

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

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Like everybody else, those driving the complex, finely tuned machinery that produces the editions of Asymmetric Information were affected by the response to the spread of COVID-19. When locked down we could not progress the copy. The upshot has been to lose the timeliness we managed earlier and we are now producing the April edition in June. We are sorry and working to make up time again.

The long interview in this issue is with Bill Rosenberg previously Chief Economist at the CTU. He is interviewed by John Yeabsley, your editor.

The Grant Scobie 2 B RED column takes the reader on a virtual tour of the (under) world as reflected in Colombia. The books covered range widely, as is usual with Grant. From a survey of kidnapping to the autobiography of a hitman the interesting and odd pieces keep coming.

From left field we have another interview. This time with one of the stalwarts of New Zealand economics teaching. In the centenary year of Canterbury economics Frank Tay talks about the early days and the great days. (It would be great to have similar pieces from any of the tertiary institutions.)

The short interview is with Diana Cook Deputy Chief Economic Advisor at the Treasury.

Paul Walker's Blogwatch has even more of a contrarian tone than usual. It points readers toward fascinating pieces that may turn received ideas in competition enforcement, political analysis writ large and intellectual property regulation, on their heads.

The Motu article this time is asking about accidents: probing the "Monday effect." Is this about lead swinging or overdoing the weekend celebrations?

This issue's Research in Progress comes from the Auckland University of Technology 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.
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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.

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AN INTERVIEW WITH BILL ROSENBERG

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



Q: Bill Rosenberg recently retired as the economist with the Council of Trade Unions (CTU). Bill, how did you come to economics?

A: A variety of routes, but I guess the primary route was on my father's knee. My father was a well known economist who lectured for many years at the University of Canterbury. It was his hobby as well as his profession, so we heard a lot about it at the dinner table and many other times, and I had an interest from that. I also had a strong interest in social justice issues and international trade and investment issues later on. All those things led me to be thinking about economics, even if it wasn't my profession at the time.

Q: Where did it fit into your education?

A: It depends what you mean by education. In terms of informal education it started very early, as I was saying. In formal terms it started very late, because my first job apart from when I was a student was as a bus driver. Then I did some computer programming after five years' bus driving or, while I was bus driving, and got a series of jobs, first as a commercial programmer and then at University of Canterbury, Lincoln and then back to Canterbury.

The first time I was working at Canterbury I thought, well, since I'm practising as a computer expert in the IT department, perhaps I ought to have a computer science degree. I started a part-time computer science degree at Canterbury and did one or two economics papers as part of that. It was very flexible; you could do just about whatever you liked in just about whatever degree you did.

That was about 1983 to 1988, and then I went to Lincoln for 10 years. I came back to Canterbury to a new job, again in the computing department there, the IT Services department I think it was probably called by then. I decided I would continue my degree, but I was actually more interested in economics, so I switched my major to economics. By 2006 I had a degree in economics, so the degree took over 20 years. That's how I got my formal qualifications. When I finished the degree, I actually enrolled in an Honours course because I was quite interested in just deepening my knowledge. But I never started lectures because I was appointed to the Tertiary Education Commission Board and thought, having both of these things going at the same time as a full-time job was going to be a bit too much. I couldn't do justice to the two of them.

Q: Other subjects and topics in there?

A: I did computing for a long time. It started with programming and then got into mid-level management within the IT department; became Deputy Director. One of the things about universities at that time was they couldn't leave a structure alone for more than a couple of years. If you had the same structure a couple of years you felt lucky, and I was put in charge of developing e-learning from the technology side at the university, working closely with the educationists.

Then in one of these restructures they moved me out into the Centre for Teaching and Learning and I continued to look after the technical side of e-learning there. That was interesting, I enjoyed that. But then when I left to get the job at the CTU they abolished the entire department and decided they didn't need any support for the teaching of university teachers, which I thought it was rather remarkable.

In terms of my economics education, I've learnt a lot informally, particularly in areas like economic development and investment, trade and that kind of thing. That was one of my consuming interests. When I did the formal courses, coming from my background, I was quite sceptical about a lot of what was being taught at the time. I guess my key thing, sitting in there in those lectures, was constantly to ask myself, what are the assumptions that all this is based on?

I attended some of Seamus Hogan's lectures, for example, on micro. He was a great lecturer, very impressive. He'd come along with a scrap of paper and basically give an entire lecture with lots of maths and so on, just off the top of his head and extremely clearly and beautifully. But I think only once did he really impress on the class that, actually, you shouldn't take this too seriously – that we don't often see purely competitive markets. This has been an abiding theme through my economics career really: what are the assumptions and what is the real world?

The one area that I really thought the ideas had some validity was in industrial organisation, where firms probably are closer to rational actors. Some certainly aren't, but some, particularly the big ones, will spend a lot of time working out the way to maximise profits or control their markets. I found industrial organisation very interesting from that point of view.

I remember, particularly in the 80s, 'rational expectations' was all the rage and I found that just irrational. I'd done a maths honours degree and then went on to do a PhD in mathematical psychology, and so I had a bit of background in psychology. The contrast to me between these assumptions of rationality, perfect information, perfect forward thinking were just extraordinary when, in psychology you spent your time investigating why people do *not* behave rationally. What is it that makes people tick? What actually motivates people? It's not all these very simplified assumptions such as that if you pay them enough money, they'll do the right thing. That's one factor, but one amongst many, and the idea that people would look ahead for the next 40 or 60 years of their life and maximise their opportunities by some magic at this stage of their life, when not even the economists who were talking to us could do that themselves with all their theories, was just a fable.

Q: What about the people. Anybody you'd like to flag as influencing you?

A: Of course, my father was an influence: I can't get away from that. Of the lecturers there at the time, I wouldn't say that any of them were a particular influence. But in terms of longer-term influences, Bill Sutch had quite an impact. You look back critically at their approach, not necessarily accepting everything they wrote, and there is much in it that has relevance to today's problems, many of which haven't changed that much. Another one is Brian Easton and, again, I don't necessarily agree with everything that Brian says, but he's such an impressive student of the New Zealand economy.

A lot of the economics I saw in that department was highly theoretical. One of the lecturers told me, 'We don't do data here', which I will come back to. People like Brian and my father and Sutch, who were students of the New Zealand economy, were thinking about what's good for New Zealand, what fits, without assuming that models that could be picked up from overseas are going to be right for us. It impressed me and it's still with me.

In terms of my interest in development and so on, Dani Rodrik from Harvard University is one that I still listen to with great interest. He's got a very sound and balanced mixture of theory and practice, and an understanding of what makes economies tick in reality. He really helps clarify your thinking.

Later on, the job I just retired from as the Economist for CTU obviously included a lot of labour economics. I admire people like the late Alan Krueger and David Card who are, to a significant extent, empiricists who did some really clever empirical stuff. You watch their thinking and you think, boy, those are clever brains. Not only questioning assumptions, but thinking about how you delve into it in a sound, empirical way. Then there's a whole lot of people coming through internationally. There's Arin Dube who with colleagues has done really smart stuff around the minimum wage and other areas. There are new lines of thought in the area of monopsony and labour markets which, again, requires clever work, because that's a hard area to understand and find evidence one way or another for.

In the general sense, there's people in New Zealand who do really excellent, clever stuff in that empirical area: people like Dave Maré, Dean Hyslop, Izi Sin, Bill Cochrane and Gail Pacheco, I think are having a marked effect on policy as well as the way we think about New Zealand.

Q: Turning to you as a working economist. What did you learn and what was fascinating?

A: My first and only job as a professional economist was as Economist and Policy Director at the Council of Trade Unions. That job was advertised in 2009 and I'd just, two or three years ago, finished my degree. For various other reasons I was a bit footloose at the time, but the main reason was here was a unique position in New Zealand, right in my area of interest, using my economics skills with people I respected. This was a job made in heaven for me. I couldn't imagine anything better anywhere in the world. It was about New Zealand and it was applying my skills.

I applied and much to my pleasure got it and had to move up to Wellington, and my poor partner was kind enough to follow me. It's unique in the sense that there aren't, I think, any other professional economists in the non-governmental, not-for-profit world, and certainly no others in the union movement.

It has a unique position, but I've also always thought it had a unique responsibility. It's a responsibility of being a bit of a critic of where things are, and thinking about the world from a framework of working people, and in terms of what's good for ordinary people in New Zealand, rather than thinking more abstractly about making the economy go faster and all those things that tend to dominate the public discourse about the economy.

