

Asymmetric information

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

PAST ISSUES

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EDITORIAL John Yeabsley (john.yeabsley@nzier.org.nz)

This issue's two interview subjects are people who became economists after starting in another discipline. The major discussion is with Dr Leo Krippner whose initial studies were in physics. Once he was exposed to the charms of economics it was all over. I interviewed Leo.

The minor or 'Five Minute Interview' is with Prof Ronald Peeters of Otago University who started as a mathematician but has become a serious economist.

Paul Walker contributes his regular 'Blogwatch' column, where there is a theme relating to the highways and byways of markets. But he does pick up two fascinating pieces of economic analysis applied to history – one from the bronze age! And both have a lesson about the way to make the most of markets.

All professions build on the contributions of their previous members. Economics in New Zealand is no exception. This issue pays tribute to three distinguished economists who died recently and their obituaries illustrate the different ways their professional lives played out. A new feature provides a profile of the work under way at the AUT's Work Research Institute.

On the environmental front, a team of Motu analysts supplemented by outside experts examine and propose changes to the NZ emissions trading scheme. (This is a summary of a fuller Motu Working Paper available on their website.)

This issue's Research in Progress comes from the Department of Economics at the University of Canterbury, and new members who joined NZAE recently are also recorded.

A round up of several conferences relevant to members are covered in Meantime.

Our advertisement on the back page continues to be from Survey Design and Analysis Services. They are the authorised Australia and New Zealand distributors for **Stata** and other software. **www.surveydesign.com.au**.

INTERVIEW WITH LEO KRIPPNER

by John Yeabsley



Q. Leo, we'll start with some formative influences and then move down into professional career and so on. You started as a science student. How did you pick that course and what was the longer-term impact?

A. I was really interested in science and maths when I was at school and then just continued on into university. The topic I was particularly interested in was nuclear fusion. Everyone thought I wanted to be a bomb maker, but I was actually interested in the generation of nuclear energy in a safe way. I ended up doing quantum optics, theoretical laser physics essentially, and then I decided I'd try something a little bit different. That was when I applied for the role at the New Zealand Treasury, where I ended up.

$\ensuremath{\mathsf{Q}}\xspace$. Now, I'm going to jump back for a minute. Where did you grow up and go to school?

A. I went to school in Cambridge, so attended Cambridge High School, and we lived out in the country, so I originally went to a primary school in Karapiro. We grew up on an orchard or more a market garden. My parents grew apples and citrus fruit and lots of berries, raspberries, and strawberries and blackcurrants and quite a lot of different things, so we all worked on the farm. We also worked in the roadside shop selling things to the public and dad always thought that was good, because it got us used to money and finance and we got paid for it as well. That got us a good work ethic. I think.

Q: It got you into finance straight away. Do you see anything now, thinking back to those physics days, that you think are still influencing you?

A: I think, yes. It's not the physics itself, but the scientific method and the mathematical skills that are useful for applying quantitative methods to economics. The other thing is that you're just expected you to pick up computer programming as part of doing physics, and it doesn't matter where you go these days - including economics - computer programming is a large part of it.

Q: That's right. Programming has become like writing – in fact, instead of writing. You moved into economics by taking the job with the Treasury? Did you look at other places? What drew you to the Treasury?

A: The slightly longer story is it all started when a flatmate and a friend of mine mentioned that the careers people were coming around. You had to listen to what they had to say, but then afterwards you got some free food. Treasury was one of those recruiting. They mentioned that they were only there for your mind and not for your clothes, so I went in jeans and a sweatshirt to the first interview. They seemed to like that enough that they invited me down for the second interview in Wellington. By that stage I had upgraded to trousers and a sweater, but everyone else had upgraded to a suit, so I was still one degree behind. Anyway, everything must have gone okay, because I ended up being employed there. I originally worked on forecasting tax receipts as part of the Budget process, which was a nice quantitative application, creating and working with models and data.

And I must use this opportunity to boast that in my first year our team got the forecast within \$4 million of \$25 billion. I think that's the most accurate forecast there's ever been. The only unfortunate thing is that we revised down by hundreds of millions in the middle of the year and it actually came out closer to our first projection.

Q: Oh well, that's the fun of forecasting. This was, of course, at the time when lots of places were looking for "rocket scientists" to be the "quants" in aspects of finance and economics, so you see yourself as part of that movement?

A: I suppose not as directly as maybe some people who either themselves sought to get hired or were picked up by investment banks for doing quantitative analysis. I more stumbled into quantitative finance, because one of my next roles in the Treasury was doing the forecasts of inflation, the exchange rate, and interest rates. I became interested in using bank bill futures rates to forecast interest rates, based on the principle that the futures contract rate is essentially the best prediction of where the 90-day

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rate is going to be at the time the contract expires. It won't necessary be right, but given current information, it's probably the best guess. So rather than building a model to forecast the 90-day rate track, for example, I starting testing the implied forecasts from financial markets about these variables that we were interested in. That's what got me started on term structure modelling.

Q: Thinking back to those early days where you're learning the craft, (and of course you went on to study Economics formally later), but you had quite a long period when you were just making use of native skills, doing these forecasts and more than dabbling in economics, would you do anything differently now?

A: Sometimes I wonder, if I'd known where I was going to end up, would I have changed the formal education to suit? Of course, then many things might have changed and I might not have ended up with the quantitative skills that I've got and the interest in applying them to issues in economics and finance. So I'd err on the side of doing what I did. The confirmation to some extent is that my partner Iris Claus often says she wishes that she had done more mathematics at university, even though she's primarily interested in economics.

Q: Rocking back and looking at your career as a whole, you seem to have moved in a series of oscillations between the private sector and the public sector. Do you have any thoughts about that?

A: Yeah, it was mostly an attitude of giving something a go and, if you don't like it, you could always go back to what you were doing before. So the times that I did go to the private sector was when I was keen to put my skills in term structure modelling, or interest rate markets in general, into practice.

For example, one of the first roles I had in the private sector was working at AXA Funds Management, managing the money market portfolio and also being involved in the running of the bond market portfolio. Using a term structure model can indicate whether particular bonds are cheap or expensive relative to the whole of the yield curve. It also allows you to overweight the cheap bonds and underweight the expensive bonds while ensuring that the overall portfolio risk, in terms of sensitivity to movements in the term structure, remains the same. Over time, you can make money as the slight mispricings in the securities go back to some semblance of fair value. It worked as expected, which was pleasing. It also led me to do my PhD.

As background, my partner Iris Claus had already started her PhD when she was working at Treasury, and she was doing that part-time. She convinced me that, given I wanted to formalise my approach, then I should package what I had done and intended to do into a PhD thesis. To cut a long story short, it ultimately took me six years of part-time study from start to finish, which I think was pretty much the same as Iris.

