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

nzae New Zealand Association of Economists

ASYMMETRIC INFORMATION

ISSUE NO. 71 August 2021

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

CONTENTS

Editorial 1

In Open Seas. Part I: On the Seashore: (1943-1970) 2
(By Brian Easton)

Obituary – Professor Fraser Jackson 4
(By John Yeabsley)

The Five-Minute Interview with … 5
Vhari Mcwha Associate Commissioner
at the Commerce Commission

John Creedy – Citation for NZAE 6
Distinguished Fellow Award

Professor John Creedy – Acceptance Speech 6
NZAE Distinguished Fellow Award 2021

Congratulations to New Royal Society Fellow: 7
Distinguished Professor Caroline Saunders
(by Paul Dalziel)

Recipients of Prizes Associated with 8
NZAE Conference 2021

A personal reflection on Not in Narrow Seas 10
(by Shamubeel Eaqub, CFA)

Delinking the New Zealand Emissions Trading Scheme 11
from the Kyoto Protocol: Comparing Theory with Practice
(by Dominic White)

2B RED 12

BLOGWATCH 13

Research in the Department of Economics and Finance 14
at the University of Canterbury

New Members 15

Stata Advert 16

EDITORIAL

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

Well, the best laid plans,….Just as we here at AI thought the pattern of life had adjusted to COVID-19 along came the Delta Variant and threw all our catch up plans (not to mention the second day of the Conference) out the window.

So here we are with a much delayed August edition being put together in October. But to make up for it we have a bumper issue. It starts with the first episode of a multi-part article on one of the grand old men of New Zealand economics, Brian Easton interviewing himself in typical Brian style. This reflects his varied background and remorseless interest in both economics and what makes New Zealand what it is today. Then we have some memories of Prof Fraser Jackson who died recently.

This is aptly followed by Shamubeel Eaquab's reflections on Brian's book Not in Narrow Seas. He uses it as a lens to consider the issues of today. And then a tribute to Professor Caroline Saunders on her election as a Ngā Ahurei a Te Apārangi Fellow of the Academy of the Royal Society Te Apārangi.

We then dive into the world of carbon trading where Dominic White from Motu reports on how they have used a natural experiment created by Government releases to probe the workings of the linked markets for emissions units.

The short interview is with Associate member of the Commerce Commission Vhari McWha.

Grant Scobie's contribution 2 B RED focuses on Hong Kong especially its history – as always, he finds an unusual entry via the biography of a prominent Scottish origin civil servant. And he does venture some thoughts about the future prospects of the erstwhile colony.

We have a selection of prize winner pictures from the Conference – at least some of the usual activities were able to proceed. And we have both the citation for the Distinguished Fellow award to John Creedy and the text of the speech he would have given – an AI scoop!

Paul Walker's Blogwatch roams widely as he usually does. This edition spans observations on topics from three posts on the history of the US "new deal" in the 1930s through a discussion of the end of private currencies, to a discussion of research into black markets for limited ticket allocations that seems remarkably relevant to the scramble for MIQ slots.

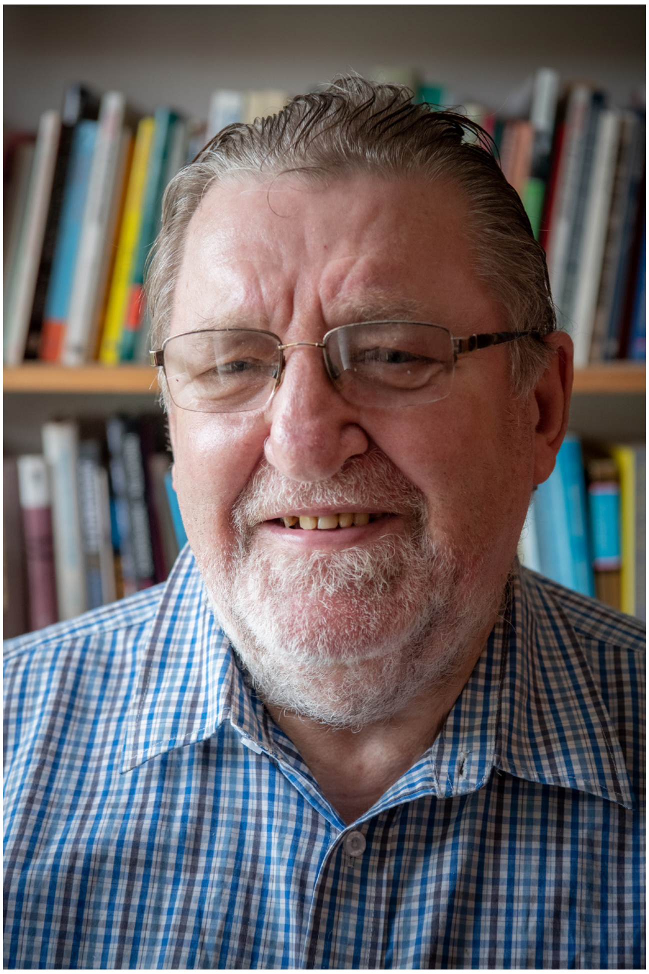
This issue's Research in Progress comes from the University of Canterbury.

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.

IN OPEN SEAS

Brian Easton (Journalist) Interviews Brian Easton (Economist)

PART I: ON THE SEASHORE: (1943-1970)



Q. You grew up in Christchurch?

A. In Somerfield, in the south of the city, in a state house the family bought. Dad was an electrician who in the middle of his life became a psychopaedic nurse. Mum was a clerical worker who became a librarian; they named the Hilmorton School library after her. But I went to Christchurch Boys' High and was in an exceptionally strong science class which did very well in University Scholarship Exams.

Q. And then to Canterbury University?

My mathematics was strong enough to go straight into the second year, skipping the Stage Is, so I finished my honours degree in three, rather than four, years.

Q. How did you get into economics?

A. My honours class all wanted to do an extra course in our second year at university. I could not do statistics because it clashed with German Reading Knowledge (a language was compulsory for a science honours degree) so I enrolled in Economics I. I turned up at the enrolment desk. The professor, Alan Danks, palpably sighed – presumably something like 'not another one; we already have 200 in the class'. I explained I had a clash between a Pure Maths III lecture and one of the Economics I lectures. He beamed 'Pure Maths III; sit down, boy'. (I don't know if he actually said 'boy' but you always felt he did.) He arranged special weekly tutorials with Graham Miller to cover the gap, and he put me in one of his own tutorial groups. In my last year at university he jumped me into third-year economics saying second-year economics would not challenge me enough. It may well have been Canterbury economics' first knight's move.

Frank Tay's development economics course introduced me to one of my great economics interests. John Ward, across from Lincoln, gave a course of agricultural economics which was my introduction to applied economics, although there is a good chapter in Paul Samuelson's wonderful text, *Principles of Economics* (4th ed) which has also has that memorable description of how milk is delivered to one's house in the morning (or used to be), by anonymous market transactions not be a centralised planning system. It has shaped my thinking about the market for the rest of my life.

Samuelson is the twentieth-century economist I admire most after John Maynard Keynes. He could write. I studied Keynes' *The General Theory* with one finger on the book and another on Alvin Hansen's *Guide to Keynes*. Other economists included John Kenneth Galbraith and Joan Robinson – it is a pity her *Economic Philosophy* is so forgotten.

Q. Why did you go into economics?

A. I was already involved in political activity and had gone to a student-run summer school – the 'University of Curious Cove' – in the 1961/2 summer vacation. One of the lecturers was Bill Sutch on the future of the New Zealand economy; he was inspiring but I thought I could do better – such is the arrogance of youth. Wolf Rosenberg spoke of the dangers of being an economist and the young man ignored his wisdom.

Some decades later I realised that the reading I had been doing at high school, especially the Fabian literature, was a sound introduction into late nineteenth-century (i.e. emerging neoclassical) economics.

Q. Who were the university teachers who had the greatest influence on you?

A. Karl Popper still presided over Canterbury science despite having left a couple of decades earlier. My most important teachers were Derek Lawden, Professor of Mathematics, and Danks.