In that role, when you think about all the things that affect working people, it's about almost everything. I consider myself a GP, a general practitioner of economists. I had to know enough about everything to give an intelligent opinion about it, but there weren't many areas I could really get into great depth. Labour was obviously one where you had to have a reasonable knowledge.

I got involved in macro, in public finance, social welfare, trade, economic development, productivity, some micro. One of the bits of work I did every year was on the adequacy of the budget for health. So that made for a very exciting life with lots always going on, and going to work never knowing exactly what would happen next. You'd go to work and you'd think, oh goodness, I've only got one meeting today, I should be able to get all those things done, and then something would happen. The media would ring up or something and away you'd go. But very exciting and I learnt a lot on the job, particularly in the labour area because I'd done very little previously in labour economics and there wasn't much taught really in the economics course.

My conclusions are firstly, that labour relationships are not primarily a market. People like Alan Krueger make similar remarks. To think about this as a market really doesn't tell you anything very useful. It's much more about human relationships. Some of them are conflicting, some of them are co-operative, a lot of them are about power, and there's a lot about motivations and about people's behaviour.

There's an interesting track here about the development of behavioural economics, some of which has been applied to labour issues. I always think that behavioural economics is a branch of psychology, but economics will really be thinking clearly when it's a branch of sociology. You see it particularly in labour, but it's in a lot of other areas as well; it's not only about individuals thinking about their own behaviour; it's about how groups interact, how society works in a broader sense. I don't think you can really understand how society works unless you think about social as well as individual interactions. One little gem of a book¹ which you might have read is by Solow; he's famous for his growth theory and has a Nobel Memorial prize for that. He wrote a nice little book on that theme called *The labor market as a social institution*. You really can't think about labour as a market. What motivates people is something much more complex.

David Card talks about similar kind of things. He asks his brother, a working-class auto worker, 'If you were going to give someone advice on how to get a good job, what would you

1 Solow, R. M. (1990). *The labor market as a social institution*. B. Blackwell.



advise?' The economist would say, 'Get a good education, work hard, acquire new skills'. His brother said, 'Look for a good job'. David Card looked for what is a good job and he found that there were good jobs and bad jobs, and it's a lot to do with 'a good firm' and the way the company is run. His brother was right.

A lot of what it comes back to, to my mind, is not complex theories about behaviour, but about the empirics of it. You can't do these empirics without having some conceptual model there, so I'm not saying theory is nonsense, but you have constantly be questioning your assumptions and revisiting the empirics of it, to see whether it really does apply, and applies here and applies now.

You look at something like the minimum wage which was one of those areas for a long, long time where the orthodoxy was that if you didn't toe the line, then you weren't a real economist. It was one of the givens that if you put up the minimum wage you would get unemployment and it would be selfdefeating. The work by Card and Krueger started people questioning that, and now it's probably one of the most researched areas in economics. People like Dube have done extensive and very clear work in comparing neighbouring counties in the US, with different minimum wages, otherwise pretty well identical populations living there, so you can do a quite tightly controlled natural experiment about increases in the minimum wage. They consistently find little employment effect. There is empirical work with similar results in New Zealand.

There are still the same old arguments each year about raising the minimum wage which often just revisit hoary and simplistic ECON101 theories. As Keynes said "Practical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist". Which is not to say that you can continue putting up the minimum wage ad infinitum, but it does say that you can do a lot more with it than it was ever thought possible. You do need to monitor it; you need to watch it. The other limit to the minimum wage, other than employment, is that it's a very blunt instrument. It only acts at the bottom of the wage scale and you end up with pay ranges for skills getting compressed, and not much benefit to middle income workers. That's why we're very interested in the labour movement in collective bargaining; that looks at moving the whole scale in a way that suits an industry.

It's interesting again in that area that even previously very conservative institutions like the OECD and the International Monetary Fund are now coming up with studies that say, actually, collective bargaining and unions have a useful place. If you're looking at not only productivity and growth, but at an inclusive society and one where people take an interest in the work that they do, and therefore lead to better relationships and productivity, then collective bargaining is a useful way to get there. They say there are forms of collective bargaining that do better than others, and that's fine, let's look at that. But these are overthrowing the ideas of the 1980s and 1990s, that said this is all about individual contracting between an employer and an employee, and because there's perfect competition and information, it will work out in the best possible way for all concerned. That just ignores all the dynamics of the workplace: the inequalities and imbalances of bargaining power and the reality of how these things work.

So, my second main conclusion is that empirics are really, really important in this day and age. Our models are getting more and more sophisticated, to the point where they're so complex that I think that perhaps there's only two people in the world who would understand most of them - the writer and the research assistant. You really do need to have good empiricists. Big data is helping with some of this. Again, we need to think about what is this data we're using and we need to think about all those assumptions and so on, but empirics are so important.

Q: Where are we now? Where do you think New Zealand's going?

A: As a country? One part of it is you look at the world internationally and you think there's a hell of a lot to be frightened about out there, both in a political sense when you look at Trump and what happened in the UK. There are just as bad things happening in some parts of Europe and so on. The revival of the crazy right and the dangerous right. You can imagine storm troopers out again, really, in some of these cases. On the other hand, if you look at the drift of history you have to say that through the 20th century, we did make social progress and we made material progress.

The big question is whether the current situation is a temporary aberration or whether it is a long-term reversal of some of those trends. What concerns me is that where economics has gone too far in my view and has been very influential, is in individualising the explanation of economic relationships; that idea that it all comes down to near-perfect markets with individuals making decisions. The popular term for it is 'neoliberalism': the idea that in the end decisions are made best by the market, and the best thing for the government to do is to get out of the way, apart from a few things like guaranteeing property rights.

My view is that capitalism is hugely innovative, but it also can be hugely brutal. (It is not necessarily innovative in the best ways. Sometimes it's simply to get around tax rules and that kind of thing.) Left to itself without intervention you will have enormous inequalities, and that means there will be a lot of people who are significantly missing out. We saw that in New Zealand in the 1980s and 1990s with that enormous increase in inequality, which still hasn't been fixed. There's a small dip in the mid to late 2000s, it looks like it's rising again now, and we've got those problems of child poverty and so on, which have extensive, long-term consequences. You get generational effects of these things. People can't learn, they can't have good health if they are in these circumstances.

That's a huge, huge concern and unless we start thinking about these things in social terms as well as purely individualistic and economic terms, then we're not going to fix them. That's why I welcome the development of the idea of wellbeing in our policy making. Treasury started thinking about the living standards framework in similar terms. There are a thousand and one ways to think about these things, and initially there will be big debates about the right way to do it. But I think the fact that we're starting to move away from that very narrow focus on material wellbeing is important.

Economists will say we've always thought about wellbeing, that's what we do, we maximise wellbeing, but it's usually quite a narrow view of wellbeing. It also frequently ignores the

fact that there may well be multiple Pareto optimal solutions; we may be at the top of a rather small hill, rather than at the top of a mountain. In many ways I think that that is the challenge for New Zealand. We are on a low productivity, low wage molehill: how do you get from this current equilibrium with all its imperfections of poverty and inequality and low productivity to something much better. If we really want to go anywhere, then we have to take that leap to a different development path that raises productivity and takes people along with it in a way that distributes the benefits much more equitably. And we also need to change our unsustainable environmental practices.

Q: Do we have the tools and understanding to do that?

A: I retired from the position as Economist from the beginning of this year and am currently working on the Future of Work. To me, it's a really interesting place, because a lot of the things you have to think about are what is needed for the economy and for New Zealand anyway, here and now. You're thinking about how should we respond if whole industrial sectors get killed off by technological change or by globalisation, or by climate change – those big forces that we just can't avoid. We can manage how they affect us to some extent, but we can't pretend they aren't going to happen.

Firstly, you need an industry policy to actively work on what's going to replace those industries. In the 1990s we just let it happen and we ended up with lots of baristas and security guards, and an economy which grew large numbers of jobs at the bottom end. Two of our top export industries are tourism and agriculture which provide basically minimum wage jobs. It produced that low wage, low productivity molehill. There were some good industries that developed but it's those relatively few that we really need to boost and add many new ones to, in order to provide good jobs and higher productivity.

