

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

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**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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# Exploiting our natural advantages

EDITORIAL

2001 seems to be a year when we will get a lot of overseas visitors, including some big names. Professors Darwin and Jane Hall saw much of the country, presenting numerous seminars on the way. It seems they enjoyed themselves so much that they want to come back and explore other areas that they missed first time round. This has led us to think that there are opportunities which we should really try to exploit better. Collectively, we can provide a low-cost way for senior economists to see a lot of the country while sharing their ideas and meeting the local economics community. Benefits for us include the contacts, appearing to be more “on the circuit” rather than an isolated backwater, and the goodwill that will be generated. Let’s not forget spin-offs in terms of being better able to attract overseas economists to fill job vacancies.

We have a lot to offer to make visits worthwhile, especially if we work together to provide a comprehensive package. When we know that someone is coming, let’s think of supporting each other to make the trip as positively memorable as possible.

In this issue we have discussions of ethics in economics and definitions in the census. We have more contributions planned for later, including discussion on Simon Chapple’s “Closing the gaps” study. These highlight the importance of categorisation, definitions and aggregation.

We are very grateful to those who have again provided our regular columns. It is very encouraging to see how willing people are to support the publication. Further contributions and responses are of course most welcome. Don’t wait to be invited.

by Stuart Birks and Gary Buurman, Massey University

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

## Law and Economics Association of New Zealand Wellington Seminars, January-March 2001

**Time:** Every second Monday evening from 6-7pm

**Please note that the times and the dates of these seminars are subject to change.**

**Location:** Lecture Theatre 4, Victoria University of Wellington Law School, Old Government Buildings (opposite the Beehive)

**19 March 2001** - Julian Ludbrook, Ministry of Foreign Affairs & Trade, “The Incorporation of International Law into New Zealand Law”

**Other planned seminars include:** Ruth Busch on the Relationships Property Act; Brendan Moyle on the Anti-commons; Evelyn Cole on Maori claims to minerals; Veronica Jacobsen on prostitution and the law; Stuart Birks on quantifying gender issues and the law; Paul Havemann on a topic to be arranged.

For information on dates, and for catering purposes if you wish to attend, **RSVP** to: Brock Jera,  
Seminar organiser, LEANZ  
Email: Brock\_Jera@LECG.com

## Economics as a Moral Science by James Alvey J.E.Alvey@massey.ac.nz

In a recent article I traced the history of the marriage, breakup and divorce of mainstream economics and ethics.<sup>1</sup> Most economists now consider their discipline to be a technical one that is free from ethical concerns. It has often been claimed that the “scientific” advance of the discipline has required the move towards a value-free discipline. First-year courses in economics always begin with the mantra that there are positive and normative statements and that economists distinguish the two and concentrate on the positive statements.

Nevertheless, the methodologist will quickly tell you that positivism, as it is generally understood, is self-contradictory. The notion of a value-free science is ridiculous. Even in the purest of the natural sciences there must be a commitment to the scientific standards: supreme *value* must be placed on truth, honesty, reason, accuracy, observation, and replication. Is there any *positive* basis for choosing one level of significance in econometrics rather than another? The ethical underpinning of a “scientific” inquiry becomes obvious once one starts to think about it. Even the modern science of economics must be presented by ethical concerns, whether economists realise it or not. The fact that value-judgments are not made explicit does not mean that they are absent from the analysis. Values affect the choice of topic, as well as the perspective from which the topic is approached (and taught). Experimental data indicates a pattern of more self-interested and less co-operative behaviour by graduate students of economics than others in the samples. This suggests that economic theory and teaching, rather than merely reporting positive “facts,” actually shapes human behaviour.

In the past economists or those studying economic matters were aware of this. Economics grew out of moral philosophy and eventually became one of the moral sciences. In the evolution of economics before Adam Smith, it was generally (with the exception of the mercantilists) conceived of as a part of moral philosophy. Economists are uneasy about this genealogy. It is often claimed that one of the great advances of economics was its “escape” from the moral sciences. So the early history of economics is often seen as irrelevant. A “clean break” with the moralistic/theological past was allegedly made by Adam Smith, it is claimed, who established the discipline on firm ground. What is meant by this is that he established economics as an

independent science, free from ethical considerations.

Yet once again it is not so simple. In the recent scholarship on Adam Smith, he has emerged as anything but a positivistic economist; he was a developer of economics as a moral science both in the *topics* chosen and in the *way* that these were treated. He examines and classifies a range of human virtues including the more business-like attributes of industry, frugality, prudence, vigilance, circumspection, temperance, constancy, and firmness. In addition, justice is stressed as the glue holding commercial society together. In his analysis of economic growth he shows how commercial society both needs (frugality, industry etc.) and produces (the trickle down raises living standards and reduces the risk of infanticide and abandonment of the old) a great deal of virtue. In response, it may be suggested that Smith also was a captive of the past but that the later classical economists put things right.

Once again, many of the classical economists demonstrated their concern for ethical issues. Even after Smith, up to the beginning of the twentieth century, a number of leading economic theorists envisioned economics as a moral science, either in theory or in practice. Ricardo was closer to the tastes of the modern economist but Malthus felt that economics was closer to morals and politics than to mathematics. Malthus’s work is full of references to Smith and to the moral effects of certain policies. Later, J.S.Mill made his crusade the overcoming of the “evil” of low wages, recommending prudential birth control and bringing forward the time of the stationary state so that equilibrium was at a high wage rate.

