

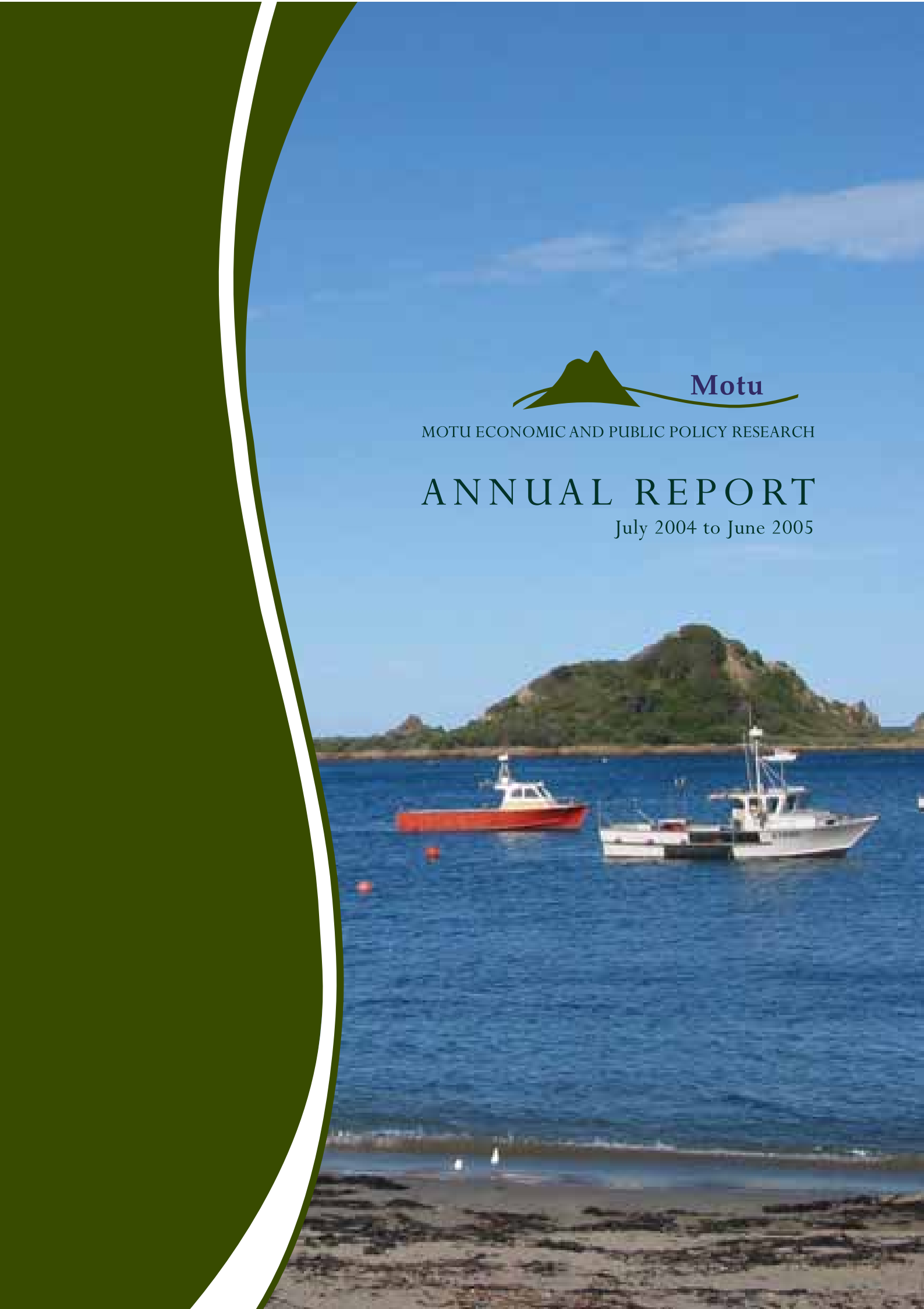


**Motu**

MOTU ECONOMIC AND PUBLIC POLICY RESEARCH

# ANNUAL REPORT

July 2004 to June 2005



# Chairperson's Report

Motu is a small organisation. Yet anyone who logs on to our website ([www.website.org.nz](http://www.website.org.nz)) will be struck by the range of contemporary policy issues that Motu researchers are analysing. The allocation of our scarce resources, such as fish and land; emissions and pollution; the value of housing and rural land; the nature of our regional communities; the productivity of labour; the changes in the distribution of Māori incomes; our economic relationship to Australia—these are a few of the topics Motu researchers have tackled in this past year. In keeping with our commitment to undertake work in partnership, an increasing number of studies are being done with our affiliates and in collaboration with other institutions.

In the past year we have continued to run a Public Policy Seminar Series as one reflection of our commitment to widely disseminating the results of research done by and with Motu. In addition, this series has brought outstanding international scholars to address issues of public policy in an accessible manner. We are grateful to the sponsors that have supported this series.

This year, as part of our outreach activities, we held a meeting with representatives of major iwi. Following this meeting, Motu is exploring ways to work more closely with iwi on joint projects.

In line with the growth of Motu, the Board added two new members this year. Dr Roderick Deane and Colin James have added enormous depth to the Board and have already contributed substantially to shaping the direction of Motu. The Director, Dr Suzi Kerr, will be taking sabbatical leave next year, and we are fortunate in having Rob McLagan take over as Acting Director until Suzi returns at the end of 2006.

Motu is now 5 years old. It has survived infancy—unlike so many new ventures. It is now a sturdy, young organisation that is growing steadily. This outcome reflects the support of many people over the last 5 years, and I extend my thanks to them. In addition, we welcome the support coming from our new patrons: Fletcher Building, Telecom, ANZ National Bank, and the Ministry of Economic Development. I remain confident that their investment and that of all our supporters and friends will continue to pay a social dividend in the form of high-quality research findings on relevant public policy issues. That research is the product of high-quality, dedicated staff working with an international network of leading scholars.



Dr Grant Scobie

## Patrons



## Director's Report

One of the many highlights of our research programmes this year is a major new research programme on the health and wealth of Pacific Island immigrants by Steve Stillman (Senior Fellow), John Gibson (Professor of Economics at the University of Canterbury and our new Senior Research Associate), and David McKenzie (Stanford University). This programme complements our ongoing work on the New Zealand income distribution, internal migration, firm dynamics, and labour markets within our "Adjustment and Inequality" programme led by David Maré, as well as new work on primary health utilisation funded by the Health Research Council. We continue to scrutinise housing markets with this year's emphasis on rental markets, the impacts of economic shocks on housing prices, and development of a joint project (with the Centre for Research, Evaluation and Social Assessment (CRESA) and DTZ New Zealand Limited) on housing market adjustment in Nelson-Marlborough-Tasman.

Our "Land Use, Climate Change and Kyoto" programme also continues to gain strength with completion of the first version of the "Land Use in Rural New Zealand" model and a greenhouse gas emissions module that links to it, allowing us to simulate climate mitigation policies. Our ongoing research on market-based instruments has allowed us to make a small but significant contribution to the development of policy by Environment Waikato and the Ministry for the Environment to address the problem of nitrate accumulation in Lake Taupo.

Work by Arthur Grimes on "Is New Zealand an economic state of Australasia?" (funded by a Marsden grant) is now complete, with several widely read articles contributing to the debate on economic linkages with Australia. We are beginning to form a picture of the drivers of New Zealand's economic performance with research by Motu staff and affiliates on regional and national business cycles and economic growth, and by Motu staff and John McMillan (International Advisory Panel) on the productivity of New Zealand firms.

While our own research has flourished, we have also worked on building New Zealand's capacity for future research. We have launched a major new data access initiative with a website that provides information on all our data sets. We have had three student interns this year and one of our research analysts, Isabelle Sin, is starting a PhD in Economics at Stanford University. We hope that, in the fullness of time, the junior researchers associated with Motu will become leaders in the New Zealand research community.

It has been a pleasure and a privilege to work with all of those associated with Motu and I look forward to the next stage of Motu's evolution under Rob McLagan's leadership during my sabbatical.



Dr Suzi Kerr



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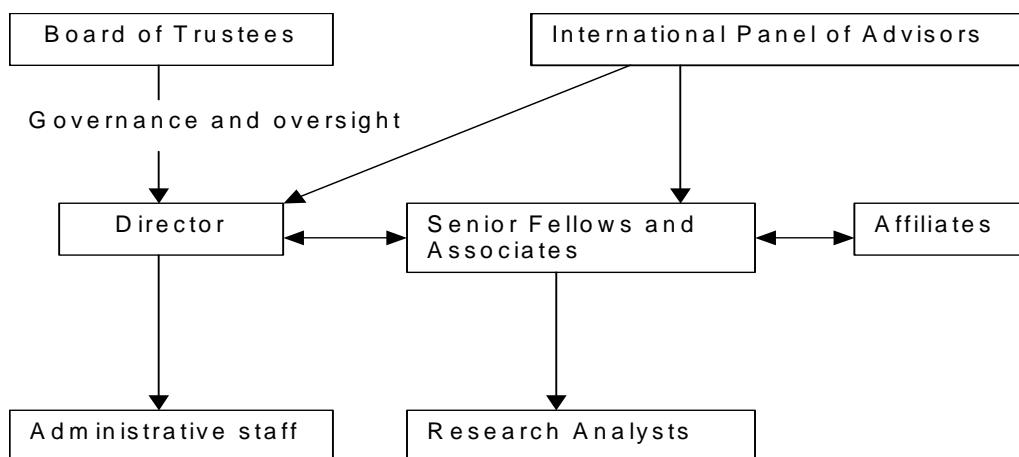
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# Motu Purposes and Structure

## Purposes

1. Carrying out and facilitating empirical and theoretical research on public policy issues relevant to New Zealand: the quality of the research will meet international academic standards, and be suitable for acceptance in reputable academic journals.
2. Making existing knowledge more accessible for policy debates in New Zealand: this may be done by summarising and critically reviewing existing work on public policy issues, or by contributing to and facilitating policy discussions through seminars, workshops, and dialogue groups.
3. Disseminating the results of our work and knowledge through publication (particularly in refereed publications), the Internet, conferences, seminars, workshops, dialogue groups, and teaching.
4. Building New Zealand capacity to carry out empirical and theoretical research on New Zealand public policy. This will be done through means such as training, collaboration, sponsorship of students or researchers, and development of New Zealand databases.
5. Maintaining close links with international experts working on topics related to our purpose through communication and collaboration.
6. Advancing our work and purpose within New Zealand by facilitating the visits of relevant international visitors.