Secondly, people have to share in that improved productivity. One of the things I've worked on over my 10 years in the CTU job was the relationship between wages and productivity. One of my little victories was to get Productivity Commission to have a look at this. While they wouldn't *really* admit it, they agreed with me that wages just haven't kept up with productivity. You can't ask people to make sacrifices, losing their jobs, in the faith that they'll get a new job – and then not share in that productivity. You need to have ways to make sure that it's an inclusive society in that sense and, again, the rules that govern labour relationships which I described earlier are an essential part of that.

Thirdly, one of the big lessons of the last few decades is that you have to take the pain of transition seriously. These big changes don't just happen overnight, effortlessly and painlessly. People get hurt, many of them with lasting ill-effects. Naturally they will resist change in these circumstances. The OECD has told us our current systems for helping people through job loss are among the least effective for developed countries. So, we need much better income replacement, much better active labour market policies.

Those three together would make us more resilient, but they are also the essentials for moving New Zealand's economy and society up to a more equitable, productive place. ■

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New Zealand Association of Economists Inc.

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NEW MEMBERS 2020

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Shakke Noy	Motu Economic & Public Policy Research
Hamed Mohammad Shafiee	NZ Productivity Commission

THE FIVE-MINUTE INTERVIEW WITH ... DIANA COOK, DEPUTY CHIEF ECONOMIC ADVISOR AT THE TREASURY



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

I studied economics at school and found the way of thinking appealing and intuitive. As a first generation university student, my parents encouraged me to study economics as they thought it would get me a job. I guess they were right!

But it was when I studied public economics in the third year of university, that I became to see the potential for a career in applying economics to policy issues and challenges. I have worked in a wide range of roles and organisations - including the New Zealand Treasury, the New Zealand Institute of Economic Research, international development consultancies and a couple of different departments in the UK civil service. Even though some of these roles have been outside of government, they have all had a common thread of the application of economics to policy issues.

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

At the risk of revealing my age, I started university in 1989. The 1970s and 1980s had been a very tumultuous time for the world and the New Zealand economy. New Zealand was one of the leading countries in implementing a range of reforms to liberalise our economy and reform our approach to managing the public sector. Economics was very dominant in policy-making. Whether or not you agreed with the direction of reform, it felt like you needed to understand economic frameworks to have an impact in the policy world.

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

In my early days as a policy analyst I was very influenced by 'Institutions, Institutional Change and Economic Performance' by Douglass North. As a seminal thinker around how formal and informal institutions drive economic behaviours and the performance of economies, North kick-started the development of a range of economic frameworks that are invaluable to policy analysis.

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

I had a range of wonderful lecturers at the University of Waikato who challenged, supported and inspired me. Professor Frank Scrimgeour opened up the world of public economics to me. Grant Scobie fascinated me with what was then ground-breaking thinking about the implications of time inconsistency for monetary policy and independent central banks. Veronica Jacobson helped me see the

breadth of economics by commissioning a paper and debate around the case for a market in human organs – my favourite assignment at university!

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

I like economists who see the value in communicating complex ideas simply and making economics accessible. I have always enjoyed reading Paul Krugman for that reason. I also like that he changes his mind when the evidence changes. I went to a lecture by him at the London School of Economics a number of years ago where he was very open in recognising that he, amongst other economists, had underestimated the distributional implications of globalisation.

As a student, I used to follow Gary Becker who died in 2004. It was controversial, but I loved that he was pushing the boundaries of economics and applying it to different areas, such as marriage, discrimination and crime. He popularised the concept of 'human capital', which is now one of the capital stocks at the heart of the Treasury's Living Standards Framework.

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

As a policy economist with a career in government and consultancies, I do not tend to publish papers in my own name. One area of work that I am proud of, however, is the development of an economic framework around the role of place (relative to people) factors in spatial inequalities. I developed the framework while at the Ministry of Housing, Communities and Local Government in the UK in the mid-2000s, to provide a framework to support the development of spatial policies. I was lucky enough to be able to test my emerging thinking with two excellent spatial economists, Paul Cheshire and Henry Overman at the London School of Economics.

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

The one that comes to mind first for me is the fall of the Berlin wall and the collapse of communism in the former Soviet Union. I am probably influenced in my choice by the time I spent in Ukraine in the late-1990s. The country was (and still is) struggling with the transition to a market economy and the legacy of communism.

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

I love to travel – see new places and enjoy the food! When not travelling, I go to the other extreme and like to Netflix and chill or play board games with my family. I am a Catan addict but unfortunately the rest of my family are bored with it – I reckon it is because I win all the time. 😊

REFLECTIONS ON THE FOUNDING AND EVOLUTION OF THE UNIVERSITY OF CANTERBURY ECONOMICS DEPARTMENT

A Conversation with Frank Tay by Alfred Guender

The Department of Economics (which merged with Finance about a decade ago) marks its centenary this December or in 2021, depending on one's interpretation of the founding date. Alfred Guender and Frank Tay recently discussed the establishment of Economics as a separate academic unit. Frank Tay is the most authoritative person to consult about the department. He joined it as a young lecturer before the Beatles became famous. That was a while ago. And after he retired, Frank wrote a *History of Economics as a Field of Study at the University of Canterbury* that goes back to 1879.

The Old Days

What dates mark the establishment of the department and what were the reasons for having a separate economics department at UC? Who was the inaugural professor and where did this person come from?

T: There are three possible dates. The first is late in 1919 when the Board of Governors of Canterbury College decided to separate Political Economy from History. The chair was then held by Prof. James Hight who taught both history and political economy. The second is July 1920 when A.C. Pigou of Cambridge University recommended that John B. Condliffe be appointed as professor of economics. The third is March 1921 when Condliffe took up his appointment. Most people would regard 1920 as the starting date of economics as a separate department.

What do we know about the inaugural chair?

T: J. B. Condliffe was born in Victoria, Australia and came to New Zealand as a young child. He attended what is now Hagley College and then enrolled at Canterbury College as a part-time student. In 1915 he was the first student to be awarded first-class-honours in economics. At the time there were 6 post-graduate students in the department. Prof. Hight's other distinguished student was Douglas Copeland who went on to become Professor of Economics and Dean of Commerce at the University of Melbourne.

Condliffe left the university in 1926 for the Institute of Pacific Relations and joined the Economic Secretariat of the League of Nations in 1931. There he wrote the first five volumes of the Economic Survey. After a short stint at the London School of Economics he took up a chair at the University of California at Berkeley in 1939 and published the Commerce of Nations in 1950, which I read as a student in 1951. Condliffe had a very distinguished career in economics as did his fellow classmate Copeland who became the first vice-chancellor of Australian National University. Both Condliffe and Copeland were knighted for their service to education.

Given that NZ was a dominion of the British Empire, were there any British universities that Canterbury tried to emulate and keep close ties with?

T: Oh yes! After WWI Condliffe received a scholarship to attend Cambridge University where he studied under A.C. Pigou. There he rubbed shoulders with J. M. Keynes, H. Henderson, D. Robertson, and J. Clapham. So, his teaching at Canterbury College was influenced by what he was taught at Cambridge. External examiners – including those from Oxford – certainly made their influence felt.

Did the Economics Department in those days concentrate on the teaching of undergraduates? Or was post-graduate work possible in the 1920s?

T: A Masters programme started in 1914. Numbers of enrolled students varied from 2 to 7 during the war and the 1920s. Six papers were offered, two in economic theory, one in statistics, one each in money and banking, public finance, and British economic History. The research component consisted of an essay or a thesis. This programme was the precursor to the MA and the MCom.

Surely, the Professor of Economics at the time couldn't handle all the teaching by himself. Did he have any assistants?

T: Condliffe was assisted by Albert Tocker who succeeded Condliffe as chair of economics at Canterbury College. Tocker was later assisted by George Lawn who went to the Reserve Bank of New Zealand. There were always one prof and one lecturer. This set-up was in place up to the start of WWII. After Lawn's departure, Alan Danks and Colin Simkin (later Professor of Economics at the University of Auckland) were hired.

In the 1940s the department doubled. Wolfgang (Wolfie) Rosenberg and Graham Miller joined. Back then undergraduate economics student numbers were only in the hundreds, (between 200 and 300) with a handful of Masters students.

Condliffe was an eminent researcher. What about the professors who succeeded him at Canterbury College?

