NEW ZEALAND PUBLIC FINANCE

NZPF Newsletter

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Editorial

Welcome to the third issue of the New Zealand Public Finance (NZPF) newsletter. A (relatively) long time coming, you may be thinking. Well, we have had a busy few months, with Norman attending conferences in the UK, holding public lectures here at Victoria University of Wellington, hosting visiting researcher, Professor Ismael Sanz, and in assisting with the organisation of the Tax Administration of the 21st Century conference last month.

A key event, in our calendar at least, was the release of the New Zealand Government's 2014 Budget on 15 May. We prefaced this with a pre-Budget event, which was very informative in terms of explaining the budget process but also in illustrating the different ways that budget could have played out this year. You can read all about the event on page 10. As always, the release of the Budget attracted a great deal of media interest - despite Joe Hockey's best attempts to dominate the limelight with his dance routine - with a number of leading commentators putting forward their own interpretations of this budget. Fascinating stuff.

The Chair in Public Finance had its own brush with the media recently, with the publication of research commissioned by the New Zealand Productivity Commission on the prices of goods and services in New Zealand. This gained significant attention over several weeks, featuring in the Sunday Star Times, The New Zealand Herald, Newstalk ZB, on Radio New Zealand and even in Parliamentary question time on 29 May. More about the research in Patrick Nolan's report on page 17.

Finally, you may have already noticed that the e-newsletter has a new editor. Libby Wight has joined the Chair in Public Finance, having returned to New Zealand from the UK earlier this year. Libby, an alumna of the University of Otago and the University of St Andrews, has a varied background in the education and charity sectors. If you have any suggestions for content or focus for the next e-newsletter, please do not hesitate to get in touch with her to work through your ideas, as they would be greatly appreciated.

Norman Gemmell
Chair in Public Finance, VUW

Libby Wight
Editor, NZPF Newsletter

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

Housing Affordability: Lessons from the United States

Mark Skidmore

Professor Mark Skidmore undertook research into housing prices in New Zealand, in comparison and contrast with housing policies and trends in the United States, while he was in Wellington earlier this year. Following is the summary of the report to The Treasury which was the key output of this research.

Over the last two decades New Zealand (NZ) experienced a threefold increase in housing prices. The largest surge in housing prices in recent years occurred between 1998 and 2007, a period of housing price growth in many developed economies. Since 2007, housing price growth remained flat until 2011, and then prices once again embarked on an upward trend. However, recent housing price growth has been concentrated in Auckland and Christchurch.

The purpose of this report is to compare and contrast NZ housing trends and policies with those of United States (US). The main findings of the report are summarized here:

- Global forces, which were heavily influenced by US monetary policies and lending regimes, led to significant housing price increases in the US, NZ and many other countries during the 1998-2007 period. Between 2008 and 2012, US housing prices tumbled in the housing market collapse, whereas NZ prices were flat during the same period.
- Housing markets now appear to be recovering in the US, and prices in NZ are also trending upward. However, the recent rise in prices in NZ is driven by the Auckland and Christchurch markets; housing prices elsewhere are stable.
- Auckland housing pressure is partially the result of international in-migration and limitations in the ability of housing supply to quickly respond to demand.
- Christchurch conditions are the result of housing supply problems resulting from the earthquakes in 2010 and 2011.
- In the US, differences in regional housing price pressures are driven by population growth coupled with supply constraints due to terrain, bodies of water and land use regulations.
- US cities that are more similar to Auckland (high amenities, growing populations and physical land constraints) experienced relatively high rates of housing price growth; even if Auckland’s housing supply could quickly match demand, population growth coupled with income-driven demand for amenities within a constrained land environment can result in rising land values and thus housing prices.
- Appropriate responses to land value increases should be a combination of increased urban density and new development on the periphery. However, in an effort to preserve quality of life for existing residents their local governments often impose restrictive land use regulations, which constrain housing supply and thus exacerbate the housing affordability challenge.

The report offers a discussion of several policy options, including a brief evaluation of the formation of the Auckland Super City, which is a substantial change in governance structure that may have significant implications for development in the coming years. However, it is too early to fully assess these changes. Policy options center on better aligning the incentives of local authorities to regional and national housing needs. Options discussed include:

- Introduce new incentives, subsidies and other policies at the local level to increase density and expand development from the urban center to the periphery.
- Local governments can reduce the substantial uncertainty/risk borne by developers by cutting the length and variability in time to obtain regulatory consent. In addition, both subnational and national governments could take on shares of the risks associated with the financing of infrastructure, particularly for larger development projects.
- Increase the costs of holding undeveloped property for speculative purposes by implementing a land value tax at the local and/or national levels.
- Use locally targeted capital requirements as determined by the Reserve Bank of NZ to temporarily take the heat off demand so as to enable supply to respond to long-run housing demand pressures.
- Promote development in Auckland region satellite communities (matched with coherent transportation infrastructure planning) in order to relieve pressures on the Auckland core.
- Strengthen other urban areas such as Christchurch so as to provide options to those who desire the benefits of living in highly urbanized areas.

The report also identifies data needs and offers suggestions for further research that may help inform housing policy. Information needs highlighted include:

- While the regulatory environment can limit supply of new housing, little is known about the differences in regulations across NZ. The development of a NZ land use regulation index like that of Gyourko, et al. (2008) would improve our understanding of the policies that are in place and help to identify their impacts.
- NZ cities such as Auckland and Wellington face binding geographic land constraints. However, little is known about the degree to which physical land constraints have led to land/housing prices differences in these cities or elsewhere in NZ; a physical land constraint index similar to Saiz (2010) would be a valuable tool in this regard.

Potential research projects identified include:

- Estimate the impact of land use regulations and physical land constraints on housing price growth. Estimate the impact of development contributions on various aspects of the NZ housing market.
- Estimate the impact of moving from a land value tax to a general property tax in the Auckland region. When the Auckland Super City was formed, many communities were forced to switch from a land value tax to a property value tax. This change provides an excellent opportunity to explore how local (and perhaps national) tax policy can be used to achieve land use/housing objectives.
- Develop or modify a land use model to inform a development contribution subsidy framework. Such a model could help identify anticipated impacts of national

infrastructure subsidies on housing demand/supply, affordable housing, and agglomeration economies.

- Develop a regional econometric model of housing prices to identify housing bubbles and inform locally targeted capital requirements that could potentially be implemented by the Federal Reserve Bank of NZ
- Study the impacts of the Christchurch earthquake in order to better understand the linkages (population and business flows, international student flows) between Christchurch and Auckland. Evaluate strategies to strengthen Christchurch's position in the NZ economy.
- Explore options for altering the regulatory environment and the infrastructure funding framework to reduce the risk/uncertainty for developers.

Mark Skidmore
Michigan State University

The full version of this paper is available as WP14/11 in The Treasury Working Paper Series and as WP 07/2014 in the Working Papers in Public Finance Series.

