ISSN 1177-6366 (Print)
ISSN 1177-634X (Online)

nzae
New Zealand Association of Economists

ASymmetric information

ISSUE NO. 70 April 2021

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

CONTENTS

EDITORIAL

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

With the stress of 2020 fading in the rear-view mirror your *Asymmetric Information* team is striving to re-establish the regular timing of production – at least that is the plan. So, to kick off this brave new vision No 70 features an interview with all rounder Prof Gary Hawke who has lectured, researched, edited and encouraged as well as advised on and taught aspects of public policy. He is interviewed by your editor John Yeabsley.

In our series of local economists reacting to interesting books Brian Easton discusses a fascinating time when ideas were in the air and controversy was in the streets. An amazing construct, the Austro-Hungarian Empire was unknowingly in its last decades. But was still – at least in its capital Vienna - playing the role of a metropole, concentrating to an extreme degree the intellectual endeavours of the time. This was the city of Freud and Wittgenstein; joy must it have been to be involved. BE's treatment shows the economists involved.

2 B RED Grant Scobie's contribution is a feast of little-known New Zealanders and their doings, praiseworthy or blameworthy as they are found.

The short interview is with Motu's John McDermott a reformed central banker. John's colleague there Arthur Grimes has produced a brief piece that reflects on one aspect of the COVID experience.

Paul Walker's Blogwatch roams as wide as usual. The spread this time encompasses the latest Nobel Economics award and the winners (Milgrom and Wilson) through the way the political affiliations of office holders reflect a massive 'blue shift' in the AEA as one looks higher and higher in the organisation, to the best way to incorporate possible fatalities in COVID associated CBAs (It turns out the author favours what is known locally as VSOL!)

The regular Stats NZ article is by Jeff Cope and discusses the exciting new Quarterly Institutional Sector Accounts. This sounds dry but there is good news for economy watchers to savour.

This issue's Research in Progress comes from Massey University.

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

AN INTERVIEW WITH GARY HAWKE

by John Yeabsley

Q: How did you come to economics?

A: I came to economics purely in the course of an undergraduate degree. I started off knowing that I wanted to do a variety of subjects, including a commerce degree, which at the beginning I had in mind majoring in Accounting, and Economics was a required course.

However, I do recall, going back to school at Napier Boys' High School, my favourite subjects were mathematics, history and geography, and in the last, Bruce Webster got me to read things like the report of the Economic Commission for Europe. I found that extraordinarily interesting. I remember Bruce Webster being surprised somebody found the Economic Commission for Europe to be interesting. Then he decided it was quite simply because it used a lot of big words and was quite incomprehensible to most people. So, I suspect there was something about the subject, economics, which appealed to me. But I really didn't know what it was when I began Economics 1 at Victoria in the early 60s.

Q: What was memorable about your economics undergraduate education?

A: There was a whole variety of things. Eventually, of course, it was John Gould's Economic History lectures which appealed to me most, but there were lots of things. Right from the beginning with Frank Holmes obviously, who remained a major influence for many years, until he died. But in first-year economics, Doug Sloan – much less well-known - did the microeconomics lecturing, and I think he made it attractive – just in the way he talked about concepts. It also helped that he was known to have been a refugee from South Africa, but he never made much of his background there.

I do recall I'd been looking at the Economic Record and read an article by somebody called J K Gifford, who I later discovered was quite well-known as an Australian economist. But he had written an article which had conclusions which disagreed with something that Doug had said in lectures. I confronted Doug with this, 'how do you respond to this.' I remember his response: he picked up the book, looked at it, and said, 'now what assumptions is he making?' That seemed to me to be probably the best economics teaching I ever received.

But there were others. Barbu Niculescu when he arrived, made economic development an interesting subject. John Zanetti had a brief period of really interesting macroeconomics. Conrad Blyth was teaching econometrics at the time. There were plenty of people around worth listening to.

Q: Once you finished your undergraduate work what decisions faced you and where did you go?

A: I knew I wanted to go on and to do graduate work and pursue an economics career. The choice was between the United Kingdom and the United States; and that meant either a thesis-only doctorate in the UK or American-style course work. The last thing I wanted was any more exams. I did want to do research. So that meant the UK, and which university was willing to take me.

Q. So off to Oxford you go.

A: Yes, I had met Max Hartwell and someone I eventually knew as John Habakkuk – at the stage mostly people called him Hrothgar – his name was Hrothgar John. He was known as Hrothgar in England, but Americans couldn't understand where this Hrothgar came from – why it begins with an 'H' and not an 'R'. So, he made himself John in America. When he got to the point where he was inviting me to use his first name he obviously regarded New Zealanders as closer to Americans than to British, and invited me to call him John.

Max Hartwell and John Habakkuk visited New Zealand in about 1963/'64 and I had met them here. That was a reason for choosing Oxford. I remember arriving there, not knowing what to do next, telephoning All Souls' College, and to my surprise, speaking directly to John Habakkuk. He said, 'Oh come on around.' I went and met him in his room, and he said, 'I'm not actually on the Faculty committee, but don't worry, John upstairs will do it.' He made a call and I trotted upstairs with the paperwork to John Hicks, who had become a senior research fellow. But he was still Chair of the Faculty Board of Social Sciences. We had some social chit-chat and he said, 'oh Habakkuk's organised this, has he?' And I said, 'Yes', and he said, 'alright' and signed the appropriate paper. That's how I was admitted to Oxford as a DPhil student. And that lasted not quite three years: '65 to '68.

Q: What about your research?

A: I went first to Balliol College. There was a connection from here to Balliol. I had a scholarship to Oxford and then had to organise a College. The first year was essentially spent in the library doing work on the history of railways and the economics of innovation. Associated with Balliol College, was Wilf Beckerman among others, but I was not greatly involved with the College. Nuffield College was purely a postgraduate college, and at that time it would only accept people after interviewing, which meant that you couldn't normally go to Nuffield from New Zealand. But I was interviewed at the end of the first year and then became a member of Nuffield College and very much part of the community there. It was a much less lonely existence from that point onwards.

The supervision I had was superb from the start. My supervisor was always John Habakkuk. I eventually told him that the only problem I ever had with his supervision was that I knew that when I was going to become a supervisor myself, I would remember how he had done it and would be obliged to give enormous care to all my students. He simply was superb in every way.

Max became the college tutor. He and I would have a beer together from time to time. He was editing the *Economic History Review* and he delegated things from that to me to read. So, I read a lot of substantial items and gave reports, which I think Max looked at with some interest and amusement, and then made his own decisions rather than pay too much regard to what I said. But he certainly gave me anything that looked vaguely econometric to read at the time. One thing I did recommend publication for was Nick von Tunzelmann's first article.

Q: Were you always going to come home - part of the scholarship?

A: That wasn't part of the scholarship. I don't think there were conditions attached to the scholarship. Yes, I had always envisaged returning to New Zealand. I didn't want to stay anywhere else. I think at the earlier stage, I probably just said, 'oh, I might stay for a year or two after finishing a doctorate.' We gave up on that plan for very obvious reasons: Helena's pregnancy.

I think we decided we would have our first child in England but our timing was not good. When we did have a pregnancy, I had to decide whether to come back quickly or not. All I remember from that is that Helena was quite heavily pregnant when we returned to New Zealand. When we got on an Air France plane to go from New York to Mexico, on the way home, a hostess took a look at Helena and went away and came back a little bit later with a document and said, 'You'll have to sign this'. When I looked at it, what I was doing was guaranteeing to reimburse Air France for the cost of any diversion of the plane, including any damages that had to be paid to any other passenger as a result of this diversion. I took one look and thought the resulting bankruptcy will also eliminate the debts I've left behind in England and be very beneficial. But no such diversion was required.

Q: Straight into Victoria?

A: Yes, I was appointed from England, which was important because the terms of the employment meant that I was employed as a public servant and therefore entitled to a State Advances Corporation Loan as a 'state servant on transfer.' I was appointed to a lectureship in Economic History in the Department of Economics at Victoria.

