head of School (Jerry Russo), and he said: you know, Ilan, you have a decent record, but you're not doing anything by yourself. You're always working with co-authors. Maybe you should do something by yourself. So, I decided there's this thing that I have been sitting on for a year and a half and I've been wanting to do, but can't find anybody to work with.

So I wrote that paper very quickly in late 2006. It was circulated in 2007 as a working paper, and it got traction, it was published easily, and was then noticed rapidly. It's still my most cited work. I realised that there is a whole field with a lot of questions that nobody's looking at. Then I started to work more and thought of more and more questions.

Q. When you came to New Zealand, you came after the 2010/2011 earthquakes. I'd be interested to know what you think were good economic policy decisions following the earthquake and where improvements can be made.

A. Oh, that would be a whole different interview.

Q. Given the time-scale we've got here ...

A. Currently I'm very interested in insurance, as a big issue in general, in managing disaster risk. I've done work on various other issues. At this point I'm trying to work on insurance and I think if you're asking about Christchurch, maybe the biggest success of the Christchurch Earthquake was that we had so much insurance. We had so much more insurance than historically, if you compare it to any other big event anywhere. A

lot of that insurance was reinsured abroad, so foreigners ended up paying for a lot of the damage from Christchurch.

Q. This was realised quite early, wasn't it?

A. Yes. Both in terms of the EQC, because they had \$5 billion of reinsurance abroad, but also a lot of the insurance companies are multi-nationals, a lot of them Australians and a lot of them were reinsured in Europe or in the US. So overall, New Zealand Inc. ended up paying less for this than in other events. That was very fortunate. But, on the other hand, I think insurance was also a failure.

Q. In what respect?

A. Well there are various issues that came up, but the fact of the matter is that five years after the event we still haven't resolved all the insurance claims. Insurance has, to some extent, caused a delay in the recovery. There are complicated reasons why. There are many reasons for that, and it's a fascinating topic.

Q. Insurance companies have their dreaded loss adjusters. Have they been a big influence here?

A. That's part of the story, but it's probably not a very big part of the story. There was some issue with the fact that land was covered, and for a small country, we didn't have the capacity to do loss adjustment for that. But this is only a small part of the story. There's a lot of other legal issues and economic issues and contractual issues and interaction between the private sector and the public sector because we also have a public insurance scheme. So all of these issues play their role. And I'm interested in this from an applied perspective, and also from a policy perspective, because I think we haven't yet fixed what we've found not to be working well.

So if another disaster happens tomorrow, we haven't changed our system that much. We will still have a lot of insurance, which is great, but we also will have the same vulnerabilities in the insurance coverage that we've had before. In some cases we've fixed some of the vulnerabilities but have created others. So I think there's a lot more to be done from a policy perspective and also from a research perspective on this topic.

Q. This leads me to another question. You must come into contact with a wide range of people in your work, in government departments, for example. Do you have interesting communication challenges there, as an economist coming in?

A. Not really. I think I can talk to non-economists. Maybe because I have a more multi-disciplinary background. I didn't spend all my academic career in economics; initially I did other things. I collaborate with people from other disciplines, people from geography or from engineering or from philosophy. That's within academia, and I'm involved in various government initiatives and I'm funded by government. I only know that from my perspective, I don't know from the other side how they feel about my work and what I do. I hope they find me useful. But for me, I've found no reason to think that there's a barrier.

Q. Good. One thing that intrigues me that is that you've produced a figure suggesting a loss in life years of 150 days per capita in Canterbury. I'd be interested to know a little bit more about that measure.

A. This is a measure, the Disability Adjusted Life Years (DALY) that is taken from Public Health. They've measured the cost of diseases in terms of what they call DALYs. So they try to sum up both mortality associated with a specific area and

also the disability associated with disease morbidity to get the quantification of how much Disability-Adjusted Life years people have lost from, for example, malaria. The public health profession doesn't count the economic costs at all. So what I'm doing in this work is to add the economic damages, since I argue that the financial damages also have implications for human welfare. You have to make a lot of assumptions about how to do that, but once you do that then you can translate the economic damages into human welfare or 'lifeyears lost.' You can do that for diseases, but I do it for disasters.

Q. So it's much more than net productivity loss over the remaining life?

A. Yes, although it is related to that. It basically flips the tendency of economists to count everything in dollars, through the value of statistical life calculations. So basically I'm flipping it, and instead of counting everything in dollars I'm counting everything in years.

Q. How would that value of 150 days per capita from the Canterbury earthquakes compare with some other disasters that have been examined?

A. In this calculation I compare it to the big floods in Bangkok in 2011, the loss in Thailand was roughly similar to the loss in New Zealand - in terms of life years lost per capita. I also did an attempt to quantify disaster impact globally over time in lifeyears lost. And what you observe there is that in per capita terms most of the loss is in the poorest countries. Even though most of the financial damages are actually in wealthy countries. Look at the 10 most costly disasters globally: they are all in the US, in Japan, here in New Zealand. Haiti's earthquake in 2010 was a terrible event, but from a financial perspective it wasn't.

Q. Do you have strong views about taxes versus debt and how to fund reconstruction?

A. Well I'm Israeli - Israelis have strong views about everything. But financing reconstruction with taxes versus debt? I don't think there is an easy answer to that. It depends on what is your debt level, what are you reconstructing, and what are the alternatives?

Q. We were lucky that in 2010 we didn't have high debt levels.

A. We still don't have high debt levels. We also had a lot of reinsurance. So overall the fiscal burden of the Canterbury events could have been much worse. But you know, the question whether to finance reconstruction in general with tax or debt, it depends on the sustainability of debt levels. In different countries very different levels of debt are considered sustainable by the markets, and there is no easy explanation for that. In Argentina it is 60% of GDP; and in Japan 240% of GDP is still considered sustainable.

Q. Let me ask you another question that goes back to academic choices. In New Zealand now, it can be argued that academics face an incentive not to do work on practical New Zealand policy issues, because they're encouraged to publish in quite a narrow range of economics journals.

A. Sure.

Q. And they also don't find it easy to get access to data. It's not easy to get access to cross-sectional or longitudinal data in New Zealand. So it might be argued that we don't get a lot of policy-related research done here, although of course we're financed by tax payers. You obviously work against that incentive.

A. I'm trying to do both. I think that if that's feasible, then that maybe is the best strategy: to work both on trying to do internationally informed research that is easier to publish, and to also engage with the domestic policy scene. There's clearly some trade-off here, but I think that like in so many other things, the middle way is probably the one that is preferable: so just focussing on policy issues here - then we don't learn from the rest of the world. And we have a lot to learn, like everybody else. We have a lot to learn from the mistakes and the successes that people have had elsewhere - that's definitely true for my field, as each country has only limited experience with disasters. So we can't just look at what we are doing here. On the other hand, if you are just looking internationally then first of all you're not contributing, as you said, to a taxpayer-funded operation, and also I think your life is less interesting.

Q. I often make the point too that I think good policy work can attract international attention.

A. Yes, I also don't see that there's a real sort of trade-off that you could either do that or that but not both. You need to find a middle way and I prefer not to veer too much to either side. Whether we face the right incentives - yes there is the PBRF and the PBRF is mostly about international exposure. But I think that's fair. I think PBRF is not the only criteria by which academics are evaluated. And if a school or a department or a faculty is run well, then the incentives to do this more applied work also exist. So I don't think that we are veering too much to one direction or the other. I do want to add, that I actually think that the data environment here is quite rich, there's a lot of data, and Statistics New Zealand has been pioneering a lot of issues with data and they have the integrated data structure now.

Q. It's improved a lot in recent years, I agree.

A. I'm new here.

Q. I agree with you about getting the balance. Do you want to add anything we've missed that you think we should mention?

