

School of Economics and Finance

I am pleased to introduce you to the inaugural Newsletter from the School of Economics and Finance. This is to begin a tradition of bi-annual newsletters designed to keep you informed about the School's events, accomplishments and challenges. Our newsletter will be distributed to our stakeholders, from students, business leaders, government agencies, staff across the Faculty of Commerce and Administration and, of course, our Alumni who are dispersed throughout the world, from New Zealand, to Australia, the United States, the United Kingdom, Canada, Samoa, mainland China, Hong Kong, Taiwan, Singapore, Malaysia, Indonesia, Vietnam, India, Bangladesh, Africa, and beyond. We hope that our Alumni will take the time to provide us with some information on where they are and what they're doing.



**Professor Morris
Altman, Head of School**

The School has recently undergone significant external reviews and restructuring over the recent past, including the appointment of new staff members. Moreover, the School has lost about one-third of its academic staff through retirements and resignations in the last few years. The school faces significant challenges stemming from the increasing demands in teaching and research required of remaining staff.

But challenges also come with great opportunities. Over the past few months SEF has hired three senior academics (including two full professors) and is in the process of hiring two additional academic staff. We hope to be able to move forward securing necessary resources to maintain excellence in core programming and research as well as meeting the evolving needs and demands of our students and stakeholders, and staff. We also intend to build the necessary social capital in SEF to energize all School stakeholders as we move forward and build on our strengths.

A major challenge for the near future is to build up our staff to meet our teaching and research needs, strengthen the research capacity of SEF and re-structure and strengthen our post-graduate programming. We will also be working towards establishing endowments to fund undergraduate and graduate student awards as well as to build the research capabilities of the School.

A word of thanks to Anna Potts, one of our outstanding administrative staff, who has played a critically important role in bringing this newsletter to life.

Enjoy!!

Morris Altman

Professor & Head of School

Inside:

- Student achievement—graduations, awards and employment success
- Staff research and publications
- Staff and School news

Email: sef@vuw.ac.nz

Phone: + 64 4 463 5708

Fax: + 64 4 463 5014 (Lvl3)
+ 64 4 463 5146 (Lvl4)

<http://www.victoria.ac.nz/sef>

Location:

Level 3 & 4
Rutherford House
23 Lambton Quay
Pipitea Campus

Postal Address:

School of Economics and
Finance
PO Box 600
Victoria University
of Wellington
Wellington

May Graduation

Congratulations to the following SEF students who graduated this May:

BCA

Laura Alsop
Timothy Armour
Simon Beaufort
James Bebbington
William Bell
Alexander Berry
Jacobus Bester
Gary Blick
Emily Boyd
Daili Chen
James Chin
Lilian Chirume
Edwin Crossling
Purnima Damodaran
Hilary Devine
Blake Dickson
Hamish Don
Elizabeth Donoghue
Frances Doran
Natalia Fareti
Michael Flynn
Susanna Fuerst
Elham Gholami
Samuel Goddard
Benedict Goodchild
Kasheen Grewal
Richard Hectors
Oliver Huston
George Isles

Mohammed Jan
Daniel Jury
Caroline Kelly
Robert Kirkcaldie
Sheung Lee
Shuwen Li
Jie Qiang Li
Shuwen Li
Chantha Lim
Dijing Lin
Yunwei Ma
Fraser Mackenzie
Adam Malanchak
Fiona Mcalister
Shanan Mckeown
Sivakumaran Mugunar
Madevan
John Nash
Marco Ogden
Maria On
Priyanka Panchal
Nimesh Patel
Sione Polota
Gael Price
John Robinson
Lorna Sandila
Catherine Saywell
Stanislav Shateev
Lohika Silva
Stewart Sinclair
Michael Stewart
Farzana Tanima
Fairial Tasheem
Michael Teterin

Sophia Van Zijl
Victoria Wall
Jiashu Wang
Yaning Wei
Wenting Yang
Priza Yuratma
Wei Zhang
Jing Zheng
Jimmy Zhou

BA

Emily Boyd
Richard Hectors
Stanislav Shateev
Benedict Goodchild
Daili Chen
Catherine Saywell
Shanan McKeown

BCA (HONS)

William Bell
He Chao
James Chin
Lilian Chirume
Hamish Don
Samuel Goddard
Benedict Goodchild
Shuwen Li
Adam Malanchak
Nimesh Patel
Stewart Sinclair