Q: Well it was pretty technical. The title was "the Derivation and Application of a Theoretical and Economically Consistent Version of Nelson-Siegel Class Models". I was wondering where the notion came from, but you've explained the background to it. Was there anything special about Nelson and Siegel class, or were these just models you found in the literature and were seeking to apply?

A: Yeah, the background on that is the Nelson-Siegel model had been proposed in 1987 by Andrew Siegel and Charles Nelson. It had become very popular because it's a simple model and an intuitive way to consider the whole yield curve as three basic functions: a level, a slope shape, and a bow shape. These closely fit the yield curve at each point in time, and you can consider the evolution of the yield curve across time in terms of the estimated coefficients on each of those components. So you can summarise the essential dynamics of the yield curve with just a time series of those three components.

The issue with the Nelson-Siegel model is that it isn't theoretically consistent. The intuition is that the time series of components have stochastic components in them, because the yield curve changes in unanticipated ways, but the effect that volatility has on the shape of the yield curve is not taken into account. It's possible to account for it using the Heath-Jarrow-Morton Framework, starting with the Nelson-Siegel components and how they can move, i.e. the volatility, and then do the complicated calculation to come up with the correction that you need. Then everything becomes self-consistent.

So that was the biggest contribution in my PhD, making those derivations to create a theoretically consistent version of the Nelson-Siegel model, rather than using the original version that worked okay but didn't really have any first principles behind it. Then the rest of the thesis was: here's some applications that you can put this particular model to.

Q: You'd regard this, obviously, as a highlight of your work. Are there other things that you'd like to point to? One of the things I notice, looking at your output, is just how much of it there is, despite the fact that you've been occupied full-time doing paid work all the time that you've been publishing. You've published a lot, including writing a couple of books.

A: Certainly there's people out there with much longer publication records than I've got, and deservedly so. But more than the number of papers I've published, I think what I'm proudest of is doing things that people haven't necessarily done before. For example, the theoretically consistent Nelson-Siegel model was the first time that someone had done that.

Another example is my work on lower bound term structure modelling, where the environment after the Global Financial Crisis demanded an adjustment to standard term structure models because interest rates no longer move freely when they are near zero. I had thought about this when I was doing my PhD thesis, and one way to impose a lower bound on interest rates would simply be to treat a bond as if they had an embedded portfolio of call options that paid off whenever the overnight interest rate goes below zero. So valuing that portfolio of options would be a ready way of imposing a lower bound.

My manager said, 'well, you should write that up quickly'– this is in 2011 – 'because they might not be at the zero lower bound for very long.' So I did, and it got some good interest from the people from the St. Louis Fed and others in the Federal Reserve system, and I was able to present my work in the US. I also got an offer to write a book, so I did that, and it was released in 2015. For an academic book, I think it's doing okay in terms of its uptake. I get emails regularly from people who have asked me questions on it or about some of the outputs that come from the applications of the models which I publish on the Reserve Bank website.

Q: I will ask this question: you've been based in New Zealand. You took a foray early on to LSE, to do the summer school, which I assume was good value. But you've otherwise, though, been based here. While I presume you've got a certain amount of travel in, do you feel it's been a disadvantage?

A: I wouldn't say a disadvantage. I'd just say that there's costs and benefits associated with being in New Zealand. If you look at the benefits, whether at Treasury or the Reserve Bank, and even in the private sector funds management like AXA or AMP Capital Investors, one is that you get a wide range of experience across different topics, because the teams are smaller. That gives more potential for bringing different ideas together or using solutions from one area in other areas. There's also less layers of management, so that's a good thing.

In terms of some of the costs, one is that you don't necessarily get noticed as much if you do research in New Zealand. For example, one of the unfortunate things with my consistent Nelson-Siegel work was that some US authors got much more attention when they produced an equivalent model. I think their paper came out in 2011, and I contacted them to say that I'd done my work in the mid-2000s and my paper was in Applied Mathematical Finance, in 2006.

It also happened to some extent with my lower-bound term structure modelling work, but the rise of the internet age have made things better. My working papers at the Reserve Bank and CAMA – the ANU University site – were much more widely referenced. So it probably matters a bit less now where physically you're located so long as you can get your work out there and noticed. On that, one of the nice things that followed from the book and the related research was receiving the "2017 Economics in Central Banking Prize" from centralbanking.com, which was won by John Taylor in 2016.

And ultimately, one of the benefits of living in New Zealand, I think, is that it's a good place to live. The people are good, the environment's good, and I find it very comfortable.

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Q: The joys of the internet have made that kind of connectedness better for us, whereas we're still as far away as we were back in the 1960s. Looking at this work, and as I say, I think you're remarkably modest. You've been in a full-time job and your output, I think, is high, but maybe that's the New Zealand way. What are you working on at the moment? Is there anything specific that you'd like to mention?

A: At the moment I'm working on some time series modelling ideas that arose from my term structure modelling estimation. At its heart, a term structure model is a first-order vector autoregression (VAR) model, and my Kalman filter estimations required that the coefficient matrix have eigenvalues less than 1 in absolute value, otherwise it would be an explosive. It also made more sense for the eigenvalues to be real, because complex eigenvalues could give sinusoidal waves that just aren't observed in yield curve data. I figured out how to impose those restrictions and then wondered if the approach could be applied more generally to VAR modelling. The idea was that you don't see complex eigenvalues, or sinusoidal waves, in macroeconomic forecasts either, so why not eliminate them from the VAR? On the other hand, real eigenvalues still allow for gradual decays and sometimes single or several turning points, which is typically seen in yield curve data and macroeconomic forecasts.

The good news, so far, is that VARs with real eigenvalues give more sensible impulse response functions and also better forecasts of the macroeconomic variables. So it seems like there's something intrinsic about real eigenvalues worthwhile exploring.

Q: Have you got particular ambitions in the economics profession? Anything that you want to have done that you haven't? You've characterised it as though you've been groping your way around and just following your nose. I think there's a lot more ability and skill and hard work than that. But you got any ambitions that you're looking forward to?

A: It's an interesting question. The answer is that I'm reasonably happy just doing the projects as they come and as they occur to me. Maybe at some stage I'll get a hankering for being in management and if someone thinks I've got right skills, then I'll go for that. At this stage I'm happy doing what I'm doing.

Q: Lacking the thirst for power. You've had, I think, sparkling career doing a nice mix of stuff. That's really what I see when I look at your career. I would think a lot of people would be excited and happy to have done the mix of things you've done and to have achieved the various things you've achieved. Have you got any ideas for people starting out or for those who made a bit of a start in going on? What would your advice be to the younger economists, these days? I've put you on the spot.

A: Yeah, it is an interesting question, because everyone will be different. From my viewpoint I'd say, try to work on the things that you find most interesting, and try to write up and publish the research work you do. Whether or not you're ultimately interested in a research career or not, having papers that you've written either at university or as part of your work provides a track record, and the name recognition can only be useful.