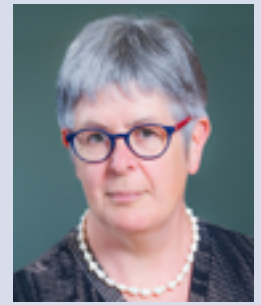
A. I'm very happy with my professional life here (also happy with my personal life). I think there's a lot to do, from a policy perspective, from a research perspective; but that makes life interesting, so that's fine. I don't view that as a problem. I think that the engagement of this university with the Government could be improved, and it is improving. But that I understand is an old problem that needs to be better managed on both sides. I think both sides are under-utilising the other.

Reference

Noy, Ilan (2009). The Macroeconomic Consequences of Natural Disasters. *Journal of Development Economics*, 88(2), 221-231.

THE FIVE-MINUTE INTERVIEW WITH ...

JUDY KAVANAGH



1. When did you decide that you wanted to study economics and make it your career?

It wasn't so much a decision as an arranged marriage. I needed money to be able to continue on at university and the government was offering indentured studentships to become a teacher. They wanted economics teachers not history teachers so I switched majors. Like many arranged marriages, love came later.

2. What do you love about economics?

Economics provides a powerful framework for thinking about human behaviour. I was able to combine my love of teaching with research in behavioural economics while lecturing at Victoria University. I involved my students in my research by framing up variations of the Ultimatum Game for them to respond to. It is thought that social conditioning leads people to make fair offers and reject unfair offers in the Ultimatum Game, despite the prediction that the allocator should offer the smallest positive amount and the respondent should accept the offer. My co-researcher Paul Tompkinson and I were interested in finding out how my students would behave as allocators or respondents in situations when the respondent and the allocator are not known to each other. What we discovered is that my students behaved exactly like other people in experiments with the Ultimatum Game. In a wide range of contexts and in countries across the world, researchers have found a consistent norm of fairness, and this finding is now used in the design of markets and in the evaluation of public policy.

In 2003 I joined the public service – first the Ministry of Health, then the Ministry of Education and I am now at the New Zealand Productivity Commission. The public sector – its institutions and its policies – have a big influence on the everyday well-being of citizens. The public service is where you can do the most good and also the most harm. Some of our policies are world leading – for example, New Zealand's GST regime dates from 1986, and because it is applied to all goods and services and exemptions have not been made over time, it is less distortionary than consumption tax regimes in many other parts of the world. But some policies have, or are continuing to have, a distortionary impact on the New Zealand economy and are causing real harm to individuals. Top of mind is restrictive land use regulation in our fastest growing cities; a major contributor to house price inflation. This has implications for the ability of some groups to accumulate wealth and for the distribution of wealth across society.

Economics helps us to understand why policies go wrong and it can help design institutions and markets that work better for New Zealanders. There's no place I'd rather be.

3. Did any teachers, lecturers or colleagues play a significant role in your education and career?

Frank Tay convinced me to do a Masters in Economics. He was a wonderful teacher and he has a formidable mind. I had the good fortune to meet him again recently. He was at a public lecture that Murray Sherwin, Chair of the Productivity Commission, gave at Canterbury University about our inquiry into new models of tertiary education. His probing questioning from the audience took me back to my days at Canterbury I can tell you!

Tony Raynor supervised my thesis – a cost-effectiveness analysis of cervical screening in New Zealand. This was well before New Zealand established a screening regime. The thesis proved to be influential in the development of a New Zealand screening programme but it was also cited in the Cartwright inquiry into the practices of a gynaecologist at National Women's Hospital. The gynaecologist had questioned whether medical intervention for precursors to cervical cancer was necessary, believing that treatment could cause more harm than good.

Lew Evans mentored my academic career at Victoria University. As well as my teaching responsibilities in the School of Economics and Finance, I became a research principal at the Institute for the Study of Competition and Regulation which Lew founded. At this time I became interested in the cost of the lost incentives for work place safety under New Zealand's no-fault accident compensation scheme.

Fast forwarding to the here and now, Graham Scott provides an enormous amount of challenge, insight and guidance. His insights about what the latest New Institutional Economics literature can contribute to our understanding of the roles, functions and performance of the public sector, have helped my thinking about public institutions.

4. What's your favourite economics paper and which economists do you most admire?

I always go back to Oliver Williamson's paper on the New Institutional Economics: Taking Stock, Looking Ahead, in the *Journal of Economic Literature* in 2000. I admire academic economists that can contribute constructively to significant debates in economic policy and make useful practical contributions. Among that bunch I particularly admire Ed Glaeser for his insights on cities and housing and Alvin Roth for his work on market design.

5. What do you regard as the most significant economic event in your lifetime?

The economic reforms instituted by the Fourth Labour Government radically transformed the New Zealand economy but it was the earlier reforms of the 1960s and 1970s on the back of the women's movement that were far more significant to my life and my mother's life. The social changes of the 1960s led to demands from women for more part-time work, more flexible working hours and longer shop trading hours. This led to the deregulation of shop trading hours in 1977, and presaged further liberalisation of the labour market. The end of six o'clock closing (the six o'clock swill) in 1967 made a huge difference to women, their social lives and relationships with their men. According to Tim Mulcare, who researched the topic for his PhD thesis, the brewing industry had benefitted from six o'clock closing as it kept their labour costs low and they didn't have to worry about the quality of the product (the pubs or the beer). It made for what seemed like an unlikely alliance between the temperance movement and the breweries that stymied social change for half a century.

6. What do you like to do when you are not doing economics?

Six years ago my partner Bill and I bought an original 1950s bach across the road from the beach at Paekakariki. We've renovated it to become our permanent home and we are now in the process of landscaping a coastal garden made out of recycled or found stuff. We've just purchased 90 or so breeze blocks on Trade Me (total price \$3) from someone who had knocked down their garden wall. They obviously didn't appreciate mid-century style! I'm learning about concrete footings and mortar and I spend my time searching for cool mid-century design ideas for outdoor areas. We had a lot of sand left over from replacing the fences and the retaining wall on the boundary, so Bill turned the massive sand hill into a coastal rockery using old 1950s concrete triangle blocks (also purchased on Trade Me) for my birthday. Best birthday present ever. Life couldn't be better.

Reference

Williamson, Oliver E. (2000). New Institutional Economics: Taking Stock, Looking Ahead. *Journal of Economic Literature*, 38(3), September, 595-613.

NZAE MEMBERSHIP SURVEY 2015

In 2015, NZAE Council's Membership Committee conducted a survey of members and non-members, with a view finding out more about our members and non-members. The following is Membership Committee's summary report, presented to NZAE's March 2016 Council Meeting.

Results Summary

Most survey respondents have an economics degree, and most of the rest have business/commerce or mathematics degrees. A little over 10% are currently studying full- or part-time. Two-thirds have a graduate degree (including PhD) in economics, and about half the remainder have a Bachelor degree in economics. They have worked in economics for up to 50 years (average 17 years). Most live in Wellington, and are evenly spread over the adult age ranges. About 80% of respondents are members of NZAE.

The NZAE Conference is considered the most important benefit of membership, but *New Zealand Economic Papers (NZEP)* and *Asymmetric Information (AI)* are also important to more than half of respondents. Members also noted networking opportunities as important. Roughly a third of respondents would be interested in the post-grad workshop, and half in economics training programmes.

If we are looking at enhancing membership benefits, this survey would suggest that well-designed networking opportunities would be a good starting place.

Responses

There were 98 responses to the survey between 3 November 2015 and 5 January 2016. The survey link was sent to NZAE members and NZ University Economics Department Heads, with requests to forward it. It was also advertised on the Treasury intranet and the NZAE website.

Detailed Results

Q1. Which of the following best describes the field in which you received your highest degree?

