

The Economic Rationalist's Guide to Gift Giving and other seasonal offerings.

This is our last issue for 2004, and besides presenting the complete contents list and subject list for the year's issues, it is traditional that we be somewhat lighter in mood since it is, after all, the festive season. So,

Have you ever asked yourself how you can ensure that

- Everyone has the pleasure of **a complete surprise** on Christmas Day,
- But everyone gets **exactly** what they want, and
- **Nobody overspends?**

Yes! It is possible. In this Christmas issue, the Economic Rationalist provides a suggestion for this perennial gift-giving problem. Join ER and his friends as they tackle this and other seasonal problems, including

- Avoiding call outs on Christmas Day
- Staying awake after Christmas lunch, and

If, despite all temptations, you insist on working throughout the holiday break, and like to take advantage of the fact that the telephones don't ring (so much!) to catch up on your reading and thinking, have a look at

- Using eBay p. 841 and
- Sustainable Development and Infrastructure p 842
- Contents list and Subject Index starting on p 843

My thanks to all of you, and especially to those who have generously shared your experiences with others, written or phoned with your ideas and suggestions, or responded to requests for information.

May you all have the opportunity to take a well-earned break and come back refreshed— for I have something very interesting to share with you in the New Year.

Penny Burns.

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Efficiency and Effectiveness in Present Giving

by The Economic Rationalist

It is so difficult to predict what others will like – and so disappointing when, despite breaking the budget, you inevitably get some of it wrong. What if you could make sure that next Christmas this simply does not happen? What if everyone got a surprise yet got exactly what they wanted while spending just what you feel comfortable to spend?

The answer is simple: Instead of buying presents for others, everyone buys a present for himself or herself. Wrap it up, put it under the tree. Then on Christmas morning, be surprised, be amazed, at what the others have chosen for themselves (things that you probably would never have guessed at.) and rejoice in the fact that you won't have to take your present back to be exchanged for another size or colour.

Our Economic Rationalist applies for a job. The CEO was doubtful

CEO: Are you an engineer?

RE: No.

CEO: A pity, if you were an engineer you would be able to solve our current asset management problems. Are you perhaps an accountant?

RE: No

CEO: A pity, if you were an accountant you would be able to tell us how much to ask for in the budget to solve our asset management problems. But if you are not an engineer or an accountant, what are you?

RE: I am an economist. And it is true that I cannot solve your problems, neither can I tell you how much money you would need to do so. But I can draw up a plan whereby you can sell your assets and lease them back in a complex offshore deal with hidden tax benefits and three kinds of hedging arrangements against foreign currency shifts, demand changes and price volatility, requiring you to travel to interesting overseas locations at the organization's expense, get promoted, fêted by your colleagues, and eventually receive a handsome payout that will keep you in luxury for the rest of your days -- all before anyone realises that the problem is now five times as serious and beyond asset management solution!

CEO: You're hired!

How to avoid Christmas call-outs

Take the battery out of your pager to power up a Christmas toy

Take your Christmas Break in the Aussie outback – out of mobile range

Be kind - Lend your mobile to an invalid relative to keep in touch with his friends over Christmas

Have double helpings of everything – you'll sleep through any call!

Pray! (*but if your prayers are not answered, do remember it is His birthday!*)

Staying Awake after Christmas Lunch

Re- prioritise your objectives, sleep!

Using eBay

The following illustrates why asset managers cannot afford to be clever 'backroom boys' but must engage in constant dialogue with their communities. Put simply, if you do not put your side of the story, someone else will put theirs! ***This was a very good piece of asset management that has been twisted by the media.***

Train service buys spares on Ebay

From correspondents in London—and as reported online, December 9, 2004

IN news that will surprise few of the travellers who cram onto its creaking rail network every day, London Underground admitted that some of its spare parts were sourced from Internet auction site eBay.

The dot matrix passenger information system used by Tube Lines, the part-private consortium which manages three major lines on the subway system, is so outdated that the firm has been forced to find computer cards, chips and other obsolete parts on eBay, London's *Evening Standard* newspaper said.

Company officials said that there was nowhere else to turn as the equipment was so old.

"We need to make sure we have the appropriate supplies," a Tube Lines spokesman said. "In some cases we have cloned equipment, but where parts and other pieces of equipment are out of stock we will buy them."

Some of the items bought on eBay were up to 20 years old, the newspaper said.

"It highlights the need to upgrade the system," the spokesman added.

The revelation came as thousands of commuters suffered delays on one of the lines managed by Tube Lines because of radio failures.

