TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA
UNIVERSITY OF WELLINGTON

Capital thinking. Globally minded.

Stay in touch... Facebook Twitter YouTube

Welcome from Professor Norman Gemmell and Dr Nazila Alinaghi

Welcome to the March/April 2019 CPF Newsletter. The big tax news this quarter, inevitably, has been the publication of the Government's Tax Working Group **Final Report** and recommendations. After a flurry of comments and critique across the media – much of it seemingly motivated by vested interests trying to push their favoured view on a capital gains tax – the TWG's pronouncements already seem like 'old news'!

As we have argued before, since tackling the perceived 'fairness' of the current tax system was the underlying motivation for the TWG's deliberations then, like beauty, this is largely in the eye of the beholder. Even evidence on the fairness of taxes that is selected for investigation is never devoid of value judgements. So it is not surprising that the case for or against a CGT – or indeed other tax reform recommendations – is the subject of intense debate.

Of more importance for New Zealand's future tax policy than the assembled personal views on fairness by the TWG's assorted membership, will be the Government's choices of what reforms to propose and the electorate's responses to those. We will not speculate on that, but if a CGT is eventually proposed, one of us has already made the case **here** (and reproduced below) for why capital gains taxes should be levied on the inflation-adjusted value of the asset's increase in value. Which is not, incidentally, what the TWG recommended, apparently following officials' advice.

Other news: the CPF Annual Report is now available on the CPF website **here**. Primarily intended as a report to the CPF Advisory Board, it is of course a riveting read – for those with a very low opportunity cost of time! A number of new Working Papers in Pubic Finance have also been published since the turn of the year.

This quarter's Newsletter also highlights two recent international workshops on tax modelling organised by the CPF in conjunction with a UK tax centre, and includes reports from two Victoria Business School colleagues. Professor **Arthur Grimes**, Chair of Well-Being and Public Policy, gives his views on what a 'Well-being Budget' in May could look like; and in **People News** we introduce Dr **Kate Prickett,** newly arrived in the School of Government as the first Director of the Roy McKenzie Centre for the Study of Families. With her research interests in intergenerational inequality, Kate has

obvious complementarities with the income mobility research interests of the CPF. We look forward to seeing the work of the new Centre develop.

Later in the Newsletter we also introduce **Amy Cruickshank**, a Kiwi who is a currently Chief Analyst for Fiscal Policy at the Abu Dhabi Department of Finance advising on macro-fiscal policy. Amy recently begun a PhD in Taxation with us on the topic of tax incentives for charitable giving in New Zealand.

Norman Gemmell and Nazila Alinaghi
March 2019

Tax Working Group Recommendations

There are already many summaries and evaluations of the TWG's Report and recommendations in the media, and elsewhere. So, we won't produce yet another here. Among the most helpful, and readable are the following:

Read pieces by John Cantin at KPMG and David Snell and colleagues at EY **here** and **here**.

The Spinoff brought together **a number of interested parties**, including the economics blogger at the New Zealand Initiative, Eric Crampton.

Interestingly, Eric reports that his US experience backs up claims that a CGT which exempts the family home, encourages families to 'divorce' for tax purposes (so more than one 'home' becomes CGT-free). Here is Eric's comment: "If you're laughing, note that family friends back in the United States would divorce and remarry semi-regularly for tax purposes. They'd have a small party each time they did. Good luck to IRD in policing that." Of course, the US allows married couples to choose between separate or joint taxation, which New Zealand does not. Do we really believe that this will be a substantive tax avoidance trick used with a New Zealand CGT? Unlikely I suspect, but perhaps the Family Court should be getting prepared!

Of the many recommendations by the TWG, three stood out for us and deserve at least some comment as the government presumably considers what to do about them. These are: a CGT (obviously!), environmental taxes, and changes to Kiwisaver tax relief.

I. Capital Gains Tax

Enter your descriptionThe argument that capital gain income favours the relatively better off seems fairly well supported by the evidence (though it is important to distinguish 'high wealth' from 'high income'). But, as with any tax, the arguments around its merits often hinge on the trade-off between the aim to improve 'fairness', and the efficiency costs of the tax. CGTs are notoriously complex to set up and administer, frequently display hard-to-correct design faults that enable tax avoidance, and hence actually undermine their fairness objective. So, whether a new CGT for New Zealand is a good idea will likely hinge fundamentally on how efficiently it can be designed – to avoid re-characterisation of income and excessively high effective tax rates, for example.

