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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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REMINDER: NZAE ANNUAL CONFERENCE  
27<sup>TH</sup>, 28<sup>TH</sup> & 29<sup>TH</sup> JUNE 2007

Visit the Website <http://nzae.org.nz/conferences/>  
to view the great line-up of overseas speakers!

**THIS CONFERENCE IS A MUST FOR ALL ECONOMISTS!!!**

### *Past Issues of Asymmetric Information...*

*All past issues are now available for downloading (or for citing in scholarly publications)*

*FREE OF CHARGE From: <http://www.nzae.org.nz/newsletters/>*

# *Simplification...*

EDITORIAL

The essence of analysis is simplification, with a focus on key elements. It is a powerful approach, but it has pitfalls. As economists, we risk our credibility if we claim more than we should from the available information and our understanding. Also, while others might want to hear only a simplified description of our understanding, there is a real danger that we might fall for the simplified view also. If we do, it might almost be described as believing our own propaganda.

Economic analysis cannot be done in a vacuum. The phenomena that we analyse are subject to numerous other influences and constraints, such as the nature of production processes and available technologies. While we may well realise limitations and uncertainties within our own areas, there can be a tendency to assume that outside information is not subject to the same reservations (although we do mention quality of data issues). Even when doubts are raised, we are often obliged to assume the accuracy of inputs from elsewhere. The same can apply in reverse where economic information is used by others. Hence I have heard analysts refer to the results of cost-benefit analyses as definitive conclusions that cannot be challenged. As Socrates has said, it may be preferable to recognize how little we know than to have an inflated view of our understanding. Economics does not always take that stance, as indicated in past issues of *AI* describing the tendency to adhere to prevailing beliefs as long as they provide a *possible* explanation of what we observe, or unless a superior alternative explanation arises.

On an unrelated matter, *New Zealand Economic Papers* has a new editor, **Ananish Chaudhuri**. See his announcement on p.17 of a new category of **Short Notes**. This has the potential to be a valuable component of the journal, so please give it some thought.

by Stuart Birks, Massey University

Members are invited 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 [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.

## **John McMillan**

It is with great regret that we report that John McMillan died on March 13 after a long battle with cancer. John was the Jonathan B. Lovelace Professor of Economics; a Senior Fellow, Stanford Institute for Economic Policy Research; Senior Fellow (by courtesy) Stanford Institute for International Studies; Co director of the Center for Global Business and the Economy. He was a well trained NZ economist: BSc (Hons.), 1971, MCom (Hons.), 1973, Univ. of Canterbury (New Zealand); PhD, 1978, Univ. of New South Wales (Australia). After spells as an academic in Canada and UC San Diego he had been at Stanford since 1999.

John was widely published in a range of areas and had served as Editor of the *Journal of Economic Literature*. He had been a consultant to the Treasury and in 2005 was made a Distinguished Fellow of the NZ Association of Economists. The citation for this award can be found in *New Zealand Economic Papers*, 39(2), 2005, pp.127-8. You can also access a selection of 59 of his articles at: [http://faculty-gsb.stanford.edu/mcmillan/personal\\_page/articles.html](http://faculty-gsb.stanford.edu/mcmillan/personal_page/articles.html)

He will be greatly missed.

### Current Government Thinking on Economics [SB]

From time to time we get some useful insights into government thinking. One such opportunity is found in a speech by Finance Minister Hon Dr Michael Cullen on 8 March 2007 at Christ's College in Christchurch (<http://www.beehive.govt.nz/ViewDocument.aspx?DocumentID=28591>). He outlined what is presumably the government's view of "economics old and new". Here are some key extracts:

*Classical economics emphasised the efficiency of the market but at the same time real people noticed the market had other consequences*

*Working people who sold only their labour didn't share in the great riches the market helped create. As Europe industrialised they lived in poverty.*

[This overlooks the increase in living standards across much of society, as evidenced in part by increased life expectancy.]

*A century ago, then socialist parties began to be elected to governments that saw government as a way to redress the inequalities the market produced.*

[Whereas this role was previously played by non-government bodies and local communities through providing health and education services and assisting their poor.]

*'New' economics - that is, the way we approach the economy today, is really the way we go about trying to create a strong economy and fair society.*

[When did this change occur, 100 years ago, or some time after 1984? Is this a description of government thinking or the thinking to be found within economic theory?]

*Fairness means everyone being able to pursue happiness how they wish.*

*Research about happiness shows that the things that actually matter to people are time with family and friends, a sense of contribution through work, being part of the community, the ability to trust each other, and having good health, just as much as financial situation.*

*Old economics told us these things happen by themselves...*

[In summary, 'old economics' was unfair, whereas 'new economics' is fair. When, if ever, was happiness research made a central component of current economic thinking? If this is government thinking, does this mean that family and community are important? If so, why have successive Labour governments relied on central government rather than community social initiatives, promoted "economic independence", and overseen a period of major disruption of family relationships with associated enabling legislation?]

*So - old economics: Ignore fairness and concentrate on maximising wealth to the economy overall.*

*New economics - Fairness does not happen by itself. We need to think about the things that actually matter to people. We need to ensure that a rising tide lifts all boats, and not merely the 'average' of the economy.*

[Was there never any discussion of a trade-off between equity and efficiency?]

*...there are limits to how people respond. For example, when we designed KiwiSaver, the theory said there is no economic difference between opt-in and opt-out.*

*In fact we know that if we make a scheme 'opt-out', a lot of people will just do nothing. Momentum will do a significant amount of work. So with KiwiSaver, we made the scheme 'opt-out' for new employees.*

[and presumably this is why they made the Property Relationships Act opt-out rather than opt-in, thereby tipping the balance strongly in favour of gold-diggers, further undermining a mutually beneficial system of signalling commitment to a long-term relationship.]

*The old way of doing economics was to regulate to make people do things whether they want to or not.*

*The new way is to use smart tools that reflect people's behaviour in the real world, whether incentives or otherwise.*

[All too often a black picture is painted of the past to make the present look better. Of course, at some stage in the future whatever is presented as today's thinking will be seen as flawed, with proposed replacements being superior. It might be more prudent always to be tentative and to accept that issues are generally more complicated than this.]

