

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)

In the previous editorial I (rashly) predicted an end to the delays that had plagued our production, saying "We are expecting these to have been remedied and normal service to be resumed." And, notwithstanding that invitation to fate to deal us a blow, we have managed to produce this number in the right month.

The long interview in this issue is with Donna Purdue Chief Economist at the Ministry of Business, Innovation and Employment. She is interviewed by John Yeabsley, your editor.

The winning paper in the recent AR Bergstrom Prize is discussed.

The short interview is with Rob Scollay who is an associate professor of economics at the University of Auckland and Director of the APEC Study Centre.

Paul Walker's Blogwatch ranges authoritatively and widely as usual, with an echo of the last column as it also surveys the passing of several modern giants of economics while stretching to medieval economics – in this case the way the black death affected the world.

In a surprise return this week, an old favourite, Grant Scobie takes up his pen to offer a new series of hints and general wisdom about other people's writing in his 2B RED column.

We cover the recent NZAE conference and associated awards and meetings.

Congratulations to all the winners we salute your achievements.

And thanks to all those who played a part in making it a success, from the organisers through the judges and assistants to the participants and chairs. Well done!

This issue's Research in Progress comes from the Reserve Bank research group, and new members who joined NZAE are also recorded.

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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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 DONNA PURDUE

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



Q: I'm with Donna Purdue, Chief Economist at MBIE. I'll start with general questions. How did you come to economics?

A: I actually didn't get into economics until university. When I was looking at what subjects I was going to take, my dad said, 'Donna, I think you should take economics. It's a very good grounding subject.' So it was really my dad's influence. I did a Bachelor of Social Science at Waikato because I wanted to do Geography and History as well. But Economics was my major and I went on to get a First Class Honours in Economics.

Q: You've explained that you didn't do economics at school and it came as part of the social science degree. What made you specialise in Economics? You were obviously sampling other disciplines at university. You weren't seduced off into those other topics?

A: I dropped History as I was going through into my third year but I really liked Geography. It was a toss up between going down that path or Economics. At Waikato I could do a whole range of Economics papers. I could do financial economics, I could do natural resource economics. It gave me a really wide spectrum. I guess when I looked at the range of papers I could do in my Honours year for economics, it was really the options of economics that made me go down that path.

Q: What was the most memorable part of this training?

A: The person that sticks with me the most in my education is Brian Silverstone. I think I bugged him so much, cos I was always knocking on his door. But one day he sat me down and he said, 'I think you've found your niche. You really should be looking at economics as a career choice.' So, I took that on board. Actually, he was a key reason for me doing my Honours year in Economics. Macroeconomics of course was my favourite.

My dad said, 'Donna, I think you should take economics. It's a very good grounding subject.' So it was really my dad's influence.

Q: Who were the people who were influential; Brian's obviously one. Anybody else at Waikato?

A: Frank Scrimgeour is probably the other person. And Warren Hughes who was my Financial Economics lecturer.

Q: Then you had to start thinking about looking for a job. What was your first professional employment and how did this come about?

A: Warren came to me one day toward the end of my Honours year and said, 'There's a company called Ord Minnett Securities looking for an economist, they are a broking firm in Auckland, and I think you should apply for the job.' So, I had an interview and I got offered the job the next day.

Q: You had two years there. What happened next?

A: I wasn't sure whether financial services was exactly the area that I wanted to go in. Because of my mix of geography and economics, I'd always thought that I'd do more of a government policy-related role. I started looking at jobs in Wellington. I made a move to the British High Commission as an Economic Officer. It was a really great opportunity. I got to meet a lot of senior government officials in my capacity as Economic Officer, as I'd go with the High Commissioner to functions. It was a really excellent opportunity to build a network.

But that was when I came across Brian again and met with Alex Sundakov at NZIER, and so then I made the transition to NZIER. I was only there for a year before moving to Westpac. So I went back into financial services and that's where I have spent most of my career. Eleven years with Westpac and almost four with Kiwibank.

Q: Then moving to MBIE. How did that come about?

A: As a bank economist you get to the stage where there's only so many GDP, retail sales, terms of trade releases that you can write. I think I was past the point of saturation. It was like, 'There's gotta be more to this.' I thought maybe I should stop focusing on forecasting the implications of policy and get on the other side and actually influence policy.