Economics	72.45%	71
Business/Commerce (without Economics major)	6.12%	6
Law	0.00%	0
Mathematics	8.16%	8
Science	1.02%	1
Arts	4.08%	4
Computing	0.00%	0
Engineering	2.04%	2
No Degree	2.04%	2
Other (please specify) (Sociology, Public Policy, 2x Political Science)	4.08%	4

Q2. Are you currently enrolled as a student?

Yes, full time in graduate school	2.04%	2
Yes, part time in graduate school	4.08%	4
Yes, full time in an undergraduate degree programme	0.00%	0
Yes, part time in an undergraduate degree programme	3.06%	3
Yes, other	1.02%	1
No, I am not currently enrolled as a student	89.80%	88

Q3. What is the highest level of economics you have completed?

Less than high school qualification	3.06%	3
High school qualification (e.g. School Cert, NCEA Level 1)	0.00%	0
Some tertiary education but no degree	9.18%	9
Bachelor degree	16.33%	16
Graduate degree (excluding PhD)	38.78%	38
PhD	32.65%	32

Q4. About how long have you worked as an economist? Average 17 years, ranging 0-47 with an outlier of 74 years (removing this outlier does not significantly affect the average).

Q5. Which NZAE membership benefits are important to you?

NZAE Conference	73.33%	66
New Zealand Economic Papers (journal)	54.44%	49
Asymmetric Information (newsletter)	56.67%	51
Other (please specify)	15.56%	14

"Other" was dominated by networking and contact with other economists/professional body. One noted CV prestige, another noted they thought NZEP was unreadable.

Q6. Which potential membership benefits interest you?

	Post-graduate workshop	Economics training programmes
Would not join because of this	17.44% (15)	12.36% (11)
Do not consider this a benefit	3.49% (3)	3.37% (3)
Neutral	39.53% (34)	29.21% (26)
Would be interested	36.05% (31)	50.56% (45)
Would join just for this	3.49% (3)	4.49% (4)
Total	86	89
Weighted Average	3.05	3.31

Q7. What other membership benefits would you like to see NZAE provide? (30 answers)

"Networking", "seminars", "happy as is" dominated the responses.

Q8. What city do you currently live in?

Auckland	9.78%	9
Wellington	65.22%	60
Christchurch	14.13%	13
Other (please specify) (4x Hamilton, Greymouth, Dunedin, Cambridge, Rotorua, Whakatane, Canada)	10.87%	10

Q9. What is your age?

20 or younger	0.00%	0
21-29	15.22%	14
30-39	26.09%	24
40-49	20.65%	19
50-59	18.48%	17
60 or older	19.57%	18

Q10. For how many years have you been a member of the New Zealand Association of Economists (NZAE)?

0 (not a member)	20.65%	19
1-5	29.35%	27
6-10	18.48%	17
11-20	14.13%	13
21 or longer	17.39%	16

KEYNOTE SPEAKER ABSTRACTS:



JAMES K. GALBRAITH,
University of Texas at Austin

The AWH Phillips Memorial Lecture
**“Inequality: A Global and
Macroeconomic View”**

Chair: Tim Hazledine

James Galbraith is a pioneer in the quantification of income inequality, and leader of the University of Texas Inequality Project (UTIP). He spoke to two sets of empirical analyses, both centred on the UTIP-UNIDO index of cross-industry wage inequality. In the first, he showed striking correlations between movements over time in countries' exchange rates (all relative to the \$US), and changes in the wage inequality index. This is interpreted as follows: A country's export sector tends to be relatively high-wage. A depreciation or appreciation in the country's exchange rate translates into an increase or decrease in incomes in the export sector, and thus an increase or decrease in inequality, because (relatively lower) wages in the non-export sector will not be affected.

Then, it was shown that the UTIP-UNIDO index – along with other variables, such as share of manufacturing – generates a strong econometric model to explain variations across countries and over time in the Deininger-Squire “High Quality” measure of household income inequality. This result not only demonstrates the closeness of wage and household income-based inequality, but also enables a predicted Deininger-Squire measure to be constructed to fill in the many year and country gaps in inequality measures, and give some order to the plethora of existing measures. (TH)



JOHN GIBSON,
University of Waikato

**“What can faculty salaries tell us about
the returns to quantity and quality of
economics research?”**

Chair: John McDermott

Results are presented from five studies using academic economist salaries as the dependent variable:

Do Research Assessment Exercises Raise Returns To Publishing in Higher Ranked Journals?

Several countries have introduced research assessment exercises to evaluate and reward the quality of research in their university sector. While most assessments use research groups as the unit the New Zealand scheme is based on individual portfolios of research. Contrary to stated objectives, the research assessment scheme in New Zealand seems to have increased the incentive to publish a greater quantity of articles, with no (or negative) impacts on returns to quality of the journal where articles are published.

No top fives, no worries?

Does the academic labour market provide a qualitatively distinctive reward for articles in the top five economics journals or are such articles readily substitutable with articles in lower ranked journals? For example, is an academic equally as well off with three *Economic Journal* articles for every two *American Economic Review* articles by another otherwise similar academic. More generally, what sort of journal ranking is most congruent with academic labour market outcomes? Data on the salary and lifetime research productivity of economists in University of California economics departments are used to answer these questions.

Short or long: Which type of article pays more?

Are academic salaries and citations higher for economists who publish more, shorter, articles than they are for an academic with the same career total number of co-author-adjusted and quality-adjusted pages but whose research is reported in fewer, longer, articles? Data on salaries and publications of economists at the University of California support the idea splitting strategy since there is a significant positive effect on salary and citations from publishing more articles, conditional on the total number of quality-adjusted pages ever published.

Are returns to economics journal quality universal?

Economics is unusual among academic disciplines in the emphasis it places on publication in a narrow set of top journals. Data on the salary, lifetime journal articles published and citations to those articles for 300 academics in economics departments and agricultural economics departments in six leading universities in the United States are used to compare the payoff to journal quality for economists and agricultural economists.

Publications or citations: Which matter more to academic salary?

Data on the salary of tenured economists in the University of California system are related to their lifetime publications of 5500 articles in almost 700 different academic journals and to the 140,000 citations to these articles. Despite the arguments for relying on citations, these appear much less important to salary than the information on which journals publish the articles, with citations having an impact only one-seventh of that of journals. This conclusion is not altered if attention is restricted to older articles, for which citations have had more time to accumulate, nor if the distribution of citations is considered.



JANET CURRIE,
Princeton University

“Early life and the roots of Inequality”

Chair: Paul Dalziel

In many industrial societies, increasing inequality has become a pressing social, political, and economic concern. Yet the roots of adult economic inequality often lie early in life. There is increasing evidence that adverse circumstances early in life, and even in utero, can leave lasting scars. Yet at the same time we have learned a great deal about how to compensate for early deprivation and there are many examples of successful interventions. Professor Currie provides an overview of the literature highlighting the importance of early childhood and the fact that while children are fragile, they are also resilient.



DAVID TEECE,
Chairman and co-founder of Berkeley Research Group

The John McMillan Memorial Lecture
“Towards a Capability Theory of (Innovating) Firms: Implications for Management and Policy”

Chair: Arthur Grimes

The business enterprise lies at the core of the ecosystem that drives economic development and growth in market economies; yet, until recently, mainstream economics has mostly

treated firms like homogeneous black boxes run by opportunistic managers. The field of strategic management has developed a more nuanced approach to the understanding of how firms are created, organized, and grow, how they innovate and compete, and how managers manage. One of the leading paradigms in the field is the dynamic capabilities framework. In this paper, contrasts and complementarities are drawn between dynamic capabilities and economic theories of the firm, including transaction cost economics and agency theory. Connections to the Cambridge school are highlighted, including the duality between Keynes’s “animal spirits” and the dynamic capabilities entrepreneurial owner/manager. Leibenstein’s x-inefficiency is complemented here with d-ineffectiveness. Further intellectual exchange between strategic management and economics can help to improve the intuition behind models of firms and the economy. Knowledge-based theories of the firm consistent with Cambridge conventions emerge.