The London Underground, popularly known as the Tube, is the oldest urban subway rail system in the world, dating back 141 years, and has suffered from decades of under-investment.

And yet another asset management use for eBay

Valuing library books used to be a difficult task.

What is the value of second-hand book? Is it obsolete or superceded? of some value? or extremely valuable as a rarity?. It used to be hard to tell - but not since Ebay! The Australian Valuation Office now has a program that captures all the sales on the electronic auction site, Ebay, and now they can go through a library catalogue electronically, match items against the Ebay sales and price the collection!

(Reported to me earlier this year by David Grugeon)

Sustainable Development and Infrastructure in New Zealand

When I reported on the UK, USA and Australia 'Report Cards' (Issue 123, Sep 19, 2003) I noted that New Zealand had just let a series of three contracts for its own approach to a national infrastructure audit – *and that this would be very different*. Well the first report of the three is now available on line – www.med.govt.nz/irdev/econ_dev/infrastructure/reports/maarama/ and, yes, it is very different and very interesting. Here are just a few excerpts to whet your appetite.

Sustainable development and infrastructure

This paper describes the *links between sustainable development and infrastructure*, and explores the trade-offs and complementarities among these four dimensions that arise in the New Zealand context. We also *examine interactions across sectors*, for example, between energy and transport systems. These interactions become sharper when we apply a 'sustainable development' lens to infrastructure. [Ed: other sectors examined are water and telecommunications.]

More infrastructure is not necessarily better

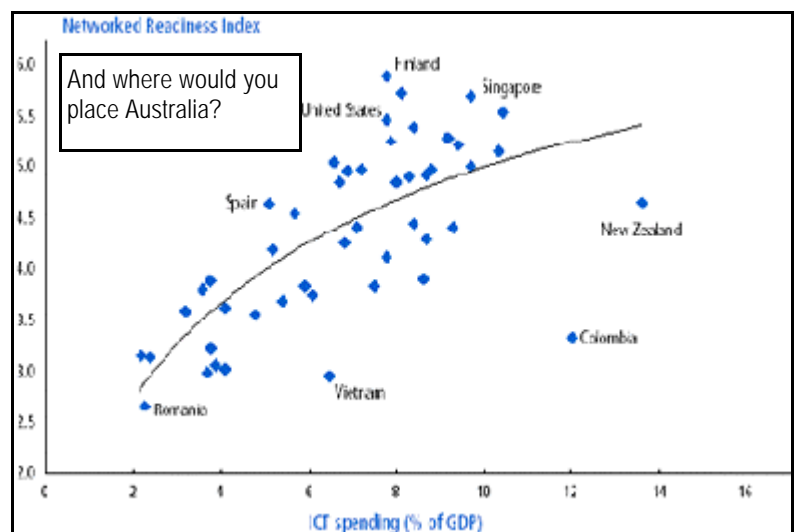
The role of physical infrastructure in contributing to **economic** development is an important one – its contribution is clearly vital and a pre-requisite for continuing prosperity in New Zealand. This proposition is not under challenge. *But that does not mean that more infrastructure is necessarily better*. Good quality infrastructure is necessary to avoid bottlenecks and service disruptions, and support a range of activities, but *too much infrastructure, or infrastructure of an outdated or inappropriate sort, is a poor investment*. Infrastructure investment involves deploying scarce resources, so making informed and intelligent choices is important for prosperity.

Supporting Conditions & ICT

Both the quality of investment and the supporting conditions for investment and usage are important, if the most is to be gained from infrastructure investment. Physical infrastructure is only one component in a system, and other elements are needed for it to function optimally. For example, social and institutional infrastructure or capital may (in economic terms) be complementary to physical infrastructure, or in some contexts, may be substitutes. It is likely, for instance, that the physical infrastructure of ICT can complement or augment social capital to some degree; conversely, the infrastructure of a roading system may have negative effects on social capital if extended beyond a certain point (i.e. they may become substitutes).

The importance of supporting conditions is illustrated in **Figure 1.1** below, which shows "networked readiness" (a measure of ability to participate in and benefit from ICT developments) in relation to ICT spending for a sample of countries.⁹ It indicates that although New Zealand invests fairly heavily in ICT, one outcome indicator, at least, suggests a mediocre result. It underlines that market attitudes, the regulatory context and other contextual variables are important for investments to pay off.

This New Zealand report examines the relationship between infrastructure and sustainable development in the round – that is, how infrastructure can contribute to economic, social, cultural and environmental outcomes.



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