



NEW ZEALAND PUBLIC FINANCE



NZPF Newsletter

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Editorial



Hello again and welcome to the fourth issue of the New Zealand Public Finance (NZPF) Newsletter. In this issue, you will find a research report on indicators of inequality for Pacific and Māori people ([page 3](#)) and an introduction to the Australian Tax and Transfer Policy Institute ([page 5](#)) alongside the regular reports from several conferences, abstracts from a number of recent working papers and public finance news from New Zealand and around the world.

Economic politics has been hogging the headlines recently. Here in New Zealand with the run up to the general election, key economic policy issues being debated, including the proposal to introduce a capital gains tax and increase the age of eligibility for Superannuation, were certainly divisive for politicians and voters alike. The Chair in Public Finance hosted two pre-election public lectures, with leading MPs from both the National and Labour parties, which you can read about on [page 6](#).

Overseas, the Scottish independence referendum raised some great questions about the viability of economic independence for the country, particularly around currency, pensions, public debt and spending. We will watch as the promised implementation of devolution of powers to the Scottish parliament interacts with these issues, albeit on a smaller scale. The political scene in France also experienced significant turmoil in the lead up to the resignation of the French government, with the economy minister, Arnaud Montebourg, calling for the end of the austerity measures imposed by Germany. You can find stories relating to both of those events in our Overseas News ([page 12](#)).



We hope you enjoy this issue of NZPF Newsletter, and welcome any ideas for future issues.

Libby Wight
Editor, NZPF Newsletter

Norman Gemmell
Chair in Public Finance, VUW

New Zealand Public Finance (NZPF) www.nzpublicfinance.com is an apolitical website dedicated to promoting research and informed policy debate on public finance issues in New Zealand. The NZPF Newsletter is an extension of the website promoting recent public finance research, news and events. To contribute to the website or the newsletter, please contact the [editor](#)

Research Report

Indicators of Inequality in Māori and Pacific people.

Lisa Marriott

An article by Lisa Marriott and Dalice Sim¹ has recently been published in the Working Papers in Public Finance series.² The article investigates inequality in New Zealand, with a specific focus on Māori and Pacific people, as compared to the European population.

The issue of inequality has existed, and has been worsening, since the 1970s. However it has been in more recent times that greater attention has been focused on the issue. Suggestions for the causes of inequality are numerous and varied, but typically tend to correspond with those proposed by Solow: erosion of the real minimum wage; weakening of unions and collective bargaining; globalisation and increased labour competition from low-wage countries; and technical changes shifting demand towards the highly skilled.³ Addressing inequality is important for multiple reasons: it assists with creating a fair society where individuals have equality of opportunity; it is important for economic growth; it is important for social cohesion; and inequality generates fiscal costs on the wider community, such as through increased crime and health expenditure.⁴

The patterns of inequality in New Zealand are well-established. Regardless of whether income or wealth are used as measures of inequality, New Zealand scores around the average of OECD countries, with similar levels of inequality to Australia, Japan and Canada.⁵ In terms of how this is reflected in society, the top 10 per cent in New Zealand earn 8.6 times the income of the bottom 10 per cent, once tax and transfers are taken into account.

The current study replicates research undertaken by the Ministry of Social Development (MSD) ten years ago, investigating inequality indicators in New Zealand.⁶ The current study uses the same indicators as those used in the original MSD research, incorporating measures of health; knowledge and skills; employment; standards of living; cultural identity; and social connectedness. The research measures changes in 21 indicators over a period approximating ten years.

The original MSD study found the majority of indicators were either improving or showed no clear trend. However, the more recent study suggests a different pattern. While, in general, all ethnic group measurements are moving in the same direction (i.e., most ethnic groups are improving or not improving for a specific measure), increases are visible in gaps for the majority of the indicators examined in this article, that is, the indicators suggest greater inequality has resulted over the 10-year period for both Māori and Pacific people.

¹ Dalice Sim is the Statistical Consultant for Victoria University of Wellington, New Zealand

² Working Paper WP 09/2014.

³ Solow, R.M. 2014. 'Thomas Piketty is Right: Everything you need to know about 'Capital in the Twenty-First Century'', *New Republic*, April 22, 2014.

⁴ Cabinet Social Development Committee. 2004. *Reducing Inequalities: Next Steps*. Cabinet Social Development Committee paper, Available at <http://www.msd.govt.nz/>.

