

2001 ECONOMETRIC SOCIETY AUSTRALASIAN MEETING: AUCKLAND, 6–8TH JULY

Les Oxley

University of Waikato and University of Canterbury

1. Overview

The 2001 Econometric Society Australasian Meeting (ESAM01) was only the second time the conference had been held outside Australia, putting extra pressure on the local organisers, Bryce Hool and Peter Phillips, to ‘compete with the Aussies’ for a successful conference. How did they do? Well, for starters, what do Avinash Dixit, Tony Atkinson, John Geanakoplos, Steven Durlauf, Joel Horowitz, Joon Park, John Rust, Danny Quah, Maurice Obstfeld, Jean-Jacques Laffont and Ken Burdett have in common? They were all keynote speakers at ESAM01. Yes, eleven keynotes — 1 keynote per 16.4 participants, this must be a record! Yes, but at what cost? The registration fee was NZ\$300 and this included an outstanding, multi-functional conference satchel (modelled on the MOD-SIM99¹ bag), a cd-rom of (most) of the papers and the author’s contact details, a conference programme including a list of delegates, an exceptional designer writing implement (too pretty to actually use as a pen), wonderful lunches and morning and afternoon teas (all days), and last but not least, a spark of genius, a folding umbrella! Registering on a cold and wet Auckland Thursday evening the umbrella saved me from a soaking! Email was ‘on-hand’ all days with four dedicated computers literally metres from the main lecture rooms. As these were in full view, the email-freaks could be spotted and checked for regular session attendance. The conference dinner at the Sky Tower was NZ\$50 extra, which, with only 2 bottles of wine provided per table or 8, was a pricey event. This was compounded by the lack of formal receipts for extra wine/beer purchased making expenses claims difficult.

How does this compare with previous ESAMs? My first ESAM was ESAM87 held in Christchurch, New Zealand. This was the first time the conference had been held outside Australia. Apart from a few problems with the communal cold showers, (see Oxley, 1988, p. 183) I concluded, ‘the conference was an enjoyable event, the organisation was first-rate and the content of the sessions generally ‘state-of-the-art’. (Oxley, 1988).

Subsequently, I have reported on several other ESAMs using introductions to the reviews which included: 'What do Olga Korbut (gymnast), Nadia Comeneci (gymnast) and the Econometric Society Australasian Meeting 1996 (ESAM96) have in common? They can claim membership of an elite club scoring the (near) perfect 10 out of 10 from a panel of their peers'. (Oxley, 1997). 'Outstanding ... The ESAM97 conference was outstanding' (McAleer, McKenzie and Oxley, 1998). *ESAM01 must be included in this elite '10-club' too*. Unlike the Econometric Society, where only gods can vote for other gods, the rank and file of the Society voted this conference a truly outstanding event. The only slightly annoying feature for me related to the 'paper v. electronic proceedings' issue — something I comment upon in Oxley (2001b). At ESAM01 all abstracts and some papers were available on a dedicated web page before the conference, but nothing except the cd-rom was provided at the conference. Participants were not asked to bring papers (although a few did). Let's hope conference organisers find a solution to these issues. My view would be that cd-only proceedings must be (minimally) supplemented with a book of abstracts.

2. The Conference

The conference opened at 8:45 am on Friday the 6th July with 6 parallel sessions covering papers on volatilities, time series analysis, filtering and forecasting, economic theory, income distribution and inequality and social economics. Some sessions had 4 papers in the 1.5 hour sessions, others 3 and I'm not sure to what extent authors knew of this before arriving at the conference. Eighteen minutes per paper in 4-paper session focuses the presenters mind, but can lead to confused audiences when, without papers, we are told 'this is a page full of numbers none of you can see. I'm having difficulty reading them from here'. However, a 30-minute coffee break before the Opening and Welcome gave many the caffeine-shot they needed.

As is common in New Zealand, the opening speeches from the local organisers, Dean of the Business School and Vice-Chancellor, included a traditional Maori welcome and blessing or *Karakia*. Some overseas visitors in the audience were a little uncertain as to what to do at this point, but the subsequent English translation made it clear this was not a prelude to an All Blacks *Haka*.

The opening was followed by the first keynote lecture, the inaugural Reserve Bank of New Zealand Invited Lecture on 'International Macroeconomics: Beyond the Mundell-Fleming Model' presented by Maurice Obstfeld, University of California, Berkeley. Obstfeld presented a masterly overview of the Mundell-Fleming approach before showing where we are today in the area of international macroeconomics. With a variant on the 'it's all in Keynes' approach he informed us 'it's all in Meade's 1951 *Balance of Payments*'. However, he goes-on to tell us 'unfortunately the book is practically unreadable!' With no paper to focus upon, his statement that, 'the equations will flyby at lighting speed' was a little disconcerting for non macro-specialists, and perhaps excused one delegate for

running GAUSS programmes on his laptop while waiting for the next keynote lecture.