THE FIVE-MINUTE INTERVIEW WITH ... RONALD PETERS (OTAGO UNIVERSITY)



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

This has never been a conscious decision. I did my undergraduate studies in mathematics and during these studies I developed a particular interest for discrete mathematics, numerical mathematics and game theory. Before writing my Master's thesis, I never considered an academic career. I only started focussing on the job market after having completed my studies and focussed mainly on jobs within logistic processes. After my second job interview I noticed that my ambitions in terms of quality of delivered output were a bit beyond the level at which most firms operate. I noticed that I was eager to continue with what I was doing when writing my thesis and decided to continue as a PhD student on a project on the interface of numerical mathematics and game theory. During my PhD training I followed courses in economics: microeconomics, decision theory, game theory, dynamic oligopoly and political economy.

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

Game theory was originally a discipline in mathematics, but gradually became more and more studied within economics in the mid-90s. As a game theorist it was just easier to find employment within economics at that time, and still.

3. Are there particular books which stimulated your early interest in economics?

(no)

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

I think the teacher that has been most influential in my choice to continue in academia has been Jos Potter. Jos was my teacher in decision sciences, game theory and mathematical economics, during my mathematics undergraduate. Jos was a very pleasant person with a great sense of humour. He taught me to tackle a problem starting with the underlying fundamentals, and to start with simple examples from there. 5. Do you have any favourite economists whose works you always read?

I do not have a favourite economist and follow the economics literature in behavioural

economics, experimental economics, stochastic game theory, oligopoly theory and auctions. But to have some names mentioned in my answer, I do like the work by Drew Fudenberg and Matthew Rabin a lot.

6. Do you have a favourite among your own papers or books?

I think I like the paper "Naiveté and sophistication in dynamic inconsistency" with Zsombor Méder and János Flesch the most. The reason I like it is because in this paper we dig in the fundamentals of dynamic decision theory. Existing frameworks adopt the concept of a strategy as a plan describing what to do in every possible instance. This existing notion of strategy does not allow this plan to change and hence does not allow for dynamic inconsistencies, with indulgence, impulsiveness, and procrastination. While there are several models in the literature that allow analysing dynamic inconsistency, they are typically designed for a particular problem, and are not universally adoptable. We are currently working on dynamic inconsistencies in a game setting, and once finished, that will likely become my favourite paper.

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

Probably having children: huge cost (monetary and effort), but even more rewarding.

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

I like playing football (indoor and outdoor), having a beer in a nice pub, listening to music, going to a nice sports game (this used to be football or ice hockey when I was in Europe, but currently I enjoy watching rugby), watching series on Netflix, and day trips with my family.

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BLOGWATCH

By Paul Walker (psw1937@gmail.com)

At the 'Economic View' column <https://www.nytimes.com/column/ economic-view> of the New York Times Claudia Goldin writes on "How to Win the Battle of the Sexes Over Pay (Hint: It Isn't Simple.)". The pay gap is mainly the upshot of two separate but related forces: workplaces that pay more per hour to those who work longer and more uncertain hours, and households in which women have assumed disproportionately large responsibilities <https://www.nytimes.com/2017/ 11/10/business/ how-to-win-the-battle-of-the-sexes-over-pay-.html>.

At the 'Truth on the Market' <https://truthonthemarket.com/> blog Alden Abbott writes on "Single Firm Conduct: European Competition Policy, the European Court of Justice, and Brexit" <https:// truthonthemarket.com/2017/09/28/single-firm-conduct-europeancompetition-policy-the-european-court-of-justice-and-brexit/> "In recent years, the European Union's (EU) administrative body, the European Commission (EC), increasingly has applied European competition law in a manner that undermines free market dynamics. In particular, its approach to "dominant" firm conduct disincentivizes highly successful companies from introducing product and service innovations that enhance consumer welfare and benefit the economy – merely because they threaten to harm less efficient competitors".

Prateek Raj writes on "A Tale of Two Cities: Hamburg and Lübeck" at the 'Pro-Market' blog <https://promarket.org/>. This is the tale of the cities of Lübeck and Hamburg and how they responded to increased competition from the Dutch in the fifteenth century Baltic trade. The two cities responded very differently. Lübeck reacted to this competition by giving more privileges to its own merchants and by leading persistent effects to disrupt the Dutch trade through the Sound. Hamburg diverged from Lübeck in the sixteenth century insofar as "Hamburg opened trade to all locals and non-locals, and instead of resisting this rising Dutch trade, it "adapted itself perfectly to the changing situation" and moved toward an open system of trade that welcomed diverse merchants (Dollinger, 1970, p. 355). Thus, Hamburg internally reformed, and the centuries-old privileges that a few of its merchants enjoyed declined, especially in the sixteenth century". This difference helped create a longlasting advantage for Hamburg for over Lübeck <https://promarket. org/tale-two-cities-hamburg-lubeck/>.

At the 'Wonkblog' <https://www.washingtonpost.com/news/wonk/> Christopher Ingraham discusses "Ancient data, modern math and the hunt for 11 lost cities of the Bronze Age" https://www.washingtonpost. com/news/wonk/wp/2017/11/13/ancient-data-modern-math-and-thehunt-for-11-lost-cities-of-the-bronze-age/>. He reports on a recent NBER working paper, "Trade, Merchants, and the Lost Cities of the Bronze Age", by Gojko Barjamovic, Thomas Chaney, Kerem A. Cosar and Ali Hortacsu <http://www.nber.org/papers/w23992>. Barjamovic et al make use of a large dataset of commercial records produced by Assyrian merchants in the 19th Century BCE. Using the information collected from these records, they estimate a structural gravity model of long-distance trade in the Bronze Age. They then use their model to locate lost ancient cities. Barjamovic et al mapped their estimates against some qualitative guesses due to historians. In some cases, the qualitative and quantitative estimates were in precise agreement. In others, the quantitative model lends credence to one historical assessment vs. another. In others, the model suggests that the historians previously got it completely wrong.

And for all the economist/gardeners out there we have this new NBER <http://www.nber.org/> working paper, "The Long-run Effects of Agricultural Productivity on Conflict, 1400-1900", <http://www.nber.org/papers/w24066> which argues that the humble spud reduced the number of civil wars! "This paper provides evidence of the long-run effects of a permanent increase in agricultural productivity on conflict. We construct a newly digitized and geo-referenced dataset of battles in Europe, the Near East and North Africa covering the period between 1400 and 1900 CE. For variation in permanent improvements in agricultural productivity, we exploit the introduction of potatoes from the Americas to the Old World after the Columbian Exchange. We find that the introduction of potatoes permanently reduced conflict for roughly two centuries. The results are driven by a reduction in civil conflicts". So not only do potatoes taste good, they do good!