So initially I ended up working in Treasury in the Forecasting team and then in the Macroeconomic and Fiscal Policy Team, which was an incredible learning opportunity for me. It's quite different to working in the private sector though, so I did find the transition quite challenging. When the role of Chief Economist came up at MBIE it felt like a good fit and I was fortunate enough that they agreed.

Q: Has anything happened to your thinking in the post-2008 world? Do you see your views about the economy shifting? Do you see yourself learning from what's happened? Were there particular things in the real world events that influenced you?

A: Absolutely. When I went into Treasury post the GFC, there were obviously huge challenges to the economics community and the neoclassical economic paradigm. We couldn't answer questions that had been asked and we didn't have effective solutions to problems. That stimulated a lot of soul-searching and through my experience of working in Treasury and now working in MBIE, my thinking has moved a long way. Girol Karacaoglu has been influential through his work on the Living Standards Framework. I've also been influenced by economists like Mariana Mazzucato and Kate Raworth. And at the moment I'm reading Jean Tirole's *Economics for the Common Good*.

In my current role, a focus on the structural drivers of the economy has also had a big influence on my thinking. In particular, how do we think our economic structure is going to be influenced by key drivers of change such as climate change, the ageing population, technology etc? What do we need to do in the regulatory space and the policy space to help NZ respond or adapt to those key drivers of change and mitigate any of the negatives?

To help answer these questions, I started to look at foresighting/futures work. How do you even put your mind to what the future could look like, let alone try and understand what your regulatory and policy settings should be to enable an economy to be agile and adjust to those changes? Jeremy Rifkin's work on *Third Industrial Revolution* has been influential in this space. He talks about how the convergence of three technologies - the communications internet, the renewable energy internet and the driverless mobility internet - will change the way we manage, power and move economic activity. His ability to think from a systems perspective is really exciting.

Q: The most interesting work you've done is clear. The light's in your eyes and you're obviously loving it.

A: I am. It's amazing. I met Kate Raworth when she was in NZ earlier this year. She is an incredible lady. She's really


challenging the existing economic thinking, she's facing enormous criticism, but she keeps going. She's a really great role model for me as a female economist.

Q: Looking at the education side, my understanding is that Economics is still one of the topics where there are few females coming through the training.

A: Yes and partly in response to that a small group of women, including me and led by Vicki Plater at Treasury, have established the NZ Women in Economics Network. We're really passionate about helping other women understand what opportunities there are to work in the field of economics. It's been absolutely amazing how many young women are supportive of it. We've got over 200 women signed up to the network. It is really incredible. We're getting good numbers along to all the events that we're holding.

Q: Just to get any final thoughts on things you wanna say? Anything you want to stress?

A: One of the things that is going to be really important as we move forward, particularly in the world of public policy, is keeping an open mind. There's a real shift occurring including around wellbeing economics and I think there's still resistance to thinking about the work that we do in that framework. But if we're going to address the issues that are confronting us like climate change and inequality and technology change then I think we've really got to challenge the existing frameworks and ask are they still fit for purpose and search for new possibilities.

The graphic features the text "MBIE Growing New Zealand for all" in a clean, sans-serif font. Below the text are three overlapping, stylized geometric shapes in teal, light blue, and lime green, arranged in a stepped, upward-pointing fashion. The background of the graphic is a collage of various images, including what appears to be a modern office interior with people working and some architectural details.

MBIE Growing
New Zealand
for all

JAMES GRAHAM WINS 13TH (2019) A. R. BERGSTROM PRIZE IN ECONOMETRICS

Fluctuations in house prices are thought to have a significant impact on the macroeconomy, especially through their effect on consumption expenditures. The household balance sheet channel is a commonly cited explanation for this effect, whereby movements in house prices induce wealth effects and changes in the value of collateral. The primary difficulty in trying to identify these effects empirically is that house prices are endogenous equilibrium objects. Instrumental variables strategies are one way to isolate potentially exogenous variation in such prices.

James' paper assesses the response of household consumption to house prices using a new Instrumental Variable (IV) strategy, which follows the literature on Bartik instruments. These are often referred to as "shift-share" instruments, since they typically consist of some aggregate shock that differentially affects locations according to the share of economic activity exposed to that shock.