It took decades to appreciate how thoroughly Lawden trained me as a mathematical modeller, which is at the heart of formal economics thinking. Modelling is about approaching a system or problem holistically, rather than just a part of it. H.L Mencken said 'there is always a well-known solution to every human problem – neat, plausible, and wrong'. (The fate of the political opposition, I suppose.) It arises because it ignores the whole picture. I once assumed everyone else was as fluent a modeller as I was, but they are not, not having benefited from Lawden. (Later in my career I also benefited greatly from working with Bryan Philpott and his suite of computable general equilibrium models.)

People often make elementary mathematical mistakes. The short recession in the late 1990s was in part precipitated by the RBNZ using a mathematical equation which was dimensionally inconsistent.

Danks was probably the best university teacher I had. We joked he never taught us anything. In the first half of the lecture he told us what he had said in the last one and the second half was devoted to what he was going to say in the next.

Q. It must have been a pretty traditional economics?

A. It was, but I benefited from doing it. And Danks was pushing us towards the more mathematically based economics. His third-year textbook was William Baumol's wonderful *Economic Theory and Operations Analysis*.

Additionally, about a month into my Economics I year, I bought books by Gerard Debreu, Ken Arrow and Tjalling Koopmans – all Nobel laureates in economics. That was frontline stuff. I particularly loved Koopmans' *Three Essays on the State of Economic Science*, which is a brilliant technical exposition written by a very humane person. I read Galbraith's *Affluent Economy* about the same time.

Danks laboriously expounded the standard condition of the equality of marginal utility among consumption commodities, at the same time as we were introduced to Lagrange multipliers in Applied Maths III. (Lagrangians, at the heart of optimisation, are, in effect, prices.) I thought that if two lectures of economics took two lines of mathematics, I could do the 200 lectures or so to graduate in economics in 200 odd equations. – the arrogance of youth again. Later I realised Alan gave a marvellous exposition with nuances that the mathematics missed.

So, I was on the cusp of the shift from the earlier neoclassical economic paradigm which was only marginally centred on mathematics to the new era of a more mathematical economics.

Q. You abandoned mathematics for economics?

A. That is what it seemed at the time, but on reflection I realise I graduated as an applied mathematician and went on to apply those skills in economics. That is why Lawden was so important in my development.

Q. What did you do after graduation?

A. I became a research assistant at the recently established NZ Institute of Economic Research in Wellington and I did a BA economics at Victoria. The department was pretty plodding but there was the odd memorable teacher. John Young taught labour economics with a solid foundation in traditional neoclassical economics. Labour economics is the better subject for being mathematically restrained. John Zanetti gave a course on growth models which was an excellent introduction to the difference between models of the physical world and those of the social world, while Peter Lloyd's international trade course taught me about geometrical presentations. I also valued George Hughes of philosophy – doing non-relevant courses can be invaluable. (I enjoyed doing English I too.)

Q. It does not sound as though you learned much in your student years at VUW

A. I learned most at the Institute. Conrad Blyth, back from Cambridge, introduced New Zealand to the new growth theories of Bob Solow and established macroeconomic forecasting (*Quarterly Predictions*) which, while not the first in New Zealand, was certainly the most sophisticated. I also learned a lot from interaction with the other senior economists, especially Peter Elkan, who was trained in three economics paradigms – European Institutional, Marxist and Cambridge. The Institute was highly research focused, enabling me to develop a more quantitative mode of thinking.

Q. The next step was OE?

A. I was applying for overseas scholarships. Danks, by now chairman of the UGC, told me I would be offered a scholarship to the London School of Economics. That would have been an interesting career move because they had some very good economists. However I missed out on that heartland of 1960s student unrest by taking an assistant lectureship at the University of Sussex.

Q. Without being rude I am surprised that someone from so far away got the job.

A. They wanted a good mathematical economist and at the time they were scarce. In truth, they did not know how to use one.

Q. So your time at Sussex was a failure?

A. To the contrary, it was terrific. I chose teaching at Sussex over the scholarship at LSE because Sussex prided itself on its multi-disciplinary approach to knowledge. I found myself in an economics department imbedded in a social science faculty with its Institute of Development Studies right next door. (Its director was Dudley Seers, who grew up in New Zealand and constructed our first national accounts.) Yes, I worked as an economist but I interacted with a host of scholars from other disciplines – even taught in some others. I have never met such a kaleidoscope of intellectual activity in a university; the closest was at Harvard, but that institution is too big to be so intense.

The Sussex experience meant I am comfortable to call myself a 'political economist' in the nineteenth-century sense of an intellectual who engages across the spectrum of the social sciences. (Later, while working in social economics, I was called, almost sneeringly, a 'social economist" – by colleagues who spent a lot more time in the pub.)

Q. Who particularly influenced you?

A. Too many to mention. I got on really well with the senior professor of economics, Tibor Barna, who despite his eminence in input-output modelling and industrial economics, could be very eccentric in a way which provided shrewd insights.

I also valued Janos Kornai – later a chairman of the Harvard economics department – who gave a series of lectures on planning modelling which was my introduction to general equilibrium economics and tied together much which I had taught myself. Once I asked what he thought of Marx. (He was based in Hungary which still had a Communist regime.) He said Marx did not have much to say in economics, but was important philosophically.

Q. What about you and Marx?

A. Sussex's senior professor of sociology was Tom Bottomore, one of the world's most eminent Marxist scholars. I took a much valued course under him; it did not have much economics though. Karl Marx was one of the nineteenth century's greatest intellectuals with whom one must engage. That said, Marx wrote he was not a Marxist; in which case neither am I.

Q. So what are your politics?

A. Eclectic. In my youth I was greatly influenced by Fabianism, which is evolutionary rather than revolutionary socialism; Methodist rather than Marxist. I spent time with the VUW social anarchists group – they mainly talked convivially rather than doing anything – where I learned to distrust power. I am more anti-centralisation than the majority of the New Zealand left and centrists – it is a scepticism which fits in well with my admiration of the market. But I do see a need for some centralisation, acknowledging that tension. My social justice philosophy follows John Rawls – one should judge a society by how it treats its worst off. I got there before I read him; he systematised my thinking.

Q. Why did you return to New Zealand?

A. Home sickness really; air travel was terribly expensive for short sojourns. And we thought New Zealand was the best place in the world to bring up children. It may still be, providing you are middle class or, as I think of myself, professional working class. ■

PROFESSOR FRASER JACKSON

John Yeabsley assembles diverse material as a memoire of a New Zealand economist.

On 21 October Emeritus Prof Fraser Jackson died in Auckland.

Fraser Jackson was one of the small group who enthusiastically took part in the New Zealand side of the world-wide move to make economics soundly analytical both in theory and in empirical work. Others involved in the movement at that time at other universities were Bert Brownlie at Canterbury and Rex Bergstrom at Auckland.

According to the official source, "Economics at Auckland and Canterbury universities by the 1960s was strongly mathematical – econometrics having been the growth area of the discipline. Victoria's was a little different, characterised, if this can be said, by its eclecticism." […]

"By the end of the 1960s the Economics Department had almost achieved the seven-year development plan it had made in 1963: to increase its staff establishment […] ; and to develop […] quantitative methods. Specialist lectureships had been created in […] econometrics – although the latter remained unfilled until a professor (senior lecturer Fraser Jackson, who had missed out on the chair of information science) was appointed in 1968."[1]

Fraser was born in Dunedin and educated at Christchurch Boys High and Canterbury College [mathematics statistics and economics] before going to Auckland to complete a Masters in economics and econometrics.

The following extracts from a question and answer session with a local website[2] paint a picture of his life and career in economics.

Work experience over the years .....

I lived in Auckland after graduation and worked for Amalgamated Brick and Pipe and Crown Lynn Pottery which were on the same site in New Lynn. I was a part of their technical support group and responsible for experimental design and statistical process control methods, both of which were novel in New Zealand industry at the time[3]. I joined Victoria University in my late 20s [1962]as a senior lecturer and lived in Lower Hutt initially, before moving to Tawa in 1964. We've been in the same house ever since.

I was awarded a Harkness Fellowship which took me to America for 18 months, to study econometrics, operations research tools and applications to transport economics at MIT in Massachusetts 1965-67. I became Professor of Econometrics at Victoria in 1968. Back home I explored a range of issues associated with containerisation of our trade and with evaluation of road transport projects. However, my main interests were on behaviour of firms and households as units whose behaviour aggregates to the economy as a whole. I was Dean of Commerce for two periods and retired from the University in 1996 but have continued an interest in the areas I studied and taught.

