

ASymmetric information

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

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NZAE invites your contributions to any section of *Asymmetric Information*, and/or your comments and suggestions. These may be e-mailed to the editor, Nancy Devlin: ndevlin@commerce.otago.ac.nz

(un) health(y) economics

EDITORIAL

Q: when is an economist not an economist?

A: sometimes, curiously, when they are a health economist.

You might be forgiven for thinking that a health economist is (a) an economist, who (b) just happens to apply themselves to health and health care issues. Well it ain't necessarily so. One of the puzzling wee mysteries in life is why so many people who do not have degrees in economics are now enthusiastically calling themselves health economists. After all, given the costly, unpopular and largely ineffective chaos that economic reforms have wreaked on this sector in recent years, I would've thought fewer people would want to confess to having anything at all to do with the economics of health care. But there you have it. Maybe its a reflection of a view *within* the sector that economics has the answers that have so far eluded policy makers (and who are we to argue!)

True story: at a recent Health Economists workshop in Auckland, one presenter gave a paper highlighting concerns on exactly this issue regarding non-economists and health economics. A sheet of paper was circulated and those interested in getting together to take the matter further were invited to volunteer their names. Unfortunately, it's not all that obvious what the next step should be. Why? Many of those who signed up were themselves not economists!

There are two separate (but related) questions here. One is whether its OK for non-economists to tout themselves as economists. The second is whether its OK for non-economists to be having a crack at DIY economics as a side-line.

I am periodically contacted by clinicians with interesting enquiries such as (most recently) "I'm just doing a cost benefit analysis of coronary stents - could you tell me what this thing called discounting is?" Well, you've got to give them points for enterprise, even if the equivalent is for me to phone up a cardiac surgeon and sweetly enquire "I've just got my uncle here on the kitchen table and I've opened him up with the bread-knife, and I've got this spare bit of garden hose and thought I'd do a bit of a bypass - where should I hook this bit up to?"

I think a pretty indisputable statement on all this would be "that economic analysis is best

done by economists". Bearing this is mind, there'll be challenging times ahead for the Health Funding Authority. They have bravely proposed to use Cost Utility Analysis ("CUA") to inform their decisions about what health services to purchase. The analytical demands of this combined with their pared-back staff will either result in a bonanza for consultants or non-economist staff members being trained up to crunch numbers in a nicely faux-economics style.

It's been suggested to me that these are issues that NZAE should be concerned with; even that NZAE could offer some method of registration to distinguish the "real" economists from the others. I have some problems with that idea. NZAE as a professional body is more similar in genus to, say, the New Zealand Dental Association (a group of people that promote the dental profession's issues) than the Dental Council (a body with the legal right to determine who can and can't practise in that profession). But even that is a bad analogy: you have to be a dentist to join the Dental Association (whereas to join NZAE you just have to have an *interest* in economics) and the Dental Association takes a stand on policy issues (such as fluoridation) - a role I think it would be entirely inappropriate for NZAE to adopt. The way I see it, NZAE is more like a club for people who share an interest (in this case, economics) and whose main purpose is to organise events and provide services that enable members to share ideas and information and to provide forums for discussion and debate. I doubt the profession as a whole would support the idea of registration, even without legal status - I think *caveat emptor* pretty much covers these situations, doesn't it?

Besides, in nearly all of the cases I can think of where economic analysis was being pursued by someone without the wherewithall, this was being done knowingly by the organisation concerned and with no hint of the person holding themselves out as something they were not. Maybe our professional focus should be on informing and educating organisations purchasing research and policy advice that economic analysis involves more than fiddling about with a few cost figures. There does seem to be a perception out there, perhaps more so in the health sector than elsewhere, that that particular brand of economics known as health economics is eminently do-able

by anyone with ready access to a pocket calculator. The popularity of “interdisciplinary” approaches has probably contributed to this phenomenon. The recent appointment of Ken Buckingham to the new Senior Economist position in the Health Services Research Centre (see our *Profiles* section, page 7 of this issue) provides a

very welcome boost to the base of health economics expertise in this country and will, I think, help to lift the state of the play in this field.