In the paper, the instrument for local house price growth consists of the local share of houses possessing particular physical characteristics, which is then interacted with regional growth in the marginal prices of those characteristics. The characteristics include features that capture the overall quality of a house, such as its age, number of bedrooms, or number of bathrooms. The intuition for the effectiveness of the instrument is that the more the housing stock in each location is concentrated in particular characteristics, the more exposed that location will be to shocks to the relative prices of those characteristics. For example, if San Francisco was composed mostly of two-bedroom houses built prior to the 1960s, while Las Vegas has mostly four-bedroom houses built in the early 2000s, then a general increase in the price of larger and newer houses would result in relatively faster house price appreciation in Las Vegas.

To conduct the empirical analysis, James uses large micro-data sets on house prices and household consumption.

The house price instrument is constructed using data on millions of individual housing transactions from across the US. Because this data contains information on geography, house characteristics, and house prices, it can be used to construct the composition of house characteristics in each location and to run the hedonic house price regressions that are used to estimate the marginal prices of the house characteristics. Household consumption expenditures are taken from a large panel data set which, among other things, contains information on the location of each household. Each household can then be linked to local house price changes in order to estimate the effect of these prices on their consumption behavior.

James reports IV-estimated average consumption elasticities with respect to house prices in the range of 0.1 to 0.15. These estimates correspond to marginal propensities to consume out of housing wealth of approximately 1.2 to 1.8 cents in the dollar, in line with previous estimates in the literature. Another important contribution of the paper is to show that, when estimating consumption elasticities in a panel data setting, the Bartik instrument performs much better than popular alternative instruments in the literature (e.g. local housing supply elasticities). For instance, the instrument provides significant time-series variation in house prices, while other instruments are mostly only useful in the cross-section.

In their assessment, the adjudicators Professors David Fielding, Alfred Haug, and Dorian Owen noted that James' paper "is an excellent piece of empirical research. It is well crafted with great attention to detail, using new data on millions of individual housing transactions across the US. The author developed a novel instrument for house prices in order to overcome endogeneity problems when estimating the relationship between household consumption and house prices. The robustness of the empirical findings is convincingly demonstrated."

THE FIVE-MINUTE INTERVIEW WITH ...

ROB SCOLLAY

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

I joined the Economics Department at University of Auckland in 1979. Almost accidental participation in a meeting of the Pacific Economic Cooperation Council (PECC) Trade Policy Forum in Kuala Lumpur in 1991 launched me into work on international trade policy and the economics of Asia-Pacific economic integration, which has been a central preoccupation for me ever since. I later served as International Coordinator for the PECC Trade Policy Forum from 2001 to 2005, an experience which cemented my involvement in these fields.

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

My first degree was in Classics and English. I began studying economics as part of a part-time business education, and was motivated to switch to a major in Economics while studying macroeconomics under Conrad Blyth.

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

Economic Theory in Retrospect by Mark Blaug, Economic Philosophy by Joan Robinson

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

Attending a parallel set of competing lectures by Professors Frank Hahn and John Eatwell at Cambridge University opened my eyes to economics as a field of intellectual enquiry.

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

I've always been attracted to the works of economists who express central concepts and ideas in straightforward but illuminating terms. Max Corden has been a great example in the field of international trade, as has Alan Deardorff. Paul Samuelson was an economic polymath who could write definitively on so many issues.

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

In terms of influence, perhaps the 2004 paper: Preliminary Assessment of the Proposal for a Free Trade Area of the Asia-Pacific (FTAAP), written to support the APEC Business Advisory Council's initial proposal for the FTAAP.



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

That's a hard one. No doubt about the most significant economic issue – it's global warming. But I'm not sure that the agreement on the Paris Accords was sufficiently decisive to qualify as a "most significant economic event." In terms of economic impact, some of the most significant economic events have been the Bretton Woods Agreement, the fall of the Berlin Wall and the ending of the Cold War, China's accession to the WTO, the 9/11 attacks, and the Global Financial Crisis.