T: Tocker published in both the Economic Journal and the Economic Record and also in the local Chamber of Commerce Bulletin. He wrote on monetary issues and exchange rate policy. His successor, Cornelis Weststrate, was equally successful in publishing in academic journals. I remember an article by him in the Quarterly Journal of Economics. It may have been on customs unions. Weststrate also published two or three books on the New Zealand economy. After Weststrate's death in 1961, Alan Danks took over as professor. Danks was more of a teacher than researcher though he published a fairly influential booklet on social credit. From the 1940s to the 1960s Canterbury was probably like a North American Liberal Arts college. There



was more emphasis on teaching than research. This changed in the late 1960s when the ethos of the university changed, and Albert (Bert) Brownlie from the University of Auckland took over as chair. Brownlie was more research-orientated and encouraged staff to publish. Brownlie was an editor of New Zealand Economic Papers.

What was the Department of Economics like at the time of your appointment in 1962? How big was the department? How many senior academics? How many junior academics? Any female colleagues?

T: There were four of us! There was Danks who was an Associate Professor (later promoted to chair), Wolfie Rosenberg and Graham Miller were senior lecturers; I was the sole junior staff member. I tutored first-year students and taught at Stage II, III, and at Masters. Occasionally I had to lecture in the first year when Danks was away. Danks taught microeconomics. Rosenberg was in charge of macroeconomics and Graham Miller was the economic historian. I had to teach international economics at the Honours level. We were very busy in those days!

In 1963 Michael Hudson, a graduate of the University of Sydney, joined the department as a junior lecturer from the University of Otago. Two additional positions were created in 1964. John Guise taught statistics and introductory econometrics (!) in 1964. Peter Hampton joined from the University of Ottawa. After Bert Brownlie's appointment to the chair in 1965, the total academic staff in the Department increased to 7 with the addition of Tony Rayner a year later from Nuffield College, Oxford. Tony became the second professor, in charge of teaching econometrics. He supervised doctoral students in the 1970s.

This must have coincided with a massive increase in student numbers.

T: Indeed by 1965-66 there were about 500 students in the department. Mind you, when I arrived at UC total enrolment was approximately 3500 students. Later it rose to 5000.

UC's academic staff wore formal academic regalia during lectures. When did this formal tradition stop? Were you comfortable wearing an academic gown?

T: I was a rebel. It was not compulsory to wear a robe. Alan Danks, Wolfie Rosenberg, and Graham Miller did while Albert Brownlie did not. Neither did Peter Hampton nor John Guise. I did not feel comfortable in it. The practice ended when staff moved from the city campus to Ilam.

UC's original campus was close to the city centre. Were you happy to leave the old campus and move to the new digs in Ilam?

T: We were torn. The city was wonderful. You could walk down Cashel St. to a café. In fact, from 1965 to 1974 a majority of staff lunched together in a cafeteria in the city centre. When Bert took over as chair in 1966 we never had formal departmental meetings. It was wonderful to talk about departmental matters over lunch instead. Decisions were reached by consensus. There was a wonderful atmosphere in the department. Formal departmental meetings began shortly before the move to the Ilam campus because a member of staff refused to join us for lunch.

The advantage of moving to Ilam was that the new campus provided more teaching space. And we had a bigger common room.

Where was the Economics Department housed on the Ilam campus?

T: We were on the 9th floor of the Library tower. I had a corner office which was marvellous.

Were lectures given on the 9th floor as well?

T: Only honours level papers were taught there in the big seminar room where we also held our departmental meetings.

Impressions

Over the years the Economics Department has hosted quite a few well-known academics, thanks largely in part to the creation of the Erskine Fund. Who was this man and what motivated him to make this generous gift to the university?

T: John Angus Erskine was a contemporary of Rutherford at Canterbury College in the 1890s. Erskine got a double first in Mathematics and Experimental Science. He subsequently got a scholarship to the University of Berlin, Germany, where he published scientific papers in German. After time in England he returned to Canterbury to study engineering. After graduation Erskine worked as an engineer in Australia until 1920. He also began to play the stock market where he made his fortune. I believe the reason he included commerce and economics in his will was because he made his money in the stock market.

Do you still remember the first Erskine fellow to visit the department?

T: Absolutely! When Bert Brownlie took over he found we were entitled to an Erskine grant. In those days departments were allowed one Fellow per year (I believe). In any case the grants were not as big as they are today. Bert asked: "Whom would you like to have as an Erskine Fellow?" I was the only one to come up with a suggestion: Charles Kindleberger of MIT because in those days Charlie was my hero. He was the type of economist I liked, one with a historical bent. Charlie came with his wife in 1966. He gave a series of lectures on the international monetary system and foreign investment. The latter were, I believe, published in a short book. Charlie suggested that we might like to invite Joe Stiglitz as an Erskine Fellow.

Joe by that time had finished his PhD at MIT and was editing the works of Paul Samuelson. So, Joe came the following year. He was wonderful in many respects. In those days the Economics Department was in a building on the corner of Cashel and Montreal St and in Sinclair House. Bert Brownlie, Peter Hampton, and I were in Sinclair House. Joe occupied the spare room there. Joe had this wonderful habit of showing up at around 10 am, spending about 20 minutes in the toilet, and then for the rest of the morning until lunchtime pounding away on his typewriter. Over lunch Joe would regale us with what he was working on. He was the most productive guy I have ever met. He put us all to shame. Every week he came up with something new. And he would share all this in lectures given to Honours students! I remember Joe and Charlie very well, not least because I made bird nest soup for Joe. It took me three long hours to prepare it. Oh, Joe was a wonderful character.

As we all know Joe Stiglitz later became a Nobel Laureate. How many other Nobel laureates in Economics did the department manage to attract while you were on its staff?

T: Well, there was Koopmans (Yale) who came in 1967 or 1968 and then Gerard Debreu (UC Berkeley). Debreu actually

came three times as an Erskine Fellow to Canterbury. Since my time, of course, Canterbury has also hosted Clive Granger as an Erskine.

Is it true that Milton Friedman (Chicago) came to Canterbury, albeit not as an Erskine Fellow? Rumour has it that you beat him in a tennis match. Is that fact or fiction?

T: Milton came in 1981 for a short stay, just two or three days. I was head of the department back then. The first question he asked me was whether he could have a game of tennis. Peter Hampton and I were possibly the only tennis players in the department. So, we played a competitive set and I managed to beat him 6:4. But Milton Friedman was not the only tennis player to visit. Bob Clower (UCLA and South Carolina) was also passionate about tennis as was Murray Kemp (NSW). I missed out on playing Paul Samuelson (MIT) when he visited because he did not stay long enough.

Is it true that the Nobel Prize Committee solicited nominations for the Economics Nobel Prize when you were Head of the Department?

T: Actually no. The solicitation came before I was head, when Bert was still in charge. He nominated Debreu.

What do you consider to be the heyday of the Economics Department at UC? Was there a time when UC's approach to teaching economics differed from that of its peer institutions?

T: There were two periods. The first period was after 1967 and lasted through the mid-1970s. We introduced the 'Knight's Move programme' to attract bright students from the sciences and engineering. They could move into economics for a two-year Masters programme. The first Knight's Movers were John Riley (PhD, MIT), who later became a distinguished Professor of Economics at UCLA, Roger Hurnard and Hugo Rusbridge. The latter two joined NZ Treasury. Over this period the department experienced an inflow of Honours and Masters students with enrolment numbers between 20 and 30. The department's publication record flourished.

The second period lasted from 1981 to 1986. Academic staff numbered 13, a record high at the time. Richard Manning (later SUNY Buffalo) held the chair in economics, and David Giles (later Victoria University, Canada) held the chair in econometrics. Leslie Young (later Univ. of Texas at Austin and Chinese University of Hong Kong) was around then. We had a weekly seminar, and we started our working paper series. In 1984, I believe, we were ranked in a study published in the *American Economic Review* as the 34th best Economics Department in the world (outside the US) and 127th world-wide (US included). In Australasia we came in fourth after Monash, New South Wales, and ANU. It was a great and very successful period for us.

You have an incredible teaching record at UC. It covers almost the whole spectrum of economics (with the possible exception of econometrics). What courses did you enjoy teaching most?