The twentieth century witnessed the decline of economics as a moral science. The key factor was the emergence and influence of positivism. While the detachment of economics from morals in the past century, which continues today, is alien to much of the history of the discipline, positivism (as was seen above) is self-contradictory, hardly suggesting that there has been any advance over the previous century.

What might be the consequence of acknowledging the illusion of positivism? One would have to think more broadly about why one policy is better than another. With the multiple objectives of economic policy, on what basis are trade-offs made? Along Smithian lines one could look at the moral costs of inflation (the discouragement of frugality). One could make more of the parallel between the ethics of equality before the law and the principle that loopholes in taxation should be eliminated, as

<sup>1</sup> Alvey, J.E. “An Introduction to Economics as a Moral Science.” *International Journal of Social Economics* 2000, 27(12): 1231-51.

loopholes breach the notion of impartial taxation treatment. Also along Smithian lines one could draw attention to the ethical reasons for the near unanimous *advocacy* of economists of free trade and economic growth.

In addition, recalling Stuart Birks' comments a few issues ago about the "profession" of economics,

there may be something to be gained by looking at other "professions." Perhaps reflecting a decline in ethical behaviour, in medicine there has been a significant growth of medical ethics courses; and in many business disciplines there has been equally strong growth in business ethics courses.

## Census schmensus by Stuart Birks ([K.S.Birks@massey.ac.nz](mailto:K.S.Birks@massey.ac.nz))

Census day has come and gone, and we have dutifully filled in our forms. Now we can expect the standard analyses: income distributions by household; who is well-off and who is disadvantaged; which groups have gained and which have lost; the number of one- and two-parent families; how many children are living in poverty; who does how much unpaid work and for whom.

These are official statistics, and so they will carry some weight. They will be used in official publications, provided to international bodies, form the basis for policymaking in New Zealand, and be written up to shape New Zealanders' perceptions of themselves.

It would be unfortunate if there were inherent biases in the data.

Setting aside problems of incorrect responses due to poor recall or other reasons, there are such biases. In a column in Issue 7, I briefly mentioned problems with the definition of "family". Such problems result not only in inaccuracies, but also in misleading use of commonly accepted terms and in systematic biases in the information produced.

In the census, membership of a "family" is only possible for people who live in the same household. This may surprise you, as the classification used in the census includes "extended families". By these are meant a household containing people who are related, but more than the nuclear family. Most of us are likely to disagree with this definition, not least the Immigration Service with its family sponsored immigration policy based on a definition of "family" which allows members living in different countries.

With over a quarter of New Zealand children having parents who live apart, the one-household restriction is clearly inaccurate for these families. As the affected households cannot be identified, they contaminate the data for all households. The inherent biases apply to household membership, costs and income.

People are assumed to belong to one household only, even if their time is equally shared between

two households. The Minister of Statistics has stated that to do otherwise would, "make it impossible to measure the number and characteristics of families in a consistent and meaningful way". This will inflate the assumed size and costs of some households, including in particular "sole parent families", while understating the size and costs of others. Equivalence measures applied to these households will understate the living standards of the former relative to the latter. As the affected households cannot be identified, the effect will be to pull down the apparent levels of all "sole-parent families" in comparison to others.

The measurement of income is also problematic. Gross income figures are collected without regard for the tax-free status of some receipts, special entitlements such as cheaper health care, and payments that one household might make to another. Child support payments, for example, are actually intra-family (by a "normal" definition of family), but inter-household. Failure to consider such outgoings from after-tax income can result in an overstatement of a liable parent's effective gross household income by over 60 per cent. As child support is not deducted from liable parents' household income, but is still included (tax free, but as part of gross income) for recipient households, it is double counted in the gross household income figures.

Failure to recognize past inter-household transfers can also result in distorted data on retirement incomes. Current incomes of retired people are identified, but a superannuitant may have made a lump sum payment to an ex-partner on account of anticipated superannuation. The superannuitant's income is in part a repayment for this overlooked lump sum payment, and the ex-partner's income is not adjusted to allow for earlier lump sum receipts.

Not only are the income measures distorted in these cases, but these same measures can determine entitlement to benefits which are therefore also distorted.

Problems with the concept of “family” are reflected in the census residence requirement for someone to be in a “parent role”. So children are considered to reside in one household. If there are a parent and partner within the household, it is considered to be a two parent family. Actual parents to the children who happen to live away from the designated household would not be classified as parents to the children, even though they could actually be parenting them for half the time.

The requirement that people be counted in only one household and the failure to correctly acknowledge inter-household financial transfers result in overstated costs and understated income in some households, and the reverse in others. Hence, for example, any estimated hardship of children and sole parents is overstated.

The household focus can also be seen to have influenced on other studies.

The Fleming and Easting intra-family income study<sup>2</sup> considered management and control of funds, but was limited to individual households. Recognition of transfers from family members in other households presents a different picture. In particular, someone paying child support lacks both management and control, and is not even able

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<sup>2</sup> Fleming R and Easting S (1994) *Families, Money and Policy: Summary of the Intra Family Income Study, and discussion of policy issues*, Intra Family Income Project, Wellington (New Zealand)

to observe how the money is used. Presumably the study’s authors would have found this position unacceptable, had they considered it.

Munford and Saunders, in their book, *Supporting Families*<sup>3</sup>, begin with a broad definition of family, but then focus heavily on the household based “sole-parent families”.

McPherson<sup>4</sup> studied extended families in the commonly accepted sense, but her survey participants defined their own family members. Non-custodial parents’ relationships with children would only have been considered if a custodial respondent chose to identify the NCP as part of his/her family, even though that parent might have been very active and been seen as family by the child(ren).