Mark Skidmore is professor of economics at Michigan State University, where he holds the Morris Chair in State and Local Government Finance and Policy with joint appointments in the Department of Agricultural, Food and Resource Economics, and the Department of Economics

Feature

How to close the long-term ‘fiscal gap’ – what do NZPF website visitors prefer?

Norman Gemmell

When the Treasury published its latest Long-Term Fiscal Statement “Affording our Future”, in July 2013, the NZPF website simultaneously launched the Long-Term Fiscal Calculator. This article describes some of the main policy choices that website visitors said they preferred to restore and maintain the government’s budget balance.

The fiscal calculator is a web-tool based on the Treasury’s long-term fiscal model that allows website visitors to choose their most preferred options to ‘close the long-term fiscal gap’. Projecting Crown revenues and taxes over the next 40 years, the model predicts growing public debt (in the event that the rate of public expenses growth were to revert to the rates of growth experienced in the decade or so prior to the global financial crisis and also assuming that the tax-to-GDP ratio is maintained at around 29 % of GDP on average over time). This difference between projected spending and revenues is the ‘fiscal gap’.

The dilemma is which set of policy changes to choose, to either generate more revenue or decrease expenditure or both. The calculator allows users to select from 29 different policy change options to maintain the Crown’s budget in balance while maintaining the core Crown’s net debt level at an average level of 20% of national income over the next four decades or so. If they wish, users can ‘submit’ their preferred choices.

Out of over 2000 visitors to the Long-Term Fiscal Calculator web-pages by May this year, almost half of them ran the calculator and submitted their results on-line.

Policy Options Available on the calculator

The 29 policy options that users were asked to select from are shown in the table below. They can be grouped into four categories:

- Change the ‘conditions’ for New Zealand Superannuation (NZS) or other retirement income/savings settings.
- Raise taxes.
- Raise other (non-NZS) spending.
- Lower other (non-NZS) spending.

In the table, the%age next to each policy option shows the extent of the expected impact on the long-term fiscal balance: positive percentage figures indicate savings and negative figures indicate further widening of the fiscal gap. For example, over 60% of the projected gap (without any policy change) could be eliminated simply by implementing the ‘compulsory private savings’ scenario simulated in the model/calculator. Increasing the GST rate to 20% would close 33% of the gap. So, in combination, these two policy changes alone would be (roughly) sufficient to ‘close the gap’.

Of course, for many reasons, these two policy choices might not be the best options or the most-preferred by most people. The calculator results, however, tell us what options were most preferred by those who submitted their choices.

What options did people select?

Before considering the results, it is important to establish from the outset that this is not a representative random sample of New Zealanders; indeed it may not even be close! To keep the time required to fill in the calculator choices low and maximise the number of responses, the calculator deliberately did not ask for any personal characteristics of users. As a result we do not know how representative these results are of New Zealand society in general.

CHANGE CONDITIONS	
Raise NZS eligibility age to 67	14%
Raise NZS eligibility age to70	41%
Compulsory private savings	62%
Levy to increase NZSF contribution	63%
Remove 'wage floor' for NZS	61%
Remove 'wage floor' for NZS but adjust with prices and wages growth	34%

TAX	
Increase GST to 17.5%	15%
Increase GST to 20%	33%
Establish land tax 1% rateable value	15%
Establish land tax 2.2% rateable value	33%
Increase personal income tax	42%
Introduce capital gains tax (excluding family home)	11%
Introduce capital gains tax (including family home)	25%
Increase company tax	17%

REDUCE EXPENDITURE	
Reduce welfare 10%	7%
Strongly reduce welfare 20%	13%
Reduce education 10%	9%
Strongly reduce education 20%	18%
Reduce justice 10%	2%
Strongly reduce justice 20%	5%
Reduce health 10%	19%
Strong reduce health 20%	37%
Reduce other 10%	9%
Strong reduce other 20%	18%

INCREASE EXPENDITURE	
Increase welfare 10%	-7%
Increase education 10%	-9%
Increase justice 10%	-2%
Increase health 10%	-19%
Increase other 10%	-9%

So what did we find?

Results from submissions so far show that 930 people participated in the survey. IP addresses indicated 78% of the respondents were private users or at least, using privately registered computers. 91percent of all respondents were based in New Zealand with the remaining interest coming from a range of countries: Australia, China, South Africa, Singapore, United States, Europe and so on.

95% of all respondents chose at least one policy change that involved a change to existing NZS conditions. Within this group of people, the most popular options were:

1. Raise NZS eligibility age to 67 (56% of the group chose this). Or to 70 (another 24%).
2. Compulsory private savings (50% of the group).
3. Remove ‘wage floor’ for NZS but adjust with prices and wages growth (29% of the group).

82% of all respondents chose at least one tax option. Within this group, the most popular options were:

1. Introduce capital gains (excluding family home) (60% of the group).
2. Establish land tax at 1% of rateable value (24% of the group).
3. Introduce capital gains (including family home) (21% of the group).

Over half (57%) of all respondents chose at least one option to reduce expenditure. Within this group, the most popular options were:

1. Reduce other expenditure by 10% (56% of the group).
2. Reduce welfare by 10% (46% of the group).
3. Strongly reduce other expenditure by 20% (39% of the group).

On the other hand, 55% of all respondents also chose at least one option to increase expenditure (respondents who chose to reduce expenditure and who chose to increase expenditure were not mutually exclusive) .Choosing any of these policy options, of course, meant that those respondents had to find more savings elsewhere. Within this group, the most popular options in this category were:

1. Increase education expenditure by 10% (99% of the group).
2. Increase health expenditure by 10% (69% of the group).
3. Increase justice expenditure by 10% (62% of the group).

How do the options close the gap?

We can also assess how far the different options selected went towards filling the fiscal gap. The table below combines the 29 options into four according to whether they involved reducing NZS costs, raising tax (one or more of the tax options offered), and raising or reducing non-NZS spending (the latter working against closing the fiscal gap).

For each of those four combined options, the table shows how much of the gap could be closed if the option which they chose was implemented. For example, for those choosing an option to reduce NZS costs, raising the age of eligibility to 67 is shown in the previous table to be projected to close the gap by 14% or by 41% by raising the age to 70. Adding up all those who chose either of these two options, their choices would contribute, on average, to the gap being closed by between 14% and 41%.

The table below shows that, for all the six NZS options combined (including compulsory private savings; see previous table), this represents an average of 80% of the gap being closed, including those who did not choose any NZS option (and who therefore represent a 0% gap closure in the calculation of the average across all participants). The table also shows the percentage of the gap closed if only those who 'voted' for it are included. For the NZS option this was 84%.