## THE A R BERGSTROM PRIZE IN ECONOMETRICS, 2007

Deadline for applications/nominations: 1 June 2007

For further details, got to: <http://www.nzae.org.nz/ARB2007PrizeCall.doc>

### Scalping

On the Stuff web site on 1 November 2006: *Ticket scalping for major events will be banned under legislation proposed by the Government...In the United Kingdom, it was an offence to scalp football tickets. More than a dozen American states had banned it as had some states in Australia. Germany introduced scalping controls for the Fifa World Cup.*

(<http://www.stuff.co.nz/stuff/0,2106,3845984a1823,00.html>, “Ban on ticket scalping for major events”)

Meanwhile, on 26 October 2006 in the *Boston Globe*:

*Two key Massachusetts lawmakers said yesterday that the state's antiscalping law isn't working and needs to be revamped, possibly by legalizing the scalping of tickets...*

*The current law, passed in 1924, requires anyone in the business of reselling tickets to obtain a license and restricts markups to \$2 above face value, plus certain service charges.*

*The law is widely ignored in Massachusetts, both by people reselling tickets and by law enforcement officials charged with enforcing it. The state Office of Public Safety, which licenses ticket resellers, has never disciplined or audited the books of a single company. Boston police have largely given up enforcing the law around Fenway Park, making only four arrests this year and two last season.*

*Many states, at the urging of companies like Ticketmaster, eBay, and StubHub, have relaxed or scrapped their scalping laws. Florida, Louisiana, and South Carolina did it this year; Illinois and New York did it last year.*

*Both [cochairs of the Massachusetts Legislature's Consumer Affairs and Professional Licensure Committee] Pedone and Morrissey said the rise of the Internet has made the existing Massachusetts law obsolete. They said they wanted to craft a bill covering ticket resales that could be enforced and offer refunds to consumers when an event is canceled.*

*The lawmakers said it may make sense to let ticket holders resell their tickets at whatever price they want. "The difficulty with putting price limits on a sale is that they're virtually unenforceable when you're dealing with the Internet," Pedone said.*

([http://www.boston.com/sports/other\\_sports/articles/2006/10/26/scalping\\_law\\_faces\\_scrutiny/](http://www.boston.com/sports/other_sports/articles/2006/10/26/scalping_law_faces_scrutiny/), Mohl B, “Scalping law faces scrutiny”)

### Academic Self-interest [SB]

M J Harper writes in his idiosyncratic style on p.76 of his book, Harper M J (2006) *The History of Britain Revealed: The Shocking Truth About the English Language*, Cambridge: Icon Books]

*To you and me, a paradigm crack-up would appear to be the most exciting thing imaginable in an academic career...To an academic it's pure poison, and that's because he has a mortgage to pay. Including, of course, and intellectual mortgage – an academic has invested his whole life in the learning and exposition of a certain set of facts and it's too much to ask that he retrain at his time of life.*

Harper is talking about previously commonly accepted views on the origins of English, and Latin, and a few other languages. He was highly critical of these views and contended that academics had a vested interest in perpetuating them. However, as found by my colleague, Neil Campbell, many of Harper's critical suggestions had already been accepted by historians as summarised at: [http://www.bbc.co.uk/history/ancient/british\\_prehistory/peoples\\_01.shtml](http://www.bbc.co.uk/history/ancient/british_prehistory/peoples_01.shtml).

## Milton Friedman (1912-2006) (Obituary) Part I: Biography

By James E. Alvey, [j.e.alvey@massey.ac.nz](mailto:j.e.alvey@massey.ac.nz)

Milton Friedman, the famous American economist, died on 16 November 2006 at age 94. He won the Nobel Prize in economic sciences for his work as an economic theorist, but Friedman was also a columnist, television presenter, author of popular works on public policy, and official and unofficial adviser to governments and (conservative) politicians. Friedman built a reputation for his 'conservative' views of economics and politics. His life can be divided into three periods of roughly equal length: the early years (1912-46); the Chicago years (1946-76); and the San Francisco years (1976-2006). I discuss Friedman's life in roughly chronological order.

Friedman was born in New York City to Jewish immigrants from the old Austro-Hungarian Empire. His working-class upbringing meant that he had to win scholarships or finance himself through higher education. After graduating from Rutgers University (in 1932) Friedman went to the University of Chicago as a graduate student. Here he encountered not only intellectual stimulation through the economic theory lectures of Jacob Viner, and others (including Frank Knight), but also Rose Director (a fellow graduate student in economics). They married in 1938 and had two children (Janet and David; the latter became a famous libertarian economist/lawyer). Friedman was a short man (5 feet 2 inches tall) and, in all the photographs that I have seen of him in a group, he was the shortest adult except for Rose.

In 1933 Friedman was awarded his MA from Chicago and he then continued graduate study at Columbia. Whereas Chicago was theory-oriented, Columbia had a statistical and empirical orientation. At Columbia he was most impressed with the lectures on statistics of Harold Hotelling. After a year at Columbia, Friedman returned to Chicago as a research assistant. Friedman actually completed coursework requirements (including two foreign languages) for the PhD at both Columbia and Chicago but finishing his dissertation took many years. It was only in 1946 that Friedman received his PhD. In reading the Friedmans' autobiography (*Two Lucky People* Chicago: University of Chicago Press, 1998), I found almost no discussion of the award of Milton's PhD. Eventually, for 'purely practical reasons' he chose to have the degree awarded by Columbia in 1946 (*Two Lucky People* p. 51). The dissertation requirement was fulfilled by part of Friedman's book (written with Simon Kuznets; published in 1945) called *Income from Independent Professional Practice* (see *Two Lucky People* p. 619 n.31).

What transpired during the period 1934 to 1946? This was a period of rapid change in Friedman's jobs and life before he returned once again to Chicago to consolidate his career. In 1935 he moved to Washington to work on the staff of the National Resources Committee in the federal government. Two years later, Friedman moved to New York to take up a position under Kuznets (another Nobel laureate) at the National Bureau of Economic Research (his association with the NBER persisted, in one form or other, until 1981). During this period he largely completed his dissertation but disputes on some points delayed its completion. Next, he returned to a teaching job in academia. At the University of Wisconsin (1940-41) Friedman encountered Anti-Semitism in the tenure process (Modigliani and Samuelson have also noted that Anti-Semitism existed in American universities, see reports of interviews with them in *Economic Dynamics* 4(2000): 226-7 and 8(2004): 531). After this unhappy experience, he returned to government, working for the US Treasury (1941-43) in the taxation area. During his Treasury period, Friedman adopted Keynesian views; indeed, looking back at one of his documents from the period, he has remarked on 'how thoroughly Keynesian it is' (*Two Lucky People* p. 112). His views developed over time until he arrived at a libertarian view in the early post-war era. Next, he moved back to Columbia University as the associate director of the statistical research group in the division of war research (1943-5). Finally, Friedman spent a year as an Associate Professor at the University of Minnesota (1945-46). This completes my account of his peripatetic early years.