## Structure



# Board of Trustees



**Dr Grant Scobie**  
**Trustee and Chairperson since September 2000**

Grant received his undergraduate degree from Massey University in Palmerston North. After completing a Master's degree in Australia, he was awarded a PhD in Economics from North Carolina State University. His major areas of interest and research have been in the economics of research and development, agricultural research, international trade, and economic growth and development. As well as holding research positions in the Australian and New Zealand governments, Grant has been an Associate Professor of Economics in the United States, and was Professor of Economics and Chair of the department at the University of Waikato. He served as a member of the Todd Commission on Funding Education and was a lay member of the High Court of New Zealand between 1993 and 1995. He has held a number of positions and consultancies with the Consultative Group for International Agricultural Research, and between 1995 and 1999 was Director-General of the International Centre for Tropical Agriculture in Colombia. Grant received the New Zealand Institute of Economic Research Economics Award for 2004. He joins a small but select group who have received this prestigious award. Grant is currently Principal Advisor in Policy Coordination and Development in The New Zealand Treasury. He is a National Board Member for Save the Children and serves as Chairman of their Overseas Programme Committee.



**Apryll Parata MNZM**  
**Trustee since October 2002**

Apryll is of Ngati Porou, Ngai Tahu descent, and was educated at Ngata Memorial College, the University of Waikato, and Auckland Teachers College. Apryll embarked on a career in education in 1983 and within 10 years had progressed from being a first-year assistant teacher in Māori and English to becoming, as Principal of Ngata Memorial College, the youngest secondary school principal in New Zealand history, and the only female principal of a state co-educational school in 1992. In 1997 Apryll was awarded the New Zealand Order of Merit (MNZM) in the New Years Honours List for outstanding service and performance in education as the Principal of Ngata Memorial College. She is currently the Executive Director of Gardiner Parata Limited (Wellington), which specialises in advising on public policy, negotiations, and consultation.



**Dr Steve Thompson**  
**Trustee since October 2002**

Steve has a PhD in Agriculture and an Honours degree in Agricultural Science from the United Kingdom. He has a Master's degree in Economics from Canada and is a graduate of Canada's National Defence College and the Queen's University Programme for Public Executives. He has an academic background in agriculture, economics, and business, and extensive experience in science management. Steve was Chief Executive of the Foundation for Research Science and Technology from 1997–2000. He is currently Chief Executive of the Royal Society of New Zealand



**Dr Roderick Deane**  
**Trustee since October 2004**

Roderick has had an extensive career in business as a director of New Zealand and Australian companies and earlier in the public sector and central banking. He is currently Chairperson of Telecom New Zealand Limited, Fletcher Building Limited, ANZ National Bank Limited, Te Papa Tongarewa (the Museum of New Zealand) and the New Zealand Seed Fund. Dr Deane is also a Director of the Australian companies, Australia and New Zealand Banking Group Limited and Woolworths Limited. He is Patron and on the Board of Governance of IHC Inc. (New Zealand's largest charitable organisation) and is Chairperson of the City Gallery Wellington Foundation. In the past Dr Deane has been involved in the executive branch of government as Chairperson of the State Services Commission, Deputy Governor of the Reserve Bank of New Zealand, and an Alternate Executive Director of the International Monetary Fund. He was also Chief Executive of Electricity Corporation of New Zealand Limited and, until October 1999, Chief Executive Officer and Managing Director of Telecom.



**Colin James**  
**Trustee since October 2004**

Colin is a political journalist of 30 years experience and was political columnist of the year in 2003. He writes a weekly political column in *The New Zealand Herald* and a monthly column in *Management Magazine* and is an occasional commentator on radio and television. Colin is the New Zealand correspondent for Oxford Analytica. He is an associate of the Institute of Policy Studies at Victoria University of Wellington. Colin is managing director of The Hugo Group, a forecasting panel with a membership of around 80 medium-to-large corporates. He is frequently asked to make presentations on the strategic environment to companies, industry associations, government departments, and other groups. Colin has written six books. He has occasionally lectured in politics at the University of Canterbury, and has contributed papers to academic seminars in New Zealand, Australia, Japan, and the United Kingdom. Colin has held several university fellowships, including JD Stout Research Fellow at Victoria University in 1991 and inaugural New Zealand Fellow at the Centre for Comparative Constitutional Studies at Melbourne University in 1993.

# Senior Fellows and Associates



**Suzi Kerr**  
**Director and Senior Fellow**

Suzi graduated from Harvard University in 1995 with a PhD in Economics and was an Assistant Professor at the University of Maryland between 1995 and 1998. She has been a visiting scholar at the Massachusetts Institute of Technology (MIT) and at Resources for the Future (RFF). Suzi's research work empirically and theoretically investigates domestic and international emissions trading issues with special emphasis on climate change regulation, emissions and sequestration related to land use in New Zealand and the tropics, and the New Zealand Fisheries Individual Transferable Quota (ITQ) system. She is the programme leader for Motu's "Adjustment and Inequality" research project (funded by the New Zealand Foundation for Research Science and Technology (FRST)), and is the research leader of Motu's "Land Use, Climate Change and Kyoto: Human Dimensions Research to Guide New Zealand Policy" research project, also funded by FRST.



**David C. Maré**  
**Senior Fellow**

Dave completed his PhD in Economics at Harvard University in 1995. Before joining Motu he was at the Department of Labour. His research focuses on empirical labour economics, covering a broad range of topics including geographic labour markets, income distribution, migration, firm dynamics, the effectiveness of active labour market policies, and education and training issues. He is the research leader of Motu's FRST-funded project "Adjustment and Inequality".



**Steve Stillman**  
**Senior Fellow**

Steve received a PhD in Economics from the University of Washington in 2000 and is an affiliated research fellow at the Institute for the Study of Labor (IZA) and the William Davidson Institute. Before joining Motu, Steve worked as a senior research economist at the New Zealand Department of Labour and was a postdoctoral fellow at the RAND Corporation. Steve's research focuses on empirical labour economics, specialising in the behaviour of individuals and households. In recent research on New Zealand, he has examined the effect of a large change in minimum wage rules on youth labour market outcomes; the effect of suffering injuries on future labour market outcomes; the relationship between employment history, time receiving benefits, and successful transitions off benefits; and long-term trends in youth employment and educational activities.





**Arthur Grimes**  
**Senior Research Associate**

Arthur completed his PhD in Economics at the London School of Economics in 1987. He received a number of academic prizes and awards, including the Ely Devons Prize for best student in MSc(Econ), the Robert McKenzie Prize for Outstanding Performance in MA, MSc, MPhil, or PhD degrees, and the Sayers Prize for Distinguished Thesis in Monetary Economics. Before joining Motu, Arthur was Director of the Institute of Policy Studies, Victoria University of Wellington, and had prominent roles at the Reserve Bank of New Zealand and National Bank of New Zealand. He has published papers on finance, banking, and monetary, macroeconomic, and economic reform topics in international academic journals, and has contributed to many policy and practitioner journals. Arthur is Chair of the Board of the Reserve Bank and Adjunct Professor of Economics at the University of Waikato.



**John Gibson**  
**Senior Research Associate**

John received a PhD from Stanford University in 1998. He spent 5 years as Senior Lecturer in the Department of Economics at the University of Waikato. His teaching and research interests are in microeconomics and in the microeconomic aspects of development, labour, and household behaviour. He is a consultant to the Asian Development Bank, the World Bank, and The New Zealand Treasury. John has recently become Professor of Economics at the University of Canterbury and is now involved in work on migration, retirement savings, and poverty mapping.

# International Advisory Panel



**A. Denny Ellerman**  
**Massachusetts institute of technology**

Denny is a leading energy economist and is recognised internationally as an authority on emissions trading and coal economics. He is the Executive Director of the MIT Joint Program on the Science and Policy of Global Change and the Center for Energy and Environmental Policy Research. His current research interests focus on the US nitrous oxide emissions trading programmes and emissions trading as a component of climate change policy. Denny is co-author with Sloan School colleagues of *Markets for Clean Air: The US Acid Rain Program*. He has a PhD in Political Economy and Government from Harvard University.



**Edward Glaeser**  
**Harvard University**

Edward is a Professor of Economics in the Faculty of Arts and Sciences at Harvard University, where he has taught since 1992. He is Director of the Taubman Center for State and Local Government and Director of the Rappaport Institute of Greater Boston. He teaches urban and social economics and microeconomic theory. Edward has published dozens of papers on cities, economic growth, and law and economics. In particular, his work has focused on the determinants of city growth and the role of cities as centres of idea transmission. He edits *The Quarterly Journal of Economics*. He received his PhD from the University of Chicago in 1992.



**John McMillan**  
**Stanford University**

John is the Jonathan B. Lovelace Professor of Economics in the Stanford University Graduate School of Business, a Senior Fellow at the Stanford Institute for Economic Policy Research, and Co-Director of the Center for Global Business and the Economy. His undergraduate degree is from the University of Canterbury. His research interests are economic reform, mechanism design, cross-country comparisons of market institutions, and entrepreneurship in developing and transition economies. John is the editor of *The Journal of Economic Literature*. He has a PhD from the University of New South Wales.



**Wallace (Wally) Oates**  
**University of Maryland**

Wally is a visiting scholar in Resources for the Future's (RFF) Energy and Natural Resources division and a Professor of Economics at the University of Maryland, College Park. His primary research and teaching interests are in public finance, with a particular emphasis on fiscal federalism and state-local finance, and environmental economics. Currently his research efforts address the international dimensions of environmental policy and issues concerning fiscal decentralisation in both industrialised and developing countries. He has a PhD from Stanford University.



**Paul R. Portney**  
**Resources for the Future**

Paul is President of Resources for the Future (RFF). An economist by training, Paul joined the research staff of RFF in 1972. Since then, he has become a Senior Fellow and directed two of RFF's research divisions—Quality of the Environment and the Center for Risk Management. He became Vice President of RFF in 1989 and was named President in 1995. Paul has a PhD in Economics from Northwestern University.