⁵ Perry, B. 2013. 2013 Household Incomes Report – Key Findings. Wellington: Ministry of Social Development, 1.

⁶ Ministry of Social Development. 2003. *Social Indicators for the Pacific and Maori Populations*. Wellington: Ministry of Social Development.

Of the 21 indicators assessed in this study, eight (38 per cent) show improvements in the form of a decreasing gap between European and Māori, although not all of these improvements are significant. Less positive results are visible in 12 indicators (57 per cent), which show increasing gaps between European and Māori. One indicator is largely unchanged. Not all indicators are available for Pacific people, but of the indicators measured, five (29 per cent) showed an improvement in the form of closing gaps between the European population and Pacific people. Again not all of the decreases in gaps are significant. Worsening differences were found in 11 (65 per cent) of the indicators measuring inequality between the European population and Pacific people. Similarly to the Māori population, one indicator remained unchanged.

The largest increases in disparity were in cigarette smoking, obesity, suicide (this measure was only reported for Māori), proportion of the population with a Bachelor's degree or higher; unemployment; employment; proportion receiving an income-tested benefit; median weekly income; personal income distribution (the proportion of people in the lowest quintile of incomes); and internet access in the home.

Decreasing gaps were found in some areas—although the gaps remain significant. These include life expectancy at birth (this measure was only reported for Māori); infant mortality (comparison is with non-Māori and non-Pacific people); and early childhood education participation.

Only one measure suggests worsening outcomes for Europeans when compared to Māori and Pacific people: this is the housing affordability indicator. This measure captures the proportion of households of that ethnic group where housing costs are at least 30 per cent of disposable income. Statistics show this worsening for European households and improving for Māori and Pacific households, although on the whole European households are still better off. Measures for housing affordability are 25.7 per cent, 31.7 per cent, and 41.2 per cent for European, Māori and Pacific households, respectively.

Household crowding, defined as a household where at least one more bedroom is required, has decreased for all ethnic groups, although gaps between Europeans and Māori, and Europeans and Pacific people, remain large. By way of illustration, in 2013, 2.7 per cent of European households are crowded, while 11 per cent of Māori households, and 23.7 per cent of Pacific households are crowded.

The gap is closing between Europeans and Māori in the measure of school leavers with a minimum of NCEA Level 2 or equivalent, but there is an increasing gap between Europeans and Pacific people.

The most encouraging measure returned is the rate of tertiary participation. This is the only measure that suggests that no gap remains in performance between European and Māori, and European and Pacific people. While participation increased for all ethnic groups in the measure of tertiary participation, there has been a sufficiently large increase for Māori and Pacific people that participation rates are now similar.

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Feature

Introducing the Tax and Transfer Policy Institute, Canberra, Australia

Professor Miranda Stewart

Director, Tax and Transfer Policy Institute

Australian Tax and Transfer Policy Institute

The Australian Tax and Transfer Policy Institute (TTPI) is an independent federally endowed research and policy institute at Crawford School of Public Policy, The Australian National University in Canberra, Australia. TTPI was launched in June 2013 and has begun to establish a group of advisors, staff and fellows and to forge relationships with stakeholders.

TTPI aims to carry out and support independent research and policy development in taxes and transfers for public benefit to achieve state and national goals in Australia and throughout the region, over the long term. It aims to bridge the gap between federal and State government policy-makers and academics through research strategy and agenda-setting meetings with senior public servants and through our fellowship program. This contribution to research and policy in taxes and transfers will foster informed public debate through activities that build a better understanding of the nature and potential future impact of tax and transfer systems, principally in Australia but also through supporting research of tax systems in Asia, the Pacific and throughout the world.

As the new Director of TTPI, I'd like to invite you to participate in TTPI events and contact us if you would like to visit or learn more about our activities. We've been working to develop a series of events targeting tax and transfer issues and to establish a set of tax and transfer research projects building and connecting with tax and transfer research networks in Australia and internationally.

Engagement with White Papers on tax and federalism

In 2014, the Australian government announced it will carry out two significant tax and transfer policy and political reviews and reform processes: a White Paper on the Federation and a White Paper on Tax Reform. In addition, the Government has commissioned the McLure Welfare Review on the operation of Australia's transfer system. TTPI is engaged actively in these White Paper and Review processes through events, research, policy engagement, education and public commentary with the aim of informing the public and political debate about these important issues.

