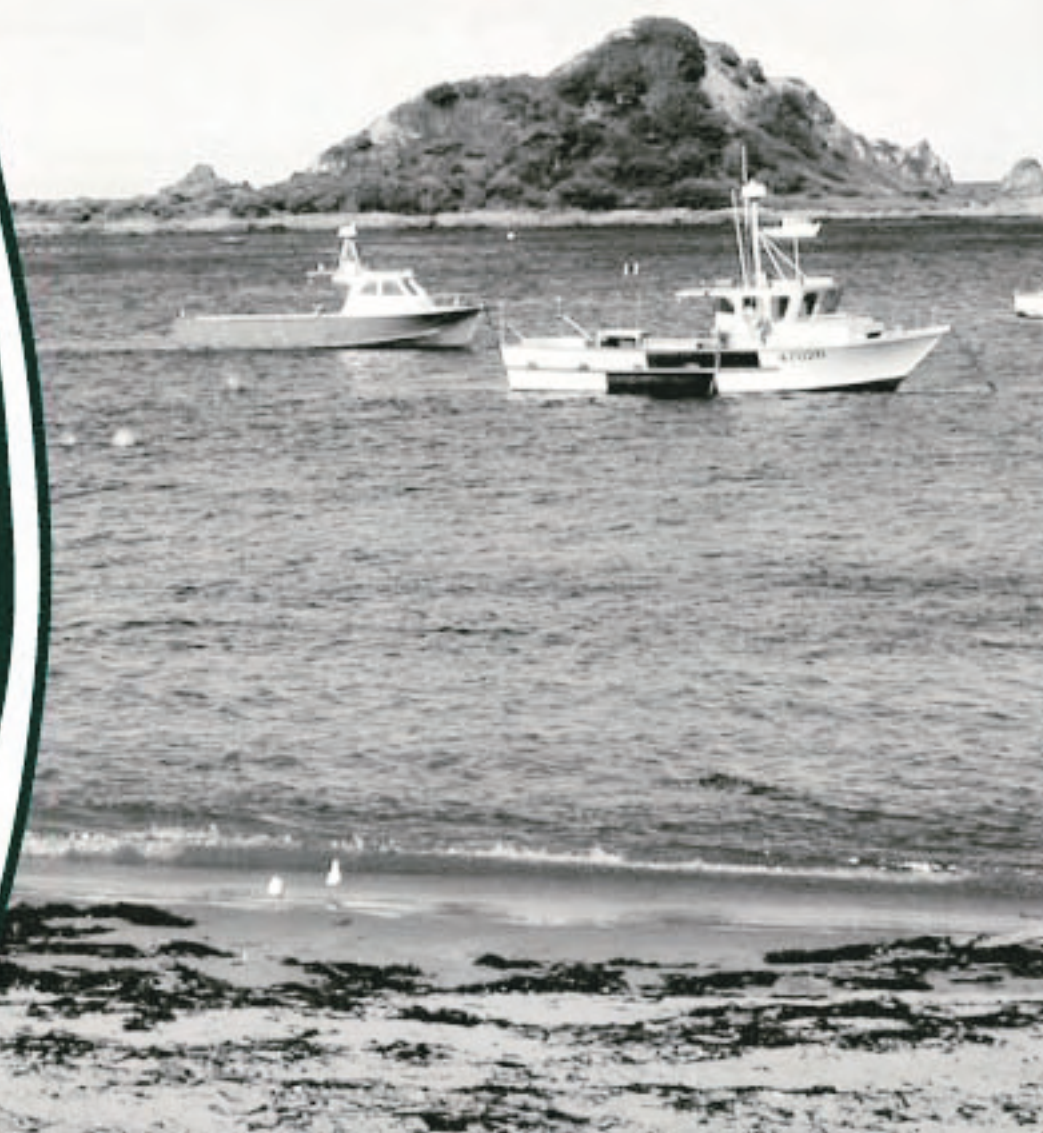




MOTU ECONOMIC AND PUBLIC POLICY RESEARCH

ANNUAL REPORT

July 2003 to June 2004



Chairman's Report

One measure of the health and vitality of an open democratic society is the extent of active debate about key policy issues. It is pleasing to note that we have such a debate in New Zealand. Of course, as is right and proper, there is free entry into the industry and that can only foster healthy competition in the market place for ideas.

The range of topics under review at any one time is both broad and subject to constant change. Of course there are golden oldies which seem to be with us forever, but there are new issues and challenges emerging all the time. We don't spend much time these days dealing with fixed exchange rates and agricultural subsidies, but we do focus on our global linkages, social adjustment and environmental concerns.

Motu has been careful not to try to cover the whole spectrum of issues and neither do we try to comment on every new issue that arises. At times one suspects that too much of the debate is driven by popular myth and entrenched positions. Rather we strongly believe that our comparative advantage is to bring rigorous analysis to selected issues and disseminate widely the findings.

In the last twelve months we have fostered rigour and dissemination, the hallmarks of Motu. We have grown our research capacity, hosted international visitors, involved our research affiliates and engaged with our international panel of advisors. As well as the extensive website, working papers, research updates, workshops and conference presentations the Motu Public Policy Seminars have established themselves as a leading forum for high quality work presented in an accessible way. The very strong attendances have been both gratifying and a signal of the demand for independent, rigorous analysis of major issues.

Under the strong leadership of the Director, Dr Suzi Kerr, Motu has a highly professional and dedicated staff drawn from the very best of New Zealand's economics profession. It is they who must be applauded for the successes of 2003-04. To my fellow trustees and to the widening circle of Motu stakeholders I extend my personal thanks for your support. The Board remains committed to upholding the high standards of research and outreach that has made this relatively young organisation a major element in the public policy arena.



Dr. Grant Scobie

Director's Report


Motu's major innovation this year was our public policy seminar series. We gave nine seminars to audiences from 50 – 120 on subjects as wide ranging as New Zealand house prices, climate change, water allocation in Australia, and the employment effects of earnings subsidies. Some of our speakers were international visitors who also met with policy makers, industry and non-governmental organisations; other talks showcased work by Motu researchers and affiliates.

Our two major Foundation for Research, Science and Technology programmes gained real momentum this year. In our 'Adjustment and Inequality' programme we are seeing interesting linkages between different strands of our own research, such as links between analysis of housing and labour markets. We are also forging strong connections with projects involving Treasury, the Ministry of Social Development, Statistics New Zealand and the Ministry for Economic Development so each individual piece of work becomes part of a larger emerging picture. We continue to strengthen our relationships with other research teams that address similar questions using different disciplinary approaches. These include the Centre for Research, Evaluation and Social Analysis, and the Migration Research Centre at the University of Waikato. These interactions bore fruit in a dynamic joint conference 'New Directions: New Settlers: New Challenges'.

Our 'Land use, Climate Change and Kyoto' programme has produced vital interchanges between economists and natural scientists, particularly with Landcare Research and the National Institute for Water and Atmosphere. Two research workshops with the full 'team' as well as international visitors and policy makers have created a buzz in the programme and uncovered the potential for a number of interesting new collaborations. We are now producing policy-relevant results that are receiving international attention from both the empirical model and the more qualitative research.

Overall it has been another productive year for Motu's research with around 33 publications, including 5 in refereed journals and books, and nearly 60 presentations that ensure a high level of both peer review and dissemination. We very much enjoyed the visits of Andrew Coleman (on sabbatical from the University of Michigan) and Richard Newell (visiting from Resources for the Future on an Ian Axford Fellowship). Steve Stillman (previously at the Department of Labour, RAND and the University of Washington) joined us in February as a senior fellow and now is a fully engaged member of Motu.

I am privileged to work with our excellent, highly motivated staff, our wise and helpful Board of Trustees and International Panel of Advisors and our stimulating Affiliates as well as our wider research and policy community. Onward to another challenging and productive year...