But perhaps the most serious weakness of the TWG's fairness-based recommendations for a CGT is that they ignored (because the Government proscribed it) the option of changing the personal income tax or benefit system – other than as a revenue-neutral

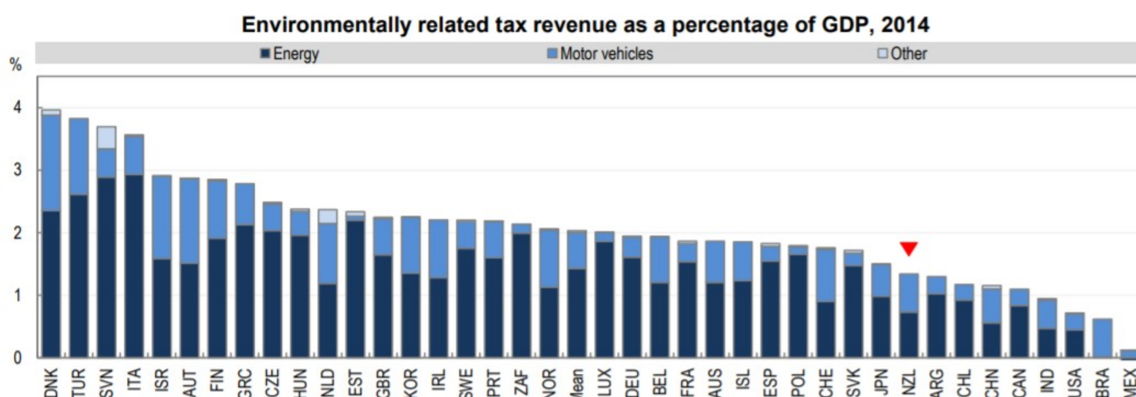
response to the higher GCT revenues. New taxes that are designed piecemeal to tackle a specific perceived 'problem' while ignoring the tax landscape as a whole, are rarely a good idea, and rarely done well. The UK is perhaps one of the best (worst?) examples of this folly, as the UK's independent Institute for Government argued a few years ago (read more **here**). We can only hope that the Government is now getting more holistic and coherent tax policy advice from officials as it considers its next moves, than the TWG was able to pursue.

II. Environmental Taxes

Another TWG's key recommendation is to shift towards environmental taxation. Eric Crampton's Spinoff piece reflects a commonly held economic view: "In principle, this has a lot of merit. Taxes that correct underlying distortions provide a double dividend. Not only do they raise revenue, but they also improve overall economic efficiency if they're done well." Of course, it can be hard to avoid the tautology here that 'if they are done well' they will be efficient; and 'if they are efficient this must indicate they are done well'!

But, as with a CGT proposal that ignores the income tax and transfer system, a new 'environmental approach' to taxation that ignores the rationales for the current system risks the same incoherence. On climate change, for example, we already have an Emissions Trading Scheme designed to take greater account of the social costs of atmospheric emissions. So, whether and how a separate tax on carbon emissions, or a broader set of environmental taxes (such as on energy generation) should be pursued, needs much more careful thought than the TWG could possibly give it.

Advocates of more environmental taxes in New Zealand often point to the country's low share of environmental (e.g. energy and vehicle) taxes compared to other OECD countries, as the graph from the OECD below shows. New Zealand has the 9th lowest environmentally related tax revenue among 34 OECD countries (see **here** for more details).



Source: OECD, 2014

But such partial information can be quite misleading. For example, the same OECD source shows that New Zealand has higher taxes on road use than on heating fuels. But then, with a large fraction of our energy production for home use coming from hydroelectric and hydrothermal energy sources, the environmental cost of our energy production can look quite different to other countries. On the other hand, when motor fuel taxes are hypothecated to the Department of Transport for road spending as they are in New Zealand (unusual by OECD standards), it inevitably fosters greater road spending which in turn facilitates greater carbon emissions. And if, as is often argued, New Zealand's main source of emissions is the dairy industry, this is a more appropriate area for consideration of environmental taxes than the energy production sector. Yet such agricultural taxes, levies or emission credits are not typically included in these types of 'environmental tax' statistics.