Visitors and Fellows

TTPI has established a visitor program and we would like to invite academics or policy-makers to contact us if you wish to apply to visit TTPI to carry out a research or policy project. We are also establishing a network of research and policy fellows.

Masters and PhD students

There are a number of opportunities for doctoral students to carry out tax and transfer research associated with TTPI, and several are already engaged in this from Australian Treasury, the Tax Office and organisations in the region. In 2015, we will offer two Public Finance subjects in the Masters of Public Policy (taught by Professor Miranda Stewart, Semester 1) and the Masters of Development Economics (taught by Dr Mathias Sinning, Semester 2) at Crawford.

Forthcoming events of TTPI

- Is the World Trade Organization a World Tax Organisation? – 30 October 2014; Dr Michael Daly, external adviser concerning trade taxes to the IMF's Fiscal Affairs Department. The Tax and Transfer Policy Institute together with the Australian Branch of the International Fiscal Association is pleased to host a talk given by Dr Michael Daly.
- Joint Conference, International and Corporate Tax: Finalising and Implementing the BEPS Agenda - 17-18 November 2014; in partnership with the University of Sydney.
- Workshop on New Empirical Tax Research - 20 November 2014; bringing experiences from the UK, New Zealand, Denmark and Australia about new empirical tax and transfer research using administrative data.
- The Past and Future of the Income Tax : Public Conference and Academic Symposium, proposed for 23 and 24 April 2015 – save the date.

The [Tax and Transfer Policy Institute](#) is part of the Crawford School of Public Policy at the [Australian National University](#), In Canberra, Australia.

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Event Report

Pre-election Public Lectures, 1-2 September

On 1 and 2 September the Chair in Public Finance hosted two pre-election public lectures on the state of the Government's finances after the 2014 general election.

On 1 September, Hon Bill English, deputy Prime Minister, and Minister of Finance presented "what the economy will look like under a National-led government". Mr English touched on the following themes for the future of the Government's finances: sustainable growth to avoid excesses of last economic cycle, stabilising the housing market, continued investment in infrastructure, continued investment in skills and education in alignment with market requirements, supporting productivity and efficiency of government and the personalisation of welfare support to achieve real results for real people. It was announced on October 6 that Mr English has retained his position as Minister of Finance, so we can look forward to watching these themes play out over the next three years.



Image 1. Hon Bill English



Image 2. Q&A with Mr English chaired by Professor Norman Gemmell



Image 3. Mr English answering questions with Professor Gemmell

On 2 September, Hon David Parker, deputy Labour leader and Finance spokesperson (currently acting leader of the Labour party), presented "what the economy will look like under a Labour-led government". Key themes of his presentation were the reduction of government debt, the introduction of research and development tax credits, the introduction of compulsory KiwiSaver and raising the age of eligibility for superannuation to 67, the affordability of home ownership and tackling child poverty. The most important policy discussed by Mr Parker was the proposed introduction of a Capital Gains Tax, which raised some interesting questions around the definition of a family home, and also around whether or not this could be perceived as a significant inheritance tax. This is a key policy for Labour, and it is likely it will come up again before the next election in 2017.



Image 4. Hon David Parker



Image 5. Mr Parker answering audience questions



Image 6. Q&A with Mr Parker chaired by Professor Norman Gemmell

Check out upcoming events from Chair in Public Finance at <http://www.victoria.ac.nz/cpf> or email [Libby Wight](mailto:Libby.Wight) to join the Chair in Public Finance mailing list.

Conference Report

Oxford University Centre for Business Taxation Academic symposium 2014, 24-27 June

Norman Gemmell

This regular annual event at the Said Business School provides an excellent opportunity for scholars interested in business taxes, broadly defined, to get together to share their recent research and ideas for future work.

Joel Slemrod (University of Michigan) opened the Symposium with his paper on “Do the Laws of Tax Incidence Hold? Point of Collection and the Pass-through of State Diesel Taxes”, arguing that sometimes, contrary to economists’ common assertion, who collects the tax matters for the tax’s final incidence.

This year featured, among many good papers, a particularly impressive collection of young American tax academics who presented innovative papers on such topics as “As American as Apple Inc: tax and ownership nationality” (Chris Sanchirico, University of Pennsylvania), “The internet as a tax haven? The effect of the internet on tax competition” (David Agarwal, University of Georgia), and “Consumers as tax auditors” (Joana Naritomi, Harvard University). Among the novel features of these papers was David Agarwal’s comparison of shopping at ‘bricks and mortar stores’ either side of State borders with internet-based sales, arguing that the internet puts both downward and upward pressures on State sales tax rates.

