

AUSTRALASIAN MEETING OF THE ECONOMETRIC SOCIETY, 1989

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The 1989 Meeting of the Australasian Econometric Society assembled at the University of New England (UNE), Armidale, Australia, 12–15th July. The apparent lack of coordination by the Australian Economists' meeting in Adelaide, 10–13th July, meant that some potential delegates were lost to one or other conference — an issue raised at the Local Meeting of the Econometric Society, AGM. It would be nice to see some forward planning along the lines of the 1988 Congress which was such an overwhelming success.

For many it was their first taste of Armidale — a town which, even when armed with conference map, restaurant guide and BYO bottle, fell far short of the delights of Sydney's King's Cross. However, it provided an ideal, if somewhat bracing, atmosphere for the 121 delegates attending the Meeting.

The conference 'pack' was adequate but hardly lavish — a plastic folder containing maps, abstracts, programme and to their credit a list of delegates with relevant accommodation details — an invaluable yet often neglected piece of information. Finally a conference notepad and pen, advertising the 'proud sponsorship of the National Australia Bank', made-up the kit. However, the local organisers had arranged transport both from and to the airport — a nice touch.

As usual, accommodation was offered at both motel and University student residences — most chose the latter. Random sampling of antipodean student residences seems to suggest that shower dis-function is a requirement — in this instance it seemed impossible to take a cool shower. As a result a subtle shade of 'lobster' seemed to be the colour of the week. A Conference 'mixer' represented the first social event on the evening of the 12th — 'giving delegates an opportunity to meet one another before the Conference sessions begin at 9 am on July 13th.'

To the lean and healthy contingent of British contributors (Hendry and Wallis) such sessions were preceded by an early morning run/swim? — to others simple recovery seemed to be the norm.

As one now expects, the Programme consisted of Contributed papers and Invited Addresses. In addition, however, Colin Hargreaves from UNE arranged three symposia — Econometrics, with papers from David Hendry and Adrian Pagan — Applied General Equilibrium Modelling, with John Piggott, Peter Dixon and Peter Higgs and finally Macroeconometric Modelling with Alan Powell and Ken Wallis. The Symposia were excellent additions to the Programme and produced a lively macroeconometric modelling emphasis to the whole

meeting. This was probably the organisers' intention, particularly given the attempt by Colin Hargreaves to establish an Australian, Warwick-type, Modelling Bureau — hence the contributions from Ken Wallis. However, such an emphasis was not pre-publicised which I felt was something of an oversight — it might have torn some economists away from Adelaide!

The Contributed sessions included a broad cross-section of topics with contributors from Britain, Japan, Scandinavia, South Africa and the US, in addition to Australia and New Zealand. It was nice to see both past and current post-graduates from the econometrics department at Monash presenting or co-authoring papers — econometrics is clearly alive and well in Melbourne!

The Econometrics Symposia was the first keynote session. David Hendry opening the session presented — via Chris Murphy's 'laptop' and the inevitable 'PC—GIVE' — his views on the encompassing principle, refutation and successive corroboration. The paper also represented a synthesis of the on-going debate between himself and Keith Cuthbertson on the equivalence or otherwise, of feedback and feedforward mechanisms in econometrics. For a taste of the debate see *Oxford Economic Papers* 1988. Many of the issues raised were developed later in his A. W. Phillips lecture, 'Testing for the Lucas Critique' — the two sessions having a degree of overlap.

As one has come to expect, Hendry's presentation was highly professional and amusing. 'Why did such an intelligent person produce such a stupid model' — gives a flavour of the paper. However, for some Australians, the notion of encompassing is still a relatively new one and Hendry could perhaps have spent more time on the concept itself. I can understand his motives — in the UK and Southampton in particular, encompassing and cointegration for that matter are well worn topics. For some inexplicable reason neither seem to have taken-off 'downunder' until very recently. However, as we will see later when discussing Peter Schmidt's paper, there may be intellectual costs as well as benefits to the 'first-mover', particularly if they get it wrong!

Sharing the podium with David Hendry is probably not that easy, however Adrian Pagan is on any measure a giant. His paper represented something of overview of the new — or is it really old — developments in econometrics.

It is impossible to do his paper justice in a few lines, however some of the topics covered included the development of new models, for example dynamic discrete choice and equilibrium models in the old tradition of the business cycle. Here he highlighted the growing use of 'calibration' rather than estimation of such models — New Classical macro theorists know they are 'correct' so why try and estimate parameters! Further, he raised the issue of new estimators, for example, in dynamic probit models and the increasing use of non-parametric procedures both as data summarises and as an aid to more flexible specifications, for example GARCH (Generalised ARCH) processes. Within this area Pagan couldn't resist a snipe at the Bayesian's — 'is Bayes dead!?' was clearly aimed at well known practitioners in the audience. However unlike attacks from the other side, i.e. Leamer, Pagan raised some positive questions. 'Bayes relies on densities, but we don't need them if we use GMM (Generalised Method of Moments) ... why not just write down first-order conditions? — why not indeed. Finally on 'new'

estimators Adrian highlighted Jim Hamilton's work on new estimators for structural breaks.