**Stephen Jenkins**  
**Institute for Social and Economic Research**

Stephen is a Professor of Economics at the Institute for Social and Economic Research (ISER), University of Essex. His research interests are in applied economics from a longitudinal perspective, with particular reference to the distribution of income and its redistribution through taxation, social security, and the labour market. He is also interested in the measurement of inequality and poverty, modelling labour supply, and social security benefit spell durations. Stephen did his undergraduate degree at the University of Otago and received a PhD from York University in 1983.

# Affiliates



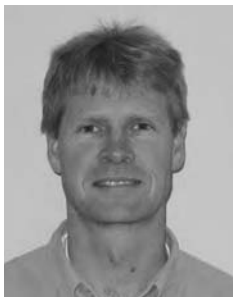
**Andrew Coleman**  
**University of Michigan**

Andrew is an Assistant Professor of Economics at the University of Michigan where he teaches economic development and international finance and researches the development and integration of markets in nineteenth century America. Before taking up this position, he worked at The New Zealand Treasury and the United Building Society. During 2004 he took a 6-month sabbatical at Motu. He has a PhD in Economics from Princeton University.



**Viv Hall**  
**Victoria University of Wellington**

Viv is a Professor at Victoria University of Wellington and has held the Macarthy Chair of Economics since July 1989. He was previously Associate Professor in the Department of Economics at the University of Sydney. Viv's research and teaching interests span macroeconomic theory, modelling, and policy, with particular focus on monetary policy, fiscal policy, and inflation. His current research involves New Zealand's current account deficit; implications for New Zealand of an Australasian currency, or New Zealand adopting the US dollar; regional business cycles in New Zealand; Pacific Rim business cycles; and evaluation of central bank governance performance.



**Dean Hyslop**  
**The New Zealand Treasury**

Dean is Principal Advisor in the Social Policy Branch of The Treasury. Before joining The Treasury, he was an Assistant Professor at the University of California, Los Angeles (UCLA), and has been a visiting research fellow in the Center for Labor Economics. His research interests are in labour markets and applied econometrics. Dean's recent papers include estimating the dynamic treatment effect of an earnings subsidy to long-term welfare recipients, understanding recent changes in New Zealand's income distribution, estimating the effect of inflation on nominal wage rigidity, modelling the behaviour of public sector disputants under an arbitration system, and measuring the impact of arbitration provisions on wage levels. He has a PhD from Princeton University.



**Sholeh Maani**  
**University of Auckland**

Sholeh is an Associate Professor in the Economics Department at The University of Auckland. Before joining The University of Auckland in 1984, Sholeh Maani had an academic career in North America and she was the director of a major labour economics project in Chile from 1981 to 1982. She spent the 1991 academic year conducting research as a Visiting Scholar at Harvard University. Her fields of interest are the economics of the labour market, microeconomics, applied econometrics, and economic development. Sholeh has researched and published articles on human capital and income distribution, returns to education, unemployment duration, job search outcome, wage determination, compensation for hazardous risk, and migration. She is currently working on participation in higher education, student loans, and Māori education, and is the author of *Investing in Minds: The Economics of Higher Education in New Zealand* (Institute of Policy Studies, 1997). She was the President of the New Zealand Association of Economists from 1995 to 1997 and served on the New Zealand Royal Society Social Science Advisory Committee from 2001 to 2003.



**Tim Maloney**  
**University of Auckland**

Tim is an Associate Professor in the Economics Department at The University of Auckland. Before joining the department in 1991, Tim Maloney was Assistant Professor of Economics at the University of Missouri and Bowdon College. His fields of interest are labour economics, poverty research, and applied econometrics. Tim has published several articles on the labour supply behaviour of married women, job search, income inequality, and the use of ability tests in employer screening. His current research interests involve estimating the rates of return to secondary education among women who have dropped out of high school, and analysing the various effects of recent welfare reform legislation in the United States and New Zealand. He has recently published articles on the labour market effects of New Zealand's Employment Contracts Act and the minimum wage.



**John McDermott**  
**ANZ National Bank**

John has been the Chief Economist at the ANZ National Bank of New Zealand since August 2001. Before joining the bank, John spent 3 years at the Reserve Bank of New Zealand as Manager Forecasting and served on its Monetary Policy Committee and the Official Cash Rate Advisory Group. John worked at the International Monetary Fund from 1994 to 1998, and was assigned to the West Bank and Gaza Strip following the Oslo peace accord, and to Indonesia during the Asian crisis of 1997–1998. He is also a principal author of *World Economic Outlook*. He holds a PhD from Yale University, and has a strong record of published research in several fields of economics, including monetary and fiscal policy, econometrics, and financial markets.



**Richard G. Newell**  
**Resources for the Future**

Richard is a Senior Fellow in the Energy and Natural Resources division at Resources for the Future (RFF). He has been on the staff at RFF since 1997. His research focuses on the economic analysis of policy design and performance, with a particular interest in incentive-based policy and technological change. His research covers a range of environmental and natural resource issues, including energy efficiency, climate change, air pollution, and fisheries management. Richard's methodological approaches include econometric analysis, modelling, simulation, and cost-benefit analysis. He has a PhD in Public Policy from Harvard University.



**James Sanchirico**  
**Resources for the Future**

James is a Fellow in the Quality of the Environment division at Resources for the Future (RFF). Before joining RFF in 1998, James was a postdoctoral researcher for the Pacific States Marine Fisheries Commission, investigating multi-species fisheries management in the Bering Sea/Aleutian Islands groundfish fishery. James's current research focuses on economic analysis of fishery policy design, implementation, and performance with a particular interest in analysing the ecosystem impacts of policies such as landing taxes, individual transferable quotas, limited entry, and protected areas. His other research interests include issues related to bioeconomic modelling, environmental policy, and land management. His methodological approaches include econometric analysis, spatial and intertemporal modelling, and simulation analysis. He is currently an associate editor of *Marine Resource Economics*. James received a PhD in Agriculture and Resource Economics from the University of California at Davis in 1998.



# Motu Achievements

Motu's purposes can be summarised in three categories: producing and disseminating high-quality research; building capacity within New Zealand for research; and outreach to end users.

## Research and dissemination

The following section reports on Motu's activity in its three major research areas: labour/social policy, environmental regulation, and macroeconomics and public finance.

## Labour/social policy analysis

### Adjustment and inequality

This programme of research is designed to greatly expand general understanding of the determinants and dynamics of socio-economic outcomes. We are achieving this aim by undertaking high-quality research on specific topics, and also by enhancing the value of existing research efforts through active promotion of coordination, communication, and infrastructure development activities. Our activities to promote dialogue and the sharing of insights among researchers taking different approaches to related questions are strengthening the contribution of ongoing socio-economic research to understanding the determinants of well-being of individuals, families, and communities in Aotearoa New Zealand.

This programme contributes to and links most of the other research in this area. We discuss the specific areas of research below.

#### Researchers:

Motu: David Maré, Suzi Kerr, Arthur Grimes, Steve Stillman, Jason Timmins, Sylvia Dixon, Isabelle Sin, Andrew Aitken, Michelle Poland, Robert Sourell, Yun Liang  
University of Auckland: Tim Maloney, Sholeh Maani, Rhema Vaithianathan

#### Funders:

Foundation for Research Science and Technology, New Zealand (FRST)

### Local labour markets

This year we have continued our work on the way that local labour markets adjust to economic change. Our ongoing work on internal migration is being extended to investigate migration decisions for individuals, and migration patterns for Māori. Location is important not only for workers but also for firms. This year we have looked at whether geographic 'bunching' of firms affects firm and industry performance.

Work in this area is also closely linked to the work on housing under the heading of Macroeconomics and public finance.

#### Researchers:

Motu: David Maré, Jason Timmins, Isabelle Sin, Michelle Poland, Sylvia Dixon

#### Funders:

FRST  
Ministry of Economic Development

## **Labour market policy evaluation**

This year we reviewed the literature on indirect effects of labour market policies as an input into the ongoing evaluation work at the Ministry of Social Development.

### **Researchers:**

Motu: David Maré

### **Funders:**

Ministry of Social Development

## **Firm dynamics**

We have undertaken further analysis of patterns of job creation, destruction, and employment change for New Zealand firms. We worked with The Treasury to compare New Zealand patterns as consistently as possible with those of other Organisation for Economic Co-operation and Development (OECD) countries. We also looked at whether local employment grows more when there is high turnover of jobs, as would be the case if high job turnover signals a reallocation of jobs towards more productive areas. We found no strong evidence of this link. Finally, we have started looking at links between job turnover and geographic 'bunching' of firms.

### **Researchers:**

Motu: David Maré, Jason Timmins, Isabelle Sin, Michelle Poland, Sylvia Dixon  
The Treasury: Duncan Mills

### **Funders:**

The Treasury  
FRST  
Ministry of Economic Development

## **Income distribution**

Our focus this year has been on examining changes in the Māori income distribution. We have undertaken two complementary analyses using two different data sets, each with its own strengths and weaknesses. We examined changes between 1997 and 2003 using data from the New Zealand Income Survey, and between 1991 and 2001 using census data.

### **Researchers:**

Motu: David Maré, Jason Timmins, Isabelle Sin, Sylvia Dixon

### **Funders:**

FRST

## **Linked Employer-Employee Data (LEED) project**

The LEED project is an innovative new development led by Statistics New Zealand. The project integrates existing employer and employee information to provide new insights into the operation of the labour market and its relationship to business performance. LEED uses existing administrative data drawn from the taxation system, together with business data from Statistics New Zealand's Business Frame. Researchers from the Department of Labour, The Treasury, and Motu are working on a number of research projects during the development stage of this project.

### **Researchers:**

Motu: Steve Stillman, David Maré  
Department of Labour: Sarah Crichton, Sylvia Dixon  
The Treasury: Dean Hyslop

### **Funders:**

Contestable Departmental Research Pool through Department of Labour and Statistics New Zealand



## **Pacific Island–New Zealand Migration Survey**

Phase One of this World Bank funded project entitled “Wealth and health effects of migration: Evidence from a Pacific Island–New Zealand natural experiment” entails the surveying of Fijian and Tongan migrant households in New Zealand in 2005 in an effort to provide information on the health and welfare effects of migration. The data collected from this project will be used to evaluate the impact of migration on Fijian and Tongan households.