Joana Naritomi investigated a unique Brazilian tax compliance quasi-experiment in which tax rebates and monthly lottery prizes were offered to consumers in Sao Paulo who registered their consumer receipts with the tax authority’s on-line system. Millions of Brazilians participated and Naritomi analyses the results in terms of revenue/compliance effects, which were found to be positive and cost-effective. But, recognising that such a system also provides incentives for collusion between sellers and buyers, she also finds that compliance improvements were stronger where collusion was less likely to pay off.

These, and several other Symposium papers, provide both an update on recent business tax empirical research within the Economics and Law disciplines, and also an introduction to some of the newer micro-data analysis techniques that are increasingly becoming ‘standard’ approaches.



Image 1: Symposium participants
Source: Oxford University Centre for Business Taxation

For general enquiries about the [Oxford University Centre for Business Taxation](#), please contact the Centre’s Administrators on +44 (0)1865 288790 or at cbt@sbs.ox.ac.uk

Papers and presentations from this year’s Academic symposium can be found on the [full programme](#).

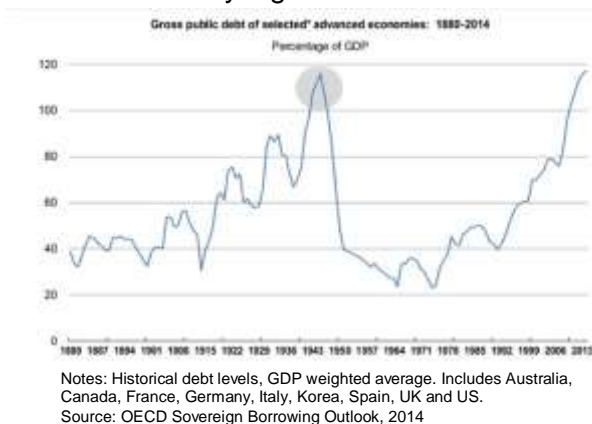
ANZSOG Annual Conference, 'Growing National Prosperity. Government's Role in the 21st Century', Canberra, 5-7 August 2014

Norman Gemmell

This year's ANZSOG conference, as the title suggests, focused on how thinking is changing around the appropriate future role of governments in the Australian and New Zealand economies. As Professor Gary Banks (ANZSOG Dean and CEO) put it: "*The growth of government over the past century has been predicated on it performing economic and social roles that the private sector or charities could not be relied on to discharge. But the pronounced rise in community living standards, and the increasing sophistication and reach of the private and 'third' sectors, have arguably not been reflected sufficiently in government's own evolution. The pressure on government budgets is prompting new questioning of what role government really needs to play in the 21st century.*"

The conference included three plenary sessions on themes of 'the growth challenge' and 'bringing wealth creation and income distribution into better alignment', following a lively opening session with the Australian Treasurer, Hon Joe Hockey, and our own Minister of Finance, Hon Bill English. Subsequent papers were arranged into a series of concurrent session streams focused around such topics as 'meeting & managing demand in an ageing society', 'improving cooperation and coordination' and 'better regulation'.

On public finance specific aspects, I presented in the 'growth challenge' plenary session on 'sustainable fiscal policy', arguing that the build-up of debt since the 1960s in many OECD countries has put them in potentially unsustainable long-term fiscal positions. Recently compiled IMF and OECD data suggests a return of major OECD countries' public debt levels to the remarkably high levels in the immediately aftermath of World War II.



This will force much more difficult future choices than in the past over the levels and composition of public spending and taxation, with their various growth-enhancing or inequality-reducing objectives.

A particularly lively session on day 2 on 'rethinking industry assistance' brought together Patricia Scott, of the Australian Productivity Commission and David Smol, CEO of MBIE. Patricia made an especially

robust case for why, despite increasing calls for more proactive support of key firms and entrepreneurs, properly constructed cost-benefit analysis rarely supports such assistance. David Smol, on the other hand, appealed that at least some firm-level assistance in New Zealand seems warranted and capable of raising some aspects of firm performance, such as exporting success.

[ANZSOG](#) is the Australia and New Zealand School of Government, established in 2002 as an initiative of governments, universities and business schools. The Annual Conference [programme](#), [presentation videos](#) and further information are available on the [conference site](#).