Let us now turn to the second part of Friedman's life. In 1946 he was appointed as a professor of economics at the University of Chicago and it was here that Friedman helped to establish what we now call the Chicago School of Economics. He was promoted to full professor in 1948. In 1963 Friedman became the Paul Snowden Russell Distinguished Service Professor of Economics. After 30 years of teaching at Chicago he retired and relocated to California.

Friedman was a controversial figure inside the profession and outside of it. He was reviled as the High Priest of Monetarism and a reactionary policy advocate. When I first began to study economics at the University of Queensland in 1976, as far as I can recall, all of my lecturers were Keynesians. Friedman was seen as the enemy and I shared that view.

Despite the opposition he engendered, even before being awarded the Nobel Prize, Friedman received considerable recognition. He was awarded the John Bates Clark Medal in 1951. He served as the President of the American Economic Association in 1967. The hostility to him from within the profession meant that, although the Nobel Prize in Economics was inaugurated in 1969, he was overlooked in favour of the following laureates: Frisch and Tinbergen (1969); Samuelson (1970); Kuznets (1971); Hicks and Arrow (1972); Leontief (1973); Myrdal and Hayek (1974); and Kantorovich and Koopmans (1975). Walters has remarked that the Nobel award to Friedman was 'long overdue' ('Milton Friedman' *The New Palgrave: A Dictionary of Economics* Eatwell, J., Milgate, M. and Newman, P. (eds.) London: Macmillan, 1987, pp. 426). Excluding the awards to Samuelson, Hicks, and perhaps Arrow, there is considerable justification for Walters' view.

Let us now turn to the third phase of Friedman's life. Whilst retaining the Chair at Chicago until 1982 (then Emeritus until his death), he transferred his primary allegiance to the Hoover Institution at Stanford University in 1977. The institute was named to honour the US President during the Depression who preceded Franklin D. Roosevelt and who became a severe critic of the 'New Deal' for the scope of its interventionism. Friedman was happy with the leaning of the institute and served as a Senior Research Fellow there until his death.

In the thirty years after the award of the Nobel Prize, and retirement from regular academic life, Friedman remained active in many areas. He continued to publish in a wide range of places, including books, journals and magazines; indeed, as late as 2005 he was publishing in the *Journal of Economic Perspectives*, an 'A' list journal. Friedman continued pushing his policy agenda. He received many accolades including the Presidential Medal of Freedom in 1988 (for a list of his honorary degrees, elections to societies etc, see [http://www.friedmanfoundation.org/about/the\\_friedmans/milton\\_bio.html](http://www.friedmanfoundation.org/about/the_friedmans/milton_bio.html) retrieved on 4 December, 2006).

In these later years, hostility to Friedman declined. Although some persisted in viewing him as an arch reactionary, he came to be regarded as 'mainstream' by many economists. Some people regarded him with awe for his promotion of views in the early post-war period that were out of step with the time (I will elaborate on this later). My own assessment has become much more positive over the last 30 years.

Friedman says little on his own religious beliefs. He appears to have been a secular Jew dedicated to religious freedom. In *Two Lucky People* he describes himself as 'a Jew sympathetic to Israel' (p. 460). Contrary to the state socialist tradition in Israel, and the spirit of the kibbutz movement, he seems to have supported traditional 'Jewish values: an individual's responsibility before God for his own actions; personal charity; voluntary community; respect for diversity of opinion; [and] an abiding faith in reason' (p. 466).

Friedman is survived by his wife of 68 years, two children, four grandchildren and three great grandchildren. Immediately after his death, rather than sending flowers or gifts, the family asked that contributions in Milton's honour be made to the Milton and Rose D. Friedman Foundation (set up in 1996) (see <http://www.friedmanfoundation.org/> retrieved on 3 December, 2006). The Foundation is dedicated to promoting school choice. Setting up the Friedman Foundation, and requesting that gifts go there, shows the commitment of Friedman and his family to promoting public policy reform and public spiritedness (see his list of Jewish values above). In the next issue I will deal with Friedman's 'scientific contributions.'

## From the 2BRED File

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

Welcome to 2007! As you will have cleared the backlog of reading over the summer you will be ready for some new material. So here goes with some of the books I have read recently.

Climate change has been very much on the agenda of late. One suspects that regardless of the scientific merit of the case, sufficient hysteria has been whipped up that this issue will not go away anytime soon. Late in 2006 we received a Stern<sup>1</sup> warning – it had Club of Rome overtones. Unless we reform our ways and reduce consumption now then those who follow in 200 years time will have a lower level of real consumption than they otherwise would.

However investing in mitigation now to avoid changes in 200 years is not seen by some as the best investments we could be making now. An interesting set of priorities is found in a little volume edited by *Bjørn Lomborg* (author of the *Skeptical Environmentalist*) *How to Spend \$50 billion to Make the World a Better Place* (Cambridge University Press, 2006). This is the product of the Copenhagen Consensus Centre which Lomborg heads.

He convened a group of eight distinguished economists (only 4 had Nobel prizes!) each of whom had prepared a paper on global issues. They were accompanied by another 20 economists who took part in the discussions. The product was a ranking of projects that would make the world a better place. Top of the list: Control HIV/AIDS and malaria, remove subsidies and trade barriers and provide micronutrients to address malnutrition. Sanitation and water followed close behind. What did the world's gurus regard as the worst way to spend the \$50 billion? You guessed it - climate change!!

My late friend Paul Heyne used to keep a file entitled "What makes me mad". I have a similar (well virtual) file. And I will definitely put some extracts from a new book by *Bryan Gould* in there. Gould is a Kiwi who became a senior Labour MP in the UK and subsequently Vice Chancellor of the University of Waikato. *The Democracy Sham: How Globalisation Devalues Your Vote* (Nelson: Craig Potton Publishing, 2006) is mixture of sensible statements interspersed with some that will definitely raise an eyebrow or two amongst his economist audience at least. The thesis is broadly that globalisation results in national political authority being ceded to multinationals. Nations should regain control by curbing the scope of the global economy.

What is to be done? The first call from Professor Gould is for a re-introduction of exchange controls. Then he borrows from a Fabian Society pamphlet to come up with a crawling peg, automatic intervention controlled by an international group of central bankers, a Tobin tax – in short, impediments to the flow of capital to eliminate anything that is judged "speculative".