### **Researchers:**

Motu: John Gibson, Steve Stillman

Stanford University: David McKenzie

University of Waikato: Hala Rohorua

### **Funders/Contributors:**

World Bank, University of Canterbury, University of Waikato, New Zealand Immigration Service, Department of Labour

## Publications and presentations

In the 2004/05 year Motu's labour/social policy analysis research area produced research on 26 topics. This research resulted in 32 presentations and 15 publications. Most publications are available online at [www.motu.org.nz](http://www.motu.org.nz).

Research	Presentation	Publication
<b>Labour markets</b>		
Geographic concentration of New Zealand employment	David Maré presented at the New Zealand Association of Economists (NZAE) Conference, Wellington, July 2004; the Labour Employment and Work Conference, Wellington, November 2004; the Ministry of Economic Development Innovation Workshop, December 2004; and the Motu "Adjustment and Inequality" Research Workshop, Wellington, April 2005.	Maré, David C. 2005. "Geographic Concentration of New Zealand Employment" in Blumenfeld, S. and Morrison, P. (eds) <i>Labour Employment and Work in New Zealand: Proceedings of the Eleventh Conference 2004</i> . Victoria University of Wellington.
Concentration, specialisation, and agglomeration of firms in New Zealand	David Maré presented to the NZAE Conference, Wellington, July 2004.	
Defining geographic communities		Maré, David C. and Michelle Poland. 2005. "Defining Geographic Communities." Motu Working Paper 05-09.
Geographical mobility of Māori	Steve Stillman presented at the "On the Frontiers: New Public Good Research on Population, Migration and Community Dynamics" Conference, Wellington, April 2005; and at the Population Association of New Zealand (PANZ) Conference, Auckland, June 2005.  Isabelle Sin presented at the NZAE Conference, Christchurch, June 2005.	Sin, Isabelle and Steve Stillman. 2005. "The Geographical Mobility of Māori in New Zealand." Motu Working Paper 05-05.
Indirect effects of labour market policy		Maré, David C. 2005. "Indirect Effects of Active Labour Market Policies." Motu Working Paper 05-01.
<b>Health</b>		
Primary health utilisation	Steve Stillman presented an introduction to his project at the "On the Frontiers: New Public Good Research on Population, Migration and Community Dynamics" Conference, Wellington, April 2005.	
Health, housing, and inequality	Sylvia Dixon presented at the NZAE Conference, Wellington, July 2004.	
<b>Firm dynamics</b>		
Local job flows in New Zealand	Jason Timmins presented at the NZAE Conference, Wellington, July 2004 and at the Labour Employment and Work Conference, November 2004.  David Maré and Jason Timmins presented "Local Job Flows" to the NZAE Conference, Wellington, July 2004.	Maré, David C. and Jason Timmins. 2005. "Local Job Flows in New Zealand" in Blumenfeld, S. and Morrison, P. (eds) <i>Labour Employment and Work in New Zealand: Proceedings of the Eleventh Conference 2004</i> . Victoria University of Wellington.

Firm dynamics		Mills, Duncan and Jason Timmins. 2004. "Firm Dynamics in New Zealand—Comparative Analysis with OECD Countries." New Zealand Treasury Working Paper 04/11.
Turnover and location of New Zealand firms	Jason Timmins presented at the PANZ Conference, Auckland, June 2005 and in the Statistics New Zealand Official Statistics Seminar series, April 2005.	
Geographic concentration and firm productivity	Jason Timmins presented at the PANZ Conference, Auckland, June 2005.	
Quantifying creative destruction entrepreneurship and productivity in New Zealand		McMillan, John. 2004. "Quantifying Creative Destruction Entrepreneurship and Productivity in New Zealand." Motu Working Paper 04-07.
Regional economic performance and growth	Steven Stillman presented at a seminar at The Treasury in April 2005.	
<b>Income distribution (Inequality measurement and analysis)</b>		
Māori income distribution 1997–2003	Sylvia Dixon and David Maré presented at the Social Policy Research and Evaluation Conference, November 2004.	Dixon, Sylvia and David C. Maré. 2005. "Understanding Changes in Māori Incomes and Income Inequality 1997–2003." Motu Working Paper 04-12.
Variation and change in Māori incomes	David Maré presented to the Reducing Inequalities Officials' Committee and in the Statistics New Zealand Official Statistics seminar series, May 2005.	
Māori income differences between iwi		Sin, Isabelle and David C. Maré. 2004. "Māori Incomes: Investigating Differences Between Iwi." Motu Working Paper 04-06.
Changes in Māori income distribution	Sylvia Dixon presented at the NZAE Conference, Wellington, July 2004.	Dixon, Sylvia and David C. Maré. 2005. "Changes in the Māori Income Distribution: Evidence from the Population Census." Motu Working Paper 05-06.
Wealth and ethnicity	John Gibson presented "Wealth and Ethnicity: Evidence from the Household Savings Survey" at the 7th Australasian Labour Econometrics Workshop, Auckland, August 2004.	
Recent changes in income distribution	Dean Hyslop presented at the Motu "Adjustment and Inequality" Research Workshop, Wellington, April 2005	
Adjustment and inequality: examining inequality	Steve Stillman presented at the Motu "Adjustment and Inequality" Research Workshop, Wellington, April 2005.	
Child poverty		Ballantyne, S.; S. Chapple, David C. Maré, and Jason Timmins. 2004. "Triggering Movements Into and Out of Child Poverty: A Comparative Study of New Zealand, Britain and West Germany." <i>Social Policy Journal of New Zealand</i> , 22 (July 2004), pp. 83–96.

<b>LEED (Linked Employer-Employee Data)</b>		
Returning to work from injury: Longitudinal evidence on employment and earnings	Steve Stillman presented at the University of Otago, Department of Economics, Dunedin, November 2004; at the "On the Frontiers: New Public Good Research on Population, Migration and Community Dynamics" Conference, Wellington, April 2005; and at the Society of Labor Economists/European Association of Labour Economists World Congress, San Francisco, USA, June 2005.	Crichton, Sarah; Steve Stillman, and Dean Hyslop. 2004. "Returning to Work from Injury: Longitudinal Evidence on Employment and Earnings." Statistics New Zealand LEED Project Technical Paper (September).
Impact of employment experiences and benefit spell duration on benefit-to-work transitions	Steve Stillman presented at New Zealand Social Policy, Research and Evaluation Conference, Wellington, New Zealand, November 2004; and at the Institute for the Study of Labour (IZA) Social Policy Evaluation Annual Conference, Canberra, Australia, February 2005.	Hyslop, Dean; Steve Stillman, and Sarah Crichton. 2004. "The Impact of Employment Experiences and Benefit Spell Duration on Benefit-to-Work Transitions." Statistics New Zealand LEED Project Technical Paper (September).
<b>Russia during transition</b>		
Consumer Price Index (CPI) bias and real living standards in Russia	Steve Stillman presented at Australian National University (ANU), Research School of Social Sciences Seminar July 2004, Canberra, Australia; and at University of Melbourne, Department of Economics, Melbourne, Australia, July 2004.	Gibson, John; Steve Stillman, and Trinh Le. 2004. "CPI Bias and Real Living Standards in Russia during the Transition." William Davidson Institute Working Paper 684.
Understanding interhousehold transfers in a transition economy		Kuhn, Randall and Steve Stillman. 2004. "Understanding Interhousehold Transfers in a Transition Economy: Evidence from Russia." <i>Economic Development and Cultural Change</i> , 53 (October) no 1, pp. 131–56.
<b>Pacific Island–New Zealand Migration Survey</b>		
Pacific Island immigration	Steve Stillman presented an introduction to this project at the "On the Frontiers: New Public Good Research on Population, Migration and Community Dynamics" Conference, Wellington, April 2005.	

# Environmental regulation

## **Land use, climate change and Kyoto: Human dimensions research to guide New Zealand policy**

This research programme aims to understand human-induced land-use change processes, understand their implications for the environment, and model possible management systems at a national policy level. Our team is closely linked with the international research and policy community. Our work addresses a global gap in understanding of land-use change processes and the appropriate policies to address land use and climate issues at national and international levels. The research programme has two main components. The first is to build an integrated socio-economic/natural science land-use model. The second is to provide policy design and analysis, both by using this model and through additional qualitative research.

### **Researchers:**

Motu: Suzi Kerr, Steve Stillman, Joanna Hendy, Isabelle Sin, Emma Brunton

Research Partner: Landcare Research

In collaboration with: Forest Research, AgResearch, National Institute of Water and Atmospheric Research (NIWA), and others

### **Funders:**

FRST

## **Land-use change in Costa Rica—greenhouse gas sinks and carbon sequestration**

This research programme looks at the causes of deforestation and reforestation in Costa Rica, synthesises evidence on the carbon content of these forests and combines this information to create a 'carbon sequestration' supply curve. Through sensitivity analysis, the research programme investigates the importance of different aspects of accuracy in the measurement of carbon credits.

### **Researchers:**

Motu: Suzi Kerr, Joanna Hendy, Jason Timmins

Columbia University: Alex Pfaff

University of Alberta: Arturo Sanchez

Earth Resources Observation Systems Data Center: Shuguang Liu

Tropical Science Center (Costa Rica): Vicente Watson, Joseph Tosi

United States Forest Service: Flint Hughes, Boone Kauffman

Food and Agriculture Organisation of the United Nations: Leslie Lipper, Romina Cavatassi

## **Fisheries management**

Motu and Resources for the Future (Washington, DC) are jointly undertaking economic research on fisheries management in New Zealand. We are examining the role and effectiveness of market-based instruments, in particular the individual transferable quota (ITQ) system as a fisheries management tool. The project will empirically evaluate the effects of implementing New Zealand's ITQ programme.

### **Researchers:**

Motu: Suzi Kerr, Joanna Hendy, Andrew Aitken

Resources for the Future: Richard Newell, James Sanchirico

Cornell University: Kerry Papps

### **Funders:**

Resources for the Future, Ministry of Fisheries

## Publications and presentations

In the 2004/05 year Motu's environmental regulation research area produced research on 15 topics. This research has resulted in 23 presentations and six publications. Most publications are available online at [www.motu.org.nz](http://www.motu.org.nz).

