

# 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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### Asymmetric Information Issue 56 August 2016

The name of Yang Hu of Waikato University, NZAE Conference 2016 Graduate Study Award Winner, was spelt incorrectly on p 12 of AI 56. AI apologises for the incorrect spelling.

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# EDITORIAL

Viv Hall ([viv.hall@vuw.ac.nz](mailto:viv.hall@vuw.ac.nz))

This issue's interview is with Girol Karacaoglu, Professor and Head of the School of Government at Victoria University of Wellington (VUW). He is interviewed by Joey Au, Senior Analyst, Natural Resources, New Zealand Treasury.

The 'Five Minute Interview' is with Dr. Kirdan Lees, currently with Sense Partners, and previously with NZIER and the Reserve Bank of New Zealand.

Dr. Jan Feld from the School of Economics and Finance at VUW writes on Behavioural Economics. This is an invited contribution to a new series aimed at featuring an area of economics that many readers may not be particularly familiar with, and in keeping with the broad aim of the series, Jan draws readers' attention to what behavioural economics is about, some of its interesting features, and some recent key literature. He concludes by noting that, for those interested in gaining further insights, the Government Economics Network (GEN) is offering the course Introduction to Behavioural Economics and Policy on 23-24 May 2017. Details on this and other GEN Training Courses for 2017 are included in GEN's contribution to this issue, which also provides the new GEN Committee, summary information on the GEN Conference 2016, and upcoming GEN events.

AI's editor would welcome suggestions from readers on areas of economics for which contributions could be invited for future issues.

From Motu, David C Maré, Trinh Le, Richard Fabling and Nathan Chappell provide summary findings and key implications for *Science, technology, engineering and maths (STEM) graduates and productivity*, from the independent report "*Productivity and the allocation of skills*", funded by the Productivity Hub.

Patrick Ongley's contribution from Statistics New Zealand focusses on proposed supplementary content across their three household surveys – the Household Labour Force Survey (HLFS), Household Economic Survey (HES), and New Zealand General Social Survey (NZGSS). SNZ welcome feedback on their proposed household surveys programme.

Paul Walker contributes his regular 'Blogwatch' column, and this issue's Research in Progress comes from the School of Economics at the Auckland University of Technology.

New members who joined NZAE through to 15 March 2017 are also recorded.

Our advertisement on the back page continues to be from Survey Design and Analysis Services. They are the authorised Australia and New Zealand distributors for **Stata** and other software. [www.surveymdesign.com.au](http://www.surveymdesign.com.au).

## INTERVIEW WITH GIROL KARACAOGLU

by Joey Au



**Q. Girol, can you start by telling us what led to your interest in economics?**

A. Three teachers at my university in Turkey – my teachers of philosophy, economic history, and money and banking.

**Q. You've lived in New Zealand for many, many years now. What led to your decision to move to NZ?**

A. I was on my way back to Turkey from the USA, in 1979, to teach Economics at my old university in Istanbul. It was a politically volatile time in Turkey; my father advised me to stay away for a little while longer. I applied to 60+ universities outside of the USA. Received two offers, one from Canada and one from Victoria University of Wellington (VUW) in New Zealand. Canada was too cold for my taste. Chose to come to NZ – it was going to be just for a couple of years!!!

**Q. It must have been a bit of a culture shock when you first came to NZ. Did you find anything shocking or unusual when you first arrived?**

A. Completely empty streets on a Saturday afternoon when I first landed in Wellington. No place to have a cup of coffee (except Suzy's on Willis Street) over the weekends. Putting cash on the footpath and grabbing a newspaper in the evening; a pile of cash sitting there at the end of the evening, with nobody touching it. Today, those same footpaths are full of beggars – this was absolutely unimaginable in 1979.

**Q. So, when you started your life in NZ working at VUW, how did that go and what were some of the highlights?**

The prefabs, where our offices were; first year students throwing chalk at me when I suggested that they should stop kissing each other and listen to my lecture instead; Professor Brian Philpott's constant humming and smoking; the intense interest of all my colleagues in what was going on around us (economy, politics, society, environment).

**Q. Having spent a few years as an academic you went to the RBNZ. What led you there and what did you find different?**

A. The opportunity to do policy-informing research on a full time basis, in my field of specialisation - money and banking.

**Q. What did you end up working on at the RBNZ and was it what you thought it would be?**

A. I was in the research department at a time when the whole monetary policy framework was under review – fantastic opportunity and very exciting times. All our work had direct policy relevance.

**Q. Fast forward a few years, you entered the private sector, Westpac and the National Bank of New Zealand (NBNZ). What took you there and how did they compare with the RBNZ and VUW?**

A. The entry point to the private sector was the Chief Economist role at the National Bank (the Chief Executive at the time is reported to have said, I will employ him if he changes his unpronounceable surname to Smith!) – it was applied Economics – it was great working with the bank's treasury, so close to financial markets as well as the bank's funds management business. It was money, banking, and financial markets research right through. It was later that I worked more directly in funds management at Tower, Prudential and Westpac – and then in commercial banking at Westpac in the last few years.

**Q. Rounding off your banking career you later went on to become the Chief Executive of the Co-operative bank. Tell us about that, in particular the move away from research and into management and strategy.**

A. One of the Board members said to me in my interview for the role: you look like a geek, speak like a geek, behave like a geek, why would we ever appoint you as the Chief Executive of this financial institution. I said I think I can make a difference. Stayed there for nine years – very happy days. It was absolutely fantastic to work for an organisation with a heart and a wider sense of purpose – it is a cooperative – customers are members.

**Q. From Chief Executive of the Co-operative bank you went to the Treasury as the Chief Economist and Deputy Secretary of Macroeconomics, International and Economics Research. What drove you back to the public sector and what was it about the role that appealed most to you?**

A. The tank was empty at the end of nine years at PSIS / Co-operative bank – the organisation had entered a new phase after bank registration – it was about growing the membership base in a profitable way – new people and fresh ideas were required. I had never lost my interest in Economics and public policy – it was a time when the Treasury was trying to have a mix of people with private and public sector backgrounds as part of its senior leadership team – it was my good luck that I was at the right doorstep at the right time.

**Q. And how did you find working in a public policy role? Do you have any reflections?**

A. Excruciatingly slow and arduous – very difficult to have an impact – it is all about incentives. If you incentivise people to analyse, they will keep analysing endlessly – I felt a deep sense of impotence.

**Q. At the Treasury you focussed strongly on wellbeing economics which is a significant departure from your macroeconomics background. What was it that drove your interest in wellbeing policy?**

A. I had read the 2011 Treasury Working Paper on living standards and so on, and got really excited about it. I mistakenly thought that the Treasury was actively exploring how this broader work programme that the OECD was leading (based on the work of Stiglitz, Sen and

Fitoussi 2009) can be used to inform policy advice. That was not the case – the main focus of economic policy advice was on enhancing economic growth through productivity growth. I personally do not think it is possible to read Amartya Sen's *The Idea of Justice* and not switch to broader wellbeing as the object of public policy. And no one who cares to read Arrow *et al* (2012) on *Sustainability and the Measurement of Wealth* can ever claim that it is all waffle – and not rigorous Economics. I got extremely excited about exploring the implications of this switch for our public policy advice.

**Q. You're obviously very passionate about the Treasury's Living Standards Framework, tell us a bit about that.**

A. It is very easy and extremely rewarding. If you define the purpose of public policy as helping people live the lives they have reason to value, and conclude that the way this can be achieved is by enhancing the opportunities and capabilities of individuals and communities to pursue the lives they want to live, a whole new universe opens up for public policy advisers. If you then add to the mix, radical uncertainty, complexity and bounded rationality, you have to re-think your whole approach to public policy advice. This is absolutely fascinating.

**Q. Amartya Sen has clearly influenced your thinking and approach. Tell me two of your favourite economists and why?**

A. Adam Smith, Amartya Sen, Friedrich Hayek. They bring out all the beauty, richness and challenges of Economics as a social science. They face up to the absolute relevance of ethics, morals, complexity, radical uncertainty, ... in forming views on public policy and related matters.