The table reveals some other interesting outcomes. The gap that could be closed by those favouring a cut in non-NZS spending is almost exactly balanced by the fiscal gap increase that would result from the options chosen by those who preferred a spending increase in at least one of the spending categories.

Fiscal gap closing options				
	Reduce NZS cost	Raise at least one tax	Reduce at least one Non-NZS spending category	Increase at least one non-NZS spending category
Percent of fiscal gap filled	80%	28%	13%	-13%
Percent of fiscal gap filled by those choosing this option	84%	34%	23%	-23%

On tax increases, the various options available result in a fairly modest contribution to closing the fiscal gap by those who chose one of the tax options. They represent an average gap closure of only 28% when averaged over all participants (including those not choosing a tax option), or 34% when averaged over those selecting at least one tax option.

Conclusion

An overview of results above suggests that there is a strongly expressed preference in favour of some form of NZS change to reduce its costs, and these could potentially contribute quite significantly to closing Treasury's projected long-run fiscal gap. On the other hand, cutting other spending options to reduce costs and close the gap received relatively weak support and was counterbalanced by some support for greater non-NZS spending. Over 80% of participants wanted at least one tax increase option but were very divided over which tax in particular. The potential gap closure associated with those options was around one-third.

Clearly balancing the government's books over the longer term is going to be both difficult and subject to much debate over the merits of the various options available, perhaps including some not considered here.

Norman Gemmell
Chair in Public Finance

If you are yet to balance the government's books, check out the Long-Term Fiscal Calculator

Event Report

My 2014 Budget, 12 May 2014

Libby Wight and Norman Gemmell

Chair in Public Finance, Victoria Business School

In advance of the New Zealand Government's release of the 2014 Budget on 15 May 2014 NZIER and the Chair in Public Finance at Victoria University of Wellington hosted a pre-Budget event at NZICA, asking 'What do you think should be included in this year's Budget?' The event was well attended, with over 60 people coming along to learn more about the Budget process from the Treasury, and what our speakers, Brian Fallow, Phil O'Reilly and Stuart Nash, would include in their 2014 Budget.

The session, introduced by Norman Gemmell, was kicked off by the Treasury 's Fiscal and State Sector Management and Fiscal Reporting teams walking the audience through how the Budget works, detailing what the Budget is and what it is used for, outlining the phases of the Budget cycle and understanding how to read key Budget documents.

Following a quick break and some networking downtime, Brian Fallow, economics editor at the New Zealand Herald, took to the stage to present what his 2014 budget would look like. Brian argued for faster growth in public expenditure than proposed in the government's Budget, in order to prevent *real per capita spending* falling over the next few years.

Phil O'Reilly, chief executive of Business NZ, followed with a nod to a budget which would stimulate growth in New Zealand from current resources. Key areas highlighted within his presentation included a reduction of taxes and government spending, targeting of social spending, a reassessment of the utilisation of New Zealand's natural capital and a focus on the production of the skills and research which are greatly needed within the business sector.

Our final guest speaker, Stuart Nash, former Labour Party revenue spokesperson and Labour election candidate for Napier, arrived just in time to give the audience his perspective on the 2014 Budget. The thematic elements of his budget were focussed around implementing a capital gains tax, economic development, Corrections and child poverty.

The session was concluded by Kirdan Lees, Senior Economist at NZIER, who summarised the thoughts of all speakers, and added his own take on what should be included in the 2014 Budget.

The event was an excellent precursor to the release of the budget on 15 May, and garnered very positive feedback. Thank you to everyone that was able to attend. If you would like to join our mailing list to receive invitations to the Chair in Public Finance public lectures and events, email Libby Wight.

For more information about the 2014 Budget, or to browse through the documents tabled on 15 May, check out the Budget website or the NZ Budget App, a native App for iOS and Android devices.

Feature

"Taking Advantage of Market Power" - A note on Commerce Act s.36 issues

Lewis Evans

The Commerce Act (1986) recognises that some businesses have market power and it constrains actions taken alone (or unilaterally) by them: "Section 36 of the Act makes it illegal for any business with a substantial degree of market power to take advantage of that power to deter or prevent rival businesses from competing effectively", (Commerce Commission, Fact Sheet 3).[1] To determine if such market power is being misused the New Zealand Courts use a 'counterfactual test'. The test asks: would the business behave in the same way without its observed market power?

There has been dissatisfaction with section 36 of the Commerce Act (CA) expressed by the Commerce Commission (CC)[2] and some others in various forums.[3] The concerns relate to the way the Courts have interpreted and applied this section using a counterfactual test. Section 36 relates to unilateral actions by firms. It would seem that the disaffected parties want to extend the ambit of the test to encapsulate the sort of approach that is applied in tests of a "Substantial Lessening of Competition" (SLC) to multilateral actions. To consider the ramifications it is necessary to very briefly set out the framework. Brevity requires a little poetic license in expression; and in not dealing with some issues. In particular, it does not consider the way the Courts in fact reach decisions on these issues (how they interpret the CA and the s.36 counterfactual), although it is extremely important to outcomes and it has been evolving.

1. The Framework
   a. The CA has the overarching objective of the long term benefit of consumers: which in law and economics is typically interpreted as dynamic efficiency.
   b. Competition is a (very common) tool to achieve the CA goal. However, it is well known that competition as measured by the number of firms can be excessive: for example, lessen investment, quality, and product variety.
   c. That competition per se in the CA is subservient to dynamic efficiency is revealed by the fact that the CA allows there to be a substantial lessening of competition (SLC) if economic efficiency is improved by the conduct (as assessed by a cost-benefit analysis: i.e. the public benefit test).
   d. Competition is a useful process not an overarching objective.

2. Relevant key prohibitions under the CA
   a) Unilateral Actions (s.36): A dominant firm shall not take actions with the purpose of driving another firm from the market or preventing a firm's entry or limiting a firm's competitive conduct. The present test for this (in addition to purpose) is: a) does the

[1] See the Commerce Commission 'Taking Advantage of Market Power' fact sheet.
[2] For example, as reported by the National Business Review January 29 2014
[3] The Productivity Commission consider that s.36 should be reviewed (Productivity Commission, report *Boosting Productivity*, May 2014).

firm have substantial market power; if yes then b) would the firm behave the same way in a workably competitive market?

b) Multilateral Actions

i. s.27: A contract or arrangement that engenders an SLC is prohibited;

ii. s.47: a merger that is likely to result in an SLC is prohibited.