Research	Presentations	Publications
<b>Land Use in Rural New Zealand (LURNZ)</b>		
Building LURNZ	Suzi Kerr presented "How Does LURNZ Respond to Price Shocks and Land-Use Transition Paths?: Comparisons Between LURNZ and PSRM"; "Linking a CGE to LURNZ"; and "Future Directions for LURNZ" at the "Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy" Research Workshop, Wellington, April 2005.	
Examining changes in the value of rural land		Stillman, Steve. 2005. "Examining Changes in the Value of Rural Land in New Zealand from 1989–2003." Motu Working Paper 05-07.
Greenhouse gas module	<p>Joanna Hendy presented "National IEF Projections: Agricultural Methane and Nitrous Oxide and Projecting Underlying Factors: Productivity, Fertiliser Use Per ha by Land Use, Stocking Rates, Manure Management" at the "Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy" Research Workshop, Wellington, April 2005.</p> <p>Joanna Hendy presented "Implied Emissions Factors and LURNZ" at the "Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy" Research Workshop, Landcare Research, Palmerston North, November 2004.</p> <p>Suzi Kerr presented "Spatial Variation in Methane Emissions: a Stocking Rate Approach" and "Spatial Variation in Carbon Sequestration: Issues for LURNZ" at the "Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy" Research Workshop, Landcare Research, Palmerston North, November 2004.</p>	Hendy, Joanna and Suzi Kerr. 2005. "Greenhouse Gas Emission Factor Module: Land Use in Rural New Zealand—Climate Version 1." Motu Working Paper 05-10.
Simulations from LURNZ	Joanna Hendy presented "Climate and Land Use in Rural New Zealand Model (LURNZ-Climate) Simulation Updates" at the "Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy" Research Workshop, Wellington, April 2005.	

Simulations from LURNZ (Cont)	<p>Joanna Hendy presented “Update on Policy Simulations from LURNZ” at the “Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy” Research Workshop, Landcare Research, Palmerston North, November 2004.</p> <p>Joanna Hendy presented “Spatial Simulations of Land-Use Change with a Methane Charge” at the Policy Workshop for the “Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy” Project, Wellington, October 2004.</p>	
<b>Policy on land use and climate change</b>		
Land use and climate change	Suzi Kerr presented “Highlights from our Policy Research over the Last 6 Months” at the “Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy” Research Workshop, Landcare Research, Palmerston North, November 2004.	
Projects and voluntary participation	Joanna Hendy presented “Projects and Voluntary Participation” at the Policy Meeting for the “Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy” Project, October 2004, Wellington; also presented by Suzi Kerr at the Policy Workshop for the “Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy” Research Workshop, Wellington, April 2005.	
Deforestation liability	<p>Suzi Kerr presented “Deforestation and Liability” at the Policy Workshop for the “Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy” Project, Wellington, October 2004.</p> <p>Suzi Kerr presented “Deforestation Liability and Deforestation Permits” at the “Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy” Research Workshop, Wellington, April 2005.</p>	
Likely regional impacts of a methane policy in New Zealand	<p>Isabelle Sin presented “Social Impacts of Methane Charge” at Workshop for the “Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy” Project, Wellington October 2004.</p> <p>Joanna Hendy presented “Changing Land Use for Climate Change Mitigation” Poster at Australian Agricultural and Resource Economics Society (AARES) Symposium, Auckland, October 2004. (Won best overall poster.)</p>	Sin, Isabelle; Emma Brunton, Joanna Hendy, and Suzi Kerr. 2005. “The Likely Regional Impacts of an Agricultural Emissions Policy in New Zealand: Preliminary Analysis.” Motu Working Paper 05-08.

Taxes versus permits	<p>Suzi Kerr and Isabelle Sin presented at The New Zealand Treasury, October 2004.</p> <p>Isabelle Sin presented at the NZAE Conference, Christchurch, June 2005.</p> <p>Suzi Kerr presented “Taxes and Permits for Land-use Emissions” at Policy Workshop for the “Land Use, Climate Change and Kyoto: Human Dimensions Research Guide to New Zealand Policy” Project, Wellington, October 2004.</p>	Kerr, Suzi and Isabelle Sin with Joanna Hendy. 2004. “Taxes vs Permits: Options for Price-Based Climate Change Regulation.” Report to The New Zealand Treasury, October.
<b>Fisheries management</b>		
Overview	<p>Suzi Kerr presented “New Zealand Fishery Quota Markets: An Econometric Analysis” as invited speaker at the Australian Association of Agricultural and Resource Economics Symposium, “Frontiers of Resource Economics”, Auckland, October 2004.</p> <p>Suzi Kerr presented “New Zealand Fisheries: What ‘Schools’ Can Teach Us About Markets”, Motu Public Policy Seminar, November 2004.</p>	
Bycatch and quota prices in ITQ fisheries markets	Suzi Kerr presented at the NZAE Conference, Wellington, June 2004.	
Fishing quota markets		<p>Papps, K.; R. Newell, and J. N. Sanchirico. 2004. “Asset Pricing in Created Markets for Fishing Quota.” RFF Working Paper, July.</p> <p>Newell, Richard G.; James N. Sanchirico, and Suzi Kerr. 2005. “Fishing Quota Markets.” <i>Journal of Environmental Economics and Management</i>, Vol. 49 pp. 437–462</p>
How catch patterns respond to changes in international prices for different species	Joanna Hendy presented at the NZAE Conference, Wellington, June 2004.	
<b>Land-use change in Costa Rica—greenhouse gas sinks and carbon sequestration</b>		
Protecting tropical forests	Suzi Kerr presented “Protecting Tropical Forests after 2012” at the National Institute for Environmental Studies (NIES)/Institute for Global Environmental Strategies (IGES) Symposium “International Climate Regime Beyond 2012: Issues and Challenges”, Tokyo, September 2004.	
Tropical forest protection, uncertainty, and the environmental integrity of carbon mitigation policies	Suzi Kerr presented at the National Bureau of Economic Research Summer Institute, United States, July 2004.	



# Macroeconomics and public finance

## Is New Zealand an economic state of Australasia?

If trends and fluctuations across the trans-Tasman economies exhibit similar characteristics, unified economic and financial institutions may be optimal. If they are dissimilar, separate institutions may be advisable. But how similar do developments have to be before it is efficient to adopt common institutions?

One yardstick is to compare New Zealand developments with those occurring in Australian states and territories which already share common economic and financial institutions. If the New Zealand economy relates to the federal Australian economy in a manner similar to a typical Australian state economy, there is prima facie evidence to investigate closer economic and financial linkages. This study makes relevant comparisons using labour market, price, and production data. It extends understanding of how the New Zealand economy relates to that of Australia as a whole and to its individual parts, providing valuable background for policy discussion.

The work complements the regional work that Motu is conducting on the effect of economic shocks within New Zealand (for example, within the FRST-funded “Understanding Adjustment and Inequality” programme). The FRST programme considers regions within New Zealand, while the Marsden-funded research considers New Zealand as one region within a wider economic zone. Together, the programmes provide significant information on the processes of regional adjustment that are relevant to New Zealand.

### Researchers:

Motu: Arthur Grimes

### Funders:

The Marsden Fund of the Royal Society of New Zealand

## Housing

To shed light on the behaviour of the New Zealand housing market, we examine the dynamic and long-run responses of house values across spatial communities and across time to economic variables that impact on the local economy. We use a specially constructed database using house prices and house sales data sourced from Quotable Value New Zealand (QVNZ), and a range of explanatory variables constructed consistently across territorial local authority (TLA) and regional council (RC) levels.

### Researchers:

Motu: Arthur Grimes, Andrew Aitken, Robert Sourell, Suzi Kerr

### Funders:

Centre for Housing Research Aotearoa New Zealand (CHRANZ)  
FRST

## Publications and presentations

In the 2004/05 year Motu's macroeconomic research area produced research on 12 topics. This research resulted in 13 presentations and 10 publications. Most publications are available online at [www.motu.org.nz](http://www.motu.org.nz).

Research	Presentations	Publications
<b><i>Is New Zealand an economic state of Australasia?</i></b>		
New Zealand: A typical Australasian economy?	Arthur Grimes, "New Zealand: A Typical Australasian Economy?", paper presented to "The Visible Hand: The Changing Role of the State in New Zealand's Development—A Symposium in Honour of Sir Frank Holmes", Institute of Policy Studies, Wellington, November 2004; presented at Motu Public Policy Seminar, Wellington, September 2004; presented also at University of Waikato 40th Anniversary seminar, October 2004; and to Australian High Commission seminar, Wellington, October 2004.	Grimes, Arthur. 2004. "New Zealand: A Typical Australasian Economy." Motu Working Paper 04-11.  Grimes, Arthur. 2005. "New Zealand: A Typical Australasian Economy?" in Andrew Ladley and John Martin (eds.) <i>The Visible Hand: The Changing Role of the State in New Zealand</i> . Wellington: Institute of Policy Studies.
Assessing currency implications of intra- and inter-regional shocks: Application to Australasia	Arthur Grimes, "Assessing Currency Implications of Intra- and Inter-Regional Shocks: Application to Australasia", paper presented to American Economic Association and American Committee for Asian Economic Studies, Allied Social Science Associations (ASSA) Meetings, Philadelphia, January 2005; presented also to Reserve Bank of New Zealand seminar, Wellington, December 2004.	Grimes, Arthur. 2005. "Intra- and Inter-Regional Industry Shocks: A New Metric with an Application to Australasian Currency Union." Motu Working Paper 05-03.
Regional and industry cycles in Australasia: Implications for a common currency		Grimes, Arthur. 2005. "Regional and Industry Cycles in Australasia: Implications for a Common Currency." Motu Working Paper 05-04.  Grimes, Arthur. 2005. "Regional and Industry Cycles in Australasia: Implications for a Common Currency." <i>Journal of Asian Economics</i> , 16:3, May–June, pp.380–397.
Regional business cycles in New Zealand		Hall, Viv B. and C. John McDermott. 2004. "Regional Business Cycles in New Zealand: Do They Exist? What Might Drive Them?" Motu Working Paper 04-10.
Regional industry shocks	Arthur Grimes, "Sources and Transmission of Regional Industry Shocks: New Methods Applied to Australasia", paper presented to NZAE Conference, Christchurch, June 2005.	
New Zealand–Australian currency union		Bjorksten, Nils; Ozer Karagedikli, Christopher Plantier and Arthur Grimes. 2004. "What Does the Taylor Rule Say About New Zealand–Australia Currency Union?" <i>Economic Record</i> , 80, S34–S42.