**Q. I know that you read a lot. Do you have any books that you would highly recommend? Give us your top 3.**

A. Adam Smith's *The Theory of Moral Sentiments*; Amartya Sen's *The Idea of Justice*; Friedrich Hayek's *The Constitution of Liberty*.

**Q. You're now the Head of the School of Government at VUW. What was it that drove you back to Victoria University and what are you focussed on in that role?**

A. Working at the Treasury, and despite concerted efforts, I failed miserably in building constructive links between the public sector agencies and the universities, in undertaking fundamental, policy-informing research. This role gives me an opportunity to pursue the same goal from the other side of the fence as it were. Policy Agencies use the existing knowledge-capital as a source of advice; universities can very usefully provide the engine to enhance that capital stock (through appropriate investments) in collaboration with the Policy Agencies.

**Q. Finally, is there anything that we didn't cover that you would like to mention, like you winning NZ's sexiest economist in 2015?**

A. Everyone who says "thank God we live in NZ" should read John Gould's, *The Rake's Progress?* and reflect on it. It is an economic (and also social) history of NZ between (roughly) 1945 and 1980. Its key message is that, in good things and bad, NZ follows the world with a lag of some years. The life we live and enjoy here is very special and cannot be taken for granted. Each one of us, in our own ways, needs to take responsibility to protect all the varied sources of our way of life. We simply cannot allow poverty, in the broad sense of exclusion, to be part of our social fabric.

As to being NZ's sexiest economist, everyone who has had the privilege of meeting me in person would concur that this is so obvious that I am not sure why we are even talking about it – what I was really pleased about though, is that I beat Graeme Wheeler in the sexiest economist competition!!!

# THE FIVE-MINUTE INTERVIEW WITH ... KIRDAN LEES

## 1. When did you decide that you wanted a career in economics?

Hey, I still haven't decided yet and there's always time for reinvention!

Less flippantly, at university the training seemed interesting and useful. A bit like Obelix I guess I just fell into it – minus the superhuman strength of course. More practically, I was good at Maths but Roy Kerr was pretty clear, not that good – so Maths wasn't for me long term.

While economic teaching is getting a bum rap I'm grateful for my economics training. Not just the technical tools and how to think about causation and identification, but *how* to think about incentives, market efficiency and economic behaviour. That stuff doesn't go away.

## 2. Did any event or experience influence your decision to study economics?

Not really. I went fruit picking for a couple of summers with a friend of mine that was six-four with arms that seemed to go on for ever. I was left in his wake and the red-green colour blindness didn't help that much on the orchard either. Good thing was that experience sharpened me up to work pretty hard and knuckle down at something when the university year began. That something was economics.

## 3. Did any teachers, lecturers or supervisors play a significant role in your education?

Absolutely – At the University of Canterbury Alfred Guender really got me started and pushed me to think hard about macroeconomic and monetary policy. The coffee was strong which helped too. Alan Woodfield had a solid public economics course at the undergraduate level too which was great stuff and challenging. In my honours year we put in extra votes for Graeme Guthrie to win lecturer of the year. Some others had the same idea so it was probably embarrassing to have some 250 votes with only 80 odd students.

In Melbourne, Guay Lim and Vance Martin, Mark Crosby not least for the Grange. And from John Creedy – who never taught me – the singular best piece of advice for macroeconomists: "Don't fall in love with your models".

But most of what I know comes from colleagues: from the Reserve Bank, NZIER through to Sense Partners. At the Reserve Bank Shaun Vahey was very influential. He helped me hone some skills. Plus he helped bring through some very sharp guys from the Federal Reserve Bank of Atlanta just when the Bayesian approach to macro-modelling was taking off. When I started at the Reserve Bank, probably one in ten papers used Bayesian methods. When I left one-in-ten didn't use Bayesian methods.

## 4. Do you have any favourite economists whose works you always read?

90 percent of the articles I read stem from the problem I am trying to solve rather than trying to be across the literature. I've been doing a heap more work on urban economics and regional development rather than macroeconomic modelling and



forecasting and that's been fun. It's worth reading and playing with some of the models Esteban Rossi-Hansberg is developing and Charles Manski's book, *Public Policy in an Uncertain World: Analysis and Decisions* is great for anyone thinking about public policy issues – not just economics. Everyone should read the original Lucas Critique, not just economists. And my colleagues tire of me talking about Stephen Durlauf so there might be something in that.

I never had much time for reading groups either. Seemed to me the paper should be relevant for solving the problem to hand or shedding light on new problems that need to be solved and discarding current problems.

## 5. Do you have a favourite among your own papers?

Anything I'm working on right now! But I do like the paper I wrote with Tim Kam and Philip Liu (Kam, Lees & Liu, 2009) that estimates what central banks care about. The profession works so hard to develop models from optimising agents and then at the end drops in a decision rule like the Taylor rule - it seems more than a little odd. The issue also bites for New Zealand more than elsewhere given that the PTA changes regularly – we should know if these changes materially affected Reserve Bank behaviour.

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

C'mon. The GFC. Next question.

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

Econometrics. Worth working hard to keep testing the theory!

## Reference

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# (IR)RATIONALITY AND THE CASE FOR BEHAVIOURAL ECONOMICS

By Jan Feld



Traditionally, economists have assumed that people are rational, that is, they act in the way that maximises their utility. Any non-economist would be quick to point out that this is nonsense, but over time economists have become so used to this simplifying assumption that they started believing it. Because we live in a messy social world and don't observe people's

preferences it is easy to justify almost any behaviour as rational. People don't save much for their retirement? That means that they must value their current consumption much more than their future consumption. This guy's zipper is open? If you're an economist you will probably find it easy to come up for an explanation for this one as well.

If people are rational, we can infer their preference from their actions. This revealed preference approach takes people seriously and safeguards against excessive paternalism. If people get it right, there are fewer reasons to intervene and make decisions for them. However, people also make mistakes and having an unshaken belief in their rationality makes you more likely to overlook them.

It's very easy to explain almost any behaviour as rational, so behavioural economics got traction when researchers compared people's behaviour against sharp predictions of economic theory and laws of probability. Psychologists Daniel Kahnemann and Amos Tversky pioneered these efforts by comparing people's judgments and decisions with predictions from expected utility theory and laws of probability. They showed that people tend to overweigh small probabilities, and care more about losses than gains relative to a reference point. Overweighting small probabilities explains why people play the lottery, even though the chances of winning are tiny. Loss aversion relative to a reference point explains why conferences with lower fees for early payers, would rather phrase the lower early fee as an early bird discount (gain) than phrasing the higher later fee as late booking penalty (loss). Expected utility theory cannot explain how this difference in wording would influence people's decisions, but experiments have shown that it does. Kahnemann and Tversky summarized these findings in prospect theory – a descriptive theory of people's decision making - for which Kahnemann was awarded the Nobel Prize in Economics in 2002. Tversky died in 1996, otherwise he would have shared the Prize.

Will these irrational behaviours matter in a market setting? One could think that the stock market is the place where people's irrationalities are least likely to matter. After all, doesn't it only take a few rational investors to arbitrage irrational price difference away? The finance analogue of the "people are rational" assertion is that financial markets are efficient, that is, stock prices are right. As with revealed preferences, it is easy to justify almost any movements in stock prices, because the true value of a stock is not observed. To overcome this obstacle, economist Vernon Smith, who shared the Nobel Prize with Kahnemann, set up an artificial stock market in the laboratory where he could manipulate all of the necessary information about the value of the stock. This allowed Smith to show that people overvalued stocks, which lead to stock market bubbles. Richard Thaler and Robert Shiller, among others, identified a number of irregularities in financial markets and suggested behavioural explanations for them. They further showed theoretically that in many situations even rational investors either cannot correct mispricing (there are limits to arbitrage) or even exacerbate it: A rational investor might, for example, make more money by riding a bubble instead of betting against it.

The behavioural economists have, by and large, won the debate on people's rationality. When I started my PhD in 2010 I saw the last struggles of the economists arguing that these irrationalities don't matter in markets. Now, it's rare to come across economists who are willing to defend this position.