Dr. Suzi Kerr



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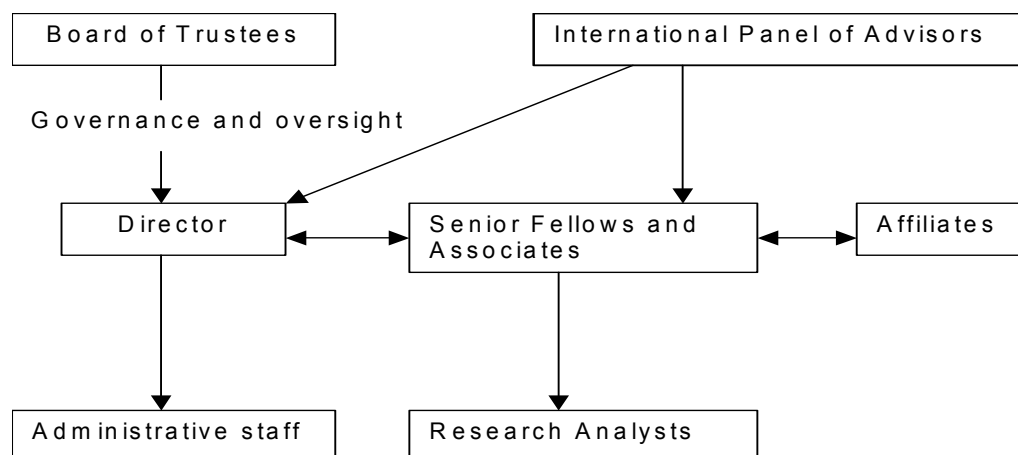
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Motu Purposes and Structure

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, 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 CHAIRMAN SINCE SEPTEMBER 2000

Grant received his undergraduate degree from Massey University in Palmerston North, and after completing a Master's degree in Australia, 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, he 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. He is currently Principal Advisor in Policy Coordination and Development in the New Zealand Treasury. He also serves as a Chairman of the Overseas Programmes Committee and is a National Board Member for Save the Children.



APRYLL PARATA MNZM TRUSTEE SINCE OCTOBER 2002

Apryll is 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 (1983) and within ten years had progressed from being a first-year assistant teacher in Maori 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 MNZM in the New Years Honours List for outstanding service and performance in education as the Principal of Ngata Memorial College. She currently heads the Education Practice area of Gardiner and Parata Limited.



DR STEVE THOMPSON
TRUSTEE SINCE OCTOBER 2002

Steve joined the Royal Society as Chief Executive in 2000. He has an academic background in agriculture, economics and business and extensive experience in science management. He has an Honours degree in Agricultural Science from the UK, a Master's degree in Economics from Canada and a PhD in Agriculture from the UK. He is also a graduate of Canada's National Defence College and the Queen's University Programme for Public Executives.



Motu 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. 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 NZ Policy" research project, also funded by FRST.



DAVID C. MARÉ SENIOR FELLOW

Dave completed his PhD in Economics at Harvard University in 1995. Prior to 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".



ARTHUR GRIMES
SENIOR RESEARCH ASSOCIATE

Prior to 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 is Currently Chair of the Board of the Reserve Bank. His academic background includes a BSocSc(Hons) Economics (Waikato), and an MSc(Distinction) and PhD from London School of Economics. 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. He has published papers on finance, banking, monetary, macroeconomic and economic reform topics in international academic journals, and contributed to many policy and practitioner journals.



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. Prior to joining Motu, Steve worked as a senior research economist at the New Zealand Department of Labour and previously was a post-doctoral fellow at the RAND Corporation. His 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.



International Panel of Advisors

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 programs 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*.



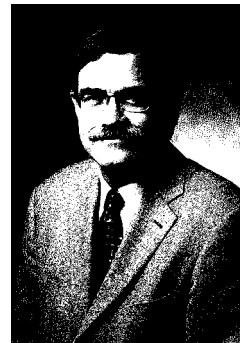
EDWARD GLAESER HARVARD UNIVERSITY

Edward is a Professor of Economics in the Faculty of Arts and sciences at Harvard University, where he has taught since 1992. He teaches urban and social economics and microeconomic theory. He 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 Ph.D. 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 and a Senior Fellow at the Stanford Institute for Economic Policy Research. His undergraduate degree is from Canterbury University. 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*.



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.



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—its Quality of the Environment division and its Center for Risk Management. He became Vice President in 1989 and was named President in 1995.



STEPHEN JENKINS
INSTITUTE FOR SOCIAL AND ECONOMIC
RESEARCH

Stephen is a Professor of Applied Economics at 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 Otago University.



Motu 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. Prior to taking up this position, he worked at the New Zealand Treasury and at the United Building Society. He has a PhD in Economics from Princeton University. During 2004 he took a six-month sabbatical at Motu.



JOHN GIBSON UNIVERSITY OF WAIKATO

John is a senior lecturer in the Department of Economics at the University of Waikato. He is a graduate of Lincoln University and holds a doctorate from Stanford University. 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 NZ Treasury.



VIV HALL VICTORIA UNIVERSITY

Viv is a Professor at Victoria University of Wellington and has held the Macarthy Chair of Economics at Victoria since July 1989. Prior to that, he was 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. He has a PhD from Princeton University. Prior to joining The Treasury, he was an Assistant Professor at UCLA, and has been a visiting research fellow in the Center for Labor Economics at UC Berkeley. His research interests are in labour markets and applied econometrics, and his recent papers include estimating the dynamic treatment effect of an earnings subsidy to long term welfare recipients, understanding recent changes in the distribution of 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.



SHOLEH MAANI UNIVERSITY OF AUCKLAND

Sholeh is an Associate Professor in the Economics Department at the University of Auckland. Prior to 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 in 1981-1982. 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. She has researched and published articles on unemployment duration, job search outcome, wage determination, compensation for hazardous risk and migration. Some recent publications include the economic performance of immigrants in Australia, and post-unemployment wages in New Zealand.



TIM MALONEY UNIVERSITY OF AUCKLAND

Tim is an Associate Professor in the Economics Department at the University of Auckland. Prior to 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 THE NATIONAL BANK

John has been the Chief Economist at The National Bank of New Zealand Ltd since August 2001. Prior to joining the bank, John spent three years at the Reserve Bank of New Zealand as the Manager, Forecasting and also 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 Indonesia during the Asian crisis of 1997-98. 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 Fellow in the Energy and Natural Resources Division at Resources for the Future. He has been on the Resources for the Future staff 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. His methodological approaches include econometric analysis, modeling, simulation, and cost-benefit analysis.



JAMES SANCHIRICO RESOURCES FOR THE FUTURE

James is a Fellow in the Quality of the Environment Division at Resources for the Future. 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. His 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 modeling, environmental policy, and land management; his methodological approaches include econometric analysis, spatial and intertemporal modeling, and simulation analysis.



Motu Achievements

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

RESEARCH AND RESEARCH DISSEMINATION

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

Labour/social policy analysis

Main projects

Research programme - adjustment and inequality

The Adjustment and Inequality programme is designed to greatly expand general understanding of the determinants and dynamics of socio-economic outcomes. We both undertake high quality research on specific topics, and enhance the value of existing research efforts through active promotion of coordination, communication, and research infrastructure development activities.

The programme has two main research foci: first, understanding the adjustment of geographic communities to social and economic change, with an emphasis on labour and housing markets; and second, identifying the determinants of unequal opportunities and outcomes and understanding their evolution and underlying causes.

This programme provides the main focus for our work on local labour markets, firm dynamics, and income inequality, described below. Publications for this research programme are listed under the relevant sub-headings. The Housing and Economic Adjustment project listed under the macroeconomics section also relates to this programme, and is partially funded by the Adjustment and Inequality FRST grant. The work on Insolvency and Economic Development and on Land Taxes and Revenue Needs, listed under the macroeconomics section, also relate to this programme.