III. Kiwisaver Taxes Reliefs

Much of the commentariat, following the TWG Report's publication, ignored the proposed changes to Kiwisaver – or at least the tax relief that is associated with it. But, as Michael Cullen's treasured 'baby', it is hardly surprising that he managed to include further tax relief for Kiwisaver among the Group's recommendations. In particular, relief for lower income tax payers (below $48,000 per year). Kiwisaver in Cullen's original vision was always meant to be a state-supported scheme to help those on lower incomes better prepare for retirement financially, so that they had less reliance on NZ Super. But the available evidence suggests that, not only has Kiwisaver done little to raise household savings (mostly it has been diverted from other savings forms), it has also not targeted the lowest earners well.

Putting that to one side, a bigger worry for those involved in tax design is that Kiwisaver represented a first foray into a completely different way for New Zealand to tax savings – giving partial tax relief at the time the income is earned and the saving made. This may or may not be a good idea – and has been much debated – but, again, coherence of the system is vital if we are not to end up with a hodge-podge of separate taxes and tax reliefs that inefficiently undermine each other. So, please, can we have a more coherent debate about whether and how much we want, in general as a society, to subsidise saving or retirement saving before introducing another tweak in the Kiwisaver tax regime? Especially important since the TWG's apparent rationale for the newly proposed relief is simply to counterbalance the revenue gains from a CGT. This, it seems, is more a one-off back door redistributive 'patch' than a careful evaluation, based on clear objectives, of the strengths and weaknesses of the current tax system and Kiwisaver subsidies within it. But, then again, the TWG was forbidden to look at the tax system as a whole!

CPF Annual Report 2018

The CPF reports to an Advisory Board twice a year which, at the

end of each calendar year, is complemented by an Annual Report. This includes summaries of research projects over the past year, working papers, and other publications, PHD students' progress etc. For those who are interested a PDF of the 2018 report has just been released and can be found **here**.

Wellbeing Budget wishes

Arthur Grimes

Arthur is Professor of Wellbeing and Public Policy in the School of Government at Victoria University of Wellington.

The government has designated their 2019 budget: the "Wellbeing Budget". It will build on the recently launched Living Standards Framework (LSF) designed by Treasury, published as **Our People, Our Country, Our Future**. The Treasury's LSF includes a dashboard of 38 indicators for twelve wellbeing 'domains' plus indicators of four 'capitals' (that may underpin future wellbeing). Statistics New Zealand is building a broader set of indicators in its Indicators Aotearoa New Zealand programme.

The Treasury's LSF is similar to that of the Ministry of Social Development (MSD) in its pioneering **Social Report** series first published in 2001. That approach presented 36 headline indicators across 9 domains (which closely parallel Treasury's 12 domains). Included in its aims were "to provide and monitor over time measures of well-being".

The MSD approach did not gain traction as a policymaking framework since it was not used to prioritise government expenditures or other policy initiatives. Instead, we had a succession of policy approaches such as Better Public Services targets and the Social Investment Approach which did not (explicitly) build on the MSD's dashboard of indicators.
So a major question arises: Will the revamped LSF based approach be any more useful?

One ray of hope came through the Minister of Finance's Budget Policy Statement (BPS) in late 2018. Building on the Treasury's LSF, the Minister identified five areas most in need of policy attention in the forthcoming budget:

- transitioning to a sustainable and low-emissions economy;
- boosting innovation, and social and economic opportunities in a digital age;
- lifting Māori and Pacific incomes, skills and opportunities;
- reducing child poverty, improving child wellbeing and addressing family violence;

- supporting mental wellbeing, with a special focus on under 24-year-olds.

One can agree or disagree with the importance of each of all of these five priorities. Nevertheless, one reason that we have a democratic process is that somebody is tasked with prioritising public policies.

My hope for the 2019 budget is that we see a substantive prioritization of these issues relative to other policy areas. Indeed, a strong commendation of the wellbeing approach will be apparent if we see as many ‘squeals of anguish’ from people operating in non-prioritised public policy areas as ‘squeals of delight’ from people operating in each of these five prioritised areas. As Sir Humphrey Appleby declared, that outcome would indeed reflect a budget from a courageous minister!

