

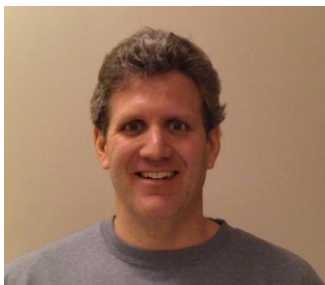


Spring 2010

Coordinators D. V. Gordon & M. Ives; Image: Yang Song

Welcome to the 2010 issue of 'Newsletter' the Department of Economics report of departmental facts and figures for the academic year 2009-10.

Stepping Down and Stepping Up



Professor Ken McKenzie is stepping down as Head of the Department of Economics as of June 30, 2010. Dr. McKenzie has held the position for the last three years. During his tenure he introduced a number of fundamental changes, particularly to budgets and accounts, in Faculty procedures. In the department, Dr. McKenzie's leadership helped in continuing the strength and development of one of Canada's top research economic departments. Dr. McKenzie will take a well deserved sabbatical for the 2010-11 period. Thank you Ken!



Professor Chris Bruce (L) will step up to the Department Chair for the period July 1, 2010 to June 30, 2011.

Professor Daniel V. Gordon (R) will take the Chair for the three year period July 1, 2011 to June 30, 2014.

Faculty Editorial Responsibilities:

Eugene Beaulieu Editorial Board *Canadian Foreign Policy* and *Forum for Research in Empirical International Trade*.

Herb, J.C. Emery, Editor *Canadian Public Policy*.

Daniel V. Gordon Co-Editor *Marine Resource Economics*.

Joanne Roberts Co-Editor *Canadian Journal of Economics*.

Apostolos Serletis Associate Editor *Macroeconomic Dynamics*.

Faculty Sabbatical Leaves:

2009-2010:

Dr. J. Church - July 1, 2009 – June 30, 2010

Dr. T. Horbulyk – July 1, 2009 – June 30, 2010

Dr. J. Rowse – July 1 – December 31, 2009

2010 – 2011:

Dr. E. Beaulieu – July 1, 2010 – June 30, 2011

Dr. K. McKenzie – July 1, 2010 – June 30, 2011

Dr. J.-F. Wen – August 1, 2010 – July 31, 2011

Dr. A. Ferrer – July 1, 2010 – December 31, 2010

Dr. F. Gonzalez – July 1, 2010 – December 31, 2010

Dr. D. Gordon – July 1, 2010 – December 31, 2010

Dr. J. Boyce – January 1, 2011 – June 30, 2011

Undergraduate Statistics:

For the Fall 2009 session the Department of Economics enrolled 709 majors; 22 honors; 14 in Co-op studies, and 43 in Applied Energy Economics. Also, in Fall 2009, 3663 students were enrolled in economic courses and 3737 students in the Winter 2010 semester for a total of 7400 student enrollees.

Spring 2010 PhD Graduates:

Name: Sajjadur Rahman
Thesis: Three Essays on Volatility and Asymmetry
Supervisor: Dr. Apostolos Serletis
Current Position: Assistant Professor, Department of Economics,
University of Saskatchewan, Saskatoon, SK

Name: Shan (Victor) Jiang
Thesis: Three Essays in International Trade
Supervisors: Dr. James Gaisford, Dr. Eugene Beaulieu
Current Position: Policy Analyst, Alberta Health and Wellness, Health Workforce Division, Edmonton, AB

Name: Asgar Khademvatani
Thesis: Measuring Energy Efficiency in Economics: Shadow Value Approach
Supervisor: Dr. Daniel Gordon

Name: Juan Moreno-Cruz
Thesis: Essays on the Economics of Geoengineering
Supervisor: Dr. David Keith
Current Position: Post-doctoral fellow at ISEEE

Spring 2010 MA Thesis-based Graduates:

Name: Garret Kent Fellows
Thesis: Negotiated Settlements and Intergenerational Equity in the Pipeline Services Market: Borrowing from Pete Jr. to pay Paul Sr.
Supervisor: Dr. Aidan Hollis