Researchers:

Motu: David Maré, Suzi Kerr, Steve Stillman, Arthur Grimes, Jason Timmins, Andrew Aitken, and Isabelle Sin

Sylvia Dixon

University of Auckland: Tim Maloney, Sholeh Maani, Rhema Vaithianathan

New Zealand Institute of Economic Research: Ralph Lattimore

Funders:

FRST

Local labour markets

This year we have extended our previous work on the way that local labour markets adjust. We have examined the determinants of migration flows within New Zealand, factoring in the influence of labour markets, housing markets, and differences in local populations. Employment growth is the single most important factor that we identified. Furthermore, migration is the primary form of adjustment to local employment changes. We have also begun to analyse patterns of migration for Māori.

Researchers:

Motu: David Maré and Jason Timmins

Funders:

FRST (as part of the Adjustment and Inequality programme)

New Zealand Treasury

Firm dynamics

We have continued the analysis of job creation and destruction using the business demography database maintained by Statistics New Zealand. In the 2003/04 year, we are focusing in particular on how and why these patterns differ across areas within New Zealand. We have also been working with the Ministry of Economic Development to examine where firms choose to locate within New Zealand, and how these choices matter for firm performance, and providing assistance to the New Zealand Treasury in their work on understanding firm dynamics.

Researchers:

Motu: David Maré and Jason Timmins

Funders:

FRST (as part of the Adjustment and Inequality programme)

Ministry of Economic Development

New Zealand Treasury

Business practices and economic outcomes

Arthur Grimes has worked with Richard Fabling of the Ministry of Economic Development to examine the effect of business practices on firm level outcomes. The research, currently summarised in a series of internal Ministry of Economic Development (MED) papers, analyses data taken from the 2001 *Business Practices Survey* conducted by Statistics New Zealand and MED. Practices relating to innovative activities (e.g. internally conducted R&D) and employee practices (e.g. performance pay) appear to have causal as well as associative impacts on firm success.

Researchers:

Motu: Arthur Grimes

Ministry of Economic Development: Richard Fabling

Funders:

Ministry of Economic Development

Income distribution

This project examines changes in the distribution of income in New Zealand. This year, we have begun to look specifically at changes in the distribution of income for Maori. We also completed a study examining the link between incomes, qualifications, and employment growth.

Researchers:

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

Treasury: Dean Hyslop

Funders:

FRST (as part of the Adjustment and Inequality programme)

Scoping bi-directional impacts of economic, social & environmental changes and the New Zealand housing market

This project identifies a set of inter-related housing research projects addressing the economic, social and environmental impacts of the New Zealand housing market, and addressing changing housing need in New Zealand's non-metropolitan regions. The research examines the two-way interactions between housing and the broader economy, society and environment. The project purpose is to create a set of research questions informing CHRANZ's strategic research agenda, relevant to matters of policy concern. We identify relevant policy issues through analysis of international and domestic research and policy documents, and through in-depth interviews with people involved in the housing sector in New Zealand. We then establish a factual base to work from, extending existing knowledge by examining key inter-relationships between housing and social, economic and environmental factors - especially at local level and across diverse population groups. The existing and extended knowledge-base is mapped against the initial policy questions in order to draw up a prioritised set of research questions which can fill knowledge gaps and inform policy over the next five to ten years.

Researchers:

Motu: Arthur Grimes, Andrew Aitken and Suzi Kerr

Funder:

Centre for Housing Research Aotearoa New Zealand (CHRANZ)

Publications and presentations

In the 2003/04 year Motu's labour/social policy analysis research area produced research on 12 research topics. More than 22 presentations were given on the findings of this research, and as of June 2004, 8 papers had been published. Many publications are available online at www.motu.org.nz.

Research	Presentation	Publication
Adjustment and Inequality		
Timmins, Jason and Maré, David C. "Geographic Communities in New Zealand"	<p>Jason Timmins presented at 'New Directions: New Settlers: New Challenges' Conference, Wellington, April 2004.</p> <p>Jason Timmins presented at Motu Research Workshop, Wellington, April 2004.</p> <p>Jason Timmins presented at New Zealand Association of Economists Conference, Wellington, June 2004.</p>	Timmins, Jason. & Maré, David 2004. "Geographic Communities in New Zealand" New Zealand Association of Economists Conference Paper, Wellington, June 2004.
Lattimore, Ralph. "Long Run Trends in New Zealand Industry Assistance"		Lattimore, Ralph. 2003. "Long Run Trends in New Zealand Industry Assistance", Motu Working Paper 03-11, Motu Economic and Public Policy Research, Wellington.
Local labour markets		
Maré, David C. and Jason Timmins. "Internal Migration and Regional Labour Markets in New Zealand."	<p>David Maré presented at Population Association of New Zealand Conference, Christchurch, July 2003</p> <p>David Maré presented at at 'New Directions: New Settlers: New Challenges' Conference, Wellington, April 2004.</p> <p>David Maré presented at Motu Research workshop, Wellington, April 2004</p> <p>David Maré presented at New Zealand Association of Economists Conference, Wellington, July 2004</p>	Maré, David & Timmins, Jason. 2004. "Internal Migration and Regional Labour Markets In New Zealand" New Zealand Association of Economists Conference Paper, Wellington, June 2004.
Maré, David C. and Isabelle Sin. "Internal Migration of Māori"	<p>Isabelle Sin presented at 'New Directions: New Settlers: New Challenges' Conference, Wellington, April 2004.</p> <p>Isabelle Sin presented at Motu Research workshop, Wellington, April 2004</p>	

Firm dynamics and business practices and economic outcomes		
Maré, David C. and Jason Timmins "Local Job Flows"	Jason Timmins presented at at New Settlers, New Directions, New Challenges Seminar, Wellington, April 2004. Jason Timmins presented at Motu Research Workshop, Wellington, April 2004.	
Maré, David C. and Jason Timmins "Concentration and Agglomeration of New Zealand Firms"	David Maré presented at Motu Research Workshop, Wellington, April 2004. David Maré presented at Ministry of Economic Development, Wellington, April 2004.	
Mills, Duncan and Jason Timmins "Firm Dynamics in New Zealand: Comparative Analysis with OECD Countries"		
Grimes, Arthur & Richard Fabling. "Business Practices & Economic Outcomes"	Presentations of the material have been given to Treasury and MED seminars, and a methodological presentation was given to the NZ Econometric Study Group.	Richard Fabling & Arthur Grimes 2003. "Business Practices: Are They a Good Cause?", paper presented to New Zealand Econometric Study Group, Wellington, October
Income Distribution		
Hyslop, Dean R. and David C. Maré. "Changes in NZ Income distribution"		Hyslop, Dean R. and David C. Maré. 2003. "Understanding New Zealand's Changing Income Distribution 1983-98:A Semiparametric Analysis", Motu Working Paper 03-16, Motu Economic and Public Policy Research, Wellington.
Dixon, Sylvia and Maré, David C. "Changes in the distribution of Māori incomes 1997-2003"	Sylvia Dixon presented at 'New Directions: New Settlers: New Challenges' Conference, Wellington, April 2004. Sylvia Dixon presented at Motu Research Workshop, Wellington, April 2004. Sylvia Dixon presented at New Zealand Association of Economists Conference, Wellington, June 2004.	Dixon, Sylvia & Maré, David 2004. "Understanding changes in distribution of Maori incomes 1991-2003" New Zealand Association of Economists Conference Paper, Wellington, June 2004.
Sin, Isabelle and Maré, David C. "Iwi outcomes research"		Sin, Isabelle and David C. Maré "Māori Incomes: Investigating differences between Iwi" Motu Working Paper 04-06, Motu Economic and Public Policy Research, Wellington.
Hyslop, Dean, David C. Maré and Jason Timmins. "Qualifications, Employment and the Value of Human Capital, 1986-2001"	Jason Timmins presented at the Population Association of New Zealand Conference, Christchurch, 3-4 July 2003.	Hyslop, Dean, Dave Maré and Jason Timmins. 2003. "Qualifications, Employment and the Value of Human Capital, 1986-2001", Treasury Working Paper 03/35, New Zealand Treasury.

General presentations and conference, workshop and seminar involvement

Motu jointly hosted the 'New Directions: New Settlers: New Challenges' Conference, Wellington, April 2004, in collaboration with the University of Waikato, Massey University, and Centre for Research Evaluation and Social Analysis (CRESA).