In summary, the census gives a distorted picture. In particular, it reinforces our perception of sole-parent families, rather than a more realistic perception of “two-home children”. The prevailing perception shapes policy, research and public opinion, despite the data being misleading and biased.

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<sup>3</sup> Munford R and Sanders J (1999) *Supporting Families*, Palmerston North: Dunmore Press

<sup>4</sup> McPherson M (2000) “The Extended Family in New Zealand: Demographic Description and Policy Implications”, *New Zealand Population Review*, 26(1), 67-91

## **The 2001 Economics Society of Australia Conference**

will be held at the University of Western Australia, Perth

September 24th and September 27th 2001.

More details will be available as they are released at:

<http://www.cbs.curtin.edu.au/ef/esa/conferences.htm>

## From the 2BRED File

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

Being married to an extraordinarily avid reader, an endless stream of interesting books enters our house. Despite recently paying a joinery firm a ridiculous amount of money to install over 25 linear metres of shelving (I sometimes hanker for the brick and plank models of student days), 50 boxes of books still linger in the attic. But the flow continues unabated, and reaches a crescendo at Christmas. So to start this edition of the *2BRED File*, I have chosen three new books from my stocking.

An extensive career in gambling, a philanderer, a murderer, an escaped prisoner and lifelong fugitive, the father of illegitimate children, a financial dreamer and schemer, and a foreigner – these are not the elements that typically build a CV if you are aiming for a posting as Minister of Finance. None of these attributes hampered John Law. A rousing tale of political intrigue, scandal, murder, sex and above all monetary history is told by Janet Gleeson in *The Moneymaker* (Bantam Books: 1999). It recounts how a wild, brilliant Scot with an uncanny flair for probability theory and a vision for monetary reform became the Finance Minister of France and introduced paper currency. The epic drama unfolds of the Mississippi Company that made fortunes beyond words to describe – so much so that term “millionaire” was coined to refer to its shareholders. Of course, there is no prize for guessing that the speculative bubble burst. As the Sunday Times noted about the book... “if you can imagine Keynes’ General Theory rewritten by the Marx Brothers you will have some idea of this remarkable book”.

For an equally well-researched historical account, this time of scientific rather than monetary history I commend Dava Sobel’s drama of science, faith and love titled *Galileo’s Daughter* (Fourth Estate: 2000). Galileo Galilei’s life long commitment to scientific discovery and the anguish of reconciling his findings with the rigid doctrine of the Church, are splendidly portrayed against a rich tapestry of family relationships and a backdrop of inevitable political machinations of seventeenth century dukedoms. Galileo’s first appointment, as a professor of mathematics at the University of Pisa, came at the age of 25. His lack of conformity that characterised his life was soon revealed when the university authorities fined him for refusing to wear a gown (a practice that persisted and applied to graduate students at the University of New England in the 1960s). He regarded the dress as a pretentious nuisance, which barred him from the brothel (I cannot continue the parallel with Armidale, NSW). The book is a moving drama that enriched my historical perspectives of both science and religion, as well as their tortured interface.

People set themselves some amazing challenges. I have read of crossing the Andes on foot, crossing Australia on a camel, and now crossing Africa on a bicycle. Pamela Watson an Australian management consultant, did the ultimate in mid-career course corrections and tossed in

her job. She reports her adventures in going from Dakar to Dar es Salaam, a trip of 14,526.6 km, which kept her away from the office from October 1992 until July 1994. Some well-penned insights into life in the byways of Africa told in *Espirit de Battuta* (Aurum Press: 1999). Great escape from reading economics!!!

While I have never subscribed to the sloganism of “Buy Kiwi Made”, I think a wee plug for the local products now and again should not be seen as excessively parochial. In fact apart from the editor, there is not much that is Kiwi-made about this one: it is truly international in its scope and focus: *Global Emission Trading: Key Issues for Industrialized Countries*, edited by Suzi Kerr (Edward Elgar Publishing: 2000). Suzi is the founding Director of MOTU: Economic and Public Policy Research Trust ([www.motu.org.nz](http://www.motu.org.nz)), a Wellington based group recently launched<sup>5</sup>. I quote from a reviewer: “This is an especially accessible and technically responsible overview of the various complex design issues with the emissions trading programs authorized by the Kyoto Protocol. Rich with institutional detail on such traditionally neglected subjects as appropriate tracking and compliance systems and pragmatic ways of dealing with underlying uncertainties, this book weaves together some very useful original insights derived from the vast economics and political science literatures”.

Let me conclude with another in the series of long-run economic growth. I keep returning to this topic – for me it both fascinating and important. Why have economic growth rates been so different – why are some countries rich and others poor? Yes, we know something about this, but we are still far from developing a comprehensive explanation. Into this space rushes an endless supply of books from the plain wacky to serious attempts at explaining global patterns of growth. I normally eschew the “single hypothesis” variety – whether its sunspots, colonial pasts or climate. Life is just too complex; and as Sir John Hicks said: “all simple statements in economics (including this one) are generally wrong!” But this book looks interesting: *Physioeconomics: The Basis for Long-Run Economic Growth* by Philip Parker (MIT Press: 2000). I haven’t been able to get a copy yet, but the publisher’s blurb states that the author focuses on the so-called equatorial paradox – the phenomenon that we can explain up to 70 percent of a the cross-country variation in income per capita, solely by latitude. This blend of physiology and macroeconomics promises to explain and forecast economic growth on the basis of the activity level of the hypothalamus – so if your R-squareds are still too low and you haven’t yet tried a hormonal variable in your growth regressions, this just might be for you.

