

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

All past issues are now available for downloading (or for citing in scholarly publications) free of charge from:

<http://www.nzae.org.nz/blog-page/nzae-newsletters/>

New Zealand Association of Economists Inc.

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<http://www.nzae.org.nz>

GEN 2018 ANNUAL CONFERENCE

9 November 2018, Te Papa Museum, Wellington, NZ

Further information can be found at:

<http://www.gen.org.nz>

29TH AUSTRALIAN & NEW ZEALAND ECONOMETRIC STUDY GROUP (ANZESG) MEETING

Thursday 14 and Friday 15 February 2019

Reserve Bank of New Zealand, Wellington, NZ

Further information can be found at:

<https://www.rbnz.govt.nz/research-and-publications/seminars-and-workshops/29th-australian-and-new-zealand-econometric-study-group-meeting>

WEAI CONFERENCE 2019

15th International Conference, March 21 - 24 2019,

Hosted by Keio University, Tokyo, Japan

Further information can be found at:

<http://www.weai.org>

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EDITORIAL

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

The interview in this issue is with Paul Conway who is currently taking a break from his role at the Productivity Commission. He is interviewed by John Yeabsley, your editor.

The 'Five Minute Interview' is with Christina Leung Principal Economist and Head of Membership services at NZIER.

The prizes and a selection of photos from the NZAE Conference 2018 held in July in Auckland are featured.

Paul Walker contributes his regular 'Blogwatch' column, which in his usual eclectic style provides highlights and insights from a range of economics and policy areas: Trump's tariffs to the gender pay gap!

As a treat John Creedy looks into a fascinating life: a recent autobiography by eminent Australian trade economist Max Corden.

The recent award of the NZIER Economist of the Year to Gail Paceco is recognised.

The SNZ article lays out the elements of environmental economic accounting as endorsed by the UN.

GEN publicises their Conference on 9 November, as does the 29th Australian & New Zealand Econometric Study Group (ANZESG) Meeting for February 2019.

New members who joined NZAE recently are also recorded.

The Western Economics Association International (WEAI) provides some details of their Annual Conference in Tokyo in March 2019.

The forthcoming AR Bergstrom Prize is announced.

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

AN INTERVIEW WITH PAUL CONWAY

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



Q: I'm with Paul Conway. How did you come to economics, Paul?

A: As soon as Economics became available to me as a student, it was something that I was interested in. I found it reasonably easy, so that was attractive for me back in those years. Then I just found it such an incredible lens to think about the world through. So I was hooked from the age of 13, really.

Q: Thirteen? So, this was in Invercargill?

A: Invercargill, yep. It was at Southland Boys' High School. I think economics became a thing from form 4, and I ended up studying it for the rest of my time at high school and then into the university system.

Q: That took you inevitably, from Invercargill to Dunedin. How did that go?

A: It was an easy transition. A lot of Invercargill people ended up in Dunedin because it was leaving home, but not moving too far away from home. It was a nice first step out of home, moving three hours up the road to Dunedin. So, it was good, and Dunedin was a great place to study economics back in those days as well, with some really good lecturers up there.

Q: What was memorable, then, about the Economics at Otago?

A: Economics, by the time I was getting through undergrad, was starting to feel a bit more about the world. I think when you start out in economics it's like intellectual crossword puzzles that you need to understand and be able to manipulate to say all sorts of different things. But by the time you get to third year, it's beginning to feel more applied. All of a sudden, this window into the world opens up and you're able to use and apply economic techniques, models, frameworks and ways of thinking to real world problems. That's what I really liked towards the end of undergrad. It was the realisation that Economics was giving me a framework that I could apply to all sorts of different practical uses.

Q: Before we move on from Otago, do you want to mention any teachers that stood out or fellow students, even, that you want to bring to prominence?

A: Yeah. Dorian Owen was one of my lecturers, and I really enjoyed his classes. I also studied innovation back then, which was a little bit ahead of its time, I suspect. I can't recall the lecturer. I do remember that third year Macro got extremely complicated. There was a South African lecturer teaching us, and his classes were where economics and math collided. I enjoyed maths, so that was alright. But I do think economics went through a phase when it was too much about the mathematics, and that kind of pulled it away from the real world. There was definitely a trade-off there. But for my mind, back in those days, the maths was an attractive aspect of it. This was the mid-1980s.

Q: Then you took a bit of a break. What did you do in the break?

A: Well, my first job after getting a Bachelor of Commerce in Economics was to work on building sites in Sydney, Australia and enjoy some good weather. I had five years in between the Bachelor's degree and coming back to Victoria University in Wellington to do my Master's degree. Those years were full of travel and adventure for me. I spent a good few years with a backpack on, cruising the world, and that was a time when my interest in economics got rekindled. I distinctly remember sitting on a mountain in Bolivia somewhere, thinking, 'I'm having such a good time, I'd like to come back and be able to work here.' I thought I could either teach English or I could get serious about the economics, and I took the latter path. I haven't worked on Bolivia since then, but I have worked on China and India and Russia, and a bunch of other developing countries. So yeah, I have achieved that ambition to some extent.

Q: And Bolivia seems like it might need a bit of work at the moment.

A: Yes. Venezuela certainly does.

Q: So, then you went back to Victoria and did a Master's. Enjoy that?

A: Yes, I did. I must have been mid-20s by this stage and I went back very motivated to work hard and to learn and to get as much as I could out of the experience. In some ways my undergrad was learning about life with a bit of economics on the side, but by the time I got to Victoria - I was there for 3 years - I got *right* into the economics. I really enjoyed that. I immersed myself in it, and I worked really hard and got really good grades and had a great experience. It was transformational for me in terms of, again, that theme of making the economics real. The economics was moving closer and closer to the real world by this stage. I think fourth year Economics, the Honours year, which was part of the Master's, was probably the most challenging year of study I've ever had, both in terms of the volume of work, but also the detail. I found it very rewarding. I put my heart and soul into it and got a lot out of it.

Q: Again, any individuals stand out?

