

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).

EDITORIAL

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

The long interview in this issue is with Brent Layton Chair of the Electricity Authority. He is interviewed by John Yeabsley, your editor.

The 'Five Minute Interview' is with Christie Smith Head of Research at the RBNZ.

Two new FRSNZs in economics are saluted.

Paul Walker contributes his regular 'Blogwatch' column, which this time is focused on prize winners and several greats who have passed on.

The Motu article focuses on a question which has long been debated: do housing allowances translate into increased rents?

Long-time observer of NZ economic thought Gary Hawke reviews a book on Australasian economic thought.

The research interests of the members of the Victoria University of Wellington School of Economics and Finance are detailed.

We remember the Phillips conference of 2008 and the initiation of a now traditional role – the conference assistants.

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.

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15th International Conference, March 21 - 24 2019,

Hosted by Keio University, Tokyo, Japan

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ABOUT NZAE

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

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/>

AN INTERVIEW WITH BRENT LAYTON

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



Q: We'll start with formative influences. How did you come to economics?

A: By the fact that it's high in the alphabet. In my last year at secondary school I was chosen by VSA and spent a year teaching at a secondary school in Sarawak. I came from a family that had nobody that had gone to university - nobody got past School Cert. I was keen on swimming so I thought that I could continue swimming while going to university.

I pre-enrolled in Canterbury in 1968 with the idea of becoming a school teacher, mainly because there was nothing I particularly wanted to do. Having pre-enrolled, I didn't turn up because I went to Sarawak. While there I really enjoyed being a teacher, but also realised that it'd be a lot different in New Zealand where the students wouldn't have motivation, which was what was enjoyable about teaching in Sarawak.

On my return, my parents had shifted to Wellington. I discovered that only a few days later pre-enrolments were due at Victoria. I got the university calendar, decided that if it wasn't going to be arts it'd be Commerce and enrolled in the first four alphabetically: Administration, Economics, Politics and Law and Accountancy. (Unfortunately, quantitative analysis was further on and I hadn't read it was a prerequisite to stage 2.) I found Economics interesting, so continued, ending up getting an exemption from QA.

Q: You finished your undergraduate degree and then?

A: Well, I did a BCA/BA with different things in the BA. But I did Economic History Honours, so I'm an economic historian. I did one paper in Econometrics for Honours, but my PhD is Economic History.

Q: What was the most important or memorable part of this experience?

A: After Honours I won a University Grants Committee mixed tenure scholarship, but never went overseas. I stayed in New Zealand, because I was interested in New Zealand. Then, and on other occasions, I've wondered whether I should leave the country or not, and I've decided I like the place and would prefer to make it better rather than shift. In Economic History I was more interested in New Zealand than in studying something esoteric in North America, Europe, or Australia.

Q: Who were the people that were influential at that stage?

A: John Gould was very influential and so was Gary Hawke. But I was Frank Holmes' research assistant in the holidays. He was Chair of the Monetary and Economic Council, working on Report No 10, about developing financial markets in New Zealand and a local money market. The official money market came from that report, as did moves to monetary policy being based on a steady economy rather than the stop/go of the 50s and 60s.

I worked for him for two holidays. He was writing a textbook on New Zealand financial markets and systems. He used it for lectures. I had the interesting experience of being named in the preface of my textbook.

Frank was great. He imparted a lot of knowledge about policy matters; practical as opposed to theoretical. Probably both Gould and Hawke were influences through the quality of their teaching – not necessarily Economic History – but Frank got me interested in doing practical things with economics.

Later as a PhD student I had an office next to Henry Lang who put up with my incessant pipe smoking. Henry worked hard. He'd retired from the Treasury and was a visiting professor. PhD students tend to work long hours and he was often there on the weekends, so we had discussions about his take on what was going on in the 70s. They were interesting times and especially interesting to chew over with somebody with his experience.

Q: That ends and you've got to find a full-time job?

A: I saw a job at the University of Canterbury. Wolfgang Rosenberg was retiring and I thought they were probably looking for somebody with a similar outlook on life, but they ended up with me. As well as Wolf Graham Miller, economic historian, went. Frank Tay was keen to keep Economic History, so I got a job at Canterbury. I shifted down at the beginning of 1980.

Q: So, you moved from a tutor into a teacher and then made a sideways leap?

A: Yes, but not until 1984. I spent time as a junior academic. Canterbury had a great department then. Indeed, it did from the 60s thanks to Professor Sir Alan Danks. (In the 1930s he was a school teacher and one of his pupils was my mother.)

From his time Canterbury was strong and had, even internationally rated, quite a department. I learnt a lot from colleagues there, including Ken Henry, later Secretary for the Treasury in Australia. We were the two junior staff members.

Q: For the rest of your career, being a junior academic was a good foundation?

A: Yes. But Economic History was a good foundation. I left academia at the end of 84 but in the middle of 84 I became a futures broker; before the election in, I think, May. I had to continue teaching classes and tutorials, because they couldn't find anybody to take over part way through a year. I had all the excitement: the election, the foreign exchange market shutting, and so forth.

I joined a wool exporter: they were wool futures brokers. Soon I was on the Board of the New Zealand Commodities Exchange, (setting up the New Zealand Futures Exchange.) When I joined, we traded in London on the London Wool Terminal Market Association and in New Zealand. People have talked about all this happening later, but we traded on the phone. I went for two or three weeks to Sydney and stood on the trading floor but didn't have a fancy coloured coat or a big badge.

Quite a move from economic historian to futures broker. Price controls in New Zealand applied to wages and salaries, with university salaries set by the Higher Salaries Commission, whose first name was, at least for junior staff, irrelevant. (It was the Lower Salaries Commission.) My starting salary as a futures broker, part time, (I was still teaching) was roughly that of the Vice Chancellor without the superannuation added. And I'd thrown my hat in the ring thinking this will never happen. When that offer came back, I

thought I could spend 25 years grinding my way up some ladder and may or probably won't make it.

I was interested in futures and markets provoked by a visitor on an Erskine Fellowship, Bernt Stigum. Bernt had married one of his students who worked on interest rate futures arbitrages. Over dinner Bernt and I discussed the futures market. I started looking at the advertised wool futures and concluded that there was a cash and carry available. You could buy the May futures contract, they will take delivery, having simultaneously sold and redeliver on the August contract, because the spread was more than the cost to carry between the two. His wife who hadn't joined him here, was writing this book, which I got to look at.

I'd become sufficiently interested to go to the BNZ branch in the Student Union and ask, will you lend me the money to buy wool futures here and sell them there - it looks like a guaranteed profit and here's my calculation. This is before 1984 and financial market deregulation. They said it would be speculation and even if they could approve it, why should they? Remember there was tiering of lending. I tried to convince them it was about the wool market, but no. It should've been a top tier, as an export industry.