At the 'Replication Network' <https://replicationnetwork.com> Bob Read blogs on "The Replication Crisis – A Single Replication Can Make a Big Difference". A bit wonkish but worth a read. Reed argues that replication offers a way to reduce the "false positive rate". It is argued that a single replication can have a sizeable effect on the false positive rate over a wide variety of parameter values. A lower false positive rate would make it more likely that significant estimates in the literature represented real results. This, in turn, should result in a higher rate of reproducibility, directly addressing science's "reproducibility crisis" https://replicationnetwork.com/2018/01/05/reed-a-singlereplication-can-make-a-big-difference/>.

While the case for patents is well known it has to be acknowledged that one problem that comes along with the advantages of patents is the risk that people will game the patent system and of patents being granted when the proffered invention is either not new, or obvious, or both. Timothy Taylor considers "The Problem of Questionable Patents" at his 'Conversable Economist' blog <http://conversableeconomist.blogspot. co.nz/>. Taylor points out that a key economic insight to do with the patent system is that in an economy whose future is based on innovation and technology, the danger of granting a substantial number of patents which should not have been allowed has important costs, costs that are often not considered <http://conversableeconomist.blogspot.co.nz/ 2018/01/the-problem-of-questionable-patents.html>.

At his 'Offsetting Behaviour' blog <https://offsettingbehaviour.blogspot. com/> Eric Crampton comments on the recent "Housing stocktake" commissioned by the government https://offsettingbehaviour.blogspot. com/2018/ 02/housing-stocktake.html>. He makes two points, the first is on the strengthening of tenants' rights. "If housing supply remains completely messed up, then there can be a case for strengthening tenants' rights. Just as with the accommodation supplement, the inelastic side of the market bears the burden. Regulating better quality for tenants will mostly be an imposition on landlords, rather than tenants, in an inelastic market - though there can always be undesirable side effects". The other point is about the accommodation supplement and state housing. Here Crampton writes that applications for state houses will increase if the private sector cannot build due to regulation. He also notes that the money that is spent on the accommodation supplement largely goes to landlords, rather than tenants, due to the inelastic supply of housing. If we are to effectively treat the symptoms that the report identifies then we must fix the underlying supply and infrastructure financing issues that cause those symptoms.

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THE PASSING PARADE

The New Zealand economics profession consists of different people doing different things. As the year 2017 ended and 2018 started we lost three contributors, who played their parts in a variety of ways.



David Mayes (died November 2017) *By Brian Easton*

David studied for a PPE (Philosophy, Politics and Economics) at the University of Oxford, graduating in 1968, before completing his PhD at the University of Bristol in 1971. Much of his early work focused on European integration, with the European Union still youthful; the UK had not yet joined when he completed his doctorate, let alone considered leaving.

His earliest listed paper is titled 'The changing price of butter' (1974). It models the impact of changing quotas on price, thereby assessing the impact on the UK of the EU's common agricultural policy. In later papers he examined the effects of European integration on trade, the implications of closer European integration on Australia and New Zealand, and the burgeoning rational expectations revolution, among many other topics. He is particularly remembered in New Zealand for his 1986 address at the NZIER AGM *Changes* which warned, appositely at the time of major economic liberalisation, that it was easier to close down businesses than to start them up.

During the 1980s Mayes worked at the University of Exeter, the NIESR in London and the nowdefunct British National Economic Development Office. He was a visiting fellow at the University of Otago and was at the NZIER in 1985-6, including briefly being its director, before returning to NEDO. After stints at the Centre for European Policy Studies in Brussels and a return to the NIESR, he became chief economist of the RBNZ in 1994 serving until 1997 before taking up the position of Advisor to the Bank of Finland's Board from 1997-2008.

A spell as a Visiting Professor at the University of Auckland, 2006-7 led to the position of BNZ Professor of Finance at the University of Auckland, as well as director of its Europe Institute and co-director of its NZ Governance Centre. At the time of his appointment to the BNZ chair, he commented on his hobbies, saying, "Careful practical research into the local wine industry is called for and there is sadly little time for tramping and sailing."

At Auckland he taught at all levels, from undergraduate to post-doctoral, seeing many PhD candidates successfully through their studies. Following his death he received warm tributes from his former doctoral students.

At times he had held positions in many other research and academic institutions including adjunct chairs at the Universities of Canterbury

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and Waikato. He also served as an editor of the Economic Journal and was a fellow of the Royal Statistical Society.

David's most recent work, authored in the wake of the financial crisis, focused on designing effective banking regulation, including bail-in, deposit insurance, and other aspects of resolution frameworks. He was a prolific writer of academic works: papers, articles, book chapters, reports and books.

David Mayes died following being diagnosed with cancer just a few weeks earlier; he suffered a stroke from which he did not recover. His funeral was held close to his home on Waiheke Island.

Len Bayliss

(died January 2018) By Michael Reddell

Graduating from Cambridge at the height of Britain's post-war austerity, Len Bayliss set his sights on moving to either New Zealand or Australia. Averse to Australia's spiders and snakes, after a "cup of tea" in London with visiting Deputy Governor, Alec Ross, Len was recruited by the Reserve Bank of New Zealand. Economic analysis wasn't then central to what the Bank did, and the Bank itself wasn't an influential player in Wellington policy circles. But the fledgling economics department, led by Alan Low, had an impressive collection of people who played a big part in Australasian economics circles in subsequent decades: Len Bayliss himself, but also names like Alan Catt, John Pryde, and Warren Hogan. In an interview a few years ago, Len recalled "a hot bed of discussion, a marvellous entree into economic analysis and policy".

It was during his decade at the Reserve Bank, that Len was one of a group - and secretary of the working committee, chaired by Professor Horace Belshaw - whose successful efforts (strongly supported by the Reserve Bank) led to the formation of the New Zealand Association of Economists in 1958.

After brief stints on secondment to the Bank of England and at The Treasury, Len joined the (handful of) staff at the newly-formed Monetary and Economic Council in 1961. He was a significant influence on, and remained very proud of, his part in the Council's major 1966 report on the New Zealand financial system. The report had far-reaching recommendations (which still read well today) for a more liberalised financial system, calling for a much greater degree of competitive neutrality across classes of institution.

In 1966 Len moved on to become chief economist at the Bank of New Zealand. He took on an increasingly prominent role: speeches, TV appearances etc., notably favouring a "more-market oriented" approach (including to monetary policy) and lamenting the way in which high inflation appeared to have been becoming entrenched in New Zealand. As early as 1974 he published an address on "The political and economic measures required to achieve price stability". Following the election of the National government at the end of 1975, Len returned to the public sector for a time. Robert Muldoon had reportedly requested he be recruited to the Prime Minister's Policy Advisory Group (at the time, most members were private sector secondees) and his term was to coincide with the initial liberalising period of the Muldoon government - the reduction of various subsidies, fiscal consolidation, and some financial sector deregulation. Ever after, Bayliss was to speak highly of Muldoon as a boss - decisive, intelligent, and respectful of the boundaries between politicians and officials.