Still, I think I’ll be sticking firmly to the title “economist” rather than “health economist”, just for the time being anyway.

by Nancy Devlin
 ndevlin@commerce.otago.ac.nz

We invite members to submit a brief article on any issue of interest to NZAE members. 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. Articles should be sent to: Nancy Devlin, Economics Department, University of Otago, PO Box 56, Dunedin.

education in economics

The texts being used to teach first-year economics in NZ universities, 1999

	year one micro	year one macro	comments
Lincoln	Samuelson, P., Nordhaus, W. <u>Microeconomics</u> 16th ed Mc Graw Hill 1995	Dalziel, P., Lattimore, R. <u>The New Zealand Macroeconomy</u> Auckland: Oxford University press., 1996 & Scollay, R., St John, S <u>Macroeconomics and the contemporary NZ economy</u> , 1996. Longman Paul	source: http://www.lincoln.ac.nz/comm/subjects Courses also use “Economics in Action” interactive software.
Otago	Wooding, P. <u>An introduction to microeconomics</u> , Department of Economics, University of Otago, 1999.	Wooding, P. <u>Macroeconomics: a New Zealand Introduction</u> , 2nd edition, 1997, Prentice Hall.	Micro course uses Glen Harrison’s “Double Auction experiment” (came with as an interactive teaching aid. with Varian’s <u>Intermediate Microeconomics</u> , 2nd edition)
Auckland	R.H. Frank, <u>Microeconomics and behaviour</u> , 3rd edition, Mc Graw Hill 1997	Scollay, R., St John, S. <u>Macroeconomics and the contemporary New Zealand economy</u> , 1996, Longman Paul & Dalziel, P., Lattimore, R. <u>The New Zealand macroeconomy</u> , Oxford University press, 1996.	source: http://www.econ.auckland.ac.nz
Massey	<i>On-site and extra-mural students:</i> K.E.Case, R.G.Fair, <u>Principles of Economics</u> , 4th edition, Prentice Hall <i>Albany campus:</i> Mankiw, N.G <u>Principles of Economics</u> , 1998, Dryden Press.	<i>On-site and extra-mural students:</i> K.E.Case, R.G.Fair, <u>Principles of Economics</u> , 4th edition, Prentice Hall <i>Albany campus:</i> Mankiw, N.G <u>Principles of Economics</u> , 1998, Dryden Press.	For us the choice of a textbook is determined by the needs of our extra-mural students - texts must have lots of follow-on exercises, clear and thorough explanations & good study guides - Coordinator
Victoria	Frank, R. <u>Microeconomics and behaviour</u> , 3rd ed. Mc Graw Hill, 1998. & ‘backup’ text: A. Stockman, <u>Introduction to microeconomics</u> , 2nd ed. Dryden Press, 1998.	Dornbusch, R., Fischer, S., Startz, R. <u>Macroeconomics</u> 7th ed Mc Graw Hill, 1998 & ‘supplementary text’: Dalziel, P., Lattimore, R. <u>The New Zealand macroeconomy</u> , Oxford University press, 1996.	Frank is challenging but up-to-date on unformation, uncertainty, altruism and games. Stockman is reliable bread and butter with pretty pictures - Coordinator.
Canterbury	Stockman,A. <u>Introduction to Microeconomics</u> , Dryden, 1996.	Scollay, R., St John, S. <u>Macroeconomics and the contemporary New Zealand economy</u> , 1996, Longman Paul.	
Waikato	McTaggart, D. <u>Microeconomics</u> , 3rd ed., Addison Wesley, 1998.	Scollay, R., St John, S. <u>Macroeconomics and the contemporary New Zealand economy</u> , 1996, Longman Paul.	

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web-sites

for economists

In the last issue of "Asymmetric Information", Paul Hansen reviewed some web-sites from the perspective of an economics teacher. My focus is on web material that is of use to researchers and policy advisors (shamelessly self-serving!), particularly focusing on Australian and British Treasury sites (in the next issue I'll take a look at the corresponding US and Canadian sites).

The first site I visited was the Commonwealth Treasury of Australia (our counterpart across the ditch) at <http://www.treasury.gov.au>. The site was easy to navigate and all the publications I found could be downloaded. The main journal-type publication of the Australian Treasury is their Economic Roundup – a quarterly publication containing articles and research papers. It also contains an index of articles and other major Treasury publications. Among the other items on the site is material on the Commonwealth Budget, reports on such issues as competitive neutrality, political-type reports such as "Australia : A Regional Financial Centre" and economic and fiscal outlooks. There is also material from the Australian Retirement Income Modelling Taskforce, who provide advice on policy options affecting retirement income.

Another interesting item on the site is the Treasury Macroeconomic Model of the Australian economy. Documentation can be downloaded, complete with a user guide and information on how it all works and what it all means. For those who are keen to wreak havoc on the Australian economy without actually doing any real damage there is information on how to get licensed access to the model. The site also contains useful links to other government departments in Australia and the Australian Bureau of Statistics.