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<sup>5</sup> As Chairman of the Board of Trustees of MOTU, your columnist wishes to reveal his conflict of interest with respect to this item. For a description of MOTU see the note in this issue of Asymmetric Information.

## Web-sites for economists

This issue's survey looks at the exciting world of game theory. The Canterbury Department has an outline of the history of game theory at <http://www.econ.canterbury.ac.nz/hist.htm>. There are also links on the Canterbury home page to the other sites in this survey.

Three key research centres specialising in game theory are the Centre for Economic Learning and Social Evolution at <http://else.econ.ucl.ac.uk/index.html>, the Game Theory Society at <http://cwis.kub.nl/~few5/center/gts/>, and the Center for Game Theory in Economics at <http://walras.economics.sunysb.edu/center.gametheory/index.html>.

ELSE, which is headed by Ken Binmore, is an interdisciplinary research centre based at University College London. Their research is concerned with the modelling of human behaviour in the social sciences. They have a particular interest in the evolutionary foundations of human behaviour, and in learning and imitation processes. The economists at ELSE also work on game theory and its applications to practical economic problems, such as the design of auctions and tenders. The site contains information on the members of ELSE, their research - including downloadable discussion papers - as well as information on the events going on at ELSE.

The Game Theory Society site contains an introduction to the Society itself along with information on the officers of the society and details on membership of the society. It also has details of forthcoming conferences and workshops and links to related sites.

The website for the Center for Game Theory in Economics site contains information about the Center and its Faculty and Staff. It also has details of previous and current conferences and workshops they are organizing. The site has links to working papers and other related sites. These include links to material on general game theory, instructional material, computer programs, journals and working paper collections and other research centres. There are also links to the personal homepages of games theorists in areas such as Anthropology, Biology, Computer Science, Economics, Engineering, Mathematics, and Political Science.

There are also many game theorists with personal web pages. David Levine's Economic and Game Theory Page - <http://levine.sscnet.ucla.edu/> - contains some of his recent papers, games to play, program to

find equilibria of zero sum games, course material, and links to many sites.

A must for all those interested in game theory is Alvin Roth's game theory and experimental economics page - <http://www.economics.harvard.edu/~aroth/alroth.html>. He has information available on game theory, experimental economics, and market design. There are many papers and short articles available along with links to a huge number of sites of interest to game theorists, information about conferences, and a lot more.

The homepage for Martin J. Osborne - <http://www.chass.utoronto.ca/~osborne/> - has available his CV with links to institutions, co-authors, and papers. There is information provided on Osborne's research including recent published papers, working papers, and a conjecture. The information available on Osborne's books includes the table of contents, corrections and updates for Osborne and Rubinstein's "A course in game theory" (MIT Press, 1994) and "Bargaining and markets" (Academic Press, 1990). In addition there is information and sample chapters for Osborne's undergraduate text "An introduction to game theory", which is still in progress. He also provides material on his teaching; LaTeX style files for articles, drawing games (strategic and extensive), and information on some common (La)TeX errors, and how to avoid them; maths in HTML and links to other sites.

Ted Bergstrom's home page - <http://www.econ.ucsb.edu/~tedb/> - has available recent papers, links to other economists, economics directories, theoretical biology servers, anthropology servers, museums, and web indexes.

Eric Rasmusen's site - <http://ezinfo.ucs.indiana.edu/~erasmuse/> - at the Indiana University School of Business includes information on his CV; unpublished and published papers; teaching material; various other links and his books. The information on his book includes chapters in Latex and PDF, the errata, extra problems (with answers) and so forth for "Games and Information" (3rd ed., Blackwell, 2001) and "Readings in Games and Information", (Blackwell, 2001). Also included on this site is the data used in the book, "The Bell Curve". These files are in the 1 to 3 megabyte range, and are available in two formats, with some examples of STATA regression program input and output.

## MOTU: A New Economics Research Trust is Launched

A new research trust known as *Motu: Economic and Public Policy Research Trust* was formed in September, 2000. It is based in Wellington and will provide insights for New Zealand policy makers on a wide range of economic, environmental and social issues. The current research portfolio includes projects covering regional growth and decline, climate change, migration, deforestation, social policy evaluation, fisheries management, income inequality, and education.

The founding Director is Dr Suzi Kerr, who is supported by Dr Dave Maré, Senior Research Fellow. Both Suzi and Dave completed PhDs in economics at Harvard University in 1995. They have returned to New Zealand to apply their research skills to public policy issues here. Motu currently has six full-time staff members.

Motu's findings are readily available for public dissemination and comment through a website ([www.motu.org.nz](http://www.motu.org.nz)), public seminars and direct involvement with policy makers.

Motu is an independent, non-profit research trust whose aim is to contribute to public debate through rigorous, refereed research findings. The trust has a Board of Trustees whose external members are Dr Grant Scobie (Chair), Sir Geoffrey Palmer, and Dr Ann Sullivan.

Contact: [suzi.kerr@motu.org.nz](mailto:suzi.kerr@motu.org.nz)

## 1 AUSTRALASIAN MEETING OF THE ECONOMETRIC SOCIETY

6 - 8 July

### AUCKLAND, NEW ZEALAND

#### **SECOND ANNOUNCEMENT AND CALL FOR PAPERS**

This is to inform you that the 2001 AUSTRALASIAN MEETING of the Econometric Society will be held in Auckland, New Zealand from Friday 6 July to Sunday 8 July, inclusive. The meeting is open to all and everyone is welcome to contribute papers and participate.