I was quite thick because I didn't need to do the physical arbitrage. If I'd just bought them here and sold the distance, the spread would have narrowed because somebody else would've brought it together. But you live and learn about these things.

That interested me in futures. Seeing an advertisement for manager of a wool exporting house's futures operation in Christchurch I thought, 'there's nothing to lose by throwing your hat in the ring' and as I said: when the offer came I decided I deserved as much as the VC.

Q: And from there?

A: Well, I was soon on the Board of the Futures Exchange. The Futures Exchange had just formed and I stayed on that until it was sold to the Sydney Futures Exchange. We were the first to demutualise the Futures Exchange and the first to effectively sell, because prior to demutualisation, exchanges were clubs. The Futures Exchange had 17 members when it was first set up. But we decided that we'd form it into a company and sell. We were the second (by a very short amount of time) electronic exchange in the world.

I'd also been interested in that side because I'd had this strange idea. I was working on institutional change and what drove the economics: a lot was about property rights, which was invading economic history. One of the issues was technology driving changes in markets. (How people trade.) I had this idea in 1981. From being Frank's junior research assistant, I had an interest in that field too: markets were likely to become electronic: trading platform, the registry, the clearing and settlement and the price information.

As with the BNZ I went to a subsidiary of NZI, who were the biggest share registry then. I suggested the electronic idea and we worked up a business case. Then they, without asking me, decided to consult some share brokers, who said it would never work. The usual story: you can't see the eyes of people, so it will never work.

I remember what I said at the time was, 'Oh it's their yachts we're after. No wonder they said this won't work.' Because at that time of course they had regulated commissions, 3%.

Different world. They were on fixed prices and lo and behold anybody who shook the tree, they'd be out of the club very quickly. That fed my interest in electronic markets and when I'd seen the job I also knew they were talking about maybe needing an electronic market.

Q: Your current role gives you an opportunity to review a policy area, make recommendations and, for eight years you've been putting them into effect. Salutory, exciting?

A: Quite challenging. Things do take time. Back in early 2005 I'd written a paper analysing what I thought was wrong with the arrangements that

had come out of the failure of the electricity industry to agree on how to go ahead. It ended up with a regulatory solution, which was what they were going to avoid but they ended up with it. An Electricity Commission and a regulatory body had taken over.

In 2008 I had finished my five years at the Institute of Economic Research and I decided that five years was enough for me but, probably, more importantly, it was enough for NZIER. I have a great deal of respect for the organisation, it's now 60. It does have ability, but needs fresh ideas, new approaches, new people at the top, new ways of doing things. Long tenure for a leader gets in the way. I later went back, but as an underling.

I decided that I would move on. I'd sold a business in Australia that I partly owned, so I went to study gemology at the Gemological Institute of America. To do part of that course I went to San Diego. When I was there, I got a phone call saying (this is early 2009) they're holding a review of the electricity industry - are you interested in participating. I said, oh yeah, put me down. I heard nothing more, then one morning I looked at Stuff where it announced that a panel had been set up to review the electricity market. I thought 'Oh that's interesting, oh my name's there. My name's the first on the list. I wonder why that is'. The original announcement had nothing more about it.

I read a second article which said I was going to be the Chair, so it was a sort of a surprise. I rang up and they said, 'we've been trying to get hold of you.' and I can understand, because it wasn't easy. I was holed up in a subsidiary of Hilton's Hotels, this is the peak of the financial crisis. The bank next door actually went broke one night and in the morning the ATM has a sticker saying 'no more' and the branch is shut.

Anyway, interesting times, so I came back. I thought well I'll chair the review and I did. In the meantime, I'd become an underling at NZIER again. Then the Government, interestingly, accepted all the recommendations which was quite surprising. There were 29 or 28 depending on how you count.

They advertised and I wasn't interested in being the regulator. I'm not a great fan of regulation. I think it can do a lot of damage. I thought, 'goodness me, we need to make these changes, but a regulator? Not really. I like my day job.' I didn't apply and eventually was rung up by somebody from the Ministry - it wasn't the Minister on that occasion, saying 'At the very least would you do the Establishment Board', setting it up. I very reluctantly said I would do the Establishment Board.

At the end of that they were still looking for somebody and I had a conversation with the Hon Gerry Brownlee, who pointed out that they had been good enough to accept all my recommendations and it would be rather churlish of me not to now show my commitment to these recommendations by implementing them. So, quite reluctantly I agreed to take on the role. That's how I ended up at the Electricity Authority.

Q You've done a bewildering array of different things professionally. How has the economics background shaped you?

Well there was a long period when I was a full-time company director, from early '91 thru to 2003. I had a range of boards, from a laundry and jam factory through to an IT company and banks. I was the Chair of quite a few of them. Health sector boards.

The one thing I found that was really useful is that basic economics can be helpful making business decisions. It's even helpful in making regulatory decisions. People have accused me of being highly theoretical. I do want to know: what is the market failure? I don't quickly accept that, oh, it's some externality or it's information asymmetry. Also, what are the unintended consequences? And that incentives do matter.

Business innovation: I've done work as an economic historian and I've taught a class about innovation and its economic drivers. I've read stuff that Gary Hawke did about innovation and Gould did on the innovation in the industrial revolution. But it became pretty obvious that virtually all innovations follow a sigmoid function. (Though some get disrupted because they get superseded

by another one.) The size of the tail at the beginning and the size of the tail at the end and the speed at which it rises in the middle are largely driven by economic factors. So, follow the money. If you're thinking, will there be a technological change in an area, where is the economic gain to be had out of it? Even as a regulator that's quite important.

If you look at the New Zealand energy context, the big gain to be made here is that we have these high diurnal and seasonal variations in wholesale prices. The opportunity cost of producing electricity at various times is quite different. Allowing people to respond to those both from the production side and on the demand side is really key. The demand side is more difficult, because people tend to need to know the prices. But there's a big economic benefit we can have, if we can get the economic gains associated with time-shifting, between seasons or otherwise.

Things like peer to peer trading – where's the economic benefit? Yes, there may be some and I also know enough from economic history and being a

futures broker, trying to forecast the future is something you should do with great caution.

Q. Final comments?

Well, economics has been very good to me; possibly because I never really understood more than the basics. Basic economics is really the key stuff: simple demand and supply, incentives. Those sort of things and that picture I got from the property rights work I did, that hey, institutions evolve to where the wealth is created, if you allow it to happen.

It's been good in the sense I've found it useful to exercise the skill, but it's also provided me with lots of ways of looking at things and I've enjoyed the career I've had so far. And the diversity – stunning diversity of course. I'd recommend Economics is to any undergraduate who has that propensity. Don't think of it as an end itself or as an academic topic – it can be very helpful in business.