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

Reading, listening to music, travelling, hiking, studying selected issues in history and the evolution of the universe, learning foreign languages. I have unfinished (perhaps never-to-be-finished) agendas in each of these fields and look forward to spending more time on them in my retirement.

AWARDS PRESENTED AT NZAE CONFERENCE 2019

NZAE DISTINGUISHED FELLOW

Stephen Jenkins

LIFE MEMBERSHIP

Caroline Saunders

AR BERGSTROM PRIZE

James Graham

*House Prices and Consumption:
A New Instrumental Variables Approach*

DAVID TEECE PRIZE IN INDUSTRIAL ECONOMICS AND FIRM BEHAVIOUR

Geoffrey Brooke and Lydia Cheung

*Retrospective Study on Stuff (Fairfax)'s
Exits in the Newspaper Industry*

SEAMUS HOGAN RESEARCH PRIZE

Bronwyn Bruce-Brand

Inter-District Flow Transfers: Health and Economic Impacts

STATISTICS NZ PRIZE

Andrea Menclova & Asaad Ali

*Returns to Initial Years of Formal Education: How Birthdate
Affects Later Educational Outcomes*

NZ ECONOMIC POLICY PRIZE

John Creedy, Nazila Alinaghi and Norman Gemmell

*The Redistributive Effects of a Minimum Wage Increase in New
Zealand: A Microsimulation Analysis*

STATA PRIZE

Geoff Cooper and Kabira Namit

City with a billion dollar view

NZ INSTITUTE OF ECONOMIC RESEARCH POSTER PRIZES

Open:

Sherry Li

(Un)Willingness to lead? Men, Women and the Leadership Gap

Student:

Sherry Li

(Un)Willingness to lead? Men, Women and the Leadership Gap

People's Choice:

Sherry Li

(Un)Willingness to lead? Men, Women and the Leadership Gap

JAN WHITWELL PRIZES

Doctoral:

Hanna Habibi

*The Impact of the Canterbury Earthquakes on Earthquake
Preparedness: A Difference-in-Differences Estimation*

Bachelors/Masters:

Livvy Mitchell

*A Policy Evaluation of Home Detention on Recidivism: Evidence
from New Zealand*

CONFERENCE ASSISTANT AWARDS

Asaad Ali	(Canterbury)
Saeideh Babashahi	(Otago)
Zoe Ye	(AUT)
Lorena Di Bono	(VUW)
Tu Linh Ho (Lin)	(Lincoln)
Odmaa Narantungalag	(Massey)
Yen Ling Tan	(Auckland)
Rosmaiza Abdul Ghani	(Waikato)

BEST NZ ECONOMICS HONOURS DISSERTATION

Katy Krauts

Incorporating Real Options into Cost Benefit Analysis

NZAE 2019 PRIZE JUDGES

PRIZE	JUDGES
Jan Whitwell (B/M)	Tim Hazledine (UoA)
	Mark Holmes (Waikato)
	Bob Reed (UC)
Jan Whitwell (D)	Bob Buckle (VUW)
	Viv Hall (VUW)
	Reuben Jacob (RBNZ)
	Stephen Knowles (Otago)
	Andrea Menclova (UC)
	Lynn Riggs (Motu)
	Isabelle Sin (Motu)
NZIER Poster Prize	Arthur Grimes (Motu & VUW)
	Laurence Kubiak (NZIER)
Statistics NZ Prize	Christian Hawkesby (RBNZ)
	Tracy Wilkinson (SNZ)
Seamus Hogan Prize	Eric Crampton (NZI)
	John Creedy (VUW)
	Bill Kaye-Blake (PwC)
NZ Economic Policy Prize	Girol Karacaoglu (VUW)
	Tim Ng (Treasury)
	Grant Scobie
David Teece Prize	Steffen Lippert (UoA)
	Vladimir Petkov (VUW)
Stata Prize for Excellence in Graphics Communication	Tom Coupe (UC)
	Paul Thorsnes (Otago)