Tax Research Network 23rd Conference, 4-5 September 2014

Lisa Marriott

The Tax Research Network is an annual UK-based conference providing the opportunity for tax researchers and teachers to network and promote tax research. The 2014 conference was held at the University of Roehampton in London. A wide range of international papers were presented from countries including the UK, South Africa, Australia, Austria, the USA, the Netherlands, Israel and Poland.

On day one the topics spanned from the philosophical to the technical, covering tax administration, international tax and theoretical studies. Among the philosophical was Henk Vording's (Leiden University) discussion on endowment taxation – the concept of taxing based on characteristics that are correlated with economic potential rather than economic output; and Limor Riza's (Haifa Law School) presentation on the concept of encouraging compliance by allowing taxpayers to have input into the expenditure category of their tax payments.

A number of presentations were highly topical. Jane Frecknall Hughes (University of Hull) and Simon James (Exeter University) presented on the tax implications from Scottish independence or further devolution – ultimately deciding that at the present time there were more questions to be asked than answers to be supplied. Kerrie Sadiq (Queensland University of Technology) presented on transfer pricing issues relating to developing nations, and argued a case for formulary apportionment as a possible solution.

Day two was equally as varied, with presentations on an ethnographic study in Italy; the European Court of Human Rights tax case law; legal philosophy in Poland; and corporate tax planning in the UK. Of relevance to many was the presentation by Neil Warren (University of New South Wales) on student loans. The Australian approach to collection of student loan debt is considerably more lenient than that of New Zealand (for example, repayments are not required when students are overseas) and it appears that many of the features in the New Zealand student loan repayment scheme are appealing to the Australians.

The [Tax Research Network](#) is a network formed of active and would-be tax researchers and teachers, with the aim of promoting tax research. Contact the Tax Research Network at s.thewlis@bham.ac.uk or use their [contact form](#).

For further information on the papers and presenters, see the [conference website](#).

Upcoming Events

16 October

Chartered Institute of Public Finance and Accountancy
[CIPFA Better Governance Summit](#)
London, UK

19-24 October

NYU School of Professional Studies
[73rd Institute on Federal Taxation](#)
New York, NY, USA

30 October

Tax and Transfer Policy Institute
[Seminar: Is the World Trade Organization a World Tax Organisation?](#)
Canberra, Australia

5-6 November,

Institute for Fiscal Studies
[Fixed Effects Treatment of Panel Data](#)
London, UK

12 November

World Bank
[2nd Urbanisation and Poverty Reduction Research Conference](#)
Washington, D.C., USA

12-13 November

[OECD Conference on Innovating the Public Sector: From Ideas to Impact.](#)
Paris, France

13-14 November

[Fifteenth Jacques Polak Annual Research Conference: "Cross-Border Spillovers"](#)
Washington DC, USA

14-15 November

[Symposium on Business and Economics in Times of Crisis 2014](#)
Lisbon, Portugal

16-21 November

NYU School of Professional Studies
[73rd Institute on Federal Taxation](#)
San Diego, CA, USA

17-18 November

[CEPAR and CESifo Workshops: Pension taxation, Population Ageing and Globalisation \(Part 1\)](#)
Sydney, Australia

17 November – 12 December

UNITAR (United Nations Institute for Training and Research)
[Ethics in Public Finance course](#) (Web-based)

26 November

Victoria Professional and Executive Development, Victoria University of Wellington
[Understanding Public Sector Finance](#)
Wellington, New Zealand

27 November

University of Geneva
[2nd Geneva Summit on Sustainable Finance](#)
Geneva, Switzerland

28-29 November

CESifo
[8th Workshop on Political Economy](#)
Dresden, Germany

Recent Public Finance News

Upcoming Research

Dr Alison O'Connell is working with members of the Retirement Income Interest Group of the New Zealand Society of Actuaries (convenor: Christine Ormrod of PwC) on a research paper 'Income Streaming in Retirement: Options for New Zealand'. Retirement is already a significant part of New Zealanders' experience, and is an inherently diverse and uncertain phase of life. Some commentators recommend the Crown takes on more longevity risk in order to convert KiwiSaver balances into guaranteed lifetime annuities. The research refines the definition of the decumulation problem which New Zealand faces, looks at other options available to secure income in that phase of life, questions the likely market responses and potential for Crown involvement, assesses longevity and other risks and seeks practical solutions to guide individuals and policy makers.