CONGRATULATIONS TO TWO NEW ROYAL SOCIETY FELLOWS: JOHN CREEDY AND JOHN GIBSON

by Norman Gemmell and Les Oxley FRSNZ

The Royal Society of New Zealand (RSNZ) recently announced twenty new Elected Fellows to be inducted next year as part of the Society's Centennial year. Two of those new Fellows are well-known and respected New Zealand economists: Professor John Creedy of Victoria University of Wellington and Professor John Gibson of Waikato University.

What is especially pleasing for the New Zealand economics community, not to mention for the 'two Johns' themselves, is that their awards substantially expand the total number of economists honoured with an Elected Fellowship. Fellows are only elected 'by Fellows' and in New Zealand there is only one such academy that covers all scholarly disciplines. By our calculations only five economists have previously been Elected as Fellows. Surprisingly, none until Brian Philpot in 1995, followed by Gary Hawke (1996), Alan Bollard (1998), Les Oxley (2004) and Roger Bowden (2005). Honorary Fellows include Peter Philips (1994) and Jon Altman (2012).

Both Johns should be rightly proud of their awards. Their contributions to both the economics profession and to the international economics literature are outstanding. They are both prolific publishers. According to the RePEc website, for journal articles alone, John Creedy has published 240 papers since his first appeared in 1973, while John Gibson has published over 120 papers since 1993.

However, the accolade is not just about numbers, it's about the quality of their research, impact, prestige and world-class leadership. On all these fronts John Creedy and John Gibson undoubtedly excel. Both have published regularly in some of the most respected international economics journals, and are clearly highly regarded by the best in their respective fields internationally. In the 'post-PBRF world' of New Zealand academic research assessment this is a highly prized achievement. But one of the most pleasing aspects of both their research records is that they each clearly value their own contributions more by how it helps to take genuinely useful knowledge forward than by where it happens to be published. In each case their research papers positively 'breathe' quality regardless of where they are published.

In our different ways we have each had the privilege of observing the two Johns at close quarters over a long time: Norman as a colleague and co-author of John Creedy's since 1978, and Les as a colleague and co-author of John Gibson's at Waikato and Canterbury since 1996.

Notable among **John Creedy's** many contributions to economics is that he has acknowledged reputations in three different countries – the UK, Australia and New Zealand. Appointed as one of the youngest UK economics

professors before the age of 30 at Durham University in 1978, John was highly respected in the 1970s and '80s for his contributions to the analysis of income dynamics, pensions and the history of economic thought. After moving to Australia in 1988 he quickly established himself as one of the most prolific publishing economists there, especially in labour and public economics, and as the leading innovator of behavioural tax microsimulation modelling. And despite relatively few years spent in New Zealand, the breadth and depth of his numerous publications here are obvious to any reader of New Zealand Economic Papers. Indeed, admittedly tongue-in-cheek, it has been suggested to John more than once that he might ask for NZEP to be renamed JCEP! More seriously, any close observer of John could not fail to notice his single-minded, rigorous and dedicated approach to economics research. Single-minded, but definitely not 'singular'; John's legion of co-authors, assistants and graduate students can attest to his qualities as a generous mentor and encourager of young and aspiring talent wherever he has worked.

That **John Gibson** would one day be honoured as a Royal Society of New Zealand Fellow is probably no surprise to anyone who knew him at the start of his economics career – as a rare Kiwi selected among the elite of American graduate students to be awarded a PhD at Stanford in 1998.

John has published in many different fields and has changed the way the world thinks about two fundamentally important issues: i) the economic impacts of migration; and ii) measurement of global living standards. In terms of migration, John and his colleagues have changed both the way we study this phenomenon and the level of confidence we have in quantitative estimates of the impact of migration. On measures of living standards, he has shown through many experiments in developing nations that there is frequently systematic measurement error that affects survey data that policy makers often rely on to make decisions. His work on consumption surveys has made a major impact on the way international organizations, such as the FAO and World Bank, conduct their data collection efforts. His work has quite simply changed the way the world measures progress toward a number of the world's Sustainable Development Goals.

So, to both Johns, we offer our heartfelt congratulations. Wear those gold lapel badges with pride and accept the challenge to support economics within the Academy. No doubt many members of the New Zealand Association of Economists will be as delighted as we are that our respected colleagues have been recognised beyond the confines of the economics community for the quality of their work and academic achievements.

THE FIVE-MINUTE INTERVIEW WITH ... CHRISTIE SMITH



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

My journey into economics was opportunistic rather than planned, but there is familial history, too. Both my father and my maternal uncle have masters in economics (University of Canterbury). I finished school in the late 1980s with an expectation I would go to university. So, I undertook a Bachelor of Arts at Victoria University of Wellington, with a fantastic array of courses – mathematics, statistics, logic, computer science, operations research, classics and, of course economics. I particularly enjoyed the clarity and simplicity of microeconomic models. And how far you could get with basic calculus. I always found that if you understood ‘process’ in economics you didn’t need to memorise a lot of details.

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

I travelled through Southeast Asia and India after my BA, prompting an interest in development economics. (I turned 21 in Thailand, but my trip wasn’t like ‘The Hangover II’.) In the spirit of Lucas, it’s hard to think about other issues in economics when confronted by the massive disparities between rich and poor. I returned to New Zealand after a year and went to study agricultural and development economics (my father was a farmer before becoming an economist), but my education at Lincoln was more ‘core’ micro/macro and there wasn’t much agriculture in the Economics Department then.

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

Mohammed Khaled taught second year microeconomics from Nicholson’s Microeconomic Theory. I loved that book and Kreps’ graduate textbook, A Course in Microeconomic Theory. I’ve never really warmed to Mas-Colell et al in the same way, even if it is encyclopaedic. In my first master’s we read Keynes’ General Theory. The prose is variable, but it is a defining macroeconomics text and incredibly important. Fantastic econometrics/time-series analysis books came from in the mid-1990s, including Greene’s Econometric Analysis, Hamilton’s Time Series Analysis, and Davidson and MacKinnon’s Estimation and Inference in Econometrics. One gap in Hamilton’s book is information criteria, which reminds me of Hayashi’s Econometrics.

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

Colin Jeffcoat’s 3rd year course on Markets and Information was a highlight. And I loved the honours course in microeconomics taught by Paul Calcott (now at Victoria University) at Lincoln University, on a break from his UCLA PhD. Larry Ball at Johns Hopkins was a great macro teacher, and it is hard to go past Adrian Pagan and Frank Diebold who visited there.

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

I’m not religious about authors, but I like reading Schorfheide and Koop on Bayesian econometrics. Pagan, Christiano (shorter papers please!), and Fernandez-Villaverde and Rubio-Ramirez. The list is endless, lots of people contribute to the profession.

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

I have learned much from co-authors. A favourite is the local linear projections paper with Alfred Haug (U. Otago). Alfred taught the importance of perseverance in getting things published. I had fun working with Kirdan Lees, Troy Matheson, and Shaun Vahey, and recently Christoph Thoenissen and Günes Kamber, on DSGE models. I worked on a density-forecasting/model-averaging project at Norges Bank in Oslo with Hilde Bjørnland and others. We published a couple of papers and the Norwegians got lots of mileage thereafter, publishing in great journals.