What are your interests and hobbies?

Walking, photography and woodwork have been my recreational activities.

What accomplishments/achievements in your life give you the most satisfaction/pride?

Most of the things I've achieved have been in a group situation, in which I've played a part with a group of people in one way or another and the outcome is a result of their joint endeavour.

Those who worked with Fraser over the years remarked on his private nature and his deep concern for social equity. This carried over into his research and associated activities, like taking part in several official reviews of the Consumers Price Index and latterly an interest in statistical aspects of the labour market.

He was an early leader in the adoption of information technology in both economic and statistical analysis, and also university administration.

One person who knew him for years said, "Fraser was a humanitarian who was happy to share his extraordinary knowledge with young and old. His modesty and kindness were always present, and it was difficult not to get engaged in what Fraser was interested in at the time because of his genuine enthusiasm for discovering matters of interest an importance."

---

1 Both extracts from Rachael Barrowman (2016) *Victoria University of Wellington 1899 ~ 1999* A history.

2 Tawalink - compiled December 2015.

3 According to LinkedIn this was a five year stint doing operations research.

THE FIVE-MINUTE INTERVIEW WITH … VHARI MCWHA

Associate Commissioner at the Commerce Commission

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

When I was in sixth form, my economics class came on a trip to Wellington. One of the places we visited was the Treasury. I found it really interesting, and much to the amusement of my classmates I quizzed some of the young graduates we met with about what university courses they had taken. I don't think any of them were actually economists, but it must have set me on a track (and I did work at the Treasury for a while as a new grad!)

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

Despite the Treasury visit, I never really set out to be an economist. I started a law degree at university with economics on the side because it was something I found really interesting. Two years in, I realised I didn't want to be a lawyer and here I am.

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

In my second-year micro class John Fountain asked us to write a paper undertaking a critical review of some aspect of David Thomson's book *Selfish Generations? The ageing of New Zealand's welfare state.* It was a brilliant assignment. The book was fascinating, and it was my first window into the application of economics to policy thinking. I haven't re-read the book recently, but I expect that it would still be very relevant.

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

Obviously, John who spurred my early interest in the role of economics in government policy, and also my school economics teacher, Mrs Rowden, who cheerfully answered my questions, although in retrospect they may not always have been that welcome! Julian Wright supervised my Masters research and played a significant role in the direction my career has taken. My paper related to why there was no competition in the electricity retail market at the time – this was before the separation of retail and distribution businesses. The work used an algebraic model to show that retail competition could not be expected to spontaneously occur between the incumbent lines companies. I presented some of the results at an NZAE conference and while I received feedback that my policy suggestion of separating retail from distribution might be a bit naïve, it turned out to be fairly accurate! And I've spent a fair amount of time since then thinking about the design of various bits of the electricity market.

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

I tend to read papers that relate to the issues that I am working on, so I don't really favour specific authors, although I do regularly read Paul Krugman's column in the New York Times[1] and browse the opinion pieces on Project Syndicate[2], which is a collection of columns from economists and other reputable experts discussing things like economics, politics and sustainability. I enjoy reading a range of views, and one of the things I appreciate about economics is the diversity of economists.

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

As I am a practicing economist, rather than an academic, I haven't written much in the way of academic papers! However, one of the pieces of work that I am most proud of was the contribution that I made to the establishment of NZ Green Investment Finance (the government's green investment fund). One of my key contributions was to define the problems that the fund could usefully address (i.e. identify the market failure). It wasn't a long piece of writing, but a lot of careful analysis went into it, and I know that it made a difference.

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

That is a tricky question, because of the work I have done I tend to be quite focused on the future. The ramifications of COVID will of course be enormously significant in terms of the breadth of the effects, I'm particularly interested to see what the longer-term impacts on trade and immigration will be (and therefore competition of course!); and I think climate change response brings the possibility of material changes in economic structure, and therefore competitive dynamics within various markets. Those are two massive things that are unfolding right now; there's a lot to think about!

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

When I get some time to myself, I enjoy creating textile art. In practice, that usually means I knit on the sidelines of my sons' sports games!

■

1 See https://www.nytimes.com/column/paul-krugman
2 See https://www.project-syndicate.org/

JOHN CREEDY – CITATION FOR NZAE DISTINGUISHED FELLOW AWARD

John Creedy is Professor in Public Economics and Taxation at Victoria University of Wellington (VUW) where his research interests focus on public economics, labour economics, income distribution and the history of economic analysis. John initially worked for the New Zealand Treasury from 2001 to 2003. From 2011 to 2017, he was employed half time at VUW and half time in the Tax Strategy section of the New Zealand Treasury. In 2016, John received the New Zealand Institute of Economic Research (NZIER) Economics Award and in 2018, he was elected to the Academy of the Royal Society Te Apārangi. Before coming to Wellington, John was the Truby Williams Professor of Economics at the University of Melbourne.

John's publication record is most impressive. John has over 400 publications that include refereed journal papers, books, edited books and book chapters. Refereed journal articles account for around three-quarters of this total. Reflecting his strengths in public economics, John has not only published several papers in the *Journal of Public Economics*, but he also published papers in other leading journals that include the *Economic Journal*, *European Economic Review*, and *Journal of Econometrics*. According to the Research Papers in Economics (RePEc) worldwide citation rankings for over 60000 authors, John comfortably sits inside the top 1 per cent.

John has contributed immensely to economic analysis of the countries in which he has lived. This has resulted in a very substantial output in Australasian economics journals, including *New Zealand Economic Papers* (NZEP) and *Economic Record*. Indeed, in the published history of the first 50 years of NZEP by Buckle and Creedy (2016), John was shown to be the lead author in terms of frequency of contributions to NZEP. In fact, he has published even more since then. One of the reasons that John has been so prolific is because of his work with junior colleagues and students. He has played an immense role in developing the research capabilities of his students and of many younger staff. Indeed, his time with the New Zealand Treasury was particularly notable for joint publications with colleagues.

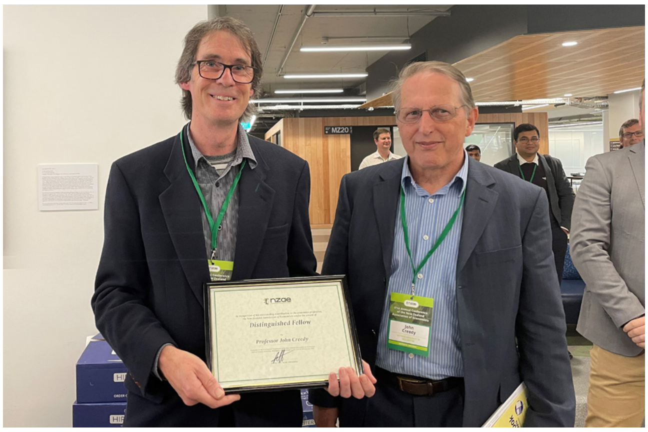
John's work is not only well grounded in theory, but it is also acutely attuned to policy issues. This is illustrated by recent publications since 2015 many important issues in public finance that include among others, debt projections and fiscal sustainability, the labour supply effects of tax and transfer changes, tax rates and the user cost of capital, savings, housing and pensions, GST and food expenditure. John's work on the analysis of inequality over this period and earlier is similarly impressive. This work has dealt with topics that include the treatment of leisure time in inequality decompositions, benefit flows, the effect of ageing on distributional outcomes, the measurement of inequality in New Zealand, and a range of papers on value judgements in relation to redistribution policy and the measurement of inequality.

We should also not overlook the many contributions John has made to topics in economic history throughout his career. These contributions include his books on the development of the theory of exchange, and separate analyses of the seminal contributions of *inter alia*, Pareto, Edgeworth, Marshall, Jevons, Walras and Hicks, plus a short history of economic thought. John's ability to bring together theory and data, coupled with an understanding of economic history and the history of economic thought, makes his contributions to economic analysis stand out. His ability to combine all these aspects with a real eye to public policy relevance – especially in the countries in which he has chosen to live – make his contributions exceptional. The New Zealand Association of Economists is delighted to bestow upon John Creedy a Distinguished Fellow award.