Name: Debayan Pakrashi
Thesis: Does Membership in International Organizations Affect Incidence of Child Labour
Supervisor: Dr. Eugene Beaulieu

Name: Ryan Scholefield
Thesis: The Canada-US Softwood Lumber Dispute: Lessons in Managed Trade
Supervisors: Drs. James Gaisford & Eugene Beaulieu

Spring 2010 MA Course-based Graduates:

Names: Zhongyuan Liu and Willie Wai-Leung Ma

Fall 2009 MA Thesis-based Graduates:

Name: Jesse Tweedle
Thesis: A Convenience Model of Spatial Competition
Supervisor: Dr. Curtis Eaton

Fall 2009 MA Course-based Graduates:

Name: Brett McIntosh

SOME RECENT PhD GRADUATES:



Dr. Olena Ivus, Assistant Professor,
Queen's School of Business, Queen's University, Canada
Ph.D. University of Calgary (2009)

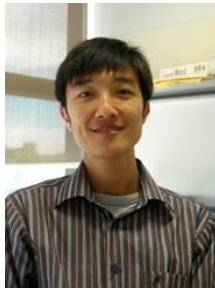
Research Interests: International Trade, Microeconomics, Managerial Economics

"Do stronger patent rights raise high-tech exports to the developing world?" Journal of International Economics, 2010.

"Trade-Related Intellectual Property Rights: Theory and Empirics" Canadian Journal of Economics, forthcoming.

"Studying at the University of Calgary was one of the smartest decisions I have made. The Economics program is well structured, and the faculty members are motivated to help you succeed. The department organizes regular social activities throughout the school year, and the city of Calgary, with Banff only an hour's drive away, was wonderful to experience."

- Dr. Olena Ivus



Dr. Guohua (Joshua) Feng, Lecturer
Department of Econometrics and Business Statistics, Monash University
Ph.D. University of Calgary (2008)

Research Interests: Applied econometrics, Factor and Consumer Demand Systems.

"Productivity trends in U.S. manufacturing: Evidence from the NQ and AIM cost functions" Journal of Econometrics, 2008.

"Efficiency and productivity of the US banking industry, 1998-2005: evidence from the Fourier cost function satisfying global regularity conditions" Journal of Applied Econometrics, 2009.

"With a distinguished faculty, the Department of Economics at U of C is an intellectually exciting place to pursue graduate studies. It is the place that turned my long-cherished academic dream into a reality!"

- Dr. Guohua (Joshua) Feng



Dr. David Bruner, Assistant Professor
Department of Economics, Appalachian State University
Ph.D. University of Calgary (2008)

Research Interests: Environmental Economics, Public Economics & Experimental Economics

"Changing the probability vs. changing the reward" Experimental Economics, 2009.

"Hand in the Cookie Jar: Experimental Investigation of Managerial Fraud and Equity-Based Compensation" Southern Economic Journal, 2008.

"The department at Calgary enriched my life both academically and otherwise. The accessibility to high quality faculty makes it a great choice."

-Dr. David Bruner

Health Impact Fund



Professor Aidan Hollis' research on alternative mechanisms to support innovation and access to pharmaceuticals has grown into substantial institution. He is a founding Director and Vice-President of Incentives for Global Health, a US-based NGO supporting the developing of the Health Impact Fund (HIF). The HIF is a proposed multi-billion dollar fund to reward new drugs and vaccines based on assessed health impact globally, without monopoly price distortions. The HIF was selected as one of only 5 "promising" proposals out of over 90 assessed by the World Health Organization earlier this year, and was recently endorsed by the German Social

Democratic Party. Aidan has also been organizer and/or speaker at conferences on the HIF at Harvard, Yale, Cambridge, and Melbourne Universities and at the UK's National Institute for Health and Clinical Excellence over the past couple of years, as well as at other related conferences elsewhere. More information on the HIF is available at www.healthimpactfund.org