I then accessed the Australian Commonwealth Department of Finance and Administration at <http://www.dofa.gov.au>. One of the main publications to be found on this site is the

Commonwealth Budget along with associated documentation on accrual budgeting and the budget process. In terms of more policy-oriented work, papers can be found on competitive tendering and contracting, governance arrangements for government business enterprises, among other things. There is some material on public sector reform, with discussion papers and information on seminar series papers. There is even a paper on the evaluation of policy advice – "great value at \$A25 plus \$A10 postage"! Feeling slightly like I was watching Suzanne Paul sell Natural Glow makeup I proceeded to look at the links on the site. I'm sure many of these could be useful – for instance the Department of Family and Community Services appeared to have some interesting material.

Moving to the state level, I looked at the New South Wales Treasury website at <http://www.treasury.nsw.gov.au>. Be warned – I found this extremely slow to crank up. Once in I found links to research papers and policy papers, but after waiting an age for the pages to open I gave up. The story was much the same with the Victorian Treasury at <http://www.vic.gov.au/treasury/treasury>. There appeared to be material on competition policy and competitive neutrality but the connection was so slow the computer gave up.

At this point I moved on to look at Her Majesty's Treasury at <http://www.hm-treasury.gov.uk>. The home page is quite visual, with lots of things to choose from. There is an official site on the Euro, with downloadable publications. There is also a section on the Budget and associated documents, again downloadable. The Publications in Print area is helpful in that it gives you a list, but unfortunately the documents have to be purchased and it is hard to scan the list as it is in alphabetical order and very lengthy. The Economy button leads you to some interesting material including data, international comparisons with the UK, and government strategy.

web-sites for economists: continued next page....

web-sites for economists: continued....

The Savings button also has some interesting pieces of work behind it. My overall impression of the site? There is not a lot of research/policy material to be found for free here, but there is a comprehensive list of what the Treasury has done – you'll just have to be prepared to search and pay.

So ended my tour of websites for the time being. But don't forget about sites closer to home, in particular the NZ Treasury, where you will find the Treasury Working Paper series at http://www.treasury.govt.nz/working_papers. There is a new set of papers coming on to the site in early March – do have a look!

web-site review by Sarah Box
sarah.box@treasury.govt.nz

Call For Papers **NZASIA Conference 1999** **Asian Nationalisms In An Age Of Globalisation**

University of Otago
December 24-27, 1999

The University of Otago will host the 13th International NZASIA Conference from Wednesday, November 24, to Saturday, November 27, 1999. The theme of the conference will be 'Asian Nationalisms in an Age of Globalization'. This will be the overarching, integrating theme but papers on other topics will be welcome. However, papers relating to the conference theme will be considered for publication in a book on Asian nationalism to be submitted to a major international publisher. (A refereed selection of conference papers on miscellaneous topics is also contemplated.)

There will be a stream of sessions devoted to Asian economics and business topics. Those interested in presenting a paper should submit an abstract, by June 25, 1999, to:

Dr Roy Starrs
School of Languages
University of Otago
PO Box 56
Dunedin

The conference will be hosted by the Board of Asian Studies and sponsored by the School of Language, Literature and Performing Arts and the Humanities and Commerce Divisions.

More information is available from the conference website (<http://www.otago.ac.nz/Japanese/NZASIA.html>) or by contacting Stephen Knowles (sknowles@commerce.otago.ac.nz) or Roy Starrs (roy.starrs@stonebow.otago.ac.nz).

**For information and the Call for Papers for the June 1999 NZAE
Conference, see p. 13**

profiles

key appointments: who's who in NZ economics, and where they are....

Roger J. Bowden

National Bank of New Zealand Chair of Finance, Victoria University of Wellington

After a long anabasis in Australia and other foreign parts, Roger returned to NZ in 1994, intially to set up the Finance Dept at Waikato University in his home town of Hamilton, where he also established a 150 acre drystock unit as part of a lifestyle experiment, that (he says) actually worked. In early 1998 he moved down to Wellington as the National Bank Professor of Finance at Victoria, where he firmly intends to stay for at least the next month.

Roger started life as a econometrician. After a while he got a bit worried, and broadened his interests. As a result, his published works include 6 books and over 50 scientific papers in journals of economics, econometrics, finance, statistics, psychometrics, accounting, and law, with extensions to engineering. In spite of this, he thinks the current mania for interdisciplinary studies is poorly conceived, and will fail. "The point that we ought not to be content with current disciplinary definitions is unexceptional, and indeed, the fungibility of knowledge can only increase in the years to come. But the best window into such things is a firm analytical foundation in one of the one or more of the primary disciplines, and it is noticeable that all the recent broadening in such areas as law or political science has its primary origin in a received body of economic theory. Strengthen the primary areas with good appointments and the interdisciplinary thing will take care of itself".