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

It’s hard to single out just one, because many have substantial impacts, and it depends on the lens applied. Recent events like the global financial crisis tempt, but I think crucial events were further back. I was born in 1970 and arguably the Nixon shock and the break-down of the Bretton-Woods fixed exchange rates was pivotal for the international monetary system. For NZ, the UK’s accession to the European Economic Community, the spike/ decline in commodity prices, and the oil shocks were crucial too. These shocks prompted various policy experiments, including ‘Think Big’ that taught the pitfalls of government interventions. Continuing the monetary theme, Volcker’s US disinflation demonstrated that conventional monetary policy could restore price stability – without price and wage controls. Arguably all these events helped prepare for the NZ economy’s deregulation in the 1980s and early 1990s, providing flexibility that helped New Zealand through the Global Financial Crisis.

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

I have three kids. I like helping with my son’s touch rugby and I’ve started teaching my older daughter to play squash. My youngest daughter plays soccer at full throttle, so she’s fun to watch too. I’ve got a half-built stitch-and-glue kayak in my garage, which languished for ages while finishing my PhD. My wife and I own an oldish yacht, which is great to take out onto the harbour. I’d never seen penguins in Wellington until we got out on the water.

Christie is the Manager of Research in the Economics Department of the Reserve Bank.

BLOGWATCH

By Paul Walker (psw1937@gmail.com)

This year's Nobel Prize in economics went to William Nordhaus and Paul Romer "for integrating climate change into long-run macroeconomic analysis" and "for integrating technological innovations into long-run macroeconomic analysis", respectively. Kevin Bryan at the A Fine Theorem blog <<https://afinetheorem.wordpress.com/>> discusses **How We Create and Destroy Growth: A Nobel for Romer and Nordhaus** <<https://afinetheorem.wordpress.com/2018/10/08/how-we-create-and-destroy-growth-a-nobel-for-romer-and-nordhaus/>>. Timothy Taylor at the Conversable Economist blog <<http://conversableeconomist.blogspot.com/>> writes on Economics Nobel 2018: William Nordhaus and Paul Romer <<http://conversableeconomist.blogspot.com/2018/10/economics-nobel-2018-william-nordhaus.html>>. Joshua Gans explains that the prize is A Nobel Prize for Breaking Through Hurdles Placed by Economists <<https://digitopoly.org/2018/10/08/a-nobel-prize-for-breaking-through-hurdles-placed-by-economists/>> at the Digitopoly blog <<https://digitopoly.org/>>. Tyler Cowen explains Why Paul Romer won the Nobel Prize in economics <<https://marginalrevolution.com/marginalrevolution/2018/10/paul-romer-won-nobel-prize-economics.html>> and he writes on William Nordhaus and why he won the Nobel Prize in economics <<https://marginalrevolution.com/marginalrevolution/2018/10/william-nordhaus-paul-romer-win-nobel-prize-economics.html>> at the Marginal Revolution blog <<https://marginalrevolution.com/>>.

The **2018 John Bates Clark medal went to Parag Pathak**. The American Economic Association's announcement of the award is here <<https://www.aeaweb.org/about-aea/honors-awards/bates-clark/parag-pathak>>. Kevin Bryan discusses the award at this A Fine Theorem <<https://afinetheorem.wordpress.com/2018/04/20/the-2018-john-bates-clark-parag-pathak/>>. Steve Matthews explains, at Bloomberg <<https://www.bloomberg.com/>>, that MIT School-Choice Scholar Pathak Wins Young-Economist Award <<https://www.bloomberg.com/news/articles/2018-04-20/mit-s-pathak-school-choice-scholar-wins-young-economist-award>>.

The **passing of the great monetary economist Leland Yeager** has been noted online by David Gordon at the Mises Wire blog <<https://mises.org/wire/leland-yeager-rip>>, by Alex Tabarrok at the Marginal Revolution blog <<https://marginalrevolution.com/marginalrevolution/2018/04/great-leland-yeager-passed.html>> and by George Selgin at the Alt-M blog <<https://www.alt-m.org/2018/04/26/leland-yeager-r-i-p/>>.

Nobel Prize winner James A. Mirrlees has also passed. Sam Roberts writes on his life and works in the New York Times <<https://www.nytimes.com/2018/09/04/obituaries/james-mirrlees-dead.html>>. David Henderson writes on "James Mirrlees RIP" at EconLog <<https://www.econlib.org/james-mirrlees-rip/>>. John Kay writes on "James Mirrlees, economist, 1936-2018" <<https://www.johnkay.com/2018/08/31/james-mirrlees-economist-1936-2018/>>. The Institute for Fiscal Studies has a piece on "In Memoriam: Sir James Mirrlees (1936-2018)" <<https://www.ifs.org.uk/about/blog/456>>. The Royal Economic Society has a short comment on "Sir James Mirrlees: A tribute to a former RES President" <<https://www.res.org.uk/resources-page/sir-james-mirrlees-a-tribute-to-a-former-res-president.html>>.

The **organisational theorist James G. March** has also died. Oleg Komlik at the Economic Sociology and Political Economy blog writes R.I.P. James March — "Success" <<https://economicsociology.org/2018/09/28/r-i-p-james-march-success/>>

At the Pro-Market blog <<https://promarket.org/>> Dirk Hackbarth and Bart Taub ask the interesting and important question, **Can Horizontal Mergers Actually Boost Competition?** <<https://promarket.org/can-horizontal-mergers-actually-boost-competition/>> "The conventional view is that anticompetitive mergers increase industry concentration and hence increase market power, harm competition ex post, and therefore need to be carefully reviewed and possibly restricted by regulators. Hence, regulators, such as the Antitrust Division of the Department of Justice or the Federal Trade Commission, have the mandate to prevent situations that "excessively" transfer welfare from consumers to firms via buildups of dominant positions or firms with disproportionate market power, including mergers perceived to be anticompetitive. Are these policies effective or desirable? We take a dynamic approach and find the answer to be No in both cases".

Samuel Hammond discusses **Elizabeth Warren's Corporate Catastrophe** at the National Review <<https://www.nationalreview.com/>>. He concludes that Warren's bill is based on bad economics and worse business ethics. The "co-determination" system one sees in places like Germany is the inspiration for Warren's proposal to force large firms to share their board of directors with labour. But "[e]ver since the late Ronald Coase published his famous theory of the firm, economists have tended to argue for a view grounded in public policy. Namely, shareholder corporations dominate modern economies because they are, as a nexus of contracts, much more efficient at pooling capital and directing resources than any competing organizational form". Adding workers to boards doesn't change this <<https://www.nationalreview.com/2018/08/elizabeth-warren-accountable-capitalism-act-terrible-idea/>>.