Input or comment is welcome. Contact alison@oconnellnz.com.

Woolf Fisher Trust Scholarship

Athene Laws has been awarded a prestigious Woolf Fisher Trust scholarship to study for her doctorate at the University of Cambridge.

Athene is currently completing a BA Honours in Economics at Victoria in the School of Economics and Finance, with thesis supervision from Professor Norman Gemmill, Chair in Public Finance from the School of Accounting and Commercial Law.

"Athene is a superb student who displays terrific economic insight, so I'm not surprised that she's been selected for this prestigious scholarship," says Professor Norman Gemmill. "She is by far and away the best student I've come across in an Honours year throughout my academic career." Athene is currently working on an Honours thesis addressing the question: 'how much income mobility do New Zealand taxpayers display?', using unique data on individual taxpayers since the 1990s.

New Zealand News

- 3 October, [More wage and salary earners boosts income](#), Statistics New Zealand
- 12 September, [NZ dollar falls to seven-month low](#), The New Zealand Herald
- 24 August, [It's not easy being Kiwi](#), Sunday Star Times
- 19 August, [Pre-election economic and fiscal update 2014](#), The Treasury
- 1 August, [Start taxing property gains properly, says economist](#), The New Zealand Herald
- 28 July, [NZ ranks in top 10 countries](#), The New Zealand Herald
- 24 July, [RBNZ raises OCR to 3.5 percent](#), Reserve Bank of New Zealand
- 11 July, [Food prices up 1.4 percent in June](#), Statistics New Zealand
- 10 July, [NZ dollar touches fresh three-year high](#), The New Zealand Herald

Overseas News

- 15 October, [Richest 1% of people own nearly half of global wealth, says report](#), The Guardian
- 2 October, [Global growth and job creation 'simply not good enough', IMF chief says'](#), The Guardian
- 22 September, [Housing boom offsets collapse in mining jobs. Is the transition complete?](#), The Guardian
- 12 September, [Unemployment drops to 6.1 per cent](#), Sydney Morning Herald
- 8 September, [Pound falls on fears of Scottish independence](#), BBC
- 25 August, [French ministers resign in economy row](#), BBC
- 24 August, [Nobel winning economists challenge conventional thinking on recovery](#), The Guardian
- 20 August, [UN: Better public spending could deliver \\$22TRN for sustainability](#), Public Finance International
- 17 August, [UK Economy more than halfway to full recovery, says Bank governor](#), The Guardian
- 14 August, [Eurozone growth stalls](#), Public Finance International
- 10 August, [Would a citizen's income be better than our benefits system?](#), The Guardian
- 8 August, [UN: better tax collection would boost Asia Pacific economies](#), Public Finance International
- 6 August, [Italy falls into triple-dip recession](#), Public Finance International
- 31 July, [Austerity has hit women, ethnic minorities and the disabled most](#), The Guardian
- 31 July, [China Would Benefit from Slower but Safer Growth](#), IMF
- 27 July, [Scotland's GDP per head £2,300 higher than UK as whole, says SNP](#), The Guardian
- 25 July, [Lithuania to join Eurozone next year](#). Public Finance international
- 20 July, [Income Inequality is not rising globally, it's falling](#). The New York Times
- 16 July, [Rising employment fails again to boost wages](#). The Guardian
- 15 July, [UK wages can't rise until we solve the productivity puzzle](#), The Guardian
- 14 July, [IMF sounds warning over 'weak' Eurozone recovery](#) Public Finance International
- 10 July, [Strikes by public sector workers largest in three years](#), The Guardian
- 10 July, [America's economy: Waiting for Inflation](#), The Economist
- 3 July, [OECD: global growth to slow to 2.4% by 2060](#), Public Finance International

Working Papers in Public Finance

Latest papers from the Victoria University of Wellington series available on the NZPF website.

WP09/2014

Marriott, L., and Sim, D., [‘Indicators of Inequality for Maori and Pacific People’](#).

This study investigates a number of inequality indicators in New Zealand. The research examines the current gaps in the indicators between the European population, and Māori and Pacific people. The study also undertakes a comparison of the changes in the gaps over a period approximating 10 years for each of the indicators. A total of 21 indicators are investigated in this study, incorporating measures of health; knowledge and skills; employment; standards of living; cultural identity; and social connectedness. The aim of this research is to assess the extent to which indicators suggest that the inequality gap is increasing or decreasing between European and Māori, and European and Pacific people in New Zealand. In general, all ethnic group measurements are moving in the same direction, that is, most ethnic groups are improving or not improving for a specific measure. However, increases are visible in gaps for the majority of the indicators examined in this article, that is, the indicators suggest greater inequality has resulted over the 10-year period for both Māori and Pacific people.