T: Ah, I am possibly a jack of all trades and master of none. The course I enjoyed teaching most came under the title of Applied Economics (topics ranging from Japanese economic history to the history of economic imperialism) because it allowed me to change course contents every third year or so. I also taught under the same title a course on the history of the international monetary system and a separate course in development



economics. I can say that I was very fortunate to have had two very good heads of department, Alan Danks and Bert Brownlie who led by example. Neither of them had a "dirigiste" administrative mind. Both trusted the staff to do what they were interested in doing. I was given a huge amount of freedom to teach what I wanted.

Academia: What Has Changed?

You have always been a keen observer of the university. Looking back, what strikes you as the most dramatic changes in academia over the past 30 years? Have all these changes been for the good?

T: Ah, universities have been corporatized. Together with that there has been growth of bureaucracy. There has been this insertion of middle management between the administrative top and the departments and a loss of institutional memory. The explosion of bureaucracy has been incredible. Once the number of people working in Registry numbered less than 60 or 70. Now this number has probably increased four-fold. Also, the atmosphere on campus has changed. I remember a collegial relationship between the administrative staff in Registry and the teaching staff during my tenure. I don't think this collegial relationship exists anymore. The administrative staff believe that they are top dogs. This has been the most discouraging development in the university since my (first) retirement in 1989.

Changes have also occurred in the teaching of economics. The subject has become much more quantitative. Have we gone too far?

T: Well, yes and no. I suppose economics has become much more quantitative. To be sure, graduates should be able to do some quantitative and econometric analysis. At the same time, I lament that our teaching programme has no place for economic history. Economic history is emphatically empirical and analyses what goes on in the real world. As such it should provide a counterweight to the theoretical world of economic models. The students should learn that the real economy is messy. Students should read about the experience of the Great Depression and the protectionist trade battles of the 1930s. After all, we seem to be on the verge of reliving these trade battles now as evidenced by recent protectionist moves by the US and China. ■

BLOGWATCH

By Paul Walker (psw1937@gmail.com)

One to blow the mind of the Commerce Commission. What if rising concentration were an indication of more competition, not less? This is the question asked by Geoffrey Manne in a blog posting at the Truth on the Market <<https://truthonthemarket.com/>> blog in which he discusses the recent work of economists Chang-Tai Hsieh of the University of Chicago and Esteban Rossi-Hansberg of Princeton University. Hsieh and Rossi-Hansberg have a paper titled, "The Industrial Revolution in Services". Manne opens by saying "[m]ost recently, several working papers looking at the data on concentration in detail and attempting to identify the likely cause for the observed data, show precisely the opposite relationship. The reason for increased concentration appears to be technological, not anticompetitive. And, as might be expected from that cause, its effects are beneficial. Indeed, the story is both intuitive and positive.

What's more, while national concentration does appear to be increasing in some sectors of the economy, it's not so clear that the same is true for local concentration — which is often the relevant antitrust market".

He concludes his posting by asking, "So what is the upshot of all this?"

"First, as noted, employment has not decreased because of increased concentration; quite the opposite. Employment has increased in the industries that have experienced the most concentration at the national level.

Second, this result suggests that the rise in concentrated industries has not led to increased market power over labor.

Third, concentration itself needs to be understood more precisely. It is not explained by a simple narrative that the economy as a whole has experienced a great deal of concentration and this has been detrimental for consumers and workers. Specific industries have experienced national level concentration, but simultaneously those same industries have become more specialized and expanded competition into local markets." <<https://truthonthemarket.com/2019/12/14/what-if-rising-concentration-were-an-indication-of-more-competition-not-less/>>

John Cochrane tells us that he is working on an economic view of political polarisation. One aspect of his project is the extent to which many institutions in our society have become politicised. At his blog, The Grumpy Economist <<https://johnhcochrane.blogspot.com/>>, he has a post concerning one little data point in that larger story. It tells a little story of how to politicize an institution and silence dissenters. "Jerry Coyne reports on the "diversity equity and inclusion statement" required of anyone hired by the University of California, or desiring a raise or promotion. This is a required statement each candidate must write "Demonstrating Interest in and Ability to Advance Diversity, Equity, and Inclusion." It's not about whether you are "diverse," meaning belonging to a racial, gender, or sexual-preference

group the University wishes to hire. It is a statement, as it says, of your active participation in a political movement [...] The game is no longer to advance candidates who are themselves "diverse." The game is to stock the faculty with people of a certified ideological stripe, who are committed to advancing this cause". <<https://johnhcochrane.blogspot.com/2020/01/wokeademia.html>>.

Tomb Economics are the subject of a posting at the Marginal Revolution blog <<https://marginalrevolution.com/>>. Alex Tabarrok writes "The Mughals of Northern India are famous for their tombs, Humayun's tomb in Delhi, Jahangir's Tomb in Lahore and, of course, the Taj Mahal. Why so many tombs? Culture surely has something to do with it, although conservative Muslims tend to frown on tombs and ancestor worship as interference with the communication between man and God. Incentives are another reason" <<https://marginalrevolution.com/marginalrevolution/2020/01/tomb-economics.html>>.

At the same blog, Tyler Cowen asks Do elections make you sick? And for Taiwan, at least, the answer is yes. By looking at administrative health care claims researchers have determined that elections increase health care use and expense by as much as 19% during legally specified campaign periods <<https://marginalrevolution.com/marginalrevolution/2020/01/do-elections-make-you-sick.html>>.

Rebecca Diamond, Tim McQuade and Franklin Qian ask the question Who benefits from rent control? At the Microeconomic Insights blog <<https://microeconomicinsights.org/>> they answer the question using evidence from San Francisco. Their column reports evidence on the effects of an expansion of rent control in San Francisco. They look at the effects on tenants, landlords, and inequality. The evidence suggests that while the policy prevented short-term displacement of incumbent tenants, landlords responded by converting rental housing to other uses, reducing the overall supply and ultimately making rents even less affordable. Rent control seems to have contributed to the gentrification of San Francisco, the exact opposite of the intended goal. Also by bringing in higher income residents while also preventing the displacement of minorities, rent control has contributed to widening income inequality <<https://microeconomicinsights.org/who-benefits-from-rent-control-evidence-from-san-francisco/>>.

At the Impartial Spectator blog <<https://www.livemint.com/column/the%20impartial%20spectator>> Shruti Rajagopalan argues that Ronald Coase has a solution for Delhi's air pollution. "In a world where property rights are well defined and transactions costs are relatively low, private bargains can be struck to internalize externalities. For this to work, the governments of Punjab, Haryana and Delhi need to create a tradable crop residue burning permit. Farmers will be willing to sell the permit (or their ability to burn crop residue) for

a price that compensates them for using alternatives to crop burning. A price that Delhi government and its citizens would be willing to pay, considering the alternative” <<https://www.livemint.com/opinion/columns/ronald-coase-has-a-solution-for-delhi-s-air-pollution-11573491626858.html>>.

At the research section of American Economic Association website <<https://www.aeaweb.org/research>> Tyler Smith’s advice is Don’t feed the trolls. More care in crafting patents could be an efficient way to rein in frivolous lawsuits. Smith is discussing work by Josh Feng and Xavier Jaravel who find that Patent assertion entities (PAEs) – more commonly called “patent trolls” – strategically file

with patent examiners who have a track record of issuing poorly crafted patents. Feng and Jaravel’s findings could be used to help boost the quality of patent offices with limited resources. The authors show empirically that the source of the lawsuits problem can be narrowed to specific examiners who tend to be more lenient. “It’s not about which patents to grant but about how you craft it—how you word the legal documents” Jaravel has noted. For instance, patents issued by examiners who required more changes during the application process were less likely to be purchased or litigated by PAEs <<https://www.aeaweb.org/research/crafting-intellectual-property-rights-us>>.

FROM THE 2B RED FILE

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

Whenever I tell anyone I spent nearly a decade in total living in Colombia, eyebrows are raised. Was I mad, just plain naïve, or on the payroll of Pablo Escobar or the Cali Cartel? In fact, none of the above. I do however have many fond memories of a wonderful country - despite what you have read!! And we have returned on holiday a number of times. So, I thought I would give this edition of 2B RED a Latin American theme.