Suzi Kerr "Understanding Adjustment and Inequality" 'New Directions: New Settlers: New Challenges' Conference 19-21 April, 2004, Wellington

David Maré "Location as a Moving Target" presented at Motu Public Policy Seminar, Wellington, June 2004.

David Maré was a discussant at the 6th Labour Econometrics Workshop, Melbourne, August 2003.

Environmental regulation

Main projects

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 and 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 objectives. The first is to build an integrated socio-economic/natural-science land-use model. This empirically-based integrated model of the human and physical drivers and environmental effects of land use change allows us to simulate the dynamics of land use change in New Zealand in a broad way across space and through time. The second objective is to provide advice to the government on the design of domestic policies relating to land use to address climate change and meet New Zealand's Kyoto commitments. In response to government's need to have credible policy in place by 2005 and for 2008 – 2012 and beyond, we are using the integrated model, theoretical analysis, international experience and practical design experience to design policy options and assess the tradeoffs between environmental, economic and distributional objectives.

Researchers:

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

Research partner: Landcare Research.

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

Funders:

FRST

Lincoln Institute of Land Policy, Cambridge, Massachusetts, U.S.A.

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

This international collaborative research project examines the causes of deforestation in Costa Rica and synthesises evidence on the carbon content of these forests. Motu has modelled this information to create a carbon supply curve and through sensitivity analysis has investigated the importance of different aspects of accuracy in the measurement of carbon credits. Another dimension to this research investigates tropical deforestation and poverty, and their potential interaction with a market for carbon.

Researchers:

Motu: Suzi Kerr, Joanna Hendy and 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 and Boone Kauffman

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

Funders:

Food and Agriculture Organisation of the United Nations

National Center for Ecological Analysis and Synthesis

Climate policy

As well as the land use related work discussed above, our climate policy work this year has focused on the role and short-comings of project-based mechanisms at the domestic and international level.

Researchers:

Motu: Suzi Kerr

Centre for Clean Air Policy: Catherine Leining

Funders:

Motu

Centre for Clean Air Policy

Fisheries management

Motu and Resources for the Future (Washington, DC) are jointly undertaking economic and policy research on fisheries management in New Zealand. We are examining the role and effectiveness of market-based instruments, in particular the ITQ system as a fisheries management tool. The objective of this research project is to assess the efficiency of the New Zealand market and identify possible sources of inefficiency by studying quota price formation and market operation.

Researchers:

Motu: Suzi Kerr, Joanna Hendy, Kerry Papps (Cornell University), Andrew Aitken

Resources for the Future: Richard Newell and Jim Sanchirico

Funders:

Ministry of Fisheries

Resources for the Future

Organisation for Economic Cooperation and Development

Migration and the environment in the Galapagos

This project analyses the economic and policy incentives driving migration trends in the Galapagos Islands, and the potential impacts on the environment and social implications derived from associated population increases or decreases.

Researchers:

Motu: Suzi Kerr and Joanna Hendy

Ecolap (Ecuador): Susana Cardenas

Funders:

World Wildlife Fund (WWF)

Publications and presentations

In the 2003/04 year Motu's environmental regulation research area produced research on 21 topics. More than 29 presentations were given on the findings of this research, and as of June 2004, 14 papers had been published, including 3 refereed journal articles and 2 book chapters. Many publications are available online at www.motu.org.nz.

Research	Presentations	Publications
Land Use, Climate Change and Kyoto: Human dimensions research to guide New Zealand policy		
Land use and climate change	<p>Suzi Kerr presented at the National Bureau of Economic Research Summer Institute 'Environmental Economics and Policy Workshop, Cambridge, Massachusetts, July 2003, presentation titled "Sheep, Cows and Forests: New Zealand Land Use and Global Climate Change".</p> <p>Suzi Kerr gave an Invited Plenary presentation at the Australian Association of Agricultural and Resource Economics Meeting, Melbourne, February 2004, presentation titled "Land Use, Climate Change and Tradeable Permit Markets".</p> <p>Joanna Hendy presented at the Workshop on the Science of Atmospheric Trace Gases, Wellington, March 2004, presentation titled "Integrating Economics and Science for Effective Climate Change Policy: Motu's Land Use, Climate Change and Kyoto Programme".</p> <p>Suzi Kerr presented at the Foundation for Research, Science and Technology, Foundations for Success symposium, Wellington, May 2004, presentation titled "Land Use and Climate Change: Integrated modelling of the human dimensions"</p>	
Kerr, Suzi and Joanna Hendy "Drivers of rural land use in New Zealand: Estimates from National Data"	<p>Suzi Kerr presented at Lincoln University and Canterbury University, May 2004.</p> <p>Joanna Hendy presented at the New Zealand Association of Economists Conference, Wellington, June 2004.</p> <p>Joanna Hendy presented at the New Zealand Agricultural and Resource Economics Society Conference, Blenheim, June 2004.</p>	

<p>Hendy, Joanna and Suzi Kerr. "Spatial Simulations of Rural Land-Use Change in New Zealand: The Land Use in Rural New Zealand (LURNZ) Model"</p>	<p>Various presentations at two Motu Land Use, Climate Change and Kyoto research workshops, Nelson, December 2003; and Wellington, May 2004.</p> <p>Joanna Hendy presented at the New Zealand Association of Economists Conference, Wellington, June 2004.</p> <p>Joanna Hendy presented at the New Zealand Agricultural and Resource Economics Society Conference, Blenheim, July 2003.</p>	
<p>Stillman, Steven; Suzi Kerr and Emma Brunton, "Explaining Variation in Rural Land Values"</p>	<p>Steven Stillman presented at the Motu Land Use, Climate Change and Kyoto research workshop, Wellington, May 2004.</p> <p>Steven Stillman presented at the New Zealand Association of Economists Conference, Wellington, June 2004.</p>	
<p>Kerr, Suzi. "Efficient Contracts For Carbon Credits From Reforestation Projects."</p>		<p>Kerr, Suzi. 2004. "Efficient Contracts for Carbon Credits from Reforestation Projects" New Zealand Science Review 61(1) 2004.</p> <p>Kerr, Suzi. 2003. "Efficient Contracts for Carbon Credits from Reforestation Projects", Motu Working Paper 03-12, Motu Economic and Public Policy Research, Wellington.</p>
<p>Kerr, Suzi , Garth Harmsworth and Emma Brunton. "Indigenous Forests and Forest Sink Policy in New Zealand."</p>	<p>Emma Brunton presented the work of Garth Harmsworth (Landcare Research) at the Workshop on the Science of Atmospheric Trace Gases, Wellington, March 2004.</p>	<p>Kerr, Suzi. 2003. "Indigenous Forests and Forest Sink Policy in New Zealand", Motu Working Paper 03-15, Motu Economic and Public Policy Research, Wellington.</p>
<p>Kerr, Suzi, Ralph Chapman and Emma Brunton. "Policy to Encourage Carbon Sequestration in Plantation Forests."</p>	<p>Emma Brunton presented at the Motu Land Use, Climate Change and Kyoto research workshop, Nelson, December 2003.</p>	<p>Kerr, Suzi, Emma Brunton and Ralph Chapman. 2004. "Policy to Encourage Carbon Sequestration in Plantation Forests", Motu Working Paper 04-05, Motu Economic and Public Policy Research, Wellington.</p>
<p>Kerr, Suzi and Emma Brunton, "Forest and Land Ownership; Credit and liability in New Zealand plantation forests".</p>	<p>Suzi Kerr and Emma Brunton presented at the Motu Land Use, Climate Change and Kyoto research workshop, Nelson, December 2003.</p> <p>Suzi Kerr presented at the New Zealand Association of Economists Conference, Wellington, June 2004.</p>	
<p>Kerr, Suzi, Emma Brunton, Isabelle Sin and Joanna Hendy, "The Likely Social Impacts of a Methane Policy In New Zealand"</p>	<p>Emma Brunton presented at the New Zealand Association of Economists Conference, Wellington, June 2004.</p>	