The keynote speakers for the meeting are:

**Avinash Dixit** (Princeton, 2001 President of the Econometric Society); **Tony Atkinson** (Oxford University); **John Geanakoplos** (Yale University); **Steven Durlauf** (University of Wisconsin); **Joel Horowitz** (University of Iowa); **Joon Park** (Seoul National University); **Danny Quah** (London School of Economics); **John Rust** (Yale University); **Maurice Obstfeld** (University of California, Berkeley); **Jean Jacques Laffont** (University of Toulouse); **Ken Burdett** (University of Essex).

The closing date for the submission of abstracts is *March 30, 2001*. Please submit abstracts by email to [esam2001@metric.eco.auckland.ac.nz](mailto:esam2001@metric.eco.auckland.ac.nz);

Further information about submission procedures and updates about the meeting are available on the conference web site

<http://metric.eco.auckland.ac.nz/esam2001/esam.htm>

Bryce Hool & Peter C. B. Phillips  
Program Co-Chairs

**NEW ZEALAND ASSOCIATION OF ECONOMISTS**  
**ANNUAL CONFERENCE 2001**  
Wednesday 27<sup>th</sup>, Thursday 28<sup>th</sup> & Friday 29<sup>th</sup> June 2001

## Announcement & Call for Papers

**Venue:** Avon River Centra Hotel  
356 Oxford Terrace  
Christchurch

(If booking accommodation with Avon River Centra Hotel please state it is for the 'Economists Conference' – to receive the negotiated room rate of \$90.00 plus GST per night for either single or twin share. Telephone: (03) 379 1180 Email: [conf@avon-river.centra.co.nz](mailto:conf@avon-river.centra.co.nz))

**Aim:** Informing and fostering dialogue between other economists, and others interested in economic issues.

At present we are still in the early planning stages but we anticipate a full, stimulating and rewarding programme will result!

**Keynote Speakers:**

**WATCH THIS SPACE!!!**

**Themed Session:** Teaching Economics

**Other Activities:** Consultants' Corner – Workshop for consultants  
Post Graduates "Work in Progress" Session

- \* Theoretical and applied papers in all fields of economics are invited
- \* A more detailed timetable for conference activities will be forwarded in early May.
- \* Procedures for the Submission of Abstracts, Registration Form and details of the Jan Whitwell Prize are attached.

<b>Key Dates:</b>	20 <sup>th</sup> April 2001	<b>Submission of Abstracts</b> including those for "Jan Whitwell" entries
	12 <sup>th</sup> June 2001	<b>Submission of Full Papers</b> including those for "Jan Whitwell" entries.
	20 <sup>th</sup> June 2001	<b>Conference Registrations</b> (Includes Presenters of Papers)
	20 <sup>th</sup> June 2001	<b>Entry to Jan Whitwell Prize</b> including Conference Registration

*Please Note: These dates will be strictly adhered to*

To obtain Procedures for the Submission of Abstracts and Information for Presenters,  
Conference Registration Form and Jan Whitwell Prize Entry Form – contact:  
**Val Browning (Administrator) – or visit the web-site -**

**New Zealand Association of Economists (Inc)**  
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## From our foreign correspondents

### ANZRS AI CONFERENCE 2000, HOBART, DECEMBER 3-6

By Wai Kin Choy

([waikin.choy@treasury.govt.nz](mailto:waikin.choy@treasury.govt.nz))

The Australia and New Zealand Regional Science Association International (ANZRS AI) is part of an international association (RS AI) concerned with all aspects of regional analysis and development. ANZRS AI held their 24<sup>th</sup> Annual Conference in Hobart, Tasmania from the 3<sup>rd</sup> to the 6<sup>th</sup> of December 2000 (see <http://www.utas.edu.au/conferences/ANZRS AI2000/>). The theme of the 24<sup>th</sup> annual conference in Hobart was “*Growth & Spatial Restructuring: Exploring the Regional Divide*”. There was a good mix of people from Australia, New Zealand, the United Kingdom, the United States and Japan – central government, local government, professional and voluntary practitioners, research and analysis agencies, academics, etc. This unique combination is one of the attractive features of ANZRS AI, as compared to other professional bodies. This mix is certainly reflected in the wide-ranging topics presented at the conference. Here, I focus on four themes that are of pertinence to New Zealand, reflecting of course my own sampling biases.

One of the central themes that emerged at the conference was the persistence in regional income inequality in New Zealand, Australia and the European Union. NZ experienced a rapid increase in personal income inequality during the last 2 decades. *Inter*-regional income inequality also grew sharply, particularly in the 1980s. Meanwhile, there are significant differences between NZ regions in shifts in the *intra*-regional income distributions. The growth in *intra*-regional

income inequality is particularly pronounced in the Auckland and Wellington metropolitan regions. In Australia, there is evidence of a large

and growing gap between the incomes of those living in the capital cities and those living in the rest of Australia. However, regional Australia is not uniformly disadvantaged and not uniformly declining, with very different experiences in particular states and regions. There is also evidence of the disappearing or hollowing-out of the middle income group across most regions. There is evidence of a similar trend in NZ. Meanwhile, regional inequalities in per capita income and unemployment in the EU were also found to be persistent.

It is also worth highlighting the current concern with the digital divide. Digital divide is the term used to refer to the distance between those who are participating in the digital revolution (also called information and communications technologies), and those who are not. Digital divide can be used in different contexts. In a spatial sense, it is used to differentiate urban (or city) and rural (or country) areas, or sometimes developed and developing countries. In a social sense, it is used to illustrate differences across income groups. There were three papers on this topic and the message is clear that the reasons for such a divide are many and varied. It's not just about wealth or income. It's also about connection problems, lack of skills and training opportunities. This message has also been put forth by some in NZ.