Peter Tait with the Conference assistants



Peter Tait with Asaad Ali



Peter Tait with Livvy Mitchell



Laurie Kubiak with Sherry Li



Peter Tait with Hanna Habibi



Vince Galvin with Asaad Ali & Andrea Mendova



Peter Tait with Bronwyn Bruce-Brand



Nazila Alinaghi



Anthony Byett with Katy Krauts



Geoff Cooper getting his award from Stata



Peter Tait with Geoffrey Brooke & Lydia Cheung



Mark Holmes with Caroline Saunders



Prasanna Gai in full flight



Consumers at the drinks



More consumers



Happy Attendees



Lata Gangadharan



Patricia Apps

BLOGWATCH

By Paul Walker (psw1937@gmail.com)

Famous economists seem to have been dying at a suboptimally high rate recently. Alice Rivlin dies at 88 <<https://www.bloomberg.com/news/articles/2019-05-14/alice-rivlin-obituary>>. Alan Krueger died at the age of 58 <<http://timharford.com/2019/04/alan-krueger-a-master-economist-for-our-age/>>. Franklin Fisher dies at 84 <<http://news.mit.edu/2019/franklin-fisher-professor-emeritus-economics-dies-84-0508>>. Martin Feldstein dies at 79 <https://www.nber.org/feldstein/msf_06112019.html>.

At The United States Studies Centre at the University of Sydney website <<https://www.ussc.edu.au/>> Stephen Kirchner looks at the **relationship between productivity and worker compensation**. He argues there is a continuing robust link between productivity and wages in Australia which is basically unchanged since 1980s (similar to US results). The falling labour share of income may be explained by rising capital share, house prices being a big factor here <<https://www.ussc.edu.au/analysis/productivity-and-worker-compensation-in-australia-and-the-united-states>>.

At the knowledge@wharton blog <<https://knowledge.wharton.upenn.edu/>> Katherine Klein asks **Does Gender Diversity on Boards Really Boost Company Performance?** Spoiler alert: Rigorous, peer-reviewed studies suggest that companies do not perform better when they have women on the board. Nor do they perform worse. Depending on which meta-analysis you read, board gender diversity either has a very weak relationship with board performance or no relationship at all <<https://knowledge.wharton.upenn.edu/article/will-gender-diversity-boards-really-boost-company-performance/>>.

Maria Paula Cacault, Christian Hildebrand, Jeremy Laurent-Lucchetti and Michele Pellizzari write on **Distance learning in higher education**: Evidence from a randomised experiment <<https://voxeu.org/article/distance-learning-higher-education>> at VoxEU.org <<https://voxeu.org/>>. They find that students use the live streaming technology only when events make attending class too costly, and that attending lectures via live streaming lowers achievement for low-ability students but increases it for high-ability ones.

At John Cochrane's blog, The Grumpy Economist <<https://johnhcochrane.blogspot.com/>>, Cochrane asks, **Is the US economy getting more concentrated or less?** And the answer seems to depend on the level that you look at. At the aggregate level, yes, but at the local level, no <<https://johnhcochrane.blogspot.com/2019/03/concentration-increasing.html>>.

Timothy Taylor at the Conversable Economist blog <<https://conversableeconomist.blogspot.com/>> looks at, **Some Peculiarities of Labor Markets: Is Antitrust an Answer?** The question is, should we be concerned about "monopsony" power in labour markets whereby employers can reduce the wages of workers and if we should, is antitrust the appropriate response. Taylor writes, "My own sense is that their discussion of the power imbalance in labor markets is fully persuasive, but it also seems to me that antitrust is at most a very partial and incomplete way of addressing these issues" <<https://conversableeconomist.blogspot.com/2019/03/some-peculiarities-of-labor-markets-is.html>>.

At the Marginal Revolution blog <<https://marginalrevolution.com/>> Tyler Cowen asks, **Does a Carbon Tax Reduce CO₂ Emissions?** He looks at the evidence from a study of the introduction of a carbon tax in British Columbia, Canada. In the study, by Felix Pretis, it is concluded that the introduction of a carbon tax has not 'yet' led to a significant reduction in aggregate CO₂ emissions <<https://marginalrevolution.com/marginalrevolution/2019/03/does-a-carbon-tax-reduce-co2-emissions-evidence-from-british-columbia.html>>.

In an article at the website of the American Institute for Economic Research <<https://www.aier.org/>> Michael Munger laments that seemingly well-educated students cannot summarise **the basic argument for capitalism**. Munger argues that there are three elements to the argument, and while they connect in crucial ways, they can be separately defined. Those three elements are (a) the division of labour; (b) impersonal exchange based on prices; and (3) economies of scale based on knowledge <<https://www.aier.org/article/capitalism-three-principles>>.