The second keynote lecture followed almost immediately from the superbly professional 60 minutes of Maurice Obstfeld. I guess with 11 keynote sessions in 3-days these tight schedules are inevitable? Those who chose to 'duck-out' to read email etc., were soon to see their folly. The Reserve Bank lecture was followed by the New Zealand Treasury sponsored lecture entitled 'Econometrics of Social Insurance' by John Rust, Yale University (soon to move to Maryland). John is a big guy who uses his energy store to great effect during his lectures! I was exhausted by the end of his 60 minutes. Starting his session with a live demonstration of the Sims Family software (see <http://thesims.ea.com/us/>) where he explained 'bladder control is important', John provided an excellent case for why we need to use the growing computer power to model individuals' behaviour for policy simulation purposes. Rather than engage in 'real' economic experiments via macro- and socio-economic policy changes, use computer simulations. Using the analogy of 'crash-test dummy social policy experiments' he argued forcefully for an increased use of simulation methods, especially by government agencies. Despite having enough material to present 3 lectures, I was very impressed by John's knowledge and particularly enthusiasm and energy.

Luckily, lunch came next with time to catch your breath before the Alfred Cowles Lecture presented by Tony Atkinson on 'Data Matters: A Case Study of the Long-Run Distribution of Income'. Professor, Sir Tony Atkinson, had previously presented at the New Zealand Treasury and the New Zealand Association of Economists (NZAE) Conference in Christchurch (see Oxley, 2001b) before attending ESAM. However, his presentation was lively, informative, stimulating and engaging as though he had simply stepped into a Oxford College common room, rather than being halfway around the world. A few pages of carefully chosen handouts helped non-experts like me to follow and left other keynote speakers with a challenge to maintain the incredibly high standards of the three so far.

The rest of the afternoon comprised 6-parallel sessions including a special 2-hour grouping of papers on the economics of payment systems. Alan Frankel (LECG, Chicago), Stephen King (Melbourne) and Julian Wright (Auckland). The other 5 sessions included papers on the empirical analysis of business cycles, Bayesian econometrics, game theory, international finance and production, consumption and productivity.

Many were weary, by 5:00 pm and the scheduled time for the AGM. To give some respite this was deferred until 5:30 pm. With hindsight some may have wished it had been cancelled altogether. Why? Not the normal reason of 'tedious head-nodding', typical of many AGMs, but because for once, some important and embarrassing questions were raised. Perhaps it was the presence of the President of the Econometrics Society, Avinash Dixit, that prompted the questions or perhaps it was the frustration about the lack of progress being made in certain quarters of the Society. What were the questions? Adrian Pagan questioned Professor Dixit about the current selection process for Fellows and Officials of the

Society. Currently, Fellows nominate and select other Fellows in what one attendee at the AGM called 'the equivalent of intellectual Apartheid'. Ordinary members can neither nominate nor vote. Diplomatically Professor Dixit attempted to justify the unjustifiable and requested alternatives from the members present. Peter Phillips suggested that a minimum (say 3) publications in *Econometrica* might be a necessary (and automatic) criteria for nomination with final voting powers extended beyond the current Fellows. This seems like a sufficiently high hurdle to keep the 'riff-raff' out of the club, but appeared to have problems for the President. Most left the AGM feeling that, other than raise the temperature in the room, little would happen to the status quo. Others, however, felt it might be time to consider a real alternative to the Society for the econometrics fraternity. In addition to this business, details of the 2002 ESAM meeting were presented. To be hosted by the School of Economics and Finance, Queensland University of Technology, Brisbane, 7–10th July, the organisers have already secured an impressive list of keynote speakers including, John Y. Campbell (Harvard), James D. Hamilton (University of California, San Diego), David Hendry (Nuffield College, Oxford), Kenneth Judd (Hoover Institution, Stanford) and Paul Klemperer (Nuffield College, Oxford). The www page is under construction at: <http://www.bus.qut.edu.au/esam02/>

With some internal temperatures raised it seemed an ideal time to adjourn for dinner and a cooling beer. What would normally have been a short AGM taking in excess of 75 minutes, many had to leave directly for the Sky Tower for the conference dinner. Dinner was buffet-style, serenaded by a local jazz-combo with round tables scattered around the room. There was no formal after-dinner speaker, although Peter Phillips took the opportunity to thank his team of local organisers and the keynotes for taking time to visit Auckland. Worthy of special mention here is Aaron Schiff and co-workers who developed a computer programme to enable members of the Programme Committee to view and pass comment upon all submissions to the conference. The package they developed was an excellent aid for the Committee and enabled all to view and comment on papers without leaving their respective offices.