Besides, it was argued time and time again at the conference that there needs to be a more balanced approach in regional development strategies. More emphasis should be given to the bottom-up approach (that is, initiatives and activities by the local people), rather than the traditional top-down government policy and programs. This message appears to be echoed in NZ as well, with some regional partnership programmes underway. However, such an approach requires that there be a strong desire

from the community, a common vision, clear strategy/plan forward and adequate resources.

Another observation that struck me as interesting at the conference was that the media could be a double-edged sword. Where the media portrays a “doom of the gloom” picture, one wonders if they are actually “talking down” the economy, particularly in the declining regions. Such a “perception is reality” view would then suggest that the media has to be responsible for getting their facts right, not misrepresenting or misreporting them.

As pointed out by a few people, many papers are still seeking to explain trends in the past. We need to go beyond merely explaining, into more forward-looking action-oriented type papers. There is little point in analysis if it does not lead to a positive prescription that helps people to be better off. However, this is perhaps easier said than done, and remains a challenge for researchers and practitioners in this area.

As for the organisation of the conference, I must compliment the organisers for having done a great job. The conference venue had a convenient location. The Moorilla function and the conference dinner were excellent social events – people got to mix around informally with people, plus taste some good food and fine wine. The team at the information desk were really friendly and helpful people.

Overall, I would say that the conference was a success. It provided a good avenue for listening to a range of topics, meeting other researchers/practitioners face-to-face, and the opportunity to follow-up on contacts after the conference. Although many questions remained unanswered, the conference was nevertheless not short of issues critical for regional development, and this in itself constitutes a useful step forward for us.

However, it is surprising to find so little Kiwi participation at the conference. There were only 3 delegates from NZ (Jacques Poot, Ifor Ffowcs-Williams and myself). And what’s more - none of us were born in NZ! However, it is worth noting that there were a few New Zealanders there who are currently working in Australia. (This is a

symptom of the globalisation process occurring) Also, as pointed out by a few people, there is little participation among younger people. In order for ANZRS AI to have “sustainable development”, it needs some more young blood.

Incidentally, it is worth highlighting here that there is a body called *Local Government New Zealand* that promotes the national interests of local government in NZ (for more information, see <http://www.localgovtnz.co.nz/index.html>). This organisation comprises 12 regional councils, 15 city councils and 59 district councils. They had their annual conference in Christchurch in July last year, and many of the topics are similar to those at the Hobart conference. This could be one reason why there is such a low participation of Kiwis at the Hobart conference. It would be potentially beneficial if there were some co-ordination between ANZRS AI and *Local Government New Zealand* (e.g. a joint conference periodically, contributions to newsletters, etc.), or at least some participation at each other’s conference. There could even be some significant economies in sharing the cost of internationally invited speakers with them. These would certainly be worth some more thought.

The Annual Conference rotates around the states and (note for the diary) the 2001 conference will be held from 30 September to 3 October (inclusive) in Bendigo, Victoria. The theme for the 2001 conference should be “*Achieving Regional Economic Development While Satisfying Environmental Concerns and Supporting Communities*”. Incidentally, Ifor Ffowcs-Williams and I are on the ANZRS AI Council. It would be potentially useful for more participation from the Kiwis in the future. We can be contacted at [e4@clusternavigators.com](mailto:e4@clusternavigators.com) and [waikin.choy@treasury.govt.nz](mailto:waikin.choy@treasury.govt.nz). For those interested to have a look at the sort of papers presented at the Hobart conference, you can download the programme (pdf file) from the website <http://www.utas.edu.au/conferences/ANZRS AI2000/>. Papers are available for sale through the Association (please contact Linda Pink at [anzrsai@uq.net.au](mailto:anzrsai@uq.net.au)).

**The Annual Meeting of the Allied Social Science Associations, New Orleans, Jan 5-7 2001**

**By Grant M Scobie  
The Treasury**

Would I be interested in attending the ASSA meetings in New Orleans? Well, I hate oysters, beer, Dixieland jazz and French colonial architecture, but if you insist..... I suppose I could just put up with it. So there I was - swelling the ranks (along with 15 or so other Kiwis) of what must be the largest professional meeting on the planet.

A total of 54 professional societies organised sessions (AEA is the largest share, perhaps 60 percent). Over 10,500 participants were registered, making it very difficult to meet people as the meetings spread across 4 hotels. The probability of a random encounter was asymptotically equal to zero. The message system was too congested to be useful, so if you go and plan to meet someone, a prearranged date is almost essential. Despite a preponderance of market-oriented economists, queuing was extensively used as a rationing device (to register, to enter meetings, to join social functions).

The gender bias was striking – even a mere male could not help noticing. Many sessions had no women participants let alone presenters! Especially marked in the economics and finance sessions – a little less in some of the “softer” social sciences.

The range of topics was staggeringly large. The imperialism of economics continues unabated; eg, a session entitled “The Economics of Obesity” with a paper on “The Returns to Fat” (it was slim pickings). Of course, the wide range and the sheer number of papers (upwards of 1000) meant that each block had 15-20 parallel sessions. What did one choose? Inevitably there were unfortunate clashes – eg. a session on economic expansion (which came down to why volatility had fallen) at the same time as a parallel session on volatility.

In a good number of the sessions the papers were rather “academic” – not a criticism per se, but simply not oriented in a way that directly appealed to a policy advisor. The USA research industry is so large, yet they face the same set of topics as anywhere else. The net result is they have much greater in depth research on any one theme, and so the marginal paper makes a seemingly insignificant tweak to the large, extant body of literature.