Land-use Change in Costa Rica—greenhouse gas sinks and carbon sequestration		
Kerr, Suzi, Shuguang Liu, Alexander Pfaff and R. Flint Hughes. "Carbon Dynamics And Land-use Choices: Building A Regional-Scale Multidisciplinary Model."	Suzi Kerr presented at the National Center for Ecological Analysis and Synthesis, Santa Barbara, California, August 2003.	Kerr, Suzi, Shuguang Liu, Alex Pfaff and R. Flint Hughes. 2003. "Carbon dynamics and land-use choices: building a regional-scale multidisciplinary model", Journal of Environmental Management Volume 69, Issue 1, pp. 25-37.
Pfaff, Alexander, Leslie Lipper, Romina Cavatassi, Suzi Kerr and Joanna Hendy. "Poverty, Location and Deforestation: Evidence from Costa Rica."	Joanna Hendy presented at the New Zealand Agricultural and Resource Economics Society Conference, Blenheim, July 2003.	
Lipper, Leslie, Romina Cavatassi, Suzi Kerr, Joanna Hendy and Alexander Pfaff. "Harvesting Carbon Sequestration Through Land Use Change: A Way Out of Rural Poverty?"	Joanna Hendy presented at the International Association of Agricultural Economists, Durban, South Africa, August 2003.	
Kerr, Suzi, Joanna Hendy, Shuguang Liu, and Alexander S.P. Pfaff. "Tropical Forest Protection, Uncertainty, and the Environmental Integrity of Carbon Mitigation Policies"	Suzi Kerr presented at the New Zealand Association of Economists Conference, Wellington, June 2004.	Kerr, Suzi; Joanna Hendy, Shuguang Liu, and Alexander S.P. Pfaff 2004. "Tropical Forest Protection, Uncertainty, and the Environmental Integrity of Carbon Mitigation Policies", Motu Working Paper 04-03, Motu Economic and Public Policy Research, Wellington.
Climate policy		
Kerr, Suzi and Catherine Leining. "Joint Implementation in Climate Change Policy"	Suzi Kerr presented at the New Zealand Agricultural and Resource Economics Society Conference, Blenheim, July 2003.	Kerr, Suzi and Catherine Leining. 2004. "Joint implementation in climate change policy" in Tom Tietenberg and Henk Folmer eds. The International Yearbook of Environmental and Resource Economics 2003/04.
	Kerr, Suzi presented at the Energy Federation of New Zealand Conference on Climate Change Projects, Wellington, August 2003, presentation titled "Projects for Learning".	

Fisheries management		
Straker, Gina, Suzi Kerr and Joanna Hendy. "A Regulatory History of New Zealand's Quota Management System."	Suzi Kerr presented at the New Zealand Agricultural and Resource Economics Society Conference, Blenheim, July 2003.	
Newell, Richard G., James N. Sanchirico and Suzi Kerr. "Fishing Quota Markets."	Suzi Kerr presented at the New Zealand Agricultural and Resource Economics Society Conference, Blenheim, July 2003. Kerr, Suzi presented at Waikato University Economics Department, September 2003.	Kerr, Suzi, Richard G. Newell, and James N. Sanchirico . 2004. "Evaluating the New Zealand Individual Transferable Quota Market for Fisheries Management" in Tradeable permits: policy evaluation, design and reform ed. OECD, Paris, France.
Hendy, Joanna and Suzi Kerr. "How do Catch Patterns Respond to Changes in International Prices For Different Species?"	Joanna Hendy presented at the New Zealand Agricultural and Resource Economics Society Conference, Blenheim, July 2003.	Hendy, Joanna and Suzi Kerr. 2003. "How do catch patterns respond to changes in international prices for different species?" Report to the Ministry of Fisheries.
Papps, Kerry L. and Suzi Kerr. "What Do Quotas Have To Do With The Price of Fish? Investigating The Relationship Between Sale And Lease Prices in The Market For Fish Quotas."	Kerry Papps presented at the New Zealand Agricultural and Resource Economics Society Conference, Blenheim, July 2003.	Papps, Kerry L. and Suzi Kerr. 2003. "What Do Quotas Have To Do With The Price of Fish? Investigating The Relationship Between Sale And Lease Prices in The Market For Fish Quotas" Report to the Ministry of Fisheries
Kerr, Suzi and Andrew Aitken. "The Effects of Bycatch Relationships on Quota Prices."	Andrew Aitken presented at the New Zealand Agricultural and Resource Economics Society Conference, Blenheim, July 2003.	Kerr, Suzi and Andrew Aitken. 2003. "The Effects of Bycatch Relationships on Quota Prices" Report to the Ministry of Fisheries.
Migration and the Environment in the Galapagos		
Kerr, Suzi, Susana Cardenas and Joanna Hendy. "Migration, Fisheries and the Environment in the Galapagos."		Kerr, Suzi, Susana Cardenas and Joanna Hendy. 2003. "Migration and the Environment in the Galapagos: An Analysis of Economic and Policy Incentives Driving Migration, Potential Impacts from Migration Control, and Potential Policies to Reduce Migration Pressure", Motu Working Paper 03-17, Motu Economic and Public Policy Research, Wellington. Spanish Version "Migración y Ambiente en las Islas Galápagos" published by the World Wildlife Fund, 2003
Other		
Kerr, Suzi and Richard G. Newell. "Policy-Induced Technology Adoption: Evidence From the U.S Lead Phasedown."		Kerr, Suzi and Richard G. Newell. 2003. "Policy-Induced Technology Adoption: Evidence from the U.S Lead Phasedown" Journal of Industrial Economics. Vol. LI, No. 3.

Macroeconomics

Main projects

Is New Zealand an economic state of Australasia?

The New Zealand and Australian economies have become increasingly linked since adoption of the NAFTA and CER trade agreements. In the financial field, there is debate over whether to merge the two countries' sharemarkets and/or adopt a single currency. Optimal financial arrangements are related to underlying economic relationships. For example, in the European Union, as economic links increased, member countries adopted common financial arrangements, including the Euro. If trends and fluctuations across the trans-Tasman economies exhibit similar characteristics, unified financial arrangements 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 financial arrangements. 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 financial linkages. This study makes relevant comparisons using labour market and other 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.

Work to date has concentrated principally on using labour market data (both aggregate and disaggregated across 9 industrial sectors) to investigate cyclical and trend developments across states.

Researchers:

Motu: Arthur Grimes and Andrew Aitken

Funders:

Marsden Fund; awarded by the Royal Society of New Zealand

Housing and economic adjustment

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 Quotable Value New Zealand (QVNZ)-sourced database for house prices and house sales, and a range of explanatory variables constructed consistently across territorial local authority (TLA) and regional council (RC) levels. One paper analyses the dynamic efficiency of the New Zealand housing market in response to economic events. Another paper emphasises the impacts of exogenous shocks (e.g. commodity price shocks relevant to each TLA) on local house prices. The results are relevant to issues of social policy, labour market policy, housing policy and, in circumstances of "housing bubbles", to monetary policy. This research also relates to the Adjustment and Inequality programme listed in the Labour/Social Policy section.

Researchers:

Motu: Arthur Grimes, Andrew Aitken and Suzi Kerr

Funders:

Centre for Housing Research Aotearoa New Zealand (CHRANZ), FRST, Lincoln Institute of Land Policy

Economic growth

Our work on the role of education in economic growth has this year been focused on making relevant knowledge-based theories of economic growth more accessible to a non-specialist audience. We prepared papers and gave presentations for the New Zealand Treasury and the Ministry of Economic Development. Arthur Grimes has worked with Richard Fabling of the Ministry of Economic Development in examining the determinants of personal and company insolvencies at a regional level within New Zealand. The work also examines the impact of insolvencies on regional economic outcomes, through estimation of a vector error correction (VEC) model.