But on his return to the BNZ, and as the failures of New Zealand economic management became increasingly apparent, Len became increasingly critical. His concerns included an overvalued exchange rate, high inflation, large fiscal deficits, Think Big, and the reversal of the limited financial liberalisation of the previous few years. His criticism wasn't to the Prime Minister's liking, especially when Bayliss openly called for a devaluation of the exchange rate. Under pressure, and with little support from management or the government-appointed Board, who wanted to rein him in, Len felt he had no choice but to resign from the Bank of New Zealand in 1982 (at considerable financial cost, in terms of foregone pension rights). His courage attracted considerable respect - drawing private letters of encouragement from senior officials in both New Zealand and Australia. His outspoken criticism a and ongoing readiness to engage lay audiences helped to prepare the ground for the reforms a few years later.

After leaving the BNZ, Len had a variety of roles, including a number of directorships. Most notable was his term as a government-appointed director of the BNZ during a time when management's reckless reduction in lending standards, here and in Australia, (and supported by most of the board) ran the bank onto the rocks. His record of his experiences in that role makes sobering reading. In respect of macro policy, as the disinflation period went on he became increasingly uneasy that the early emphasis on the need for a sustained downward adjustment in the real exchange rate had been lost sight of, and that it was never achieved.

For decades Len had a keen, indeed passionate, interest in many policy issues, including macro policy, New Zealand's economic underperformance, and pensions and savings policy. Len was always ready to offer a perspective, a speech or an article, and to engage in debate. He was a courageous and forthright, at times idiosyncratic, voice for better policy in an age – his heyday from the mid 60s to the early 80s - when good economics wasn't in favour.

He was elected a Life Member of NZAE in 2005, and well into his 80s was still a regular attender at NZAE conferences in Wellington.

He was interviewed by Michael for the December 2013 AI.

http://www.nzae.org.nz



Rob Cameron

(Died February 2018) *Based on contributions by Sir Roderick Deane and Professor Lew Evans assembled by the editor*

Rob Cameron was an outstanding student at Victoria University of Wellington gaining first class honours. After Victoria University (where he was later given their highest award of an Honorary Doctorate), Rob went to Harvard University, and had a stint at the Brookings Institute. He went on to work at the Treasury, CSFB, Fay Richwhite and his own firm Cameron Partners.

Rob made path breaking contributions to the economics profession and to Government policymaking in diverse areas. He was an adviser to successive governments on the restructuring of various government owned commercial enterprises, the implementation of the state owned enterprises (SOE) strategy, commercial governance arrangements, tax policy, and the development of New Zealand capital markets.

In the private sector Rob created and led successfully one of the country's leading boutique investment banks, Cameron Partners. He advised some of New Zealand's major companies as well as playing an important role in venture capital financing.

Much of Rob's work took the form of conceptualisation of an issue, development of appropriate strategies – typically involving change – and governing the process of change and consequent economic or business structure.

In this he was an excellent investment banker. But he had a broad compass: the application of his skills was informed by academic, particularly corporate finance, literature and his wide reading of philosophy and of the literature in any area of endeavour he was engaged in.

He was interested in, and work-focussed on the private and public sectors alike. He championed New Zealand-specific social and private performance, relative to more general international or academic goals. Rob sought to improve the performance of the New Zealand economy, using theory suggested by his economics. He would go to great lengths to find a policy path that would enhance New Zealand performance. One example was his vigorous search - while chair of the Financial Markets Task Force - for forms of organisation suitable for financial markets to benefit provision of capital and performance of New Zealand's very small financial (equity) markets.

Rob's period at Harvard in 1979/80 on a Harkness Fellowship (MPA) was instrumental in honing his views of the appropriate economic approach. Soon after, while an economist in the New Zealand Treasury and later in the then sharebroking firm of Jarden and Co., he was prominent in bringing modern microeconomics to bear on the design of policies for the fourth Labour Government, particularly the SOE and State Sector Acts of 1987. These were internationally innovative and informed by the transactions cost and principal agent theory of the day.

In 1986 he moved to investment banking, where he led a range of corporatisations, and privatisations, including some of New Zealand's largest. In mid 1995 he created his own investment banking firm, Cameron Partners applying corporate finance to private and public institutions: it continues to grow.

Rob had a strong interest in the public sector throughout his career. It appeared in his contributions to debates about organisational forms; it also showed in the many occasions he gave advice to Government – the administrative and political arms – some of which involved sensitive crisis management. A significant contribution was to chair the Financial Markets Task Force (2009/2010); a major undertaking spread over 2 years that presaged legislative change.

In education, he played pivotal roles with respect to Victoria University of Wellington, where he was Treasurer and a Council Member, and Chairman of the Institute of Competition and Regulation. He also assisted both the University of Auckland and the University of Canterbury in important ways.

In his private life, Rob was a fine family person and one who faced personal health challenges with great courage, splendid spirit and remarkable openness. He helped others through similar challenges. He also made a substantial contribution in the voluntary world, including particularly with respect to the Special Olympics; the Kea organisation, which encourages expatriate Kiwis to contribute to New Zealand; and in the design of a philanthropic structure based on the venture capital model.

In summary, Rob was a man of high integrity, great intelligence, considerable creativity, much drive, an enthusiasm for a better New Zealand, and a real leader. He was much liked by those who knew him and those who worked with him. He was generous of spirit and open in sharing widely his ideas and intellect.

Rob Cameron contributed hugely as a policy adviser, commercial leader, outstanding economist, a volunteer who changed things for the better, and who was devoted to the causes he espoused. Rob made worthwhile things happen and got things done. He was a real New Zealander, who was a highly distinguished New Zealander.

For all this he was honoured in 2015 by being made a Companion of the New Zealand Order of Merit.

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Save the Dates! AN INVITATION TO ALLIED SOCIETIES

WEAI values its current partnership with the New Zealand Association of Economists, and invites you and your NZAE colleagues to join us again organizing Allied Society sessions for these upcoming conferences:

- 15th International Conference | Tokyo, Japan, 21-24 March 2019, Keio University
 Keynote Addresses by Nobel Laureate Peter Diamond, MIT, Nobel Laureate Robert Engle, NYU, and WEAI Vice President John Shoven, Stanford University.
- 94th Annual Conference | San Francisco, California, 28 June to 2 July, 2019 Presidential Address by Nobel Laureate Daniel McFadden, University of California, Berkeley.