It has always puzzled me why there is so much opposition to speculation as if it were a universal evil. I thought speculators made money by buying low and selling high; i.e. increasing the demand when prices are low and increasing the supply when they are high – which always struck me as a good way to get greater price stability, the corollary being that in the absence of speculators who busy themselves arranging these intertemporal or spatial transfers, prices would be far more volatile. Anyway the good professor wants speculators out of the picture. Interestingly, he overlooks the examples of Albania and Myanmar for the case of total capital controls.

In short, the world is becoming a worse place due to the power of international capital. Unsurprisingly, Gould's view is not shared universally – in fact when one appeals to the evidence a case can be made that the period of opening of capital markets has coincided with some of the most rapid gains in human welfare. The reader can ponder the causality, but the World Bank notes:

*"Living standards have risen dramatically over the last decades. The proportion of the developing world's population living in extreme economic poverty -- defined as living on less*

<sup>1</sup>

See:

[http://www.hm-treasury.gov.uk/independent\\_reviews/stern\\_review\\_economics\\_climate\\_change/sternreview\\_index.cfm](http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/sternreview_index.cfm)

than \$1 per day (\$1.08 in 1993 dollars, adjusted to account for differences in purchasing power across countries) -- has fallen from 28 percent in 1990 to 21 percent in 2001.

Substantial improvements in social indicators have accompanied growth in average incomes. Infant mortality rates in low- and middle-income countries have fallen from 86 per 1,000 live births in 1980 to 60 in 2002. Life expectancy in these countries has risen from 60 to 65 between 1980 and 2002”.

And while I do not normally include books in **2BRED** which I have not read, I certainly have the following new release by **Indur Goklany** on my list: *The Improving State of the World: Why We're Living Longer, Healthier, More Comfortable Lives on a Cleaner Planet* (Washington DC: The Cato Institute, 2007). The blurb reads:

*Relying on a wealth of data, Goklany shows how innovation, increases in affluence, and key institutions have combined to address environmental degradation that sometimes results from growth. The evidence on the use of cropland, trends in air pollution, and diverse experiences in water usage counters the gloomy outlook of some environmentalists. Goklany explains why the state of the world is improving and offers a realistic assessment of the sustainability of the human enterprise, setting priorities for dealing with such challenges as climate change.*

New Zealand persisted with restrictions on the trade in goods, capital and foreign exchange in a Prebisch-like manner of import substituting industrialisation for a long period. But we were always better at maintaining more open border to the market for ideas. Open intellectual capital markets are vital to a small economy like ours. So it is always a pleasure to report on an event that draws to New Zealand the best minds on a topic.

**Bob Buckle and Aaron Drew** have edited a volume titled *Testing Stabilisation policy limits in a small open economy* (Wellington: Reserve Bank of New Zealand and the Treasury, 2006). To have an edited volume available four months after the workshop is a creditable achievement; to have it based on carefully prepared papers relevant to New Zealand by five leading scholars is a valuable addition to the debate. As current monetary policy struggles to address imbalances the material here will inform the debate with some of the best thinking available. The book is available for download from the RBNZ website at:

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

My final offering is by **Eric D. Beinhocker**, who as a Senior Advisor to McKinsey and Company has somehow found the time to write an impressive, well researched volume entitled *The Origin of Wealth: Evolution, Complexity, and the Radical Remaking of Economics* (Harvard Business School Press, 2006). He sets up the so-called traditional model of economics as a comparative static/equilibrium approach, and proceeds to argue that this falls badly short in capturing the messy complexity and dynamics of real economic systems. While he does not do full justice to the richness that has been added to neo-classical models in terms of endogenous growth theory, dynamics and imperfect competition, information asymmetry and institutional economics to name but a few areas, he does draw interestingly from other fields to offer insights into the creation of wealth, social capital, entrepreneurship and innovation. All of this emerges from his approach which he calls *complexity economics*.

So if what you read in economics today is starting to seem a bit on the simplistic side, then *Complexity Economics* might just be for you. For me, I still draw comfort from the fact that demand curves slope down, and that the appendices in Marshall are still pretty powerful tools for getting a basic handle on much that happens in the world. But as I am dragged kicking and screaming into the world of i-Pods then so might I finally come to appreciate the insights and subtleties of Complexity Economics, Butterfly Economics and Chaos Theory. In the meantime I find it useful to be reminded that:

*Most of economics can be summarized in four words: People respond to incentives. The rest is commentary.*

Steven E. Landsburg

### The Global Gender Gap by Stuart Birks

It is interesting to observe how a single sentence in a report can indicate a major problem. One such line can be found in *The Global Gender Gap: Report 2006*, published by the World Economic Forum in Geneva. Its authors are Professor Ricardo Hausmann of Harvard University, Professor Laura D. Tyson of the London Business School and Saadia Zahidi, World Economic Forum. The document can be found at: <http://www.weforum.org/pdf/gendergap/report2006.pdf>.

It is the sort of report that hits the headlines, with news reports on where a country is in the international rankings and what steps politicians are taking to improve matters. It is designed for that purpose. Klaus Schwab writes in the Preface:

*The country comparisons are meant to serve a dual purpose: as a benchmark to identify existing strengths and weaknesses; and as a useful guide for policy, based on learning from the experiences of those countries that have had greater success in promoting the equality of women and men.* (p.v)

What is meant by “equality”? This is where the key sentence comes in: *Hence, the index rewards countries that reach the point where outcomes for women equal those for men, but it neither rewards nor penalizes the cases where women have advantage over men in particular variables.* (p.5) *Truncating the data at the equality benchmarks for each variable translates to assigning the same score to a country that has reached parity between women and men and one where women have surpassed men.* (p.7) To make this absolutely clear, if women underachieve according to some selected measure, this indicates gender inequality, but where they are outperforming men in some other measures, it is ignored.

Anyone with even minimal numeracy skills will realize that such a measure can never show men as being in a worse position than women, no matter how disadvantaged they might be in reality. As the authors state: *We find the one-sided scale more appropriate for our purposes.* (p.7) And this is intended as a guide for policy!

Even recognition of women’s rise to dominance among tertiary students in the past 20 years is not taken as a problem to be addressed in relation to men. Instead: *The Country Profiles of this Report reveal that women are exceeding men in terms of tertiary education in many countries; we hope that this will emphasize to business the need for tapping into the extensive reservoir of women’s skills.* (p.v) They could equally have argued that, given men’s higher rates of labour force participation, there is a business need to enhance the skills of this major segment of the labour force.