FROM THE AFTER DINNER SPEAKER



PETER NEILSON,
Consultant and Company Director ; formerly: Minister of Revenue and Assoc. Minister of Finance in 1984-1990 Labour Government, CEO Business Council for Sustainable Development, CEO, Financial Services Council of NZ.

Peter Neilson’s key specific message was that “ ... it is time for Central Banks to phase out Quantitative Easing and Super Low Interest Rates, and for the politicians to start leading again on economic policy.” (Media Release/op-Ed, 30 June 2016)

This message was presented in the context of:

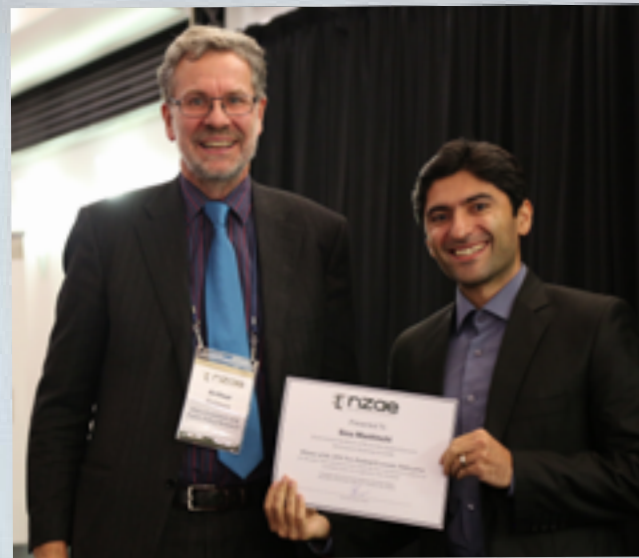
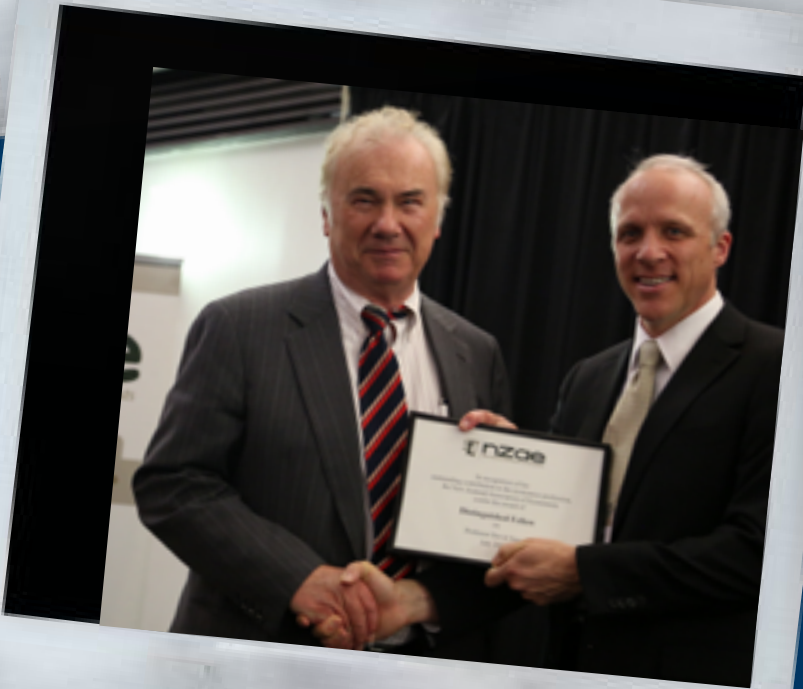
- his having been an economist and Minister in the Lange/Palmer/Moore Government, including as Associate Minister of Finance responsible for bringing into law New Zealand’s pioneering inflation targeting regime;

- the more recent Global Financial Crisis, and subsequent collapse of inflation rates; and
- concerns globally about low income growth and inequality.

He then turned to the issue of “ ... how we get out of this world wide mess?”, and suggested firstly in a broad context, that “ ... the major economies need to co-ordinate on a reform package aimed at boosting both productivity and incomes particularly for those who currently feel they are the victims not the victors of globalisation.” The nine specific elements that he suggested might be included in such a reform package were for:

- “Central banks clearly signalling a steady and predictable normalisation of interest rates over several years led by the USA while also allowing sufficient liquidity to accommodate higher economic growth
- Governments investing to address the infrastructure deficits in most countries using the world’s savings glut to provide longer term debt funding with user charges to service the debt where feasible
- Addressing other supply side constraints holding back growth to boost productivity and help raise incomes
- Agreeing to make real progress on ensuring all economic income is taxed and appropriately shared across borders so tax revenue leakage, which undermines the capacity of nation states to fund core social services, is stopped
- Boosting consumer confidence and spending by committing to raising minimum wages and targeted family assistance by more than inflation steadily over the next five years or until a country either achieves full employment or inflation starts rising above 2-3%
- Removing the tax biases in favour of debt financing such as by only taxing the real component of interest costs and only allowing the deduction of the real component
- For those countries with persistent current account deficits, agreeing to allow them to devalue by floating their own currencies if they are now in a currency block and for those with a managed peg to the USD or RMB to drop that link if they are running persistent current account surpluses or deficits.
- Cutting the remaining trade barriers to enable more countries to participate in the opportunities that come from increased imports and exports.
- Sharing the burden and opportunities from migration as well as addressing the underlying causes of the refugee crisis in Europe.”

NZAE CONFERENCE 2016





AWARDS PRESENTED AT NZAE CONFERENCE 2016

DISTINGUISHED FELLOW OF THE
NZ ASSOCIATION OF ECONOMISTS

DAVID TEECE

(Chairman and Co-founder of Berkeley Research Group)

BEST NZ ECONOMICS HONOURS DISSERTATION

MICHAEL CALLAGHAN

(Reserve Bank of New Zealand)

'Stock market volatility and economic activity'

STATISTICS NZ PRIZE

LISA MEEHAN

(New Zealand Productivity Commission)

'Misallocation and productivity in New Zealand'

SEAMUS HOGAN RESEARCH PRIZE

ANTHONY ANYANWU

(Lincoln University)

'Government Domestic Debt, Private Sector Credit,
and Crowding Out Effect in Oil Dependent Countries'

NZ ECONOMIC POLICY PRIZE

SINA MASHINCHI, BASIL SHARP, and STEPHEN POLETTI

(University of Auckland)

'Environmental Tax Reform (ETR) and New Zealand Economic
Performance: Modelling with E3ME'

NZ INSTITUTE OF ECONOMIC RESEARCH POSTER PRIZES

Open:

ANDREA MENCLOVA, ANN BROWER and RACHEL WEBB

(University of Canterbury)

'Is the relationship between research grade and academic rank
different for men than for women in NZ Universities?'

Student:

NAZILA ALINAGHI

(University of Canterbury)

'Taxes and economic growth in OECD countries:

A meta-regression analysis'

People's Choice:

ANDREA MENCLOVA, ANN BROWER and RACHEL WEBB

(University of Canterbury)

'Is the relationship between research grade and academic rank
different for men than for women in NZ Universities?'

JAN WHITWELL PRIZES

Doctoral:

LAN ANH TONG

(Deakin University)

'Impact of U.S. cotton subsidies on export:
Do the cotton dispute and WTO settlement matter?'