When I came, Alan Low at the Reserve Bank was looking for somebody to write an economic history of the Reserve Bank of New Zealand. I was interested in doing that as a way of getting into New Zealand economic history, but more important was that the Reserve Bank was prepared to pay for it. They signed a piece of paper saying that they'd pay me for an equivalent of a lecturer's salary over three years, which I then took along to the PSIS and said, look, I've got the Reserve Bank promising to pay me this much per month for a couple of years. Would you like to give me a house loan? And in return, I'll simply, you know, sign this over to you. That's essentially how we built our first home: the state advances loan and a PSIS second mortgage.

Q: Not the same today.

A: No, no. The price of the house was a bit different from what it would be now. We worry about the problems of first home buyers now in terms of price, but the problem in the late 1960s was entirely whether you could raise mortgage finance.

Q: Into the professional side, researching the Reserve Bank and teaching economic history. Anything of note?

A: Nothing of great significance. I paid more attention to the research side than to teaching in those early years. I'm still surprised when my earlier students remember my teaching with enthusiasm. One of my greatest publicists for years has been Tim Groser, who was in one of my first Economic History honours groups. I couldn't have done better than employ him as a public relations officer.

What he remembers are things which I don't think I paid much attention to. He reminds me of the fact we were doing a course in Comparative Economic Development, and I tended to start each section simply using Kuznets' *Modern Economic Growth* as a statistical record of what happened over years – trends in capital output ratios, shares of agriculture, and so on. You'd start with a simple table and say, what do we make of it? You'd look at the statistics of output and the statistics of labour inputs, for example, identify the trends, and I would say, 'what does that imply about labour productivity'? That was what struck him. It had never occurred to him that you read tables like that. You simply look at what a table shows and then move on to the next page. I'm quite sure that that was not something I had thought about at all. I have so often felt, the fact that something is said doesn't mean something is heard; and the fact that something is taught, doesn't mean that anything's learnt. Communication is a two-stage process and both parties are important.

Q: What about roles you took on?

A: Not much outside university for a long time. It was well into the 70s that I got involved with the Planning Council Economic Monitoring Group. I'd become involved with the New Zealand Association of Economists before that editing New Zealand Economic Papers from '74 to '78. The editing process and managing production of papers appealed to me about that. I went to Association of Economists conferences. I probably gave presentations, but I don't remember them clearly.

Curiously, I remember the preceding Economic Society of Australia and New Zealand more clearly because as a student in the early 60s, I became a student member. I went to some meetings of the Economic Society which were held in Founders' House on The Terrace - Founders' House memorialised the New Zealand Company; I think it disappeared under Shell House, when that was constructed. But I remember that primarily because there was a well-known figure whose name, fortunately, I have forgotten. You'd hope that the Chair knew about him because all he did was make a speech in the guise of questions, and it was always about the merits of Social Credit.

So, I recall the 'OHH!' when an unknowing Chair invited him to ask a question. It was quite an active society at that stage. Frank Holmes was the link between the university and the Society, which is why I was involved. It died in the 60s with the familiar complaint that the Society was of no interest to real people doing economics in the city. The Association of Economists was to be a real academic society, substituting for what the Economic Society became. But it published the Economic Record.

Q: Then the Planning Council.

A: Oh yes, via the Economic Monitoring Group, and Frank was responsible for getting me involved. The first Chair of the Economic Monitoring Group that I worked with was Don Brash. Alan Low had retired from the Reserve Bank and was also a member of the Economic Monitoring Group. I think I probably became Chair of it after Don stood for parliament in the East Coast Bays in the early 80s.

Then when Ian Duncan retired, I was invited to be the Chair of the Planning Council. The minister was Bill Birch, who is extremely good value on Planning Council things. He would ask for documents; he would ask questions. He was not to be fobbed off with semi-replies. Eventually he would take whatever the conclusions were and would, draw them to the attention of any appropriate place.

I remember when he invited me to become the Chair of the Planning Council. I said to him I was interested, but did he know that I had been a Citizens for Rowling in the 1975 campaign. It was purely fortuitous that my name was not published on an advertisement- I had a deep apology from the person responsible. (I can't say I was worried by that.) Birch's only comment was, 'you won't think it necessary to tell the boss, will you?' I said, 'No, I don't have the time.'

I did not want to be a full-time Chair of the Planning Council – it was always on the basis that I would be part time and that is what I then talked to the university about as well. Both sides were happy. That's where I got involved with the Planning Council for the next five years - to its abolition.

Q: And then the tertiary equivalent of the Picot Report?

A: Yes, well, again, that comes not through Bill Birch. That comes through Geoff Palmer. It was Geoff who was the Chair of the Cabinet Social Equity Committee in 1986, coming into the 1987 election. Geoff had the idea of - and indeed the whole government had the idea - that social policy was going to be much more important in the second term than it had been in the first. There was the fiasco of the Royal Commission on Social Policy - not a great success. But Geoff always had in mind that he would have a series of sub-committees of the Social Equity Committee - all of a standard form. A chair appointed directly by the Cabinet Social Equity Committee, and departmental representatives on each. The chair, however, was responsible for the report. The report would record the dissent of any department which wanted it recorded but did not have to be a consensus. I found that an extremely useful mechanism. I could cut off lengthy discussions without any difficulty. You always wanted to be sure you knew the arguments, but you didn't want to go on litigating them, especially when you were dealing with departmental positions where nobody could agree in the committee.

I was asked to go to Geoff Palmer's office to get agreement on the terms on which I would do this job. The Minister for Tertiary Education was Phil Goff, and Phil was in Geoff's office. Phil was also the Minister for Conservation at that stage. The Planning Council had done a report on an aspect of conservation. Phil and I had had a measure of disagreement over how this would be released. I made it crystal clear to the Minister of Conservation that I was very happy to have him making comments, but the Planning Council would do the release. Phil didn't think that was how things should happen. So, when I came into Geoff's office and Phil Goff was there, Geoff said to me, 'You know Phil Goff?' I said, 'yes, I do know Phil. He thinks I'm either bloody-minded or bloody stupid.' Because that had been Phil Goff's response on previous occasions. But I think we got on well.

Phil Goff was extremely good as the Associate Minister for Education in every way. At the end of a process, or quite some time afterwards, he just came to me quietly in a private position and said, 'I've decided you're not bloody stupid.' Which I thought was a good process.

The Committee on Post Compulsory Education and Training Report is remembered for doing two things: for giving authority for the student loan scheme and for abolishing the University Grants Committee. But it had a lot of in it. It did put the emphasis on skills. A great deal was built on OECD publications about the importance of skill formation in a general and wide sense - it's not how do you teach dogs to catch and retrieve sticks. Although I remember saying I was still trying to do that and thought that was a skill which I valued quite highly, but the Report wasn't associated with skills in a narrow sense. It was around lifetime education – that was the core. That meant all the value of learning - not just the value for employment. I think we did genuinely work on that basis throughout the process. It took a lot of the time and a lot of effort, which didn't result in any popularity.

I looked back on it with considerable pride, and still do. Most of the stuff about student loans is a load of nonsense.

Q: Head of the School of Government. How and where did that come from?

A: It goes back a long way. In 1987, I became the Director of the Institute of Policy Studies. The first director was Malcolm Templeton from MFAT, and Malcolm did a good job. The IPS was another project Frank Holmes had a good deal to do with, but which Henry Lang had even more. Henry was the strongest proponent of the IPS, and it was an endeavour to bridge the gap between the policy world and the academic world. There are all sorts of notions involved in this. Frank's concern was that there was a reasonable chance that the Planning Council would not survive under Muldoon, and certainly Henry Lang had the same view. The idea of having an independent ability to provide thinking about policy issues which the minister couldn't control was something which appealed to Henry. So, there were certainly those sorts of things in the background.

The vice chancellor at the time thought we were creating a Security Studies Institute, and I think he was a bit surprised to discover what he had agreed to. The Economic Monitoring Group, which had existed earlier in a different form, became part of the Planning Council and the work of the Economic Monitoring Group and the work of the IPS obviously had a lot in common.

So that's really, I think, how I got involved in the tertiary education thing as well. It was through the IPS rather than through the Planning Council. I became the Director and kept the Institute going from 1987 to around about 1999.