The World Economic Forum is not a small organisation. It would appear to be well connected, well funded and influential. It ran a World Economic Forum Annual Meeting 2007 with 2,400 participants on 24-28 January 2007 in Davos, Switzerland, addressed by Tony Blair among others. We see at: <http://www.weforum.org/en/index.htm>, *The World Economic Forum GEI and UNESCO will launch a "Partnerships for Education" programme in 2007 to advance multistakeholder partnerships in education that advance progress towards the objectives of UNESCO’s Education for All.*

Partnerships for Education (PfE) has a gendered dimension. The programme is described further at: <http://www.weforum.org/en/initiatives/gei/PartnershipsforEducation/index.htm>

*The objective of the PfE is to create a global coalition to advance multistakeholder partnerships in education (MSPEs) that advance progress towards the objectives of UNESCO’s Education for All (EFA). Pursuit of the EFA goals also contributes to the achievement of the United Nations Millennium Development Goals (MDGs). As a global movement to provide quality basic education for everyone, EFA encompasses six key education goals:*

These goals include:

- *Goal 2: Ensuring that by 2015 all children, particularly girls, children in difficult circumstances and those belonging to ethnic minorities, have access to, and complete, free and compulsory primary education of good quality*
- *Goal 4: Achieving a 50% improvement in levels of adult literacy by 2015, especially for women, and equitable access to basic and continuing education for all adults*

- *Goal 5: Eliminating gender disparities in primary and secondary education by 2005, and achieving gender equality in education by 2015, with a focus on ensuring girls' full and equal access to and achievement in basic education of good quality*

Just by way of comparison, others have identified problems with boys' education.

Recently in New Zealand it was announced that "Ministry of Education school leaving tables showed that in 2005, 53 per cent of Maori boys left school without even level one of the National Certificate of Educational Achievement (NCEA), compared with 20 per cent of Pakeha boys." ("Half of Maori boys leave school with no qualification", *NZ Herald*, 12 February 2007, <http://www.nzherald.co.nz/search/story.cfm?storyid=000A3AE2-6EF7-15CF-9F8183027AF1018C>)<sup>1</sup>

A new Commonwealth publication has the title, *Boys' Underachievement in Education*. It is described as follows:

*Gender disparity in education usually equates to disadvantaged girls. Although this continues to be the case in many places, the phenomenon of boys' underachievement -- in terms of participation and performance -- has become an issue in many countries.*

*This book, authored by Commonwealth Secretariat Education Adviser Jyotsna Jha and Programme Officer Fatima Kelleher, reviews the research on boys' underachievement and presents arguments that have been put forward to understand its causes.*

(Full story at: <http://www.thecommonwealth.org/news/160162/140207newbook.htm>)

And UK Higher Education Minister Bill Rammell is quoted in a BBC report on 15 February 2007 ([http://news.bbc.co.uk/2/hi/uk\\_news/education/6364337.stm](http://news.bbc.co.uk/2/hi/uk_news/education/6364337.stm)), on boys' school and tertiary education performance:

*In the Pre-Budget Report, the chancellor announced an additional £10m in 2007-08 to develop more effective guidance to schools on improving boys' attainment. In addition the Department for Education and Skills has introduced a number of strategies to address the gap in gender achievement and to raise the performance of all pupils.*

Of course, such initiatives would do nothing to improve a country's ranking according to the Gender Gap Index. In fact, paradoxically a country could rise in the rankings simply by penalizing and otherwise discouraging boys' achievements.

<sup>1</sup> This position is also misleading. The figure for Pakeha boys is actually 25 per cent, and the boys' data compare to 18 and 45 per cent for Pakeha and Maori girls respectively. Overall figures for boys and girls are 31 and 24 per cent. (at: <http://educationcounts.edcentre.govt.nz/statistics/downloads/SL2005-Report-Tables.xls>)

### **“Controlling for...” [SB]**

It is sometimes said that a variable such as ethnicity or gender has been “controlled for” if it is added to a linear multiple regression equation. If so, then we are assuming that, when the dependent variable is:

- A number - the controlled variable has a fixed numerical effect;
- A log - the controlled variable has a fixed proportionate effect;
- A total value (such as GDP) - the controlled variable has a fixed total effect;
- A per capita value - the controlled variable has a fixed per capita effect;
- A nominal value - the controlled variable has a fixed nominal effect;
- A real value - the controlled variable has a fixed real effect;
- A first difference - the controlled variable has a fixed effect on the first difference.

Should we simply assume that whichever of these is used, it results in the relationship being correctly specified? As Homer Simpson might say, “How convenient.”

### To KISS or not to KISS by Stuart Birks

Occam's razor is used to describe the point that simpler explanations are better, *ceteris paribus*. However, there is a danger that, by restricting ourselves to simple explanations, we are giving ourselves an inflated sense of the extent to which we understand the issues that we are analyzing.

I came across a possible example of this the other day while looking at some of the literature on happiness research (Frey B S and Stutzer A, 2002, "What Can Economists Learn From Happiness Research?" *Journal of Economic Literature*, Vol.40, June, pp.402-435). They describe a study where an ordinal measure of happiness is treated as a cardinal measure for regression analysis, after which a trade-off between inflation and unemployment is determined. The happiness measure can have values ranging from 1 to 4, and it faces the standard problem with ordinal measures used in this way, namely whether we can really say that a change from 1.5 to 1.6, say, represents as much of an increase in happiness as a change from 3.5 to 3.6. Moreover:

"Over the relevant range, happiness is assumed to depend linearly on these two economic factors [inflation and unemployment], and the estimate controls for country fixed-effects, year effects, and country-specific time trends. A 1-percentage-point increase in the unemployment rate is compensated for by a 1.7 percentage-point decrease in the inflation rate. Thus, if unemployment rises by 5 percentage-points (say from 3 to 8 percent), the inflation rate must decrease by 8.5 percentage-points (say from 10 to 1.5 percent per year) to keep the population equally satisfied." (p.122)

In other words, the same underlying structure applies for all included countries and times, it is possible to "control for" other factors in an appropriate way simply by adding the relevant variables, and the effects of inflation and unemployment are linear and separable. It might not be entirely coincidence that a starting point of 10 percent inflation was taken. Would the same conclusion appear reasonable with a starting point of 2 percent? This would mean that an unemployment-inflation pair of (3; 2) would be as satisfying to a population as a pair of (8; -6.5), something that many might question.

I could give other examples of simple multivariate regressions being used to draw conclusions on the relevance or otherwise of selected variables, controlling for a number of factors, with statistical significance of the selected variables being used as a basis for policy recommendations. A quick glance through numerous economics and other journals in the social sciences would demonstrate that this is accepted practice.