Doctoral:

YONATHAN DINKU

(University of Otago)

'Health shock and households' decision on allocation
of children's time: evidence from Ethiopia'

Honours/Masters:

WILBUR TOWNSEND (Motu)

'Joint culpability: The impact of medical marijuana laws
on crime'

CONFERENCE ASSISTANTS

ROCKY RADOVANOVICH (AUT)

DANIEL DYET (Massey)

ROSHEN KULWANT (AUT)

NIYI ALIM (Waikato)

RICHARD MUMO (Canterbury)

HAMZA AJMAL (Waikato)

GRADUATE STUDY AWARDS

YONATHAN DINKU (Otago)

YAN HU (Waikato)

BLOGWATCH

By Paul Walker (psw1937@gmail.com)

At 'VoxEU.org' <<http://voxeu.org/>> Alvin E. Roth remembers "Lloyd Shapley: A founding giant of game theory" <<http://voxeu.org/article/ideas-loyd-shapley>>. Shapley, who died 12 March 2016, made fundamental contributions to the analysis of both cooperative and non-cooperative games. Some of his foundational ideas have led to the study of matching markets and to the thriving branch of practical economics known as 'market design'.

While not really a blog post, it is however Deirdre N. McCloskey on "How the West (and the Rest) Got Rich". So who cares, it's worth taking note of anyway. It's an article in the *Wall Street Journal* <<http://www.wsj.com/>> in which McCloskey argues that the 'Great Enrichment' of the past two centuries, which made us rich, has one primary source: the liberation of ordinary people to pursue their dreams of economic betterment. What happened over those two centuries is that "ideas started having sex" <<http://www.wsj.com/articles/why-the-west-and-the-rest-got-rich-1463754427>>. At the blog of 'The Niskanen Center' <<https://medium.com/niskanen-center/>> Will Wilkinson notes that for a good chunk of the human species, after more than 100,000 years of scraping by, it suddenly got rather wildly rich, the Great Enrichment as it has been called. But what caused this Great Enrichment? Joel Mokyr says it was the development of science and technology. Douglass North and his followers, such as Daron Acemoglu and James Robinson, say it was a matter of stumbling into the right political and economic "institutions"—of getting the "rules of the game" right. Acemoglu and Robinson say institutions need to be "inclusive" rather than "extractive." They become more inclusive when ruling elites take a little pressure off the boot they've got on people's backs (which they do mainly when cornered by effective collective action from below) and allow economic and political rights to expand. Deirdre McCloskey says the Great Enrichment came about from a shift in beliefs and moral norms that finally lent dignity and esteem to the commercial classes, their "bourgeois" virtues, and the tasks of trade and betterment. This revaluation of values was the advent of what has come to be known as "liberalism." Each of these views is part of the truth. The debate is mainly a matter of how beliefs and norms, institutions and incentives, scientific knowledge and technical innovation all fit together. Which are the causes and which are the effects?" <<https://medium.com/niskanen-center/the-great-enrichment-and-social-justice-56bbe54ad1a3>>.

Over at the 'Bleeding Heart Libertarians' blog <<http://bleedingheartlibertarians.com/>> Jason Brennan argues that there is a moral presumption in favor of free trade, and that "restrictionists" bear the burden of proof <<http://bleedingheartlibertarians.com/2016/03/the-moral-presumption-in-favor-of-free-trade/>>. Don Boudreaux tells a "A Neighborhood Tale" <<http://cafehayek.com/2016/03/40475.html>> over at the 'Cafe Hayek' blog <<http://cafehayek.com/>>. He imagines an interaction between Alexander List and Adam Cobden. It's all got to do with tariffs and the rights of consumers to choose who to buy from and at what price.

Which direction for macro? Is a question asked by Scott Sumner at the 'EconLog' blog <<http://econlog.econlib.org/>>. Sumner notes that Oliver Blanchard has recently made a number of recommendations about changes that should be made to how macro is taught. Sumner then disagrees with these changes <http://econlog.econlib.org/archives/2016/06/which_direction.html>. At the 'Worthwhile Canadian Initiative' blog <http://worthwhile.typepad.com/worthwhile_canadian_initi/> Nick Rowe also responds to

Blanchard's ideas. Rowe concentrates on the question, What's wrong with teaching ISLM? He sees at least four problems with the standard ISLM model. 1) The first problem with ISLM is the horizontal axis. 2) The second problem with ISLM is that it is only implicitly and not explicitly a model of a monetary exchange economy. 3) The third problem with ISLM is the IS curve. This teaches students that Investment and Saving are central to understanding recessions and 4) The fourth problem with the ISLM model is the vertical axis <http://worthwhile.typepad.com/worthwhile_canadian_initi/2016/06/on-olivier-blanchard-on-ism-and-teaching-intermediate-macro.html>.

And at his 'Market Design' blog <<http://marketdesigner.blogspot.co.nz/>> Alvin Roth points out the difficulties with contracting on wife swapping! Enforcing contracts for repugnant transactions is not easy, if even possible <<http://marketdesigner.blogspot.co.nz/2016/06/wife-swapping-its-hard-to-make-binding.html>>.

Tim Harford <<http://timharford.com/>> looks at the costs of hosting the Olympic Games and asks the question, How do you make the Olympics pay? The answer it turns out is very simple: you fudge the figures. The basic problem with the Olympics is that "hosting the games is not unlike building a church for one single, glorious wedding celebration. The expensive facilities will only be fully used for a short time. They will then either be underutilised or, at best, cleverly reworked at some expense. It's possible to adjust and dye a wedding dress so that it can be worn again but this is a pricey way to get a posh frock" <<http://timharford.com/2016/06/how-do-you-make-the-olympics-pay-fudge-the-figures/>>.

Turning to New Zealand based blogs: at 'Offsetting Behaviour' <<http://offsettingbehaviour.blogspot.com/>> Eric Crampton looks at "Stadium follies". Crampton discusses a recent paper in NZEP by Sam Richardson on "Does stadium construction create jobs and boost incomes? The realised economic impacts of sports facilities in New Zealand" <<http://offsettingbehaviour.blogspot.com/2016/06/stadium-follies.html>>. The takeaway message from the research seems to be "The results from this analysis suggest that predictions of substantial economic impacts of sports facilities have generally not materialised." If only certain city councils would take this message onboard.

Crampton also writes, at the 'Sand Pit' blog <<https://initiativeblog.com/>>, that public health estimates of the effects of soda and fat taxes are massively overestimated. Why? When prices rise, people do more than just buy less of the category. They also change what they buy within a category. All this matters <<https://initiativeblog.com/2016/06/13/soda-taxes-when-store-brands-exist/>>.

At his 'Croaking Cassandra' blog <<https://croakingcassandra.com/>> Michael Reddell asks "Is NZ less receptive to immigrants than Australia?" In a piece on "Why Brexit happened and what it means" <<http://marginalrevolution.com/marginalrevolution/2016/06/why-brex-it-happened-the-lens-of-japan.html>> Tyler Cowen writes, "By the way, the most English of the colonies — New Zealand — has never been quite as welcoming of foreign immigrants, compared to say Australia." Reddell responds, "I'm at a loss to know what he is basing that final sentence on. For better or worse — and given the economic opportunities here, I think it has been mostly for the worse — that proposition seems to be defied by the data" <<https://croakingcassandra.com/2016/06/28/is-nz-less-receptive-to-immigrants-than-australia/>>.

THE IMPACT OF THE 90-DAY TRIAL POLICY

By Nathan Chappell and Isabelle Sin

In March 2009, an amendment to the Employment Relations Act (2000) came into effect that introduced 90-day trial periods in employment for firms with fewer than 20 employees. A worker new to a small firm could be hired on a trial period, and for the first 90 days of employment the legal requirements for dismissal would be much reduced. The policy was deemed a success, and in April 2011 the option of using trial periods was extended to firms of all sizes.