Many left the dinner to seek other entertainment in the Sky Tower casino and related bars. Several Melbourne visitors could be found fraternizing with a local birthday party group. One managed to attach himself to a helium-filled balloon, but his not insubstantial body mass kept his feet firmly on the ground. Some others found this atmosphere a little too noisy and adjourned to their various hotel lobbies. In some cases new relationships were formed within a group of visiting schoolteachers.

Talking of hotels, a number of delegates commented on where delegates typically stay at conferences these days. ESAM had negotiated a number of 'conference delegate' special deals even though the venue for the scientific sessions was the Auckland University Conference Centre and not the particular hotel concerned (as with the Hawaii Conference on Business (HCB) and NZAE reviewed in Oxley 2001a, 2001b). With most delegates staying either at The Sheraton, Hyatt, Novotel, Centra etc., the days of student dormitories as the

only accommodation 'young' academics could afford seems to be a thing of the past.

Day 2 (Saturday) tested the resolve of the delegates with an 8:00 am start for the contributed sessions of 6-streams. I am informed that they included papers on econometric methods in finance, macroeconomics, industrial organisation, international trade, social economics and econometric methods. Joon Park (Seoul National University) presented a highly professional inaugural *Econometric Theory*² invited lecture entitled, 'Nonstationary Nonlinearity: An Outlook for New Opportunities', to be followed as on the first day almost immediately by the inaugural *Journal of Applied Econometrics* invited lecture presented by Danny Quah (LSE). His paper was entitled 'Some Simple Arithmetic on How Inequality and Growth Matter'. I'm always wary of lectures that have as part of their title 'simple'. Generally, they are not. However, Danny is a total master of his field and his enthusiasm belies his tiny frame. One wonders what he would have been like if his chosen profession were flyweight boxer instead of academic. Quite clearly with all his energy and skill he would have been a reigning world champion. How does he get all those words out so quickly and clearly? His critical review of many 'simplistic' empirical growth papers, especially those using the panel-data technologies, designed for labour economics, 'inappropriately' in the area of economic growth, was a *tour de force*. Several 'young scholars' later to attend the Intensive Workshop on Economic Growth held at the Waikato Management School, Hamilton, 2-days later (see Oxley and Phillips, 2001) were visibly pale in expectation of critical review of their own work. Their apprehension was without foundation. Danny Quah is one of the most generous academics, in terms of sharing his time and expertise, to be found in the profession and these young scholars were given the benefit of his wealth of knowledge both in Auckland and later Hamilton. Lunch, yes, another chance to charge the batteries, was followed by the Presidential Address of Avinash Dixit (Princeton) entitled rather ironically, 'On Modes of Economic Governance'.

As had become the norm, 6 contributed paper sessions filled the next 1.5 hours before the Bill Phillips lecture at 4:00 pm. This special lecture that celebrates New Zealand's most famous economist, had special relevance given that Bill Phillips died in Auckland in 1975 and was buried close to the conference venue. With hindsight it would have been nice if the Committee had invited his wife, who still lives in Auckland, to attend the lecture named in her husband's memory, although she is now an octogenarian. Following the established tradition of this ESAM lecture, the keynote, Steven Durlauf (Wisconsin) produced an outstanding performance. Despite attempts by the overhead projector to steal-the-occasion with the occasional blackout,³ Steven's lecture entitled, 'A Framework for the Study of Individual Behaviour and Social Interactions' captured his audience and injected sociology into economic theory. As the session chair commented at the end of his paper, 'if Bill Phillips had received a better degree in sociology when he graduated (he graduated with a 'rather poor' degree because of his need to leave the examination room for a cigarette) who knows what his contribution to social policy might have been?'

Saturday evening was a black night for many delegates. With great expectation, the British Lions were to confront the Wallabies (these are the national rugby union teams for Britain and Australia respectively) in the second match of a 3-game series. The first game had been a 'whitewash' by the Lions over the Wallabies. Unfortunately for the 'Poms' at the conference, the reverse transpired that evening leaving many to contemplate wearing symbolic black armbands at the Sunday morning sessions. These began as on Saturday at 8 am with the 6-stream contributed sessions to be followed by the Centre for Research in Network Economics and Communications Invited Lecture presented by Jean-Jacque Laffont ((Institut D'Economie Industrielle). His paper entitled 'Internet Interconnection and the Off-Net-Cost Pricing Principle', drew all the emailers from their terminals and others too. Sixty-minutes later and another keynote, this time The University of Auckland Foundation Invited Lecture by Ken Burdett (University of Essex). Ken's lecture entitled, 'Contracts and Equilibrium Search' included a wealth of classic quotes including 'you can't bargain with a Coke machine' and 'like sex, a labour market without friction isn't very interesting'. Presented in Ken's classic 'deadpan' manner, these quotes had extra force. To be serious, however, his paper also included considerably powerful economic analysis too, and all on a Sunday morning before lunch!