Current research interests focus on the interface between macroeconomics and finance. In part this stems from an assessment of just where the Finance literature as a whole may be heading: in the last 20 years or so there has been a very heavy focus on financial technology, with some extremely important and beautiful results established. However this body of work may be entering a period of diminishing returns for the generalist, at least. "The most pressing practical need is for decisions not about how to hedge (for instance) but when to hedge, or when to take up an open interest. It is of the highest importance for corporates to invest in their understanding and monitoring of macroeconomic developments. NZ is a great place to study such things, and indeed recent developments can shed light on some very longstanding questions of macroeconomic theory". He looks forward to developing themes along these lines, as the area spans some of his earlier writings in areas such as business cycle measurement, economic dynamics, and international trade, as well as finance.

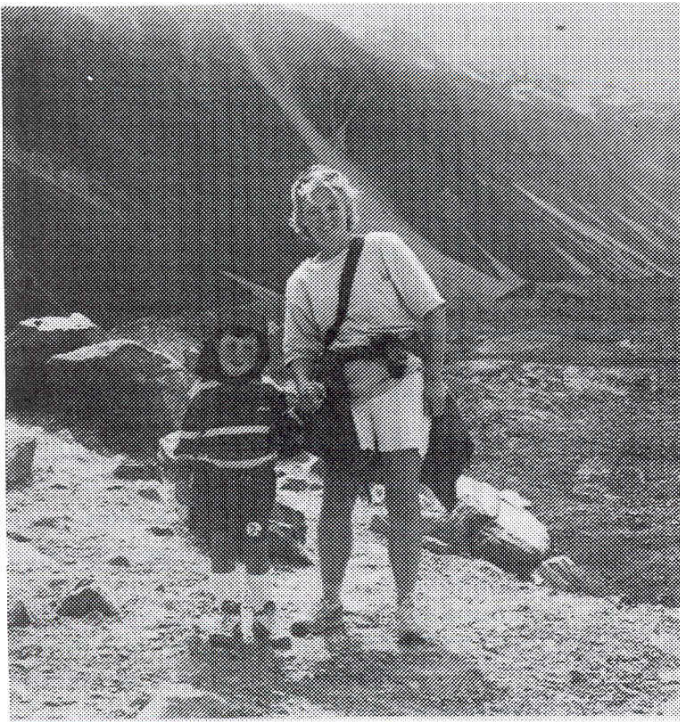


Above: Prof. Bowden's students always eagerly await his handouts [Photo: *Waikato Times*].

Ken Buckingham

Senior Health Economist
Health Services Research Centre, Wellington.

The HSRC has appointed Dr Ken Buckingham to the position of Associate Professor, Health Economics. Dr Buckingham, who has an MSc in Health Economics from York University in the UK and a PhD from Aberdeen University, has worked since 1993 as Senior Manager and Health Economist to the Cornwall Health Authority. During this time he has contributed to teaching programmes at the Universities of Exeter and Plymouth and has published widely in academic and professional journals. He has also undertaken a range of contract research and consulting assignments. Dr Buckingham's work on local allocation methodologies has been utilised in the determination of Health Authority Budgets throughout the United Kingdom. Dr Buckingham, who will take up his post with the HSRC in late June or July, is expected to make significant contributions to the Centre's work in Health Economics and related areas •



Margaret and son Kevin having fun at Mt Cook National Park

Margaret Walls

Associate Professor, Victoria University

"I came to New Zealand from the United States three years ago with my husband, Sean Collins, who took a job at the Reserve Bank. We originally only planned to stay in New Zealand for two years. Those two years went by quickly and we enjoyed ourselves immensely, travelling quite a bit and seeing much (but still not enough!) of this beautiful country. We even managed to have our third child here. Last March, I accepted a position as Associate Professor at Victoria and Sean a position as senior policy advisor at the RBNZ so it looks like we're not going anywhere for a while.

We came here from Washington, DC, where I was a Fellow at Resources for the Future, an environmental research organisation. I remain a University Fellow with RFF and maintain close working ties with colleagues there. My research areas are environmental, public, and transportation economics. Currently, I am working on modelling vehicle ownership and use in U.S. households, using a large dataset from the U.S. Department of Transportation. With that model, I am addressing a variety of environmental policy issues, including issues associated with land use and pollution. I am also working on problems related to solid waste and recycling, identifying policies that can help to lead to the "right" level of disposal and recycling.