3. The Tests

a. All the tests use some counterfactual. In New Zealand, assessments of breach are based upon a counterfactual to answer the question; what would be the outcome if the conduct or action in question did, or did not take place?

b. All the tests typically use hypothetical counterfactuals: these are conjectures (that may be in the form of a model) as to the market outcome in the alternative. The degree of realism varies across the facts of cases, but because they all involve conjecture about the future, behaviour and outcomes (with or without conduct or arrangement) they are hypothetical and as such necessarily embody assumptions.

c. The counterfactual test of s.36 applied by the New Zealand courts differs from those used in multilateral conduct tests

i. It asks if the conduct would be observed in a workably competitive market. Thus it is contemporaneous, and not forward looking; although it may be used to infer on-going market performance;

ii. In some settings (industries) the workably competitive market of the s.36 counterfactual can be very abstract;

iii. In other settings it can be very concrete indeed, and directly observable to a close approximation. Where the conduct can be directly observed in like industries in other jurisdictions it can be very well specified and directly informative: often at least as informative as the speculation about the future that is part of the SLC tests. The other-jurisdiction form of counterfactual is routinely used by New Zealand industry-price regulators; as and when they draw on processes and data from other countries' regulated markets to make New Zealand regulatory decisions.

4. Unilateral vs. Multilateral: generic issues to the proposed change

a. Conduct relevant to s.27 and s.47 is revealed in instruments that include arrangements/contracts and merger terms. These instruments reveal actions taken or about to be taken. They can be the focus of a SLC (substantial lessening of competition) investigation: without these instruments generally there would be no SLC investigation.[4]

b. Conduct under s.36 is unilateral. Signals that s.36 may be violated arise from the behaviour of the firm going about its own business. The range of unilateral actions that could be taken is, of course infinite, and include conduct that might be tested at the behest of the CC and/or competitors (as a practical matter the list might include a squeeze, raising rivals costs predation, etc.)

c. The SLC test as applied to s.27 and s.47 cases evaluates competition effects by applying a counterfactual analysis against what would happen without the offending action, instrument or agreement. If a SLC is found there will be a breach (unless the parties have applied in advance for an authorisation and the Commission finds that

[4] This is a bit strong: as for example understandings can be in violation of multilateral arrangements under the CA.

there is a net public benefit). In this way these sections contribute to the overarching goal of the CA.

d. Under present legislation a breach of s.36 is a per se breach of the CA; there is no need to establish an effect on competition.

e. To elaborate it is useful to consider a hypothetical alternative to the existing commerce act, in which it is supposed that the SLC was a general test of breach. Then if the unilateral test retained its present s.36 terms and the counterfactual test remained, the unilateral test could be viewed as if it had the effect of an SLC. On this interpretation, finding a breach of s.36 would not entail first finding an SLC, instead, it would be as if an SLC was implied by a s.36 breach.[5] Again on this interpretation, s.36 narrows unilateral (and the assumed consequent SLC) breaching actions to those having the intent of eliminating a firm from the market, limiting the competitive ability of a firm or preventing entry. Apart from these breaching behaviours a firm large or small could carry out the range of myriad other actions that go to running a business.

f. The present CA provides "workable" confidence to relatively large firms (that may be assessed as having market power) that comes in two forms: a) as far as "own" actions are concerned these firms need not be concerned about breach so long as they do not act with intent to remove/prevent entry/limit competitive conduct of others; and b) that they can check on whether their actions may breach s.36 by asking would the relevant action be seen in a workably competitive market?

5. View of Disaffected Parties:

a. In general terms the CC's critique seems to imply[6] that s.36 should be evaluated as an SLC directly. This would have the effect of opening a wide class of unilateral firm decisions to scrutiny by the CC and by competitors in an area where good (dynamically efficient) market performance is likely to require vigorous unilateral decisions by large firms (and those that would be large).

b. The changed approach would have the effect reducing large firms' security in making unilateral decisions, a) because the set of behaviours that would potentially draw an SLC would be more extensive and uncertain: particularly if the processes of establishing an SLC placed little weight on the existing s.36 counterfactual test; and b) there would be no definitive check on whether their actions may breach s.36 by asking would the relevant action be seen in a workably competitive market?

c. In response to this uncertainty: one suggestion is that if SLC test was available for the unilateral market power test, behavioural rules could be specified that gave the firms certainty for a class of legal unilateral actions. However, safe harbour rules that were definitive would be extremely hard to construct for unilateral actions (think of the world-wide debate about approaches to, and measurement of predation). They would likely err on the side of chilling competition and create uncertainty.

6. Other jurisdictions

[5] It is not quite this simple, since it is possible for a breach of s.36 to not produce an SLC.

[6] To my knowledge, properly given its statutory position, the Commerce Commission has not proposed a change.

a. There is not space here to review these: Kay Winkler (in a paper now published in the European Competition Law Review) studied the application of the unilateral act of predatory pricing in different jurisdictions. He showed that there are differences in approach among the EU, US, Aus and NZ and that the NZ/Aus approach used the counterfactual test of the approach as one way of predicting the outcome of the conduct (whereas the EU and US used other approaches).
b. The general approach of the EU does stand out; as it has an approach that means that large firms have some sort of duty of care to small firms when competing in a market (e.g. large firms that price below some measure of cost are automatically in breach). In the EU the efficiency defence is potentially available if convincingly argued by the firm on its own initiative.

7. The 0867 Case
   a. This s.36 case sets the scene and is illustrative. The CC took it to the New Zealand Supreme Court that found no breach of s.36; seeking to apply its view of a different or wider test than the counterfactual test. In this case the counterfactual was hypothetical. In my view the CC was asking the court to find Telecom in breach where it had unilaterally carried out a dynamically efficient act.[7]
   b. Any argument that Telecom's conduct was dynamically inefficient would have to be based around the result that the free ISPs that Telecom (through Clear) was cross subsidizing were (essentially) eliminated from the market. The case that this was a breach of the Commerce Act would have had to explain why the elimination of "me too" ISP firms adversely affected dynamic efficiency (a study existed at the time that showed that for ISPs it would be most unlikely[8]) and how any "benefit" of "many ISPs" covered the extra resource costs incurred at the relevant time and looking to the future.
   c. The pursuit of this case raises questions that include about the breadth of the test in unilateral conduct that the CC would like to apply under s.36; and the CC's pursuit of competition per se, relative to dynamic efficiency.

8. In sum
   a. Competition is a tool not the universal source of welfare: the SLC test assesses the effect on the tool of some conduct.
   b. The present s.36 test finds a breach of the CA on a narrower range of conduct than would an SLC approach, and the suggestion would seem to be to broaden it.
   c. The narrower range of conduct provides large firms with some certainty regarding legal unilateral decision-making and conduct.
   d. The existing s.36 counterfactual test is a check on unilateral conduct. It is abstract in some settings, but in others it is concrete and at least as informative as many counterfactuals relating to the general SLC tests of s.27 and s.47.
   e. On the suggested direction of change and the 0867 case actions the sort of change contemplated portends an increase in CC activity on unilateral actions.