While pointing out people's limitations might seem depressing, it can have very useful implications. Understanding that people make mistakes, have self-control problems, care about others as well as about fairness - to name only a few examples - has important policy implications. With a richer and more realistic understanding of peoples' behaviour and motivations comes a richer set of policy levers. You want people to register as organ donors? Change the default. You want poor people to go to university? Not only subsidise their tuition fees but also help them fill out their university application. You want people to use less electricity? Tell them that they are using more than their neighbours. These behaviourally informed policy instruments can be used to complement or replace some traditional economic instruments. And they are in many cases more cost effective.

Behavioural insights are now increasingly used to inform public policy. At the forefront of these efforts is the Behavioural Insights Team in the UK that was founded in 2010. The Behavioural Insights Team advised the UK government on many policy questions and has shown, through rigorous policy evaluation, that behavioural insights can improve policy effectiveness in many domains. As a result, many similar organizations have emerged across the globe. Also in New Zealand, a number of agencies are actively building their capacity to use behavioural insights to inform policy, including the Inland Revenue Department, the Ministry for Business, Innovation and Employment, the Ministry for the Environment and the Department of Conservation.

There are plenty of good books about behavioural economics. For anyone interested in the history of behavioural economics, I recommend *Misbehaving* by Richard Thaler. If you want to learn more about behavioural economics and public policy, I recommend *Nudge* by Richard Thaler and Cass Sunstein. *Nudge* inspired the founding of the Behavioural Insights Team in the UK. The book *Inside the Nudge Unit* by David Halpern is about the first experiences of this Behavioural Insights Team. Finally, the Government Economics Network offers the course *Introduction to Behavioural Economics and Policy* on 23-24 May 2017. Email [info@gen.org.nz](mailto:info@gen.org.nz) to register your interest.

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# BLOGWATCH

By Paul Walker ([psw1937@gmail.com](mailto:psw1937@gmail.com))

In late 2016 economics lost another of its greats with the passing of Thomas Schelling. Matt Cadwallader writes on “Tom Schelling, Stanley Kubrick and Dr. Strangelove” <<https://www.hks.harvard.edu/news-events/news/articles/schelling-kubrick-strangelove>> while Robert O’Neill reports that “Tom Schelling, Game Theory Pioneer, Dies at 95” <<https://www.hks.harvard.edu/news-events/news/articles/schelling-tribute/>>. William Grimes notes “Thomas C. Schelling, Master Theorist of Nuclear Strategy, Dies at 95” <<http://www.nytimes.com/2016/12/13/business/economy/thomas-schelling-dead-nobel-laureate.html>>. Robert Hoffmann remembers “Thomas Schelling: the legacy of a master strategist” <<http://theconversation.com/thomas-schelling-the-legacy-of-a-master-strategist-70394>>. Tim Harford remembers “Thomas C. Schelling, 1921 – 2016” <<http://timharford.com/2016/12/thomas-c-schelling-1921-2016/>>. Liam Collins and Lionel Beehner argue “Thomas Schelling’s Theories on Strategy and War Will Live on” <<http://mwi.usma.edu/thomas-schellings-theories-strategy-war-will-live/>>. Timothy Taylor looks back at some of Schelling’s work in “Thomas Schelling and the Agent-Based Discrimination Checkerboard” <<http://conversableeconomist.blogspot.co.nz/2016/12/thomas-schelling-and-agent-based.html>>. 2017 began with news of the death of Tony Atkinson. Beatrice Cherrier writes on “Remembering Tony Atkinson as the architect of modern public economics” <<https://beatricecherrier.wordpress.com/2017/01/02/remembering-tony-atkinson-as-the-architect-of-modern-public-economics/>>. Chris Giles and Sarah O’Connor’s obituary is “Sir Tony Atkinson, economist and campaigner, 1944-2017: Labour party activist was a dominant force in the study of inequality” <<https://www.ft.com/content/cbda844a-d0ea-11e6-9341-7393bb2e1b51>>. Geoff Riley says “RIP Sir Tony Atkinson” <<http://www.tutor2u.net/economics/blog/rip-sir-tony-atkinson>>. Thomas Piketty notes the “Passing of Anthony B. Atkinson” <<http://piketty.blog.lemonde.fr/2017/01/03/passing-of-anthony-b-atkinson/>>. Just a few weeks after the passing of Atkinson we have the death of Kenneth Arrow. Joshua Gans writes on “Ken Arrow: The Greatest” <<http://www.digitopoly.org/2017/02/21/ken-arrow-the-greatest/>>. Michael Weinstein notes that “Kenneth Arrow, Nobel-Winning Economist Whose Influence Spanned Decades, Dies at 95” <<https://www.nytimes.com/2017/02/21/business/economy/kenneth-arrow-dead-nobel-laureate-in-economics.html>>. Kevin Bryan writes on “The Greatest Living Economist Has Passed Away: Notes on Kenneth Arrow Part I” <<https://afinetheorem.wordpress.com/2017/02/22/the-greatest-living-economist-has-passed-away-notes-on-kenneth-arrow-part-i/>>, and “Kenneth Arrow Part II: The Theory of General Equilibrium” <<https://afinetheorem.wordpress.com/2017/02/27/kenneth-arrow-part-ii-the-theory-of-general-equilibrium/>>. David Henderson on “Kenneth Arrow, RIP” <[http://econlog.econlib.org/archives/2017/02/kenneth\\_arrow\\_r.html](http://econlog.econlib.org/archives/2017/02/kenneth_arrow_r.html)>. Megan McDonough on “Kenneth Arrow, Nobel laureate and seminal economist with wide impact, dies at 95” <[https://www.washingtonpost.com/national/kenneth-arrow-nobel-laureate-and-seminal-economist-with-wide-impact-dies-at-95/2017/02/21/089c3888-f8aa-11e6-be05-1a3817ac21a5\\_story.html](https://www.washingtonpost.com/national/kenneth-arrow-nobel-laureate-and-seminal-economist-with-wide-impact-dies-at-95/2017/02/21/089c3888-f8aa-11e6-be05-1a3817ac21a5_story.html)>. Tim Harford writes on “Kenneth Arrow, economist, 1921-2017” <<http://timharford.com/2017/02/kenneth-arrow-economist-1921-2017/>>. Lawrence H. Summers remembers his uncle <<https://www.wsj.com/articles/farewell-to-kenneth-arrow-a-gentle-genius-of-economics-1487959127>>. Debraj Ray writes on “Kenneth Arrow, 1921-2017” <<http://debrajray.blogspot.co.nz/2017/03/kenneth-arrow-1921-2017.html>>.

“What would you think of a Western democratic leader who was populist, obsessed with the balance of trade, especially effective on television, feisty and combative with the press, and able to take over his country’s right-wing party and swing it in a more interventionist direction?” No its not Donald Trump being talked about but our very own Rob Muldoon. At ‘BloombergView’ <<https://www.bloomberg.com/view/>> Tyler Cowen looks for the politician most like Donald Trump <<https://www.bloomberg.com/view/articles/2017-02-13/feisty-protectionist-populism-new-zealand-tried-that>>.

In a piece at the ‘Chronicle of Higher Education’ <<http://www.chronicle.com/>>, Marc Parry examines an intense, ongoing debate between historians and economists on the role American slavery played in the industrial revolution <[2p4Yw>. The historians arguing that the creation of American capitalism was tied to the expansion of slavery while the economists have been arguing that in the absence of slavery, industrialisation would have occurred more or less as it actually did. ‘The Economist’ magazine <<http://www.economist.com/>> views this debate as a controversy over differences in methodology between economists and historians. <\[http://www.economist.com/blogs/freeexchange/2016/12/pain-past?fsrc=scn/tw\\\_ec/lessons\\\_from\\\_a\\\_fight\\\_between\\\_economists\\\_and\\\_historians\]\(http://www.economist.com/blogs/freeexchange/2016/12/pain-past?fsrc=scn/tw\_ec/lessons\_from\_a\_fight\_between\_economists\_and\_historians\)>. But Bradley Hansen, at his ‘Bradley A. Hansen’s Blog’ <<http://bradleya.hansen.blogspot.co.nz/>> disagrees claiming instead that the economists who have criticized the work of historians have focused more on the historians’ poor use of historical methods than their poor use economic methods <<http://bradleyahansen.blogspot.co.nz/2016/12/capitalism-and-slavery-debate-is-not.html>>.](http://www.chronicle.com/article/ShacklesDollars/238598?key=yop9k7-B1Q1wD6aZpWTJr3Ge-x6XSRulwbSfCnHqE7B9uMfC2WvYE1p712kzRzpSkFvXzJqajd5azZCOWUzcUZlD1AzVnNoVlpWOXBIOJWEMGxLUJUX-</a></p></div><div data-bbox=)

The ‘Conversable Economist’ <<http://conversableeconomist.blogspot.co.nz/>> looks at “Some Economics of Parental Leave” <<http://conversableeconomist.blogspot.co.nz/2017/03/some-economics-of-parental-leave.html>>. Although it not entirely clear what exactly the research is telling us.