At Victoria, I teach Intermediate Microeconomics, Industrial Organisation, and part of the Honours Public Economics, where I manage to squeeze in an environmental economics component. I also teach a course covering primarily industrial organisation-type material to students working toward a Certificate of Management Studies. Because these are working folks with a lot of knowledge of the way things really work in business, this is a lively and enjoyable course to teach - my favourite, in fact.

Sean and I have three children: 6-year-old Kevin, 4-year-old Kathleen, and 16-month-old Shelley - so needless to say, life is busy. We think they have a great lifestyle here in New Zealand. They are true Kiwis and can't imagine living anywhere else. "America" is that distant land where the cousins live (and where you can buy really great toys)!" •

publishing

news from the NZEP editor's desk

The first issue of Volume 33 of *New Zealand Economic Papers* is expected out in June 1999. Currently no papers have been accepted for this issue but there are papers currently clearing the final hoops before acceptance.

Submissions are being received regularly but I am keen to see more submissions for the journal. I am happy to receive research in all areas of economic analysis on matters of interest to readers. As well as longer articles I am keen to see more shorter articles such as Arthur Grimes' article on the Asian economic crisis which was published in December 1998. Perhaps the approach of the new millenium will encourage further important work in the filed of economic history and the history of economic thought.

New Zealand Economic Papers also publishes book reviews. The following list of books has been submitted to the Editor. If you are keen to review any of these books please send me an email.

Acocella, N (1998) *The Foundations of Economic Policy*, Cambridge UK: Cambridge University Press.

Bennett, N (1998) *Asian Students in New Zealand*, Wellington NZ: Institute of Policy Studies.

Birks, S and Chatterjee, S (1997) *The New Zealand Economy: Issues & Policies*, Palmerston North NZ: The Dunmore Press Ltd.

Boston, J (1998) *Governing Under Proportional Representation: Lessons from Europe*: Wellington NZ: Institute of Policy Studies.

Cameron R (1997) *A Concise Economic History of the World*, Oxford UK: Oxford University Press.

Corden, W Max (1997) *Trade Policy and Economic Welfare*, Oxford: Clarendon Press.

Creedy, J (1997) *Statics and Dynamics of Income Distribution in New Zealand*, Wellington NZ: Institute of Policy Studies.

Davey, J (1998) *Tracking Social Change in New Zealand*: Wellington NZ: Institute of Policy Studies.

Dunkley, G (1997) *The Free Trade Adventure*, Australia: Melbourne University Press.

Foster, J and Hodder, J (1998) *The Employment Contracts Act: The Judicial Influence 1991-1997*, Wellington NZ: Institute of Policy Studies.

Franses, P Hans (1998) *Time Series Models for Business and Economic Forecasting*, Cambridge UK: Cambridge University Press.

Gibson, J (1998) *Ethnicity and Schooling in New Zealand: An Economic Analysis Using a Survey of Twins*, Wellington NZ: Institute of Policy Studies.

Hanke, S and Walters, A (1998) *The Revolution in Development Economics*, Washington US: Cato Institute.

Keating, P (1998) *Studying Asia: The Challenge for Tertiary Educators*, Wellington NZ: Institute of Policy Studies.

Maloney, T (1998) *Five Years After: The New Zealand Labour Market and the Employment Contracts Act*, Wellington NZ: Institute of Policy Studies.

Mushin, J (1996) *Income, Interest Rates and Prices (Second Ed)*, Palmerston North NZ: The Dunmore Press Ltd.

Roper, B and Rudd, C (1997) *The Political Economy of New Zealand*, Auckland NZ: Oxford University Press.

Smelt, S (1998) *Today's Schools: Governance and Quality*, Wellington NZ: Institute of Policy Studies.

As Editor I am extremely grateful to all those who review manuscripts. This is important work and helps ensure the maintenance of the quality of our journal.

I look forward to receiving many manuscripts during 1999 as members have a productive year of research and analysis •

Frank Scrimgeour

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research issues & information

JAMES COOK RESEARCH FELLOWSHIPS

THE ROYAL SOCIETY OF NEW ZEALAND.

The Society offers Fellowships in a number of categories, including social sciences (with economics listed as one of the fields of study). The primary intention of the award of the Fellowships is "the recognition of sustained excellence in reserach". The Fellowship will be for two years, and will be tenable in a location and insitution of the applicant's choosing. It is expected that a major pirce of reserach will be undetaken and that this wil lead to results being published in national and international literature.

Applications should be submitted jointly by the applicant and the host organisation.