People News

Kate Prickett

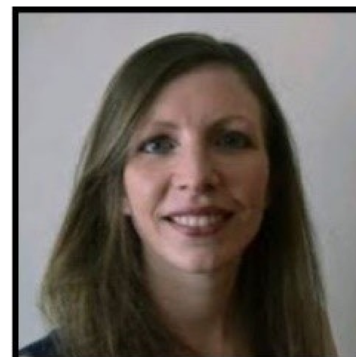
Kate began her appointment as Director of the Roy McKenzie Centre for the Study of Families and Children (Te Pūtahi Rangahau Whānau me ngā Tamariki) in February. The Roy McKenzie Centre, housed in Victoria University’s School of Government, aims to conduct rigorous, independent research that informs and translates into evidence-based policy solutions that support families and children in Aotearoa New Zealand. With an interdisciplinary, methodologically rigorous, and data-driven approach, the Centre’s research focuses on pressing issues facing families and children.

As a family demographer, Kate’s research is focused on the ways in which the connection between family contexts and children’s health and wellbeing is implicated in the intergenerational transmission of inequality. Children born to poor parents are at greater risk of being poor as adults themselves. Despite this fact, most New Zealanders would agree that children born into a poor family shouldn’t be destined for poverty themselves. In this way, her research emphases how families’ proximate ecological settings (such as work and child care) and broader systems of stratification (such as socioeconomic status and ethnicity), influence family life in ways that reinforce patterns of disadvantage or promote resilience that disrupts the transmission. For example, how does work climate, such as ‘good’ jobs that provide flexible work hours or supportive management, and job instability affect family processes at home like parenting and time with children —things we know matter for children’s wellbeing? Or why is poverty associated with family violence, and how can we use this information to inform critical points for intervention?

Prior to arriving at Victoria University, Kate was senior lecturer in social policy at the University of Waikato and a postdoctoral fellow at the University of Chicago’s Harris School of Public Policy

Studies. She completed a Ph.D. in Sociology and an M.A. in Public Affairs at the University of Texas at Austin, has spent time working in think tanks in Washington, DC, and is a Motu alumna. She was born and raised in Wellington and thrilled to be home.

Amy Cruickshank



Amy is working toward a PhD in Taxation by distance learning through the School of Accounting and Commercial Law. Amy's training is as an economist and her career is in the field of public finance. She is currently a Chief Analyst for Fiscal Policy at the Abu Dhabi Department of Finance where she advises on Macro-Fiscal policy. Before that, she worked as a Senior Economist at the New Zealand Treasury, and worked for the Centre for Social Research in New Delhi – an NGO focused on the economic and social advancement of women in India.

Through her work, Amy has become interested in the role of the charitable sector in delivering public services. Governments over the years have promoted the philanthropic sector as a way of leveraging private funding to support social objectives, such as advancing education, relieving poverty or otherwise benefiting the community. In the New Zealand case, the sum total of government financial support for the charitable sector is in the billions of dollars each year, through tax incentives and direct funding. Assessing the efficiency of this financial support is therefore an important public policy question. These questions have generated significant interest in the international economics literature, but many questions remain unanswered. These questions have also received limited attention from economic researchers in New Zealand. Amy hopes her research will help to fill this gap, and inform the design of public policy in this field.

The option offered by VUW of pursuing a part-time PhD by distance has opened up the possibility of Amy advancing her research interests alongside pursuing her career internationally. Norman Gemmell (VUW) and Peer Skov (AUT) are supervising her research. If you would like to get in touch, you can contact Amy at **amy.cruickshank@vuw.ac.nz.**

Events

Past Events

Modelling Tax policy and Compliance Workshop, March 2019

This is the second workshop jointly organised by the Tax Administration Research Centre (TARC) at the University of Exeter, UK and the Chair in Public Finance (CPF) at the Victoria University of Wellington, on the theme of **"Developments in Economic Modelling of Tax Policy and Tax**

Compliance". This was held in University of Exeter, UK on 14th – 15th March. The workshop aimed to share recent research from Australia, New Zealand, the UK and various European countries. It was supported by funding from the UK Economic and Social Research Council (ESRC), and the New Zealand Ministry of Business, Innovation and Employment (MBIE). The programme is available **here**.