At ‘BloombergView’ <<https://www.bloomberg.com/view/>> Tyler Cowen suggests “Go Wet, Young Man”. Cowens suggests that given the election of Donald Trump Americans who want out should not think about moving to Canada so much as think about making a more radical move towards seasteading. Seasteading is the founding of new and separate governance units on previously unoccupied territory, possibly on the open seas <<https://www.bloomberg.com/view/articles/2016-12-07/seasteading-isn-t-such-a-crazy-idea>>.

A ‘VoxEU.org’ <<http://voxeu.org/>> Francesco Furlanetto and Ørjan Robstad write on “Immigration and the macroeconomy: Some new empirical evidence” <<http://voxeu.org/article/immigration-and-macroeconomy>>. One of the more controversial topics during recent elections has been the macroeconomic effects of immigration. Using immigration records from Norway, Furlanetto and Robstad argue that an increase in immigration lowers unemployment (even for native workers) and has no negative effects on public finances. Interestingly, however, they identify a negative effect on productivity which is worrying for long-term growth.

Marshall Steinbaum and Bernard Weisberger at ‘The Chronicle of Higher Education’ <<http://www.chronicle.com/>> look back with nostalgia at the radical days of the founding of the American Economic Association. They note that the association was conceived with the aim of challenging the classical economic orthodoxy. The AEA was founded both to conduct scientific research and to agitate for reform, in both the academic and public spheres <<http://www.chronicle.com/article/When-Economics-Was-Radical/238539>>. At the ‘Marginal Revolution’ blog <<http://marginalrevolution.com/marginalrevolution/>> Alex Tabarrok looks at some of the less savoury views of some of the AEA’s progressive founders, in particular Richard T. Ely. Tabarrok notes that Steinbaum and Weisberger are right about the AEA’s founding but he also notes that Ely’s “radicalism” involved socialism with a capitalist veneer, racism and eugenics <<http://marginalrevolution.com/marginalrevolution/2016/12/richard-t-ely-alt-right-founder-american-economic-association.html>>.

Recent events in the USA have raised questions about the future growth of international trade. A new posting by Andrew Bernard, J. Bradford Jensen, Stephen Redding and Peter Schott at ‘VoxEU.org’ <<http://voxeu.org/>> examines the role played by ‘global firms’ that both import and export, and are likely to be part of multinationals, in the international economy. In a world of interdependent firm decisions, small reductions in tariffs or trade costs can have magnified effects on trade flows, as they induce firms to serve more markets with more products at greater volumes, and also to source greater volumes of intermediate inputs from more countries. At the same time, policies to restrict imports can end up hurting producers for whom both importing and exporting are a central pillar of their overall business strategy <<http://voxeu.org/article/global-firms-insights-trade-and-trade-policy>>.

And just so information is a bit less asymmetric next Christmas, Timothy Taylor looks at the big environmental economics question about the, “Environmental Costs of Christmas Trees: Real vs. Artificial” <<http://conversableeconomist.blogspot.co.nz/2016/12/enviromental-costs-of-christmas-trees.html>>.

## STEM GRADUATES AND PRODUCTIVITY

By David C Maré, Trinh Le, Richard Fabling and Nathan Chappell

Having a reliable supply of high-quality technical skills helps the economy become more productive and innovative in order to better compete in global markets. There are ongoing debates about the right quantity and mix of science, technology, engineering and maths (STEM) skills, and about whether non-STEM skills deliver similar benefits.

This paper focuses on the early career employment and earnings dynamics of young graduates from both STEM and non-STEM disciplines. We focus on two key questions. First, we examine the extent to which different graduates 'upgrade' their jobs and find a good match for their skills and training in the six years after graduation. Second, we estimate how their relative wages and productivity contributions vary early in their careers.

### DATA AND METHODS

This study uses Statistics New Zealand's Integrated Data Infrastructure, an integrated data environment with longitudinal microdata about individuals, households and firms.

When analysing the upgrading of jobs, we looked at all tertiary qualifications gained during 2003–2006 that required at least half a year to complete, by people 30 years or younger, including both international and domestic students. We then follow these cohorts over six years as they enter the job market, looking at the following groups separately:

- high STEM graduates: with a bachelor degree or above in a STEM field;
- high non-STEM graduates: with a bachelor degree or above in a non-STEM field;
- low STEM graduates: who have a sub-bachelor qualification in a STEM field; and
- low non-STEM graduates: who have a sub-bachelor qualification in a non-STEM field.

There are 187,395 young graduates who meet our selection criteria, 46% of whom graduated with a Bachelor's degree or above, and 20% of whom graduated with a qualification in a STEM field of study. For much of our analysis of job upgrading, we use an 'always employed' subset of this group, to focus on those graduates who are engaged in the labour market.

When analysing the relative productivity and wages of graduates, we examine 10,700 firms with more than 5 employees between 2009 and 2012. These firms collectively employ an average of 620,000 full-time equivalent employees per year.

Our analysis cannot observe students who train overseas, the career outcomes of New Zealand graduates who travel overseas, or graduates who are self-employed or work in the informal sector.

We estimate, using regression methods, how productivity and wage bills vary across different firms within industries, and relate this to the skill composition of their workforces. It should also be noted that the productivity estimates compare firms within the same industry, and will therefore not reflect possible economy-wide influences.

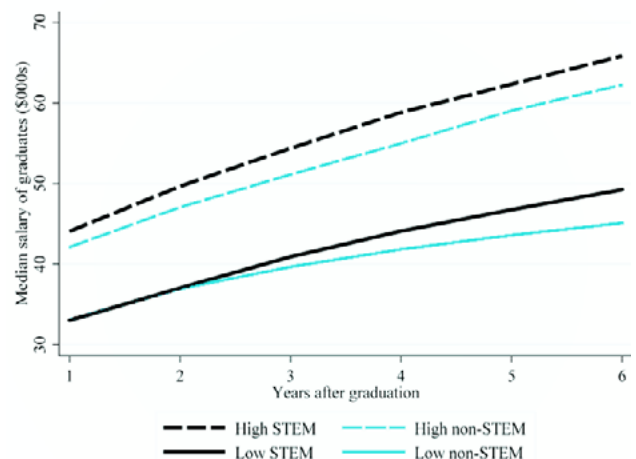
### UPGRADING OF JOBS

New Zealand's skilled graduates are very mobile. Many go overseas; in the sixth year after graduation more than 20% of low-STEM graduates are overseas and 40% of high-STEM graduates have left New Zealand.

The average high-STEM graduate changes jobs 2.8 times in their first six years after graduation. This is low compared with other groups of recent graduates. The average non-STEM graduate with less than a Bachelor's degree starts 3.9 different jobs.

High-STEM graduates experience relatively rapid earnings growth despite their relatively low number of job changes. High-STEM graduates not only have the highest median earnings rate in the first year after graduation (\$41,000), they also have the strongest growth in median earnings over their first six years post-graduation (57%). Among graduates with less than a Bachelor's degree, STEM and non-STEM graduates have similar starting rates (\$30,300) but earnings grow more strongly for STEM graduates (55%) than for non-STEM graduates (43%).