REFERENCES

Robert A. Buckle & John Creedy (2016) Fifty years of New Zealand Economic Papers: 1966 to 2015, *New Zealand Economic Papers*, 50:3, 234-260, DOI: 10.1080/00779954.2015.1116022 ■

PROFESSOR JOHN CREEDY – ACCEPTANCE SPEECH NZAE DISTINGUISHED FELLOW AWARD 2021



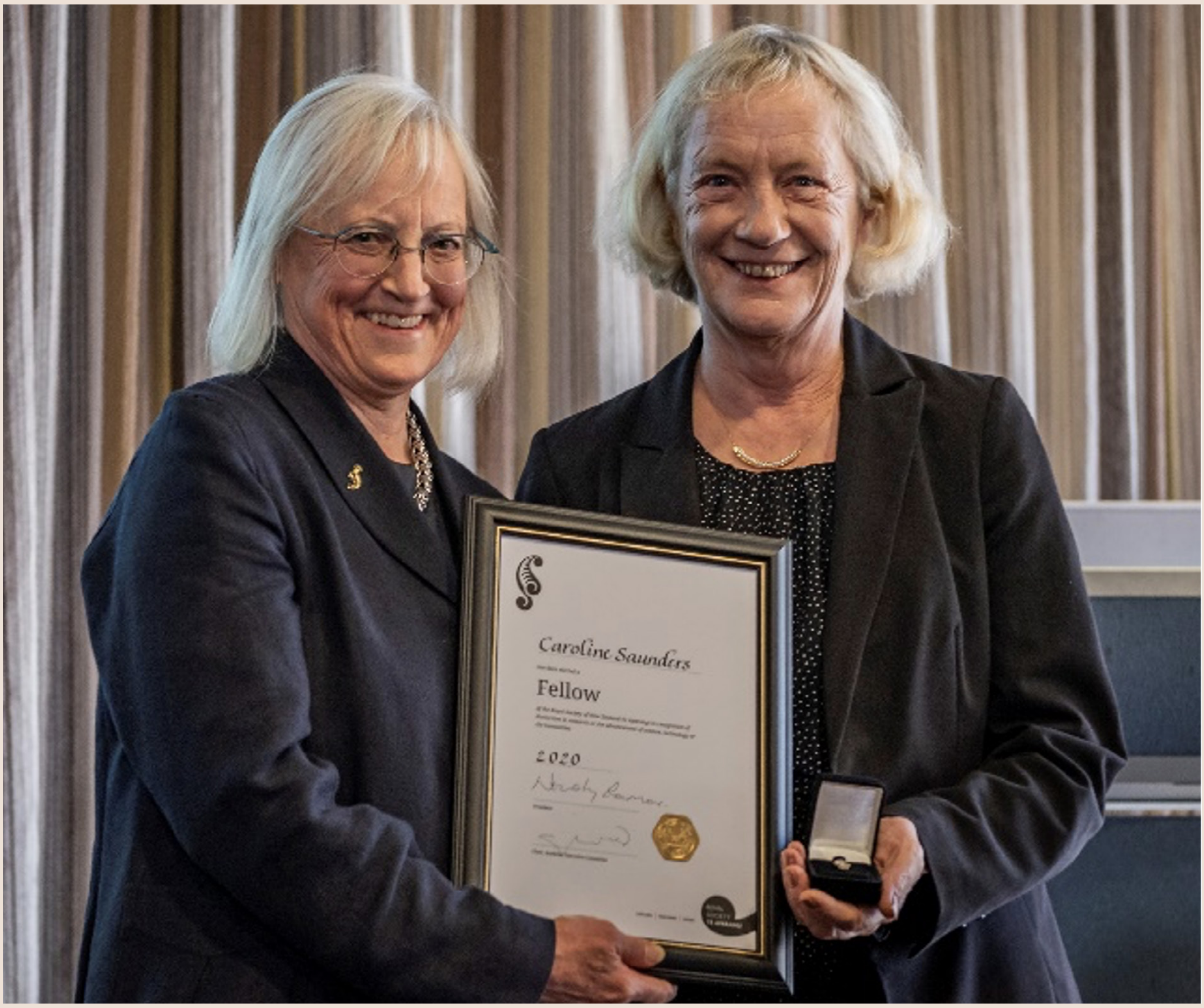
First, I'd like to thank the NZAE Council very much. Although I believe it's unhealthy to look for these things, they are very welcome when they do come along, and it's particularly pleasing at this stage in my career.

When I was told about this, my thoughts went back to the beginning of my career, when I was very fortunate in having a number of outstanding role models as colleagues. One early piece of advice was, 'if you want to do research, you have to develop a thick skin'. I was initially perplexed by this, but soon found that a thick skin is an absolute necessity in dealing with a seemingly endless stream of rejection letters from editors, accompanied by harsh – to put it mildly - reports by referees hiding behind anonymity. I've had as many as five rejections in a day on several occasions – in the days of 'snail mail'. To younger colleagues I can only say that it doesn't get any easier with time. So it's is very pleasant indeed to receive this kind of 'positive feedback' now.

I'm also reminded that an academic career provides splendid opportunities to travel. While I've limited the number of overseas conferences I attend, New Zealand is the 4th country in which I've lived and worked, and I've highly valued my association (lower case 'a') with the Association (upper case 'A') of Economists here. I'd also like to acknowledge my former colleagues and joint authors in the Treasury, though they have by now all moved to greener pastures. I won't list lots of names. But I would like to mention Bob Buckle, without whom I would not be here and would probably have retired years ago, and Norman Gemmell, who has put up with me as a joint author for about forty years. Their support, friendship and continued encouragement has been of tremendous value to me. Thank you. ■

CONGRATULATIONS TO NEW ROYAL SOCIETY FELLOW: DISTINGUISHED PROFESSOR CAROLINE SAUNDERS

by Paul Dalziel



Professor Charlotte MacDonald FRSNZ (Chair, RSNZ Academy Executive Committee) welcomes Distinguished Professor Caroline Saunders ONZM FRSNZ into the Academy.

A ceremony on 29 April this year admitted twenty-five new Ngā Ahurei a Te Apārangi Fellows to the Academy of the Royal Society Te Apārangi for their distinction in research and advancement of humanities, science or technology. Among the new Fellows was NZAE Life Member, Distinguished Professor Caroline Saunders. Caroline joins seven previous economists who have received this recognition, beginning with Professor Bryan Philpott (1921-2000) who founded the Agribusiness and Economics Research Unit that Caroline has led with distinction for nearly twenty years.

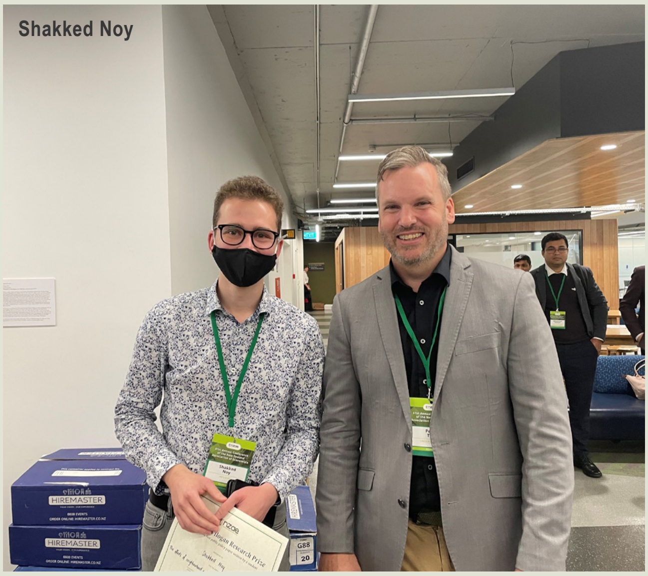
The citation prepared by the Royal Society Te Apārangi honoured Caroline's outstanding contributions to the advancement of science by creating new knowledge in her research field of agriculture and economics. These included her transdisciplinary study in the 'food miles' debate and her more recent research on New Zealand's global agri-food value chains. Her leadership of science programmes such as these has produced national and global impact, recognised by the Agricultural Economics Society when its Council appointed Caroline as President in 2019.