Public Economics Workshop Modelling Tax policy and Compliance, December 2018

This is the first workshop jointly organised by the Chair in Public Finance (CPF) at the Victoria University of Wellington and the Tax Administration Research Centre (TARC) at the University of Exeter, on the theme of **"Developments in Economic Modelling of Tax Policy and Tax Compliance".** This was held in Victoria University of Wellington, over the three days 6th, 7th and 10th December. The workshop aimed to share recent research from Australia, New Zealand, the UK and the USA on modelling of tax policy and compliance in conjunction with a masterclass for tax researchers on **"Tax-Transfer Microsimulation modelling"**. You can find the programme **here**.

Forthcoming Events

New Zealand Association of Economists Annual Conference, July 2019

The 60th Annual Conference of the New Zealand Association of Economists, will be held at Rutherford House on Pipitea Campus at Victoria University of wellington on 3rd – 5th July. Along with the main conference, the 3rd PhD Student Workshop in Economics will also be held on 2nd July (a day before the main conference is being started. More details can be found on dedicated **conference website**.

New Research

The Redistributive Effects of a Minimum Wage Increase in New Zealand: A Microsimulation Analysis

This research has sought to examine the potential distributional effects of an increase in the legal minimum wage in New Zealand. A distinctive feature of the analyses reported in this study is that they are obtained using a behavioural tax-transfer microsimulation model, which allows for the ceteris paribus labour supply effects of minimum wage reforms to be examined. It then goes further and compares the outcomes to an alternative commonly used policy of raising government benefits, similarly aimed at poverty and/or inequality reduction.

Debates on the economic impacts of increases in minimum wage often focus on efficiency consequences, for example in the form of spillover wage increases further up the income scale or changes in unemployment or consumer prices. However, the evidence for each of these is typically mixed, at best. The modelling approach applied in this study therefore abstracted from such demand-side consequences. While this study is acknowledged to be partial in concentrating on labour supply as the only endogenous response, it makes some allowance for the possibility of wage spillover effects further up the wage distribution above the minimum wage.

Results for the minimum wage policy suggests that, due to the composition of household incomes, a policy of increasing the minimum wage appears to have a relatively small effect on inequality of income per adult equivalent person, based on several inequality measures. Indeed, it is shown that for high aversion to inequality, a minimum wage increase can actually increase overall inequality. Thus, the minimum wage policy is not particularly well targeted at its objective. This largely reflects the fact that many low-wage earners are secondary earners in higher-income households, while many other such households have no wage earners at all. These results are reinforced when allowing for substantial wage spillovers further up the wage distribution: these produce only modest

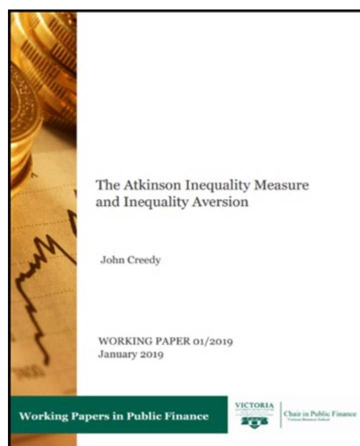
or minor differences in inequality changes compared to when only minimum wage levels are increased.

It would be desirable to compare the inequality and poverty changes associated with a minimum wage policy with an alternative commonly used policy tool with similar redistributional objectives, namely the use of fiscal transfers via the tax-benefit system. However, there is no simple fiscal equivalence since the minimum wage increase typically involves a regulatory change imposed on employers, while benefit increases are a more conventional fiscal tool to which revenue-neutrality can be applied. It is suggested that one way to compare alternatives is to consider a minimum wage increase hypothetically funded by the government, after accounting for positive revenue feedbacks through higher income tax revenues and lower benefit payments. This is then compared with a net revenue-equivalent increase in basic benefit levels. While raising benefits has a greater ability to reduce most poverty measures examined, smaller inequality reductions are found to be associated with benefit increases compared to a minimum wage increase. Thus benefit increases represent a more effective strategy for poverty reduction, mainly by targeting sole parents, but (like minimum wages) are also relatively ineffective if inequality reduction is the objective (full paper is available **here**).

Research Publications

Recent Working Papers

Links to recent research and working papers from the Chair in Public Finance.



A working paper by Creedy examines the precise way in which the Atkinson inequality measure varies as inequality aversion increases.

Download this paper

A working paper by Alinaghi, Creedy and Gemmell examines the potential effects on inequality and poverty of a min wage increase based on a microsimulation model.