At the ProfessorBainbridge.com blog <<https://www.professorbainbridge.com/>> Stephen Bainbridge offers A Critique of Senator Elizabeth Warren's "Accountable Capitalism Act": Introduction and Links to My Posts <<https://www.professorbainbridge.com/professorbainbridgecom/2018/08/a-critique-of-senator-elizabeth-warrens-accountable-capitalism-act-introduction.html>>. "Some posts on specific issues:

1. It would federalize a major chunk of corporate law despite reams of evidence that allocating regulatory authority over corporate governance to the states is superior to putting authority at the federal level.
2. It would reverse the shareholder maximization norm, which despite its problems has served investors and society well.
3. The enforcement mechanism doesn't make sense, even from her perspective.
4. It is mandatory rather than permissive.
5. Employee involvement in corporate decision making is counterproductive.
6. It's blatantly intended defund the GOP in favor of Democrats and simultaneously give shareholders power they neither need nor ought to possess".

At the Conversable Economist blog <<http://conversableeconomist.blogspot.com/>> Timothy Taylor looks at the **Black-White Income and Wealth Gaps**. Perhaps the most interesting finding Taylor notes is that "The black-white income gap is entirely driven by differences in men's, not women's, outcomes" <<http://conversableeconomist.blogspot.com/2018/07/black-white-income-and-wealth-gaps.html>>.

Taylor also takes note of an Interview with Chad Syverson: Issues in Productivity <<https://conversableeconomist.blogspot.com/2018/09/interview-with-chad-syverson-issues-in.html>>. “The interview ranges from broader discussion of slower aggregate productivity growth to comments about productivity in specific industries: health care, car production, ready-made concrete, big box and mom-and-pop retail, major auditing firms, investment choices in Mexico’s social security system, and others”.

At VoxEU.org <<https://voxeu.org/>> Hal Varian asks, **Google Android case: Milestone or millstone?** “The European Commission’s case against Android has been hailed as a “milestone” in antitrust enforcement. This column, written by Google’s Chief Economist, argues that the case is more of a millstone than a milestone for not just Google, but the entire Android ecosystem of equipment manufacturers, carriers, app developers, and end users” <<https://voxeu.org/article/google-android-case-milestone-or-millstone->>.

Also at VoxEU.org, Nikhil Agarwal, Itai Ashlagi, Eduardo Azevedo, Clayton Featherstone and Omer Karaduman look at **Market failure in kidney exchange** <<https://voxeu.org/article/market-failure-kidney-exchange>>. “National kidney exchange platforms significantly boost the number of life-saving kidney transplants by finding complicated exchange arrangements that are not possible within any single hospital. This column examines US data and finds that the majority of kidney exchanges continue to be performed within hospitals, suggesting a fragmented market that comes at a large efficiency cost. National platforms may need to be redesigned to encourage full participation, with reimbursement reform”.

At the Institute for Economic Affairs blog <<https://iea.org.uk/>> they stage a debate: The pros and cons of carbon taxes. The question debated is, **Should a carbon tax, levied on the carbon content of fuels, be part of plans to combat global warming?** Philip Booth says YES while Jamie Whyte argues NO <<https://iea.org.uk/debate-the-pros-and-cons-of-carbon-taxes/>>.

CONFERENCE ASSISTANTS – TEN YEARS ON

by John Yeabsley with Mary Hedges

In the run up to the 2008 Phillips Conference the following advertisement was circulated to Economics Departments, and more widely:

New Zealand Association of Economists Education Trust 2008 Special Support for Conference Assistants

The NZAE Education Trust has established a number of special awards of \$200 each to enable post-graduate students to attend the “Markets and Models: Policy Frontiers in the AWH Phillips Tradition” conference. The awards are to enable students to travel to this conference of the association being held in Wellington from 9-11 July 2008.

Awardees will receive \$200 to assist their travel, free conference registration and generally participate in the conference. In return recipients are required to work for half a day, each day of the conference, as a conference assistant. They will be under the direction of The Conference Company staff who are running the conference on behalf of the association.

As is often the case a good idea had a number of initiating factors. The Education Trust had funds available, as long as there was an ‘educational’ purpose to the spend. The company we were using for the conference, The Conference Company pointed out how important it would be to have plenty of staff around to help, given the spread of the venue, and the number of attendees we were hoping for. Plus, the organisers wanted to involve more students while realising the costs (and university budgets) would largely preclude this.

The combination of these things led the organisers to think it was a way of having sufficient help, inspire up and coming economists and be economical. Memory suggests it was a Mary Hedges’ idea originally as she had used a similar system when hosting an international case competition at AUT previously. Whatever the origin, it was leapt on by the whole organising committee as a solution to multiple problems and to attract more buy-in from the university departments.

The view was that it was too good of an opportunity for students not to be able to attend. By setting the funding at the level we did it also required the students to contribute as well – thereby ensuring a degree of interest and enthusiasm from them as well rather than a free lunch approach. The budget was set around the cost of travel on the assumption many would have friends/family they could perhaps stay with.

This initiative has become an annual tradition.

Mary’s impressions are that, “Given we have carried on with the system (albeit on a smaller scale), suggests it was deemed a great success and something worth continuing to support.

“I know as it moved forward we did find a few ‘conflicts’ with these versus the GSA awards so it led us to tidy up the balance between the awards in terms of conference registrations etc. We also altered the level of support in future years to \$50 for ‘local’ students and \$200 for travelling students. The reason behind this is that the local students really didn’t incur any out of pocket costs but were being paid the same as students who had to travel to get to the conference and because we tried to get at least one from each university it seemed fairer this way.

“We did have someone from Melbourne Uni in 2008 but I don’t think that has happened again. I’m not sure we ever said whether or not overseas students were acceptable moving forward. We just hoped it didn’t come up – I don’t think it has.

“Of course, the greatest inducement was the free gaudy coloured t-shirt!”

We are looking to chase up some of those who took part in the original Phillips Conference to obtain their memories and subsequent stories. (Initial tracking has led us to believe that many of these conference assistants return as GSA students as they progress in their studies.) We will feature these in future AIs.

DO HOUSING ALLOWANCES INCREASE RENTS? EVIDENCE FROM A DISCRETE POLICY CHANGE

by Dean Hyslop and David Rea, Motu

In New Zealand the Accommodation Supplement benefit is the government's largest direct investment in private sector housing subsidies. It is a cash payment to low income individuals and families, which depends on housing costs, family size and income, housing tenure, and location. Currently, the Accommodation Supplement provides assistance with housing costs for 11% of the population, with about two-thirds of recipients being renters. It costs just over 0.4% of GDP.

A policy change in 2005 subdivided Auckland into two distinct areas. Higher maximum Accommodation Supplement payment rates became available in the central and northern urban area, increasing 28–45%, depending on family size. This change reflected high and rising housing costs in Auckland.