The 2010 Distinguished Speaker Lecture

The Distinguished Speaker series is the highlight of a busy year of seminars and presentations. This year our distinguished speaker was Dr. Timothy Besley, Kuwait Professor of Economics and Political Science at the London School of Economics and Political Science (LSE). The title of his talk was "Policy Making in the Global Economic Crisis". His talk focused on the financial crisis of 2007–2010 - what has been called by leading economists the worst financial crisis since the Great Depression of the 1930s. It contributed to the failure of key businesses, declines in consumer wealth estimated in the trillions of U.S. dollars, substantial financial commitments incurred by governments, and a significant decline in economic activity. Governments and central banks responded with unprecedented fiscal stimulus, monetary policy expansion, and institutional bailouts.

Rocky Mountain Empirical Trade Conference

The Department of Economics at the University of Calgary was the host for the first annual Rocky Mountain Empirical Trade Conference. The conference was sponsored by the University of Calgary, University of Victoria, and The University of British Columbia. An international group of economists specializing in empirical economic research on issues relating to international trade and investment presented their latest research at this meeting. The conference was held at the Banff Centre in Banff National Park, May 14-16, 2010.

Spotlight on Faculty



Professor C Chris Bruce joined the Department of Economics in 1973 and was promoted to Full Professor in 1991. Professor Bruce received his PhD from Cambridge University, England in 1976. His main research is in the area of Law and Labour Economics. He has published numerous journal articles and books. Notably his popular book entitled *Economics of Employment and Earnings*, (Toronto: Nelson) 1995 is in its second edition. Recently Professor Bruce started a very active and interesting research program in Experimental Economics and he has a forthcoming article in the journal *Environmental Economics and Management*. Dr. Bruce will take over as Head of Economics for the period July 1, 2010 to June 30, 2011.



Professor Elizabeth Wilman joined the Department of Economics in 1982 and was promoted to Full Professor in 1991. Prior to joining the department she was a Fellow, Resources for the Future, Washington. Professor Wilman received her PhD from University of Michigan in 1974. She has published widely in the area of Environmental and Ecological Economics. She is the co-author of the popular textbook '*Environmental Economics and Policy: Canadian Edition*' (Pearson Education Canada) 2009. Dr. Wilman was Associate Dean (Student Affairs and Programs) Faculty of Social Sciences for the period 1997-2000 and was the Head of the Department of Economics for the period 2001-2007.

Congratulations



Jevan Cherniwchan a PhD candidate in the department of economics has been awarded a SSHRC Doctoral Fellowship for 2010-2011. Good work and well deserved

Jevan is currently conducting the research and writing of his PhD thesis under the supervision of Dr. M.S. Taylor.

Canadian Economic Association Meetings, May 28-30, 2010

Our PhD student paper presentations at the Canadian Economic Association meetings, Quebec City

Jesse Matheson

'Tobacco Use in Canada's Aboriginal Communities: Tax Exemption, Traditions and Social Interactions'

Itziar Lazcano

'Generational Conflict and Sustainable Growth'

Irving Rosales

'Child Labour, Crime and Human Capital'

Jevan Cherniwchan

'Trade Liberalization and the Environment'

Armando Zavaleta

'Political Contributions and Environmental Policy in the Presence of Abatement Externalities'

Victor Song

'Product Competition, Uncertainty and Strategic Adoption of Trade Credit by Upstream Firms'

Mark your calendars: The Canadian Economic Association will hold its annual meeting in 2012 at the University of Calgary. Dr. Eugene Beaulieu of the Department of Economics, U of C, is the local organizer.

Retirement:



Professor John Rowse will retire on September 1 2010. He received his PhD from Minnesota in 1974 and held a position at Queen's University before moving to Calgary in 1979. Dr. Rowse was promoted to Full Professor in 1988. He has a wide range of research interests in the areas of Computational Optimization and Economic Applications, Computational Economics, Energy Economics, Long Term Allocation of Canadian Natural Gas, and Mathematical Programming Solution Algorithms. Over the years He has published some 50 academic research articles and has won numerous department and faculty teaching awards. John you are a valuable component of our department and you will be missed. We wish you the very best in the coming years.