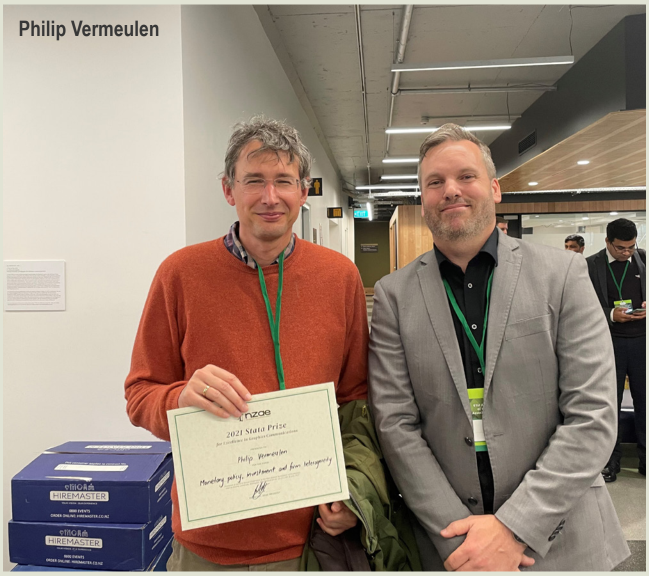
The citation also recognised that throughout her work, Caroline has been devoted to communicating her research. It added, "This has further advanced science and economics and their application both in New Zealand and internationally and has been influential for scientists, policymakers and the wider public." Caroline's devotion to science communication has been reflected in a host of leadership positions in public policy and the private sector, including her appointment in 2019 by the Minister of Finance to the Reserve Bank Monetary Policy Committee.

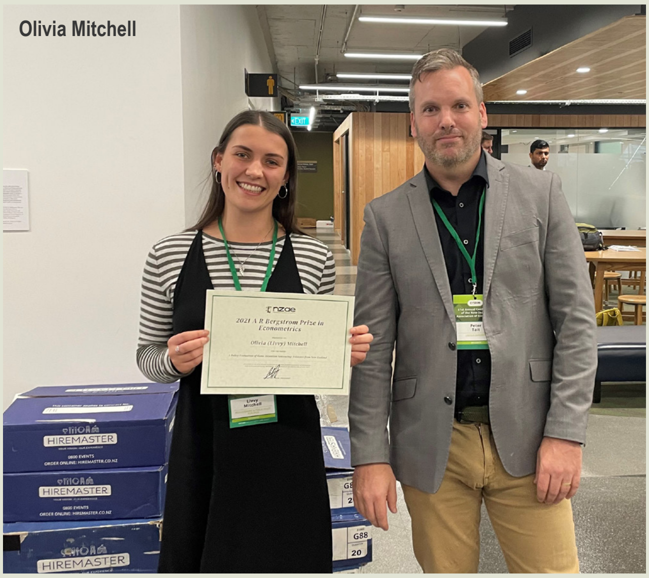
I am sure that readers of this newsletter will be delighted that Caroline's science leadership over so many years has received this public recognition. Caroline has previously been honoured with the NZIER Economics Award in 2007, with her appointment as an Officer of the New Zealand Order of Merit in 2009, with her election to NZAE Life Membership in 2019, and with the title of Lincoln University Distinguished Professor in 2020. We send her our heartfelt congratulations on this latest achievement. ■

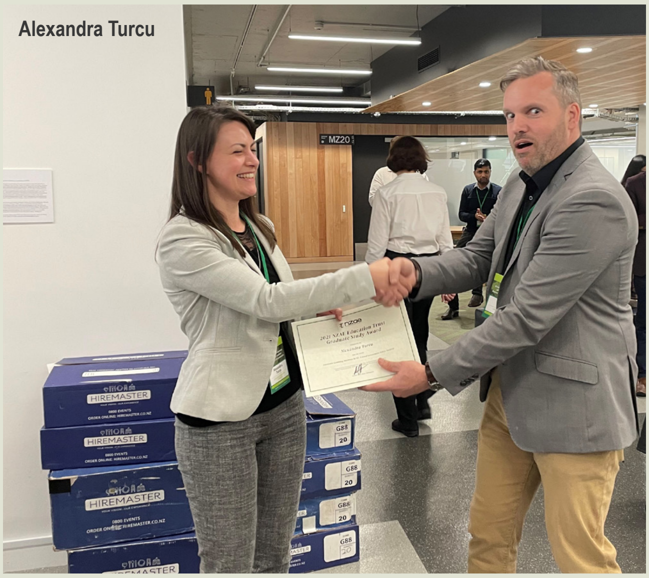
RECIPIENTS OF PRIZES ASSOCIATED WITH NZAE CONFERENCE 2021

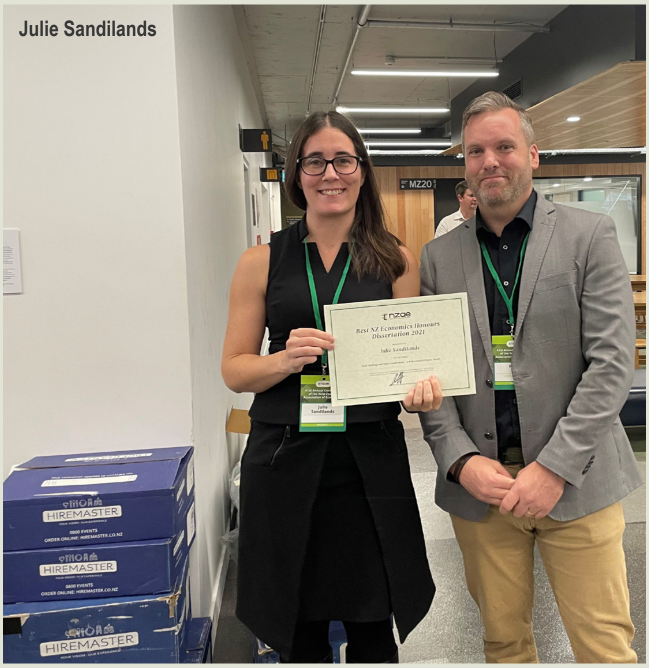
David Teece Prize in Industrial Organisation and Firm Behaviour	**Tim Ng** *Schumpeterian endogenous growth and dynamic capabilities: an under-researched nexus?*
New Zealand Economic Policy Prize	**Alexander Plum** *The Role of Ethnicity in Criminal Behaviour*
NZIER Poster prize – Open	**Nazila Alinaghi** *Income Inequality and Mobility in New Zealand: Evidence from Administrative Data*
NZIER Poster prize – Student	**Shabana Kamal** *Impact of droughts on farm debts: Empirical evidence from New Zealand*
People's Choice Poster	**Tom Coupe** *Who is the most sought-after economist? Ranking economists using Google Trends*
Jan Whitwell Doctoral	**Cameron Birchall** *Allocating the commons: Commercial lobbying in New Zealand's largest public fishery*
Jan Whitwell Bachelors / Masters	**Shakked Noy** *The effects of neighbourhood and workplace income comparisons on subjective wellbeing*
Seamus Hogan Research Prize	**Shakked Noy** *The effects of neighbourhood and workplace income comparisons on subjective wellbeing*
Stata Prize for Excellence in Graphics Communications	**Philip Vermeulen** *Monetary policy, investment, and firm heterogeneity*
Stats NZ Prize	**Kabir Dasgupta** *Leaving the past behind: Effect of Clean Slate Regulation on Employment and Earnings*
AR Bergstrom Prize for Econometrics	**Olivia Mitchell** *A Policy Evaluation of Home Detention Sentencing: Evidence from New Zealand*
NZAE Education Trust Graduate Study Award	**Alexandra Turcu**
NZAE Education Trust Graduate Study Award	**Trung Van Vu**
NZAE Best NZ Economics Honours Dissertation	**Julie Sandilands**