We compare changes in accommodation support and rental costs of recipients living close to either side of the new boundary. This then allows us to examine whether the increase in support led to higher rental costs.

DATA

Our analysis uses data from the Ministry of Social Development that records all Accommodation Supplements since 2003. It is restricted to recipients with an address within 1km either side of the new Auckland area boundary during the two years before and after the policy change date (1 April 2005).

We look only at renters, who make up 57% of all Accommodation Supplement recipients in the wider dataset, and exclude boarders and homeowners. The resulting dataset contains 377,916 monthly records relating to 28,369 distinct Accommodation Supplement recipients.

Single adults form the most common family type, accounting for about one third of all Accommodation Supplement claimants. About three quarters of Accommodation Supplement recipients receive some form of working age benefit support, with about one-third being sole parent families on the Domestic Purposes Benefit. A further 5% are NZ Superannuitants. Most Accommodation Supplement recipients live in the South area (about 60%), 38% live in the West, and only 2% in the North.

The average Accommodation Supplement receipt together with other hardship-related support, covers just about one-half of the average rental cost. So, with benefits, a recipient will need to spend about one third of their income on rent.

METHODOLOGY

There are some apparent differences in both the demographic and financial characteristics across those inside and outside the boundary, implying that the outside is not a perfect control.

We use regression adjusted difference-in-differences approaches to analyse the nature and impact of the policy change. We find no effect on rents in the year following the policy change, perhaps reflecting that it takes time for tenancy rents to adjust.

RESULTS

Focussing on the second year after the policy change, on average, accommodation related support payments increased by \$6.81 more for those on the inside compared to the outside, and that rental payments increased by \$2.44 per week.

The effects were primarily concentrated among Accommodation Supplement-recipients around the Southern boundary, and among families with children (particularly sole parent families).

While the fraction of the population receiving the maximum Accommodation Supplement payment were similar across the two areas before the policy (28% outside the boundary and 26% inside), there was a large difference afterwards (30% outside versus 9% inside). Average payments inside the boundary increased about \$8 per week in April 2005, suggesting the policy's direct impact was concentrated in those who received close to the maximum supplement.

Larger rent increases were observed among those who received larger increases in accommodation payments. The impacts on rental payments were most clearly discernible along the southern area of the boundary.

Rent increases were also largely confined to families with children. In particular, in 2006/7 the rent paid by sole parents with children inside the boundary increased 2.3-3.1% per week more than for comparable families outside the boundary. The rent for couples with at least 2 children was 3.1% per week higher. These estimates are statistically significant. In contrast, there was little (or negative) relative change in rent for single persons, and couples with at most one child. This pattern of results suggests potentially strong rent increases for families because of the increase in Accommodation Supplement. However, the results may reflect such families being able to afford either larger or better quality rental accommodation.

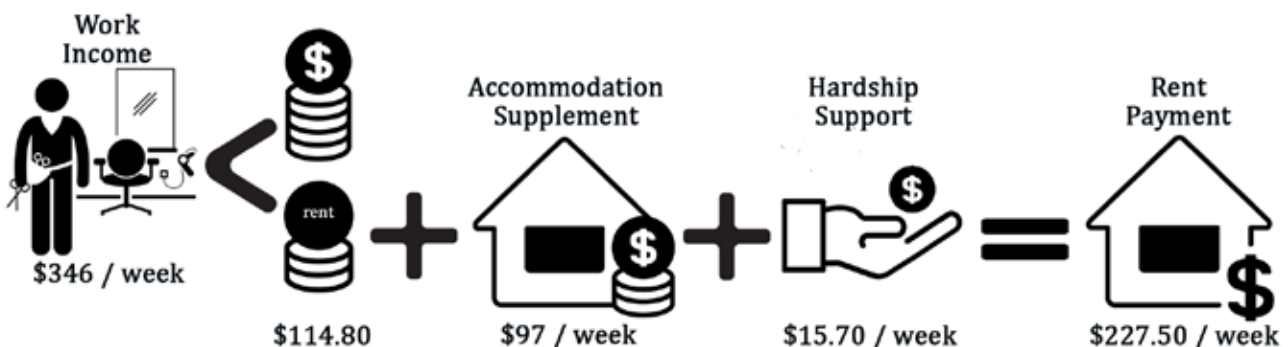
IMPACT

The average impact of the policy change was to increase rental payments inside the boundary. In the second year following the policy change, rental payments increased by an average of a third of the increase in the total accommodation support.

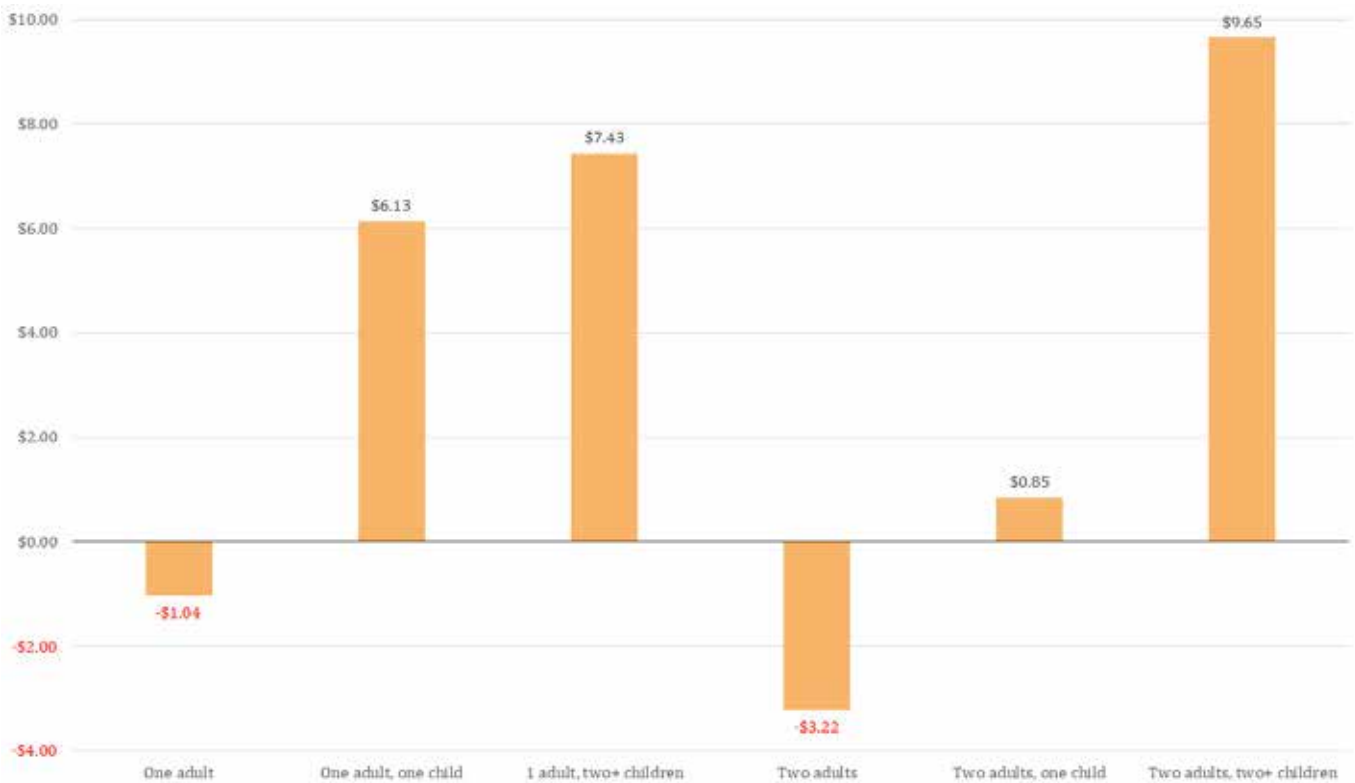
Panel data analysis controlling for recipient and tenancy effects shows that most of the increases in rental payments were associated with changes in tenancy, possibly as that is when rent changes mostly occur. We found weak evidence of a reduction in the numbers of people in dwellings inside the boundary, consistent with the idea that increasing rent payments may reflect families' ability to afford better accommodation and reduce crowding.