Comings and Goings

The department welcomes two new members to our ranks as of July 1, 2010: Arvind Mageson and Kunio Tsuyuhara. Arvind is appointed as Assistant Professor and currently completing his PhD in economics, University of Toronto. He received an M.A. in economics, University of Western Ontario and a Honours B.A., University of Calgary. Arvind's research interests include Industrial Organization, Applied Game Theory/Microeconomics, Political Economy and Structural Econometrics.

Kunio Tsyuhara is appointed as Assistant Professor and currently is completing his PhD in economics, University of Toronto. He received an M.A. in economics from Osaka University, an M.A. in economics from the University of British Columbia and a B.A. from Doshisha University. Kunio's research interests include Macroeconomics, Microeconomic Theory and Labour Economics



Professor Chris Auld will resign his position as Associate Professor December 31, 2010. Dr. Auld has accepted a position with the Department of Economics, University of Victoria. Chris we are sorry to see you leave but we wish you all the best in your new position.

Publications 2009-10

Boyce, J.R. "Putting the Foxes in Charge of the Hen-House: The Political Economy of Harvest Quota Allocations" *Environmental and Resource Economics*, forthcoming.

Boyce, J.R. and D. P. Bischak. "Learning by Doing, Knowledge Spillovers, and Technological and Organizational Change in High-Altitude Mountaineering" *Journal of Sports Economics*, forthcoming,

Baggs, J., **E. Beaulieu** and L. Fung "Are Service Firms Affected by Exchange Rate Movements" *Review of Income and Wealth*, forthcoming.

Baggs, J., **E. Beaulieu** and L. Fung "Firm Survival, Performance, and the Exchange Rate" *Canadian Journal of Economics*, Volume 42, No. 2 May 2009.

Carbone, J., C. Helm and T.F. Rutherford "The Case for International Emission Trade in the Absence of Cooperative Climate Policy," *Journal of Environmental Economics and Management*. November 2009, 58 (3), 266-280.

Carbone, J. "The Case for International Emission Trade" School of Policy Studies *Communiqué*, University of Calgary, Vol. 1, No. 2, February, 2009.

Carbone, J., D.J. Phaneur and J.A. Herriges "Non-Price Equilibria for Non-Marketed Goods" *Journal of Environmental Economics and Management*. January 2009, 57 (1), 45-64.

Church, J. W. Rosehart and J. MacCormack 2009 "Transmission Policy in Alberta and Bill 50" School of Public Policy, University of Calgary Research Paper.

Church, J. 2009 "Buyer Power: Background Note" Competition Committee, Directorate for Financial and Enterprise Affairs, OECD, Paris.

Dugar, S. 2010 "Nonmonetary sanctions and rewards in an experimental coordination Game" *Journal of Economic Behavior & Organization*, 73(3), 377-386.

Eaton, B.C. and W. White "Image Building in, "Industrial Organization, Trade, and Social Interaction" *Essays in Honour of B. Curtis Eaton*. University of Toronto Press 2010

Emery, J.C.H. "‘Un-American’ or Unnecessary? America’s Rejection of Compulsory Government Insurance in the Progressive Era," *Explorations in Economic History* forthcoming.

Emery, J.C.H. and **A. Ferrer** 2009 "Marriage Market Imbalances and Labor Force Participation of Canadian Women" *Review of Economics of the Household* 7(1), 43-57.

Ferrer, A. and A. Adsera 2010 "The Fertility Decisions of Canadian Immigrants" *Canadian Research on Immigration*. ed. A. Sweetman, T. McDonald and E. Ruddick, John Deutchs Institute of Economic Policy, Queen's University, McGill-Queen's Press.