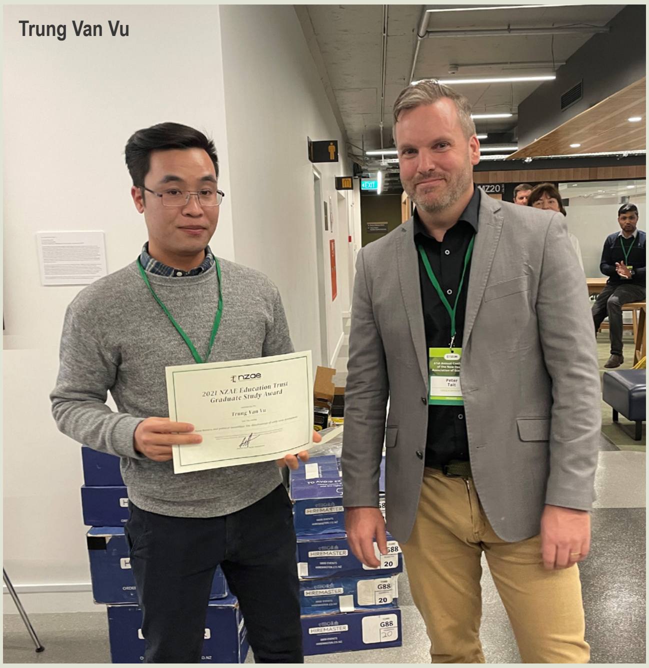

Shakked Noy


Philip Vermeulen


Olivia Mitchell


Alexandra Turcu


Julie Sandilands


Trung Van Vu

A PERSONAL REFLECTION ON NOT IN NARROW SEAS

By Shamubeel Eaqub, CFA

We find ourselves in a time of enormous change. Three issues are of particular interest to me: rewriting the role of the central bank, RBNZ; the re-emergence of industrial policy; and our export reliance on a few commodities to China. These sum to a bigger story of regime change in my eyes. This will require us to think differently of policy making, taking a more pragmatic view of government intervention and direction.

I reread parts of Dr Brian Easton's book Not in Narrow Seas, in August 2021, when thinking about these big issues. That's because a good understanding of the historical basis of how we got to today, supplemented with data and theory to help guide our path forward.

Too often in New Zealand our economic data and historical story telling begins from the Rogernomics reforms of the 1980s. But that discards our much longer history, experiences and lessons. A good grasp of key historical markers would be of value to any current or aspiring economist.

First, a little bit about the book

Not in Narrow Seas is an excellent companion for anyone who wants to add some economic history to their analytical toolkit. The book is snappy, despite its near 700 pages. That's because it covers an enormous time span, from the very beginning to today. Each section covers a broad time period, and each chapter covers a specific issue.

The brevity of each chapter means that some issues are covered lightly and at furious pace. The topic of each chapter could be a book, and I imagine Brian had to distil his extensive knowledge and musings into a very tight chapter. This may be a weakness for some readers who crave more depth, but the book is more of a potted history that is accessible and interesting. It leaves open many avenues to explore in more depth – and there is room to disagree.

My advice would be start by reading the epilogue. There he outlines 15 themes that run through this book. These frame Brian's thinking that shapes the book. Then tackle it in chapters, because there is so much to take in.

Here are three practical examples of where the history helps frame current issues.

RBNZ's lost independence?

The RBNZ's role is being reshaped. The RBNZ's monetary policy mandate has been expanded to include full employment, and give consideration to house prices. The finance minister will give a financial stability remit, something that was left up to the RBNZ in the past.

For some, these are an attack on the RBNZ's independence and slaughtering of a sacred cow. Yet, the evidence shows the status quo cannot continue.

After the last recession in 2008-09, the RBNZ focussed too much on an inflation threat that didn't arrive, delivering less growth and inflation than optimal. Monetary policy cannot be that asymmetric, where all the fear is of too much inflation, without regard for the consequences of too low inflation, which is higher unemployment and lower real incomes.

Over several decades the RBNZ also patted itself on the back for a job well done on financial stability. It certainly was very stable on the back of enormous profits driven by disproportionate lending to buying and selling second-hand houses. The RBNZ judged financial stability as preventing bank failures. But paid only lip service to the amount of credit in the economy or its allocation. This narrow interpretation of an orderly monetary system by the RBNZ has been its undoing. By failing to see their role in massive misallocation of increasingly leveraged mortgage lending, the government will set much clearer objectives and interpretation than in the past. Monetary policy will be the remit of the governor, but a board will have greater decision-making power on how much credit there is and where it is allocated.

The history in Brian's book (chapter 47), when compressed in a few paragraphs, also shows clearly that the RBNZ's current role is only recent and part of a continuing evolution of the nature of the organisation. Initially, the RBNZ controlled the quantity of money, then by setting interest rates through the OCR, and abandoning control of credit growth. For some time, the RBNZ focussed a lot on the exchange rate, then abandoned it. It is not some stable edifice of technocratic policy making. History confirms that as conditions change, so do policy objectives and the policy institutions.

Industrial policy, diversification and China

The US is reviving industrial policy today. Should we too? I think we must. Brian notes that in the 1950s the "debate was not about there should be industrialisation, but the best way to pursue it" (Chapter 43).

The catalyst was the realisation that we could continue to rely on exports, which were concentrated in a few commodities and a few markets (particularly the UK). There is a certain symmetry with today, with our overweight exposure to exports of dairy, meat and forestry to China.

Brian suggests that "the diversification was driven by the market rather than by politicians (although their policies helped). If land and farming capital was no longer profitable in sheep farming then it might be switched to beef cattle, goats, horticulture including wine, forestry and even tourism."

These are big insights. If we want to have industrial policy because we see the risk from concentration, then we should pursue those policies. They will not stop the pain when change happens, but we will be better prepared.

Industrial policy is not a dirty word, rather a way to think about our economic resilience and future planning. Yet, it is seen with disdain in the halls of bureaucracy in Wellington. It is time to cast off this outdated objection.

The debate today should not be about if we export too much to China, rather what happens if they no longer buy our products? What impact will it have and how can we least painfully reallocate resources in the economy. The market forces will diversity when faced with a new reality, but policy makers can devise tools and approached to make the transition easier.

Industrial policy today may be more about services, science and commercialisation of ideas. Or something else. The revival of industrial policy in the US is a signal that the rhythms of history are here.

Why this all matters

Brian posits that "…without modernisation the economy and society stagnates" (Chapter 45). I agree. More of the current way of working will not resolve persistently high inequality, worsening emissions, and house prices becoming suffocatingly expensive.

Brian also notes that sometimes officials "discussed only the extreme [choices]". But choices we must make are nuanced.

These observations give me hope and cause for despair. We want change for the better, and we can find a middle way of making things better. But politics and advice are often polarised and it may be hard to find middle ground policies in shades of gray.

As economists, we have a lot to learn from history. First, that many of the things we consider will rhyme with what we have done before. Second, solutions will come from experimentation and there is no end to the process of policy innovation. What we do, and how well it works will change over time. Change and modernisation go hand in hand.

Read Brian's book. Not uncritically, rather with an open mind to light a little fire of hope, shaded with healthy scepticism, as it has in me. ■

DELINKING THE NEW ZEALAND EMISSIONS TRADING SCHEME FROM THE KYOTO PROTOCOL:

Comparing Theory With Practice

By Dominic White, Motu Economic and Public Policy Research

Motu Research had an article published recently in the journal Climate Policy[1] called *Delinking the New Zealand Emissions Trading Scheme from the Kyoto Protocol: comparing theory with practice.*

Linking emissions trading markets, when the linkages are designed and managed effectively, can have many benefits including improving market quality (i.e. more market liquidity and depth, less price volatility, and lower risk of market manipulation), reducing emissions leakage, increasing administrative efficiency, and supporting least-cost mitigation across the combined systems. Delinking becomes necessary if a link between two or more emissions trading markets does not operate effectively or one government decides to withdraw. How delinking is managed determines the impacts on unit supply and prices for the individual markets.

The New Zealand Emissions Trading Scheme (NZ ETS) presents an opportunity to compare the theory of linked emissions trading with practice. From 2009 until October 2012, New Zealand was linked to the international market under the 1997 Kyoto Protocol and there was no indication that this link would be broken. A series of events starting in late 2012 cast doubt on the future eligibility of Kyoto units in the NZ ETS, made the future of linking in New Zealand uncertain, and may have contributed to price divergence between offshore and domestic units. Our study's focus was to estimate the impact of two key announcements made by the New Zealand Government on October 17, 2012, and on November 9, 2012, on the prices and types of units surrendered by ETS participants in New Zealand.

As described on the New Zealand Government website[2], in the October 17 announcement, the government signalled it would consult on the carry-over of Kyoto units after the first commitment period ended on 31 December 2012 and review the eligibility of 'certain units' in the NZ ETS. Also described on the New Zealand Government website[3], in the November 9 announcement, the government announced that it would take its target commitment for 2013–2020 outside the Kyoto Protocol.