A: Viv Hall was my supervisor for my Master's thesis year, and I really enjoyed working with Viv. I was a research assistant for him as well when he was working on New Zealand business cycles. Bob Buckle was also very influential on me in those days. He was a secondary supervisor to some extent. I think the Economics Department at Vic in those days was a really supportive environment and they were very into having students doing thesis work and got right in behind us. They gave us an office, so you sort of felt part of the faculty, and there were lots of good seminars going on. It was excellent. I should also mention Lew Evans. He was very kind to me in terms of giving me his time, and I learnt a lot from Lew that subsequently became very useful to me in the micro space. I was working on macro at the time, working with Viv on business cycles and the like, and my thesis was on real business cycle theory, applied to New Zealand. But it was great having Lew on the side there, whispering micro into my ear, which subsequently grew and I'm more a microeconomist nowadays than a macro guy.

Q: Then you had to get a professional job, outside the University. Where'd you go?

A: My first job out of Victoria was at the Reserve Bank of New Zealand. I only applied for two jobs in that last year and was fortunate enough to get a job at the Bank in the modelling team. They were in the middle of building a model called FPS, the Forecasting and Policy System. My job was to help with that, so I worked on measuring potential output, which I subsequently came to view as a rough approximation of an abstract concept. Then I worked as the model operator. During monetary policy forecasting rounds, I would take all the judgements coming out of the forecasting team, apply it to this model and see what came out the other end.

It was a time where I really came to understand George Box when he said; "all models are wrong, but some are useful". The Bank's model was essentially a tool for keeping track of the various judgements that were being made. It would very quickly identify any inconsistencies in the way we were thinking about the economy's performance at that time. So that was useful, but we didn't take it as gospel.

Q: All good forecasters say the same thing. Then you had some other jobs. But I want to jump straight to you becoming involved with the OECD. Can you tell us the story about that?

A: Yes, sure. After the Reserve Bank, Adrian Orr was the chief economist and he moved to Westpac and I went with him and had a couple of fun years working in the dealing room there. Then, I wanted some overseas experience. My partner, Anne-Marie Brook had applied for a job at the OECD and was working through the process quite nicely. I had applied and hadn't heard anything, really. It takes a long time to get a job at the OECD. But we left the country anyway to have what we called the long walk to Paris, through Asia and India and the like.

The one slightly frustrating aspect of that trip was that I had to engage with the OECD from time-to-time to try and get a job there. I remember needing to sit an exam in Chengdu as part of the recruitment process. I found the nicest internet café that I could. Someone at the OECD emailed me a bunch of questions: I had to write four essays in two hours or something like that and email it back to them. I remember sitting in the midst of all these Chinese guys who were furiously playing video games and smoking cigarettes, trying to think about what I wanted to say on the current state of the New Zealand economy or whatever.

In the end, we got to Paris and I still didn't have a job. I went to one interview for a job on a country desk that I didn't really want, and they didn't really want to give me, and I left there feeling quite dejected. Then a couple of weeks later I went for another interview for a job working on the OECD's indicators of product market regulation with Giuseppe Nicoletti and it was pretty much love at first sight.

Q: Keep going...

A: Well, so then I got started at the OECD doing that. The nice thing about that job, because they were indicators of the extent to which regulatory settings are competition-enhancing or not, is that it gave me a really broad view of the topic of regulation, competition and productivity. It was getting far more micro than the work I'd been doing at Westpac and the Reserve Bank, but it was still sufficiently broad that I could see the links. It was essentially about building a micro regulatory picture up into being relevant for an economy's macro productivity performance. I learnt a great deal from that on the ways in which regulations work or don't work and the sort of impacts that they can ultimately have on productivity.

The first part of that job was building and updating the indicators and then the second part of the job was using those indicators to better understand the relationship between regulation and productivity across 30 OECD economies, as there was at the time. And that agenda is still front and centre in much of the OECD's work today.

Q: You've already answered the question about what did you think was the most valuable about that, so I'll just jump on. You came back, and do you want to talk about your work at the Productivity Commission?

A: Yes, sure. I'd love to. We came back from Paris, and I kept working as a consultant to the OECD and the World Bank. I chose not to dive into the New Zealand public sector at that time because I was enjoying the freedom of being able to work when I wanted. It was also interesting work and they would fly me around the world to the various countries we were working on, so it was exciting.

Then in New Zealand - it was 2011 - the idea of a Productivity Commission came out of a coalition agreement between the National Party and the ACT Party. I knew a bit about the Australian Productivity Commission, which has been very influential in the regulatory debate in that country. The experience I'd had at the OECD working on regulation, competition and productivity really put me in the right space for the New Zealand Productivity Commission. I was really excited when that opportunity came along.

Q: Looking back now, you're about to take a break: one highlight out of that time?

A: Well, I've been going at the Productivity Commission for seven and a half years now, that's how long the Commission has been around. I'm the Director of Economics and Research, and I see my job as pulling together what we know about the New Zealand economy, particularly around our productivity story, and mapping that into the policy space. And there's still clearly holes in our knowledge that we need to fill, but we actually know quite a lot already. We've been researching and debating productivity issues for the last 15 to 20 years here in New Zealand. My job has been piecing those various bits of research together into a big-picture narrative or story about the reasons why New Zealand has struggled with productivity over the last 30 or 40 years and what we need to do to turn that around.

The most satisfying aspect of that is a paper I published in July this year called *Can the kiwi fly? Achieving productivity lift-off in New Zealand*. It outlines in 24 very readable pages my view on New Zealand's poor productivity track record and challenges policymakers and their advisors to get on and fix it. Getting that out was highly satisfying because it makes the point that we do understand New Zealand's poor productivity and highlights the opportunities and risks for New Zealand in the 21st century global economy. It's been very well received by pretty much everyone.

The productivity paradox is dead and gone as far as I'm concerned. I think the solutions or the policy aspects of improving New Zealand's productivity are not as elusive or as mysterious as they are sometimes made out to be. I think the challenge is more around the public sector getting on and doing it.

That's not just about one-off regulatory changes. Laws and regulations come out of a machine owned and operated by the New Zealand public sector. We need to make sure that machine is running as well as it possibly can, so that the flow of regulation is high quality. I think there's much room for improvement in that. For instance, there are not many economists working in the public sector and I think we would be a bit further ahead if our public policies were based on stronger economics. I enjoy being a voice for doing all that a bit better.

Q: Okay, well now you've got the chance to look back a bit; perhaps you've explained this, but putting it in other language might help. Where did the economics background and training fit into the enjoyable life that you've had?