Robert Mundell was honoured for his Nobel Prize in a special luncheon with a who’s who at the top table (Krueger, Barro, McKinnon, Frenkel, Dornbusch, Harberger, etc...). Jack Hirschliefer and Edmond Phillips were inducted as Distinguished Fellows of the AEA. Dale Jorgensen’s Presidential address was a wonderful synthesis of his work in capital theory applied to estimating the productivity contribution of IT, and provided an interesting contrast to Robert Gordon’s recent writings questioning the significance of an IT revolution.

These meetings serve as a major job market. The New Zealand teams who were there on the demand side of the market reported that they felt it is both necessary and useful. But they hastened to add that recruiting top graduates from top schools to come here is tough, and all would be pleased if they scored one acceptance from up to 20 interviews and 5-6 offers.

I especially enjoyed the very good displays by over 70 publishers and agencies and could have spent much longer in the exhibition halls (but felt some obligation to sample the oysters, beer and jazz).

The preliminary programme is available on the website. There were some minor changes but those wanting to skim the offerings and see if there are relevant papers will find it a useful guide.

<http://www.vanderbilt.edu/AEA/mtgp.htm>.

Copies of papers were not available as a rule. But it seems that most authors were willing to send a copy by email afterwards, on request. In

addition, many presenters have their own home pages on the Inter Net and copies can frequently be downloaded from there.

Is it worth attending such a blockbuster? As a general rule, I would say yes. There are useful contacts to be made especially with expatriates. And while one can only attend a small fraction of the offerings, one does get a sense of what are the current issues of importance – productivity and economic growth continue to dominate. Of course, it is always a privilege to hear the big names in person – eg. Angus Deaton on Endogenizing Longevity was a fascinating expansion of the boundaries from as yet unpublished work.

Why the cover of the programme (some 356 pages) was adorned with a trout fly I never discovered. But attending the sessions did have a strong link to angling – one chose likely waters, cast and then hoped for some luck in striking something worthwhile.



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# research in progress...

Continuing our series on the research projects currently underway in Economics Departments and Economics Research Units throughout New Zealand, in this issue we profile the research currently being undertaken by economists at the HSRC. The objective of this section is to share information about research interests and ideas **before** publication or dissemination - each person was invited to provide details only of research that is **new** or **in progress**.

## **... economic research at the Health Services Research Centre (HSRC) as at March 2001.**

Prepared by Adrian Slack and Jackie Cumming. Further information on the HSRC and its staff may be found at <http://www.vuw.ac.nz/hsrc/>

The HSRC is a joint venture between the Institute of Policy Studies at Victoria University of Wellington and the Wellington School of Medicine of the University of Otago. We are based in Rutherford House, part of Victoria University's Wellington downtown campus. The Centre gratefully acknowledges the role of the Health Research Council of New Zealand in the funding of the Centre.

Three of the HSRC's eight researchers are engaged primarily in economic research: Dr Charles (Chip) Cangialose (Director), Jackie Cumming (Senior Research Fellow), and Adrian Slack (Research Assistant). While broader health services research and public policy issues are of common interest, Chip is interested particularly in applications of small area variations methodology to New Zealand health services. Contemporary resource allocation and priority setting tools in the New Zealand health sector are among Jackie's primary interests, with her PhD thesis on these about to come off the printer. Adrian maintains interests in the theory of industrial organisation and welfare economics and their application in New Zealand, particularly to social inequalities.

There are currently a number of projects drawing on economic methodology which reflect the HSRC's strategic focus on emerging models of care and policy, consumer and community issues in health care, the Treaty of Waitangi, and resource allocation and distribution.

An evaluation of ten demonstration pilot projects promoting integrated care is in the final production phase. Chip, Jackie, Adrian and Ken Buckingham (previously of the HSRC, now at Otago University's Department of Preventive and Social Medicine) were part of a

multidisciplinary team which evaluated different forms of integrated care demonstrated in ten Health Funding Authority national pilot projects. An ideal model of integration (which may be applied more broadly than to the health sector) was developed in the course of this research, and is presented in the evaluation reports. While a cost-effectiveness approach was modified for each of the nine evaluable projects, data quality and quantity allowed a more detailed analysis of only two of the projects. This experience highlighted the importance of including all evaluation components in the design stage of a project. Other lessons learned include the importance of getting buy-in from key stakeholders, ensuring there are sufficient resources for data collection and processing and chasing people up as required.

Jackie and Adrian are involved in research on the economic consequences of waiting times for hip replacements. This project is in association with researchers based at the Wellington School of Medicine, University of Otago. A before and after study, this project prospectively defines the economic and health costs of waiting for total hip joint replacement, following patients at three sites. At the last count, the study had enrolled 153 participants. Of these, 49 are yet to complete the study, while 79 participants have completed with 25 withdrawing from the study (reasons for this have been recorded). Participants keep a waiting cost diary, recording consequences of illness or disability such as health care costs, activities affected, help and support required, and other expenses. Pre- and post-operative health states are measured at regular intervals using both a generic quality of life measure

(EQ5D) and an osteoarthritis-specific measure (WOMAC).

The HSRC is also leading a research consortium evaluating clinical priority assessment criteria (CPAC), which are systems designed to score health need for, and ability to benefit from, elective surgery and to support the booking system. The research programme, for which the design stage is nearing completion, incorporates the research interests of a number of organisations. These interests include looking at validity and reliability of CPAC scores as predictors of patient benefit following surgery; impact on clinical practice; and the impact on equity of access across regions and population groups. In due course, other aspects of CPAC may be analysed, such as the implications of different funding levels on health benefit to the community. The HSRC is investigating a collaborative effort to develop a simple quality of life measure to audit outcomes associated with the use of CPAC.