But those years living in Cali did leave some very long lasting, profound impressions on me; a “learning experience” as they say. An early lesson came soon after assuming the leadership of a large international research organisation (<https://ciat.cgiar.org/>). We were faced with a budget crisis and the need to reduce costs. I asked the management team: “Why does this organisation own 10 large passenger buses (for transporting staff to and from Cali to the institute which was located some 20km out in the countryside). “Surely” I said (bringing my New Zealand perspective to bear on the matter), “there must be many local transport operators to whom we could outsource the whole operation and cut our overheads.” The Chief Administrative Officer, one Jesus Cuellar, a Colombian with vast experience looked at me pitifully and said “Señor Director” (Colombians are exquisitely courteous), “perdon, but we would have 400 staff kidnapped tomorrow morning.”

This raises two economic issues: trust and kidnapping. Trust underlies every economic transaction ever made. It is impossible to write, let alone enforce, a contract that would cover every possible contingency. So, we rely on trust - that the other party will respect the implicit aspects of the contract. That reliance underpins everything we do, dozens of times a day. I trust the bus company has hired a competent driver; I trust the seller at the newstand that the paper I have bought does not have the sports pages removed; and I trust the vendor not to conceal significant problems with the vehicle or house I plan to buy.

Yet in nine years of fulltime university study of economics, I do not recall the word ever being mentioned (which may

of course merely confirm the ageing cohort to which I belong). However, there are an endless number of books and papers on the economics of trust. For those wanting a comprehensive introduction I suggest **Geoffrey Hosking (2014) Trust: A History (Oxford University Press)**.

The second issue relates to kidnapping. This was a pervasive and constant threat. Two staff of the institute were kidnapped in separate incidents. The first was released after 11 months and wrote a book - more in the form of a diary: **Thomas R. Hargrove (2001) Long March to Freedom: Tom Hargrove’s Own Story of his Kidnapping by Colombian Nacro-Guerillas (1st Book Library)**.

I went to considerable lengths on a daily basis to avoid being kidnapped. But back in New Zealand where (hopefully) the probability is much lower, I have the luxury of taking a more detached view. The economics of kidnapping are fascinating to an economist; and this relates not just to the ransom money but the structure and operation of the whole industry. All this is expertly documented in a scholarly manner by **Anja Shortland (2019) Kidnap: Inside the Ransom Business (Oxford University Press)**. The author is a Professor of Political Economy at King’s College, London, who to the best of my knowledge has no first-hand experience. But despite this potential handicap this volume is a comprehensive look at all aspects of the business, written using the tools of an economist. Insurance, risk management, negotiation and pricing will be familiar to readers; the real fascination is their application to an industry few understand.

Another excellent volume recounting in great detail her experience is by the Colombian senator **Ingrid Betancourt (2010) Even Silence Has An End: My Six Years Of Captivity In The Colombian Jungle (Penguin Press)**. Betancourt was a sociologist and paints an enthralling picture of the relationships between the captives and their captors, and between the captives themselves.



Gabriel García Márquez, a Colombian author of outstanding fiction and a Nobel Laureate published a non-fiction account of ten high profile kidnappings, all but one being journalists. (1997, English edition) **News of a Kidnapping (Vintage Publishers)**. All were orchestrated by the drug lord Pablo Escobar in his attempts to extract assurances from the government that he and his cronies would not be extradited to stand trial in the USA.

For a graphic insight into the criminal world of Pablo Escobar, one could not go past a recent book by his sicario or hitman. **Jhon Jairo Velásquez Vásquez (2017) Surviving Pablo Escobar: "Popeye" The Hitman 23 Years And 3 Months In Prison (Ediciones y Distribuciones Dipon Ltda)**. He avoided extradition, but as the title indicates, served a lengthy sentence in Colombian jails (actually, by various means he was released early from his original sentence of 52 years). He admitted to assassinating 300 people (by his best count which he admitted was an estimate) and masterminding the killing of 3,000 others. "I'm a professional killer, I kill for money. I also killed out of love and respect for Pablo Escobar." In an attempt to kill a presidential candidate, he orchestrated the bombing of an Avianca airliner killing all 110 on board (but not the target who changed plans at the last minute).

An Australian journalist, now resident in Medellin has travelled extensively in Colombia and traced the activities of both Escobar and the Cali Cartel. His book is well documented with 39 pages of notes and references and covers 50 years of the drugs, para-militaries, guerilla movements and politics. **Austin Galt (2018) White Nights: A Colombian Odyssey (Pan Macmillan Australia Pty Ltd)**.

I am more than a little embarrassed that despite having lived in Colombia, my knowledge of its history was rather too sketchy. I did read lots of Colombian political and economic history but mostly from the mid 20th century on, when the FARC had its formation. Recently Veronica and I watched a Netflix series of 60 episodes (most of the winter evenings!)

1 José Francisco de San Martín y Matorras of Argentina was the liberator of Argentina and Chile and joined with Bolívar in the liberation of Peru.

on the life of the Latin American liberator, Simon Bolivar (which we can strongly recommend). Incidentally, his full name was **Simón José Antonio de la Santísima Trinidad Bolívar y Palacios Ponte-Andrade y Blanco**, which does strike me as a rather grand moniker. One assumes he seldom had to fill in forms requiring his full name.

As in travelling to new places, a documentary like this always leads me to read more on the place or topic; so I bought a new and highly rated biography by an outstanding Peruvian writer. **Marie Arana (2013) Bolivar: American Liberator (Simon Schuster)**. I was pleased that the TV series seemed to be historically accurate in many details. Bolivar was unequalled as a soldier and military strategist. But his political and diplomatic skills fell short, and despite liberating Venezuela, Colombia, Ecuador Peru and Bolivia¹ from the oppressive colonial rule of the Spaniards, he was never able to weld those countries into a unified states of America, which had been his vision.

A column with a Latin American theme written for economists would not be complete without a reference to an influential Argentinian economist. Central to his prescriptions for the economic growth of the periphery (the primary producing exporters) was reduced dependence on imports from the centre (the so called advanced countries) through import substituting industrialisation. This would result, so the theory argued, in less dependence on primary exports, more employment for the flow of migrants out of rural areas and higher rates of income growth. No student of New Zealand's economic history could fail to recognise the shortcomings of this model, one almost slavishly adopted here, and which was repeated almost universally throughout Latin America. **Edgar J. Dosman (2008) The Life and Times of Raúl Prebisch: 1901-1986 (Queen's School of Policy Studies)**. The brutal fact is that New Zealand and Argentina, both of which ranked in the top 5 countries on income per capita in 1900, have slipped down the scale, arguably in part from following Prebisch. ■

WHY ARE THERE MORE ACCIDENTS ON MONDAYS?

Economic Incentives, Ergonomics or Externalities?

A recent paper by Michelle Poland, Isabelle Sin and Steven Stillman

Motu Economic and Public Policy Research

Research consistently finds more workplace injuries occur on Mondays than on other weekdays. One hypothesis is that workers fraudulently claim that off-the-job weekend sprains and strains occurred at work on the Monday in order to receive workers' compensation. This has been referred to as the "Monday Effect".

Internationally, the Monday Effect has been blamed on individuals falsely claiming their weekend injuries actually occurred on Monday in order to access workers'

compensation benefits. There's another hypothesis floating about that the Monday Effect is physiological, i.e. workers are actually more prone to strains and sprains after a weekend off from work. Perhaps they are tired from hangovers or weekend activities, or maybe they just "don't like Mondays" and consequently have lower pain thresholds.

We wanted to examine the Monday Effect in New Zealand, as we have an unusual universal no-fault ACC system which covers all injuries regardless of where they occur.

Data

The data used in this paper comes from the Integrated Data Infrastructure (IDI), an individual-level longitudinal data set managed by Statistics New Zealand. Individuals are linked between the data sets from different source agencies using deterministic and probabilistic linking. Most of the data sources are administrative and cover the full population, not just a sample. The main IDI data used here is all accepted accident compensation claims. The data cover the period January 2001 to July 2018.

Consistent with the previous studies (Campolieti & Hyatt, 2006; Card & McCall, 1996), we exclude claims for injuries that occur on the weekend for most of our analysis, restricting analysis to the typical Monday-to-Friday working week. Our main analysis focuses on injuries that involve a week or more of time away from work, which we refer to as lost-time injuries. We focus on these injuries both to improve the comparability of our results with international findings and because we expect the claims information for these injuries to be more accurate, as when only medical fees are paid out ACC verifies only the most relevant information (Statistics New Zealand, 2015).