A: Economics is such a versatile discipline. I think it gives you options. When you think about the different types of economists that are out there, there's a lot of variation. Whatever you're interested in, you can use economic frameworks to improve your understanding of the area. It's a really powerful lens on the world.

It's also a really portable skill. Economist jobs, they tend to be in capitals, but if you're happy living in capital cities, you can really take your economics and work wherever you like - Paris being the obvious example for me, but you know, Washington DC or different parts of Asia... It's a very portable discipline.

I think, for me, I've always had a strong desire to understand the world. I know economics is one view on the world, but to my mind, economics is extremely flexible. It doesn't necessarily just tell you how things should be. But it gives you a framework for figuring out the way things work and seeing scope for improvement, and it's that flexibility that I really enjoy about economics. It's like every piece of economics I do is dependent on the context within which I'm doing it; the time and the place. That really keeps the interest factor high for the likes of me.

THE FIVE-MINUTE INTERVIEW WITH ... CHRISTINA LEUNG



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

I really enjoyed economics in school and the concepts stemming from the core issue of scarcity and why economies interact the way they do because of scarcity was very interesting to me.

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

Coming to New Zealand when I was very young in the early 1990s when inflation was high I watched my parents worry about finding a job and in the meantime be uncertain how long the savings they had would last before it got eroded away by inflation. Hence, they viewed the Reserve Bank as a fantastic place that had just introduced inflation targeting and was looking to bring down inflation, safe-guarding the purchasing power of savings. This early experience probably shapes my hawkish bias! Given my interest in economics, I was keen on a career at the central bank and studying economics was the natural path to do that.

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

No particular books but I enjoyed reading the weekly publication *The Economist* even from primary school.

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

My economics teacher at college made economics really to understand and from there I was keen to develop a career in economics, with an aim to working at the central bank.

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

I have to say don't have any favourite economists, but I saw Economics Nobel Laureate Daniel Kahneman speak at a conference earlier this year and he was very inspiring. I find behavioural economics very interesting, as it explains a lot about why financial markets behave the way they do

and that you cannot always rely on people to be rational in their decision making. I am also very interested in wealth inequality and the role excessively loose monetary policy has played in this in the wake of the Global Financial Crisis, where we have seen the effects of loose monetary policy come through in asset price inflation while general inflation has remained low. Those with wealth in the first place have been able to take advantage of the very low borrowing costs, while those without fall further behind.

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

I have only written a few papers on trade and inflation, and cannot say I have a favourite.

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

It's a hard choice between the Global Financial Crisis, and the Rogernomics reforms undertaken by the Government in the early 1980s which deregulated many markets in New Zealand. I would say the latter probably had a more profound impact on New Zealand. The deregulation of many markets changed the composition of production and jobs in New Zealand, and some would argue the distribution of income given the job losses that come with the restructuring of industries such as manufacturing.

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

I'm a real foodie, so I enjoy eating out. Luckily, I also enjoy exercise and the outdoors, and try to enter at least one half marathon each year to give myself a reason to train (even on the days when I don't feel like it!). I also enjoy attending film festivals and theatre productions, something which is a bit thought-provoking and different from the mainstream.

NZIER ECONOMICS AWARD 2018

CITATION

In an effort to make New Zealand a prosperous and fulfilling society for all New Zealanders, there has been an increasing demand on policymakers to provide robust and trustworthy analysis of the challenging social issues confronting this country from time to time. Real evidence-based analysis is being increasingly recognised by many institutions as the best way, and perhaps the only way, to gain insights and solutions to the many social issues in our society.

The recipient of the NZIER Economics Award for 2018 has undertaken work for many government organisations including the Ministry of Business, Innovation and Employment, the Treasury, the Ministry of Education, the Productivity Commission, the Ministry of Women, Auckland Council, and Careers NZ. This public sector work has been complemented with work for business and non-government organisations, including the Employment and Manufacturers' Association Northern, Business NZ, the Equal Employment Opportunities Trust, Diversity Works NZ, Coca Cola Amatil NZ, the Vodafone Foundation, and the Blind Foundation. It is a testament to the high regard in which the recipient is held that such a wide range of government and non-government agencies seek her assistance and trust her results.

Her work stands out for its diversity, quantity and quality. She focuses on the analysis of important social issues, with a particular emphasis on labour and health research. Her work has covered inter-generational welfare effects, gender, education as both a driver and an outcome, industry structures, culture, job satisfaction and well-being measures, health as it relates to employment, health system service delivery, and ethnic disparities.

Of particular note is her work on the gender pay gap. Based on her research findings, the Ministry of Women 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 supporting research has been consistently cited, domestically and internationally, by the Human Rights Commission and other stakeholders. It is now forming the basis of policy initiatives by the Government to help close the gender pay gap.

Her work is always independent. It is based on sound theoretical thinking, with economic modelling of the data used to highlight relationships that are not necessarily obvious. She brings no pre-conceived bias to her work, and is happy reporting on and explaining results that may appear contrary to popular opinion, if that is what the data shows. Her depth of understanding about the strengths and shortcomings of her data sources means both that her results are robust and that she is able to explain them clearly to the broader public. This ability is recognised in her frequent invitations to give media interviews and to deliver seminars at various government ministries, to act as a mentor to ministry staff, and to review internal ministry papers.

From her first work as an Honours student at the University of Auckland, investigating the impacts of the minimum wage, through to her current role as Director of the New Zealand Work Research Institute at Auckland University of Technology, her focus has been to undertake applied econometric work to inform policy for a better New Zealand.

The New Zealand Institute of Economic Research Economics Award for 2018 is therefore given to Gail Pacheco.