Further information and applications forms are available from:

The Royal Society of New Zealand
PO Box 598
Wellington
ph: 04 472 7421
fax: 04 473 1841
e-mail: awards@rsnz.govt.nz
<http://www.rsnz.govt.nz/awards/cookinfo.html>

research in progress...

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

..at the School of Economics & Finance, Victoria University, as at February 1999.

Name: Judy Bethwaite [Judy.Bethwaite@vuw.ac.nz] & Paul Tompkinson [Paul.Tompkinson@vuw.ac.nz]

Research currently in progress:

Title: "Rabin's model of fairness and the Ultimatum Game" **Aim:** To test whether Rabin's model of fairness can provide an explanation for the behaviour of individuals who reject low offers in the Ultimatum Game. **Method:** Rabin's model incorporates three stylised facts which have emerged from experiments conducted by social psychologists: People are willing to sacrifice their own material well-being to help those who are being kind; people are willing to sacrifice their own material well-being to punish those who are being unkind; and both these motivations have a greater effect on behaviour as the material cost becomes smaller. A questionnaire was used to elicit responses.

Name: Robert A Buckle [Bob.Buckle@vuw.ac.nz]

Research interests: Macroeconomics, business cycles and the microfoundations of macroeconomic models.

Research currently in progress:

Title: "Menu Costs, Firm Size and Price Rigidity" (with J. A. Carlson, Purdue University) **Aim:** To evaluate the influence of firm size on the frequency of price adjustment. **Method:** 'Menu costs' of price adjustment have become a popular explanation for price stickiness. Papers by Barro (1972), Sheshinski and Weiss (1977, 1983), and Ball and Mankiw (1994) show that for a given distribution of shocks to optimal price, the probability of a price change decreases as the cost of price adjustment increases. We consider a simple extension to that result. If menu costs of price adjustment involve a common lump-sum or fixed cost component, the cost of price adjustment per unit of output will vary systematically with the volume of output and therefore with firm size. Data from an extensive survey of firms in New Zealand are used to evaluate this hypothesis. Preliminary estimates of price duration by firm size and ordered probit analysis of price reactions to demand and cost shocks are consistent with this hypothesis.

Names: Robert A Buckle [Bob.Buckle@vuw.ac.nz] and Hailong Qian [Hailong.Qian@vuw.ac.nz]

Research interests: Econometric theory and applied econometrics

Research currently in progress:

Title: "VAR modeling of manufacturing firms using business survey data" **Aim & method:** To develop a

vector-autoregressive model of New Zealand firms based on data from the NZIER's quarterly survey of

business and to use the model to evaluate firm responses to various policy and non-policy shocks. The model will be structured to facilitate tests of potential asymmetries in the way firms react to these shocks. We also plan to evaluate whether firm responses vary systematically with firm size.

Name: Gary Hawke [gary.hawke@vuw.ac.nz]

Main research interests: Economic History, especially New Zealand; application of economics to policy issues

Research currently in progress:

1) Title: "Visionaries, Farmers and Markets: An Economic History of New Zealand Agriculture" **Aim:** To set current issues facing New Zealand agriculture in a longer time perspective **Hypothesis:** History matters **Method:** Database accumulation and analysis (Joint research with Professor R. Lattimore)

2) Title: "Economics in New Zealand" **Aim:** To explore why New Zealand economists have long been unpopular and un influential **Hypothesis:** New Zealand collective decisions have historically been influenced by visions in which prices are to be over-ruled rather than treated as signals **Method:** Historical analysis

Name: John Haywood [John.Haywood@vuw.ac.nz]

Main research interests: time series analysis; dynamic seasonal time series models and seasonal adjustment; application-specific forecasting; effects of NZ economic reforms on properties of NZ economic time series

Research currently in progress:

Title: "New evolutionary seasonal time series models for improved trend estimation, seasonal adjustment and forecasting" **Aim:** Existing dynamic seasonal models fail to reproduce the smooth, but often considerable, evolution of commonly observed seasonal patterns. This project aims to develop new, more flexible structural time series model that better capture such dynamic evolution. A primary focus is on models which are able to cope with the more volatile economic and financial time series experienced by small open economies such as New Zealand's. **Method:** The stochastic properties of existing dynamic seasonal models will be thoroughly documented. New measures which adequately summarise the performance of seasonal models will be developed. Using the newly developed measures, new seasonal models and new

model estimation and selection techniques will be proposed, all within a systematic framework.

Name: Benoit Julien [benoit.julien@vuw.ac.nz]

Main research interests: Auction theory and applications, Market models under informational asymmetries, contractual relationships, and organizational structures.