Figure 1: Change in Median Earnings



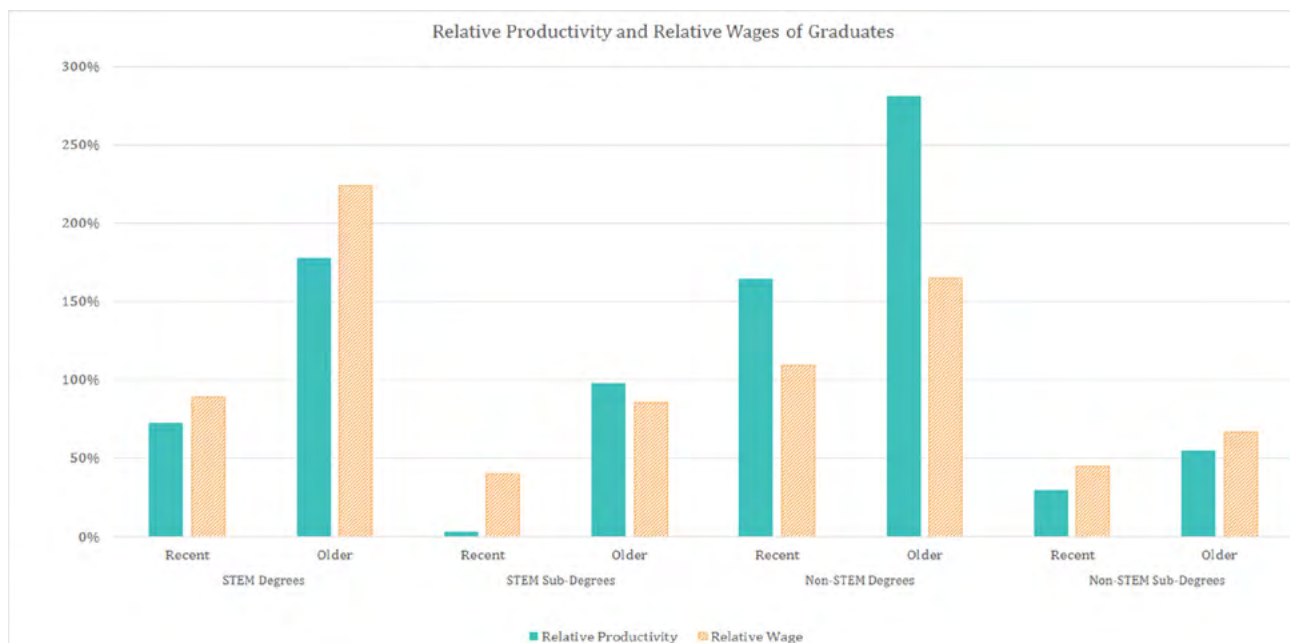
All graduate groups move, in their first six years after graduation, to firms that generally pay more to all employees, with about half of the gains made between the first and second year of employment. The gains over six years are highest for STEM graduates.

For all graduate groups, Auckland has a higher share of graduates 6 years after graduation than the share that studied in Auckland. This reallocation is weakest for low non-STEM graduates

### PRODUCTIVITY-WAGE GAPS FOR GRADUATES

Employees identified as high-STEM graduates account for 0.9% of the workforce we studied, with a further 1.5% from sub-degree STEM graduates. Non-STEM graduates account for a larger proportion, contributing 7% overall, with 2.5% from high-level graduates, and 4.6% from sub-degree graduates. These low numbers are because we have consistent qualifications data only for employees who graduated in the six years prior to employment.

Figure 2: Relative Productivity and Relative Wages of Graduates



Note: "recent" means in the first 3 years after graduation; "older" means 3-6 years after graduation; all measures are relative to the average for employees other than recent graduates.

The relative productivity of recent high STEM graduates (72%) is lower than their estimated relative wage, though the difference is not statistically different from zero. In contrast, the productive contribution of recent high non-STEM graduates (165%) is 34% higher than their relative wage. All percentages are worked out from the base group, which includes workers who did not graduate from study in the last six years.

The estimates for older (3-6 years post-graduation) graduates with a Bachelor's degree or above show a marked rise in both relative wages and relative productivity contributions compared with more recent graduates. For high STEM graduates, relative wages more than double, and rise well above those of the base category (224%), accompanied by a slightly smaller increase in relative productivity (177%). Together these estimates imply that the wages of older high STEM graduates are 26% higher than their productivity contribution. In contrast, the relative wages of high non-STEM graduates grow less slowly than their relative productivity, magnifying the degree to which their relative productivity (281%) exceeds their relative wage (165%). Three to six years after graduation, wages for this group are 41% lower than their productivity contribution.

The relative wage and productivity contributions of sub-degree graduates are consistently lower than the contributions of degree graduates. Sub-degree graduates in larger firms are estimated to contribute close to zero to productivity initially. For sub-degree STEM graduates 3-6 years after graduation, both wages and productivity have risen to about the same as that of the base group, with a relatively small (13%) wage deficit. The estimated relative productivity of low non-STEM graduates remains close to zero even 3-6 years after graduation, although wages increase to around 62% of the base group.

A gap between relative wage and relative productivity could reflect a range of labour market factors, including discrimination or longer term contracts.

The analysis of job upgrading and wage-productivity gaps suggest that the level of qualification tells us more about graduate outcomes than the field of study. The broad comparison of STEM fields with non-STEM fields almost certainly conceals considerable variation within each group.

The independent report "Productivity and the allocation of skills" by David C Maré, Trinh Le, Richard Fabling and Nathan Chappell was funded by the Productivity Hub.



# STATISTICS NEW ZEALAND'S HOUSEHOLD SURVEYS PROGRAMME

By Patrick Ongley

Statistics NZ's household surveys have long been important sources of social and economic data. Over recent years we've made concerted efforts to improve the quality, relevance and range of information collected in these surveys. Part of this is the development of a co-ordinated programme of supplementary content across the three household surveys – the Household Labour Force Survey (HLFS), Household Economic Survey (HES), and New Zealand General Social Survey (NZGSS). Last year we published a programme of supplementary content for the household surveys, covering the five years to 2020 (Statistics New Zealand, 2016a). The programme – summarised in this article – informs data users about what information we intend to collect and when, in order to help them determine whether their information needs will be met, and assist them in planning programmes of analysis and research.

## THE INTEGRATED SURVEYS APPROACH

Statistics NZ has been developing a more integrated approach to our household surveys which reduces the need for stand-alone surveys and consolidates a programme based around three core surveys – the HLFS, HES and NZGSS. These surveys not only include recurring sets of questions which are included each time they run (known as primary content), but also act as vehicles for secondary or supplementary content included on either a rotating or ad hoc basis. The aim is to enhance the scope of the surveys, reduce overlap between them, minimise development time for new content, and make the surveys more flexible and responsive to emerging information needs (Bycroft, 2011).

There are three types of supplementary content in the household surveys:

- Full supplements, typically consisting of a series of question modules on a broad topic or related topics (e.g. income, housing, or education and training).
- Rotating topics, which are shorter in length and restricted to a single and more concisely defined topic, included in the survey at regular intervals (e.g. volunteer work or employment transitions).
- Ad hoc topics, also short question sets, designed to meet topical information needs on a one-off or infrequent basis.

Selection of supplementary content is based on ongoing consultation with customers, and our understanding of the enduring and emerging information needs within the domains of each of the household surveys. Statistics NZ consults widely in the course of developing and redeveloping its surveys, formulating domain plans, and determining strategic priorities. This enables us to identify and prioritise information needs that are not currently met by the household surveys or other data sources.

Based on this we have developed the programme summarised below and shown in the table at the end of the article. This is a proposed schedule and there may be some changes due to resourcing issues and reprioritisation of information needs. There is some capacity for adding new topics or changing priorities if more compelling information needs emerge, and we welcome proposals on new topics (see contact details at the end of the article). However, with a busy programme already planned, we will be constrained by the availability of resources and the need to manage respondent burden.

## HOUSEHOLD LABOUR FORCE SURVEY

The HLFS is a continuous national survey of households that aims to produce a timely, relevant, and comprehensive range of statistics relating to the employed, unemployed, and those not in the labour force. The survey has just undergone a major redevelopment which includes the addition of new primary content (see Statistics New Zealand, 2016b) as well as greater flexibility to add more supplementary content – both full supplements and shorter rotating or ad hoc topics.