WP10/2014

Gemmell, N., Kneller, R., and Sanz, I., [‘Does the Composition of Government Expenditure Matter for Long-run GDP Levels’](#).

This study examines the long-run GDP impacts of changes in total government expenditure and in the shares of different spending categories for a sample of OECD countries since the 1970s, taking account of methods of financing expenditure changes and possible endogenous relationships. We provide more systematic empirical evidence than available hitherto for OECD countries. Our results provide strong evidence that reallocating total spending towards infrastructure and education would be positive for long-run income levels. Increasing the share of social welfare spending (and away from all others pro-rata) may be associated with, at most, modestly lower long-run GDP levels.

WP11/2014

Creedy, J., [‘Interpreting Inequality Measures and Changes in Inequality’](#).

This paper explores, in the context of the Atkinson inequality measure, attempts to make interpretations of orders of magnitude transparent. One suggestion is that the analogy of sharing a cake among a very small number of people provides a useful intuitive description for people who want some idea of what an inequality measure ‘actually means’. In contrast with the Gini measure, for which a simple ‘cake-sharing’ result is available, the Atkinson measure requires a nonlinear equation to be solved. Comparisons of ‘excess shares’ (the share obtained by the richer person in excess of the arithmetic mean) for a range of assumptions are provided. The implications for the ‘leaky bucket’ experiments are also examined. An additional approach is to obtain the ‘pivotal income’, above which a small increase for any individual increases inequality. The properties of this measure for the Atkinson index are also explored.

WP12/2014

Arrazola, M., de Hevia, J. Romera, D. and **Sanz-Sanz**, J.F. [‘Personal Income Tax Reforms and the Elasticity of Reported Income to Marginal Tax Rates: An Empirical Analysis Applied to Spain’](#)

This paper shows the utility of the elasticity of reported income to assess tax reforms in detail from the perspectives of tax revenue and well-being. We provide evidence of the value of the elasticity of reported income in Spain given the variations in marginal rates of the Personal Income Tax. The mean value of this parameter for the entire Spanish territory is 1,541. Nevertheless, we confirm the existence of considerable heterogeneity in the value of this elasticity depending on taxpayers’ characteristics. Based on these estimated elasticities, we make a detailed assessment of the impact of the recent increase in marginal tax rates that Spain approved in 2012.

WP13/2014

Arrazola, M., de Hevia, J. Romera, D. and **Sanz-Sanz**, J.F. [‘Determinants of the Spanish Housing Market over Three Decades and Three Booms: Long Run Supply and Demand Elasticities’](#)

This paper offers a quantitative analysis of housing supply and demand in Spain. To this end, it formulates a model in line with the traditional models of the literature. Using Spanish data for the period 1975 to 2009, reduced form and structural models are estimated. The results obtained show that faced with situations of disequilibrium prices adjust more rapidly than stock. Similarly, they demonstrate that demand shows low sensitivity to variations in prices and real interest rates. By contrast, it is highly sensitive to demographic changes and the evolution of the labour market. The evidence confirms that permanent income has greater weight than prices as a determinant of demand. Moreover, supply is very sensitive to variations in prices and interest rates.

Publications

Recent publications from NZPF research associates

Romero D., **Sanz** J.F. and Burguillo M. (2014), Is It Environmentally Desirable to Encourage Public Transport Through Taxes? Evidence for Spanish Households, *Cogent Economics & Finance*, 2, pp 1-9.

Misch, F., **Gemmell**, N. and Kneller, R. (2014) Using surveys of business perceptions as a guide to growth-enhancing fiscal reforms, *Economics of Transition*, 22, 683-4725.

Gemmell, N. and Hasseldine, J. (2014) Taxpayers’ behavioural responses and measures of tax compliance gaps: A critique and a new measure, *Fiscal Studies*, 35, 275-296.

Creedy, J. and **Gemmell**, N. (2014) Can fiscal drag pay for the public spending effects of ageing?, *New Zealand Economic Papers*, 48, 2, 183-195.