Research currently in progress:

Title: "Bidding for Labour under Asymmetric Information" (with John Kennes, Pace University and Ian King, University of Iowa) **Aim:** This paper provides a bidding model of the labour market. It provides a microfoundation for the exogenous matching technology used in standard search type model of the labour market. **Hypotheses:** We assume that firms have private information about a worker's contribution to the surplus generated upon a match. **Method:** We use a competing auctions model in which firms act as buyers and workers act as sellers. The model generates an endogenous matching technology and equilibrium unemployment. We analyze the efficiency property of the market allocation in the large market under steady state.

Name: Dr Kunhong Kim [kunhong.kim@vuw.ac.nz]

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

Research currently in progress:

1) **Title:** Sustainability of New Zealand Current Account Deficit **Aim:** At around 7% of GDP, New Zealand's current account deficit is very high among industrial countries. This has raised the issue of whether this imbalance could eventually prove unsustainable, and would thus require a policy shift in order to avoid ongoing external difficulties similar to those currently experienced by some countries in Asia. Using the intertemporal optimisation approach to open economy macroeconomics as a benchmark, this project investigates the sustainability of New Zealand current account deficit. **Hypothesis:** New Zealand current account deficit has been excessive? **Method:** Optimal path of current account balance derived from a representative intertemporal optimisation model of saving is compared with the actual path of New Zealand current account balance, in order to determine whether the current account deficit has been above-optimal.

2) **Title:** "Testing for Common Cycles in the Asia Pacific Region" **Aim & Method:** Hall, Kim, and Buckle (1998) investigated the existence of business cycle synchronisation among several countries in the Asia Pacific region. One of the findings of the study was that meaningful synchronisation could be established for particular sub-groups of countries. The degree of synchronization was investigated mainly by looking at correlations among detrended macro variables. In this current research, a new methodology due to Engle and Kozicki (1993), and Vahid and Engle (1994) is applied to formally test whether there exists common cycles among several countries in the Asia Pacific region. **Hypothesis:** There exists common cycles among several countries in the Asia Pacific region?

Name: Jacques Poot [Jacques.Poot@vuw.ac.nz]

Main research interests: the labour market, population economics, the building industry, regional development

Research currently in progress:

1) **Title:** The wage curve and local labour markets

Aim: To look at the impact of local conditions on wage outcomes at the macro and micro levels. **Hypotheses:** Blanchflower and Oswald argue in their 1994 book that there is a stable downward-sloping convex curve linking the level of pay to the local unemployment rate. They derived this so-called wage curve from measurements on individuals within regions (local labour markets) for several countries and periods. Other investigators have confirmed the robustness of this finding. This project will test whether the wage curve exists in New Zealand, and also consider other local influences on earnings outcomes. The relationship with interregional migration will also be investigated. **Method:** econometric modelling with 1991 and 1996 census data, either in the form of high-dimensional cross tabulations or in the form of unit record data.

2) **Title:** "The impact of government on long-run regional growth" **Aim:** This project investigates, in the context of endogenous growth models for small open economies, whether or not government (at national or local levels) can influence long-run regional growth rates. **Hypothesis:** Endogenous growth models suggest that certain policies can have permanent effects on the long-run growth rate. **Method:** The project provides a research synthesis of a large number of empirical studies which have been published since the 1970s on the relationship between policy variables such as tax rates, infrastructure, defense, specific reforms, etc. and the long-run growth rate at national and regional levels. Several meta-analytic techniques will be used to identify robust results.

Name: John Singleton [John.Singleton@vuw.ac.nz]

Main research interests: History of New Zealand's external economic relations in the twentieth century

Research currently in progress:

Title: "External economic relations of Australia and New Zealand, 1940-65" (co-author with Professor Paul L. Robertson, University of Wollongong). **Aim:** To trace and explain shifts in the external economic policies of Australia and New Zealand since the Second World War. We are looking at such issues as economic cooperation with the UK, the search for alternative markets in Asia and North America, protectionism, relations with GATT, overseas borrowing, economic development strategy, and the implications of the first British bid to join the EEC. **Method:** based on the study of official documents in the government archives of New Zealand, Australia, Britain, and the United States.

Name: Robert J. Stephens [Bob.Stephens@vuw.ac.nz]

Research currently in progress:

Title: "Measuring Poverty in New Zealand, including the efficiency of government policies in reducing the incidence and severity of poverty". The Tax /Benefit Interface, and problems of an individual based tax

system and family based benefit system, with changing rules for receipt of benefits and intermittent work records. Parental Welfare use and Children's Outcomes. a literature review of effect of the impact on children (in adult life) of their parents being on benefits.