South-West Pacific common currency issues	Arthur Grimes, "South-West Pacific Common Currency Issues", presentation to Wansolwarra (Institute of Policy Studies, Victoria University of Wellington; Papua New Guinea Parliamentary Select Committee), Wellington, April 2005.	
<b>Housing</b>		
Regional variation in rental costs for larger households	Arthur Grimes, Robert Sourell, and Andrew Aitken, "Regional Variation in Rental Costs for Larger Households", paper presented to Social Policy Research and Evaluation Conference, Wellington, November 2004; also presented to Wellington School of Medicine Seminar, March 2005.	Grimes, Arthur, Robert Sourell, and Andrew Aitken. 2004. "Regional Variation in Rental Costs for Larger Households." Report prepared for Centre for Housing Research Aotearoa New Zealand, also published as Motu Working Paper 05-02.
House price efficiency: Expectations, sales, symmetry	Arthur Grimes, Andrew Aitken and Suzi Kerr, "House Price Efficiency: Expectations, Sales, Symmetry", paper presented to Western Economic Association Conference, Vancouver, July 2004.	
What's the beef with house prices?: Economic shocks and local housing markets	Arthur Grimes and Andrew Aitken, "What's the Beef with House Prices?: Effects of Local Land Use on Residential Prices", paper presented at the University of Waikato, Hamilton, May 2005.	Grimes, Arthur and Andrew Aitken. 2004. "What's the Beef with House Prices?: Economic Shocks and Local Housing Markets", Motu Working Paper 04-08.
Bi-directional impacts of economic, social, and environmental changes and the New Zealand housing market		Grimes, Arthur, Suzi Kerr, and Andrew Aitken. 2004. "Bi-Directional Impacts of Economic, Social and Environmental Changes and the New Zealand Housing Market." Report prepared for the Centre for Housing Research Aotearoa New Zealand, also published as Motu Working Paper 04-09.
Housing market adjustment	Arthur Grimes and Andrew Aitken, "Housing Market Adjustment: Overview of Motu Housing Research and Housing Market Adjustment in Nelson-Marlborough-Tasman", paper presented at the Motu "Adjustment and Inequality" Research Workshop, Wellington, April 2005.  Arthur Grimes, "New Zealand Regional Housing Markets: Overview Based on Motu's Housing Research", presented to Housing New Zealand Corporation, Wellington, May 2005.	

# Building Capacity for New Zealand Economic and Public Policy Research

## Teaching

Arthur Grimes, as Adjunct Professor of Economics at University of Waikato School of Management, is currently supervising two PhD students. Arthur is also a Teaching Fellow at Victoria University of Wellington. He supervised to completion the PhD of Iris Claus and taught a segment of MOFI202 on central banking. He also supervised Robert Sourell's Master's thesis through Technische Universität Carolo-Wilhelmina Zu Braunschweig, Germany.

Suzi Kerr taught part of the graduate public economics course (ECON/PUBL411) at Victoria University of Wellington and also presented a lecture on "Domestic Policy Responses to Global Climate Change" at the university in February 2005.

Isabelle Sin taught a tutorial on emissions trading at Victoria University in February 2005.

Steve Stillman and David Maré taught Honours Labour Economics (ECON416 and ECON417) at Victoria University.

## University affiliations

Motu continues to strengthen its working relationships with the University of Canterbury, Victoria University of Wellington, and the University of Waikato.

Arthur Grimes is an Adjunct Professor of Economics in the School of Management Studies at the University of Waikato.

Steve Stillman is an affiliated Research Fellow at the Institute for the Study of Labor (IZA), Bonn, Germany and at the William Davidson Institute, University of Michigan.

## Student internships

Jason Funk, a PhD student from Stanford University, visited Motu to explore potential connections with our "Land Use, Climate Change and Kyoto" programme. He returned in June 2005 to contribute to Motu's land-use change model. He is also carrying out field research on land-use decisions in the Gisborne/East Cape area with support from a Motu grant from the Tindall Foundation. He is exploring how landowners' values and environment affect their decisions in response to environmental policy incentives.

Robert Sourell worked as a student intern from August 2004 to December 2004. In 2002 he gained a Graduate Diploma of Commerce from Victoria University of Wellington. He finished a double Master's degree in Civil/Construction Engineering and Business Administration in February 2005. His work at Motu included studying the relationship between house prices and rents; focusing on the modelling of life cycle spending behaviour of individuals on housing services and factors that influence their decisions.

Michelle Poland worked as an intern over the 2004/05 summer period. She has completed a Bachelor of Commerce and Administration (Hons) at Victoria University and has just started as Graduate Policy and Research Analyst at the Families Commission.

## Data sets

We see the development of common databases that can be used by a wide range of researchers as an essential component in building an effective New Zealand research community in our areas of interest. Motu's objective of enhancing research infrastructure includes developing and documenting data sets that can be made available to other researchers including graduate students. We are developing a standard approach to documentation.

Detailed information on data sets held by Motu can be found at [www.motu.org.nz/dataset.htm](http://www.motu.org.nz/dataset.htm).

This year we have significantly developed and enhanced the following databases:

#### **Population Census Unit Record Database**

As part of our “Adjustment and Inequality” work programme, we have assembled documentation and background information on the census data sets that we have been using in the Statistics New Zealand data laboratory. We have prepared the information in a form that will be useful and easily accessible to other researchers and to Statistics New Zealand.

The New Zealand Population Census is a key source of information for many of our research projects, including work on variation and changes in income distributions, geographic mobility, local labour market adjustment, and the impact of education.

#### **Rural Economies Database**

This database contains information on land cover/use, economic returns from major land uses, geophysical characteristics, land governance, and environmental impacts of land use.

We have developed databases for specific projects:

#### **Geophysical Amenities Meshblock Database**

This database is developed from multiple sources on the productive/geophysical characteristics of the land, the local climate, and various local amenities. All variables are calculated at the meshblock centroid level.

#### **Land Use in Rural New Zealand Database (v1)**

This database is used for estimation of the simulation model LURNZ. Currently, the database has three sub-databases associated with it: a land-use change database, a spatial database, and a greenhouse gas database. The land-use change database contains land areas and economic variables associated with different rural land uses. This year we have enhanced the land-use data by incorporating information from 2002 satellite data (from the Land Cover Database 2). The spatial database contains Geographic Information Systems (GIS) data sets that map geophysical and governance features at a point in time. This year we have added more geophysical productivity indices to our spatial database. We have also added the greenhouse gas database. This database translates activity levels for different land uses into implied methane and nitrous oxide emissions, and carbon sequestration.

#### **Australasian Employment Database**

This database is new this year. The database contains employment data for six states and two territories of Australia; New Zealand; Australia; and Australasia (New Zealand and Australia as a whole) quarterly from 1985 (fourth quarter) to 2002 (fourth quarter).

#### **Exogenous Shocks Database**

Motu has created a database of exogenous shocks that impact on communities over time. Data have been collected at four main spatial levels: world, New Zealand, regional council, and smaller spatial units (territorial local authority, area unit and meshblock). The data have been collected at as high a frequency as possible to allow for conversion to lower frequencies for specific projects as appropriate. The database is always expanding: variables have been added or updated over the last year.

### **Contributions to official statistics**

Arthur Grimes and John Gibson are members of the Statistics New Zealand Advisory Committee on Economic Statistics. Arthur is also a member of the Statistics New Zealand Housing Statistics User Group.

David Maré and Jason Timmins made presentations in Statistics New Zealand's Official Statistics Seminar Series on the topics of Māori incomes and firm dynamics. Motu staff have provided comments to Statistics New Zealand on various statistical developments, including industry classifications, data confidentiality of 2006 census outputs, and more generally on the information needs of users of official statistics. We participated in pilots to test Confidentialised Unit Record Files (CURFs) and remote data access.

## Research networking

Motu is now a member of the National Economic Research Organisation network set up by Martin Feldstein of the National Bureau of Economic Research (NBER) and Harvard University, and run by the OECD. David Maré attended the OECD National Economic Research Organisation's Meeting of Heads and the European Society of Population Economics Conference in Paris in June 2005.

### Understanding adjustment and inequality

Motu held a half-day workshop with the Centre for Research, Evaluation and Social Assessment (CRESA), Victoria University, and the University of Waikato, on 19 January 2005 at Turnbull House in Wellington. The three groups who are doing related FRST-funded work updated each other on research progress and the end users' meeting was planned.

Motu held a research workshop in April 2005 for project participants, international visitors, and stakeholders covering both research and policy links. At the workshop, a presentation was given on the databases available through Motu and how to access them.

Motu organised a Population Association of New Zealand conference session in June 2005 on internal migration.

### Land use, climate change and Kyoto: Human dimensions research to guide New Zealand policy

Motu held research workshops in November 2004 and April 2005. The first meeting focused on developing the science components of our land-use model with scientists from Landcare Research, AgResearch, Forest Research, National Institute of Water and Atmospheric Research (NIWA), Lincoln University, and the Pastoral Greenhouse Gas Research Consortium. The second meeting focused on economic aspects with presentation of new simulation results, comparisons between the Land Use in Rural New Zealand (LURNZ) model and the Ministry of Agriculture and Forestry (MAF) Pastoral Supply Response model, and discussion of computable general equilibrium modelling as well as discussion of policy ideas.

### International networking

Arthur Grimes spent a month from January to February 2005 as a visitor in the Economics Department, University of Nottingham, United Kingdom.

Arthur Grimes is a member of the editorial boards of the *Journal of Asian Economics* and *Agenda*.

Motu entered a new multi-disciplinary partnership with CRESA and DTZ New Zealand Limited to research "Affordable Housing in the Nelson, Marlborough and Tasman Regions: A Solutions Study" (funded by Centre for Housing Research Aotearoa New Zealand (CHRANZ, the Ministry of Economic Development (MED), and the Ministry of Social Development (MSD)).

Steve Stillman spent July 2004 at the Research School of Social Sciences Economics Programme, Australian National University.

Steve Stillman and David Maré attended the Society of Labor Economists/European Association of Labour Economists Conference in San Francisco in June 2005.

Suzi Kerr attended the NIES/IGES Symposium "International Climate Regime Beyond 2012: Issues and Challenges" in Tokyo on 9 September 2004.

### New Zealand networking

Arthur Grimes is a member of the editorial advisory board for the new Royal Society of New Zealand journal *Kotuitui: New Zealand Journal of Social Sciences Online*.

Steve Stillman was on the advisory panel for The Treasury Labour Force Workshop in October 2004.