Once we restrict our focus to weekdays, the highest proportion of work injuries occur on a Monday (21.7%), and the lowest proportion on a Friday (18.2%). This is equivalent to an excess of around 300 lost-time work claims on Mondays per year. For off-the-job injury, the highest proportion of injuries occurred on a Friday (21.9%), possibly alcohol-induced, with the second-highest number occurring on a Monday (19.9%).

Descriptive Analysis

We begin by testing whether, as is observed internationally, weekday lost-time work injuries are disproportionately likely to be reported to occur on Mondays, overall and for each injury type. If injury risk per hour of work were constant throughout the week, then the proportion of weekday workplace injuries that occurred on Monday would be equal to the proportion of weekday hours worked on Mondays. We thus use one-sided t-tests to test whether more than 20 percent of weekday workplace lost-time injuries occur on a Monday.

Workers in New Zealand who sustain off-the-job injuries have very little incentive to misreport these as work injuries because access to and cost of healthcare is identical for work and off-the-job injuries, and compensation for the two differs only for the first week of lost work time.

We find that 21.7% of weekday lost time work injuries in New Zealand occur on a Monday, and this percentage is statistically significantly greater than 20%. However, it is economically and statistically significantly smaller than the 23.0 found in Minnesota (Card & McCall, 1996) and the 24.7% found in Ontario (Campolieti & Hyatt, 2006).

This suggests that the fraudulent claims theory may explain half or more of the Monday Effect in countries where there are incentives to make fraudulent workers' compensation claims. We next conduct t-tests for whether injuries overall or strains and sprains in particular are disproportionately likely to occur on each weekday. The ease with which injuries can be misreported or faked depends a lot of the type of injury. Strains and sprains are easier to misreport than are other types of injury, because delaying seeking medical attention for them is less costly and they are more easily concealed. Furthermore, the fact sprains and strains are harder to diagnose makes them more liable to be both misreported and faked. A larger Monday Effect for strains and sprains than for injuries in general would therefore be consistent with misreported or faked injuries.

We find that 22.3% of weekday sprains and strains in New Zealand occur on a Monday, a higher proportion than any other day. This magnitude of Monday Effect is more than twice as large as for any other injury type,

Conclusion

It's clear that there is a Monday Effect in New Zealand: 21.7 percent of weekday work injury claims that result in compensation for time away from work occur on a Monday, which is more than the 20 percent we would expect if injuries were spread evenly across the week. The size of the Monday Effect for sprains and strains is slightly larger, with 22.3 percent of weekday work lost-time claims for sprains and strains occurring on a Monday.

Interestingly, we find work injuries that occur on a Monday are less severe than injuries on other weekdays, as measured by compensation for lost work time. We also find that the higher proportion of work claims is not specific to Mondays. Rather, the proportion of weekly work claims starts high on a Monday and decreases steadily through the week, with the fewest claims on a Friday.

Our other findings suggest that the remaining part of the Monday effect is due to the existence of weekends. People are either fatigued from weekend activities or have lower pain thresholds earlier in the week, and this is what causes an elevated level of injury claims on Monday both at and away from work.

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AUT RESEARCH PROFILES

School of Economics

Dr Geoffrey Brooke

Geoffrey's primary research interests are in economic history and the history of economic thought. Straddling the two fields is a project on the history of policy advice in mid-twentieth century New Zealand. Other projects in economic history are concerned with the long-run development of the New Zealand economy before 1914, including migration and changes in the standard of living. Geoffrey's history of thought projects are concerned with methodological issues in the economic history literature, and the philosophy and economics of Frank Knight. He is also interested in empirical industrial organisation.

Dr Pik Yi Lydia Cheung

Lydia is a researcher in empirical industrial organisation. She is currently working on a retrospective study on Stuff's exits in the New Zealand newspaper industry. This study investigates how surviving newspapers and local advertisers in the affected geographic markets respond to the rival title's exit. Lydia is also co-author, with Dr. Geoffrey Brooke, on a number of projects that involve the creation of original datasets from the New Zealand Archives.

Dr Kevin Byard

Kevin's research is in the areas of mathematics, astronomy and pedagogy. In previous research at the University of Southampton, he developed the imaging system on the International Gamma-Ray Astrophysical Laboratory (INTEGRAL) for the European Space Agency.

Dr Jaqueson K. Galimberti

Jaqueson's research is about macroeconomics with a focus on two main topics: (i) the measurement and prediction of business cycle fluctuations; and, (ii) the modelling of economic expectations. Among his ongoing projects in the latter line of research is an analysis of how information is weighted under different assumptions about adaptive learning, and an assessment of the role of inherited beliefs in shaping people's inflation expectations. Jaqueson is also interested in the use of innovative data for economic measurement, with ongoing projects on the use of nightlights data together with geo-located population data for the measurement of inequality and regional economic activity.

Dr Nan Jiang

Nan specialises in applied microeconomic analysis on two themes: (1) productivity and efficiency; and (2) the translation of empirical economic analysis into practical policy tools, especially through the use of large integrated administrative datasets such as the Integrated Data Infrastructure (IDI) and the Longitudinal Business Database (LBD). Some research projects have resulted in real changes in current practices implemented by the District Health Boards and Ministry of Social Development. More recently, integrating the two research specialties, she is developing research programmes focussed on the use of administrative datasets in advanced productivity and efficiency analysis. The sectors under exploration include health, tertiary education, and construction.

Sean Kimpton

Sean is interested in a diverse range of research topics including: the history of economic thought, economic theory, and pedagogy. Recent research has focused on the equitable distribution of a discrete set of resources under the Prouhet-Thue-Morse sequence. Currently, Sean is conducting pedagogical research into the self-belief of Pasifika business students in relation to mathematics.

Associate Professor Saten Kumar

Saten works on macroeconomic topics, including monetary policy, price setting behaviour of firms, how agents form their expectations, and inflation measurement. His recent work uses primary quantitative surveys to explore macroeconomic issues. His research papers have been presented at the following conferences or institutions (among others): American Economic Association (AEA), Royal Economic Society (RES), National Bureau of Economic Research (NBER), Board of Governors of the Federal Reserve System, European Central Bank, Reserve Bank of New Zealand (RBNZ), Brookings Institution, Reserve Bank of Australia (RBA), Sveriges Riksbank, Bank of Canada, Bank of France, and Federal Reserve Bank of Cleveland.

Mary Hoover

Mary's research lies in development economics. Her specific area of interest is in understanding the evolving role of Indian women.

Dr Stephanié Rossouw

Stephanié is a well-being economist at heart and is co-creator of the Gross National Happiness Index (GNH) for New Zealand, Australia and South Africa. Using 'Big Data' extracted from the Twitter Application Programming Interface, the GNH determines the happiness of people. The index applies sentiment and emotion analysis on a live stream of tweets together with a sentiment balance algorithm to derive a happiness score. Happiness is measured on a scale from 0 to 10, with 5 being neutral. The index allows assessment of changes in the 'mood' of a nation due to economic, political or social events, as early as one hour after they happen.

Professor Matthew Ryan

Matthew is a microeconomic theorist, with a primary focus on decision theory. His recent work studies the foundations of stochastic models of choice, such as Fechner models and random utility. Matthew is also interested in the intersection of these models with behavioural economics, particularly choice with limited consideration. A separate strand of his current research, which is a joint Endeavour project with collaborators at the University of Auckland, looks at voting by committees of differentially informed agents. For situations with a default option (such as acquittal in a jury trial), the effects of ambiguity on Type I error (convicting the innocent) are evaluated.

Dr Sadhana Srivastava

Sadhana's current research is in the area of trade in value-added involving global value chains in developing Asia as well as global outsourcing of services. Sadhana is a member of the Asia-Pacific Research and Training Network on Trade (ARTNeT)

an open regional network composed of leading trade research institutions across the UNESCAP region, and supported by the International Development Research Centre (IDRC), Canada. Sadhana has also analysed the implications of including labour provisions in regional trade agreements involving developing economies in Asia, especially India and China.