A book I read recently contrasted sharply with this mindset. Isaac Bashevis Singer grew up in Poland and Austria in the early 1900s. He was the son of a Hasidic Rabbi, who held court in his home, attempting to resolve disputes brought before him by members of his local community. The book by Singer, *In My Father's Court: A Memoir* (Penguin, 1962), describes his observations of those issues and the family and community in which he lived.

Most striking was the implicit perspective that people are complex creatures with a wide and ever-changing range of emotions, aspirations and reactions to circumstances. There are no simple answers, many outcomes are a matter of compromise, each case is different and individual events occur within a broad context of individual life stories, colourful communities and dynamic political environments. Every matter raised for consideration requires careful deliberation and the weighing up of numerous factors. Decisions are unlikely to be simple, and there are rarely straightforward answers.

Imagine saying to such people that there is one key variable with some specific, fixed influence, and that a given change in that variable would result in the required outcome for society. The suggestion would most probably be met with quizzical bemusement.

It may be that an overly intricate picture of society and social relations would be stultifying, but acceptance of an over-simplified representation can result in false confidence and undue interference in society far beyond our ability to intervene for the good. This leaves some key questions in my mind.

We have accepted certain quantitative analytical techniques as a dominant form of analysis, and given much emphasis to the results of such analyses. Has this led us to believe

that society is more simply structured than it really is? Has it given us an inflated view of our own understanding and of our ability to solve problems through policy intervention and social engineering? Are we looking for, and adopting, simple answers with false expectations as to their effectiveness?

### Computer Packages – A Word of Caution [SB]

*Ramsey's RESET test (regression specification error test). Ramsey's general test of specification error of functional form is an F test of differences of  $R^2$  under linear versus nonlinear assumptions. It is commonly used in time series analysis to test whether power transforms need to be added to the model. For a linear model which is properly specified in functional form, nonlinear transforms of the fitted values should not be useful in predicting the dependent variable. While STATA and some packages label the RESET test as a test to see if there are "no omitted variables," it is a linearity test, not a general specification test. It tests if any nonlinear transforms of the specified independent variables have been omitted. It does not test whether other relevant linear or nonlinear variables have been omitted.*

[From: <http://www2.chass.ncsu.edu/garson/pa765/assumpt.htm>]

Some believe the packages and consider RESET as a test for omitted variables, even though this is impossible. Statistical tests can only consider patterns of numbers. They say nothing of the things the numbers represent.

### Being Honest About Evaluations by Stuart Birks

There is a Families Commission Research Report, *Review of Parenting Programmes*, by Anne Kerslake Hendricks and Radha Balakrishnan (2005, Research Report No. 2/05, <http://www.nzfamilies.org.nz/download/parenting-programmes.pdf>). It includes a brief section discussing the assessment of the benefits of parent support and development programmes. The picture is not entirely encouraging for those of us who would like to think of policy as well-founded and evidence-based.

#### Here are some extracts from pp.14-15:

*The research literature shows that parent education and support programmes, especially as part of overall strategies to address issues affecting parents' and children's lives, can make a positive difference. However, there is little research on cost-benefits analysis. There is also uncertainty about the causal links between such interventions, and the outcomes for parents and children over time.*

... Moran et al (2004) note that although cost-effectiveness is a fundamental consideration of policy-makers, there has been very little international research in this area from which conclusions can be drawn. Although there is information available about costs, there is little information about the cost-benefits equation:

*"What we are lacking is research focusing on robust cost-benefits analysis so that we can make a comparative analysis of different forms of support and their outcomes against the costs of unsupported groups of parents, taking into account the broad impact that lack of parenting support may have in terms of education, health, social services and criminal justice costs."*(p 108)

... A RAND research brief (2001) emphasises that benefits and savings may accrue to some stakeholders and not others: *"Various sources of uncertainty may make it difficult to predict with confidence that one program will be more cost-effective than another or that net benefits accruing from an intervention will recur when it is replicated under different circumstances"* (p 3).

Livingstone (2003) points out that the evaluations undertaken in New Zealand to date do not allow for robust cost-effectiveness measures to be derived.

Davies, Wood and Stephens (2002) note that...the evaluation of Sure Start [in the UK] includes a cost-effectiveness evaluation, which will seek to identify not only the total level of resources being spent on Sure Start, but also the benefits of Sure Start for children, their families, the local community and the wider public, which can be quantified in monetary

terms. The Sure Start team notes that costs will vary from area to area, depending on local circumstances. They expect that benefits will emerge at different times.

Jacobsen et al (2002) caution that the available evidence shows that a considerable part of the variation in child and adult outcomes cannot currently be explained in a secure causal sense. There is still a great deal of uncertainty about the nature and strength of causal linkages acting through time. Thus, there must not be undue reliance on any one form of intervention or too much emphasis on any one stage in the developmental path.

**So What Does This Mean?** Economists cannot do the analysis without data on the effects of programmes. In many areas, outcome data are not gathered, there is no information to construct a counterfactual (what would have happened otherwise), and causal links are uncertain. Consequently many areas of policy are not evaluated. Moreover, as those of us in universities have experienced with assessments of research itself, sometimes evaluations can use poor and imprecise measures and be costly and time-consuming to undertake.

**Another comment on Parenting Programmes:** The report, which formed the basis of a series of Families Commission workshops in February 2007, talks of the stigma of targeted programmes (p.45). A common view at the workshops was that programmes should come from the community, rather than being imposed from above. Another quote indicates oversimplification through considering solely the “best interest of the child”: “However, much less is known about parenting as a phase in adult development.” (p.48) Perhaps we have overstated our ability to intervene in the lives of others, while undermining the ability of communities to meet their own needs through informal networks and sharing expertise and experience. Do our evaluations consider such issues?

#### **Australian Foreign Aid Objectives [SB]**

On p.18 of AI No.26 from July 2006 there was a piece asking “What is aid for – economic development or social engineering?” In this issue there is discussion of the global gender gap. Both pieces indicated that policy may be designed to achieve gender-political objectives. It appears that the same applies to the Australian foreign aid programme. The following quote is from <http://www.ausaid.gov.au/keyaid/gender.cfm>: “Investments in women's and girls' education and health yield some of the highest returns of all development investments, including reduced rates of maternal mortality, better educated and healthier children and increased household incomes.” Similar claims were questioned in “Regression – false positives?” on p.13 of AI No.27 from November 2006.