Name: Antong (Andres G) Victorio
[antong.victorio@vuw.ac.nz]

Main research interests: Economics of the family; Public Sector Economics; Applied Microeconomics and Econometrics

Research currently in progress:

Title: "Nonmarket Insurance" **Aim:** To foster a greater understanding of the motives behind transfers of money and time within families and groups.

Hypotheses: Informal exchanges of money or services within families or groups are motivated by informal

insurance agreements rather than by either altruism or explicit trades. A small, regular transfer of money or performance of service, such as from a child to a parent, elicits a large, reciprocating transfer that is conditional upon the occurrence of an unforeseeable need. The agreement is superior to that of an explicit market contract because of the informal advantages that families or groups have over large and impersonal markets. **Method:** A game-theoretic model of insurance is described that consists of an insurance firm and two individuals with different accident probabilities. The range of insurance contracts and coalitions that can be formed is examined. It is found that if the two individuals have an informational advantage over the firm, they will agree upon a supplementary, nonmarket insurance contract that cannot be infiltrated upon by the firm.



jobs

EDITOR

ASymmetriC information

Yes! This is your opportunity to direct the publication of this august bulletin of the NZAE.

Are you bright, energetic, enthusiastic and innovative?

Well, good for you. But mainly what this job requires is: a willingness to relentlessly pester your colleagues for articles, an ability to spell the word "asymmetric" correctly, and a computer. Your work as editor would start with the November 1999 issue.

If you are interested in finding out more about this incredibly rewarding* position, please contact Nancy Devlin (ndevlin@commerce.otago.ac.nz) **or John Yeabsley** (johny@nzier.org.nz)

* in every sense other than financial

professional development

courses, conferences & contacts

Request for papers

New Zealand Association of Economists Conference '99

Rotorua, June 30 to July 2

You can help by:

Organising a themed session
Reporting on completed research
Reporting on work in progress
Offering to chair sessions or discuss papers.

The format for Themed Sessions is up to the organisers. There is some flexibility as to the structure for presentations in categories 2 and 3, but guidelines are as follows:

Total time per paper 40 minutes maximum.
Presentations should be limited to 20 minutes to allow for questions.
If you are using visual aids, please make sure the audience can read them! (font size 18 or larger!)
We'd welcome your suggestion for a discussant: one will be assigned to each paper and allowed 5 minutes.
Presentations should be designed to encourage participation. Remember the audience are informed but non-specialist economists.

Those wishing to present papers are asked to supply an abstract of not more than 500 words.

Please address preliminary inquiries to: Ian Duncan
Ph: (04)472 1880
Fax: (04) 472 1211 E-mail: ian@nzier.org.nz

Your NZAE 1999 conference venue and accommodation....

Centra Hotel, Rotorua
Froud Street, Rotorua, New Zealand

Registration fees, special hotel room rates and other charges will be detailed in the registration form which will be sent to all members later this month.

Any general enquiries about the conference please contact the NZAE Business Manager:

Ian Jones
ph: (04) 384 7057
fax: (04) 384 7853

...about NZAE

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

membership fees: full member: \$90
graduate student: \$45

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

Ian Jones
Business Manager, NZAE
PO Box 568
Wellington
phone: (04) 802 5310
fax: (04) 3847 853

NZAE Council news

1999 marks the 40th anniversary of the establishment of NZAE.

The current Council is determined to make NZAE a modern, lively member-relevant organisation. We welcome your ideas and suggestions. One venue is the AGM, the timing of which will be fixed at the coming Council meeting. Watch your mailbox. We encourage our members to attend the AGM, and to consider taking an active role in NZAE Council. If you have any questions about the role of Council and what part you might play in its work, we would be delighted to hear from you: please contact John Yeabsley.

The NZAE Council members are: **John Yeabsley** (President) [johny@nzier.org.nz], **Dorian Owen** (Deputy President) [dowen@commerce.otago.ac.nz], **Alan Bollard** [alan.bollard@treasury.govt.nz], **Rolf Cremer** [r.d.cremer@massey.ac.nz] **Weshah Razzak** [razzakw@rbnz.govt.nz] **Tim Hazledine** [t.hazledine@auckland.ac.nz] **Caroline Saunders** [saunders@lincoln.ac.nz] **Nancy Devlin** [ndevlin@commerce.otago.ac.nz] **Dawn Gorman** (Treasurer) and **Ian Jones** (Secretary/Business Manager).

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

Tony Fakahau (Ministry of Pacific Island Affairs), **Jeff Huther** (The Treasury), **Beatrix Riedweg** (Office of the Retirement Commissioner) & **Paul Seiler** (Ministry of Education).