Then I returned to, my Chair of Economic History. But, the university was keen to do something with the Master of Public Policy programme, the Institute of Policy Studies, the Centre for Strategic Studies, which we had at that stage, the Centre for the Study of Families. I wanted to put all these things together in a school of government.

Matthew Palmer was the Dean of Law with special responsibility for connections between the university and the government sector. Matthew was the architect of the School of Government, with other people involved. He was the one who carried it through. I was persuaded to become the first Head of the School of Government. It was a follow on from earlier work with the Planning Council, with the IPS, and things in which I was interested.

Throughout all of this time, I thought of myself as an economic historian, which was a kind of economist who was interested in how things worked in practice. I know at the Planning Council there were always people on the staff and my colleagues at the Council who thought I was rather too concerned with the economics aspect. There were other economists who thought I was supping with the devil, of course, having sociologists around. But I was always interested in the connection between the world of thinking and not just the world of decision-making, but the world of collective decision-making. That's why it's public policy rather than private policy.

Q: Well, you've written New Zealand economic history. Have your views changed?

A: Well, they've certainly deepened. And I think they've just grown as I did the research over various aspects of them. I started with the history of the Reserve Bank. The interest in that was, frankly, financial. It got me more money at that stage. But it also was an interesting introduction into New Zealand's economic history.

I certainly felt as a result of that work that the economic history bit of it that comes out as most important is the analysis of the Depression of the 1930s, which wasn't actually directly related to the history of the Reserve Bank because it came out of a very technical issue rather than around the Depression itself. But I was led into thinking about the Depression and how it came about and above all, the general picture of the Depression - this period of great hardship, the small band of committed people who overcame the indignities pushed on us from abroad.

All of that is so much nonsense. Really the key to thinking about the Depression in New Zealand in the 1930s was how much social tension there was and how different were the experiences. It doesn't take much to think about when money incomes and prices are falling, a lot is going to depend on the relative position of income and prices. Hence, it's not surprising that one of the things that you see in the 1930s, if you look - but few people do look – are the well-dressed women and men at horse racing meetings enjoying the good life in the middle of the 1930s. Or even when you look back at it, the growth of domestic electricity consumption, at the number of motor vehicles in New Zealand, and you'll see them moving steadily upward throughout the 1930s. Motor vehicles actually stayed stable for one year and then resumed their growth.

It was interesting to explore things like that. I was interested in reconstructing economic history of GDP and so on at that stage. So, I think the whole understanding of New Zealand economic history just grew with the research, rather than that I had views which I then changed. If anything, I had fairly conventional left-wing views when I started thinking about the 1930s, and just learnt more.

Q: What aspects of economic work have you found the most satisfying?

A: The creation of knowledge. It is the pure research. The economy just happens to be the area that I'm particularly interested in. Some of my other interests are very different. I know quite a lot of the history of music, just because I'm interested in listening to music and so naturally have thought about where did it come from and so on. Again, it's just the effect of experience rather than a deliberate intention.

I think the same is true with economics. I've been interested in watching the way in which society, the whole discipline has changed over the years. I remember the economics as taught by Frank in particular, was not particularly quantitative in the 60s. The subject did become much more quantitative. In that sense, the thing which struck you most about changes in New Zealand economics in the 60s and 70s was probably the creation of the Reserve Bank model and all of the work that went on around that in the later 70s and into the 80s. I think we spent much more of our time thinking about identification issues, becoming less and less enamoured of the idea that if you had a model big enough and complex enough, you would answer all your questions and realising it won't. Again, the Reserve Bank at this stage had started to create small models, which were much more enlightening than the big model, which tended to produce results which led you to ask, how on earth did that come about? You had to start exploring the mechanism involved.

In 1984, when I had a period in Australia, I was surprised by the extent of the gap between the instincts of New Zealand economists and the instincts in Australia. In New Zealand, almost everything started with the foreign exchange constraint and how we responded to the balance of payments issue.

In Australia nobody thought about exports or the balance of payments. You learnt very quickly that the important thing was the paths of wages relative to the paths of productivity. That became a substantial difference. They came together quite quickly there afterwards. We got a lot more concern with institutions, and you were then reminded how you started your Economics 1 lectures. At a point when I was doing an alternative Economics 1 briefly, I remember the first one was usually something like: incentives matter; and the second was there are substitutes for everything. The substitutes for everything became a key process of thinking around institutional design. While I don't think it was really until probably the beginning of this century we really began to think along those lines. There were certainly echoes of it beforehand.

So the subject of economics has certainly changed over time. I think you can in every decade find a president of the American Economic Association saying, of course, the thing which I've learnt most in the course of my career as an economist is that I should have known more history, and I think only that's a great pity it's only when they retire that they realise this.

Q: What do you think about young economics graduates today, especially in the public policy area?

A: I have been retired now for 13 years. I don't think I'm in a position to comment on recent graduates. I have too good a memory, even though it's failing badly, of my attitude to those old men who sat around saying, 'these young people don't know what's good for them', when I was in that position of a relatively young person.

Yes, there are certain things around the public sector which you do worry about. You worry about the extent to which people are really thinking around collective decision-making, the process of policy, that policy is a matter of choosing between feasible alternatives. It's not a matter of deciding what's good and pursuing it. It's always a question of the feasible alternative. I suspect that we could do with a bit more reiteration of that message.

But I do want to observe my self-denying ordinance and not say 'I told you so'.

Q: Final thoughts?

A: I think the discipline of economics is in reasonably good shape, despite all the stuff. I do get irritated with the number of people who judge the quality of economics as a whole by the extent to which the latest economic forecast was or was not correct. Economic journalism is something which one should respect, but it's not economics. It pays to actually look at what economists are writing about, if you want to judge what economics is about.

That's true of the whole lot, but it's especially true in the case of policy-making. I would say I have little respect for the notion of, 'these are the policy implications of my theoretical work', but I equally have very little respect for people who try and design policy without some understanding of the economic basis of the options which they are supposedly focusing on. ■

The contribution from Motu this time takes the form of a letter from Prof Arthur Grimes published in the British Medical Journal.

LOCKDOWNS NEED NOT REDUCE WELLBEING

08 December 2020

Arthur Grimes
Professor of Wellbeing and Public Policy
School of Government, Victoria University of Wellington
New Zealand

Dear Editor

The article by De Neve *et al.* (1) provides a useful basis for examining appropriate policy responses to COVID-19. One aspect, however, requires further elaboration.

The article implies that policymakers must address a trade-off between health benefits and wellbeing costs of lockdown. However, the presumption of a trade-off may be misplaced. Evidence from New Zealand (NZ) shows that lockdowns need not reduce wellbeing, even for disadvantaged groups.

Stats NZ has measured wellbeing before, during and after a COVID-19 lockdown. When implemented, NZ's lockdown was rated as the most stringent of any OECD country (2); June quarter GDP fell 12.2%. Consequently, however, NZ has experienced a low COVID-19 death rate, ranked 174th globally (3).

NZ has a four-tier alert system. Level 4 involves almost complete lockdown; level 3 involves only a small relaxation. NZ moved to level 3 on 23 March 2020 and to level 4 on 25 March. It gradually returned to level 1 by 8 June. Thus much of the June quarter was spent in levels 2 to 4. A renewed community outbreak caused Auckland to revert to level 3 on 12 August, with the rest of NZ moving to level 2; these restrictions were unwound by 7 October.

Two Stats NZ adult population surveys, the General Social Survey (GSS) and the Household Labour Force Survey (HLFS), demonstrate the effect of these lockdowns on wellbeing. GSS data are available biennially (2014, 2016, 2018). Stats NZ introduced several GSS wellbeing questions into the (quarterly) HLFS for the June and September 2020 surveys (data is available from arthur.grimes@vuw.ac.nz).

We focus on responses to the evaluative subjective wellbeing (life satisfaction) question: "Where zero is completely dissatisfied, and ten is completely satisfied, how do you feel about your life as a whole?" We can compare the cumulative distribution function (CDF) of responses for the pre-lockdown (2018) and lockdown (June 2020) surveys for the total population (Stats NZ aggregates lower responses to a single group, 0-6). The June 2020 (lockdown) CDF lies everywhere below that of the 2018 CDF, so displaying first order welfare dominance (4) over the pre-lockdown position. We can conclude that population subjective wellbeing was unambiguously higher during lockdown than in the prior survey. Indeed, mean life satisfaction was higher during lockdown than it was in any of the three prior surveys.