PGDFA

Amit Kudav
Sally Robinson

MCA

Sorraya Yosyingyong
Wei Zhang

MAF

Jason Isherwood
Yi Jiang
Ranjith Yapa Nanayakkara
Sen Zhang



NZAE Graduate Study Award

Nathaniel Robson, one of the School's PhD students, has been awarded a New Zealand Association of Economists (NZAE) Education Trust 2009 Graduate Study Award. He is one of only three recipients



nationwide, to receive an Award which enabled graduate students to attend and present their work at the July 2009 New Zealand Association of Economists' Annual Conference, held this year in Wellington. "Making an oral presentation at the NZAE conference provided an excellent opportunity to receive feedback on my research and gain some exposure in the

wider economics community", Nathaniel says. "I was honoured to receive the recognition that the Graduate Study Award represents." Nathaniel's PhD thesis is entitled "A Multi-Regional Computable General Equilibrium Model for New Zealand", and will be completed during 2010 .

"I was honoured to receive the recognition that the Graduate Study Award represents."

VIAF: Equipping Students for Careers

The Victoria International Applied Finance (VIAF) Programme is once again seeing the success of its postgraduate study programme in facilitating the development of the knowledge and understanding which allows students to move forwards in their careers. The job market may not be as healthy as it once was, but students and graduates are still proving that their study gives them the edge, gaining promotions or the opportunity to branch out and try something new.

Jason Graham, currently studying towards a Post Graduate Diploma in Financial Analysis has secured a graduate position in finance with the Bank of New Zealand. The two

year programme will enable him to work in a number of different areas, including Treasury, Accounting, Tax and Business Intelligence. Jason considers his study to provide excellent background, saying that "all the courses [he's] doing are perfectly relevant."

Masters of Applied Finance student Scott Robertson has

secured a summer internship with Deutschebank, giving him the opportunity to work in both Hong Kong and Singapore across a range of different areas. Like Jason, he finds his study very relevant, noting that the internship will give him the opportunity to "put some of the things we've learned about into practice".

Congratulations...

...to Nimesh Patel, winner of the Victoria Medal for the best BCA Honours student.

...and to Gael Price, Sarah Drought and Michelle Lewis, for securing positions at the Reserve Bank of NZ for 2010.

Victoria Friendship Award

Recent Victoria University graduate Dave Feickert has received China's highest award for 'foreign experts', recognising his work on coal mine safety in China.

Mr Feickert received a China Friendship Award in a special ceremony in Beijing in the Great Hall of the People on Tuesday 29 September, as part of the 60th anniversary celebrations of the People's Republic of China. He recently completed an MA thesis on coal mine safety in China at Victoria, supervised by SEF staff member John Singleton.

The China Friendship Award, administered by the State Administration of Foreign Experts Affairs, is the highest award

presented by the Chinese government to 'foreign experts'. Each year usually 50 awards are made to those from among the 250,000 'foreign experts' working in China. In 2009, in recognition of the 60th anniversary, 100 awards will be presented.

"I feel very proud to receive this prize as it was really on behalf of all my colleagues in China's Work Safety Ministry and other foreign advisers," says Mr Feickert.

"Fatal accidents have been cut from just under 7,000 in 2002 to the current annual rate of below 3,000. In the meantime coal production has more than doubled," he said. "This has taken an enormous effort, but

we have still some way to go if China's mines are to become as safe as New Zealand's."

Mr Feickert currently works as an international consultant in mine safety and energy and has previous experience as project co-ordinator for the New Zealand-China mine safety training programme, which brought a group of Chinese mine managers, engineers and worker safety representatives to Huntly in 2007.

The China Friendship Award has previously been awarded to only 10 New Zealanders, including Dave's brother Peter Feickert, who received his award in 1998 for services to agriculture in Sichuan Province.

Graduate Profile: Chris Wilson

Chris Wilson completed the Master of Applied Finance (MAF) in 2008 and is currently working as an Analyst for ASB Group Investments, which is a market leader in the KiwiSaver space and one of the larger NZ Funds Management companies.

Chris initially completed BA (Hons) Economics & BComm Finance degrees at Otago University, and began his career as an analyst in a non financial services sector. He says that whilst he enjoyed the challenge of the role medium term he wanted the ability to move into a more traditional finance role, and the MAF

offered him the flexibility to study whilst in full time employment.

He particularly appreciated the networking opportunities with people in different parts of the industry:

"With many people in the course taking papers related to roles it is an excellent opportunity to hear firsthand reports on how the different topics you are taught are treated in different organisations."

Chris initially found time management challenging, as the structure of the papers requires students to

make the most of their time before attending classes and keeping up to date without the constant reminder of weekly lectures. However he found this to also be a strength of the course as it is good preparation for a work environment where the ability to manage time commitments and priorities is crucial.

Completing the MAF has made Chris confident that he has the level of skills he requires to continue on his current path without further training, but given the skills he has learnt during his study he is considering research based study in the future.