AWARDS PRESENTED AT NZAE CONFERENCE 2018

LIFE MEMBER OF THE NZ ASSOCIATION OF ECONOMISTS

RALPH LATTIMORE

DAVID TEECE PRIZE IN INDUSTRIAL ECONOMICS AND FIRM BEHAVIOUR

RICHARD MEADE

(Cognitius Economic Insight)

SEAMUS HOGAN RESEARCH PRIZE

SALLY MF OWEN

(Motu)

STATISTICS NZ PRIZE

LYDIA CHEUNG

(AUT)

NZ ECONOMIC POLICY PRIZE

FAO YANG

(RBNZ)

NZ INSTITUTE OF ECONOMIC RESEARCH POSTER PRIZES

Open:

HANNA HABIBI

(VUW)

Student:

HANNA HABIBI

(VUW)

People's Choice:

SAMUEL VEREVIS

JAN WHITWELL PRIZES

Doctoral:

YAXIONG (SHEERY) LI

(Auckland)

Bachelors/Masters:

BEN L DAVIES

(Motu)

CONFERENCE ASSISTANT AWARDS

BRONWYN BRUCE BRAND

HALEY DINH

SAMANGI BANDARANAYAKE

KONGCHENG POCH

CHANELLE DULEY

HANNA HABIBI

GRADUATE STUDY AWARDS

STEFANIA MATTEA

ANH THI NGOC NGUYEN

BEST NZ ECONOMICS HONOURS

DISSERTATION

CHRIS FENDER PURDIE



NZAE CONFERENCE 2018

<http://www.nzae.org.nz>



<http://www.nzae.org.nz>

BLOGWATCH

By Paul Walker (psw1937@gmail.com)

An important **new journal** is being edited out of the Department of Economics and Finance at the University of Canterbury: *SURE Journal: Series of Unsurprising Results in Economics*. They publish scientifically important and carefully-executed studies with statistically insignificant or otherwise unsurprising results. Studies from all fields of economics will be considered. SURE is an open-access journal and there are no submission charges. Their aims include helping to mitigate publication bias and thus complementing other journals in an effort to provide a complete account of the state of affairs and to serve as a repository of potential (and tentative) “dead ends” in economics research. See their blog <<https://blogs.canterbury.ac.nz/surejournal/>>.

The gender pay gap is a hot topic. At the Vox blog <<https://www.vox.com/>> Sarah Kliff writes that the gender wage gap is really a child care penalty. She discusses research by Henrik Kleven which shows that there is a sharp decline in women's earnings after the birth of their first child — with no comparable drop for men <<https://www.vox.com/2018/2/19/17018380/gender-wage-gap-childcare-penalty>>. At TheUpshot blog <<https://www.nytimes.com/section/upshot>> Claire Cain Miller looks at research that shows that women who have their first child before 25 or after 35 eventually close the salary divide with their husbands but this is not so for those women who have children between the ages of 25 and 35 <<https://mobile.nytimes.com/2018/04/09/upshot/the-10-year-baby-window-that-is-the-key-to-the-womens-pay-gap.html>>. A new NBER <<http://www.nber.org>> working paper that looks at the gender wage gap in the “gig” economy finds that even in the absence of discrimination, and in flexible labour markets, women's relatively high opportunity cost of non-paid-work time and gender-based differences in preferences and constraints can sustain a gender pay gap <<http://www.nber.org/papers/w24732>>.

Another hot topic is the **effects of an increase in the minimum wage** and how economists should model the labour market. In an interesting and provocative article at Bloomberg <<https://www.bloomberg.com/>> Noah Smith discusses recent empirical research that suggests that higher minimum wages do not have negative effects on employment. Smith argues that this work discredits the standard competitive model of labour markets. He favours a model of monopsonistic labour markets where employers have market power <<https://www.bloomberg.com/view/articles/2018-04-05/supply-and-demand-does-a-poor-job-of-explaining-depressed-wages>>. Perhaps not too surprisingly, not all economists agree with him. At the EconLog blog, <<http://econlog.econlib.org/>> Scott Sumner is one who says he is not convinced by Smith's arguments. He asks What empirical evidence should we trust? <http://econlog.econlib.org/archives/2018/04/should_we_trust.html>. At the Cafe Hayek blog <<http://cafehayek.com/>> Don Boudreaux also expresses reservations about Smith's argument. He writes on Revisiting Monopsony Power <<http://cafehayek.com/2018/04/revisiting-monopsony-power.html>>. Mario Rizzo, at the blog ThinkMarkets <<https://thinkmarkets.wordpress.com/>>, writes on The “New” Monopsony Argument and the Suppression of Wages <<https://thinkmarkets.wordpress.com/2018/06/08/the-new-monopsony-argument-and-the-suppression-of-wages/>>.

At the Foundation for Economic Education blog <<https://fee.org/articles>> Matthew Kelly and Peter Lewin explain **why big data won't save central planners from the knowledge problem**. In short, big data does not equal big knowledge. Any data on economic activity is inextricably predicated on the existence of markets. The algorithms which private firms use to better predict demand and supply rely on an incoming flow of market data. Without a market, that data ceases to exist. Take away the market that produces economic data, and

governments would be flying blind <<https://fee.org/articles/why-big-data-won-t-save-central-planners-from-the-knowledge-problem/>>.

At VoxEU.org <<https://voxeu.org/>> Samuel Bowles discusses the relationship between **Marx and modern microeconomics** <<https://voxeu.org/article/marx-and-modern-microeconomics>>. “Few economists doubt that Marx flunked economics, a judgement mostly based on his labour theory of value. But this column argues that Marx's representation of the power relationship between capital and labour in the firm is an essential insight for understanding and improving modern capitalism. Indeed, this insight is incorporated into standard principal-agent models of labour and credit markets”.

At the Alt-M blog <<https://www.alt-m.org/>> George Selgin talks about the fact that the Fed in the US is one of several central banks around the world that have adopted **floor systems for monetary control** during the last dozen years. That fact raises some obvious questions: Did those other floor systems have similarly dire consequences? If not, why not? In his post, Selgin sets out to answer these questions by looking at the New Zealand experience. By doing so he also hopes to shed some further light on the US floor system experience <<https://www.alt-m.org/2018/03/08/new-zealands-floor-system-experience/>>.

At the Independent Institute <<http://www.independent.org/>> Benjamin Powell looks at the **effects on employment of President Donald Trump's tariffs** on steel and aluminium. Powell notes that the president argues that the tariff will create jobs while Trump's critics say the tariffs will destroy jobs. Powell argues that both sides to the debate misconstrue the situation. These tariffs won't change the total number of American jobs; they will change the mix of jobs in a way that will make the US poorer and less productive <<http://www.independent.org/newsroom/article.asp?id=9329>>.