Demographic decompositions are available for 32 sub-groups according to: sex, age-group, labour force status, migrant status, ethnicity, and region. Of these 32 demographic splits, mean life satisfaction rose for 30 and stayed constant for 2; none fell. Mean life satisfaction during lockdown for Māori and Pacific exceeded any of the prior three surveys; for the unemployed it equalled the previous peak; for sole parents it was bettered only once in the prior three surveys.

Life satisfaction in the post-lockdown period (Sept 2020) remained relatively high compared with the three pre-lockdown surveys, albeit lower than during lockdown.

Self-rated general health status in June 2020 also first order dominated that in 2018 as did self-rated financial wellbeing. The financial wellbeing result may reflect the wage guarantee programme which helped prevent large-scale job losses (unemployment fell from 4.2% to 4.0% between March and June 2020, albeit rising to 5.3% in September).

Another likely contributor to the rise in wellbeing was that the lockdown applied comprehensively to all (other than essential workers). The Prime Minister frequently referred to "the team of 5 million" (NZ's population) which reinforced the already strong trust in institutions observed in NZ (see World Values Survey). General trust in others rose from 2018 to June 2020 as did institutional trust in each of the police, the media, the health system and parliament.

The NZ evidence indicates that an intense lockdown can improve both health and wellbeing outcomes, even for disadvantaged groups. The intense lockdown gave authorities the option (5) to achieve disease elimination, which proved successful and meant its duration could be short. The comprehensive coverage boosted community cohesion and trust in institutions from already high levels.

Improved wellbeing and health should therefore not be regarded as competing aims to be traded off: both can be achieved through an effective lockdown accompanied by other supportive policies.

(1) https://www.doi.org/10.1136/bmj.m3853

(2) https://ourworldindata.org/coronavirus

(3) https://www.worldometers.info/coronavirus/#countries

(4) https://www.doi/full/10.1080/00779954.2019.1697729

(5) https://www.doi.org/10.1136/bmj.m3853 doi.org/10.1080/00779954.2020.1806340

IN PRAISE OF THE VIENNESE SCHOOL OF ECONOMICS

The Marginal Revolutionaries: How Austrian Economists Fought the War of Ideas by Janek Wasserman

Yale University Press; 2019
by Brian Easton

ECONOMIC AND SOCIAL TRUST ON NEW ZEALAND, **www.eastonbh.ac.nz**

Mentioning to colleagues that I was reading a book on Austrian economists almost invariably led to strong responses – sometimes positive, more often negative. But, typically, their responses were to a caricature of what I was reading. As Janek Wasserman shows in his *The Marginal Revolutionaries: How Austrian Economists Fought the War of Ideas* the contributions of Austrians to economics have been diverse and significant.

I am going to be a little perverse and refer to these economists as the 'Viennese School' reserving, as I shall explain, the term 'Austrian School' to one of its later developments.

Over a century ago, Vienna was the capital of a large, ethnically diverse Central European empire. In 1900 it contained 1.7 million people, four times Wellington today and was relatively wealthy. (The Austro-Hungarian Empire's population was then 47 million.) It was an exciting and stimulating city; Sigmund Freud, Gustav Klimt and Gustav Mahler come readily to mind. A little later some of the most important philosophers of the twentieth century lived there.

Economics was exciting and stimulating too. The Viennese School of Economics began with Carl Menger (1840-1921) who in 1871 published *Principles of Economics*, which argued that unlike the Classical economists' belief that value inherently resides in a commodity, it resided in human wants. With Stanley Jevons, who published along similar lines in the same year, and Leon Walras, Menger inaugurated the neoclassical economics era. (A minor grumble is that the book hardly connects the Austrians with English economists. Alfred Marshall is insufficiently mentioned to appear in the index; Lionel Robins' importing of Austrian ideas is given due weight.) Eugene von Bohm-Bawerk (1851-1914), best known for his work on capital theory, and Friedrich von Wieser (1851-1926), who made a number of innovations picked up later, were the other leaders of the first generation of the Vienna School.

The school was characterised by methodological individualism and was strongly anti-Marxist, partly because of its political stance – virtually all the school came from the elite bourgeoise – but also because Marx was a classical economist and his critics had moved past his theory of value.

(Ironically, Vienna was also the home of Austro-Marxism, about which my sociology teacher, the eminent scholar Tom Bottomore, wrote that they revealed 'the possibilities that are still to be found in a Marxist social science as an instrument of human liberation and a rational organising of human life'. Another significant Vienna economist who does not come under either rubric is Karl Polanyi (1886-1964). Many consider his *The Great Transformation* seminal; it obviously influences my *Not in Narrow Seas*.)

The second generation of the Vienna School was an astonishing constellation including Ludwig von Mises (1881-1973), Joseph Schumpeter (1883-1950), Fritz Machlup (1892-1983), Friedrich Hayek (1899-1992), Gottfried Haberler (1900-1995), Oskar Morgenstein (1902-1977), Paul Rosenstein-Rodan (1902–1985) and John von Neumann (1903-1954). Max Weber (1864 – 1920) was also involved.

Their contributions were so diverse that they cannot be concisely summarised. Suffice to say that there was a common methodology underpinning their work and that despite the reputation of the first generation there was an empirical stream and not all eschewed mathematics (Menger was far less quantitative than either Jevons or Walras).

The school functioned around regular – apparently vigorous – seminars followed by a retreat to coffee shops – an integral part of Viennese culture – which, from the evidence of their drinking songs, could be quite jolly. While there were theoretical differences and personality clashes, the economists supported one another (including helping find one another jobs and funding – a practice which continued when they left Austria and the coffee shop culture ended).

For the Viennese School ended. In part it was because Vienna lost its empire in 1919 and hence the great affluence which came with it. This was compounded by an increasingly illiberal regime (including anti-Semitism) and by 1940 all had left Austria for America. The exception was Hayek who, despite some time at the University of Chicago, spent most of the latter part of his life in Europe, including at the University of Salzburg (which he described as a mistake because its economics department was small and its library facilities were inadequate) as well as LSE.

Generally, the Austrians integrated well into the American economic culture and it is their work there by which we know of them best. However, von Mises and Hayek abandoned analytic economics when they crossed the Atlantic and it is for them, particularly von Mises, that the term 'Austrian School' becomes useful. Hayek, in particular, had made sterling contributions to economics in Vienna, but the two became more interested in political philosophy and ideology. Hayek wrote *The Road to Serfdom*, published in 1944 and subsequently selling more than two million copies, established the right-wing Mount Pelerin society and his intellectual impact on Thatcherism is well known.

The von Mises story is more complicated and more important. His arrival in America was not initially a great success but he steadily built up a following which led to the establishment of the Mises Institute in Alabama, while his thinking is very influential at the George Mason University in Virginia. It is such institutions and their followers who comprise the Austrian School with its ideology of a (capitalist) liberalism which does not see a significant role for government activity; a common diagnosis of perceived economic failure was 'interventionism'. Ironically, today there are few Austrians, if any, who are members of the Austrian School.

The term 'Austrian economics' is often associated with Austerianism, the strategy of imposing austerity when facing economic and financial difficulties and thereby reducing the scale and scope of the state. Consider 'wages and taxes should be lowered to spur recovery … Removing price and wages controls, stripping power from the unions, and reducing state expenditures would restore stability and encourage growth'. (p.133-4) It may sound like contemporary Austerianism, but it is from von Mises during the Great Depression. (The policy did not work that time either.)

Austrian School economics is considered 'heterodox' – although that does not mean it is wrong. However, in my judgement, its economics is dominated by its ideological underpinnings. That was not true for Viennese School economics, much of which has been incorporated into orthodox economics to the extent that today it is hardly recognised. As the book demonstrates, it is worth tracing its origins as a part of understanding where modern economics has come from.