There is a collection of documents, including *Guide to Gender and Development* linked from a page on “gender equality guidelines” at: [http://www.ausaid.gov.au/keyaid/gender\\_guidelines.cfm](http://www.ausaid.gov.au/keyaid/gender_guidelines.cfm), where it states:

*The Gender Equality Guidelines are a collection of documents intended to help implement the gender equality policy and ensure that a gender perspective is incorporated into Australia's aid activities.*

*They provide information on how to incorporate gender into a country strategy and its performance framework, how to develop a gender equality strategy for an initiative, and how to incorporate gender equality into annual program performance reporting. They also provide sample gender equality results and indicators for each aid program theme. Specific sectoral guidelines are also provided for some sectors.*

#### **New Zealand Hansard**

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

**Questions for Written Answer at:**

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

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

### **Rarely Stated Assumptions [SB]**

It is sometimes said that economics is able to systematically analyse situations because it starts with the explicit statement of the underlying assumptions. However, sometimes the assumptions are not made explicit. Consider the following questions which I posed at a workshop last year:

Economic theory distinguishes between the short run and the long run. We use econometrics to estimate short-run and long-run models. Do we have data sets containing only short-run data and data sets containing only long-run data? If not, how can we estimate these models? Can we estimate both models from the same data set? More generally, what does all this mean about econometric model estimation?

We could add the following questions: Is the distinction between the short run and the long run in economics the same as that in econometrics? If, at the microeconomic level, there are short-run and long-run responses to a change in circumstances, and if the short run is not a fixed length of time for all situations, doesn't this mean according to economic theory that there will be complex and variable patterns of lagged effects from any change? Do our econometric models incorporate this possibility?

As another question on the use of econometrics: When determining the effect of a policy change, it is necessary to compare the outcome with the policy change to what would have happened had the policy change not occurred. This is the counter-factual, which is not observed. How, then, can the comparison be made? (Alternatively, what assumptions do we make when interpreting the results of our econometric model so as to draw a comparison? If the assumptions are questionable, how does this affect the validity of our results?)

### **Could the same be said in economics? [SB]**

Writing recently, Dr. Gerald P. Koocher, President of the American Psychological Association, stated<sup>1</sup>:

*In many instances, psychological science can provide important answers to guide policy, but the very nature of behavioral science data will often contribute ambiguity. Politicians, social advocates, and people in general, do not tolerate ambiguity well.*

So these people tend to oversimplify, but so might we (see "To KISS or not to KISS" in this issue of *AI*). Also:

*When we attempt to apply data from a piece of research to help address a public policy concern, we must remain mindful that findings often do not generalize well. Other population variables are not always equal, and regression to the mean remains ubiquitous.*

In economics, perhaps we should note that regression analysis generally concentrates on averages, whereas economic theory focuses on the importance of marginal effects. Where the two differ, policy advice could be deficient. Also:

*As we strive to conduct and disseminate high quality behavioral research, some people might respond angrily to, discount or ignore data that do not comport with their beliefs about how things are or ought to be.*

It is not enough to simply do the research. It can be a long, slow process to get ideas and findings acknowledged and their significance recognized. Moreover, there are incentives and rewards for undertaking advocacy and action research coincident with politically dominant forces.

<sup>1</sup> Koocher G P (2006) "Psychological science is not politically correct", *Monitor on Psychology*, Volume 37, No. 9, October, <http://www.apa.org/monitor/oct06/pc.html>

# 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 Lincoln University. The objective of this section is to share information about research interests and ideas **before** publication or dissemination - each person was invited to provide details only of research that is **new** or **in progress**.

## ... economic research at Lincoln University as at March 2007.

Compiled by Christopher Gan, [Ganc1@lincoln.ac.nz](mailto:Ganc1@lincoln.ac.nz)

Dr. **Katie Bicknell** (Senior Lecturer)

Katie's primary research interests include:

i) Apomixis in Rice: The Global Benefits of Introducing Clonal Seed Production (with George Frisvold and Ross Bicknell). This research reports on an ex ante economic analysis of basic scientific research that aims to identify the genes that control a form of clonal reproduction called apomixis, with the ultimate aim of transferring the characteristic into commercially important crops. Results from the general equilibrium modelling exercise suggest that the aggregate annual welfare gains associated with apomictic rice would be approximately \$8 billion, with the bulk of this gain captured by developing countries. ii) Life may be too short to drink bad wine, but how can you tell before the bottle is open? (with Lana Friesen and Ian MacDonald). This research uses hedonic price analysis to generate implicit prices for a sensory quality rating, as well as wine variety and regional reputation for a wide range of premium wines in New Zealand. iii) Clean Air Policy in Christchurch: Implications for Efficiency (with Glen Greer). Using policies proposed to control the level of PM10 generated from home heating in Christchurch as an empirical example, this research argues that a failure to use marginal analysis when evaluating policy options may very well lead to excessive national standards, requiring more abatement activity than is economically optimal.

Associate Professor **Hugh Bigsby**

Hugh research interests are broadly in the area of resource economics, but with a particular interest in forestry-related issues. Current research includes community-level forest and resource management, modelling carbon markets, biosecurity, including the economics of invasive species (project with University of Florida, University of Hawaii, University of Guam and University of Puerto Rico) and public perceptions of biosecurity risk, environmental aspects of forest products marketing, and forest valuation. Hugh is a Fellow of the New Zealand Institute of Forestry, past editor of their journal and is currently a member of their governing council.

Professor **Ross Cullen**

Ross Cullen works on three research projects: With Ramesh Baskaran, Steve Wratten and Brad Case at Lincoln University on ecosystem services in agriculture. Supervision of Peter Tait PhD in this area. With Paul Scofield at Canterbury Museum investigation of biodiversity management projects. Supervision of Ed Hearnshaw PhD in this area. With Ken Hughey and Geoff Kerr at Lincoln University, biennial study of environment perceptions in New Zealand.

Professor **Paul Dalziel**

Paul Dalziel is continuing his research programme on regional economic development. His current projects include: a case study for the OECD on New Zealand's approach to integrating its regional development policies, its skills and training policies, and its labour market policies; a study for the Canterbury Development Corporation on the value of Antarctic-

related activities in Christchurch; and a proposal to FRST for funding of a five-year multi-institution research programme on education-employment linkages in New Zealand.

**Dr. Lana Friesen** (Senior Lecturer)

Lana research projects include: The Causes of Order Effects in Contingent Valuation Surveys: An Experimental Investigation (with Jeremy Clark, University of Canterbury); Overconfidence in Forecasts of Own Performance: An Experimental Study (with Jeremy Clark); Quality and Reputation in the New Zealand Wine Market: A Hedonic Pricing Study (with Katie Bicknell and Ian MacDonald) and Behavioural Environmental Economics? A Review and Survey of Future Directions

Associate Professor **Christopher Gan**

Christopher research interests include commercial banking, financial economics, development economics, applied microeconomic, international trade and financial issues in Asia. His current research project includes financial economics, commercial banking, economic growth and development, Chinese stock markets, and choice modelling involving green products. He is the chief editor of the Review of Applied Economics. He is also a member of the Advisory Board, Single Global Currency Association, Newcastle, Maine, USA. Recently he has been appointed the Chair of the Economics and Finance in the Commerce Division at Lincoln University.