David Maré and Steve Stillman participated in the New Zealand/Australia Labour Econometrics Workshop in Auckland in August 2004.

Suzi Kerr is a member of the inaugural Board for the Centre for Marine Environmental and Economic Research at Victoria University.

# Outreach to End Users

## Motu Research Update

The eighth edition of Motu's newsletter *Motu Research Update* was published in June 2005. Approximately 700 hard copies and 2,000 email copies of the newsletter are sent to people within New Zealand and overseas. *Motu Research Update* can be downloaded from the website at <http://www.motu.org.nz/newsletter.htm> in PDF format and copies are lodged with the National Library of New Zealand (ISSN 1176-0206).

## Motu Public Policy Seminars

This seminar series aims to disseminate the results of our research and make existing knowledge more accessible for policy debate in New Zealand. Seminar presenters are Motu staff, Affiliates, and other leading New Zealand and international researchers. The seminar series is designed to be accessible to people not deeply involved in research (such as policy analysts) who want to keep up with research developments in particular areas, as well as to the wider public who may have an interest in a particular issue.

Motu has a database of 1344 people who have subscribed to the seminar series email list. The seminar series has received wide exposure and interest. Flyers are posted and distributed by email from communication contacts in various organisations. The seminar series is regularly attended by audiences of 70–120 people and has also received media coverage.

Motu Seminars for 2004/05:

8 July 2004, "Social Policy Insights from Longitudinal Data", Presenter: Stephen Jenkins, Professor of Applied Economics, University of Essex.

12 August 2004, "Social Capital, Creative Destruction and Economic Growth", Presenter: Paul Frijters, Senior Lecturer, Australian National University.

12 August 2004, "An Australasian Currency, New Zealand Adopting the US Dollar, or an Independent Monetary Policy?", Presenter: Viv Hall, Professor of Economics, Victoria University of Wellington.

16 September 2004, "New Zealand: A Typical Australasian Economy?", Presenter: Arthur Grimes, Senior Research Associate, Motu.

14 October 2004, "Savings and Retirement: Are We Saving Enough?", Presenter: Grant Scobie, Principal Advisor, The New Zealand Treasury; Motu Chairperson.

11 November 2004, "New Zealand Fisheries: What 'Schools' Can Teach Us about Markets", Presenter: Suzi Kerr, Director, Motu.

27 January 2005, "The Economics of Resistance to Antibiotics", Presenter: Gardner Brown, Professor Emeritus of Economics, University of Washington.

17 March 2005, "The Evolution of the New Zealand Business Cycle", Presenter: John McDermott, Chief Economist, ANZ National Bank.

11 April 2005, "Child Gender and Men's Labour Market Outcomes", Presenter: Shelly Lundberg, Castor Professor of Economics, University of Washington.

5 May 2005, "School Choice", Presenter: Abigail Payne, Associate Professor in Economics, McMaster University; Canada Research Chair in Public Economics.

28 June 2005, "Choices, Incentives, Accountability, Professionalism: The Latest Innovations in Education Reform", Presenter: Caroline Hoxby, Professor of Economics, Harvard University.

## **Motu website ([www.motu.org.nz](http://www.motu.org.nz))**

The Motu website provides extensive detail on all our work programmes. We publish all our research as soon as it is completed. We have had positive feedback from local, regional, national, and international users. Readers are invited to download papers and reports from the website in PDF format. They can also search for detailed information on the data sets that Motu holds.

## **International visitors**

### **Stephen Jenkins**

Stephen Jenkins is a Professor of Economics at the Institute for Social and Economic Research, University of Essex, United Kingdom, and is one of Motu's international advisors. His research interests are in applied economics from a longitudinal perspective, with particular reference to the distribution of income and its redistribution through taxation, social security, and the labour market. He is also interested in the measurement of inequality and poverty, modelling labour supply, and social security benefit spell durations. Professor Jenkins presented a Motu Public Policy Seminar during his July visit. He also presented at seminars and workshops held by Statistics New Zealand, Victoria University of Wellington, the SAS Institute, and the Ministry of Social Development.

### **Paul Frijters**

Paul Frijters is a Senior Lecturer in the Research School of Social Sciences of the Australian National University. His research includes work on poverty, happiness, duration of unemployment, determinants of morbidity, psychology of mass killings, discrimination, nurse and teacher labour supply, and cultural convergence. He has also been a consultant for the Dutch and Australian Treasuries, as well as the Dutch and Australian Ministries of Social Affairs. During his visit to Motu in August 2004, he presented a Motu Public Policy Seminar.

### **Gardner Brown**

Gardner Brown is Professor Emeritus of Economics at the University of Washington. Professor Brown specialises in natural resource economics and applied microeconomic theory. Some of his most recent research projects include work on fisheries, African national parks, antibiotic use, and endogenous population growth. Professor Brown visited Motu in January 2005. Professor Brown held a number of discussions with the Commissioner for the Environment, the Health Services Research Centre, and Environment Waikato. He presented seminars in the Motu Public Policy Seminar Series, The New Zealand Treasury Guest Lecture Series, and at Lincoln University and the University of Waikato.

### **Shelly Lundberg**

Shelly Lundberg is Castor Professor of Economics at the University of Washington. Professor Lundberg's research areas are labour economics, inequality, and economics of the family. Professor Lundberg's visit was organised by Motu for April 2005. She presented a Motu Public Policy Seminar, and attended various events including a round-table discussion at the Ministry of Social Development (MSD) with attendees from Motu, MSD, and the Families Commission. Professor Lundberg presented a formal seminar to 30 attendees from the Ministry of Social Development. She also gave the keynote address to the Labour Force Participation Conference, which had over 200 attendees from government departments, crown entities, universities, and non-governmental organisations (NGOs).

### **Abigail Payne**

Abigail Payne is an Associate Professor in Economics at McMaster University, and Canada Research Chair in Public Economics. Professor Payne's current research concentrates on the effect of government funding and government policy on individuals and organisations. Topics in which she is interested include the impact of government funding and policy on contributors to charitable and other non-profit organisations, the distribution and quality of research output from universities, and the distribution of students across universities and their performance. Professor Payne gave a Motu Public Policy Seminar in May 2005. She was also invited to be a guest speaker at a round-table discussion at the School of Government, Victoria University of Wellington.



## Caroline Hoxby

Caroline Hoxby is a Professor of Economics at Harvard University. Professor Hoxby's primary fields of interest are the economics of education, labour economics, and public economics. Her research focuses on the market for higher education, school finances and school choice, teacher unions, human capital investments, and income inequality and growth. Professor Hoxby's visit in June was organised by the New Zealand Business Roundtable. During her visit, Professor Hoxby presented a Motu Public Policy Seminar, gave a keynote address at the New Zealand Association of Economists Conference in Christchurch, presented at the Education Forum and at a public seminar in Christchurch, and held media interviews.

## Outreach symposia

Motu held a meeting with five leaders of iwi authorities in February 2005 to build a high-level relationship, provide their representatives with more information about what Motu is and what we do, and identify useful approaches to productive interaction.

Motu held a policy workshop for the "Land Use, Climate Change and Kyoto: Human Dimensions Research to Guide New Zealand Policy" programme in October 2004. At the policy workshop, Suzi Kerr, Joanna Hendy, and Isabelle Sin presented the preliminary policy implications of our research to an audience that included people from the Climate Change Office, the Ministry of Agriculture and Forestry, the Ministry for the Environment, the Ministry for Economic Development, Environment Waikato, Landcare, and NIWA.

Motu with the Migration Research Centre, University of Waikato, and the Centre for Research, Evaluation and Social Assessment (CRESA) ran an outreach meeting for stakeholders—"On the Frontiers: New Public Good Research on Population, Migration and Community Dynamics". The meeting covered research and policy links. The main focus of the meeting was to inform people about new public good research on population, migration, and community dynamics.

In November 2004, at the Social Policy Research Conference, Suzi Kerr gave a presentation on how Motu connects with end users—"Motu and Treasury: Public Good Research Meets Policy and Practice".

Suzi Kerr gave a one-day workshop on market-based instruments to Environment Waikato staff in Hamilton on 4 October 2004.

Motu developed close working relationships with the Centre for Housing Research Aotearoa New Zealand (CHRANZ), Housing New Zealand Corporation, and the Department of Building and Housing with the aim of examining regional housing issues in New Zealand. Topics for discussion included funding links, provision of data, commentaries on work, elucidation of potential research topics, and presentation of in-house seminars.

## Working Paper Series

Motu published 16 Working Papers in 2004/05. Motu Working Papers are available online at [www.motu.org.nz/motu\\_wp\\_series.htm](http://www.motu.org.nz/motu_wp_series.htm). Copies are also lodged with the National Library of New Zealand (ISSN 1176-2667).

## Media

Motu's November 2004 Public Policy Seminar "New Zealand Fisheries: What 'Schools' Can Teach Us about Markets", presented by Suzi Kerr, was reported in *The Dominion Post* on 15 November 2004. The article was called "Fishing Quota Success May Have Environment Spin-off".

Arthur Grimes was interviewed by Radio New Zealand about his September Motu Public Policy Seminar "New Zealand: A Typical Australasian Economy?".

Motu Working Paper 03-18 "Insolvency and Economic Development: Regional Variation and Adjustment", by Richard Fabling and Arthur Grimes, was cited in the *New Zealand Listener*, 8–14 January 2005, Vol 197, in an article titled "Breaking the Bank", by David W. Young.

Motu international visitor Shelly Lundberg was interviewed by Linda Clark on Radio New Zealand's *Nine to Noon* on 12 April 2005 about her Motu Public Policy Seminar "Child Gender and Men's Labour Market Outcomes".

# Human Resource Management

## Motu staff

Motu has 15 permanent staff members: five senior staff (Suzi Kerr, David Maré, Arthur Grimes, Steve Stillman and John Gibson), six research analysts (Andrew Aitken, Yun Liang, Joanna Hendy, Isabelle Sin, Sylvia Dixon, and Jason Timmins), and four support staff (Pauline Hornblow, Maxine Watene, Loren Evans and Linda Townsend).

Emma Brunton (Research Analyst) left Motu in July 2004 and is now working for the New South Wales Treasury in Sydney.