Download this paper

A working paper by Buckle and Creedy examines how the research quality of academic disciplines within NZ universities has evolved since the PRBF assessment in 2003.

Download this paper

Media and Commentary

Recent featured commentary and media articles are as follows:

Taxing Inflation – should we worry?

Capital Gains Tax – yes, again! Below is a longer version of an opinion piece by Norman Gemmell on the effects of inflation on the taxation of wage increases and capital gains. The original, shorter version in the Dominion Post can be found **here**.

Last month saw the Tax Working Group (TWG) recommend a capital gains tax levied at each taxpayer's marginal tax rate and with no allowance for general price inflation, as well as a new debate kicked off by the National party. The debate was over whether the Government should be taxing wage increases that simply compensate for the effects of price inflation eroding real incomes. It was perhaps the most sensible tax proposal from New Zealand politicians for some time: removing what some have, rather dramatically, labelled a 'stealth tax'.

Till now both Labour and National have refused to go down this 'wage indexation' route. Michael Cullen, during his nine years as Finance Minister, rejected advice to raise income tax thresholds – till the threat of electoral defeat in 2008 changed his mind. Bill English never embraced the idea either – though he did at least cut income tax rates (by more than GST was raised) in 2010.

So, should income tax thresholds be adjusted for inflation? Many tax economists, myself included, have argued for a long time that keeping income tax thresholds constant in real terms (by adjusting them upwards as prices rise) should be the norm for Finance Ministries. And the same argument for indexation can be applied to welfare benefits. As I show below, this can be important.

But it turns out that it is much less important for tax on wages and salaries than for tax levied on interest earned on savings, and – crucially right now – any tax on capital gains! These arguments hold even when inflation is low at its current rate around 2 per cent.

Suppose someone earns a salary of $1,000 per week, annual inflation is 2 per cent and their employer agrees an extra $20 (2 per cent) a week over the coming year. Then surely they shouldn't have to pay tax on that extra $20, since their real income won't change. Right? Well actually, not necessarily!

Why? For simplicity, consider someone paying an average tax rate of 30 per cent on earnings of $1,000 a week. (That's a bit more than the current New Zealand income tax). He or she pays $300 in income tax and keeps $700. Now the 2 per cent inflation award raises their salary to $1020 a week, so that under the same tax system they now pay $306 in tax and keep $714. So, actually, their take-home pay has gone up by 2 per cent, and so has their weekly tax payment. No stealth tax here, even though some of the extra $20 has gone in extra tax.

But there can still be a problem. With a progressive income tax such as in New Zealand, every inflationary increase in a person's salary raises their average tax rate, even if they don't cross into a higher marginal tax rate bracket. For people who don't move up into a higher tax bracket (bracket creep), the 2 per cent salary increase will generate only a tiny increase in their average tax rate. This tiny increase measures the amount of extra tax that is simply due to inflation.

For people who do move into a higher tax bracket, there will be a bigger increase in their average tax rate, but it is still not very large. Take someone on $70,000 who gets a 2 per cent inflation adjustment to their salary, lifting it to $71,400. They now move from paying a marginal rate of 30% to 33% under New Zealand's current income tax.

This will raise their tax bill from $14,020 to $14,482, instead of the $14,300 which would be the outcome of a 2% increase. So, an extra $182 is paid in tax over the year, than should occur if there was full compensation for inflation. This is not trivial, but it is only just over 1 per cent extra tax.

Of course, over several years with inflation around 2 per cent, these differences build up. And all of this can be avoided by indexing all income tax thresholds to price increases. Which is why the argument for indexing tax thresholds regularly, if not necessarily annually, is important to avoid taxing wage increases designed to compensate for inflation.

But a much bigger immediate design issue lies in wait for the current Government's response to the Tax Working Group's recommendations on a capital gains tax (CGT). Capital income – in the form of interest payments on bank accounts or capital gains from house sales are much more vulnerable to the 'indexation problem'.

Consider a simply capital gain example (the same principle applies to interest taxation). If house prices rise by 5 per cent but 'general' inflation is 2 per cent, then the real capital gain for those taxpayers is just 3 per cent, not 5 per cent. Now suppose that a 33 per cent tax rate payer buys a bach for $100,000 and sells it one year later for $105,000. The CGT liability on the sale is $660 due to the general inflation of 2 per cent, plus $990 for the additional rise in the house price (the 'real' gain).
So the extra tax levied on the inflation component is a whopping two-third as big as the 'real' tax liability (or 40 per cent of the total). In other words, with a CGT, failing to allow for general inflation means a huge additional tax bill.