As I read the book, my mind wandered to whether there could ever be a significant Wellington School of Economics (most New Zealand economists live there). The city is only a quarter of the size of *fin de siècle* Vienna. Two world class economists – the relevant proportion – if they stayed, would be below the critical mass. In any case, while Austrians are multilingual, their School's natural competitors were German whose economic thinking at the time was overwhelmed by the German Historical School which was becoming sclerotic. On the other hand, English-speaking New Zealand economists tend to imitate their US brethren, even where US economic circumstances are very different: the New Zealand dollar is not the international currency; competition policy ought to be different for a smaller market.

I am also struck how we fail to seize opportunities. World leaders in the areas said a couple of research programs were innovative, but we dropped the ball. For instance, in the early 1980s they told me that Brian Philpott's CGE modelling was pioneering. But he was never given the resources to sustain it, while his university chose not to appoint staff to support him and continue his work. It is true that the models were antipathetic to Rogernomics and, even more unforgivably, they predicted correctly it would fail. The dominant ideology was conservative and intolerant of innovation. In contrast the Vienna School did not challenge the Hapsburg order. A crucial factor to its success, reinforcing this conservative bias, was that the school was generously funded by the Rockefeller Foundation; the Austrian School in the US has been sustained by private donations from the right wing. So, no, there is not going to be a Wellington School of Economics, just a colonial outpost of the US. One can only dream. ■

THE FIVE-MINUTE INTERVIEW WITH … JOHN McDERMOTT

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

   I cannot recall ever making such a decision. I had a passion for economics at university, so it became a natural transition from studying to work. Fortunately, all the jobs I have had as an economist have allowed the continuation of learning about economics.

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

   My father strongly encouraged me to undertake a commerce degree. However, I had no enthusiasm for accounting or commercial law. Economics was the other subject in a commerce degree, and this I enjoyed. Economics also was complimentary to the maths I was studying in my science degree. You could say I found economics by accident, but it was a lucky accident.

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

   The first economics book I ever read was Samuelson's textbook. I remember that it had an excellent account of the paradox of thrift and explained the money multiplier in a fascinating way using a geometric series. The book stimulated that early interest. I also recall reading Brian Easton's Listener columns around the same time. I don't remember any particular lessons, but the columns were interesting enough to keep me reading them.

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

   There are so many teachers that I am indebted to. First, there is my economics schoolteacher Barry Perrow whose class on diminishing marginal utility I still remember, and lecturers at the University of Auckland, such as Roselyn Joyeux. Roselyn was a student of Clive Granger and was teaching cointegration before it became a thing. But the one person who has made the most significant impact is Peter Phillips. Peter first suggested I undertake a PhD (preferably at Yale) on one of his visits to New Zealand and advised more forcefully a year later after learning I still had not applied. It was one of the most transformative things I have done in my life. Once at Yale, I then had the experience of attending lectures by Bob Shiller and Chris Sims. Both teaching material they would ultimately receive a Noble prize for. I will never forget Sims introducing the topic of Vector Autoregressions. "Lots of people have written about what I was thinking when I came up with the idea of VARs. They are mostly wrong, so in this class, I will tell you what I was actually thinking".

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

   Every year since it has been published, I have read Jordi Gali's *Monetary Policy, Inflation, and the Business Cycle: An Introduction to the New Keynesian Framework and Its Applications*. It is a well-crafted monograph that has been useful in my research on business cycles, my economics teaching, and my work in monetary policy. I learn something new every time I peruse it. Last year I coded all the models in the monograph in Matlab/Dynare to get a better feel for the dynamic interactions in the models Gali uses.

   I also like to dip back into Charles P. Kindleberger's *The World in Depression, 1929-1939* now and again. It is such a remarkable account of the great depression and how business cycles unravel. It also has my favourite economic figure showing the contracting spiral of world trade (on page 170 if you are interested).

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

   This question is a bit like asking do you have a favourite child. There are supposed to be no favourites. But if I have a favourite, it would be the paper I wrote with Don Andrews on nonlinear models. It was a pure theory paper written over the summer break in 1993. The first draft was over 50 pages of impenetrable and ugly maths. Don said it would never be publishable in that form. However, throughout the summer, the paper was re-crafted into a concise and elegant set of theorems. The maths might still be impenetrable. Donald W. K. Andrews, C. John McDermott, "Nonlinear Econometric Models with Deterministically Trending Variables," *The Review of Economic Studies* 62, Issue 3, July 1995, Pages 343-360, https://doi.org/10.2307/2298032

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

   We should never develop our economic understanding on only one data point, so allow me to mention a few. Growing up in New Zealand, inflation was nearing 20 per cent. Inflation at these levels is an incredibly corrosive process that destroys wealth and rots economies in unseen ways. I often wondered why this could be allowed to happen when it is so unnecessary.

   When working at the International Monetary Fund in the late 1990s, I was sent to Indonesia to research a high-growth Asian economy. I arrived in Jakarta just in time to see the banking sector collapse. Stanley Fischer (then the deputy managing director of the Fund) asked me how much liquidity support the banks needed. I informed him it was about 10 per cent of GDP. A rather shocked Fischer said my calculation must be wrong and that my estimate was way too high. I was wrong. A few years later, when the true extent of the problem was revealed, the figure was nearer 30 per cent.

   In 1999 I visited Brazil for a project with the World Bank. The day I arrived, the Real collapsed. A year later, I went to Argentina and witnessed lines of unemployed people snaking around buildings for the few job openings that existed. I should stress here that correlation is not causation.

   All these events highlight how much pain can be caused by poor economic management. I learnt a lot from these events, and hopefully, this helped my thinking when I returned to the Reserve Bank in 2007 for the start of the Global Financial Crisis

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

   I enjoy riding my bike. It is good exercise, and I get to see parts of Wellington I would not otherwise get to see. Finally, my wife says I have to say, "I enjoy the family".

A PREVIEW OF THE FORTHCOMING RELEASE OF QUARTERLY INSTITUTIONAL SECTOR ACCOUNTS

By Jeff Cope, Statistics New Zealand

New Quarterly Accounts

In July 2021, Statistics New Zealand will be releasing a new and expanded range of quarterly national accounting statistics. At present, quarterly national accounts series are confined to measures of GDP: the headline chain volume production-based GDP(P) measure (analysing GDP by industry) and the complementary expenditure-based measure GDP(E) (analysing GDP by final expenditure component). GDP(E) is produced in both chain-volumes and current prices. Missing has been an income-based measure, GDP(I), which provides a third view of the macroeconomy, analysing GDP by the incomes generated during the quarter. The new release closes this gap.

But, more importantly, the release will usher in a fundamental change in the frequency of the published suite of national accounts statistics. Outside the Quarterly GDP releases, the core national accounts, viz. the Consolidated Accounts of the Nation and the Institutional Sector Accounts, are compiled on an annual basis only, and published in November following the reference year ending 31 March. Similarly, the newly developed Accumulation Accounts and Balance Sheets were confined to March Year series, released 18 months after the reference year. From July, all of these key macro accounts will be compiled and published quarterly.

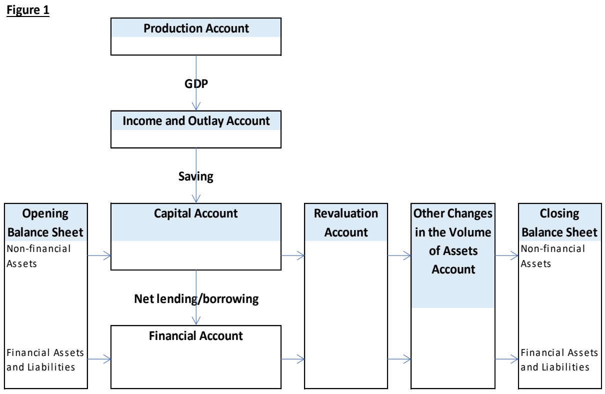
The forthcoming release is the culmination of a multi-year development programme which has relied heavily on (a) the concurrent development of and (b) improvements in the sub-annual source data that underpin the quarterly accounts. Exploiting the potential in available administrative data has been key.

The System of Accounts

New Zealand's national accounts conform to the international standard, as set out in the System of National Accounts 2008. The accounting framework allows a systematic presentation of the economic activities taking place and how these impact on the net wealth of the various types of economic agents that make up the economy (for example, businesses, government and households).