**Dr. Baiding Hu** (Senior Lecturer)

Baiding Hu's research interests include stochastic frontier analysis of firm efficiency (technical, cost, etc.), panel data model estimation, input-output models and issues relating to the Chinese economy. His recent project involves estimation of energy efficiency in China's energy-producing sector with firm-level data and input-output analysis of the determination of China's energy intensity.

**Dr. Ian McDonald** (Lecturer)

Ian's principal research interests are in the areas of industrial organisation with current work focusing on email networks, the spam problem, and the importance of reputation in the wine industry.

Associate Professor **Amal Sanyal**

Amal's work on corrupt and opportunistic decision-making has now led him to study (i) cheap talk games and (ii) the problem of hold up more closely. In cheap talk games, he is working on a model of reputational cheap talk where some of the receiver's actions do not reveal the state of the world, and therefore the quality of message of the sender. The model, he hopes, will provide intuition on opportunistic behaviour of experts, advisors and other intelligence sources when the buyer of information can not necessarily put them to test by choosing a state-revealing action. In the hold up problem, he is working on a model of dynamic hold up where investment takes place through time and payments can occur along the way. Amal believes that the problem of hold up and under-investment are not as severe in the real world as made out by their static formulation in the literature.

Professor **Caroline Saunders**

Professor in Trade and Environmental Economics

1. Argos

Pathways to Agricultural Sustainability – this is a six year funded research programme looking in detail at linkages on farm between the economic, social, environmental and cultural outcomes from conventional, organic and low input farming systems.

2. Trade and the Environment

The research is based upon a trade model that quantifies the links between international trade and key environmental variables. It contributes to a number of key developments affecting NZ, these including policies at the international, national and regional level, relating to end users such as MFAT, MAF, NZTE and Federated Farmers as well as Regional Councils. Collaboration and linkages have been developed with Ag Research, Crop and Food, Landcare, as well as with scientists at Otago and Lincoln Universities and overseas. The model is currently being developed to model link between production and greenhouse gases.

3. Agricultural Policy and NZ Agriculture

I am continuing my work on analysing the development in agricultural/ environmental policy, particularly in the EU, and its impact on the agricultural sector. This work is also relevant to the development of the trade and environmental model above. This work includes the impact on NZ agriculture of alternative liberalisation paths for EU tariff rate quotas on dairy, beef and sheepmeat Impact of energy use and food miles for NZ and the impact of free trade agreements and WTO policy negotiations.

#### 4. Economic Development

The research concerns the development of sectors such as the ICT and biotechnology sectors and all community development in the regions. Research is being conducted on measurement of success in economic development which is sustainable.

Mr. **Bert Ward** (Senior Lecturer)

Bert Ward's current research interests are in the areas of econometric methods, time series analysis, macroeconomic modelling and quantitative financial economics. His current research includes:

Currency Union in Pacific Island Economies (with TK Jayaraman, USP). Using time-varying parameter and SVAR models, we're investigating the feasibility of implementing Currency Union agreements amongst Pacific Island countries.

Modelling financial markets in PRC and South Korea (with HY Xu, D Austin and MG Lee). This project entails the development of a series of econometric models of money, bond and share markets in East Asia.

#### **Agribusiness and Economics Research Unit**

The Agribusiness and Economics Research Unit (AERU) provides research expertise for a wide range of organisations. Its research focuses on natural resources, environment and public policy, agricultural economics, regional development, trade and environment, rural sociology and marketing (both institutional and consumer).

The Unit undertakes research for clients as well as supervising postgraduate research.

Clients include Government departments, both within New Zealand and in other countries, international agencies, New Zealand companies and organisations, individuals and farmers.

#### ***NZEP Short Notes:***

#### **A special announcement by the Ananish Chaudhuri, incoming editor of *New Zealand Economic Papers.***

Starting with the June 2007 issue of the *New Zealand Economic Papers* we intend to start a separate **category for short notes**. A short note will be a short original paper intended to make a concise point, extend a theorem, offer alternative interpretations of a model, generalize a result, provide additional empirical results based on published work, and so on. In some cases a note can take the form of a comment on previously published work or preliminary results on a project that one intends to expand or study in-depth at a later date. Examples of preliminary results include such things as reports of initial results from empirical investigations and ideas for lines of empirical or theoretical research that one may not wish to pursue oneself, but which may nevertheless be useful or interesting to other economists, especially to graduate students looking for thesis topics. Such notes should not be longer than 6 single spaced pages (excluding tables and figures). These would be refereed as usual but I will try to get these refereed much more quickly – and certainly within 8 weeks - compared to the time taken to referee regular-length articles. In some cases such referee reports may consist of a single up or down decision regarding acceptance or rejection. Short notes will go through at most one round of revision. Papers accepted will be published in the immediate next issue of the journal. There is a possibility that accepted short notes may be made available on the journal's website immediately upon acceptance.

### **New Zealand Economic Papers**

**Ananish Chaudhuri, the new editor of New Zealand Economic Papers**, invites members to submit their papers to the journal. In keeping with tradition, papers in all economic subject areas will be considered, and papers covering New Zealand topics are particularly encouraged. See also the special announcement on the previous page.

Offers and ideas for symposia of papers on particular topics are also welcome.

Book reviews and books to review (or suggested titles) are also needed.

Write to: [a.chaudhuri@auckland.ac.nz](mailto:a.chaudhuri@auckland.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 (first year only)

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

**Val Browning**

**Secretary-Manager, NZAE**

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### **EMAIL DATA BASE**

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

### **MEMBER PROFILES WANTED!!!**

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

**If you would like your profile included on the website - please email your details to: [economists@nzae.org.nz](mailto:economists@nzae.org.nz)**

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

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**Philip Borkin** (The Treasury); **Aaron Bruhn** (Ministry of Defence); **Malcolm Abbott** (KPMG Australia); **Phillip Mellor** (Massey University); **Tim Goodchild** (Singapore), **Robert Hodgson** (Dept. of Labour); **Ananish Chaudhuri** (University of Auckland); **Andrea Kutinova** (University of Canterbury).

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

(list your job vacancies for economists here)

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