The full supplements scheduled for the HLFS are:

- *Income*: A set of questions about income from wages and salaries, self-employment and government transfers has been integrated into the main HLFS to run annually in the June Quarter, replacing the New Zealand Income Survey.
- *Childcare*: Information about the use of formal and informal childcare in New Zealand, the use of government childcare subsidies, and the relationship between childcare, work, and study arrangements. It will run in the September 2017 quarter and four-yearly after that.
- *Working life*: A redeveloped version of The Survey of Working Life (SoWL), collecting information about work arrangements, working conditions, and job satisfaction. Some questions previously in SoWL have been incorporated into the redeveloped HLFS, so new questions may be added when it is run again in the December quarter of 2018 – also to be repeated every four years.
- *Education and training*: A redevelopment of the 1996 Education and Training Survey (ETS) which asked people about their participation in formal study or job training, any training they would like to do, and barriers to doing so. We are proposing to run this every ten years from 2019.

In addition to these longer supplements, we plan to include several shorter rotating topics in the HLFS:

- *Disability*: In order to produce estimates of labour market characteristics disaggregated by disability status, we will include the internationally-used Washington Group questions in the HLFS once a year starting in the June quarter of 2017.
- *Volunteer work*: This will ask about people's participation in unpaid work for other households, individuals, or organisations. It will allow more frequent estimation of the economic value of unpaid work, and provide better information about the nature of volunteer work and volunteer workers. We intend to run this every two years from 2019.
- *Employment transitions*: Questions about the transition of young people from education into employment, and of older people from employment into retirement. It is proposed to run this four-yearly from 2018.
- *Redundancies*: This will aim to estimate the number of people who have redundancy provisions in their employment contracts, as well as the number of people who have recently been made redundant. It is also scheduled to run every four years from 2018.
- *Skill-related underemployment*: This will provide information about people whose occupational skills are underutilised in their current

job and who wish to change jobs so that those skills can be more fully utilised. It is scheduled to run four-yearly from 2020.

- *Types of self-employment:* Questions seeking to distinguish between different types of self-employment, such as business ownership, independent contracting, or dependent contracting. Its inclusion depends on the outcome of a review of the International Classification of Status in Employment being undertaken by the ILO. Currently it is proposed to run two-yearly from 2020.

As an example of an ad hoc topic, in the December 2016 quarter we included a set of questions on work-related health conditions in response to needs for baseline data around workplace health issues. There are currently no plans to repeat this module.

## NEW ZEALAND GENERAL SOCIAL SURVEY

The NZGSS is a multidimensional survey of well-being which has run biennially since 2008. It collects a combination of objective information about circumstances such as labour force status and income, as well as subjective self-assessments of different aspects of people's lives such as health status and overall life satisfaction. This helps us understand the interrelationships of outcomes across different aspects of life and how they vary for different population groups.

In addition to a broad range of primary content, since 2014 the NZGSS has included supplements designed to collect more in-depth information on specific topics related to well-being. There is also some scope for adding smaller ad hoc topics or 'mini supplements' to meet one-off information needs – although none are currently scheduled. The schedule for NZGSS supplements up to 2020 is as follows:

- *Civic and cultural participation:* This has recently been in the field in the 2016 NZGSS, collecting information on cultural participation, volunteering, tolerance, diversity, active citizenship and inclusion to help us understand the drivers behind sense of belonging and national identity. We propose merging this supplement with the social networks and support supplement in 2022, and measuring the high priority content from both supplements every six years.
- *Social networks and support:* First conducted in 2014, this supplement collected information about people's social networks and relationships, and how people used them to get the support they needed. We propose merging this supplement with the civic and cultural participation supplement in 2022.
- *Housing and physical environment:* This will collect information about people's housing and their natural and built environment in relation to broader well-being outcomes. The objectives and content of the supplement are currently under development for inclusion in the NZGSS in 2018 and every six years after that.
- *Time use:* Replaces the previous stand-alone Time Use Survey run in 1998/99 and 2009/10. It will be a shortened version of the earlier survey, designed to gain insight into the contribution of unpaid work to the economy and identify broader patterns in time use and their relation to collective and individual well-being. We propose to run the supplement every 12 years from 2020.

The extended NZGSS schedule leaves a gap every 12 years for new or additional content to be included, the first gap being in 2026.

## HOUSEHOLD ECONOMIC SURVEY

HES provides a comprehensive range of statistics on personal and household income, housing costs, and material living standards. The core survey (sometimes referred to as HES Income) is also the vehicle for two regular supplements that rotate on three-year cycles – one collecting detailed expenditure information (sometimes known as HES Expenditure) and one collecting information on assets and liabilities (HES Savings). As with the HLFS and NZGSS, there is some potential for including smaller rotating or ad hoc topics in HES, provided they don't add significantly to respondent burden, but none are currently scheduled.

- *Expenditure:* while the core HES collects information on housing costs, this supplement collects more comprehensive spending data including purchases of goods such as food, clothing, and household items, as well as spending on services such as electricity, telecommunications, and health. The latest survey also included a new module on child well-being. HES Expenditure runs on three-year cycle, was last in the field in 2015/16 and is next scheduled for 2018/19.
- *Savings:* replacing the Household Savings Survey, which was a stand-alone survey conducted in 2001, this supplement collects information on the assets and liabilities of households in order to determine their net worth. Assets asked about in the Savings supplement include houses, consumer durables, superannuation funds, other financial assets, and any assets held in businesses or trusts. Liabilities include mortgages, credit card debt, student loans, and any liabilities of businesses or trusts. The supplement was first run in 2014/15 and is also on a three-year cycle which will see it repeated again 2017/18.

## YOUR VIEWS WELCOMED

The programme outlined here is a proposed schedule, and subject to change due to resourcing issues and changing priorities. This is particularly the case with the HLFS, which has a very full schedule of new and redeveloped supplementary content. We also want to retain some flexibility for adding new topics or reprioritising proposed topics if compelling new information needs are identified. We therefore welcome suggestions from users who have important information needs they feel are not met by the proposed programme. In the first instance it may be useful to consult the full report on our website for more detail on the programme and the criteria for selecting supplementary content (Statistics New Zealand 2016a). And if you wish to discuss your information needs or provide any feedback on the programme as it currently stands please contact Scott Ussher, Manager of Future Development, Labour Market and Household Statistics (scott.usscher@stats.govt.nz, phone 04 931 4656).

## REFERENCES

Bycroft, C (2011). Integrated household surveys: A survey vehicles approach. Available from [www.stats.govt.nz](http://www.stats.govt.nz)

Statistics New Zealand (2016a). Household Surveys Programme 2016–20: Responding to New Zealand's Information Needs. Available from [www.stats.govt.nz](http://www.stats.govt.nz)

Statistics New Zealand (2016b). Household Labour Force Survey – summary of 2016 redevelopment. Available from [www.stats.govt.nz](http://www.stats.govt.nz)

COMBINED PROGRAMME FOR INTEGRATED HOUSEHOLD SURVEYS CONTENT, 2016–2020

| SURVEY CONTENT                                | YEAR AND QUARTER OF COLLECTION |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
|---|--------------------------------|---|---|---|------|---|---|---|------|---|---|---|------|---|---|---|------|---|---|---|
|   | 2016                           |   |   |   | 2017 |   |   |   | 2018 |   |   |   | 2019 |   |   |   | 2020 |   |   |   |
|   | 1                              | 2 | 3 | 4 | 1    | 2 | 3 | 4 | 1    | 2 | 3 | 4 | 1    | 2 | 3 | 4 | 1    | 2 | 3 | 4 |
| <b>HLFS<sup>(1)</sup></b>                     |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Main survey                                   |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Supplements                                   |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Income  |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Childcare                                     |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Working Life                                  |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Education and Training                        |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Rotating or ad hoc topics                     |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Disability                                    |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Work-related health                           |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Volunteer work                                |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Employment transitions                        |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Redundancies                                  |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Skill-underemployment                         |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Types of self-employment                      |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
|   |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| <b>NZGSS</b>                                  |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Main survey                                   |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Supplements                                   |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Civic & Cultural Participation <sup>(2)</sup> |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Social Networks & Support <sup>(2)</sup>      |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Housing & Physical Environment                |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Time Use                                      |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
|   |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| <b>HES<sup>(1)</sup></b>                      |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Main survey                                   |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| Supplements                                   |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| HES Expenditure                               |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |
| HES Savings                                   |                                |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |      |   |   |   |

1. While the HLFS and HES are both in the field year-round, the HLFS is a quarterly survey (i.e. results are produced for every quarter) and HES is an annual survey (i.e. results are produced for each year to the end of June).
2. The NZGSS Civic and Cultural Participation and Social Networks and Support supplements will be merged in 2022, retaining the high priority content from both supplements.