Some other research on the HSRC workbench involves Chip and Adrian in a nascent small area variations analysis of cardiac services in New Zealand. Another project they have in the pipeline, which is in collaboration with providers and looks at resource allocation and distribution, is a cost study of three New Zealand paediatric oncology service providers.

Jackie is developing a significant piece of research into recent and on-going New Zealand health sector reforms. This research will examine a number of themes around the reforms, focusing on governance, purchasing and accountability in the New Zealand health sector. Public perceptions around services, District Health Board decision-making processes, public sector management models and theoretical aspects of industrial organisation will be examined. It will involve collaboration with researchers from a several disciplines and research institutions over the next few years. Health Research Council funding is being sought for this research.

Jackie is also involved in a proposal to the Foundation for Research Science and Technology entitled *Māori Organisational Culture and Capability*, through Victoria Link Ltd, and in collaboration with a number of other researchers. This proposal addresses the problem of the existence of inappropriate organisational forms that create barriers to

Māori participation within them, and block equitable access to health, prosperity and society. Outputs of the research will build recognition and respect for Māori institutions, and generate knowledge that can be used by Māori and non-Māori managers, policy- and law-makers. A key outcome of the research will be improved Māori health status and greater participation by Māori in the economy and society of Aotearoa/New Zealand through the development of strong Māori organisations and responsive bicultural organisations.

Amohia Boulton, who recently joined the HSRC as an HRC Training Fellow, is making inroads into her PhD study on developing a framework for assessing the performance of Māori mental health services. This research is supervised by Dr Chris Cunningham (Te Pūmanawa Hauora, Massey University) and Jackie Cumming, and draws together strands of Māori and mental health, health policy, and accountability. It builds on an evaluation of a Māori men's well-being programme and investigates, in greater detail, the tensions Māori providers face in trying to deliver service which is effective from a Crown and public sector perspective and from a Māori perspective.

The HSRC's Pauline Norris, Jackie Cumming and Evan Roberts were involved with a report commissioned by PHARMAC: "Evaluation of the Implementation and Sustainability of the ACE Inhibitor Reference Pricing Initiative". The research suggests that ACE Inhibitor Reference Pricing Initiative has significant implications for the cost-effectiveness of treatment of cardiovascular disease in New Zealand, and is internationally unique. A retrospective before and after study of adult patient encounters resulting from the ACE inhibitor initiative, the evaluation addressed the question — what effects has the initiative had on acceptability, sustainability and costs?. The report made a number of findings and recommendations on the research question, as was submitted to PHARMAC in November 2001.

Other quantitative research Pauline and Evan were involved with examined the growth, and regional variation, in the use of anti-depressants in New Zealand over the 1993-97 period. The study focused, in particular, on whether newer, more expensive anti-depressants were being

used instead of, or in addition to, older anti-depressants. The number of dispensings, volume and expenditure were examined. The study found regional variations in anti-depressant prescribing were large. It also found, in common with other countries, the use of newer agents contributed to increased overall use of anti-depressant medication and government expenditure in New Zealand. Use of older drugs, however, had not diminished substantially.

The HSRC provides a number of fora for the dissemination of research into health services and policy to which all those interested are invited. Recently, Adrian took over administrative responsibility for the Health Economists' Group (HEG) in Wellington. This has been a great chance to find out more about other researchers and what they're doing. To strengthen the ties, and take advantage of the synergies between the HEG and Social Science and Health Network (SSHN) the HSRC recently launched the **Health Services Research and Policy Seminar Series** as an umbrella series. Seminars are held at 12.30pm the first and third Thursdays of every month. (Please contact Adrian if you are interested in presenting your work to an open, reasonably informal forum of researchers and the general public, or if you wish to be placed on the mailing list for the seminars.)

Of note is the **Health Services & Policy Research Conference** to be held 2-4

**December 2001**, which the HSRC is hosting in Wellington. One of the major themes of the conference is expected to be health inequalities, but papers are likely to cover a range of issues, including research methods. Keynote speakers, who may be of particular interest, include **Julian Le Grand, Joe Newhouse, Anna Donald** and **Margaret Whitehead**. We are currently calling for papers, welcoming work on any aspect of health services and health policy research. More information may be found on the conference website, <http://www.vuw.ac.nz/hsrc/conf/>

Finally, following the conference, an informal session is planned for health economists from around the country (date to be confirmed). It is a casual, semi-annual affair for health economists to talk about what they are doing. It is also a good chance for people to catch up, network, explore some opportunities for collaborative research and have some fun. There is a suggestion this time that we take some time out of the middle of the day and go across Wellington Harbour on the ferry to Eastbourne for lunch. Health economists keen to come along or interested in presenting some of their work should contact the convenor, Judy Bethwaite ([judy.bethwaite@vuw.ac.nz](mailto:judy.bethwaite@vuw.ac.nz)), or Adrian ([adrian.slack@vuw.ac.nz](mailto:adrian.slack@vuw.ac.nz)).

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## ...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:

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phone: (04) 801 7139  
fax: (04) 801 7106  
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## *Welcome!* to the following people who have recently joined NZAE...

**Dr Brendan Moyle** (Department of Commerce Massey University); **Karen Lyons** (Auckland City Council); **Sean Bevin** (Napier City Council); **Dr Laura Meriluoto** (Department of Economics University of Canterbury).

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

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