Motu appointed three new permanent staff members during the year. Loren Evans started as part-time Administration Assistant in August 2004. Loren is also the coordinator of the Motu Working Paper Series and the Public Policy Seminar Series. Yun Liang joined Motu as a full-time Research Analyst in January 2005. John Gibson (formerly a Motu Affiliate) joined the Motu staff as a Senior Research Associate in December 2004. John is Professor of Economics at the University of Canterbury.

In April 2005 Kate MacKenzie was employed on a temporary basis to replace Loren while she was on parental leave. Robert Sourell and Michelle Poland were employed as interns for the year 2004/05.

## Training policy

Motu's aim is to enhance the opportunities for staff to reach their full potential by providing reasonable access to and support for training, career development, and continuous improvement. Career development opportunities include on-the-job training, internal training courses, external courses and conferences, and study assistance. During the 2004/05 year, all Motu staff took part in some form of external training.





# Financial Information

## Banking, accounting, legal, and insurance

Bank: National Bank of New Zealand

Accountant: Horwath Wellington

Auditor: Grant Thornton

Legal Advisors: Andrew Blair (Employment Law), Chapman Tripp (Governance), AJ Park (Intellectual Property)

Insurance Agent: Crombie Lockwood

## Insurance cover (at 30 June 2005)

Type of Cover	Total Cover
Commercial Business Assets and Interruption	\$250,000
Senior Fellows (death/disability)	\$400,000
Public Liability	\$2,000,000
Association Liability	\$1,000,000
Professional Indemnity	\$1,000,000
Employers Liability	\$1,000,000
Statutory Liability	\$200,000

## Financial highlights

(all figures in NZ\$000s)

2003–2004			2004–2005		
Revenues	New Zealand Sources	776	Revenues	New Zealand Sources	956
	Foreign Sources	28		Foreign Sources	0.6
Net Surplus		8	Net Surplus	116	
Net Equity		48	Net Equity	164	

## Major funders

- Foundation for Research Science and Technology
- Marsden Fund
- Centre for Housing Research Aotearoa New Zealand
- Ministry of Economic Development
- Ministry of Social Development
- The New Zealand Treasury
- Department of Labour
- Social Policy Evaluation and Research Committee
- Statistics New Zealand

## Motu Patrons

Motu has four patrons: Fletcher Building, the Ministry of Economic Development, ANZ National Bank, and Telecom who are making an annual contribution for a 3-year period.

## Motu Public Policy Seminar (PPS) Series Sponsors

Motu has four PPS Sponsors: Ministry of Economic Development, Social Policy Evaluation and Research Committee (SPEaR), Statistics New Zealand and The Treasury, who all made an annual contribution for this year.

## Motu Friends

Motu now has 14 'friends' and one 'supporter' who make an annual contribution. This year our friends paid for the publication of our *Research Update*.

## Motu Endowment Fund

The following rules govern the management of the endowment, which was established with a nominal sum of \$1,000 in October 2001.

- Each year 5% of the value of the endowment at the beginning of the financial year can be used to fund the ongoing activities of Motu.
- Any additional funds withdrawn from the endowment will need to be approved by the Trustees.
- If a funder chooses to put restrictions on the use of funds (by broad area of research or other purposes, not controlling specific research or activities) the funds will be directed only to those purposes.
- The funds will be invested in ways approved by the Board of Trustees.
- While Motu is short of funds, any surplus earned will initially be used as working capital (i.e. to reduce debt) and then placed in a 'research fund', which can be drawn down at the discretion of the Director.
- Contributions to the endowment will be regularly reassessed by the Board of Trustees.

**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

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**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2005	2004
<b>Income</b>			
Foreign Research Grants		\$644	\$28,637
NZ Research Grants		565,853	520,181
Overhead Recovery		323,874	242,024
Interest Received		1,985	1,264
Foreign Exchange Gain		-	-
Patrons		38,889	-
Other Income		<u>25,480</u>	<u>12,269</u>
Total Income		956,725	804,375
Less Cost of Sales		<u>63,587</u>	<u>129,971</u>
<b>Gross Profit/(Loss)</b>		<b>893,138</b>	<b>674,404</b>
<b>Expenses</b>			
Audit Fees		3,836	4,448
Building Expenses		6,995	6,489
Communication		18,602	16,046
Depreciation	4	32,926	35,677
Foreign Exchange Loss		767	191
General Expenses		22,843	17,683
Insurance		8,092	8,067
Interest Paid		-	-
Loss on Sale of Assets		716	2,257
Office Rental		29,400	27,921
Personnel		633,289	528,520
Professional Fees		5,215	2,180
Relocation		-	8,282
Travel		<u>14,654</u>	<u>8,195</u>
Total Expenses		777,335	665,956
Net Surplus/(Deficit)		115,803	8,448
Less: Transfer to Motu Endowment Fund		<u>(8)</u>	<u>(5)</u>
<b>Net Surplus/(Deficit) Transferred to Accumulated Funds</b>		<b><u>115,795</u></b>	<b><u>\$8,443</u></b>

These financial statements should be read in conjunction with the attached notes.

**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST  
STATEMENT OF MOVEMENTS IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2005**

	<b>2005</b>	<b>2004</b>
Equity at 1 July 2004	\$48,569	\$40,121
Net Surplus/(Deficit)	115,795	8,443
Transfer to Motu Endowment Fund	<u>8</u>	<u>5</u>
<b>Equity at 30 June 2005</b>	<b><u>\$164,372</u></b>	<b><u>\$48,569</u></b>

**These financial statements should be read in conjunction with the attached notes.**



**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2005**

	Note	2005	2004
<b>Current Assets</b>			
Petty Cash		(\$16)	\$196
Bank Accounts		86,591	63,994
Retentions		-	7,250
Work in Progress		94,551	10,164
Prepayments		3,646	5,347
Accounts Receivable		<u>73,346</u>	<u>66,125</u>
Total Current Assets		258,118	153,076
<b>Current Liabilities</b>			
Accounts Payable		21,934	26,069
Accrued Expenses		54,712	49,828
Fees in Advance		61,485	77,957
GST Payable		<u>16,673</u>	<u>18,164</u>
Total Current Liabilities		154,804	172,019
Working Capital		103,314	(18,943)
<b>Fixed Assets</b>			
Computer Hardware & Software	4	45,765	52,740
Furniture & Fittings	4	<u>15,293</u>	<u>14,771</u>
Total Fixed Assets	4	61,058	67,512
<b>Net Assets</b>		<b><u>\$164,372</u></b>	<b><u>\$48,569</u></b>
<i>Represented by:</i>			
<b>Equity</b>			
Accumulated Funds		163,342	47,547
Motu Endowment Fund		<u>1,030</u>	<u>1,023</u>
<b>Total Equity</b>		<b><u>\$164,372</u></b>	<b><u>\$48,569</u></b>

*On Behalf of the Board:*

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Director Date

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Trustee Date

**These financial statements should be read in conjunction with the attached notes.**

**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**Note 1: Statement of Accounting Policies**

Reporting Entity

Motu: Economic & Public Policy Research Trust is a charitable trust registered under the Charitable Trusts Act 1957. The financial statements have been prepared in accordance with the Financial Reporting Act 1993.

Measurement Base

The general accounting principles recommended by the Institute of Chartered Accountants of New Zealand for the measurement and reporting of profits and financial position on a historical cost basis have been followed.

**Specific Accounting Policies**

Fixed Assets

Fixed assets have been valued at cost less accumulated depreciation. Depreciation has been calculated on a diminishing value basis at the following rates:

Computer Hardware & Software	26% - 60% DV
Furniture & Fittings	11.4% - 60% DV

Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis, except for accounts receivable and accounts payable which include GST as applicable.

Accounts Receivable

Accounts receivable are stated at their net realisable value.

Taxation

Motu: Economic & Public Policy Research has charitable status and therefore has been granted an income tax exemption

Differential Reporting

Due to its size and lack of public accountability, Motu: Economic & Public Policy Research has qualified for Differential Reporting. They have applied all Differential Reporting exemptions.

Changes to Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those used in previous years.

**Note 2: Capital Commitments and Contingent Liabilities**

There are no capital commitments or contingent liabilities as at balance date. (2004: \$Nil).

**Note 3: Events Subsequent to Balance Date**

There are no events subsequent to balance date which require disclosure in the financial statements. (2004: \$Nil).

**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST  
NOTES TO THE FINANCIAL STATEMENTS continued  
FOR THE YEAR ENDED 30 JUNE 2005**

**Note 4: Fixed Assets**

	<b>Cost 2005</b>	<b>Acc Deprn 2005</b>	<b>Deprn 2005</b>	<b>Book Value 2005</b>
Computer Hardware & Software	147,345	101,579	30,128	45,765
Furniture & Fittings	<u>22,900</u>	<u>7,607</u>	<u>2,798</u>	<u>15,293</u>
<b>Total Fixed Assets</b>	<b><u>\$170,245</u></b>	<b><u>\$109,186</u></b>	<b><u>\$32,926</u></b>	<b><u>\$61,058</u></b>

	<b>Cost 2004</b>	<b>Acc Deprn 2004</b>	<b>Deprn 2004</b>	<b>Book Value 2004</b>
Computer Hardware & Software	131,556	78,816	33,661	52,740
Furniture & Fittings	<u>19,580</u>	<u>4,809</u>	<u>2,016</u>	<u>14,771</u>
<b>Total Fixed Assets</b>	<b><u>\$151,136</u></b>	<b><u>\$83,625</u></b>	<b><u>\$35,677</u></b>	<b><u>\$67,512</u></b>

**Note 5: Banking Arrangement**

The Trust has an overdraft limit of \$50,000 with ANZ National Bank Limited. The interest rate as at 30 June 2005 is 10.50%. This overdraft facility is secured by way of a guarantee limited to \$110,000 from Norman L Meehan.

The Trust has entered into four USD Forward Exchange Contracts. These contracts hedge the funds that the Trust will receive for the project titled 'Wealth and Health Effects of Migration' from the World Bank. As at 30 June 2005 the Forward Exchange Contracts totalled \$102,424.72NZD.

**Note 6: Lease Obligation**

The Trust leases premises at Level 1, 93 Cuba Street, Wellington.

	<b>2005</b>	<b>2004</b>
Within 1 Year	28,000	28,000
1-2 Years	16,333	28,000
2-5 Years	<u>-</u>	<u>16,333</u>
	<b><u>\$44,333</u></b>	<b><u>\$72,333</u></b>



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