Producing the full sequence of linked accounts in an accounting system as illustrated in Figure 1, shows (in current prices):

Figure 1



- The production of gross value added (GDP) [Production Account]
- The incomes generated by production [Production Account]
- The subsequent distribution and redistribution of these incomes among institutional units [Income & Outlay Account]
- The use of the incomes for final consumption or saving [Income & Outlay Account]
- The net acquisition of non-financial assets, and the internal (saving) and external (net borrowing) funding sources for this investment after the redistribution of wealth by means of capital transfers [Capital Account]
- The net acquisition of financial assets and liabilities [Financial Account]
- The changes in the values of assets and liabilities that result from changes in their prices [Revaluation Account]
- The changes in the amounts (volumes) of assets and liabilities that result from factors not recorded in the current and capital transaction accounts (eg destruction through natural events) [Other Changes in the Volume of Assets Account]
- The level or value of net wealth, measured as the difference between the value of assets less liabilities, and how this changes from an opening balance sheet position to a closing position, due to all of the transactions and events recorded during the period in the other accounts. [Opening and Closing Balance Sheets]

What will be covered in the new Quarterly Institutional Sector Accounts?

At present, all the accounts shown in Figure 1 are produced annually at both the level of the total economy and by institutional sectors, but not in a single, integrated release. The new developments will include the same range of accounts but with a quarterly frequency and will also lead to what will ultimately be a comprehensive and integrated presentation.

While the intention is to provide the same level of transaction and sector detail as the annual accounts, the final accounts released will be more summarised due to data and quality concerns. For example, the institutional sectors have been aggregated for publication into (a minimum) six sectors: non-financial business enterprises, financial business enterprises, central government institutions, local government institutions, non-profit institutions serving households, households, and rest of the world. (Refer to the tables accompanying the discussion document released for comment in July 2020 for an indication of the sector and transaction detail adopted: https://www.stats.govt.nz/experimental/new-zealands-quarterly-income-saving-assets-and-liabilities)

The quarterly series will be backdated to the June 2016 quarter. Actual and seasonally adjusted quarterly series will be published.

If this all reads as too good to be true, then the following provisos should be noted:

- Experimental status of the series
  - The methods and coverage of the new series have changed considerably during development and will continue to evolve over the next few quarters.
  - A number of the key data sources being used are new and are themselves potentially subject to further refinement. For example, the Business Data Collection, which combines administrative data from IRD (such as GST sales, GST purchases, employee monthly schedule data, and payday filing data) and data surveyed directly from large businesses each quarter, is new and only available from the June Quarter 2016. We are still in the early stages of understanding its properties, gauging its coherence with established annual source data and more fully incorporating it into the existing national accounts.
  - At present, the quarterly series are reconciled to their published annual equivalents. However, the development of the new quarterly series has identified a number of areas where the annual sources and methods can be improved. These improvements have yet to be completed and when they are this will lead to revisions in both the annual and quarterly series.
  - Rather than hold back the release of the new quarterly series until all of these improvements have been implemented, it has been decided to release the series now, but to release them as Experimental Statistics. This caveat will be attached to the series for at least the first four quarters, as we continue to mature our methods. The series may be subject to significant revisions during this period.
- Timing of the quarterly releases
  - The first release of the new series will be for the March Quarter 2021, 5-6 weeks after the release of the March Quarter GDP statistics. This interval between the two releases will continue for at least the next 3-4 quarters, with the aim being to close it to about 2 weeks.
  - The Accumulation Accounts (the Financial Account, Revaluation Account and Other Changes in Volumes Account) will not be included in the first release. They will be included for the first time the following quarter, with the June Quarter 2021 release.

Relationship to the existing QGDP and QGDE measures

The existing GDP(P) and GDP(E) measures are compiled on a chain-volume basis, while GDP(E) is also available in current prices.

The new quarterly income estimate for gross domestic product, GDP(I), is the sum of the income components of compensation of employees, gross operating surplus, taxes on production less subsidies on production. It will be measured in current prices and can be compared to the equivalent GDP(E) series. Conceptually, the two series should match, in terms of both dollar levels and changes. The incomes generated in production should equal the final expenditures on that production. However, as each series uses independent data and methods, some differences between the alternative measures arise. As part of reconciling the different current price measures of GDP, coherence adjustments may be made where a data source or method may be weak in a particular circumstance. However, this is unlikely to remove all differences. The two series will not be forced to match and a statistical discrepancy, GDP(E) less GDP(I), will be published.

It is also possible to produce a third volume measure of GDP by deflating GDP(I) using the GDP(E) implicit price deflator, which is derived by dividing current price expenditure on GDP by the chain-volume measure of expenditure on GDP. As the GDP(P) measure will remain our preferred headline measure of quarter-on-quarter economic activity for the foreseeable future, it has yet to be decided whether this third measure will be explicitly calculated. There are no plans at this stage to produce a GDP volume measure that is the average of the different approaches.

As more is learnt about the relationship of GDP(I) to the other measures, alternative presentations will be considered in the future.

The following chart, drawn up for illustrative purposes, was published in the July 2020 discussion paper. While it is based on non-final data produced during the development phase, it provides an indication of the differences in the quarterly movements of current price GDP(E) and GDP(I) that may be published in the initial release.

For the period shown, the differences in the percent changes

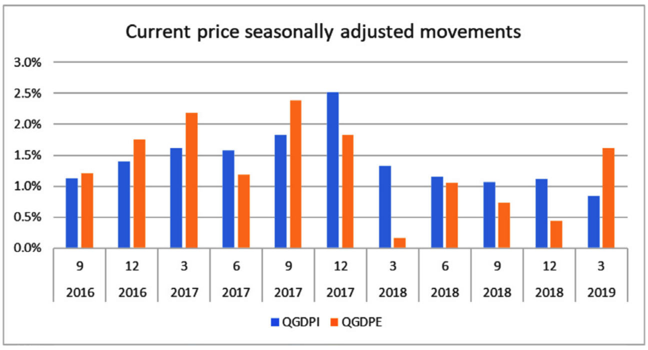


Chart comparing Quarterly GDPI and Quarterly GDPE seasonally adjusted current price movements.

range between -0.8 percent and +1.2 percent. The average absolute difference in movements is 0.5 percent. This is larger than the equivalent difference between published quarterly GDP(P) and GDP(E) volumes (0.2%). [Note that since the report was published further work has narrowed these differences, reflecting the experimental status of the new series.]

Quarterly series up to the March Quarter 2019 have been reconciled to the balanced annual accounts published in November 2020 (see https://www.stats.govt.nz/information-releases/national-accounts-income-and-expenditure-year-ended-march-2020), with nil annual statistical discrepancy. Quarterly discrepancies remain. Post the March Quarter 2019, the GDP(E) series match those published in the latest Quarterly GDP release, series.

Reference and Contact

A discussion paper on the new series was published in July last year (see https://www.stats.govt.nz/experimental/new-zealands-quarterly-income-saving-assets-and-liabilities) and contains more information on the sources and methods used to compile the new series.

For technical enquiries please contact Lindsay Beck at **lindsay.beck@stats.govt.nz** ■

FROM THE 2B RED FILE

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

I have always been fascinated when stumbling on stories of little-known New Zealanders who have gone out into the world and done interesting, innovative things (not always positive however as we shall see). Earlier editions of 2BRED covered Alexander Aitken and of course Bill Phillips (well known to us but little known to the rest of the world).

I recently came across an essay by one Charlie Mitchell, an historian and investigative journalist, who has won several awards. He is a national correspondent for Stuff which was where this essay was published **Charlie Mitchell "*Our Truth, Tā Mātou Pono: The New Zealanders and the genocide*".** Published by Stuff.co.nz on Feb 13 2021.

Hopefully you can find it here: https://www.stuff.co.nz/pou-tiaki/our-truth/300208816/our-truth-t-mtou-pono-the-new-zealanders-and-the-genocide or here https://www.stuff.co.nz/authors/charlie-mitchell

On the edge of Inutil Bay on the Isla Grande of Tierra del Fuego in the extreme south of Argentina lies a settlement called Camerón (population 230). This is a bleak, cold, windswept inhospitable place, as I can attest having recently been in nearby Punta Arenas. The settlement was started when in 1892, Alexander Allan Cameron, a young 24 year old New Zealander from Otago arrived to start sheep farming on the dry, tussock lands (doubtless reminiscent of central Otago where he had grown up).