Ending his presentation Adrian Pagan summarised the current position on co-integration. As econometricians we have overcome many of the asymptotic problems that plagued the area, however is the current (UK and US) obsession with the topic just a state of mind? This question is a very apt one particularly given the paper presented by Peter Schmidt.

Peter Schmidt presented the first invited address of the meeting — 'Testing for Unit Roots in the Presence of Nuisance Parameters.' Before embarking on the serious work, he 'warmed-up' the audience with his views on dress-sense and 'excess citations.' After some 'serious research' he decided to vote David Hendry the best and Adrian Pagan (probably) the worst dressed delegates at the meeting! Unfortunately Peter had not seen Adrian in the early morning engulfed in an exotic dragon-emblazoned dressing gown — this should nullify the effect of Adrian's famous brown cardigan!

To be serious, he presented something of a damning critique of the current obsession with unit root tests of the Dickey-Fuller type. The criticism revolved around the typical model parameterisations which produce test statistics whose distribution is sensitive to the inclusion of nuisance parameters. The whole tenet of the paper was extremely critical — 'unit root tests as pre-tests are silly,' however he did present his versions of the Dickey-Fuller type tables which may prove useful to some.

Between the keynote sessions, contributors presented high quality papers. Written versions of most were available before the formal presentations as well as after. Given this and the short presentation time available — typically 20 minutes — it is surprising that so many presenters attempted to read the whole paper or write reams on the black-board. Perhaps it reflects the fact that many outstanding researchers have little time or inclination to teach.

David Hendry's 'Phillips Lecture' was sandwiched between the Symposium on General Equilibrium Modelling and Stephen Turnovsky's invited address.

Stephen Turnovsky presented a highly polished overview of the intertemporal optimising approach as used in macroeconomics — in his particular case international macro. There is no doubt that the approach works, at least in a technical sense, but 'much is lost twix cup and lip' on the way. For example to make the dynamics easier, the system is linearised around its steady state (assumed to be unique). He was honest enough to admit, however, that he had no idea about the global as opposed to local — via linearisation — properties of the model — an issue that ought to concern macroeconomists. However, I'm sure that the approach appealed to some of the Australian macro-modellers in the audience who seem to think of macro as a simple adding-up of micro units and micro principles of optimisation.

Macroeconometric modelling sessions constituted a large proportion of the programme. The Symposia on General Equilibrium Modelling considered, among other things, the dynamics in ORANI — a large scale computable general equilibrium model developed in Melbourne — and the forward-looking approach to portfolio analysis. In addition there was a formal symposium on Macro-

econometric Modelling plus a contributed paper session with the same title. In the former Alan Powell considered 'Recent Developments in Macromodelling: a View From the Walrasian Camp' — the Walrasian's are clearly impressed with the macro techniques espoused by, for example Turnovsky. In contrast, Ken Wallis considered issues which arise when comparing large-scale macroeconomic models. Wallis raised some interesting points including the need to 'understand the data.' Using a somewhat amusing — though rather worrying — example he suggested that problems in the Bank of England's forecasts on unemployment may have been due to a misunderstanding of the consequences of raising the school leaving age. In particular the Bank seemed to have assumed that there would be a sharp decline in the working population with an increase in the school leaving age, however, many would have stayed at school anyway such that the effect on the labour supply was considerably overstated.

Ken Wallis and his colleagues at the Bureau should be congratulated on their progress to-date. Dealing with large scale models is difficult enough when you construct them yourself, but making other people's work must be a gigantic task. It will be interesting to see whether Colin Hargreaves can raise the support for such an operation in Australia.

The issue of data was raised in the contributed session on macromodelling by Nic Brown of the Australian Bureau of Statistics (ABS). Initially I was a little skeptical about the paper — 'Recent and Prospective Developments in ABS Economic Statistics', however following Ken Wallis's earlier remarks on data I stayed-on. To his credit he made data collection appear interesting. Many of the audience had shared my initial fears, but almost to a person they proved unfounded. I hope this will encourage other non-University delegates to attend and present papers — their expertise is typically extremely high and their insider information invaluable.

The meals at the conference left much to be desired and the Conference Dinner was of a similar standard. However, the after dinner speech by Bill Griffiths made attendance worthwhile. Joke after joke — anecdote after anecdote — fell from Bill's lips. No one seemed to escape the Bayesian's revenge. In an equally amusing reply, Adrian Pagan continued the evenings' mirth. Russel Cooper, who sat uncomfortably close to the speaker, was the main recipient of Adrian's somewhat cheeky observations on 'rotund econometricians' — David Smyth kept a low profile. Both Bill and Adrian did much to raise the spirits of the delegates that evening — other spirits were raised in the bar sometime later!

At the airport on Saturday afternoon delegates had time to reflect on the Conference. Many old contacts had been strengthened — new ones forged, but overall the atmosphere was one of optimism for the discipline of econometrics. It is a credit to the organisers that they managed to arrange such a lively and varied conference sandwiched as it was between the 1988 Australian Economic Congress and the 1990 World Meeting of the Econometric Society. Sydney has its attractions, but for nearly 3 days Armidale was centre stage for Australasian econometricians!