Researchers:

Motu: David Maré and Arthur Grimes

Ministry of Economic Development: Richard Fabling

Funders:

FRST (as part of the Adjustment and Inequality programme)

New Zealand Treasury

Ministry of Economic Development

Land taxes and revenue needs as communities grow and decline: Evidence from New Zealand

New Zealand is unusual in that nearly 60% of local services are funded from property taxes. We explore the efficiency and equity of this system at both national and local levels. We find that the national property tax base is large relative to spending needs but that the variance in per capita tax bases across territorial local authorities is probably greater than is efficient or equitable. We find that land taxes are more progressive than capital value taxes. Our research also addresses local authorities' ability to provide services as their property tax base changes as a result of external economic shocks. We consider the occurrence of and responses to "fiscal stress" in a system of local government that is heavily dependent on property taxation. We provide some examples of the wide range of actual responses by local councils faced with similar population changes. Finally, we offer some tentative conclusions and implications both for New Zealand local public finance and for the use of property taxes, and particularly land taxes, more broadly.

Researchers:

Motu: Arthur Grimes, Suzi Kerr and Jason Timmins

Funders:

Lincoln Institute of Land Policy, Cambridge, Massachusetts, U.S.A.

Publications and presentations

In the 2003/04 year Motu's macroeconomic research area produced research on 8 research topics. As of June 2004, 8 presentations and 11 publications had resulted from this research. Many publications are available online at www.motu.org.nz.

Research	Presentations	Publications
Is New Zealand an Economic State of Australasia?		
Grimes, Arthur and Andrew Aitken "Is New Zealand an Economic State of Australasia"		Nils Björksten, Arthur Grimes, Özer Karagedikli, Christopher Plantier 2003 "What Can the Taylor Rule Tell Us About a Currency Union Between New Zealand and Australia?", Reserve Bank of New Zealand Discussion Paper DP2004/05
Other work on economic integration		Hall, Viv and Angela Huang. 2003. "Would Adopting the US Dollar Have Led To Improved Inflation, Output and Trade Balances for New Zealand in the 1990s?", Motu Working Paper 03-14, Motu Economic and Public Policy Research, Wellington.
Housing and Economic Adjustment		
Grimes, Arthur, Suzi Kerr and Andrew Aitken. "Housing and Economic Adjustment."	<p>Arthur Grimes presented "What Drives the Housing Market in New Zealand?" Motu Public Policy Seminar Series, October, 2003</p> <p>Arthur Grimes presented "Regional House Prices: Effects of Policy & Economic Adjustment?" Massey University seminar, Palmerston North, 2003</p> <p>Arthur Grimes, Andrew Aitken & Suzi Kerr 2004. "House Price Efficiency: Expectations, Sales, Symmetry" paper presented to Western Economic Association International conference, Vancouver, June/July</p> <p>Arthur Grimes, Andrew Aitken & Suzi Kerr 2004. "What's the Beef with House Prices? Economic Shocks and Local Housing Markets", paper presented to New Zealand Association of Economists conference, Wellington, June.</p>	<p>Grimes, Arthur, Suzi Kerr and Andrew Aitken. 2003. "Housing and Economic Adjustment", Motu Working Paper 03-09, Motu Economic and Public Policy Research, Wellington.</p> <p>Arthur Grimes, Suzi Kerr & Andrew Aitken 2003. "House Prices and Regional Adjustment", <i>New Zealand Geographical Society 22nd Conference Proceedings</i>, 238-241</p> <p>Grimes, Arthur, Andrew Aitken and Suzi Kerr. 2004. "House Price Efficiency: Expectations, Sales, Symmetry", Motu Working Paper 04-02, Motu Economic and Public Policy Research, Wellington.</p>

Economic Growth		
Maré, David C "Approaches to modelling the link between growth and knowledge".	David Maré presented at New Zealand Treasury Development, Wellington, March 2004 David Maré presented at Ministry of Economic Development, Wellington, March 2004	Maré, David C. 2003. "Ideas for Growth?", Motu Working Paper 03-19, Motu Economic and Public Policy Research, Wellington. Maré, David C. 2004. "What Do Endogenous Growth Models Contribute?", Motu Working Paper 04-04, Motu Economic and Public Policy Research, Wellington.
Grimes, Arthur. "Economic Growth and the Size & Structure of Government"		Grimes, Arthur. 2003. "Economic Growth and the Size & Structure of Government: Implications for New Zealand", Motu Working Paper 03-10, Motu Economic and Public Policy Research, Wellington.
Grimes, Arthur and Richard Fabling. "Insolvency and Economic Development"		Fabling, Richard and Arthur Grimes. 2003. "Insolvency and Economic Development: Regional Variation and Adjustment", Motu Working Paper 03-18, Motu Economic and Public Policy Research, Wellington.
Land taxes and revenue needs as communities grow and decline: Evidence from New Zealand		
Kerr, Suzi, Andrew Aitken and Arthur Grimes. "Land Taxes and Revenue Needs as Communities Grow and Decline: Evidence from New Zealand".	Suzi Kerr presented "Land Taxes and Revenue Needs as Communities Grow and Decline: Evidence from New Zealand" David C. Lincoln Fellowships in Land Value Taxation Annual Symposium, Lincoln Institute for Land Policy, Cambridge, MA. October 2003. Suzi Kerr presented "Rates Revolt: Local Government Roles and Financing" Motu Public Policy Seminar Series, November, 2003.	Kerr, Suzi, Andrew Aitken and Arthur Grimes. 2004. "Land Taxes and Revenue Needs as Communities Grow and Decline: Evidence from New Zealand", Motu Working Paper 04-01, Motu Economic and Public Policy Research, Wellington.
Other macroeconomic issues		
		Iris Claus & Arthur Grimes (2003) "Asymmetric Information, Financial Intermediation & the Monetary Transmission Mechanism: A Critical Review", New Zealand Treasury Working Paper 03/19, September, available on Treasury website: www.treasury.govt.nz/workingpapers/2003/twp03-19.pdf

BUILDING CAPACITY FOR NEW ZEALAND ECONOMIC AND PUBLIC POLICY RESEARCH

Teaching

Arthur Grimes supervises two PhD students in the School of Management Studies at the University of Waikato. He supervises one PhD student at Victoria University of Wellington where he also taught part of MOFI 202 (Undergraduate Money and Banking).

Suzi Kerr taught part of the graduate course on public economics at Victoria University.

Jason Timmins gave a guest lecture for a third-year GIS paper, "Population Data and GIS," at Victoria University of Wellington, 18 August 2003.

University affiliations

Motu continues to strengthen its working relationships with Victoria University School of Government and the University of Waikato. Arthur Grimes is an Adjunct Professor of Economics in the School of Management Studies at University of Waikato. Steve Stillman is an affiliated Research Fellow at the Institute for the Study of Labor (IZA), Bonn, Germany and the William Davidson Institute, University of Michigan.

Student internships

Jasmine Lawrence worked as an intern over the 2003/04 summer period. She has completed a Bachelor of Commerce at Waikato University and is now working for the National Bank.

Datasets

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. For information on our data sets see www.motu.org.nz/dataset.htm.

Motu continued to make the following datasets available for research:

- Community facilities database
- Exogenous shocks dataset
- Land-use change database
- Local public finance dataset
- Migration and the environment in the Galapagos dataset
- Quotable Value New Zealand dataset

Motu enhanced and developed the following datasets:

Land-use change database

Motu is currently compiling a database as part of our "Land Use, Climate Change and Kyoto: Human Dimensions Research to Guide New Zealand Policy" programme. Our aim is to build an empirically-based economic model of land use change. In order to build this model we are collecting data on land cover/use, economic returns from major land uses, environmental characteristics and land governance.

- National level land use and commodity prices

In 2004 we have compiled a national level rural land use and commodity prices database. These data and their documentation are available to download.

- GIS data: meshblock amenities and land use

This database contains point-in-time information on local amenities including distances to various important places (for example, ports, towns, airports, beaches), weather, land capabilities, and land use at the census meshblock level.

distance measures are calculated using the Land Information New Zealand (LINZ) New Zealand Geographic Place-Names Database;

weather measures use 30 years of historical data from 1971-2000;

land capability uses the land use capability assessment layer in the New Zealand Land Resource Inventory (NZLRI) spatial database;

land use comes from the 1996 Land Cover Database (LCDB1).