Supporters of trial periods saw them as a way of boosting the economy, creating jobs, and giving new opportunities to struggling groups: firms benefit because they can cheaply dismiss workers who turn out to be a bad match for the role, while disadvantaged workers benefit because they get a chance to prove themselves to an employer who would see them as too risky if the costs of dismissal were higher. Opponents of the trial periods were concerned that, instead of helping new workers get a foot into the labour market, they would disadvantage those already struggling, encourage bad management practices, and lead to serial short-term hiring.

We evaluate the evidence for these claims by asking whether being allowed to use trial periods causes firms to change their hiring behaviour, either in terms of the total number of hires, the type of people they hire, or the stability of employment relationships. We focus on the effect of firms being permitted to use trial periods, as opposed to the effect of firms *actually* using them, due to data limitations and because the former is more relevant from a policy perspective. Our findings also contain lessons on the effects of labour market flexibility.

We use data from Statistics New Zealand's Integrated Data Infrastructure (IDI), the core of which is the Employer Monthly Schedule (EMS), a linked employer-employee data set derived from tax records that covers at a monthly level essentially every employment relationship in New Zealand. We link these data to a variety of other administrative data at the individual and firm level.

The main challenge in estimating the effect of the policy is in knowing what firm hiring behaviour would have been in the absence of the policy. We are able to construct such a counterfactual because the policy changes present a natural experiment, where only firms below the 20-employee threshold had access to trial periods between the two policy changes. Firms just above the cut-off allow us to estimate a counterfactual for firms just below the cut-off. Intuitively, we compare how the hiring behaviour of small firms (15-19 employees) changed with the first policy change with how the hiring behaviour of large firms (20-24 employees) changed at the same time. Both sizes of firm were affected similarly by changes in economic conditions such as the GFC, but only small firms were affected by the policy change. Any difference in their change in hiring behaviour can thus be attributed to the policy. For additional confirmation, we also compare the changes in behaviour for the two firm sizes that occurred with the second policy change. Only the large firms were affected by this policy change, which eliminated the difference in trial period eligibility between large and small firms; any difference in behaviour that was caused by the trial period policy should disappear at this point. We then use the same research design

to look for a policy effect on the type of people hired and the duration of new employment relationships.

Economy-wide policy effect on the number of new hires, varying controls and firm-size band

Firm sample:	Sizes 15-24	Sizes 15-24	Sizes 18-21	Sizes 10-50
Dependent variable: # of new hires				
Between x Small firm¹	-0.003	0.008	0.008	0.012
	(0.018)	(0.014)	(0.019)	(0.009)
Post x Small firm ²	-0.003	0.000	-0.005	0.010
	(0.017)	(0.013)	(0.017)	(0.010)
Small firm	-0.012	-0.014	-0.014	-0.016*
	(0.015)	(0.011)	(0.016)	(0.009)
Firm size (ln)	0.994***	0.939***	0.856***	0.964***
	(0.044)	(0.034)	(0.128)	(0.010)
Between	-0.219***			
	(0.015)			
Post	-0.172***			
	(0.014)			
Month-in-year fixed effects		Yes	Yes	Yes
Calendar month x 3-digit industry FE		Yes	Yes	Yes
Observations	835,362	835,362	314,637	2,495,838
% of non-zero hires	46.6%	46.6%	47.8%	45.0%

1. The policy effect (impact of the 2009 policy change on small firms relative to on large firms).
2. Placebo test (large-small firm difference after the 2011 policy change relative to before the 2009 policy change).

Results are from negative binomial regressions. Asterisks denote:
*** p<0.01, ** p<0.05, * p<0.10

In contrast to previous results, we find no evidence that the policy had an economically significant effect on the quantity of hiring by firms on average across industries: the point estimate in our preferred specification, presented in the second column, is a 0.8 percent increase in hiring, which is tiny and statistically insignificant. However, when we focus on firms in construction and wholesale trade, two industries that report high use of trial periods, we see statistically weak evidence that trial period policy could have increased new hiring in these industries by around 10 percent; in contrast, we see no such effect in education and training, two industries that report particularly low trial period use.

Both across industries and in high-use industries, we see no evidence that trial period policy altered the probability that an individual hired by a firm with at least 15 employees, was young, a recent education leaver, a recent migrant, a recent beneficiary, a young Māori or Pasifika, or a person who had not worked in the preceding year. That is, these types of disadvantaged workers did not seem to disproportionately benefit from (or pay the employment costs of) the policy. Our analysis of very small firms is consistent with the policy increasing by about 1.2 percentage points the probability that a hire at a firm with fewer than 10 employees is aged under 25. However, this result is suggestive only as our research design is less credible for firms far from the 20-employee threshold. The findings for very small firms could be driven by changing economic conditions rather than trial period policy.

We investigate whether the policy affected the duration of employment relationships, and find no evidence of this overall or in high-use industries. That is, it does not appear that the policy increased short-term hiring. Finally, we find no evidence that employees moving

between jobs were less likely to move to trial period-eligible firms; it does not appear the policy decreased the willingness of workers to change jobs.

We interpret our results as showing that any effect of trial period policy on firm hiring or dismissal behaviour has been economically insignificant at the economy level. Jobseekers overall were not more likely to find employment, long term or otherwise, because of the policy, though those with skills relevant to the construction or wholesale trade industries may have faced some increase in job opportunities.

It seems the primary effects of the policy were to reduce the cost to firms of continuing their pre-policy behaviour, while requiring many employees to shoulder the cost of an increase in perceived initial uncertainty about their job security. However, we find no evidence that actual job security decreased. The main burden to employees may thus be the psychological cost of lower perceived security, and this cost could fall in the long term as employees learn that job insecurity has not increased significantly.

There are a number of possible explanations for the overall lack of policy effect. In some cases, high training costs for new employees might make firms reluctant to dismiss new employees who turn out not to be good matches because they will incur these training costs again

for any replacement hire, and they risk facing the same issue again. In instances when the employee turns out to be an extremely bad match for the position, the firm may dismiss him regardless of whether he is on a trial period.

Prior to trial periods being available, firms had at their disposal several alternative types of employment arrangements, such as fixed term contracts and contracts for casual work, which allowed employers to evaluate hires before committing to permanent employment relationships. Trial periods may have had a limited effect on hiring because in many cases they replaced these alternative types of arrangement.

Another possibility is that the policy change did not reduce dismissal costs as much as policymakers and firms believe. Finally, firm hiring decisions may be primarily based on their expected demand for labour as determined by demand for their output, and reducing the costs of dismissal may act purely as a reduction in costs for most firms.

We conclude that the main benefit of the policy was a decrease in dismissal costs for firms, while many employees faced increased uncertainty about their job security for three months after being hired.

For more information, please check out the paper *The effect of trial periods in employment on firm hiring behaviour* at www.motu.nz.

WEAI CONFERENCE JANUARY 3-6 2017, FURTHER WEAI CONFERENCES, AND NOBEL LAUREATES ON INEQUALITY

NZAE is an Allied Society of WEAI (Western Economics Association International). NZAE members have the option to present sessions at WEAI conferences.

INFORMATION ABOUT WEAI'S FORTHCOMING CONFERENCE IN CHILE:

13th International Conference, Pontifical Catholic University of Chile, SANTIAGO, 3-6 JANUARY 2017.

Keynote addresses:

- Robert F. Engle, New York University Stern School of Business, recipient of the 2003 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.
- Orley Ashenfelter, Princeton University, and WEAI 2016-17 President-Elect, "Real Wage Rates Across Countries and Over Time".
- Ignacio Sánchez Diaz, President, Pontifical Catholic University of Chile (Participants Dinner keynote).
- Roundtable Discussion with Robert F. Engle, Orley Ashenfelter, Klaus Schmidt-Hebbel, and panel moderator Claudio Sapelli, Pontifical Catholic University of Chile.