Timothy Taylor asks, at his Conversable Economist blog <<http://conversableeconomist.blogspot.co.nz/>>, **If We Pay Football Players, Why Not Kidney Donors?** <<http://conversableeconomist.blogspot.co.nz/2018/05/if-we-pay-football-players-why-not.html>>. “In the context of football, players receive compensation for actions that benefit others—specifically, those who enjoy watching for entertainment—but also impose risks of both short-term and long-term negative health outcomes. In the context of kidney donations, potential living donors are forbidden from receiving compensation for actions that can be literally life-saving for others—specifically, donating a kidney—on the grounds that it may increase a risk of poor health outcomes”. But why the difference?

At the Truth on the Market blog <<https://truthonthemarket.com/>> Thom Lambert discusses Problems With the Theory of Anticompetitive Harm from Common Ownership. The theory holds that **small-stakes common ownership causes firms in concentrated industries to compete less vigorously** since each firm's top shareholders are also invested in that firm's rivals. Lambert maintains there are three premises on which the argument is based. 1: Because institutional investors are intra-industry diversified, they benefit if their portfolio firms seek to maximize industry, rather than own-firm, profits. 2: Corporate managers seek to maximize the returns of their corporations' largest shareholders— intra-industry diversified institutional investors—and will thus pursue the maximisation of industry profits. 3: Industry profits, unlike own-firm profits, are maximized when producers refrain from underpricing their rivals to win business. Conclusion: Intra-industry diversification by institutional investors reduces price competition and should be restricted. Lambert argues that the first two premises are questionable.

IMPROVING PEOPLES' LIVES THROUGH EFFECTIVE POLICY

GEN 2018 Annual Conference



9 November 2018 • Te Papa Museum, Wellington

Improving Peoples' Lives Through Effective Policy

Ensuring policies are effective and achieve the desired impacts is harder than it seems. The conference will explore the best ways to ensure that policies are effective and improve the quality of peoples' lives.

#genconference2018

**REGISTER
ONLINE NOW**
www.gen.org.nz

COST

Early Bird \$350.00

Standard \$450.00

Prices do not include GST

*Earlybird registration closes
Friday 5th October*

Keynote Speakers



Lord Gus O'Donnell

Former British Cabinet Secretary



Professor Stephen Jenkins

London School of Economics and Political Science



Professor Allan McConnell

University of Sydney



Professor Jeroen van der Heijden

Victoria University of Wellington



Danielle Wood

Grattan Institute



Murray Sherwin

Productivity Commission



Judge Andrew Becroft

Children's Commissioner

ENVIRONMENTAL-ECONOMIC ACCOUNTING AT STATS NZ

By Adam Tipper; email: adam.tipper@stats.govt.nz

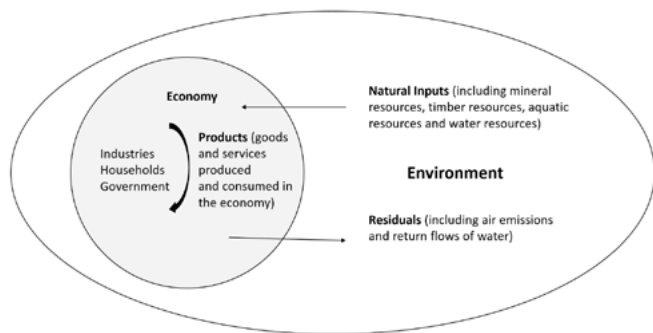
Environmental accounting shows the interactions between the environment and the economy. It can be used to assess whether patterns of economic activity are depleting or degrading our resources; and to show the value of natural resources, who benefits from natural resource use, and what actions are being undertaken to protect the environment.

The System of Environmental-Economic Accounting (SEEA) is an internationally accepted framework that uses concepts, definitions, and classifications consistent with those under the System of National Accounts (SNA). In doing so, it enables environmental and economic information to be integrated and coherently analysed. This can lead to a clearer understanding of environmental-economic trade-offs and provide a more complete picture of a country's economic and environmental performance. Stats NZ is developing environmental accounts to meet widespread needs around understanding the impacts and dependencies of the economy on the environment. These statistics also feed into the programme to develop wider measures of progress that go beyond standard GDP measures.

SCOPE

The SEEA framework covers: stocks of environmental assets; flows of environmental services within the economy; residuals from economic activity to the environment; and accounts showing the extent of environmentally related economic transactions (figure 1). The SEEA covers both physical and monetary approaches to measuring environmental assets and their services.

Figure 1



There are two main components to the SEEA. The Central Framework, which was endorsed by the United Nations Statistical Commission (UNSC) in 2012 as a statistical standard (the same level of acceptance as the SNA), outlines the measurement of stocks and flows of environmental assets such as land, energy, water, timber, and minerals, and environmental activity accounts such as environmental taxes and protection expenditure. It introduces the principles, concepts, and definitions from the SNA that are to be applied to environmental data to achieve integration. These include: the use of net present value methods for measuring asset values; the production boundary; the principle of valuing at the point of exchange; and the use of consistent industrial classification systems. Country-level implementation of the accounts depends on respective data needs.

The experimental ecosystem accounting framework extends the central framework into the domain of ecosystem condition, extent, and services, and has a holistic view of environmental assets. Like the central framework, its strength is its capacity to integrate environmental information with standard measures of economic activity. Endorsed by the UNSC as international guidance in 2013, it uses the same principles, structure, and accounting approach as the central framework to maintain coherency. The UK in particular has been pioneering in developing ecosystem accounting. Ecosystem assets are the basis upon which the ecosystems function and provide ecosystem service flows. Ecosystem services provide the link between ecosystem assets and the benefits received by society. Ecosystem service flows are classified into three broad categories of provisioning services (e.g. material and energy provided by ecosystems, such as timber, fish, or plants), regulating services (the capacity of ecosystems to control the climatic, hydrological, and bio-chemical cycles), and cultural services (e.g. recreation).

ECONOMIC APPLICATIONS

The broad approach of the SEEA enables it to be used in an ecological economics, environmental economics, or natural resource economics based framework. Hamilton (2004) explores the link between SEEA and sustainability showing how it is consistent with a generalised version of the Hartwick rule (i.e. consumption is sustainable if the value of investment equals the value of rents on extracted resources at each point in time).