[7] I was engaged by Telecom to evidence on the 0867 case, and I had supervised an ISCR paper on the topic before this engagement.
[8] Boles de Boer, Enright, and Evans, "The ISP Markets of Australia and New Zealand", INFO: the journal of policy, regulation and strategy for telecommunications, information and media, 2000.

f. The extended direct use of an SLC and rules for safe harbour applied to relatively large firms with potential market power looks a lot like the EU approach to unilateral actions.
g. Has the efficiency case for change been established?

Lewis Evans
Professor of Economics, Victoria University of Wellington

Professor Lewis Evans' current research includes the performance of contracts, organisations and markets under different competition and regulatory structures. He is a Lay Member of the High Court for matters of commerce, a Fellow of the Law and Economics Association of New Zealand, a Distinguished Fellow of the New Zealand Economics Association, and a member of the editorial board of the Journal of Contemporary Economic Policy.

Conference Report

The 2nd Annual Workshop of the new Tax Administration Research Centre (TARC). University of Exeter, UK, 10-11 March

Norman Gemmell

This relatively new tax research centre in the UK is co-sponsored by the UK's Treasury, and Revenue & Customs departments, and the university research funding body, the Economic & Social Research Council. TARC focuses on research into tax administration in particular (and is launching a new journal, The Journal of Tax Administration).

I had the privilege of attending, and presenting at, TARC's 2nd annual research workshop over two days in March this year. Among several interesting papers on the programme, the most prominent was perhaps the keynote address by University of Michigan professor, Joel Slemrod.

Slemrod has argued for some time now that economists' traditional approaches to tax analysis have focused too much of so-called 'real' responses, such as labour supply, and not enough on compliance responses. He also argues that economists' analyses of tax administration more generally have been limited. Slemrod calls instead for what he calls analysis of tax systems. That is, tax analysis should go beyond the traditional focus on tax bases and rates, and be concerned with the broader set of "rules, regulations and procedures" that define or circumscribe a tax system. This would make economists' and others' analyses of tax behaviours more compelling and relevant to both tax policy and administration in practice.

Among other presentations at the conference, Harry Theoharis, new head of the Greek Ministry of Finance, on "Greek Tax Administration: Viewing Tangible Progress", reported on Greek tax administration reforms. He provided some fascinating insights into how failing or weak administrations can be turned around with a commitment to try new approaches and application of rigorous procedures.

Norman Gemmell
Chair in Public Finance

For further information on the **2nd Annual TARC Workshop**, including the programme and access to Professor Slemrod's keynote slides, please see the TARC website or contact tarc@exeter.ac.uk

Tax Administration for the 21st Century Conference, 12-13 June

Inland Revenue

The Tax Administration for the 21st Century conference was held in Wellington over two days in June. Jointly hosted by Inland Revenue, The Treasury and Victoria University, the Conference was an opportunity for public and private sector officials to have input into the policy and legislative implications resulting from Inland Revenue's business transformation.

In her conference opening speech, Commissioner for Inland Revenue, Naomi Ferguson, said we're here to develop new ideas, to test and improve current thinking, to hear what you want from a modern and relevant tax administration, and to debate future policy proposals that will strengthen our system and make it simpler for New Zealand.

"We want to include the best thinking across New Zealand and the world as we plan to change our tax administration to make it simpler, more certain and more transparent for all New Zealanders," says Ms Ferguson.

Creating a 21st century revenue system

Revenue Minister Hon. Todd McClay addressed the Conference by stating that as we embark upon one of the New Zealand Tax System's largest reform programmes; we face both opportunity and challenge.

"Inland Revenue's Business Transformation is about simplifying and modernising the tax system for New Zealand taxpayers. At its heart is tax policy, which must go hand in hand with a modern - fit for purpose tax administration."

The 'once in a generation' modernisation of the revenue system that administers tax and a range of social policy services aims to make it faster, simpler and more transparent for New Zealand individuals and businesses.

Major themes from Conference

- Stakeholders want more speed, certainty and predictability on disputes, interpretation and policy.
- The current tax system and consultation process is working well and existing policy frameworks should be retained for evaluating future changes.
- On the theme of innovation and technology, Inland Revenue's changes need to be customer centric and focus on what future customers want. Technology solutions need to be flexible enough to cater for future policy changes and other requirements that cannot be predicted yet.
- There was general support for Inland Revenue's 'straw man' policy proposals for individual tax. Any changes must allow for taxpayers' varying levels of tax knowledge and ability to use digital channels. There were a range of suggestions on the extent to which taxpayers should be required to interact with the tax system.

- An increased importance was required on the role of small and medium enterprises (SMEs) in the policy vision and their role in the wider economy.
- There was strong support for changes to provisional tax and that the current system is not ideal. Very strong support was made for changes to penalties and interest. Lower rates were required, with more efficient collection and enforcement.
- There was general acceptance of using third party data and sharing information across government, but sensitive personal and business data should stay within the government tent.
- Social policy requirements and the necessary interaction with tax will be a key issue in driving efficiencies across government (e.g. common definitions).

Content supplied by Inland Revenue

Conference papers and video presentations

All conference papers can be found on the Conference website including Inland Revenue's draft working paper "Tax Administration for the 21st Century: a policy vision". Video highlights from the Conference will be available on the website in mid-July.

Research Report

Are prices high in New Zealand?

Patrick Nolan

The New Zealand Productivity Commission commissioned Professor Norman Gemmell, the Victoria University of Wellington Chair in Public Finance, to compare consumer prices in New Zealand with those overseas and to explain any differences identified.

It is impossible to say whether relative consumer prices are "too high" without also understanding what is driving these prices, as they may, for example, reflect intrinsic costs of production in New Zealand. However, they may also reflect problems with our markets, such as a lack of competition in key areas or reduced access to international markets.

Using World Bank data, Professor Gemmell shows that prices are relatively high in New Zealand compared to other countries. This is true for goods and services which face no direct foreign competition (non-tradables, e.g. rail freight transport) and for those that are traded internationally or in competition with foreign goods (tradables, e.g. electronics).

The project highlights the impact of New Zealand's moderately low share of skilled workers and a small population on non-tradable prices. It also shows that access to international markets (including transport costs) and the domestic supply chain costs of getting tradables from the New Zealand border or factory gate to the final consumer also contribute to higher prices of tradables.

Indeed, New Zealand's price of tradables "at the border" – which exclude domestic supply chain costs – was the sixth highest in 2005 behind Iceland, Norway, Japan, Cyprus and Malta. Because these countries are also, to varying extents, isolated island economies, access to international markets is a likely key contributing factor to high tradable prices.

Why do prices differ across countries?

The research explains differences in non-tradables price across countries as due to differences in factor endowments (capital, labour, etc.), skills and population size – all of which potentially affect the supply of, and demand for, non-tradables in each country.

For products that are freely tradable on international markets, the key question is whether the law of one price holds. Namely, are prices for the same tradable product the same in different countries when converted to a common currency? If not, what trade impediments, exchange rate "misalignments" or other factors might explain the differences observed? These differences could reflect tariff and non-tariff barriers, transport and other market access costs, and so on.