Useful Links

Institutions Working on Public Finance Research or Policy

New Zealand

[Centre for Accounting, Governance & Taxation Research \(CAGTR\)](#)

Victoria University of Wellington

The CAGTR was established within the School of Accounting and Commercial Law to advance and apply knowledge germane to the accounting and legal professions, commerce and industry and the public sector.

[Retirement Policy & Research Centre \(RPRC\)](#)

The University of Auckland

“The Retirement Policy and Research Centre (RPRC) is an academically focused centre specialising in the economic issues of demographic change.”

[Chair in Public Finance \(CPF\)](#)

Victoria University of Wellington

The Chair in Public Finance (CPF) is a joint venture between Victoria University and four sponsoring institutions with an interest in public finance The Treasury, the Inland Revenue Department, PricewaterhouseCoopers, and the Ministry of Social Development. The Chair conducts research and organises events to increase awareness and discussion around public finance issues.

World

[Tax and Transfer Policy Institute](#)

Canberra, Australia

“The Tax and Transfer Policy Institute (TTPI) carries out research on tax and transfer policy, law and implementation for public benefit in Australia.”

[CESifo Group Munich](#)

Munich, Germany

Centre for Economic Studies, the ifo Institute and the Munich Society for the Promotion of Economic Research in Germany.

[Institute for Fiscal Studies](#)

London, UK

The Institute for Fiscal Studies aims to promote effective economic and social policies by better understanding how policies affect individuals, families, businesses and the government's finances.

[London School of Economics Public Economics Programme \(PEP\)](#)

London, UK

The PEP's activities include "theoretical and empirical work on the economics of taxation, the provision of public goods, social insurance and the economics of income distribution.

[Oxford University Centre for Business Taxation](#)

Oxford, UK

"The Oxford University Centre for Business Taxation is an independent research centre which aims to promote effective policies for the taxation of business."

[University of Exeter, Tax Administration Research Centre](#)

Exeter, UK

"The Tax Administration Research Centre undertakes research on tax administration in order to strengthen the theoretical and empirical understanding of tax operations and policies. The Centre is operated in partnership by the University of Exeter and the Institute for Fiscal Studies."

[Office of Tax Policy Research](#)

Michigan, USA

The Office of Tax Policy Research (OTPR) is a research office at the Stephen M. Ross School of Business at the University of Michigan. OTPR supports and disseminates academic research on all aspects of the tax system, with the goal of informing discussion about the future course of policy.

[OECD Centre for Tax Policy and Administration](#)

Paris, France

The Centre for Tax Policy and Administration (CTPA) is the focal point for the OECD's work on all taxation issues, both international and domestic.

[Congressional Budget Office](#)

Washington, DC, USA

The Congressional Budget Office (CBO) has produced independent analyses of budgetary and economic issues to support the Congressional budget process. The agency is strictly nonpartisan and conducts objective, impartial analysis.

[National Institute of Public Finance and Policy](#)

New Delhi, India

The National Institute of Public Finance and Policy (NIPFP) is a centre for research in public economics and policies. The institute undertakes research, policy advocacy and capacity building in areas related to public economics.

[Centre for Public Finance Research](#)

Washington, DC, USA

The Center for Public Finance Research (CPFR) offers research and education in public budgeting and finance, public financial management, public economics, and benefit-cost analysis at the local, regional, national, and international levels.

Public Finance Journals

1. [FinanzArchiv](#)
2. [International Tax and Public Finance](#)
3. [Journal of Public Economics](#)
4. [Journal of Public Economic Theory](#)
5. [National Tax Journal](#)
6. [Public Budgeting and Finance](#)
7. [Public Finance Review](#)
8. [Public Finance and Management](#)
9. [Tax Notes International](#)

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the 1990s, the number of people in the UK who are employed in the public sector has increased from 10.5 million to 12.5 million (12.5% of the population).

There are a number of reasons for this increase. One is that the public sector has become a more important part of the economy. Another is that the public sector has become more efficient. A third is that the public sector has become more attractive to workers. A fourth is that the public sector has become more diverse.

The public sector has become a more important part of the economy. This is because the public sector has become more efficient.

The public sector has become more efficient. This is because the public sector has become more attractive to workers.

The public sector has become more attractive to workers. This is because the public sector has become more diverse.

The public sector has become more diverse. This is because the public sector has become more important to the economy.

The public sector has become more important to the economy. This is because the public sector has become more efficient.

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