Participation information and session organizer guidelines for the Tokyo conference will be posted shortly at **www.weai.org**. If you have any questions or if there is anything we can do to assist your efforts in organizing NZAE sessions, please let me know.

Sincerely, Wade E. Martin, Ph.D. Executive Director

http://www.nzae.org.nz

INTRODUCING.... THE NEW ZEALAND WORK RESEARCH INSTITUTE AT AUT

One of an occasional series illustrating research undertaken at the various organisations around New Zealand.

The New Zealand Work Research Institute (NZWRI) conducts enquirydriven research to explore the issues affecting people and work.

Examples of the types of topics we have research expertise in are illustrated below:



Our team of over 70 researchers enable us to conduct rigorous analysis of national and international issues to inform policy and produce real-world outcomes. Within this we have two areas of specialisation that are strongly economic in approach and use.

BIG DATA

We employ empirical evidence from large administrative datasets. This provides evidence-based research on a range of social issues to help inform policy direction. Our research is primarily New Zealand focused and uses the Integrated Data Infrastructure (IDI) - a large research database containing microdata about people and households in New Zealand.

Projects using the IDI include:

Explaining ethnic disparities in bachelor's qualifications: participation, retention and completion in New Zealand funded by the **Productivity Commission.** This is a cohort analysis of all individuals born between 1 July 1990 and 30 June 1994 divided into four July-to-June year cohorts, and who met other residency and school-tertiary enrolment criteria. This generated a sample of almost 190,000 individuals. Maximum-likelihood probit analysis was then used to identify key factors associated with the outcomes of interest: participation; retention; and completion. This study contributed to the Tertiary Inquiry conducted by the Productivity Commission (completed in March 2017) and in particular, to their debate and discussion surrounding equity of access.

Residential movement within New Zealand: Quantifying and characterising the transient population. This study presents the first attempt to estimate the scale of transience in New Zealand and describes the characteristics of transient populations, including their interactions with government services. This was commissioned via the Ministerial Social Sector Research Fund. It used 15 datasets and non-linear logistic regression models to evaluate the associations between drivers of individual mobility and the risks of being vulnerable transient for 3.9 million individuals.

Empirical evidence of the gender pay gap in New Zealand funded by the Ministry for Women. In this study, decomposition and matching analysis were used to assess the portion of the gender pay gap that is unexplained by observable information. Quantile regression was also used to investigate evidence of a glass ceiling for females in the New Zealand labour market. Based on the research findings, the Ministry has subsequently produced an employer guide with seven actions for employers who want to know how to assess if they have a gender pay gap, and what to do about it. The research has been consistently cited by the Human Rights Commission (e.g. via the 600k pay gap project) and other stakeholders (e.g. Diversity Works).

Cost of being Y-NEET funded by **Careers NZ** and **the Employers and Manufacturers Association.** This study constructed estimates for lost productivity measured in foregone wages for NZ youth aged 15-24 not in employment, education or training (collectively known as NEET) using the Household Labour Force Survey and other data in the IDI. The research was used to motivate the launch of 'Career Capable Auckland' – a public private-partnership focused on school/training-to-work transitions. The Chief Executive of Business NZ made use of the research (which valued the cost of NEET to the economy at \$2 billion over a three-year period for a cohort of 95,000 NEET youth) to highlight the need for more intervention programmes.

PRIMARY SURVEYS

We conduct cross-sectional and longitudinal surveys at national, local and workplace levels. Our surveys encompass both qualitative and quantitative techniques and cover a wide range of social issues related to people and work.

Examples include:

World Internet Project. Run in New Zealand biennially since 2007. The 2017 version surveyed over 2000 individuals on their connectedness, what they use the internet for and the social impact of that use. It continues to form a basis for many other organisations in determining direction and movement to online options. Statistics NZ used the 2015 data as part of the justification to transition 2018 Census to online.

NZ Aged Care Workforce Survey. This survey was conducted in 2014 and 2016, with the next iteration expected in 2019. It is used by policy makers in the government and industry, such as members of the Caring Counts Coalition (Human Rights Commission), the Kaiāwhina Workforce Action Plan and others, including the Home and Community Health Association, the New Zealand Aged Care Association, Care Association New Zealand, the Public Service Association, the NZ Nurses Organisation and E T0 union.

UN Women's Empowerment Principles Survey. The aim of this survey is to uncover policies and practices across a range of New Zealand organisations on behalf of United Nations Women, with a specific focus on women's empowerment policies. Evidence from the survey signals areas for improvement, as well as providing case study examples of practices that are working well. Further to that, each year winners for each of the seven principles are recognised at the White Camellia Awards.

We place a strong emphasis on a multidisciplinary and collaborative approach; ranking engagement with external stakeholders and research translation as a high priority. We would welcome enquiries for us to undertake work, supervise projects and/or post-graduate research students.

Get our regular updates by visiting our website or signing up to our newsletter at www.workresearch.aut.ac.nz

http://www.nzae.org.nz

RETOOLING THE EMISSIONS TRADING SCHEME TO 'DECARBONISE' NEW ZEALAND

by Suzi Kerr, Catherine Leining, Joanna Silver, Phil Brown, Nigel Brunel, Sandra Cortes-Acosta, Stuart Frazer, Adrian Macey, Guy Salmon, and Paul Young

So far, the New Zealand Emissions Trading Scheme (NZ ETS) has had no significant impact on New Zealand's domestic emissions, primarily due to low international carbon prices and no limits on Kyoto units imported from 2008 to mid-2015. Recent global and local changes mean the NZ ETS is ready to do its job - if it's allowed.

Part of the challenge in reducing emissions is that leaving it to an uncontrolled market creates signals pointing us in the wrong direction: the people who profit from emissions-producing businesses don't face the global environmental costs of their actions, whereas those paying to reduce emissions don't profit from the global environmental benefits.

An ETS is designed to change the behaviours causing climate change. New Zealand introduced its ETS in 2008 so that our economy would face better price incentives to reduce emissions and increase the amount of forest planted or retained. The system was ground-breaking in many regards and a functional market has been achieved but New Zealand's emissions have continued to rise.

There is an obvious reason for this: participants were given a cheap short-term option and no long-term price signals. From 2008 to mid-2015, participants could choose between reducing their emissions in New Zealand or buying imported Kyoto units representing emission reductions overseas. In a time of global oversupply and imperfect crediting rules, many ETS participants opted for low-cost, low-integrity Kyoto units to meet their obligations. Since New Zealand de-linked from the Kyoto market, NZ ETS participants have had no certainty on what emission prices to expect and how to invest.

In addition, there is now no single "international carbon market." Under current rules for the 2015 Paris Agreement, only governments can buy international emission reductions from other countries.