## NEW GEN COMMITTEE

Following the committee members election at the AGM in December 2016, we are delighted to introduce our new committee:

- Veronica Jacobsen, Chair, Ministry of Business, Innovation and Employment
- Joanne Leung, Deputy Chair, Ministry of Transport
- Michele Lloyd, Treasurer, Statistics New Zealand
- Zaneta Waitai, Secretary
- Bronwyn Croxson, Ministry of Health
- Daniel Griffiths, Statistics New Zealand
- Girol Karacaoglu, School of Government, Victoria University of Wellington
- Mark Lea, Ministry of Business, Innovation and Employment
- Tim Ng, The Treasury
- Patrick Nolan, Productivity Commission
- Marcos Pelenur, Ministry of Business, Innovation and Employment
- Philip Stevens, Ministry of Education
- Jason Timmins, Ministry of Business, Innovation and Employment
- Polly Vowles, Ministry of Social Development

We thank Donna Provoost of the Office of Children's Commissioner for her exceptional contribution over the past 3 years.

## GEN CONFERENCE 2016

The 2016 Government Economics Network (GEN) conference was a huge success with about 300 participants. The topic was "People and Policy" which brought together leading international and domestic experts to discuss how to design policy with people in mind. Speakers included: Prime Minister Bill English; Hon Amy Adams, Professor Julia Lane; Dr David McKenzie; Dr Alex King; Struan Little; Dr Nina Terry; Andrew Kibblewhite; and Liz MacPherson.

The conference illustrated how to make better and smarter policies through behavioural insights, design thinking and better use of data. Interested conference attendees also received a complementary ticket to a second day of practical workshops that used a co-design approach to apply insights from the conference to specific problems facing the New Zealand public sector. The slides for the conference and the practical workshops are available from the GEN website.

Planning for the 2017 conference is currently underway. Please keep an eye out on our website ([www.gen.org.nz](http://www.gen.org.nz)) for more information.

## GEN TRAINING COURSES FOR 2017

Looking for professional development opportunities in 2017? There are a number of new training courses available over next six months:

| COURSE TITLE                                     | LECTURER                           | WHEN                          |
|--|------------------------------------|-------------------------------|
| Introduction to Cost - Benefit Analysis          | Professor Adam Jaffe, Motu         | 1-2 May 2017                  |
| Introduction to Behavioural Economics for Policy | Dr Marcos Pelenur, MBIE            | 23-24 May 2017                |
| Introduction to Environmental Economics          | Dr Ross Cullen, Lincoln University | 12, 19 and 26 June 2017       |
| Introduction Microeconomics for Policy Analysis  | Dr Veronica Jacobsen, MBIE         | 21, 22, 28 and 29 August 2017 |

If you would like to sign up to any of these courses, please visit our website [www.gen.org.nz](http://www.gen.org.nz) or email [info@gen.org.nz](mailto:info@gen.org.nz).

## UPCOMING GEN EVENTS

| EVENT  | KNOWLEDGE HUB | WHEN          |
|--|---------------|---------------|
| Economic impact of the 2016 Kaikōura earthquake            | Transport     | 30 March 2017 |
| An Assessment of Tax Policy Responses to Natural Disasters | Productivity  | 5 April 2017  |

## RSVP

[knowledghub@transport.govt.nz](mailto:knowledghub@transport.govt.nz) for event 1

[hubsecretariat@productivity.govt.nz](mailto:hubsecretariat@productivity.govt.nz) for event 2

To subscribe to our mailing list for regular updates on events, please email [info@gen.org.nz](mailto:info@gen.org.nz).

# 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 School of Economics, Auckland University of Technology (AUT). 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.

## School of Economics, Auckland University of Technology (AUT)

### Geoffrey Brooke – Lecturer

Geoffrey's research interests are in economic history and the history of economic thought. Straddling the two fields is a project on the history of policy advice in mid-twentieth century New Zealand. Other projects in economic history are concerned with the long-run development of the New Zealand economy before 1914, including migration and changes in the standard of living. History of thought projects are concerned with methodological issues in the economic history literature, and the philosophy and economics of Frank Knight.

### Lydia Cheung – Lecturer

Lydia is a researcher in empirical Industrial Organization. She is currently working on a retrospective study on a merger and divestiture case in the U.S. personal care product market using high-frequency supermarket data. Divestiture is the most commonly used structural merger remedy to alleviate anticompetitive harm; however, its efficacy is not thoroughly understood. This retrospective study contributes to the literature with a detailed documentation of empirical facts of the case, and counterfactual analysis.

### Nan Jiang – Senior Lecturer

Nan specializes in applied microeconomic analysis. She has a PhD from the University of Auckland in which she evaluated the efficiency performance of NZ dairy farming with stochastic frontier analysis. She continues her interest in efficiency analysis with respect to the NZ health sector at present. Nan also has extensive experience working with large integrated administrative data to address policy questions. She has consulted widely for public and private sector agencies, such as the MSD, SUPERU, Vodafone NZ, Abbott Nutrition Singapore, etc.

### Saten Kumar – Associate Professor

Saten specializes in empirical macroeconomics, including topics such as monetary policy, price setting behavior of firms, agents formation of expectations, inflation measurement and the welfare costs of inflation. His recent work has utilized primary quantitative surveys to analyze firms' expectations about recent and future inflation. His research papers have been presented at the following conferences or institutions (among others): American Economic Association, Royal Economic Society, National Bureau of Economic Research, Bank of Canada, Bank of France, Federal Reserve Bank of Cleveland and Federal Reserve Bank of Dallas.

### Tim Maloney – Professor

Tim is the Head of the School of Economics and Co-Director of the Centre for Social Data Analytics at AUT. His fields of interest are labour economics, econometrics and public policy. Tim has recently worked with various teams on formal evaluations of several social welfare and educational programmes in New Zealand, predictive risk analyses for child welfare agencies in the US, and several projects on academic outcomes in New Zealand universities. A number of papers from these studies have recently been submitted to (or published in) Economic, Policy and Health journals.

### Gail Pacheco – Professor

Gail's research interests are mainly in applied microeconomics, with a particular focus on labour economics and public policy. The majority of her current research projects make use of the Integrated Data Infrastructure (Statistics NZ). This includes work on the gender wage gap, explaining ethnic differences in tertiary participation, and quantifying transience in NZ. She also currently holds the post of Editor-in-Chief for *New Zealand Economic Papers*.

### Stephanié Rossouw – Senior Lecturer

Stephanié's research lies within the field of development economics. More specifically, it focuses on regional quality of life and investigates the impact of economic as well as non-economic factors on said quality of life. Her current work investigates the effects of population density, spatial location and microfinance on increasing the quality of life of the targeted population group. She is also working on identifying possible club convergence to direct policy changes on a local level.

### Matthew Ryan – Associate Professor

Matthew's research is focussed on axiomatic decision theory. He is an Associate Investigator (AI) on a Marsden grant to study the effects of ambiguity on strategic voting. Matthew has three main areas of current interest. First, the axiomatic analysis of choice functions. This work has appeared in *Social Choice and Welfare*. Second, Fechnerian representations of probabilistic choice – these representations relate choice probabilities to utility differences and are familiar to economists in the guise of logit and probit models. This work is forthcoming in *Economic Theory*. Finally, Matthew is studying collective preferences over intertemporal streams of outcomes – social discount rates – which has significance for areas such as climate change policy.

### **Rahul Sen – Senior Lecturer**

Rahul Sen is an applied trade policy economist working on Economic integration in the Asia-Pacific and the role of Global Value Chains (GVCs). He is currently applying the Global Trade Analysis Project (GTAP) databases to understand the effects of economic integration in ASEAN members and within the members of the Regional Comprehensive Economic Partnership (RCEP) Agreement, in which New Zealand is a member and negotiations are ongoing. He has also been involved as an Advisory Committee member for the ILO research project on “Labour Provisions in International Trade and Investment Agreements” over the past 3 years.