For complete conference information and to register for the conference visit: <http://www.weai.org/PR2017>

FURTHER WEAI CONFERENCES:

San Diego Marriott Marquis and Marina,

25-29 June 2017. Presidential Address by Nobel Laureate Peter Diamond.

University of Newcastle, Australia, 11-14 January 2018. Keynote addresses by Nobel Laureate Daniel L. McFadden and David Card, John Bates Clark Medal awardee.

Sheraton Vancouver Wall Centre Hotel, 26-30 June 2018. Presidential Address by Orley Ashenfelter, Princeton University.

Hilton San Francisco Union Square, 28 June - 2 July 2019. Presidential Address by Nobel Laureate Daniel L. McFadden

ARTICLES ON "INEQUALITY"

Contemporary Economic Policy,

July 2016, by Noble Laureates Peter Diamond and Sir James Mirrlees.

These articles (temporarily unlocked and accessible to all at <http://www.weai.org/>) are edited transcripts from a roundtable panel session on inequality at WEAI's 12th International Conference held in January 2016 at Nanyang Technological University, Singapore.

Inequality: An Introduction, Ravi Kumar, Nanyang Technological University.

Separating Efficiency and Equality, Automation, and Piketty's Theory of Increasing Capital Share, Yew-Kwang Ng, Nanyang Technological University.

Capital and Inequality, Sir James A. Mirrlees, Chinese University of Hong Kong.

Addressing the Forces Driving Inequality in the United States, Peter A. Diamond, Massachusetts Institute of Technology.

Inequality: Comments, Questions and Answers, Peter A. Diamond, James A. Mirrlees, Yew-Kwang Ng, and Ravi Kumar.

Emmanuel Saez, John Bates Clark Medal and MacArthur awardee, gave his keynote address on Inequality at the June/July 2016 conference in Portland, Oregon. We plan to add more articles on inequality to be both published in regular issues of CEP and in a virtual CEP issue; send your submittal on inequality or other public policy issues of widespread concern to be considered.

GEN Annual Conference 2016

PEOPLE AND POLICY

06 - 07 December 2016 Te Papa Museum, Wellington



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The conference will illustrate how to make better and smarter policies through **behavioural insights**, **design thinking**, and **better use of data**. There will be practical workshops on the second day that will revolve around these topics and be held at MBIE in Wellington. Also confirmed is Liz MacPherson to lead a CE panel discussion at the end of the conference.

OPENING ADDRESS



Hon Bill English, MP

Deputy Prime Minister
Minister of Finance

Mr English has held ministerial posts in regulatory reform, education, health, revenue and finance and he was leader of the National Party from October 2001 to October 2003.

BEHAVIOUR AND POLICY



Amity Durham

Executive Director NSW Behavioural Insights Team and Executive Director in NSW Department of Premier and Cabinet

Amity has previously held other senior executive roles in the NSW government within central and line agencies.



Struan Little

Deputy Commissioner at Inland Revenue

Previously Struan was Deputy Secretary responsible for Macroeconomics and the budget. He has also worked at the World Bank and the Ministry of Education.

DATA AND POLICY



Prof. Julia Lane

NYU Wagner Graduate School of Public Service

Julia has led many initiatives, including co-founding the UMETRICS and STAR METRICS programs at the National Science Foundation. She conceptualized and established a data enclave at NORC/University of Chicago.



Colin Lynch

Deputy Chief Executive for the Ministry of Justice

Colin was previously Deputy Government Statistician and Manager of the Health Section at the NZ Treasury.

SERVICE DESIGN AND POLICY



Dr David McKenzie

Lead Economist at the World Bank

He received his B.Com.(Hons)/B.A. from the University of Auckland and his Ph.D. from Yale. Prior to joining the World Bank, he was an assistant professor at Stanford.

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NEW INFORMATION IN THE LABOUR MARKET ESTIMATES

By Sharon Snelgrove (Statistics New Zealand)

The 2016 redevelopment of the HLFS is the first substantial change to the survey since it was introduced in December 1985. The redeveloped HLFS went in to the field on 3 April 2016, to collect data for the June 2016 quarter. The June quarter results were published on 3 August 2016.

In the 3 August release, revisions to the labour market estimates were incorporated. As we improved accuracy in identifying active job seekers in the updated HLFS, we revised historical data back to the March 2007 quarter in order to retain a valuable time series. These revisions resulted in a downward level shift in the seasonally adjusted unemployment rate. The size of these revisions range from 0.1 percentage points in the December 2008 quarter to 0.6 percentage points in the September 2012 quarter. Respectively, these changes are equivalent to 1,000 and 15,000 fewer unemployed people when compared to previously published estimates. Consequently, downward revisions were also made to the labour force participation rate. Further information about the update of the 'method of seeking employment' categories and 'active job seekers', and the impact to the relevant time series is available in the "HLFS:Revisions to labour market estimates" paper on the following webpage http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/improving-labour-market-statistics.aspx.

We were also able to publish information on some new topics, including:

- Underutilisation
- Household tenure
- Employment relationship
- Type of employment agreement
- Māori descent
- Job tenure
- Union membership

Further information about these new topics is available in the paper "Changes in accessing HLFS labour market statistics" at the webpage noted above.

In the International Labour Organization (ILO) report *Beyond unemployment: Measurement of other forms of labour underutilisation* in 2008, the ILO concluded that

"...the standard definition of unemployment is essentially sound and the resulting data meaningful. The concept should be maintained and continue to be measured as precisely as possible. But, at the same time, the statistical community should devote serious efforts to introduce, at a par with unemployment, a supplementary concept which measures the employment problem as experienced by individual workers. Thus, the measure should be able to reflect not only total lack of work as measured by unemployment, but also other insufficiencies in the volume of work ..." (ILO Working Group on Underutilization, 2008).

The underutilisation measures Statistics New Zealand have introduced follow this recommendation from the ILO, and are further described in "Introducing underutilisation in the labour market" at the previously mentioned web address. They will mean that more information is available on a quarterly basis to help researchers and policy people understand what is happening in the New Zealand labour market.

In addition to this new information, Statistics New Zealand will add new topics as the need becomes evident where possible. These topics may be one off, recurring on a yet to be determined timeframe (annual or less frequent), or added to the main collection if the need is there.

In the December quarter this year we expect to collect information on work related health, and questions to collect information on disability are planned to be added to the June 2017 quarter. The disability questions are currently planned to be collected every June. We are also developing questions to collect information on voluntary work, but it is yet to be confirmed when they will be completed and integrated into the survey. A fuller module and supplement program is being developed using information gathered in discussions with customers while we were redeveloping the HLFS. We are planning to publish this proposed calendar alongside the HES and GSS supplement calendars to seek feedback on the topics and suggested frequencies.

The new design has enabled us to be more responsive to customer needs. In doing this though, we need to make sure that we balance the information need with respondent burden. Selected households are in the HLFS sample for 8 consecutive quarters. We need to make sure that we are not overburdening these households so that we are able to maintain good response rates to the survey.

If you have any questions or comments, or you would like to be informed when the proposed supplement calendar is published, please contact me at sharon.snelgrove@stats.govt.nz

TWO RECENT NEW ZEALAND PUBLICATIONS

Two New Zealand publications have recently been brought to my attention. They are by Alan Bollard, currently executive director of the APEC Secretariat in Singapore, and by Ralph Lattimore, Emeritus Professor at Lincoln University.

A few hares to chase:

The life and economics of Bill Phillips

Alan Bollard

Auckland University Press, 18 April 2016, xii + 264, RRP \$39.99.

A review by Nicholas Barr of the London School of Economics has been published online in *New Zealand Economic Papers*.

See <http://dx.doi.org/10.1080/00779954.2016.1187512>.