The consistency between the SEEA and SNA enables national accounts to be integrated with environmental data, thus methods of analysing national accounts can be extended into an environmental context. This ranges from joint presentations of environmental and economic accounts, (e.g. Input-Output Tables with Ecosystem Services (Obst and Eigenraam, 2016)), derivation of resource productivity or emissions intensity measures (e.g. greenhouse gases per unit of GDP), to more sophisticated techniques such as computable general equilibrium modelling. The SEEA also underpins notions and measures of [green growth](#) (as pioneered by the OECD) and a number of [sustainable development goal](#) indicators.

The SEEA can also be used to provide a 'green' approach to economic statistics such as GDP or multifactor productivity. Brazil, for example, are about to measure green domestic product so that the value of natural ecological capital is considered alongside economic production, while Australia includes measures of natural capital in estimates of multifactor productivity for the mining industry.

ACCOUNTS PRODUCED BY STATS NZ

In February 2018, Stats NZ published [Environmental-economic accounts: 2018](#) which included accounts for:

- Land cover
- Water physical stocks
- Timber stocks (physical and monetary)
- Renewable energy monetary stocks
- Fish monetary stocks
- Air emissions
- Environmental taxes
- Environmental protection expenditure
- Marine economy

Natural capital: physical estimates

The physical stock accounts provide an insight into the extent of some of New Zealand's key natural resources and how these are changing over time. The land cover account shows how (and where) land cover has shifted from grassland to tree-covered areas, with the resultant increase in timber volumes observable in the timber account. While this led to a significant increase in the stock value of timber, and the receipt of substantial resource rents and greater stocks of carbon, the imminent maturity (and harvesting) of forests planted in the early-to-mid 1990s and fall in new plantings poses a challenge for future reductions of net greenhouse gas emissions.

Natural capital: monetary estimates

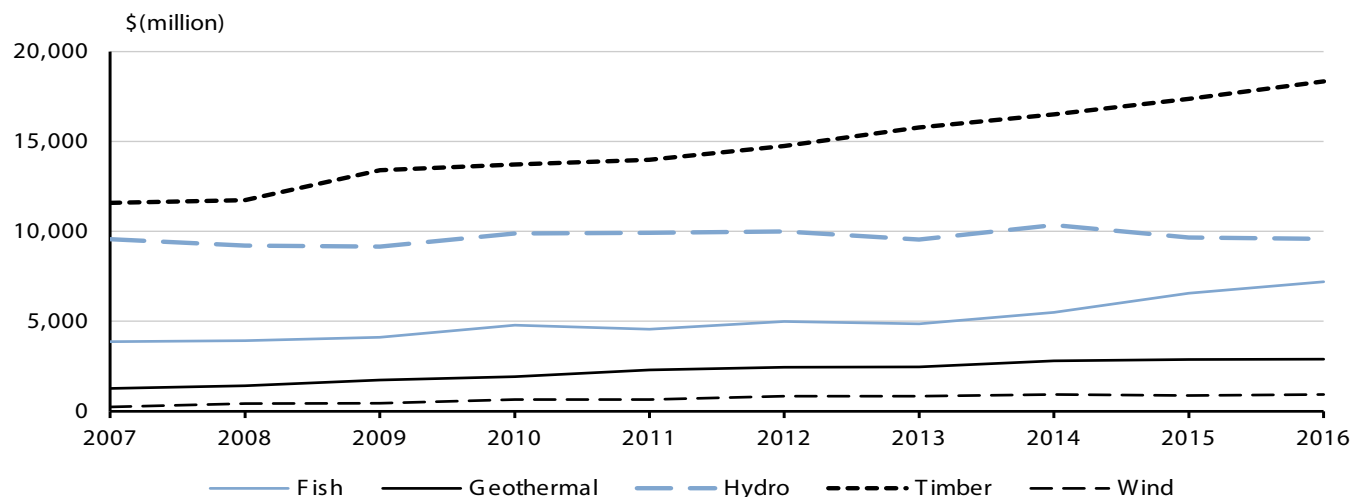
The accounts for natural capital in monetary terms illustrate the extent to which production is dependent on natural resources in the form of resource rents from the use of natural resources. For example, resource rents accounted for 53 percent of forestry and logging GDP and 28 percent of electricity, gas, water, and waste, services GDP in 2016. These accounts also provide estimates for the value of the natural resource stock. Our estimates of the asset values of natural resources are currently partial as significant natural resources, such as land, are not yet measured in the environmental-economic accounts. The asset value of natural resources estimated to date amounted to \$38.9 billion in 2016 (see figure 2). Timber stocks accounted for nearly half of this value (\$18.3 billion), followed by hydro (\$9.6 billion) and fish (\$7.2 billion). The declining discount rate (i.e. preference for future consumption), along with prices, has driven the increase in the value of the fish stock in the last five years. As the measurement of natural asset values is further developed, these values could be incorporated into the national balance sheets to develop a more comprehensive estimate of national wealth.

Figure 2

<http://www.nzae.org.nz>

Figure 2

Natural capital asset values 2007–16



Source: Stats NZ

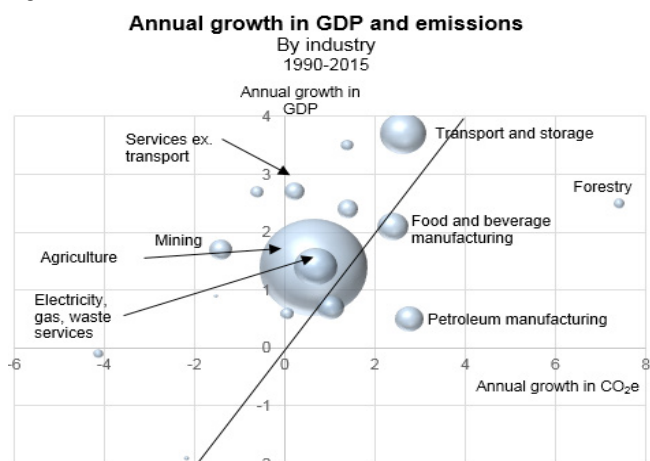
Greenhouse gas emissions by industry

The air emissions account shows the physical flow of greenhouse gases from economic activities. Summary results are presented in figure 3, which compares average growth in carbon dioxide equivalents to average real GDP growth. The size of the bubble indicates the relative contribution to carbon dioxide equivalent emissions in 2015. Industries to the left of the 45-degree line have either decoupled (i.e. changed at a different rate) emissions from GDP growth in relative or absolute terms.