CONCLUSION

We find that increases in allowances led to small increases in rental payments. Just over one third of the increase in the Accommodation Supplement and



Household Rent Increases in 2006/7



related payments was absorbed by rent increases. This implies that almost two thirds of the increase in housing subsidies benefited recipients in the form of higher after-housing costs incomes.

Given our data, it is not possible to ascertain the extent to which these measured rent increases were the result of recipients being able to afford to spend more on housing (possibly leading to lower levels of crowding), or if the policy allowed landlords to increase rents (possibly due to increased housing demand).

The paper **“Do housing allowances increase rents? Evidence from a discrete policy change”** <<https://motu.nz/our-work/population-and-labour/individual-and-group-outcomes/do-housing-allowances-increase-rents-evidence-from-a-discrete-policy-change/>> by Dean Hyslop and David Rea is now available on the Motu website. This research was supported by the Ministry of Social Development.

HAWKE ON AUSTRALASIAN ECONOMIC THOUGHT

by G.R. Hawke

Alex Millmow *A History of Australasian Economic Thought* (London: Routledge History of Economic Thought, 2017).

Alex Millmow has written the best account to date of economic thought in Australia and New Zealand in the twentieth century. It deals mostly with the years after 1920 so that it begins with “professionalization”, before turning to economists’ responses to the Great Depression and the reception in Australia and New Zealand of the work of Keynes. Economists refined economic theory in response to the challenges of war and reconstruction, and Millmow then finds a “coming of age” and a “flowering”. The book ends with the era of economic reform from the 1980s to the end of the twentieth century.

Millmow is a good guide to the literature. His judgments are always thoughtful. He pays attention to universities in all the states of Australia and in New Zealand – New Zealand gets a fair share of treatment. Perhaps the role of Copland in creating the Economic Society of Australia and New Zealand and leading the response to Keynes and the Depression in both Australia and New Zealand continues to be influential. It was Copland who represented both Australia and New Zealand at the Harvard 300-year anniversary in 1936.

Millmow’s subject is “Australasian economic thought” which is understood primarily to mean economic theory created and discussed in Australia and New Zealand. Expatriates are not included unless they caused discussion in Australia

or New Zealand. This means that econometrics is somewhat short-changed. On the other hand, migrants to Australia or New Zealand become sources of local economic thought simply by becoming significant theorists. Some years ago, Noel Butlin intrigued me by commenting that he did not care where scholars were born but Australian scholars defined themselves by the manner of their thought, especially their understanding of Australian landscape and society. Noel may have been less idiosyncratic than I thought.

Millmow is well aware of the tension between “economic theory” and “economic thought”. The sheer weight of numbers guarantees that most of the ideas of economic theory in Australia and New Zealand must be imported. Indeed, for such a fundamental idea as comparative advantage, even Australia, let alone New Zealand, was not in a position to support economists able to debate with Ricardo. Millmow is right to endorse Corden’s evaluation that Australian economists need feel no inferiority in importing basic ideas.

Most novel economic thought in Australia and New Zealand has been in refining core ideas to suit local circumstances and developing them to inform public understanding and public policy. We might, in any case, wonder economic theory should be understood to be separate from economic context. Nobel prizes were created to recognise the creation of novel ideas and they have been adapted to fit Economics but, while economists prize the striking thoughts which begin

lines of enquiry, the list of prizewinners is characterised by areas of enquiry brought to prominence rather than truly theoretical ideas. The data which brings economics to life is less likely to be universal than it is in some areas of research even though even the physical science occupy a space on a spectrum rather than share a common character.

In 1964 Douglass North addressed the AEA meeting on "The State of Economic History." In 1981 an AEA session was devoted to the broader question of what content should be included in the economics major. Then in 1994 Christina Romer published an article entitled "The End of Economic History?" She concluded that economic history had not disappeared, but had been integrated into the broader discipline. This year, AEA considered the role of economic history in training graduate students. Christina Romer is still right and economists are probably more open to an argument that economic thinking mostly integrates theory and experience. That economic history is the best way to teach this can be left to experience.

These reflections suggest that Millmow's account of economic thought in Australia and New Zealand missed some interesting material by starting in the 1920s. The spread of wheat-growing and the introduction of railways made the extensive margin visible in Australia and may have contributed to the creation of marginalism by Jevons who was certainly in Australia for a while although he would probably never have persuaded Noel Butlin he was not an Englishman. In New Zealand, the creation of public policy aimed at building a bigger and better society while maintaining a standard of living better than that available in contemporary UK created a concept of "development" that was original and longlasting. The desire to provide employment opportunities for all talents and aptitudes was still influential after World War II. In Australia, similar thinking became part of "protection all round" and the explicit adoption of a family wage target by the Arbitration Court. These developments were informed by economic thought, just as they later became the target of economic criticism, often with little understanding of their local origins.

Millmow's period of study picks up only the end of this indigenous thinking, the Australian debate about protection from the 1920s onwards. It becomes part of the story of Australian thinking about the exchange rate and external adjustment which generated perhaps the greatest theoretical contribution of Australian economics in the twentieth century, the work of Max Corden (whose sojourns overseas do not preclude his recognition as Australian.) We might supplement this with the work with Grubel and Peter Lloyd on intra-industry trade although as Millmow recognises, as soon as one begins that train of thought a plethora of contributors comes to mind.