To study the effect of these announcements, we used daily price data in a difference-in-differences model over the period 1 January 2011 to 1 January 2016. We also looked at the type of units which were surrendered over this period in New Zealand.

In our analysis, we found evidence that, even with differing pre- and post-time specifications, the government announcement in October 2012 caused prices in the two markets – for New Zealand units (NZUs) and offshore Kyoto units – to decouple. This meant NZUs traded at a premium based on their projected scarcity and in anticipation of the coming delink, NZ ETS participants banked (almost) all their NZUs for future use and used cheap Kyoto units to meet (almost) all their current obligations. This was backed up by the trends in the raw price data and the change in the types of units surrendered over this period. We further found, when examining the raw price data, that the announcement on 9 November 2012 exacerbated the price difference between the markets.

The New Zealand Government's decision to delay proceeding with delinking after signalling change has had significant and enduring impacts on market operation. Had the New Zealand government delinked the NZ ETS sooner, it could have prevented the arbitrage incentivised by difference in prices between markets and the inflation of the participant-held bank of NZUs. Earlier delinking would have necessitated government auctioning of NZUs. This would have both introduced a cap on unit supply and raised revenue for the government instead of it going offshore.

Setting an ETS cap would have required challenging political decisions on domestic mitigation ambition which had been avoided since the system's inception. Given the large surplus of international units, which New Zealand carried over post-2012, and the uncertainty of international negotiations for the treaty to succeed the Kyoto Protocol, it is impossible to guess how ambitious an NZ ETS cap might have been starting in 2013 or 2014. However, any signal of longer-term unit supply constraints would have helped to guide business decisions on low-emission investment and the government would have been better prepared to regulate for increasing ambition.

The NZ ETS has entered the first Paris Agreement period in 2021 with a large participant bank of NZUs which are not backed by internationally recognized units and will constitute a taxpayer liability under New Zealand's Nationally Determined Contribution as well as contribute to uncertainty about unit supply and auction revenue in the NZ ETS. On the positive side, reforms to the NZ ETS passed in 2020 have added features enabling the system to help deliver on New Zealand's international and domestic targets: a domestic cap on unit supply, more effective price control measures, and a quantity limit on participant surrenders of offshore units if they are permitted in the system in the future.

A key insight from the examination of the results of the 2012 announcement was to show policy makers that the New Zealand carbon market acts like a well-functioning market and responds appropriately to supply-side signals. A key disadvantage from the protracted time between the announcement in 2012 and the delinking in 2015 was the increased stockpile of NZUs. If the New Zealand Government intends to link the market to overseas markets in the future, it should consider an appropriate delinking strategy before any agreement is made.

---

1 See ps://www.tandfonline.com/toc/tcpo20/current

2 See https://www.beehive.govt.nz/release/government-clarify-use-international-units-ets

3 See https://www.beehive.govt.nz/release/new-zealand-commits-un-framework-convention

FROM THE 2B RED FILE

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

For the last five years my daughter and son-in-law who both work for the World Bank, have been based in Hong Kong; (they recently repatriated to Auckland to add to the housing pressures). As I consequence I made several trips to Hong Kong. Like many Kiwis I had, in the past, made a couple of stopovers in Hong Kong as part of other long-haul trips (those were the days when one could get all manner of watches, jewelry, clothing - a suit tailored in 4 hours - electronics not to mention pirated software, at bargain duty free prices - an era long gone) And like many, I had not ventured much beyond the central areas with the obligatory trip up the Peak on Hong Kong Island.

One inevitably came away with the impression of a vibrant, very densely populated, urban conglomerate - the very epitome of a concrete jungle. My subsequent trips gave me the opportunity to explore more widely, enhanced by the fact that my family lived over an hour away from downtown, in the overgrown fishing village of Sai Kung, in the New Territories. The area is surrounded by state parks, forests and walking trails. And then there are clean beaches and the innumerable islands one can visit and hike over.

But in addition to enjoying a very different perspective on Hong Kong, I felt a need to understand more of its social and economic history. After all, its economic transformation after World War II was nothing short of remarkable. And the World Bank ranking of GDP per capita in 2019 has Hong Kong in 16th place well ahead of New Zealand in 24th place. Life expectancy is now the highest in the world having overtaken Japan; and leaving New Zealand trailing in 19th position in the global ranking. And infant mortality is three times higher in New Zealand than Hong Kong.

In 1945 Hong Kong was a barren island with little infrastructure, no natural resources (beyond a magnificent harbour), and the remnants of war-torn industry. What was it that led to this huge boost of wealth and living standards? An excellent starting point is a biography: **Neil Monnery (2017) *Architect of Prosperity: Sir John Cowperthwaite and the Making of Hong Kong* (London: London Publishing Partnership).**

Cowperthwaite (born 1915) had a classical economics education graduating with a first class honours degree from St Andrews University in his home country of Scotland. This was followed by a double first in classics at Christ's College, Cambridge. This training, and particularly his understanding of Adam Smith's writings, was to be reflected in the approaches he took to his role in Hong Kong.

After the war and the fall of the Japanese, Hong Kong was again administered from London as a British colony. Cowperthwaite was selected from an elite group of cadets (junior civil servants) and posted to Hong Kong in 1945 as part of the Planning Unit within the British Colonial Administration.

Monnery then traces his rise to eventually become the Financial Secretary of Hong Kong. The key elements that underpinned his policies and resulted in the economic performance of Hong Kong were neither startling nor original. But Cowperthwaite relied on basic principles and above all applied them consistently. Under his leadership the colony was totally open to trade, had no restrictions on capital flows in or out, low taxes, balanced budgets, enforcement of contracts and well-defined property rights.

He insisted on minimal government interference in the affairs of business arguing that government planning, subsidies and industrial strategies would distort incentives, misallocate resources and lead to an inferior allocation of capital and result in retarding economic growth. He required a benefit: cost analysis of any proposal involving public expenditure. In a somewhat quirky decision, he refused to construct any national accounts, arguing that such information was not necessary to manage an economy, and anyway it would run the risk of encouraging officials to meddle in the economy.

At the same time, he was deeply concerned with social conditions and saw a clear role for government in providing for the least well off in society. When it was proposed to install air conditioning in his official residence, he refused to allow it, arguing the other residents of the colony did not have air conditioning.

Jimmy Lai, (recently convicted and imprisoned under the new national security laws), publisher of the now defunct *Apple Daily,* and a champion of political and economic freedom, commissioned busts of Cowperthwaite as gifts for prominent friends.

In 1980 Milton Friedman made a series of documentaries, "Free to Choose." He had first met Cowperthwaite during a visit to Hong Kong in 1963. An entire session was devoted to Hong Kong, and his praise for Cowperthwaite was unstinting. https://www.youtube.com/watch?v=72d6LiSpS88&t=1271s

This short piece summarises his early contacts with Hong Kong and compares its performance to Britain, Israel and the USA.

Milton Friedman (1998) "The Hong Kong Experiment." The Hoover Digest, No.3. https://www.hoover.org/research/hong-kong-experiment

Peck, however, argues that Hong Kong has become idolised by the free marketers, and "in the process the discrepancies between Friedman's selective, stylized, and idealized reading of Hong Kong and the actually existing realities of the city-state have been overlooked".

Jamie Peck (2021) "Milton Friedman's Favorite Economy: Hong Kong in the Neoliberal Imagination." Posted 10 March. https://lpeproject.org/blog/hong-kong-as-neoliberal-devotional-object/

I would be remiss if I did not draw attention to the housing crisis in Hong Kong. It ranks #1 as the most expensive city in the world for housing; (New Zealand is close behind). In New Zealand we have people living in cars, garages and caravans. In Hong Kong over 50,000 people live in cage housing - literally metal mesh cages 2mx1.5mx1.5m, stacked three and four high and jammed into rundown apartment blocks. See https://allthatsinteresting.com/cage-homes-hong-kong#17. It hard to imagine more degrading conditions in one of the world's wealthiest cities.

For those readers wanting a comprehensive, readable history of Hong Kong, I can recommend a book by ***Steve Tsang.*** He was born in Hong Kong, educated at Oxford, and has held professorships at Nottingham and Oxford. He is currently Director of the School of Oriental and African Studies (SOAS) at the University of London. ***A Modern History of Hong Kong: 1841-1997 (London: Bloomsbury Academic), 2019.*** It traces the tensions with China which had simmered ever since 1842 when China ceded the island to the British, under the Treaty of Nanking, formally ending the First Opium War. Recent strains in the relation are nothing new; what remains to be seen is how they will play out.