Rémi Jedwab, Noel Johnson and Mark Koyama consider **Pandemics, places, and populations: Evidence from the Black Death** at VoxEU.org <<https://voxeu.org/>>. "The Black Death killed 40% of Europe's population between 1347 and 1352, but little is known about its spatial effects. The column uses variation in Plague mortality at the city level to explore the short-run and long-run impacts on city growth. After less than 200 years the impact of Black Death mortality in cities was close to zero, but the rate of urban recovery depended on advantages that favoured trade" <<https://voxeu.org/article/how-black-death-changed-europes-cities>>.

George Selgin writes on MMT's Big Coin Gambit at the Alt-M blog <<https://www.alt-m.org/>>, **"Modern Monetary Theory** has been accused, not always fairly, of more serious shortcomings than you can shake a stick at. Among other things, critics have faulted it for not being all that modern, for

FROM THE 2B RED FILE

by Grant M. Scobie (grantmscobie@gmail.com)

passing-off tautologies as profundities, for wrongly assuming that the value of fiat money rests upon the government's power to levy taxes, and for misunderstanding the causes of inflation while being grotesquely overconfident in fiscal authorities' ability to control it. But a shortcoming of Modern Monetary theorists seems to me more irksome than any of the flaws in their theories. I mean their habit of confounding things they would like government officials to do with things those officials are both able and willing to do" <https://www.alt-m.org/2019/03/20/mmts-big-coin-gambit/>.

Timothy Taylor, again at the Conversable Economist blog, writes on a very relevant to New Zealand topic, **Marijuana Policy: Choosing Between Disastrous or Unpalatable** <http://conversableeconomist.blogspot.com/2019/06/marijuana-policy-choosing-between.html>. "John Kenneth Galbraith once said that politics consists in choosing between the disastrous and the unpalatable. The case of cannabis, an illicit market with sales of almost \$50 billion per year, and half a million annual arrests, is fairly disastrous and unlikely to get better. The unpalatable solution is clear: Congress should proceed at once to legalize the sale of cannabis — at least in states that choose to make it legal under state law — for recreational as well as "medical" use. ... First, as a practical matter, cannabis prohibition is no longer enforceable. The black market is too large to successfully repress. The choice we now face is not whether to make cannabis available, but whether its production and use should be legal and overt or illegal and at least somewhat covert. Second, because cannabis is compact and therefore easy to smuggle, a state-by-state solution is unworkable in the long run. States with tighter restrictions or higher taxes on marijuana will be flooded with products from states with looser restrictions and lower taxes. The serious question is not whether to legalize cannabis, but how".

Timothy Taylor also writes on the **Origins of the terms "Microeconomics" and "Macroeconomics"**. Taylor notes that the topics that we now assign to either heading have been written about for centuries. But where did the terms come from? He argues that they date back to the work of Ragnar Frisch as recently as 1933 <http://conversableeconomist.blogspot.com/2019/05/origins-of-microeconomics-and.html>.

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

Steven E. Landsburg, *Armchair Economist: Economics And Everyday Experience*

Long-time readers of this column (all three of you) might recall that in 2016 I took eternity leave from the Treasury and then the Productivity Commission. At that point I decided to concentrate on other activities and leave 2B RED in abeyance, at least for a while. A bit of consulting work, sailing in Tonga, some volunteer activities, fishing, playing squash, cooking dinner, reviewing journal papers, cruising around Cape Horn, gardening and visits to the grandchildren in the USA and now Hong Kong, have all added up to the fact that I have been the living embodiment of the cliché: "How did I ever find time to go to work?"

But my bedside table continues to groan under the weight of the 2B REDs, added constantly to by She Who Must Be Obeyed who finds (and buys) new and interesting books.

So here goes: Column No. 48 (just after you thought you had got rid of me after the first 47). A reminder - these columns are not book reviews; the Association has a place for those. Rather the aim is simply intended to draw your attention to interesting books some of which you might be inspired to read. Some will be new releases - others might be much older but ones I have only recently discovered. They will not always be just about economics, although typically they will have an economics bias. I will try and chose ones that are a "good read", perhaps sometimes entertaining. And from time to time, I will try and include some suggestions of topical interest for your "well-being."