Contributions to Official Statistics

David Maré participated in Statistics New Zealand consultation on the development of Confidentialised Unit Record Files (CURFs); content for the 2006 Census; and redevelopment of the Household Economic Survey (HES).

David Maré gave a presentation on User Needs for Census Outputs to a Statistics New Zealand workshop, March 2004.

Arthur Grimes is a member of Statistics New Zealand's Advisory Committee on Economic Statistics and of the Statistics New Zealand Housing Statistics User Group.

Steven Stillman participated in Statistics New Zealand consultation on the development of Confidentialised Unit Record Files (CURFs).

Research networking

Arthur Grimes was Chair of SPEAR (Social Policy Evaluation and Research Committee) until June 2004. SPEAR is an inter-departmental government committee co-ordinating social policy research and evaluation activities of relevant government departments.

Understanding adjustment and inequality

Motu held a half-day workshop in December 2003 with researchers from CRESA, Victoria University and the University of Waikato who are doing related FRST funded work.

Motu ran a research workshop in April 2004 for researchers working with Motu on this project as well as researchers we hope to involve in future. The workshop included presentations from Motu and Motu affiliates, and involved discussion of future research priorities.

Land Use, Climate Change and Kyoto: Human Dimensions Research to Guide NZ Policy

Motu ran two research workshops for this programme in 2003/04; one in December, and the other in May. The workshops included interdisciplinary team discussion, and presentations and updates of Motu's and others' work.

In May we held a group of meetings with key policy people where we discussed the design of environmental policies in New Zealand. We also held numerous informal meetings throughout the year with end users, policy makers, and researchers.

Ministry of Fisheries Socio-economic Research Programme

Motu work with the Ministry of Fisheries to manage their socio-economic research programme.

Publications

Kerr, Suzi. 2003. "Motu, Excellence in Economic Research and the Challenges of 'Human Dimensions' Research" Science and Technology Policy edition of Science Review, the Journal of the New Zealand Association of Scientists Vol. 60 (2-3).

Motu website (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.

Motu newsletter (Research Update)

The five and sixth editions of Motu's newsletter 'Research Update' were published in December 2003 and June 2004. The newsletters continue to be sent widely within New Zealand and abroad (hard copies and email), and may be downloaded from the website in PDF format. Copies are also lodged with the National Library of New Zealand (ISSN 1176-0206).

Motu Public Policy Seminars

Motu launched its public policy seminar series in October 2003. The series aims to disseminate the results of our research and to make existing knowledge more accessible for policy debates in New Zealand. Seminars are given by Motu staff and affiliates as well as other leading New Zealand and international researchers. The 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. The seminars have received wide exposure and interest, with regular audiences of 70-100 people and frequent media coverage.

The following presentations were given in 2003/04:

October 9th, "What Drives the Housing Market in New Zealand?", Presenter: Dr. Arthur Grimes, Senior Research Associate, Motu Economic and Public Policy Research.

November 13th, "Rates Revolt: Local Government Roles and Financing", Presenter: Dr. Suzi Kerr, Director and Senior Fellow, Motu Economic and Public Policy Research.

December 3rd, "Is There Life After Kyoto? Prospects for a Climate Regime", Presenter: Dr. Henry Jacoby, Professor of Management and Economics and the Director of the Joint Program on the Science and Policy of Global Change, Massachusetts Institute of Technology.

February 26th, "Technology Policy for Energy and the Environment", Presenter: Dr. Richard G. Newell, Senior Fellow at Resources for the Future, Washington D.C, Motu Affiliate and Ian Axford (New Zealand) Fellow in Public Policy.

March 18th, "The Impact of an Earning Subsidy on Beneficiaries: Evidence from a Long-term Social Experiment", Presenter: Dr. Dean Hyslop, Principal Advisor, Social Policy Branch, The Treasury, and Motu Affiliate.

April 14th, "Lessons Learned for Social Policy: Evidence from the Christchurch Health and Development Study", Presenter: Dr. Tim Maloney, Associate Professor, Department of Economics, University of Auckland, and Motu Affiliate.

May 12th, "Enduring Environmental Policies", Presenter: Mike Young, Director, Policy and Economic Research Unit, Commonwealth Scientific and Industrial Research Organisation (CSIRO) Land and Water Australia; Adjunct Professor Charles Sturt University and University of New England.

May 20th, "In Praise of More Monies: How different mortgage contracts could end the exchange rate cycle", Presenter: Dr. Andrew Coleman, Assistant Professor, Department of Economics, University of Michigan, and Motu Affiliate.

June 18th, "Location as a Moving Target", Presenter: Dr. David C. Maré, Senior Fellow, Motu Economic and Public Policy Research.

International visitors

Andrew Coleman

Andrew Coleman is Assistant Professor of Economics at the University of Michigan, and a Motu Affiliate. He visited Motu from February to July 2004 while on sabbatical. He gave a Motu Public Policy Seminar titled "In Praise of More Monies: How different mortgage contracts could end the exchange rate cycle". He visited several universities, and held discussions with a number of institutions including the Reserve Bank and The New Zealand Treasury. While working at the Motu office, Andrew also spent time discussing Motu's research programmes with staff, and gave two internal presentations of his work.

Richard Freeman

Richard Freeman is Professor of Economics at Harvard University and Head of Labor Studies at the National Bureau of Economic Research. His visit was organised and funded by the New Zealand Department of Labour. Motu assisted in arranging parts of Professor Freeman's visit.

Henry Jacoby

Dr. Jacoby is Professor of Management in the MIT Sloan School of Management and Co-Director of the MIT Joint Program on the Science and Policy of Global Change. Dr. Jacoby visited Motu to participate in the Motu 'Land Use, Climate Change and Kyoto' research workshop in December 2003. He provided advice on the long-term project of building an integrated land use and climate model and gave insights from the MIT integrated modelling experience and international perspectives on the task we are engaged in. During his visit he also gave a highly attended Motu Public Policy Seminar, 'Is There Life After Kyoto? Prospects for a Climate Regime', as well as a more technical talk for scientists and climate modellers. He met Pete Hodgson, was interviewed on Morning Report and both the Herald and Dominion Post published articles on his visit.

Richard G. Newell

Richard G. Newell is a Fellow in the Energy and Natural Resources Division at Resources for the Future in Washington D.C, U.S as well as a Motu Affiliate. Richard was in New Zealand as an Ian Axford (New Zealand) Fellow in Public Policy from January through July 2004. This programme is managed under the auspices of Fulbright New Zealand. During his visit Richard gave a Motu Public Policy Seminar titled "Technology Policy for Energy and the Environment", and continued his work on the joint Motu/RFF project on New Zealand fisheries management.

Mike Young

Mike Young is an ecological economist, Director of the Policy and Economic Research Unit, CSIRO Land and Water, and an expert on water policy and biodiversity issues. Mike visited Motu to participate in the Motu 'Land Use, Climate Change and Kyoto' research workshop in May 2004. Mike has had vast experience in simulating land-use change in response to environmental policies, including work on the Murray-Darling Basin in Australia. This, along with his experience in inter-disciplinary research made him a valuable contributor to the research workshop. During his visit he also gave a Motu Public Policy Seminar titled "Enduring Environmental Policies", met with key water and conservation policy-makers in Wellington, and was interviewed by Radio New Zealand.

Working paper series

Motu published sixteen working papers in 2003/04. Motu working papers are available online at www.motu.org.nz/motu_wp_series.htm. Copies are also lodged with the National Library of New Zealand (ISSN 1176-2667).

Media

Arthur Grimes was interviewed by James Weir of the Dominion Post for an article titled "The house price game – location, location", October 10th 2003. This article was written in relation to Arthur Grimes' Motu Public Policy Seminar titled "What Drives the Housing Market in New Zealand?", given on October 9th 2003.