Tradables also require some non-tradables to "deliver" them from the border or factory gate to the consumer. This includes domestic transport costs, warehousing, wholesale and retail trade costs and indirect taxes. As a result, the prices that consumers pay for tradables are also affected by these non-tradable input costs. The research includes the effect of non-tradables prices on tradables prices.

The research uses ICP data on prices of around 150 “basic heading” items in 2005 to create aggregate tradable and non-tradable expenditure/price categories. The analysis works mainly with a sample of 44 OECD-Eurostat countries for which all necessary data is available.

How do prices in New Zealand compare?

Overall price levels in 2011 and 2005

World Bank data on the overall price levels in New Zealand and a number of other countries are shown in Table 1. The figures are based on the World Bank’s International Comparison Programme (ICP) data for 2005 and 2011. These data are collected by the ICP with the aim of measuring prices and expenditures for a basket of comparable goods and service expenditures across countries. The latest year for which these World Bank data are available is 2011. The most recent detailed data available on specific prices are for 2005, which were primarily used in the analysis.

In 2011, the overall price level in New Zealand was below that of Australia but above that of the United Kingdom. Table 1 also compares these price levels to OECD data on expenditure per capita. This shows that, when judged against average expenditure, the price level in New Zealand appears relatively high. Prices may, for instance, be 9% higher in the United Kingdom than in New Zealand in 2005, but their expenditure per capita was 30percent greater than ours. New Zealand appears to have relatively high prices given our income levels.

Table 1. Comparison of overall price levels (2011 and 2005) and expenditure per capita

(NZ=1)	2011 price level index	2005 price level index	2005 expenditure per capita
New Zealand	1.00	1.00	1.00
Australia	1.33	0.98	1.33
Canada	1.07	0.93	1.34
Ireland	0.98	1.18	1.27
United Kingdom	0.95	1.09	1.30
United States	1.85	0.93	1.75

What is cheap or expensive in New Zealand?

New Zealand’s overall consumer price level can be broken down into specific prices using the 2005 World Bank data. These data show that, relative to other OECD countries, some broad features of consumer price levels in New Zealand stand out.

Goods and services associated with investment in general appear to be relatively expensive. This is especially true for property, construction and utilities (water, gas and electricity).

Passenger transport (excluding private motor vehicles) and alcohol and tobacco prices are also relatively expensive compared to other countries.

In contrast, prices for key exportable products from New Zealand are relatively cheap – especially beef, veal, lamb, fish and dairy products. Services that are largely government provided – such as education, health and social protection – are also relatively inexpensive. This reflects New Zealand's relatively low wage levels, as wage costs are an important determinant of measured (non-market) prices in these sectors.

Prices for non-tradable and tradable prices

It is possible to break down New Zealand's overall price level into the prices for non-tradable and tradable goods and services (Table 2). Relatively high-income OECD countries feature prominently among the countries with the highest prices for non-tradables. In 2005, New Zealand had the 19th highest price level for these goods and services among the 44 OECD-Eurostat countries included in the research.

Table 2 How non-tradable and tradable prices in New Zealand compare (2005)

(NZ=1)	Average price of non-tradable's and rank (of 44 countries)	Average price of tradable's and rank (of 44 countries)	Average adjusted price of tradable's and rank (of 44 countries)
New Zealand	1.00, 19th	1.00, 9th	1.00, 6th
Ireland	1.39, 3rd	1.04, 5th	0.78, 31st
United Kingdom	1.18, 9th	0.98, 10th	0.84, 21st
United States	1.08, 16th	0.74, 30th	0.49, 44th
Australia	1.04, 18th	0.91, 15th	0.82, 27th
Canada	0.97, 21st	0.87, 20th	0.80, 28th

The prices for tradables display a similar pattern, but there are some variations. Of the 44 OECD-Eurostat countries in the World Bank data, New Zealand had the 9th highest average tradables price. Table 2 also removes the effect of domestic supply chain prices from the price of tradables to give a rough estimate of prices for tradables at the border. On this measure, New Zealand had the 6th highest price of (adjusted) tradables prices in the World Bank data set. Thus while New Zealand ranks relatively highly among international non-tradable prices it has an especially high relative international price of tradables products arriving at New Zealand's border.

Explaining New Zealand's prices

New Zealand's relative low capital intensity and trade deficits would lead us to expect lower non-tradable prices. However, our lower than average skilled labour and population would lead us to expect higher non-tradable prices. The fact that New Zealand has relatively high prices, therefore, indicates the dominant effect of New Zealand's lower than average values for skilled labour and population.

These non-tradables prices then have a feedback effect onto our tradables prices. The impact of non-tradable prices on the consumer price of tradables is an important reason why consumer prices differ across countries.

New Zealand's price of non-tradables accounts for around 35 to 40 per cent of the domestic price of tradables for consumers, compared to border or factor gate prices. This is quite similar to other OECD countries on average and is only a part of the explanation of New Zealand's relatively high tradables prices.