The **High-Level Commission on Carbon Prices** suggests that global emission prices consistent with the Paris temperature goal should reach US\$40–80 per tonne CO_2 by 2020 and US\$50–100 by 2030. As of March 2018, the NZ ETS price is sitting at around NZ\$21 per tonne CO_2 eq. Officials have suggested that purchasing international emission reductions to help meet New Zealand's 2030 target could cost NZ\$3.5-7.5 billion cumulatively over ten years.

Luckily, there are practical ways to change the NZ ETS so it delivers clear and predictable emission price signals. This would ensure that New Zealand's emitters reduce their greenhouse gases more quickly than is currently happening.

Work done by Motu Economic and Public Policy Research in its ETS Dialogue brought together ideas from diverse cross-sector experts from industry, government, and community organisations to suggest a package of changes to improve the NZ ETS.

Motu led the ETS Dialogue using a unique process that allows stakeholders to work through polarising issues together, build understanding and enable creative solutions to emerge. The process does not aim to create consensus among participants, although consensus on some issues is often reached. Participants engaged in their personal capacity. The group, which included individuals from high-emitting firms, economists, experts from consultancies and research institutions, legal practitioners, NGOs, carbon market traders, Māori business, and policy makers from central and local government, was positive about the ability of the NZ ETS to be adapted to work effectively within new global and domestic policy and market conditions.

The core aspects of this proposal are to introduce:

 Near-term supply constraint to guide price: A "Cap" – a fixed amount of emission reduction units distributed by auctioning and free allocation each year – establishes the supply constraint which enables the market to generate pricing signals. The Cap is set annually for five years in advance and extended by one year each year.



Motu Economic and Public Policy Research

- Near-term price safeguards: A "Price Band" (Price Ceiling and Price Floor) enables adjustment of unit supply within the Cap via a Unit Reserve to safeguard against near-term price risk and allow gradual transitions to long-term price changes. The Price Band is set annually for five years in advance and extended by one year each year.
- Long-term signals: Future decisions on Caps and Price Bands are each guided by indicative ten-year trajectories (i.e. an upper and lower limit, or corridor, for emissions from ETS sectors and emission prices).
- Independent review and advisory mechanism: An independent body reviews the ETS supply and price settings to inform government decisions. This could be the Climate Change Commission being developed by the government or another body.
- Managed access to international emission reductions: All international emission reductions applied toward New Zealand's targets will be quality assured to manage risks with environmental integrity and other considerations. They will be directly acquired by the government (the only option available for the foreseeable future under the Paris Agreement). In the longer term they may also be acquired by NZ ETS participants (if this option is enabled under a future market mechanism). In this case, the quantity must be limited and displace other supply under the Cap.



The proposed changes can be implemented through a combination of regulation and amendment. Government auctioning of units under a cap could be introduced as early as 18 months from now.

While the proposed changes will make the NZ ETS more effective, further government policies will be needed in both ETS and non-ETS sectors to overcome barriers to New Zealand's low-emission transition.

To meet its Paris target over 2021-2030, New Zealand will have to reduce its emissions by 19.3 million tonnes per year on average. This reduction is roughly equivalent to eliminating our 2015 emissions from public electricity and heat production and transport combined.

Given uncertainties about the future supply of forest sinks and international emission reductions, the NZ ETS has an important role to play. If the proposed changes to the NZ ETS are implemented with ambition, leadership and foresight, they will mark the end of the era of 'dodgy credits' and rising domestic emissions and direct us onto a more adventurous pathway toward a thriving low-emission economy.

The paper "An Effective NZ ETS: Clear Price Signals to Guide Low-Emission Investment" by Suzi Kerr, Catherine Leining, Joanna Silver, Phil Brown, Nigel Brunel, Sandra Cortes-Acosta, Stuart Frazer, Adrian Macey, Guy Salmon, and Paul Young is now available on the Motu website. This research was undertaken through Motu's programme "Shaping New Zealand's Low-Emission Future," which is funded by the Aotearoa Foundation.

http://www.nzae.org.nz

ABOUT NZAE

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

WEB-SITE

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

MEMBERSHIP FEES

Full Member: \$170.00 (\$130.00 if paid by 31 March) Graduate student \$85 – applies to First year only (\$65.00 if paid by 31 March) If you would like more information about the NZAE, or would like to apply for membership, please contact: Maxine Watene – Secretary-Manager, New Zealand Association of Economists PO Box 568, 97 Cuba Mall. WELLINGTON 6011 NEW ZEALAND Phone: +64 4 801 7139 Email: 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 ...

NEW MEMBERS

(for 2018 up to 1 April 2018.

Anna Hamer-Adams (The Treasury), Nairn Macgibbon (The Treasury), Ben Davies (Motu Economic & Public Policy Research), Christopher Swasbrook (Elevation Capital Management Ltd.), Nazila Alinaghi (University of Canterbury), Tracy Mears (MBIE), John Nanar (AUT), Conal H L Smith (Independent Consultant), Tom Coupe (University of Canterbury), Calvin Scott (Christchurch NZ), Manon Julien (Christchurch NZ), Jose M Albrieu BECA), Geoff Parr (Ministry of Transport).

MEANWHILE,....

This section of AI is to cover activities of possible interest to members.

IT'S THAT TIME AGAIN:

59th New Zealand Association of Economists Annual Conference

To be held at Auckland University of Technology 27, 28, 29 June 2018 (Wed, Thurs, Fri)

IMPORTANT DATES:

26 March (Monday) Conference registration opens
14 May (Monday) Registration deadline for presenters
14 May (Monday) Deadline for Early-bird registration
11 June (Monday) Full papers due (entries for SNZ, NZEP, SH, DT prizes)

Please address conference enquiries to:

Dr Lydia Cheung

NZAE Organising Committee School of Economics, Auckland University of Technology Private Bag 92006 / PO Box 1193, Auckland 1010

Phone: +64 9 921 9999 extn 6232 Email: lydia.p.cheung@aut.ac.nz OR

Shelley Haring

Conference Administrator **On-Cue Conferences + Events** 54 Montgomery Sq., Nelson 7040

Phone: +64 3 546 6330 extn 703 Email: shelley@on-cue.co.nz

Third International Conference on Wellbeing & Public Policy

Wednesday 5 - Friday 7 September, 2018 Wellington, New Zealand

Hosted by VICTORIA UNIVERSITY OF WELLINGTON, the NEW ZEALAND TREASURY and the INTERNATIONAL JOURNAL OF WELLBEING

TIMELINE (2018)

- 1. Monday 30th April: Abstracts due
- 2. Monday 21th May: Acceptance notification by email
- 3. Monday 25th June: Early bird registration due
- 4. Monday 30th July: Full registration due
- 5. Wednesday 5th 7th September: Day registration

Please address conference enquiries to:

Philip Morrison

Email: philip.morrison@vuw.ac.nz Subject heading *WaPP3 enquiry*. Web: http://www.confer.nz/wellbeingandpublicpolicy

http://www.nzae.org.nz

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RESEARCH IN PROGRESS ...