Official records indicate Cameron successfully modernised sheep raising in the region, and forged valuable linkages between New Zealand and South America. But there is another side to the story. There is ample evidence that Cameron and several other New Zealanders took part in what was the genocide of the Selk'nam people, the original inhabitants of the land, virtually wiping out the entire population of some 4000. Cameron was arrested and tried but never convicted, and died in Buenos Aires in the 1950s.

Another New Zealander also made a significant contribution in Latin America (fortunately with no downside!), this time in aviation rather than farming.

Erik Benson (2006) "*Aviator of Fortune: Lowell Yerex and the Anglo-American Commercial Rivalry, 1931-1946*". Texas A&M University Press.

Another biography is by his nephew, however at $1,707.18 for a copy from Amazon I confess I have not read it. **David Yerex (1985) "*Yerex of TACA: A Kiwi conquistador*".** Ampersand Publication Associates.

Lowell Yerex was born in Wellington in 1895, and after university in the USA, joined the Royal Flying Corp and fought in WW1. He was shot down and spent time as a PoW in Germany. But by now he was an accomplished pilot, with dreams about the future of commercial aviation. These were initially realised when after arriving in Honduras in 1931 he founded an airline TACA (*Transportes Aéreos Centroamericanos*), an airline on which I flew several times and which operates today under the Colombian Avianca brand. He went on to found two other airlines: *British West Indian Airways* in Trinidad and Tobago and later *Aerovias Brasil* in Rio de Janeiro, this latter airline eventually becoming *Varig*. In short, a fascinating tale of courage, business acumen and international politics.

Our third New Zealander was also born in Wellington; she had Māori ancestry through her great grandmother. There is a heritage pylon today on Oriental Parade, near her former family home. While she is also remarkable, I suspect her story is not widely known. This is perhaps understandable, as she was a spy working for secret organisations in WWII. She was nicknamed the White Mouse (for her ability to evade capture).

There are a number of biographies of Wake. But I have chosen one by a favoured author of 2BRED, Peter FitzSimons. **Peter FitzSimons (2011) "*Nancy Wake: The gripping true story of the woman who became the Gestapo's most wanted spy.*"** (Harper Collins).

There is also an autobiography: **Nancy Wake (2011) "*White Mouse*"** (Macmillan Australia), which bears the subtitle on the cover *The autobiography of Australia's wartime legend.*

As she left Wellington as a toddler when her family moved to Sydney in 1914, our claim to her as a Kiwi could be argued was a bit tenuous - but that's never stopped us when claiming limelight for any distinguished New Zealand aborn stars.

At the outbreak of war she was living in France, having married a wealthy French businessman. She joined the French Resistance and subsequently the UK Special Operations Executive. In 1944 she was parachuted at night into France and was involved with many escapades against the Germans as well as sending information back to headquarters in London. She ended the war as one of the most highly decorated servicewomen. An amazing story of a remarkable and courageous lady told in highly readable form by FitzSimons. ■

ABOUT NZAE

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BLOGWATCH

By Paul Walker (psw1937@gmail.com)

Timothy Taylor discusses “The Coase Theorem: A Process of Becoming” <https://conversableeconomist.blogspot.com/2020/12/the-coase-theorem-process-of-becoming.html> at his blog, ‘Conversable Economist” <https://conversableeconomist. blogspot.com/>. Taylor is talking about Steven Medema’s article, “The Coase Theorem at Sixty” (Journal of Economic Literature, 2020, 58:4, pp. 1045-1128). Taylor writes that Medema says, “The article [The Problem of Social Cost] makes three basic points. First, externalities are reciprocal in nature. Yes, A’s actions impose costs on B, but to restrain A in favor of B imposes costs on A. The economic problem, Coase emphasized, is to avoid the more serious harm. ... Second, if the pricing system works costlessly and rights are assigned over the relevant resources, agents will negotiate a solution that maximizes the value of output, and this outcome will be reached irrespective of to which party those rights are assigned—the idea that came to be known as the Coase theorem. ... In the frictionless world of welfare economics circa 1960, the negotiation result shows that Pigouvian remedies are completely unnecessary for an efficient resolution of externality problems. Third, in the real world of positive transaction costs, all coordination mechanisms—markets, firms, and government—are costly and imperfect, meaning that there is no route to the optimum. The best that we can do is to choose among imperfect alternatives ... Comparative institutional analysis, then, becomes the method of choice, and the goal, from an economic perspective, is to select the coordination mechanism that maximizes the value of output for the problem under consideration”.

John H. Cochrane has posted on his blog ‘The Grumpy Economist’ <https://johnhcochrane.blogspot.com/> the review he did for the Wall Street Journal of Stephanie Kelton’s book, “The Deficit Myth: Modern Monetary Theory and the Birth of the People’s Economy”. In short, he is not impressed <https://johnhcochrane.blogspot.com/2020/07/magical-monetary-theory-full-review.html>.

Cochrane also writes on the “Political diversity at the AEA” drawing on an Economic Journal Watch paper by Mitchell Langbert. A quick summary, there isn’t much. “The most interesting part of the paper that the AEA skews more and more Democrat as you look higher up the hierarchy to who has more influence in the organization”. The ratio of Democrat/Republican Party in the general US population is 1.3:1, for the members of the American Economic Association it is 3.8:1, for AEA Officers-Editors it’s 8:1 and for AEA Boards of Editors it’s 28.5:1 <https://johnhcochrane.blogspot.com/2020/10/political-diversity-at-aea.html>.

The 2020 Nobel Prize in Economics went to Paul R. Milgrom and Robert B. Wilson “for improvements to auction theory and inventions of new auction formats.” The Nobel announcement is here <https://www.nobelprize.org/prizes/economic-sciences/2020/summary/>. Kevin Bryan writes on “Operations Research and the Rise of Applied Game Theory – a Nobel for Milgrom and Wilson” <https://afinetheorem.wordpress.com/2020/10/12/operations-research-and-the-rise-of-applied-game-theory-a-nobel-for-milgrom-and-wilson/> at the ‘A Fine Theorem’ blog <https://afinetheorem.wordpress.com/>. Joshua Gans makes some “Remarks on Paul Milgrom” <https://digitopoly.org/2020/10/12/remarks-on-paul-milgrom/> at the ‘Digitopoly’ blog <https://digitopoly.org/>. “David Kreps Lauds 2020 Nobel Laureate Robert Wilson” <https://www.gsb.stanford.edu/experience/news-history/david-kreps-lauds-2020-nobel-laureate-robert-wilson> at the ‘Stanford Graduate School of Business’ <https://www.gsb.stanford.edu/>. Timothy Taylor notes “A Nobel Prize for Auction Theory: Paul Milgrom and Robert Wilson” <https://conversableeconomist.blogspot.com/2020/10/a-nobel-prize-for-auction-theory-paul.html> at his ‘Conversable Economist’ blog <https://conversableeconomist.blogspot.com/>. Alex Tabarrok writes on “The Nobel Prize: Milgrom and Wilson” <https://marginalrevolution.com/marginalrevolution/2020/10/the-nobel-prize-milgrom-and-wilson.html> at the ‘Marginal Revolution’ blog <https://marginalrevolution. com/marginalrevolution/>.

At ‘VoxEU.org’ <https://voxeu.org/> Simeon Djankov, Edward Glaeser and Andrei Shleifer set about “Measuring property rights institutions”. “In a world of limited public capacity, which rules and institutions that protect property rights have the largest impact on economic activity? This column addresses this question using a cross-section of 190 countries and focusing specifically on the distinction between the right of possession and the right of transfer in the context of urban land. It also documents worldwide improvements in the quality of institutions facilitating property transfer over time” <https://voxeu.org/article/measuring-property-rights-institutions>.