After lunch, must be time for a keynote. As others were pausing for breath, John Geanakoplos (Yale University) was presenting the Colin Clark Lecture on 'Default and Punishment'. John is another of the 'dynamo class' of academics. Normal physiological constraints on oxygen input and metabolic rates don't seem to apply, to this class of people. Anecdotes about making money and losing it in equal (or almost) equal measure demonstrated why, perhaps, academics should keep their ideas in the classroom and leave real-world trading to the modern equivalent of the London 'barrow-boy'. However, the energy of his presentation could not be ignored and 60-minutes passed in a blur of John jumping from one file of slides to another — his briefcase a Pandora's Box of visual aids.

Fifteen minutes of coffee was not enough to recharge some delegates batteries before the final set of parallel contributed sessions, this time on bootstrap and simulation methods, empirical finance, applied econometrics, consumer demand behaviour, currency crisis and empirical issues in industrial organisation and development. The choice of the bootstrap for one group of papers was presumably no accident given that the final keynote address, the Ted Hannan Lecture, was to be presented by Joel Horowitz (University of Iowa). Adrian Pagan was in the Chair and as with every Adrian Pagan introduction the audience was treated to a wealth of knowledge and wit in equal measure. Joel's contributions to non- and semi-parametric methods and the bootstrap are well known. What might be less well known (until now) are his contributions published in transport journals. His Ted Hannan Lecture was entitled, 'Bootstrap Methods in Time Series'. Limiting his talk to stationary data the large audience (yes, this was 4 pm on a Sunday afternoon) was to given a demonstration of the principle of the bootstrap by a master in the field. Although to the uninitiated 'the bootstrap' sounds like a form of punishment for failing to correctly recite the Gauss-Markov

theorem, it is, due to the growing power of desktop computers and available software, in fact a data-resampling approach that is gaining wider usage in applied econometrics. Joel showed us what it can do and importantly what it can't.

For some this concluded their feast of econometrics in New Zealand. For others it was the start of their 2-day Inaugural ESASC Workshop for Young Scholars in Hamilton. It was not quite the 'summer camp' bus ride down SH1 with songs and cans of beer a many (although some wanted to stop-off on the 125 km. ride for refreshment), but it was to prove the start of an experience many young scholars will never forget.

3. Conclusion

'Outstanding'.

4. Classic quotes from ESAM2001

We spend more money on dog food than economic modelling (John Rust)

Bladder control is important (John Rust)

This is a toy model so don't take it seriously (Obstfeld)

The equations will flyby at lighting speed (Obstfeld)

Steven Spielberg can get the best programmers for Toystory which drains people away from serious modelling (John Rust)

All models are crap, basically (John Rust)

You can't bargain with a Coke machine (Burdett)

Like sex, a labour market without friction isn't very interesting (Burdett)

Why are there so many crashes (stockmarket) and why have I been involved in so many? (Geanakoplos)

You might think this could be a little boring (Poskitt)

This makes the test a 'turkey-test' (Bewley)

This is a page full of numbers none of you can see. I'm having difficulty reading them from here. (Taylor).

If you can get the size right then you are a better man than me.

5. New acronyms to ponder

TWAWIA or Ticket to Work Act and the Work Incentives Improvements Act

LOOP or Law of One Price.

Notes

1. The Modelling and Simulation Society of Australia and New Zealand conference held in Hamilton, New Zealand, December 1999.

2. Sponsored by *Econometric Theory*.
3. John Rust could be seen by many in the audience attempting to secure the use of an alternate OHP should Steve's machine actually fail.

References

- Oxley, L. (1988) Econometric Society Australasian Meeting 1987. *Journal of Economic Surveys*, 2, 2, 183–85.
- Oxley, L. (1997) Econometric Society Australasian Meeting, ESAM96, Perth, Australia. *Journal of Economic Surveys*, 11, 1, 115–122.
- McAleer, M., McKenzie, C. and Oxley, L. (1998) The Winter of Our Content: The Econometric Society Australasian Meeting, 1997, Melbourne, Australia. *Journal of Economic Surveys*, 12, 1, 111–24.
- Oxley, L. (2001a) Hawai'i Conference on Business or Hawai'i Conference Business? *Journal of Economic Surveys*, 679–84.
- Oxley, L. (2001b) The New Zealand Association of Economists Conference (NZAE): 27–29th June 2001. *Journal of Economic Surveys*, 685–89.
- Oxley, L. and Phillips, P. C. B. (2001) Intensive Workshop for Young Scholars. Economic Growth: Theory and Econometrics (Re) United, *Econometric Theory* (to appear).