### **Peer Ebbesen Skov – Lecturer**

Peer’s main research focus is on tax policy from an empirical perspective, and includes research into tax evasion and enforcement, tax avoidance, and the elasticity of tax bases but Peer has also published research in criminology and is currently working on projects including the effects of the minimum wage on youth unemployment and the link between experimental measures of altruism and real world charity donations. Peer’s projects are primarily based on full population administrative register data.

### **Sadhana Srivastava – Lecturer**

Sadhana Srivastava is an applied international trade and development economist working on Economic integration in the Asia-Pacific and the role of Foreign Direct Investment (FDI) and Trade in Services in India. She is currently working on the labour market impacts of trade agreements involving developing countries, with a focus on the TPP agreement, in which New Zealand has been involved. Her work on FDI data involving India has been cited in the Economist magazine in the past, and she takes a keen research interest in analysing export spillovers from FDI, at an industry and sectoral level.

### **Rhema Vaithianathan - Professor**

Rhema’s research interests include health economics, applied microeconomics, predictive risk modelling (PRM) and using big data to address unsolved social problems. She is Co-Director of the Centre for Social Data Analytics. Current projects include using PRMs in the US to predict child maltreatment and chronic homelessness and to identify communities that are ‘beating the odds’. Rhema and colleagues recently completed several impact evaluations commissioned by the Ministry of Social Development on interventions, including Family Start. She recently led an international research team developing a child welfare predictive tool for Allegheny County, US. The tool, now live, uses linked data to support frontline decision-making.

### **Centre for Social Data Analytics (CSDA)**

The CSDA is a translational research centre that uses data analytics for social good. It is based in the School of Economics and specialises in making use of large existing data sets, especially linked administrative data, to help address social issues. Highlights from 2016 include delivering the first ever impact evaluation of the NZ Government’s Family Start home visiting programme, implementing a live child welfare predictive risk model in Pittsburgh, US and collaborating with the Children’s Data Network at the University of Southern California on research that will use predictive risk modelling and mapping to identify communities in California that are ‘beating the odds’ of child maltreatment. Current projects (in NZ, the UK, and the US) are all driven by the idea that when researchers partner with ambitious, data-rich frontline agencies, big social impact is possible. For more go to: [www.csda.aut.ac.nz](http://www.csda.aut.ac.nz)

### **New Zealand Work Research Institute (NZWRI)**

The NZWRI provides high quality research across a broad multidisciplinary programme concerned with people and work. Professor Gail Pacheco leads the Institute as Director and is supported by six specialist research clusters, which focus on topics ranging from labour market dynamics; employment relations; wellbeing and performance; to diversity in the workplace; and the role of technology in the future of work. Recently completed projects include work commissioned by United Nations Women, Vodafone, MBIE, the Blind Foundation, and Lifewise. Current projects include use of rich datasets (usually the Integrated Data Infrastructure) to better understand the gender pay gap (Ministry for Women), explain ethnic gaps in the education sector (Productivity Commission), and quantify transience in NZ (Superu). For more information go to – [www.workresearch.aut.ac.nz](http://www.workresearch.aut.ac.nz)

## ABOUT NZAE

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

## WEB-SITE

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

## MEMBERSHIP FEES

Full Member: \$160.00 (\$130.00 if paid by 31 March)

Graduate Student: \$80.00 - applies to First year only (\$65.00 if paid by 31 March)

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

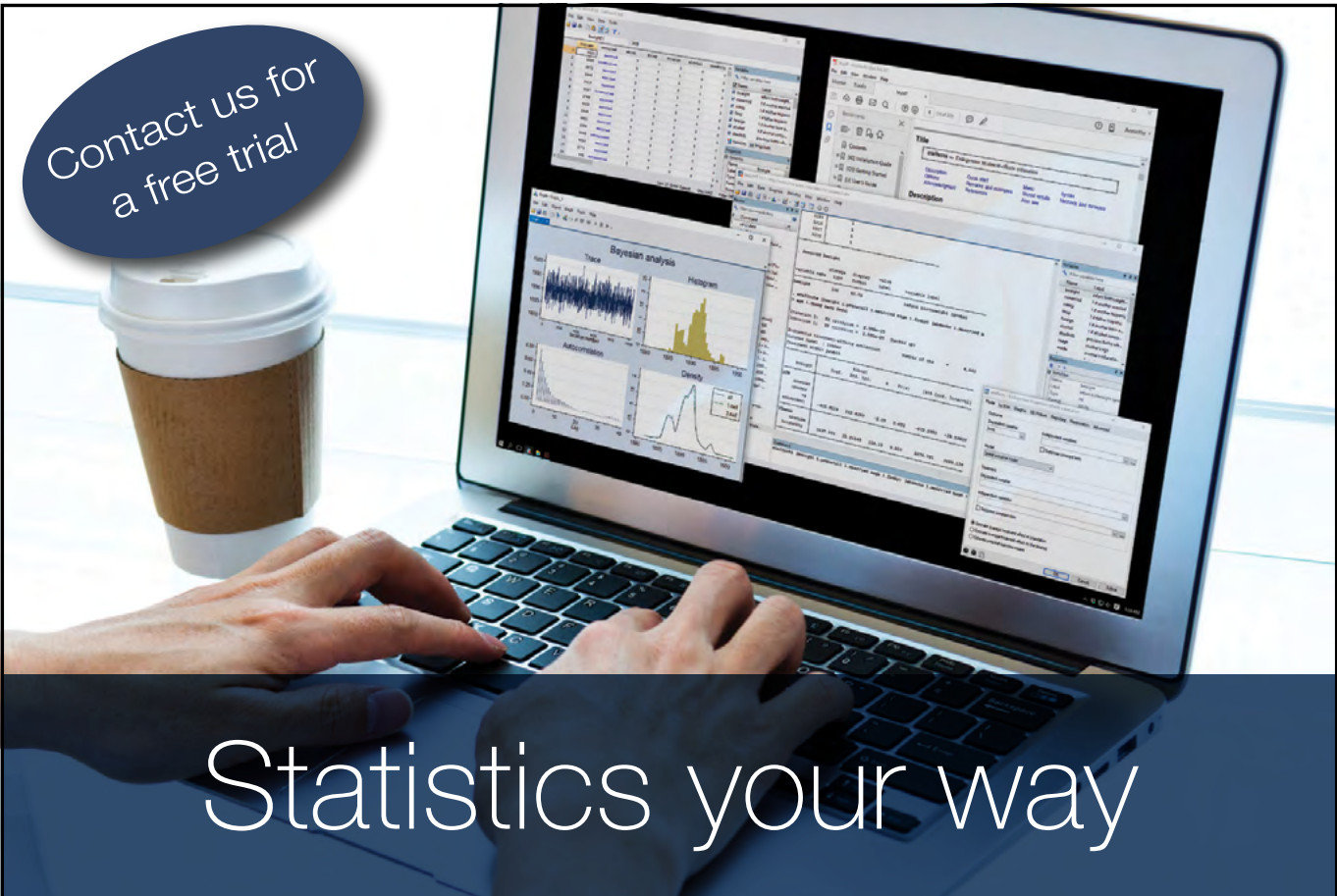
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## NEW MEMBERS

(2017, through to March 15)

**Kerry Anne Burridge** (Self employed); **Yonathan Dinku** (University of Otago – Graduate Study award winner 2016); **Yang Hu** (University of Waikato - Graduate Study award winner 2016); **Tim Maddock** (New Zealand Productivity Commission); **Dr David Fleming, Sally Owen** (Motu); **Benjamin David Smith** (NZ Transport Agency); **Kane Shea Swift** (Ministry of Transport); **John Stephenson** (Sense Partners); **Dr Ershad Ali** (Auckland Institute of Studies); **Dr Geetha Subramaniam** (Universiti Teknologi MARA); **Stephen Richards** (Crowe Horwath); **Pamela Booth, Benjamin Wiercinski, Dr Patrick Walsh, Dr Tarek Soliman** (Landcare Research); **Andreas Sebastian Heuser** (NZ Treasury).

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