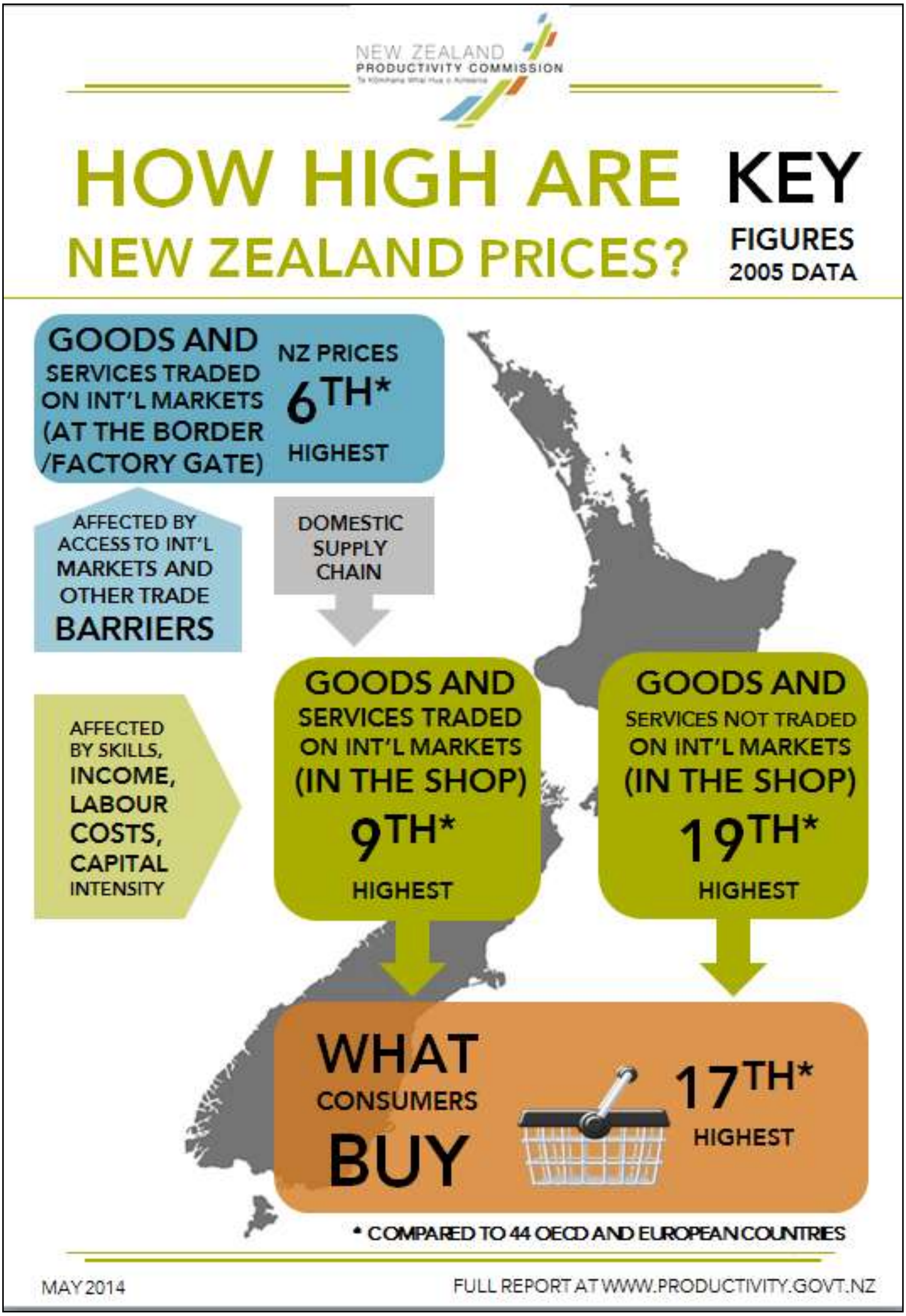
Although the drivers of tradable prices at the border are not explicitly modelled, relatively high prices in New Zealand's case could reflect greater trade impediments and/or higher indirect taxes. It is likely that the former dominates the latter, since general indirect taxes in New Zealand are not unusually high by OECD standards. Indeed, the price of tradables at the border was the sixth highest in New Zealand behind Iceland, Norway, Japan, Cyprus and Malta, all of which are, to varying extents, isolated island economies.

Patrick Nolan,
New Zealand Productivity Commission

The research relating related to this report is available from the Productivity Commission or as WP 06/2014 and WP 08/2014 in the Working Papers in Public Finance series.

The New Zealand Productivity Commission

The Commission – an independent Crown entity – completes in-depth inquiry reports on topics selected by the government, carries our productivity-related research, and promotes understanding of productivity issues. See www.productivity.govt.nz for further information.


NEW ZEALAND
PRODUCTIVITY COMMISSION
HOW HIGH ARE NEW ZEALAND PRICES?
KEY FIGURES
2005 DATA
GOODS AND SERVICES TRADED ON INT'L MARKETS (AT THE BORDER /FACTORY GATE)
NZ PRICES 6TH* HIGHEST
AFFECTED BY ACCESS TO INT'L MARKETS AND OTHER TRADE BARRIERS
DOMESTIC SUPPLY CHAIN
AFFECTED BY SKILLS, INCOME, LABOUR COSTS, CAPITAL INTENSITY
GOODS AND SERVICES TRADED ON INT'L MARKETS (IN THE SHOP)
9TH* HIGHEST
GOODS AND SERVICES NOT TRADED ON INT'L MARKETS (IN THE SHOP)
19TH* HIGHEST
WHAT CONSUMERS BUY
17TH* HIGHEST
* COMPARED TO 44 OECD AND EUROPEAN COUNTRIES
MAY 2014
FULL REPORT AT WWW.PRODUCTIVITY.GOVT.NZ

Visit Report

Professor Ismael Sanz, 2-8 June

Summary of visit

I recently visited Victoria University of Wellington for a week, from Monday 2 June to Sunday 8 of June to undertake some research collaboration. During my visit, I worked with Professor Norman Gemmell on our joint paper (along with Richard Kneller from University of Nottingham): “Does the composition of government expenditure matter for long-run GDP levels?” (The previous version of the paper is available to view online). Specifically we worked on providing evidence that our estimations are not affected by using recent tests for “weak exogeneity”.

During my visit to Victoria University of Wellington, I had the opportunity to present a recent paper I have been working on about the effect of introducing external and standardised test in student achievement. The public lecture, jointly sponsored by the New Zealand Ministry of Education and the Chair in Public Finance, was entitled “Can standardised external tests affect school outcomes? Evidence and policy implications” was attended by academics, representatives from the New Zealand Ministry of Education and other government departments, media representatives and interested others.

Finally, I also had the chance to meet with some staff from the Ministry for Education. New Zealand performs particularly well in international education tests such as PISA (for Compulsory Lower Secondary School) or TIMSS and PIRLS (for the 4th Grade of Primary Education). So I took the opportunity to glean some information about how the education system works in New Zealand. At the same time, I provided information about the Spanish experience of allowing researchers access to education databases and utilising rigorous analysis from experienced academic researchers. One example of the use of this kind of analysis is the OECD Programme PIAAC (Programme for the International Assessment of Adult Competencies).

Ismael Sanz
Instituto Nacional de Evaluación Educativa

Profile: Ismael Sanz

Ismael Sanz is Professor in the Department of Applied Economics at the University Rey Juan Carlos, Madrid, Spain, and Director of the National Institute for Education Assessment (Instituto Nacional de Evaluación Educativa, INEE); a central government body that coordinates Spain's participation in international education tests such PISA, TIMSS etc. From 2009 to 2011 he was advisor of the Education Ministry of the Regional Government of Madrid. As a representative of Spain, Dr Sanz is member of the PISA Government Board, the Strategic Development Group of PISA, Board of Participating Countries of PIAAC (Programme for the International Assessment of Adult Competencies), General Assembly representative of the IEA (International Association for the Evaluation of Education Achievement) and representative of the Education Policy Committee of the OECD.

In addition to research into the effects of international education tests, Dr Sanz research interests include fiscal policy, education, economic growth and globalisation. His research has been published in leading international journals such as the Economic Journal, Canadian Journal of Economics and Public Choice. He has been a research visitor at various overseas universities including the University of Nottingham (UK), the Universities of California Santa Barbara and Harvard (US), University of Otago, and Australian National University. He has also served as a consultant to the World Bank, European Commission and the New Zealand Treasury.

For further information about the content of his public lecture and further research, please contact Ismael Sanz.