Our series on research projects currently underway in Economics Departments continues with a profile of the research being undertaken by economists at University of Canterbury, Department of Economics and Finance.

University of Canterbury, Department of Economics and Finance

Glenn Boyle (Adjunct): Glenn retired at the end of 2017, but as an adjunct is still actively researching in several areas, including banking crises, auction anomalies, female directors, and cycleway myths.

Warwick Anderson (Lecturer): Warwick's research interests include (i) event studies, especially with respect to analysis of dividend signalling, (ii) the econometrics of event study analysis, (iii) corporate governance, and (iv) dividend policy.

Bill Rea (Senior Lecturer): Bill is currently working on two projects; (i) the application of stock market partial correlation analysis to portfolio analysis, and (ii) performance analysis of Chinese mutual funds.

Kuntal Das (Lecturer): Kuntal works in the areas on international finance, international trade and economic growth. His current research focusses on the impact of financial liberalization on trade using firm-level data; risks posed by international capital flows; and the effect of competitive banking system on the financial stability of a country. He is also working on another project related to exchange rate movements and Chinese trade flows.

Jędrzej Białkowski (Associate Professor): Jędrzej is engaged in research projects with academic institutions in Australia, Germany, United Kingdom and United States. His research focuses on the financial derivatives products, financial risk management, algorithm trading and socially responsible investing. At the moment he is working on projects related to the relationship between uncertainty and market sentiment; socially responsible mutual funds; agriculture commodity markets; and currency carry trades.

Huong Dang (Senior Lecturer): Huong's research focuses on 3 areas: Credit Risk, Investments, and Banking. Her current research agenda includes credit risk (empirical examination of the effects of national culture dimensions on sovereign and corporate ratings), investments (empirical textual analysis of NZ IPOs prospectus, empirical analysis of CBOE Volatility Index (VIX or fear index) and the low level puzzle, empirical analysis of margin requirements and futures trading volumes in Australia), and banking (empirical analysis of disclosure, bank runs and bank capital raising, empirical analysis of the effectiveness of the U.S. Troubled Asset Relief Program (TARP), empirical analysis of the Dodd-Frank Wall Street Reform Act and bank risk).

Gerry Nartea (Associate Professor): Gerry's research focuses on empirical asset pricing with special emphasis on stock market anomalies. These are patterns in stock markets such as momentum, volatility effects, and extreme return effects that do not conform with that predicted by the traditional asset pricing models. He also works in the area of microfinance especially in emerging and developing markets.

Alfred Guender (Associate Professor): Alfred's current research interests focus on the performance of monetary policy rules in simple open economy models and the predictive ability of price- and quantitybased financial information variables. As regards the former, in joint work with Richard Froyen he explores the circumstances under which monetary policy rules such as the Taylor rule should respond to the real exchange rate. Among the relevant criteria that matter for the specification of Taylor rules are the central bank's objective function, notably the importance of real exchange rate stability and the definition of the inflation target. Recently he's become interested in studying the implications of a changing financial landscape in continental Europe, i.e. the move away from bankto open-market debt finance, the information content of financial variables categorized as price-based or quantity based information variables, their potential asymmetric effects, and similar issues. At the moment he's revising his monograph on optimal monetary policy (joint with Richard Froyen). Three new chapters have been written. Updating the core chapters of the first edition remains to be done.

Philip Gunby (Senior Lecturer): Philip's research covers a broad range of topics, although his chief research interest is the economics of

education. Current research includes: the effects of school exclusions on educational and other outcomes of students; the effects of inequality on teen fertility in New Zealand; how to motivate learning of university students in introductory and intermediate macroeconomics courses; how to improve Bayesian reasoning; factors determining the sizes of Chinese provincial government; and the optimal running strategy for athletes in 800m races.

Laura Meriluoto (Senior Lecturer): Laura's research interests range from applied microeconomic theory to applied empirical work. Laura's theoretical work has looked at incentives of spammers and the fixed price offer mechanism in Trade Me auctions, for example. Her empirical work has investigated the safety of sex workers, trade mis-invoicing between China and New Zealand and incentives to recycle in China. Laura is also interested in wine economics as well as the economics of competition policy.

Andrea Menclova (Senior Lecturer): Andrea's research centres on infant and maternal health. In this vein, she currently has one working paper on the effects of the Canterbury earthquake (with Steven Stillman) and another on the effects of neighbourhood walkability (with Karen Conway). She also explores new research areas such as the impact of the timing of school start on later achievement (with Asaad Ali) or gender differences in promotion pathways (with Ann Brower and Tom Coupe).

Bob Reed (Professor): Bob is working on a number of projects. One area of research is meta-analyses of various topics. He currently has four meta-analysis projects in various stages of development: (i) Taxes and Economic Growth in OECD Countries: (ii) Social Capital and Health; (iii) Competition in the Banking Sector and Finance Stability, and (iv) Agglomeration and Firm-level Export Behaviour. He is also interested in undertaking more simulation analyses of various meta-analysis procedures, particularly with regard to their ability to identify and correct publication bias.

Richard Watt (Associate Professor): Richard researches the economics of risk bearing, and the economics of copyright licensing. Currently, he is working on a problem of optimal insurance of bundled versus unbundled risks, the measure of downside risk aversion, indirect copyright licensing in a principal-agent setting, and the socially optimal structure of copyright fees for online music distribution. He also dabbles in the economics of decision making in sports, with a current working paper (with Phil Gunby) on optimal pacing choices in middle distance running.

Tom Coupe (Associate Professor): Tom is currently analysing the impact of the election of Donald Trump on the reputation of the USA in Europe, and how this affects trade policy preferences of Europeans. He is also working on a paper that analyses the impact of robots on job insecurity. More generally, he is interested in applied econometrics and big data, and edits REPEC's big data NEP (New Economic Papers).

Steve Agnew (Senior Lecturer): Steve's recent research interests have been in the area of applying Social Cognitive Theory to the financial socialisation of children in the home, and the subsequent impact on financial knowledge, attitudes and behaviour. My current projects include examining the correlation between the financial knowledge, attitudes and behaviours of first year university students in NZ and Hawaii, and the impact of school stand downs on future life outcomes of students using IDI data.

Jeremy Clark (Associate Professor): Jeremy does research in applied microeconomics and experimental economics. He has recently researched making microfinance work better for higher risk low income borrowers, the effects of rising housing prices on fertility, and the effects of sleep deprivation on people's voluntary contributions to public goods. Current research includes unknown long term effects of new drug treatments.

Stephen Hickson (Teaching Fellow): Stephen's research is mainly around economics education. In particular, assessment and learning.

Asymmetric Information, Issue No. 61 / April 2018

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