Watching the Gods

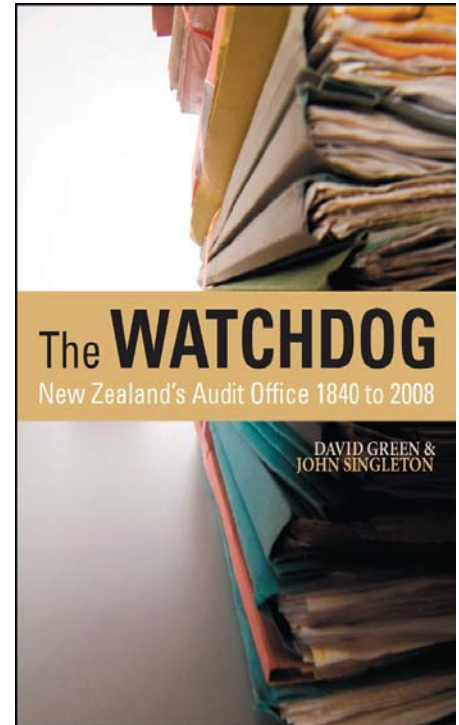
Financial collapses, banking scandals, and litigious actions have compromised many economies in recent years. In a global economic climate troubled by the consequences of a dearth of financial accountability and transparency, the importance of independent auditing bodies, whether in the public or private sector, is not to be underestimated. The *Watchdog: New Zealand's Audit Office 1840 to 2008* is a ground-breaking account of the challenges and triumphs of an organisation that has worked tirelessly 'to maintain and enhance trust in an effective and efficient public sector'.

Our ranking as one of the world's least corrupt nations is due in part to the role performed by the Audit Office

over many years in inspiring public confidence in New Zealand's system of government.

Yet, as David Green and John Singleton (Reader in Economic History at the School of Economics and Finance) show in *The Watchdog*, the government auditing function setup in 1840 was initially a 'timid creature'. The authors trace the Audit Office's rise and decline towards 'impotent irrelevance' before it gained a new lease on life thanks to the development of computers, which facilitated more targeted and searching methods of examination.

The Watchdog is an absorbing tale that moves from difficult origins, through periods when 'the fulminations of Auditors-General were increasingly dismissed as nit-picking and legislated around – or ignored', to the brave new world of radical 'value for money' auditing in the 1980s. The public sector



reforms of the 1980s saw questioning of the very need for an Audit Office yet, in 2001, the authority of the Auditor-General was strengthened by making the holder of this post an Officer of Parliament in the first piece of specific audit legislation since the Audit Act 1858.

Interest Rates, Prices, and the Economy

Interest Rates, Prices, and the Economy by Jerry Mushin (Scientific Publishers, Jodhpur, 2009), an updated and improved edition, for the Indian market, of *Output and the Role of Money* (World Scientific Publishing Company, New York, 2002), by the same author, which is intended for the United States market, is an introduction to macroeconomic

theory. It presents a new approach to competing theories and analyses them in the context of recent economic experience. This book is a textbook for first-year undergraduate students of economics. *Output and the Role of Money* has also been translated into Chinese as *Chan Chu He Huo Bi Jue Se Hong Guan Jing Ji Xue Xian Dai Guan Dian* (Hua Xia Chu Ban She, Beijing, 2004).

New Website

A brand new website for the School of Economics and Finance will be launching shortly. Check back for an exciting, easy to follow design full of information for students, staff, visitors and other interested parties.

Is the Internet Bad News?

In a recent paper, “Is the Internet Bad News? The Online News Era and the Market for High-Quality News”, SEF lecturer Malathi Velamuri and Paul Frijters review and model the impact of the internet on the production and uptake of high-quality news. The model developed demonstrates the conditions under which the effects of the internet lead to a long-term reduction or expansion in the provision of quality news.

News provision is a textbook case of a natural monopoly and also subject to increasing returns to scale, because of scale economies in bulk printing, and the classic properties of distribution networks. This implies that news provision will tend towards monopolies that have to recoup costs indirectly with advertising rather than circulation.

In principle, it is hard to see that the internet has changed the traditional model of the news industry - persuading consumers to consume their news from the original news

provider, allowing the provider to recoup costs via advertising. From the late 1990s, the economic model adopted by the online media industry did indeed rely almost solely on advertising revenue.

However, the principal beneficiaries of online advertising have not been the content-creators but the web portals, search engines and news aggregators that rely on content-creators for news. From an economic point of view, these search engines and news aggregators are intermediaries that skim off the rents created by news provision.