Trade and macroeconomics loom large in Millmow's account. It is possible to tell the story of economics as a narrowing of interest, not unlike the way Philosophy became an abstract or even esoteric discipline as history, psychology, sociology, anthropology and others separated themselves. Economics became distinct from other social sciences and also from business studies –accounting, management, marketing, etc. This enters Millmow's story only in the way the Economic Society of Australia and New Zealand, designed by Copland and the founders as a venue for discussion among economists and business, became unworkable after the mid-twentieth century. The N.Z. Association of Economists catered for economists in a narrow sense and the Economic Society of Australia followed a similar path. In both Australia and New Zealand the divide between academics and public sector economists was never as great. Millmow recognises their role, but rather exaggerates the disenchantment of New Zealand academic economists in the 1980s compared with the contribution of economic thought to the reforms of those years. While Millmow's discussion of "economic rationalism" in Australia is balanced, and does not depart far from the work of earlier scholars like Coleman, his treatment of New Zealand leans more towards credence for critics rather than economists like Bollard or Evans (who are cited); the critics were more concerned with policy propositions than with economic thought.

RESEARCH INTERESTS AT VUW

Our series on research projects currently underway in Economics Departments continues with a profile of the research interests and work being undertaken by economists at Victoria University of Wellington, School of Economics and Finance.

Paul Calcott

Paul studies policy responses to externalities and internalities. He focuses on corrective taxes, regulation, and liability.

Shutao Cao

Shutao teaches and researches macroeconomics. His main interest is to quantify aggregate effects of frictions facing individuals, and distributional effects of macroeconomic policy. Shutao also works in structural estimation of dynamic choices by households and firms.

Yu-Wei Luke Chu

Luke is a labour economist. He studies labour economics, health economics, and the economics of education. His research includes marijuana legalization, non-cognitive personality traits, and intergenerational mobility. He recently received a fast-start Marsden fund for a research project on New Zealand student loans.

Harold Cuffe

Harold is a labour economist whose empirical research emphasises reduced-form causal inference using large administrative datasets. His work spans the economics of education, tourism, culture, crime, credit access, alcohol, disasters and weather.

Toby DGLISH

Toby's broad research interests are derivatives, financial econometrics, and real options. His current research topics include the pricing of bonds during the Great Depression, the effect of policy risk on asset pricing, and the performance of electricity markets.

Eberhard Feess

Eberhard's current research circles mainly around theory-based experiments on the determinants of unethical behaviour. In addition, he works on betting markets and screening models with imperfect competition and partially naive customers.

Jan Feld

Jan is interested in economics of education, labour economics and behavioural economics. His current research projects answer the questions of whether repeating a lesson within a short period of time improves teaching efficacy and whether professors are more effective than students in tutorial teaching. He is also interested in which kinds of employment discrimination people find morally acceptable.

Griffin Geng

Griffin studies corporate finance. His research primarily concerns how financial market and labour market activities influence corporate productivity. He is also interested in the structure of the auditing market and its impact on financial markets.

Graeme Guthrie

Graeme works in the general area of financial economics, with a focus on corporate finance and corporate governance. He has recently completed

a Marsden-funded project investigating the effects of competition and uncertainty on firms' investment behaviour. He uses real options analysis to investigate a wide range of problems arising in economics and finance.

Jinji Hao

Jinji studies financial economics and banking. His primary focus in financial economics is the recovery of market beliefs about future risk and returns from security market prices. Within banking he studies the collateral use in shadow banking.

Yothin Jinjarak

Yothin studies international macroeconomics and trade. His current focus is on the interdependence of macro cyclical, external debts, and public wealth. His research interests cover both advanced economies and emerging markets.

Mohammed Khaled

Mohammed specialises in applied econometrics and mathematics for economics & finance. He has applied panel data models in his stock market efficiency research. Currently, his focus is on estimating models of non-stationary time series including structural vector error correction models of labour force compositions.

Michael Keefe

Michael's research focuses on the effect of asymmetrically informed agents on decisions of firm management and financial intermediaries such as investment banks. For example, information asymmetry between firm management and other agents distorts first best decisions relative to initial public offering issuance, firm capital structure, and firm cash holdings. Michael's research portfolio in this area ranks in the top 10% of researchers in downloaded articles from the SSRN (Social Science Research Network). Michael referees for a number of journals including the Journal of Corporate Finance, Energy Economics, etc. Based on Publons, Michael ranks in the top 89% of reviewers in economics and finance. Michael's research has been published in the Journal of Corporate Finance, Accounting & Finance, Finance Research Letters, Emerging Market Review, etc. Robert Kirkby

Robert Kirkby

Robert works on Macroeconomics. His research focuses on inequality, wealth, taxation and debt. Monetary, including cryptocurrencies, is another area of interest. Much of his research involves computation around solving Macroeconomic models with heterogeneous households.

Hai Lin

Hai Lin's research interests cover fixed income securities, derivatives and market microstructure. His recent research focus is on the predictability of fixed income market returns. His research has won several best paper awards.

Ilan Noy

Ilan is the Chair in the Economics of Disasters. His research and teaching focus on the economic aspects of natural hazards and disasters, and other related topics in environmental, development, and international economics. He is also the founding Editor-in-Chief of Economics of Disasters and Climate Change, a journal published by Springer Nature.

Vladimir Petkov

Vladimir's main area of research is applied game theory. He specializes in two types of applications. The first involves dynamic games that arise in industrial organisation and environmental economics. The second involves rank-order games such as contests.

Yigit Saglam

Yigit has research interests in 3 areas: (1) He studies optimal pricing and allocation of water, using dynamic programming methods applied to empirical data. (2) He is interested in structural estimation of auctions, with applications to dairy and spectrum auctions. (3) He works on the econometric estimation of joint decisions in discrete choice models, with applications to household travel survey.

Don Shin

Don is an empirical microeconomist with a specialization in labour economics. Recently, Don has branched out his research areas to include structural labour, a model-based explanation of labour market phenomena. A majority of his past and current research areas are clustered around the following four broad themes: female labour supply and fertility behaviour, wage and employment adjustments over the business cycle, causes and consequences of earnings volatility, and income polarization.

Isabelle Sin

Isabelle's research fields are labour economics and economic history. She has published research spanning the effects of labour market policies, the effect of parenthood on labour market outcomes, the causes of gender pay inequality, and the drivers of the international diffusion of knowledge.

Adrian Slack

Adrian's interests lie with game theory and applied economics. His main focus is on the Master of Professional Economics and designing courses that give students the opportunity to apply economics to frame and analyse a variety of business and policy questions.

Eric Ulm

Eric studies the valuation of options in insurance contracts. He interests also include pension and retirement policies and the experimental elicitation of subjective probabilities for risky events.

Yao Yao

Yao studies macroeconomics and development economics. Her research focuses on macroeconomic aspects of human capital, health, and economic development.

Chang Zhang

Cheng studies theoretical and empirical asset pricing with an emphasis on derivatives markets and liquidity. She studies the effects of introducing options and credit default swaps on asset returns, asset liquidity, and firm behaviours.

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