The agriculture industry's carbon dioxide equivalent emissions increased 0.6 percent a year, while its GDP increased by 1.4 percent a year, suggesting relative decoupling. From 1990–2015, five industries recorded a decrease in emissions, three of which did so while increasing economic output, thus showing absolute decoupling. These were: fishing; mining; and transport equipment, machinery and equipment manufacturing.

Emissions for industries to the right of the 45-degree line have increased at a faster rate than GDP. These industries include: forestry; food, beverage, and tobacco product manufacturing; petroleum, chemical, polymer, and rubber product manufacturing; metal product manufacturing, and total manufacturing.

Figure 3



Source: Stats NZ using data from: Ministry for the Environment; Ministry for Business, Innovation and Employment;

Environmental activity accounts

The accounts illustrate the impacts and dependencies of the economy on the environment, but also the government's role in providing goods and services that protect the environment or incentivise agents to minimise environmentally damaging behaviour. The environmental protection expenditure and environmental tax accounts illustrate the extent to which these fiscal instruments are used in New Zealand. Final consumption expenditure on environmental protection by general (i.e. central and local) government reached \$2.1 billion in 2016, while its environmental investment reached \$970 million. In 2016, the total amount of environmental taxes was \$4.9 billion, accounting for 6.2 percent of all taxation received by general government.

FUTURE DEVELOPMENTS

Stats NZ will continue to develop its set of environmental accounts, with plans to measure water, land, and timber use by industry, and begin to develop ecosystem (extent, condition, and service) accounts. We welcome feedback on the accounts produced to date, and associated products, available as well as suggestions for future developments.

ACCESS THE REPORT

Available from <https://www.stats.govt.nz/information-releases/environmental-economic-accounts-2018>

REFERENCES

- Hamilton, K. (2004) Measuring Sustainability in the UN System of Environmental-Economic Accounting. Grantham Research Institute on Climate Change and the Environment. Working Paper No. 154
- Obst, C. and Eigenraam, M. (2016). Using the SEEA Experimental Ecosystem Accounting framework to advance I-O and CGE integrated environmental-economic modelling. Paper prepared for the Global Trade Analysis Project Annual Conference.

CREEDY ON CORDEN

John Creedy, Victoria University of Wellington

One of our most well-rounded economic theorists whose background includes time teaching in Australia looks at the autobiography of one of Australian economics' living legends.

Lucky Boy in the Lucky Country. The Autobiography of Max Corden, Economist by Warner Max Corden. London: Palgrave Macmillan, pp. xvi+243 (2017)

In his foreword to this book, Martin Wolf describes the author as 'Australia's greatest living economist', and indeed a case can be made for describing Max Corden as Australia's greatest ever economist. Unusually for someone still living, a department at ANU, and a public lecture series at Melbourne University, are named after him. He is an Honorary Foreign Member of the American Economic Association, a Fellow of the Academy of the Social Sciences in Australia, and a Fellow of the British Academy. He is also a Distinguished Fellow of the Economic Society in Australia, and has been President of the Economic Society of Australia and a member of the Group of Thirty. In January 2001 he was appointed a Companion of the Order of Australia.¹

But the life of a great modern academic economist seldom provides material for a biography, and, after a lifetime of writing for a specialist audience, very few people are capable of writing a readable autobiography. Max is a rare exception to both of these characteristics. His well-travelled life, his ability to write in a clear and engaging style, his wide sympathies, his self-knowledge and modesty all combine to make this autobiography fascinating reading. Above all, it is more than a narrative. Max characteristically searches for reasons, reflecting both on past events and his own personality. Interestingly, Max reflects on his position as a migrant, being grateful for a country that accepted him, while discussing the complex process of 'assimilation'.

This book should appeal to a wide audience. It contains a great deal that is of interest to non-economists. Indeed, Part 1 (The Early Years) is concerned largely with the story of his family background, his escape from Nazi Germany and the journey to, and early life in, Australia (with the change of name from Werner Max Cohn to Warner Max Corden). An uncle was Willy Cohn, who later became famous after his diaries were translated and published. These stand, along with the diaries of Victor Klemperer, as an important record of everyday Jewish life in Germany after 1933 until Willy's deportation and murder in 1941.

Part II (Being an Academic Economist) describes his varied academic career, involving senior positions in Australia, the UK and the US. This covers: his time as a PhD student of James Meade at London School of Economics, and a researcher at the National Institute of Economic and Social Research in London in the 1950s; the years in Australia (Melbourne and Canberra) from the late 1950s to the late 1960s; his time in Nuffield College, Oxford, from 1967 to 1976 when he filled the Readership vacated by Roy Harrod; the second period at the Australian National University until 1986; and finally the years in the US at Harvard, the International Monetary Fund and the School of Advanced International Studies at Johns Hopkins in Washington until 2002. Retirement brought a return to Melbourne where he continues to be a highly-valued Professorial Fellow.

Not surprisingly, Max provides interesting information about the conception and gestation of his major works, with useful economic history to provide the context. The relevance of his work to current important economic policy questions is indeed a strong feature of Max's research, along with his ability to develop the necessary theoretical framework – often expressed diagrammatically – and bring all-important

and wonderful clarity to the exposition. The reader is left in no doubt about why the problem is important, why a particular approach is most useful, and the policy implications (and possible limitations) of the analysis. Max's articles and books are exemplars of how to write economics, ensuring that they continue to be read and cited years after they were written.

From a vast output, he leaves the reader in no doubt that his most important article is, 'The Structure of a Tariff System and the Effective Protective Rate', published in the *Journal of Political Economy* in 1966. This seminal article led to a large subsequent literature, and (with his other writings on protection) had a valuable role in encouraging tariff reductions in Australia and elsewhere. Here, Harry Johnson played a valuable role in suggesting revisions, after it was initially rejected by the *Economic Journal*. Harry had been an associate editor of the *Review of Economic Studies* when Max's first article – written in Melbourne while working part time on a master's thesis (and submitted by Wilfred Prest, then the Truby Williams Professor at Melbourne, on Max's behalf). The importance of Harry Johnson to Max's 'international journey' is made clear, including his influence in helping to get Max appointed to the Readership at Nuffield College.