Upcoming Events

1-3 July
The Chartered Institute of Public Finance and Accountancy Annual Conference 2014
Risk, Resilience, Reform
London, UK

18 July
The University of Auckland Business School
Key Issues in the Design of Capital Gains Tax Regimes
Auckland, New Zealand

23 July
Victoria University of Wellington
Understanding Public Sector Finance Course
Wellington, New Zealand

2-3 August
International Conference on Advances in Economics, Management and Social Study - EMS 2014.
Kuala Lumpur, Malaysia

12-13 Aug
2014 Government Sustainability Conference
Embedding sustainability in government organisations
Sydney, Australia

20-13 Aug
2014 International Institute of Public Finance (IIPF) Congress
Redesigning the Welfare State for Aging Societies
Lugano, Switzerland

1 September – 3 October
UNITAR (United Nations Institute for Training and Research)
International Players in Public Finance and Debt Management Course (Web-based)

2-4 September
8TH International EIASM Public Sector Conference
Edinburgh, UK

9-10 October
Office of Tax Policy Research
Tax Systems Conference
Oxford, UK

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

17 November – 12 December
UNITAR (United Nations Institute for Training and Research)
Ethics in Public Finance course (Web-based)

27 November
University of Geneva
2nd Geneva Summit on Sustainable Finance
Geneva, Switzerland

Recent Public Finance News

New Zealand

- 20 June, 'Building sector behind GDP rise', *The New Zealand Herald*
- 6 June, 'Crown accounts on track for surplus', *The Dominion Post*
- 28 May, 'NZ dollar weakens as business sentiment continues to slide', *The New Zealand Herald*
- 22 May, 'Study: 'Relatively high prices' for levels of income', *Stuff*
- 18 May, Do most people really want compulsory Kiwisaver?', *Sunday Star Times*
- 15 May, Budget 2014-2015, *New Zealand Government*
- 27April, 'Why your shopping is cheaper in Oz', *Sunday Star Times*
- 3 April, 'New Zealand ranked first in the world for social and environmental progress', *The Guardian*

Overseas

- 24 June, "Financial crisis 'led to European PFM renaissance'", *Public Finance International*
- 5 June, 'ECB launches bold measures including negative interest rate to boost Eurozone', *The Guardian*
- 27 May 'Economy recovery 'strengthening' in southeast Europe, says World Bank', *Public Finance International*
- 13 May, Budget 2014-2015, *Australian Government*
- 6 May, 'OECD urges European Central Bank to act over low inflation', *The Guardian*
- 16 April, 'Unemployment falls below 7% for first time since financial crisis', *Public Finance UK*
- 19 March, Budget 2014, *UK Government*
- 18 March, 'Urgent action needed to tackle rising inequality and social divisions, says OECD', *OECD*

Working Papers in Public Finance

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

WP06/2014

Gemmell, N., 'The Prices of Goods and Services in New Zealand: An International Comparison'

This paper, part of research commissioned by the New Zealand Productivity Commission, analyses the latest (2005) data available from the World Bank's International Comparison Program (ICP). It assesses the extent to which the prices of goods and services in New Zealand (NZ) differ from those observed in other OECD countries, and Australia in particular. The main objective is to answer the question: "Are the prices of specific goods and services especially high or low in New Zealand by international standards?" The answer appears to be "yes", leading naturally to the further questions of: "why, and what might the consequences be for prices and productivity in the wider New Zealand economy?"

WP07/2014

Skidmore, M., 'Housing Affordability: Lessons from the United States'

This paper, produced for New Zealand's Treasury, seeks to compare and contrast New Zealand housing trends and policies with those of United States. The report summarises lessons learned from the United States and highlights data needs and research questions that may require further consideration in the future in order to better understand housing markets in New Zealand. For further information, see the research report on page 3.

WP08/2014

Falvey, R., **Gemmell, N.,** Chang, C., and Zheng, G. 'Explaining International Differences in the Prices of Tradables and Non-Tradables (with a New Zealand Perspective)'

As discussed in WP 06/2014, the World Bank's International Comparison Program (ICP) data on national price levels for tradables and non-tradables (and goods compared to services) reveals that New Zealand has relatively high prices of both tradables and non-tradables when compared to a sample of over 40 OECD-Eurostat countries. This paper seeks to explain both those observed international variations in non-tradables and tradables prices in general, and New Zealand's especially high prices in particular.

Publications

Recent publications from NZPF research associates

Aziz, O., Carroll, N., and **Creedy, J.** (2013), 'An analysis of benefit flows in New Zealand using a social accounting framework', *New Zealand Economic Papers*. Published on-line, October 2013.

Creedy, J. and Moslehi, S. (2014), 'The composition of government expenditure with alternative choice mechanisms', *New Zealand Economic Papers*. 48, no. 1, pp. 53-71.

Creedy, J. and Buckle, B. (2014), 'Population ageing and long-run fiscal sustainability in New Zealand', *New Zealand Economic Papers*. no. 2, pp. 105-110.

Creedy, J. and Ball, C. (2014), 'Population ageing and the growth of income and consumption tax revenue', *New Zealand Economic Papers*. no. 2, pp. 169-182.

Creedy, J. and **Gemmell, N.** (2014), 'Can fiscal drag pay for the public spending effects of population ageing in New Zealand?', *New Zealand Economic Papers*. no. 2, pp. 183-195.

Creedy, J. and Makale, K. (2014), 'Social expenditure in New Zealand: stochastic projections', *New Zealand Economic Papers*. no. 2, pp. 196-208.

Creedy, J. and Ball, C. (2014), 'Tax policy with uncertain future costs: some simple models', *New Zealand Economic Papers*. no. 2, pp. 240.

Creedy, J. and **Gemmell, N.** (2014), 'Revenue-maximising tax rates and elasticities of taxable income in New Zealand', *New Zealand Economic Papers*. Published on-line, March 2014.

Aziz, O., Ball, C., **Creedy, J.** and Eedrah, J. (2014), 'The distributional impact of population ageing in New Zealand', *New Zealand Economic Papers*. Published on-line, March 2014.

Creedy, J. (2014), 'The elasticity of taxable income, welfare changes and optimal tax rates', *New Zealand Economic Papers*. Published on-line, June 2014.

Useful Links

Institutions Working on Public Finance Research or Policy

New Zealand

1. Centre for Accounting, Governance & Taxation Research (CAGTR) & Chair in Public Finance (CPF)
   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.

   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.

2. 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."

Overseas

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

2. 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.

3. 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."

4. 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."

5. 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.

6. 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.

7. 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.

8. 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.

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

Feedback, enquiries or suggestions to:

The Editor, New Zealand Public Finance newsletter
Chair in Public Finance
Victoria University of Wellington
PO Box 600
Wellington 6041
New Zealand
Phone: +64-4-463-9656
Email: cpf-info@vuw.ac.nz