The model used captures three conflicting effects of the internet: (1) easy access to information on the internet makes it cheaper to provide high-quality news and to disseminate it via the web,



Malathi Velamuri

which increases the production of such news; (2) the existence of bloggers and news aggregators who recycle the stories of news-providers reduces the effective property rights of the high-quality news producers, thus reducing their incentives to invest in such news production; and (3) the internet has

reduced the search costs of finding customers who generate advertising revenue.

In isolation of the third effect, the second effect dominates the first in the long-run: the production of high-quality news, whose costs do not go down at the same rate as the cost of information exchange on the internet, only survives in large markets. However, the third effect makes any high-quality news provision that attracts a minimum level of customers commercially viable, even in the absence of property rights.

Cross-country Coffee Demand

A revised major chapter from Michael Webb’s MCA thesis was recently published as “Application of a Dynamic Panel Data Estimator to Cross-country



Coffee Demand: a Tale of two Eras”, by Michael S Webb and Viv B Hall, in the June 2009 issue of the *Journal of Economic Development*. Key findings were that:

(i) measures which increase the price of coffee beans can be expected to have little effect on coffee sales; and (ii) coffee consumption is unlikely to increase as incomes continue to increase in developed countries.

Understanding NZ's Business Cycles

Two recent papers by Professor Viv Hall and Adjunct Professor John McDermott have enhanced our understanding of New Zealand's business cycles.

The paper entitled "The New Zealand Business Cycle" has been published in the August 2009 special edition of *Econometric Theory*, commemorating the contributions to econometrics and economics of the late Professor Rex Bergstrom. A key contribution of the paper has been the presentation of a new set of benchmark business cycle turning points, extending back as far as 1947. Viv and John were also able to confirm their previously preliminary findings

that New Zealand's business cycle expansions are not likely to have died of old age; rather they have been terminated most often by major international factors, and compounded on some occasions by significant national events (see chart for examples).

The econometric work in the *Econometric Theory* paper was made possible through development of "A Quarterly



Viv Hall

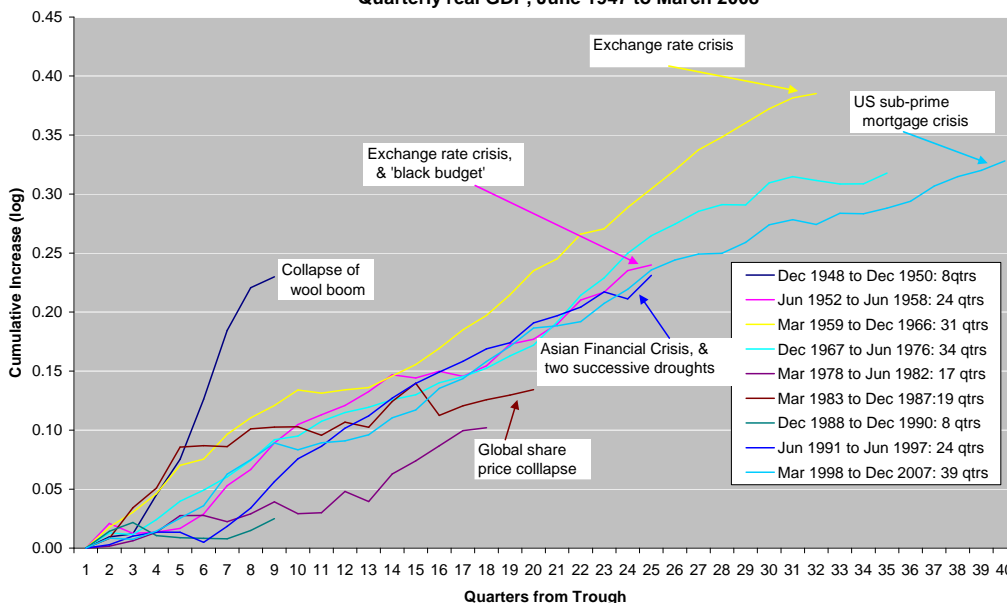


John McDermott

Post-World War II Real GDP Series for New Zealand". That paper was presented at the April 2009 Australasian Macroeconomics Workshop in Melbourne, and at the 50-year Anniversary Conference of the New Zealand Association of Economists in July. It makes publicly available to other

researchers the new quarterly series spanning more than 6 decades, as well as making transparent the underlying statistical properties and business cycle characteristics for the series.

Durations of New Zealand's Business Cycle Expansion Phases, and some illustrative terminating factors
Quarterly real GDP, June 1947 to March 2008



Welcomes and Farewells

2009 has seen the arrival of two new staff members, whilst several others have moved on to new opportunities or retired after many years with the school.