The years at Nuffield represent the 'high point' of his career. Max suggests that, 'perhaps these were the best, most memorable, nine years of our lives'. The college provided a congenial environment and his outstanding pedagogic skills benefited generations of graduate students. There is no doubt that every graduate with an interest in international economics or welfare economics who passed through Oxford during that period retains a strong memory of his stimulating and enjoyable lectures and seminars. His most-cited paper, on 'booming sector and de-industrialisation in a small open economy', was written (after his return to ANU) with a former student, Peter Neary. This also provides a further example of the way in which Max takes a specific contemporary economic problem and applies original analytical insights, extending the analysis to a wide range of possible cases.

His acknowledgement of Harry Johnson's role reflects a characteristic of the autobiography throughout – Max's generosity of spirit toward his many colleagues. While many economists, and indeed academics generally, waste a lot of energy on conflict, Max's cheerful and friendly demeanour is shown by his complimentary 'pen portraits' of numerous past colleagues and friends. This is associated with his constant quest to understand all different points of view. Those who look in this autobiography for acerbic comments or criticisms of various institutions will be disappointed.

Hence, while economists form the main audience for his autobiography, with perhaps a focus on those concerned with international economics and macroeconomic policy, all academics can learn from Max's career. His writings provide obvious models of clarity, but a feature that is worth stressing is that a strong international reputation can be obtained by examining specific policy questions relating to particular countries, by bringing to bear fresh analytical insights and bringing out the possible relevance to other cases. Anyone who has ever heard Max talk in a seminar or lecture context, will carry away a lasting memory of intellectual stimulation and clarity. It is perhaps surprising to learn in this autobiography that he initially had to overcome shyness. But he stresses that as a student he always examined those who lectured to him, learning what to avoid and what 'works' (such as making eye contact, not reading, and so on). The main lesson – the importance of preparation – is revealed in an interesting anecdote from an early lecture in Melbourne, when he took a blank page, rather than his lecture notes, from his pocket and simply spoke without any 'props'. The other important feature is that Max so palpably *cared* about his audience.

¹ For basic metrics, see <https://scholar.google.com.au/citations?user=7SRbVVgAAAAJ&hl=en>. This gives an h-index of 52 and an i10-index of 150. There is a wealth of further information from his personal web page, available at <http://www.maxcorden.com/>

In looking back over any productive and well-travelled life, it is hard to avoid the feeling that luck plays an important role, and so it is interesting to see that Max not only acknowledges this in his title, but also devotes a final chapter to 'All About Luck'. A meeting with Prest, to discuss a draft of a paper, led both to its publication and the suggestion by Prest that Max should apply for a British Council Scholarship to study in England (he had planned simply to take a holiday in England at the time of the coronation of Queen Elizabeth II in 1953). This led to resignation from the Department of National Development and the start of his academic career. However, the move to London was delayed by a broken leg, which resulted from being hit by a car while crossing Russell Street at the corner of Bourke Street. While waiting for the leg to heal, Max attended a play-reading at the Youth Hostel Association (in Flinders Street). The play was Wilde's *The Importance of Being Ernest*, and one of the readers

was Dorothy, who was later to become Max's wife. Many years later, there was an allusion to this important event in the title of his 2002 book (*Too Sensational: On the Choice of Exchange Rate Regimes*).² But of course, serendipity favours the prepared mind and, as stressed above, Max always made sure he was prepared. Being supervised by James Meade is also attributed to luck, but Max was persistent in asking for Meade when he arrived at LSE.

On the role of luck, one may take issue with Max's last sentence, in which he emphasises: '*and it is just luck that I have this ability at exposition*'. This actually comes from a strong desire to communicate clearly, which comes from caring about his audience, planning and a lot of hard work. And while Max expresses his good fortune, or luck, in migrating to Australia, it might more appropriately be claimed that it was the country that was lucky to receive him.³

² Miss Prism (in whose handbag the baby Ernest had been placed) gave the following instruction to Jack/Ernest's ward, Cecily: 'you will read your Political Economy in my absence. The chapter on the fall of the rupee you may omit. It is somewhat too sensational'.

³ The expression 'the lucky country' actually comes from the title of the 1964 book by Donald Horne, in which he argued that Australia's prosperity was all due to luck, despite what he suggested was (among other things) a 'second rate' system, complacency, and a lack of innovation. However, it has come to be used favourably rather than in a pejorative sense, much to Horne's annoyance.



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29th Australian & New Zealand Econometric Study Group (ANZESG) Meeting

DATE: **Thursday 14 and Friday 15 February 2019**

LOCATION: **Reserve Bank of New Zealand, Wellington, New Zealand**

The Reserve Bank of New Zealand, in collaboration with the ANZESG, warmly invites you to attend the 29th Australian & New Zealand Econometric Study Group Meeting. It will be held on Thursday 14 and Friday 15 February 2019 at the Reserve Bank of New Zealand.

We invite submissions from those wishing to present a paper, in any field of econometrics, theoretical or applied, including empirical analyses of issues in any field of economics or finance.

The submission deadline is Friday 23 November 2018 for abstracts (or full papers, if available). Please make submissions to the following email address: ANZESG2019@rbnz.govt.nz.

Subject to acceptance, which we will advise by Friday 7 December, full papers will be required by Friday 18 January 2019 so they can be made available to discussants.

The conference registration fee is NZD\$100.

We will be presenting awards to young/emerging econometricians on the basis of their research and presentation at the meeting. To qualify for an award, researchers should either be working towards a PhD or have completed doctoral research within the past two years. Please let us know when you make your submission whether you want to be considered for these awards.

Sincerely,
Peter C.B. Phillips and Leo Krippner

Webpage:
<https://www.rbnz.govt.nz/research-and-publications/seminars-and-workshops/29th-australian-and-new-zealand-econometric-study-group-meeting>

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Statistics NZ Prize	Adam Tipper (SNZ) John McDermott (RBNZ)
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NZ Economic Policy Prize	Girol Karacaoglu (VUW) Tim Ng (Treasury) Grant Scobie (Motu)
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The Prize can be awarded once every two years, with a value of NZ\$1,000. The selection panel will be appointed by the A R Bergstrom Prize Committee.

Applications/nominations must include:

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- a research paper written by a single author, reporting original research in any area of econometrics
- a CV and relevant academic transcripts

**Applications should be emailed by Friday 15 February 2019 to:
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