Dr Rahul Sen

The overarching theme of Rahul's research is in the field of international economics focusing on trade policy and economic integration in the Asia-Pacific region. Rahul's research has contributed to the ex-ante and ex-post evaluation of economic integration initiatives involving New Zealand's major trading partners such as Australia, China, the Association of Southeast Asian Member Nations (ASEAN) and India. His ongoing research projects model the economy-wide impact of a range of external shocks, such as global trade war, introduction of digital technologies in international trade, and more recently, economic impact of COVID-19. Rahul is an advisor at Infinite Sum Modeling, a global economic and management consulting firm.

Dr Peer Ebbeson Skov

Peer is an applied microeconomist. Most of his research is centered around empirical Public Economics. Examples

of previous projects include a study on the importance of intertemporal substitution of wage and salary earnings for estimates of the elasticity of taxable income, and in a forthcoming paper he looks at the effect of youth minimum wages on youth employment. Currently he is continuing his work on tax enforcement looking at real-time verification of basic taxpayer information and its impact on self-reported tax deductions.

Professor Niven Winchester

Niven's research focuses on policy analysis using applied general equilibrium models. He is currently leading development of the Climate Policy Analysis (C-PLAN) tool suite for the Climate Change Commission. C-PLAN includes a bespoke applied general equilibrium model of New Zealand linked to a distributional impacts module. The tool suite will be used by the Climate Change Commission to set emission budgets and recommend policies to meet New Zealand's climate goals. He also has an interest in sports economics, including measuring the contribution of individuals to team outcomes. Niven is also co-editor of the **Journal of Global Economic Analysis**, a Senior Fellow at Motu Economic & Public Policy Research, and a Principal at Vivid Economics.

New Zealand Work Research Institute (NZWRI)

The NZWRI provides multidisciplinary, inquiry-driven research with social impact. Given the multidisciplinary nature of the team, only the economists in the core team are listed below, for profiles of the remainder of NZWRI, please go to www.workresearch.aut.ac.nz

Professor Gail Pacheco – Director

Gail is an applied econometrician with a passion for evidence-based analysis, particularly in the labour and health fields. The majority of her research focuses on utilising linked administrative data (particularly StatsNZ's IDI) to inform policy debate. Gail's work in recent years has focused on leading large-scale multi-institutional funded projects with for example, the Ministry for Women, MBIE (Ministry of Business, Innovation and Employment), the Human Rights Commission, etc. In 2018, she received the NZIER Economics Award, and in 2019 was appointed as a Commissioner at the NZ Productivity Commission, as well as receiving the AUT Medal – for research, scholarship and application of integrated data to help inform social policy and wellbeing.

Lisa Meehan – Associate Director

Lisa is an applied economist with extensive experience spanning the Organisation of Economic Co-operation Development (OECD), the Treasury and NZ Productivity Commission. Her focus is primarily public policy issues. Her current research focuses on using linked administrative data (particularly StatsNZ's IDI and LBD) to examine issues in a number of policy areas, including labour markets, health, justice and education.

Dr Alexander Plum – Senior Research Fellow

Alex is an applied micro-econometrician with a focus on labour and health topics. He mostly employs large-scale datasets for his research, such as the IDI. For example, recent research analysed the labour market trajectories of low-paid workers to understand the degree to which their jobs are stepping stones versus dead ends. Alex is currently working as associate investigator on a number of multi-year externally funded projects, including one

funded by the Health Research Council on ethnic differences in the uptake of healthcare services.

Dr Kabir Dasgupta – Senior Research Fellow

Kabir is an applied microeconomic researcher with primary interest in the areas of health, labour and public policy. He has worked on a number of funded empirical projects commissioned by agencies such as the Ministry of Education, MBIE, and Ministry of Social Development. Recent research includes examining the impact of payday loan access across the United States; and analysing the impact of warrantless arrest laws for domestic violence for youth. Kabir is also an associate investigator on a five-year research programme (MBIE Endeavour fund) investigating the trajectories of adults living with low literacy and numeracy skills.

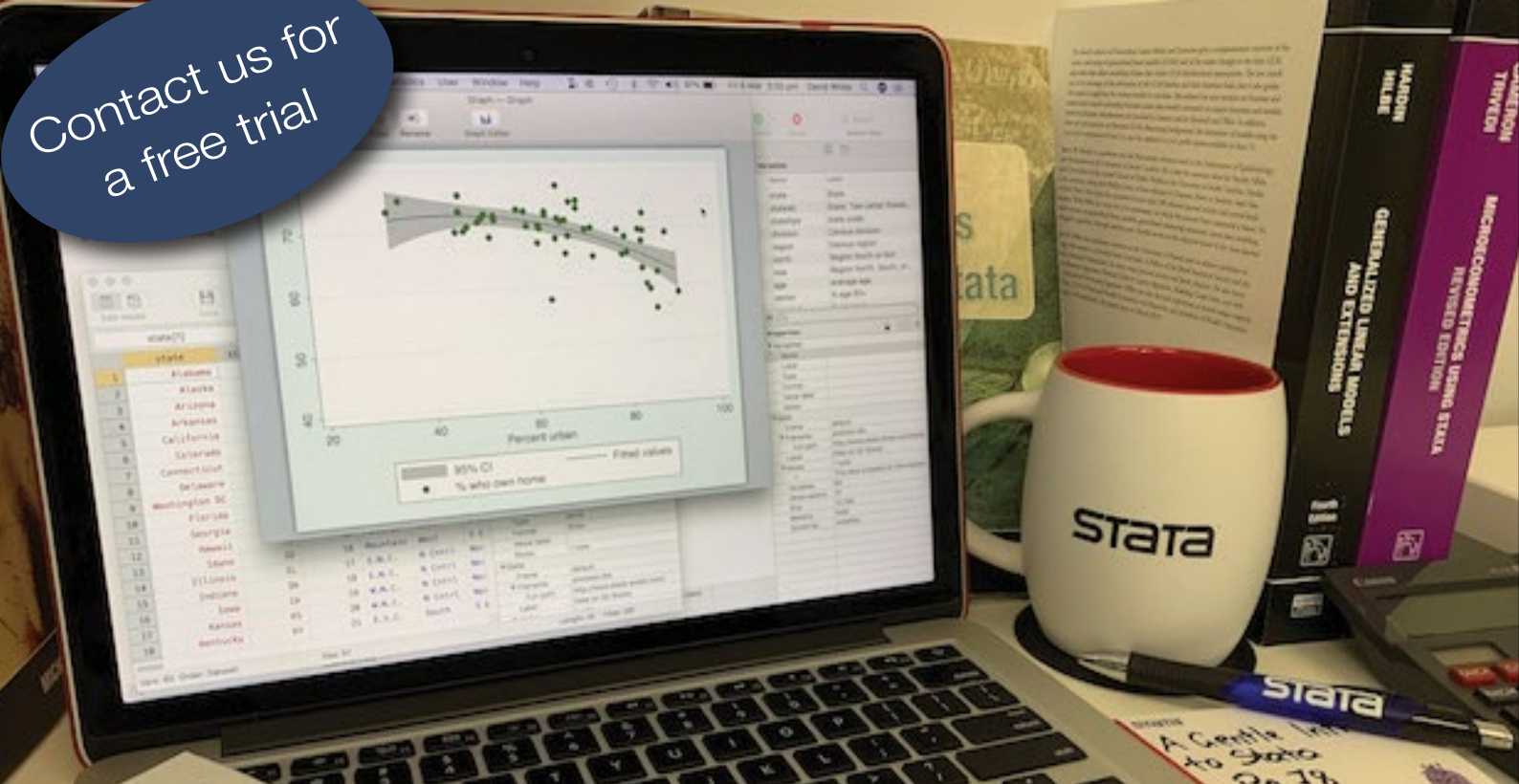
Dr Juliane Hennecke – Research Fellow

Juliane recently received her PhD from Freie Universität Berlin. She is an applied microeconomist and behavioural economist. Her main research areas are labour and population economics. In past research she has developed an expertise in the intersection of personality psychology and economics. She is currently working on multiple topics related to family and household decision making and well-being, risky health behaviour, crime victimisation as well as the behavioural implications of personality traits.

Dr Christopher Erwin – Research Fellow

Chris earned his PhD from the University of New Mexico in 2018. His major fields are econometrics and labour economics. His recent research has examined the impact of broad-based merit aid on college completion in the United States. His current research encompasses a wide variety of empirical topics, such as the impact of policy interventions on gambling outcomes in NZ; the impact of policy responses for adults living with low literacy and numeracy skills; and the overlap between crime victimisation and offending.

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