Rational Economic Policy: A New Zealand Perspective

Ralph Lattimore

Copy Press Books, Nelson, 25 May 2016, pp 428, \$140.

www.copypress.co.nz

As the publisher's flyer and Ralph's foreword make clear, this book is a compilation of (mainly) unpublished papers, written or co-written over a 40-year period in Brasilia, Ottawa, New Zealand and Paris. The papers were conference papers that Ralph considers worth making available more widely to students and researchers. The chapters are variously concerned with the New Zealand agricultural sector, that sector's place in the New Zealand economy, the competition for resources that agriculture faces with other tradable industries, and the competition that New Zealand faces in world markets.

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 in the Department of Economics 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.

Department of Economics, University of Auckland

Debasis Bandyopadhyay is a Senior Lecturer in Economics. His current research interest focuses on the relationship between the gender biased educational system and cross-country disparities in economic growth. His noteworthy research output includes creation of a new database of the average marginal tax rate for the New Zealand economy covering a long period since 1907, through an international collaboration, involving Harvard Professor Robert Barro. His other research output includes models of endogenous gender gap, income inequality and economic growth, a new welfare improving scheme for superannuation and modelling special features of the New Zealand macro economy that highlight insightful principles of macroeconomics which are often ignored in the US based textbooks such as “an unexplored lesson regarding the Phillips curve from New Zealand’s history of disinflation”.

Martin Berka is a Senior Lecturer in Economics. His research focuses on Open-economy macroeconomics, International finance. His recent research includes (i) trends in European real exchange rates, (ii) international risk sharing and commodity prices, and (iii) real exchange rate adjustment in and out of the Eurozone.

Ananish Chaudhuri is a Professor of Experimental Economics and works in various areas related to experimental game theory. He is looking at the impact of different payment schemes on performance and productivity using a cognitively challenging task. He is also working on experimental studies of gender and leadership. He serves in an editorial capacity at the Journal of Economic Psychology and Journal of Behavioral and Experimental Economics.

Alexandre Dmitriev is a Senior Lecturer in Economics. His research focuses on Open-economy Macroeconomics, International Finance and Computational Economics. Recent work follows three major themes: (i) cross-country transmission of macroeconomic disturbances; (ii) international capital flows and risk of sovereign default; (iii) application of computationally intensive estimation methods to macroeconomics.

Anthony Endres is Professor of Economics. He is working in several areas of the discipline with articles in the last 3 years on: (i) theory of recombinant capital (following Weitzman on “recombinant growth”), with applications to intellectual capital and innovation, entrepreneurship, and economic complexity; (ii) the history of international monetary thought since Bretton Woods; and (iii) the history of economic thought and its connections to economic policy in NZ with a focus on principal developments in the twentieth century.

Prasanna Gai is Professor of Macroeconomics at the University of Auckland, and a member of the Advisory Scientific Committee of the European Systemic Risk Board. His work applies ideas from game theory and network theory to understand the causes and consequences of financial crises. Current areas of research include the design of macroprudential policy, stress-testing models of banking systems, and the interplay between corporate law and financial crises.

Ryan Greenaway-McGrevy is a Senior Lecturer in Economics and works in various fields of theoretical and applied econometrics. His theoretical work develops foundational statistical theory for forecasting with large dimensional datasets. In his applied work, Ryan has uncovered new sources of risk in foreign exchange markets; identified asset bubbles in New Zealand’s regional property markets; and provided improved measures of household mobility in the US.

Tim Hazledine is a Professor of Economics. His research is focused on issues of inequality and unemployment in small trading economies and competition and competition policy, most recently in the context of passenger air travel markets. His specialist teaching interests are Industrial Organisation, Public Economics, and Economic Reform in developed and transition economies.

John Hillas is Associate Professor of Economics. His research includes Game theory, Information economics and Microeconomic theory. His recent research includes work on correlated equilibria of two person repeated games with random signals.

Steffen Lippert is a Senior Lecturer in Economics. His research focuses on Industrial Economics, the Economics of Innovation, and the Economics of Social Interaction and Networks. Recent work includes the economics of learning and market entry, patenting and mergers in innovative industries, and manufacturer suggested retail prices.

John Panzar is a Professor of Economics. Recent work includes: (i) Costs for Better Management Decisions: CRA Costs versus Fully Distributed Costs; (ii) Regulatory Economics: Thirty Years of Progress?; (iii) Bottleneck co-ownership as a regulatory alternative; and (iv) Peak Load Cost Modeling.

Peter Phillips is Distinguished Professor of Economics and his research interests cover most areas of econometrics. Recent work involves the real time detection of asset price bubbles and contagion effects, with applications to real estate as well as financial markets.

Stephen Poletti is a Senior Lecturer in Economics. His research includes: (i) How does market power affect the impact of large scale wind investment in ‘energy only’ wholesale electricity markets?; (ii) Can Agent-Based Models Forecast Spot Prices in Electricity Markets? Evidence from the New Zealand Electricity Market; and (iii) Green Growth and Poverty Reduction in NZ.

Alan Rogers is a Senior Lecturer in Economics. His recent research has been in: (i) geometrical approaches to the linear regression model; (ii) some work on uncertainty within choice frameworks; (iii) an historical perspective on treatments of classical consumer theory; and (iv) history of economic thought in Australia and New Zealand.

Erwann Sbai is a Senior Lecturer in Economics. He works on auctions, econometric theory, empirical industrial organisation, micro-econometrics and structural econometrics. His recent research is on gender differences in personnel management as well as in trust and reciprocity in repeated gift exchange games.

Basil Sharp is Professor of Energy and Resource Economics and Director of The Energy Centre. His interests span applications of economic and econometric models to contemporary policy challenges. Recent research includes, energy efficiency across OECD, the impact of wind generation on electricity prices, solar potential of Auckland City, liquefaction risk in Christchurch & climate change.

Associate Professor Rob Scollay works on international trade issues. He is working on economic implications of the “mega-regional” trade agreements currently being pursued, including the TPP, RCEP and FTAAP, in relation both to impact on New Zealand and implications for the global trading system. He also works on trade issues faced by Pacific Island countries.

Asha Sundaram is a Senior Lecturer in Economics with research interests in the fields of International Trade and Development Economics. Topics she works on include trade liberalization effects and their interaction with domestic institutions, trade and firm behavior, buyer-seller matches in international trade, immigration and micro enterprises and the informal sector.

Haiping Zhang is a Senior Lecturer in Economics. His research focuses on International Macroeconomics and Trade, Financial Development and Structural Changes. His recent work includes: (i) wealth inequality and financial development; (ii) financial development, international capital flows, and aggregate output; and (iii) international capital flows in the model with limited commitment and incomplete markets.

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.

WEB-SITE

The NZAE web-site address is: www.nzae.org.nz (list your job vacancies for economists here)

MEMBERSHIP FEES

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

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MEMBER PROFILES WANTED

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

NEW MEMBERS

(mid-March to mid-June 2016)

Stephanie Rossouw (AUT); **Amanda Lynn** (Mandolin Associates); **Muhammad Mubashir Mukhtar** (Ashburton District Council); **Julian Wood** (Maxim Institute); **Jeremy Couchman** (Kiwibank); **Ralph Samuelson** (Ministry of Transport); **Andryan Setyadharma** (Massey University); **Amy Rice** (Reserve Bank of New Zealand); **Richard Sullivan** (New Zealand Treasury); **Ross Wilson**, **Harshal Chitale** (Auckland Council); **Eric Tong**, **Dr Steffen Lippert** (University of Auckland); **Dr Peter Fieger** (Canterbury Development Corporation); **Alice Feng**, **Hamish Wilson** (MBIE); **Danny Oberhaus** (Statistics New Zealand); **Dr Pike Brown** (Landcare Research); **Professor Alan Renwick** (Lincoln University); **Richard Meade** (Cognitus Advisory Services Limited); **Andrew Matthews** (Matthews Law).

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