Will Hong Kong retain its place as one of the world's wealthiest areas? Will the greater control being exerted by Beijing bring an end to many economic freedoms as well as political freedoms? Will some of the pressing social needs be met? Will there be an exodus of multi-nationals who have found the financial heart of Hong Kong a congenial basis for their dealings with China and beyond? It is hard to imagine that Sir John Cowperthwaite would be greatly enthused at the future prospects of his beloved colony.

Whatever the future holds, Monnery concludes... "Studying Hong Kong should be valuable to economists both because of its progress and because of the way it achieved its success" (p.296). ■

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 is 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 males 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 DEPARTMENT OF ECONOMICS AND FINANCE AT THE UNIVERSITY OF CANTERBURY

Dr Steve Agnew

Steve's main research interest is economics of education and financial literacy education. His current research focuses on the predictors and effects of school exclusion, and returns to education for Māori and Pasifika students of NCEA qualifications.

Associate Professor Jeremy Clark

Jeremy conducts research in applied microeconomic areas with a policy emphasis. Examples include the effectiveness of school funding for disadvantaged students, the incentives for pharmaceutical companies releasing drugs with unknown long term effects, the effects of rising house prices on fertility, and the effects of rising social diversity on people's volunteering, donations to local schools, and tax compliance.

Jeremy also uses lab experiments to test ideas relevant for environmental economics or development. Examples include testing whether revenue sharing makes group liability microfinance have higher risk tolerance, whether stakeholders in land and resource-use conflicts can successfully bargain to efficient solutions in place of government policy-setting, and whether environmental valuation techniques such as contingent valuation are reliable. Jeremy is currently looking at how asymmetric information and weak enforcement can remove the separability of efficiency and equity in pollution control policy. This could result in fair but inefficient policies actually being more efficient than unfair efficient policies.

Associate Professor Tom Coupe

Tom's doing applied econometrics research, covering a wide range of topics (recent topics include google doodles, replications, job insecurity, the Eurovision Song Contest, trade policy preferences, football, terrorism, war and happiness). He also uses Google Trends to rank economists and edits RePEc's New Economic Papers report on Big Data http://nep.repec.org/nep-big.html.

Associate Professor Alfred Guender

Alfred's research interests include monetary policy in open and closed economies. His current focus is on exploring the synergy effects of combination policies in models where the central bank has a broad mandate that encompasses macroeconomic and financial stability. The alleged increasing importance of a global financial cycle has prompted him to re-examine the validity of the Mundellian trilemma in a fast-changing global financial architecture. Of related interest is the relationship between financial openness and inflation in a cross-country context. Other research interests include the shifting composition of company finance at the firm level and its macroeconomic effects as well as the global reach of US monetary policy.

Dr Philip Gunby

Philip's research interests cover a wide range of subjects in applied economics. A particular interest is the economics of education, but he is also interested in studying topics in diverse fields such as the economics of health, law and economics, etc. He is also interested in analysing the impacts and merits of public policies in general. A current research project includes studying the impact of the Covid-19 lockdown on criminal activity.

Stephen Hickson

Stephen's research interests centre around teaching and assessment in economics. Do different types of assessments measure different things or produce different outcomes? Do different types of students perform better or worse in different types of assessments? Stephen is also interested in what we actually achieve in principles of economics classes. Are we creating economically literate people or just people who can pass the exam?

Dr Onur A. Koska

Onur is a theoretical economist, with main research interests in international trade and strategic trade policy, multinational enterprises, foreign direct investment, foreign market entry regulations, competition and tax policy, environmental regulations, and applications of game theory (esp., industrial organisation and auctions).

Associate Professor Andrea Menclova

Andrea's research is in applied microeconomics, especially in health, education and public economics. Recently, she has focused on topics such as the health impacts of the 2010 Canterbury earthquake, the health benefits of walkable neighbourhoods, and later life consequences of gradual primary school entry in New Zealand. Andrea is also the founding chief editor of the *Series of Unsurprising Results in Economics* (*SURE Journal*), which is an e-journal of high-quality research with "unsurprising" findings.

Associate Professor Laura Meriluoto

Laura's principal research interests are in the fields of industrial organisation, international trade and wine economics, where she uses applied theoretical and/or empirical methods. Her most recent topic of interest is examining market structure and competition in the New Zealand dentistry market.

Professor Bob Reed

Bob's main research areas are meta-analysis, replication, and applied econometrics. He is the co-founder and administrator of the website The Replication Network, and Principal Investigator of the research group, UCMeta. His current research projects include developing a measure of ex post statistical power, estimating the effect of unsuccessful replications on citations, and assessing the relative performance of tests for publication bias. In addition, he is working on various replication projects for the Center for Open Science as part of the SCORE Project.

Professor Richard Watt

Richard's research interests include applied microeconomic theory and industrial organisation, with particular emphasis on problems involving risk and risk sharing. He has published many papers on the economics of insurance, and on the economics behind optimal copyright licensing arrangements. He was the founder and past-president, and is the current General Secretary, of the Society for Economic Research on Copyright Issues. He is also a past-president of the European Group of Risk and Insurance Economists. Current research project topics include index insurance, insurer solvency, and insurance of risk bundles. ■

NEW MEMBERS 2021

Yigit Saglam,VUW;
Timothy Hughes, The Treasury;
Aynaz Nahavandi, RBNZ;
Adrian Desilvestro;
Isaac Gumbrell, RBP Consulting;
Thomas Pfeiffer, Massey University;
Mary Jo Vergara, Kiwibank;
Cory Davis, The Treasury;
Caitlin Chelsea Patricia Davies, Financial Markets Authority;
Karan Dasgupta, RBNZ;
Dylan Chambers, The Treasury;
Luke Symes, The Treasury;
Meghan Stephens, The Treasury;
Michael John Eglinton, The Treasury;
Kevin Chang, The Treasury;
Tod Wright, The Treasury;
Robert Templeton, The Treasury;
Sarah Crichton, The Treasury;
Yvonne Yikun Wang, The Treasury;
Yue Bonnie Wang, SCION;
Lauren Breen, RNBZ;
Diana Cook, The Treasury;
Nikolas Bielski, NZ Defence Force;
Matthew Brunton, RBNZ;
Logan Page, Robinson Bowmaker Paul;
Hilary Devine, Productivity Commission;
Philip Stevens, Productivity Commission.

MEMBER PROFILES WANTED

Is your profile on the NZAE website?
If so, does it need updating? You may want to check
http://www.nzae.org.nz/members/member-profiles/

NZAE MEMBERSHIP FEES

Full Member: $170.00

Graduate student $85 – applies to First year only

If you would like more information about the NZAE,
or would like to apply for membership, please contact:

Maxine Watene
Secretary-Manager,

New Zealand Association of Economists
PO Box 24390
L1, 97 Cuba Street
Wellington 6142
NEW ZEALAND

Phone: +64 4 801 7139
Email: **economists@nzae.org.nz**

ABOUT NZAE

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

PAST ISSUES

All past issues are now available for downloading (or for citing in scholarly publications) free of charge from:
http://www.nzae.org.nz/blog-page/nzae-newsletters/

WEB-SITE

The NZAE web-site address is:
http://www.nzae.org.nz

(list your job vacancies for economists here)

New Zealand Association of Economists Inc.
JOHN YEABSLEY Editor, email:
john.yeabsley@nzier.org.nz

http://www.nzae.org.nz

Your data tell a story.

Explore. Visualise. Model. Make a difference.

Better insight starts with Stata®

STATA® 17

Available in New Zealand from Survey Design and Analysis Services

Fast. Accurate. Easy to use. Stata is a complete, integrated software package that provides all your data science needs - data manipulation, visualisation, statistics, and automated reporting.

sdas

Arbutus | QDA Miner | **Stata** | Stat/Transfer | WordStat

sales@surveydesign.co.nz
www.stata-nz.com
09 889 2231

Survey Design and Analysis Services
Authorised distributors in Australia and New Zealand for StataCorp LP

Stata is a registered trademark of StataCorp LP, Texas, USA.