However, for our current purposes we'll leave the heavy-duty economics to one side. Not that there is anything wrong with "Using heterogenous, dynamic Fourier transforms for modelling intertemporally non-additive, concave, stochastic preferences for the analysis of nonpaternalistic intergenerational altruism," (from a recent issue of the Journal of Unreadable Papers). But I will assume there is limited, albeit dedicated subset of the Association's membership who would have a demand for such material at bedtime. Finally, a plea: if you have suggestions to include in future columns, please don't hesitate to drop me an email.

I have long been a fan of the writings Steven Landsburg, a professor of economics at the University of Rochester. See http://www.sas.rochester.edu/eco/people/faculty/landsburg_steven/index.html and in particular, his website, full of interesting stuff: <http://www.landsburg.com/about2.html>.

The quote from an earlier book at the head of this column is one of my favourites; if only 101 students could really understand and appreciate that point! In fact, were I to ever again teach 101 (perish the thought) I would assign **Steven E. Landsburg (2018), Can you Outsmart an Economist? 100+ Puzzles to Train your Brain (Boston: Mariner Books)**. In commenting on an earlier book, Landsburg observed: “*Freakonomics* is out to dazzle you with facts; *The Armchair Economist* is out to dazzle you with logic.” This could well apply to the present book. Its subtitle could well have been: “have you thought about the unintended consequences.” As the author notes “if this book has a moral it is this: *think beyond the obvious*,” and “Economics is, first and foremost, a collection of intellectual tools for seeing beyond the obvious.”

The puzzles range from mildly challenging to diabolically difficult. But in the majority of cases they are constructed so that the obvious answer is wrong. They will require some economic thinking, but, more often than not, some basic logic or a bit of probability theory. But it is a delightful read, and like a good whodunit, the answer is never obvious.

In fall of 1970 I sat my Economics Prelims, the first hurdle in getting a PhD in the USA. The first question on the micro paper asked for an analysis of the economic consequences of the Black Plague in the 14th century. I thought I developed a rather credible answer using an Edgeworth-Bowley box, reducing the labour quantity axis in order to illustrate the change in the relative price of labour. And in fact, I got a very good mark for the answer.

But I recently read **John Kelly (2006) The Great Mortality: An intimate history of the Black Death (London: Harper-Collins)**. And I was struck by the fact that my answer, while correct, it was very partial. As well as some “intimate” and pretty gruesome details of an unprecedented catastrophe across much of the inhabited world, Kelly provides an overview of the economic consequences. The population was decimated; in

1330 the population of Florence for example was 120,000; by 1350 it had fallen to 37,000. Lands were abandoned, buildings fell into disrepair, and food prices escalated. But there was an upside at least for some of the survivors.

The feudal systems broke down, and with higher wages and falling land prices many estates were abandoned. Peasants were better off being no longer tied to landlords, and as a consequence inequality fell. Industrial output did not reach the level of 1300 until the year 1450. Not unlike the gay twenties celebrating the end of WW1, drunkenness, gaiety and copulation followed after the great death subsided. And on the policy front the response was as predictable as it was wrong. In 1349, Edward III issued a decree freezing wages at their pre-plague levels.

AND NOW FOR A TRIVIAL PURSUITS QUESTION:

What is the first recorded use of hot air balloons?

The first unmanned hot air balloons were developed as a signaling mechanism by Chinese military strategist Zhuge Liang around 220 AD and were called Kongming Lanterns.

And for a bonus point, when was the first recorded manned flight?

Answer: The first recorded manned hot air balloon flight was made on November 21, 1783, in Paris, France by Jean-François Pilâtre de Rozier and François Laurent d'Arlandes in a hot air balloon created by the Montgolfier brothers.

By the time you have read Richard Holmes (2013) *Falling Upwards: How we took to the air* (London: Harper-Collins) you will be informed of these and many more. The book is packed with the exploits of adventurers, many innovative and courageous and some reckless, and others just plain stupid. Whether it was Peruvian funeral rituals of sending the body out over the Pacific in a balloon, attempts to reach the North Pole, using balloons in meteorology, rescues or military spying - it is all there in an action-packed volume blending history, science art and yes, transport economics.