Jeremy Horpedahl considers “Cost-Benefit Analysis in the Year of COVID” over at the ‘Economist Writing Every Day’ blog <https://economistwritingeveryday.com/blog/>.Horpedahl asks “How do we conduct cost-benefit analysis when different policies might harm some in order to help others?” He looks at two different possible answers: years of life lost (YLL) - in this approach, you look at the age of those that died from COVID, and use an actuarial life table to see how long they would have been expected to live. For example, an 80-year-old male is expected to live about 8 more years. Conversely, a 20-year-old male is expected to live another 56 years - and value of a statistical life (VSL) - in this approach, we assign a value to human life based on revealed preferences of various sorts. He concludes, “YLL seems like the wrong approach to me. VSL seems better”.

Scott Summer has nearly finished his reading on Modern Monetary Theory (MMT). At the ‘EconLog’ blog <https://www.econlib.org/econlog/> he contrasts MMT with the Chicago school and mainstream theory. “On a wide range of issues, MMT is on one end of the spectrum, the Chicago school is on the other end, and the mainstream is somewhere in between”. He goes on to argue that MMT will not “make much headway in convincing the profession that their theoretical model makes sense, unless they can find a more persuasive way of explaining their ideas”. <https://www.econlib.org/understanding-mmt/>.

Martin C. Schmalz gives a useful summary of the common ownership debate in competition theory and policy at the ‘Harvard Law School Forum on Corporate Governance’ <https:// corpgov.law.harvard.edu/>. The common ownership hypothesis suggests that when large investors own shares in more than one firm within the same industry, those firms may have reduced incentives to compete. The blog post discusses a governance mechanism that connects common ownership and anti-competitive product market outcomes, it explains existing empirical evidence on product markets and provides new empirical evidence on managerial incentives <https://corpgov.law.harvard.edu/2020/12/22/common-ownership-competition-and-top-management-incentives/>.

At the American Economic Association website <https://www.aeaweb.org/> Tyler Smith interviews Professor Brue Caldwell, Director of the Center for the History of Political Economy - Duke University, on 'Rereading "The Road to Serfdom"'. In the podcast, Caldwell discusses Friedrich Hayek and the history of economic ideas. He argues that Hayek's message in "The Road to Serfdom" was often misinterpreted by contemporaries and by later generations. The book was a warning, not a prediction, that when you concentrate power in the hands of few people as in a socialist regime, you have real dangers of abuse of power <https://www.aeaweb.org/research/road-to-serfdom-75-years-caldwell>. ■

RESEARCH IN THE SCHOOL OF ECONOMICS AND FINANCE AT MASSEY UNIVERSITY

Professor Martin Berka

Martin is an international macroeconomist, though his research is temporarily held hostage to his present role of the head of the School of Economics and Finance. Two of his active projects are a study of price responses to an unexpected appreciation of the Swiss franc in a leading online supermarket chain in Switzerland and a study of the effects of differences in total factor productivity on price level differences in 18 OECD countries. Martin wishes to pursue more climate-macroeconomic research when his current job concludes.

Professor Graham Squires

Graham is an international economist, geographer, and planner with expertise in property and housing. Discipline focus has recently been on property in the development-planning nexus with respect to economics and the economy. Further recent studies include concerns of housing affordability, affordable housing, housing market resilience, and infrastructure finance. He covers mixed-method approaches using institutional qualitative and spatial-statistical quantitative techniques. Graham is President-Elect of the Pacific Rim Real Estate Society (PRRES), and council member of the New Zealand Association of Economists (NZAE). He is a Fulbright Scholar, CEO of The Property Foundation, and Member of The Royal Institution of Chartered Surveyors (MRICS).

Professor Faruk Balli

Faruk received his PhD from the University of Houston in 2007. Prior to joining Massey University, he worked as a research Economist in Central Bank of Qatar, and as an Assistant Professor at University of Dubai. His research areas mainly cover but are not limited to the topics of international finance, energy economics, tourism economics, and Islamic economics/finance.

Professor Xiaoming Li

Xiaoming is a financial economist. His research work straddles a wide range of topics, but recently he has focused on the impacts of economic policy uncertainty on asset pricing and capital structure; co-movements of international commodity-equity and oil-equity markets; and diversification benefits of portfolios.

Associate Professor Matt Roskruge
Te Atiawa, Ngāti Tama

Matt is a Rutherford Discovery Fellow and a Co-Director of Te Au Rangahau in the School of Economics and Finance. He has an academic background in health and population economics and researchs broadly as an applied economist and social scientist. His current research projects include Māori economics, Social capital and wellbeing, Effective health systems and service delivery, Health Economics, Population, Labour and Regional economics.

Associate Professor Hatice Ozer Balli

Hatice focuses her research on applied time series econometrics and international finance. She has up to date econometric skills that can be applied over a wide range of topics, including finance (exchange rates, equities, and assets), macroeconomics (income smoothing and bilateral trade), aviation (airport efficiency, forecasting air travel demand), agricultural economics (dairy industry), banking (financial performance of microfinance institutions), property (wind farms and property values), and Islamic finance (sukuk).

Dr Sue Cassells

Sue's research interests are in the market and non-market valuation of natural resources, and she has done work previously on the knowledge gap around environmental management in the context of small and medium enterprises in New Zealand. Sue is also part of a team doing work on several zoonotic diseases, with her contribution focusing on using cost-benefit and cost-effectiveness analyses to assess intervention to reduce the impact of these diseases.

Dr KimHang Pham Do

Kim's research focuses on applied economics and strategy analysis to environmental and resources management. She is currently addressing how to achieve efficient and equitable arrangements in transboundary resource management, land-use transitions, and food safety, including the impact of interactions between ecological and social systems on economic growth and sustainable development.

Dr Syed Abul Hasan

Syed is interested in studying applied microeconomic issues, focusing on impact evaluation and development and behavioural economics. His diverse research interests include investigating issues related to food security, energy use, natural hazards, immigrant assimilation and consumption, property prices, financial stress and health service delivery. He is interested in collaborative work to attract external funding and publish in quality journals.

Dr Arshad Javed

Arshad is the Director of the Real Estate Analysis Unit (REAU) at the School of Economics and Finance. His research and teaching interests lie in the area of construction and property management. Using his multidisciplinary background, he has expanded his research to property finance and investment, property valuation, transit-oriented development, intergenerational wealth and housing tenure, urban regeneration, land banking and affordable housing. Dr Javed's research outputs address several challenges and provide solutions and recommendations to policymakers and the industry.

Dr Oscar Lau

Oscar specialises in applied theory and industrial organization. He has studied reciprocal interactions using game theory and decision makings under uncertainty. Currently, he is working on supply chain models.

Dr Shamim Shakur

Shamim's main research interests are in international trade, agricultural policy and financial economics. Research activities in terms of refereed publications concentrate on WTO trade negotiations, regional trade cooperation and computable general equilibrium (CGE) modelling. His current research is focusing on food safety, agricultural policy and the effect of remittances on developing economies. Shamim also enjoys working across disciplines and plans to study the effects of climate change on the dairy sector.

Dr Sam Richardson

Sam is a sports economist with an interest in teaching and learning economics. Sam's research includes the economics of sports facilities, major sporting events, and the economic justification for government involvement in such projects. Sam is also keenly interested in current best practice in teaching and learning in economics.

Dr Iqbal Syed

Iqbal works in the areas of economic measurements, index numbers, urban economics, and property economics and finance. He has developed econometric methods and index numbers to construct price indexes for residential and commercial properties, supermarket and high-tech products, and international comparisons of prices and incomes. He has worked on housing markets, investigating property valuations in relation to equilibrium using price-to-rent ratios, price and rent indexes, and the user cost formula. His future research directions include the investigation of links between property markets and the following: credit markets, investments, incomes, equity, financial stability and the macroeconomy. ■

NEW MEMBERS 2020

Xiuming Dong, University of Auckland; Onur Koska, Canterbury University; Hannah Kotula, Motu; Roshen Kulwant, MPI; Sai Lealea, SDL Consultancy; Shannon Minehan, Motu; Oscar Parkyn, The Treasury; Alexander Plum, AUT; Steven Poelhekke, University of Auckland; Matthew Roskruge, Massey University; Katy Simpson, The Treasury; Amelia Guha Thakurta, Otago University; Nicholas Watson, Motu.

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