Professor Morris Altman, previously Head of the Department of Economics at the University of Saskatchewan arrived in May to take up a position as Professor and Head of School.

In 2009 he was elected President of the Association for Social Economics, one of the five founders of the Allied Social Science Association. In 2009, he has published: "A Behavioral-Institutional Model of Endogenous Growth and Induced Technical Change," *Journal of Economic Issues*; "History and Theory of Cooperatives," in *International Encyclopedia of Civil Society*, edited by Helmut Anheier & Stefan Toepler. New York: Springer; "Behavioral Economics, Economic Theory and Public Policy," *Australasian Journal of Economic Education*.

In 2008, one of the papers Altman published is part of a long term research project on the role of institutional parameters in affecting economic development, growth, and welfare: "Towards a Theory of Induced Institutional Change: Power, Labor Markets, and Institutional

Change," in Nicholas Mercurio and Sandra S. Batie (eds.), *Alternative Institutional Structures*. London: Routledge. He has also presented his work at a number of international forums.

One of his current research projects entails examining, through survey experiments, the role social and economic variables in motivating variations in effort inputs in the process of production as well as wage offers.

Also new to the School this year is **Professor Dean Hyslop**, whose research interests lie in labour economics, applied microeconomics and econometrics. Recent publications include:

"The Dynamic Effects of an Earnings Subsidy for Long-term Welfare Recipients: Evidence from the SSP Applicant Experiment", (with David Card), *Journal of Econometrics* (forthcoming).

"Skill Upgrading in New

Zealand, 1986-2001", (with David Maré), *Australian Economic Review* (forthcoming).

"Heterogeneous Firm Responses to Rising Teenage Wages", (with David Maré, Steven Stillman and Jason Timmins), Proceedings of the Australian Fair Pay Commission Research Forum, December 2008.

The School also said goodbye to **Geoff Bertram, Roger Bowden, Pian Chen and Hui (Helen) Huang**. We wish them well in their retirement or future careers.



Fixed-Term Teaching Fellow

School of Economics and Finance

VICTORIA UNIVERSITY OF WELLINGTON, Wellington, New Zealand

The School of Economics and Finance (SEF) seeks to appoint fixed term Teaching Fellows to teach courses in introductory economics, introductory finance (with a keen interest in corporate finance), and quantitative methods (statistics and economics maths). Teaching opportunities will be available in all the above areas in the 2010 academic year.

Applications should include: a curriculum vitae, a covering letter noting which area(s) of teaching the applicant is interested in, written references and teaching evaluations. All applications should be sent to Morris Altman, Head of School, Economics and Finance through, sef@vuw.ac.nz. Applications close when the positions are filled.

Current SEF Staff

Head of School

Prof. Morris Altman

Programme Director

Dawn Lorimer - Director, Victoria International Applied Finance

Professors

Prof. Lewis Evans - Chair of Economics

Prof. Graeme Guthrie - Professor of Economics and Finance

Prof. Viv Hall - Macarthy Chair of Economics

Prof. Dean Hyslop - Professor of Econometrics

Prof. Neil Quigley - Currently on Leave as Deputy Vice-Chancellor (Research)

Associate Professors and Readers

Dr. Jacek Krawczyk - Reader

A/Prof. Martin Lally - Associate Professor

A/Prof. Jack Robles - Associate Professor

Dr. John Singleton - Reader

Senior Lecturers

Dr. Stephen Burnell

Dr. Paul Calcott

Dr. Toby Daghish

Dr. Stephen Keef

Dr. Mohammed Khaled

Mr. Jerry Mushin

Dr. John Randal

Dr. Leigh Roberts

Mr. Paul Tompkinson

Lecturers

Dr. Chia-Ying Chang

Dr. Vladimir Petkov

Dr. Malathi Velamuri

Adjunct Professors

Dr. John McDermott

Dr. Peter Thomson

Emeritus Professors

John D Gould, BA *Lond*, MA *Brist*

L. Fraser Jackson, MA NZ, FSS

Teaching Fellows

Mr. Adrian Slack

Ms. Cushla Thomson

Administration Staff

Amanda Bristol - School Manager

Suzanne Freear - Administrator

Alice Fong - Administrator

Merewyn Groom (néé Ellis) - Senior

Administrator, VIAF Programme (on Leave until January 2010)

Francine McGee - Senior Administrator, 100-level Programmes

Anna Potts - Senior Administrator, VIAF Programme

We're always interested to hear news of our students, past and present. If you have something to contribute for future newsletters, please email

sef@vuw.ac.nz

This is the first of our regular newsletters. Please also feel free to get in touch if you have any suggestions or comments.