CURRENT ECONOMICS RESEARCH AT THE RESERVE BANK OF NEW ZEALAND

Chris Ball

Chris is interested in labour economics, with current research investigating the empirical relationship between monopsony and income growth, determinants of on-the-job search and job-to-job transitions and microsimulation modelling of labour supply responses.

Fang Yao

Fang's research interest is about applying new techniques, such as micro-econometrics and machine learning, to learn from high-quality micro data and address policy questions. He is currently working on using detailed New Zealand housing data to forecast business cycles.

Murat Özbilgin

Murat's research interests span applied international macroeconomics, dynamic general equilibrium modelling, computational economics, and time-series analyses. His recent research focus is on modelling labour market flows, welfare analysis of policy trade-offs, and forecasting with mixed-frequency methods. His past published research explored topics such as the business cycle effects of greater financial market participation, interaction between welfare cost of inflation and currency substitution, forecasting business cycle turning points, welfare analysis in open economy models, and welfare effect of certain fiscal reforms.

Jamie Culling

Jamie is an economist working in the macro-modelling and research team at the RBNZ. Jamie's research topics include New Zealand labour market dynamics, monetary policy transmission, and macro-finance. His current research examines the intensive (hours) and extensive (employment) adjustment in the labour market, and follows publications on monetary policy stimulus, labour force participation, and maximum sustainable employment. Jamie is also interested in applying panel and micro data to answer policy questions.

Punnoose Jacob (Reuben)

Much of Reuben's research considers applications in open-economy general equilibrium macroeconomics, ranging from understanding the sources of business cycles, the transmission of monetary and fiscal policy, and exchange

rate pass-through to prices. He is currently investigating potential changes in the monetary policy transmission mechanism in the New Zealand economy, and the welfare implications of the introduction of the dual mandate.

Eric Tong

Eric is interested in international finance and macroeconomics topics. Some of the questions he is working on include the spillover of US monetary policy to small open economies, and the Triffin dilemma that underlines the tension in the US dollar as a global reserve currency.

Karsten Chipeniuk

Karsten studies macroeconomics, financial econometrics, and computational economics. His research primarily focuses on inequality, monetary policy, and numerical solution methods for heterogeneous agent models.

Cameron Haworth

Cameron's current research includes analysis of New Zealand's regional economies, the cost of the cash system to New Zealand, and the prospects for unconventional monetary policy in New Zealand. His regional analysis focuses on inter-regional spillovers in the labour market.

Adam Richardson

Adam is the Manager of the Central Banking Analytics team in the Economics Department. His current research interests include using machine-learning techniques to forecast macro-economic variables and assessing the transmission of monetary policy in New Zealand.

The Bank is always keen to collaborate with other researchers around New Zealand. If some of these research topics crossover with your own interests, feel free to get in touch the Bank's Economists to discuss opportunities for collaboration. At the same time, the Bank is always interested in staying up to date with trends in New Zealand macroeconomic research. We have an academic visitor programme to facilitate this. So if you have work that may be of interest to the Bank, get in touch with Adam Richardson (adam.richardson@rbnz.govt.nz) to explore a visit to the Bank.

WESTERN ECONOMICS ASSOCIATION INTERNATIONAL (WEAI) **CONFERENCE NEWS**

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- Richard Blundell, Institute for Fiscal Studies and University College London.

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JUST ANNOUNCED!

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- Presidential Address by John Shoven, Stanford University.

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JOHN YEABSLEY Editor *email:* john.yeabsley@nzier.org.nz

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NEW MEMBERS

Up to 1 August 2019:

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Ansgar Wohlschlegel	
Vo Thi Hong Diem	University of Canterbury
Jiarui Tian	University of Canterbury
Zhongchen Song	University of Canterbury
Swati Khurana	University of Canterbury
Saba Azeem	Massey University
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Ella Priest Forsyth	MBIE
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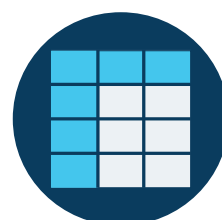
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