This is why CGT regimes in other countries often allow general inflationary increases to be deducted from the value of the CGT base before the tax is calculated. Otherwise the 'real' or effective tax rate on this kind of income is much higher than when the same income is earned via wage and salaries.
An alternative simpler approach to reduce the inflationary impact is to set the tax rate on capital gains at a lower rate. Australia, for example, taxes capital gains at half the taxpayers 'full' marginal rate. But this approach is inevitably approximate and fails to adequately deal with the inflation issue when interest rates or inflation rates vary from year to year – as they typically do.

What does this all mean for the TWG advice and the response of a Government concerned with 'fairness'? First, adopting National's indexing of income tax thresholds would be a good idea and not just for transparency, or 'stealth tax', reasons. It is the fair thing to do for taxpayers right across the income scale who otherwise pay more tax simply because prices have risen.

But, second, if the Government decides to go ahead with a CGT, dealing with the 'inflation problem' in its design is much more important due to the size of the tax distortion it creates. It will also be the fair thing to do. Otherwise, what might superficially look like the same tax rate is being paid on all income, actually implies that the effective tax rate on capital gains (and interest income) is much higher than the effective tax rate on wages and salaries.

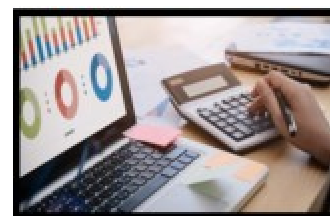
Surely that's not fair?

Living Standards Dashboard

Treasury released the first version of its **Living Standards Framework Dashboard.**

Independent Fiscal Institution

The government, through the Treasury, has released a summary of submission on its IFI proposal. Further information can be found **here.**



Latest productivity statistics

The New Zealand Productivity Commission highlights the **latest productivity statistics** for 1978-2018 released by Statistics New Zealand (SNZ).

Bottom line? … "While GDP in the measured sector grew 3.2%, labour productivity rose just 0.3% in the year ended 2018", and "the contribution of capital deepening to labour productivity must have been close to zero". And it's not so good for the parts of the public sector for which SNZ provide estimates: measured labour productivity fell by 3.2% in Education and by 0.2% in Health. Of course, as recent working papers from Gemmell, Nolan and Scobie point out, productivity growth can look very different when allowing for quality improvements (for more information, check **here** and **here**) . See also their **summary** in a 2018 issue of Policy Quarterly.

Public debt levels – too high or too low?

Among the many interesting contributions to the **American Economic Association's** Annual Meeting in January was a fascinating Presidential Address by **Olivier Blanchard** on the topic of 'public debt and low interest rates'. While not claiming that public debt levels should be higher, Blanchard makes a strong case for why we should perhaps be less concerned about current public debt levels as a ratio of GDP in various countries than conventional measures lead us to be.

Recent Published Papers

Alinaghi, N. and Reed, W. R. (2019). Risk sharing and transaction costs: a replication study of evidence from Kenya's mobile money revolution. *International Initiative for Impact Evaluation (3ie)*, Replication Paper 22, available online at **http://www.3ieimpact.org/sites/default/files/2019-02/RPS22-mobile-money-risk-sharing-Kenya.pdf.**

Creedy, J. and Gemmell, N. (2018). Illustrating income mobility: new measures. *Oxford Economic Papers*, available online at **https://doi.org/10.1093/oep/gpy057**.

Creedy, J. and Mok, P. (2018). The marginal welfare cost of personal income taxation in New Zealand. *New Zealand Economic Papers*, 52(3), 323-338.

Chair in Public Finance

+64-4-463 9656

www.victoria.ac.nz/cpf

cpf-info@vuw.ac.nz

Level 7, Rutherford House, 23 Lambton Quay, Wellington.

Victoria University of Wellington

+64-4-472 1000

www.victoria.ac.nz

Kelburn Parade, Wellington, New Zealand

This email was sent by Victoria University of Wellington. You have received it because you are a member of our mailing list.

Trouble viewing this email?
View the web version

Unsubscribe