Arthur Grimes was interviewed by Brian Fallow of the New Zealand Herald for an article titled "Study reveals causes of Auckland housing boom", October 10th 2003. This article was written in relation to Arthur Grimes' Motu Public Policy Seminar titled "What Drives the Housing Market in New Zealand?", given on October 9th 2003.

Motu's fisheries management research received coverage in an editorial in the Wall Street Journal, November 6th 2003, titled "A Fish Story".

Motu International visitor, Dr. Henry Jacoby was interviewed by National Radio on 3 December 2003, for the Morning Report programme.

Motu International visitor, Dr. Henry Jacoby was interviewed by Colin Patterson of the Dominion Post for an article titled "Climate Change 'irreversible'", 4 December 2003.

Motu International visitor, Dr. Henry Jacoby was interviewed by Brian Fallow of the New Zealand Herald for an article titled "Doubts cast on Russian 'rejection'", 4th December 2003.

Motu International visitor, Mike Young was interviewed by Brent Edwards, the economics correspondent for National Radio. The interview aired on the Morning Report programme on 17 May 2004.

Human Resource Management

MOTU STAFF

Motu currently has twelve permanent staff members: four senior staff (Suzi Kerr, David Maré, Arthur Grimes and Steve Stillman), five research analysts (Andrew Aitken, Emma Brunton, Joanna Hendy, Isabelle Sin and Jason Timmins), two administrators (Pauline Hornblow and Maxine Watene), and a librarian (Linda Townsend).

Motu appointed three new staff members during the year: Steve Stillman joined Motu as a part-time Senior Fellow in February 2004 (Steve will become full-time from July 2004); Sylvia Dixon has worked with us on contract as a part-time researcher from November 2003; and we hired a part-time librarian, Linda Townsend, in May. Jasmine Lawrence worked as an intern over the summer period.

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 may include on-the-job training, internal training courses, external courses and conferences, study assistance, etc. Motu may approve study assistance to enable staff to undertake a course of study to complete qualifications, to attend courses and seminars, and to undertake research or projects that are relevant to their work with Motu.

During the 2003/04 year, three of our research analysts took papers at university. Our research analysts were also actively involved in conferences, both attending and presenting. One of our administration staff took three business management papers.

Financial Information

BANKING, ACCOUNTING, LEGAL AND INSURANCE

Banking: Patrick Bryant, National Bank of New Zealand

Accountant: Roger Shackelford, Horwath Wellington

Auditor: Grant Thornton

Legal Advisors: Andrew Blair (Employment law), Annelies McClure, Chapman Tripp (Governance)

Insurance Agent: Mark Ranum, Aon Risk Services

Insurance cover (at 30 June 2004)

Type of Cover	Total Cover
CPF Commercial (business assets)	\$170,000
Senior Fellows (death/disability)	\$400,000
Public Liability	\$1,000,000

FINANCIAL HIGHLIGHTS

(all figures in NZ\$000s)

2002–2003			2003–2004		
Revenues	New Zealand Sources	673	Revenues	New Zealand Sources	776
	Foreign Sources	108		Foreign Sources	28
Net Surplus		29	Net Surplus	8	
Net Equity		40	Net Equity	48	

MAJOR FUNDERS

New Zealand

- Foundation for Research Science and Technology
- Marsden Fund
- Centre for Housing Research Aotearoa New Zealand
- Ministry of Economic Development
- Ministry of Social Development
- New Zealand Treasury

Foreign

- Lincoln Institute of Land Policy

MOTU FRIENDS

Motu now has 17 'friends' 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.

- Five per cent of the value of the endowment at the beginning of the financial year can be used each year 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 only be directed 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 2004**

**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

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**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004	2003
Income			
Foreign Research Grants		\$28,637	\$108,660
NZ Research Grants		520,181	536,797
Overhead Recovery		242,024	130,363
Interest Received		1,264	2,686
Foreign Exchange Gain		-	2,627
Other Income		<u>12,269</u>	<u>89</u>
 Total Income		 804,375	 781,222
 Less Cost of Sales		 <u>129,971</u>	 <u>318,378</u>
 Gross Profit/(Loss)		 674,404	 462,844
Expenses			
Audit Fees		4,448	3,223
Building Expenses		6,489	3,286
Communication		16,046	14,390
Depreciation	4	35,677	15,593
Foreign Exchange Loss		191	-
General Expenses		17,683	20,793
Insurance		8,067	7,523
Interest Paid		-	3
Loss on Sale of Assets		2,257	-
Office Rental		27,921	17,244
Personnel		528,520	341,691
Professional Fees		2,180	7,238
Relocation		8,282	-
Travel		<u>8,195</u>	<u>2,287</u>
 Total Expenses		 665,956	 433,271
 Net Surplus/(Deficit)		 8,448	 29,573
 Less: Transfer to Motu Endowment Fund		 <u>(5)</u>	 <u>(10)</u>
 Net Surplus/(Deficit) Transferred to Accumulated Funds		 <u>\$8,443</u>	 <u>\$29,563</u>

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 2004**

	2004	2003
Equity at 1 July 2003	\$40,121	\$10,548
Net Surplus/(Deficit)	8,443	29,563
Transfer to Motu Endowment Fund	<u>5</u>	<u>10</u>
Equity at 30 June 2004	<u>\$48,569</u>	<u>\$40,121</u>

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 2004

	Note	2004	2003
Current Assets			
Petty Cash		\$196	\$200
Bank Accounts		63,994	65,143
Retentions		7,250	7,250
Work in Progress		10,164	7,906
Prepayments		5,347	3,077
Accounts Receivable		<u>66,125</u>	<u>94,601</u>
Total Current Assets		153,076	178,177
Current Liabilities			
Bank Account OD		-	15,349
Accounts Payable		26,069	47,269
Accrued Expenses		49,828	41,737
Fees in Advance		77,957	67,466
GST Payable		<u>18,164</u>	<u>9,620</u>
Total Current Liabilities		172,019	181,441
Working Capital		(18,943)	(3,264)
Fixed Assets			
Computer Hardware & Software	4	52,740	35,001
Furniture & Fittings	4	<u>14,771</u>	<u>8,384</u>
Total Fixed Assets	4	67,512	43,385
Net Assets		<u>\$48,569</u>	<u>\$40,121</u>
<i>Represented by:</i>			
Equity			
Accumulated Funds		47,547	39,104
Motu Endowment Fund		<u>1,023</u>	<u>1,017</u>
Total Equity		<u>\$48,569</u>	<u>\$40,121</u>

On Behalf of the Board:

Director

Date

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 2004**

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% - 48% DV
Furniture & Fittings	12% - 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.
(2003: \$Nil).

Note 3: Events Subsequent to Balance Date

There are no events subsequent to balance date which require disclosure in the financial statements. (2003: \$Nil).

**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2004**

Note 4: Fixed Assets

	Cost 2004	Acc Deprn 2004	Deprn 2004	Book Value 2004
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>
Total Fixed Assets	<u>\$151,136</u>	<u>\$83,625</u>	<u>\$35,677</u>	<u>\$67,512</u>

	Cost 2003	Acc Deprn 2003	Deprn 2003	Book Value 2003
Computer Hardware & Software	82,301	47,300	14,584	35,001
Furniture & Fittings	<u>11,360</u>	<u>2,976</u>	<u>1,009</u>	<u>8,384</u>
Total Fixed Assets	<u>\$93,661</u>	<u>\$50,276</u>	<u>\$15,593</u>	<u>\$43,385</u>

Note 5: Banking Arrangement

The Trust has an overdraft limit of \$50,000 with The National Bank of New Zealand Limited. This overdraft facility is secured by way of a guarantee limited to \$110,000 from Norman L Meehan.

Note 6: Lease Obligation

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

	2004	2003
Within 1 Year	28,000	10,533
1-2 Years	28,000	-
2-5 Years	<u>16,333</u>	<u>-</u>
	<u>\$72,333</u>	<u>\$10,533</u>



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