Gonzalez, F.M. and S. Shouyong 2010 "An equilibrium theory of learning, search and wages" *Econometrica*, March 509-537.

Gordon, D.V., and T. Bjørndal 2009 "A Comparative Study of Production Factors and Productivity for Shrimp Farms in Three Asian Countries: Bangladesh, India and Indonesia" *Aquaculture Economics and Management* 13, 176-190.

F. Asche, T. Bjørndal and **D.V. Gordon** 2009 "Resource Rent in Individual Quota Fisheries" *Land Economics*, 85(2), 280-292.

Banerjee, A., **A. Hollis** and T. Pogge 2009 "The Health Impact Fund: incentives for improving access to medicines" *The Lancet* 375, 166-169.

Peterson, M., **A. Hollis**, and T. Pogge, "A Critique in Need of Critique." *Public Health Ethics*, forthcoming.

MacCormack, J., **A. Hollis**, H. Zareipour, and W. Rosehart, "The Large-Scale Integration of Wind Generation: Impacts on Price, Reliability and Non-Wind Suppliers." *Energy Policy*, 38(7) 3837-3846.

Hollis, A., 2009 "Commentary on 'Getting what we pay for: The value-for-money challenge.'" *HealthcarePapers* 9(4) 32-35.

Flynn, S, **A. Hollis**, and M. Palmedo 2009 "An Economic Analysis of Compulsory Licensing for Needed Medicines," *Journal of Law, Medicine & Ethics*, 37(2) 184-208, Summer 2009.

Cutlac, I.M. and **T. Horbulyk** "Optimal Water Allocation under Short-run Water Scarcity in the South Saskatchewan River Basin" *Journal of Water Resources Planning and Management*, forthcoming.

Lixia, H. and **T. Horbulyk** 2010 "Market-Based Policy Instruments, Irrigation Water Demand, and Crop Diversification in the Bow River Basin of Southern Alberta" *Canadian Journal of Agricultural Economics*. 58(2) 191-213.

Kneebone, R.D. and K. White. 2009 "Fiscal Retrenchment and Social Assistance in Canada", *Canadian Public Policy*, Vol. 35(1) 21-40.

Kneebone, R.D. A. Abel and B. Bernanke *Macroeconomics*, 5th Canadian Edition Pearson Publishing 2009.

Hsienming, L. and **M. Lu.**, C.A. Ma and T.G. McGuire "Treatment Progress and Patient Compliance in Alcohol Therapy" *Journal of Health Economics*, forthcoming

Eggleston, K., Y. Shen, **M. Lu**, C. Li, J. Wang, Z. Yang and J. Zhang 2009 "Soft budget constraints in China: Evidence from the Guangdong hospital industry" *International Journal of Health Care Finance and Economics* 9(2): 233-242.

McKenzie, K.J. and N. Sershun 2010 "Taxation and R&D: An Investigation of Push and Pull Effects" *Canadian Public Policy*, forthcoming.

McKenzie, K.J. 2009 "Measuring Tax Incentives for R&D", *International Tax and Public Finance* Vol.15, 563-581.

Roberts, J. and S. Mongrain 2009 "Plea Bargaining with Budgetary Constraints" *International Review of Law and Economics* (29): 8-12.

Roberts, J. and A.A. Payne 2010 "Government Oversight of Public Universities: Are Centralized Performance Schemes Related to Increased Quantity or Quality?" *Review of Economics and Statistics* Vol. 92(1) 207-212.

Roberts, J., D. Bernhardt and S. Mongrain "Rehabilitated or Not: an Informational Theory of Parole Decisions," *Journal of Law, Economics and Organization*, forthcoming.

Roberts, J. and J. Duggan 2002 "Implementing the Efficient Allocation of Pollution," *American Economic Review*, 92(4): 1070-1078. Reprinted in *Public Sector Economics: Critical Perspectives*, edited by Richard Tresch, Routledge, 2009.

Arnott, R and **J. Rowse** 2009 "Downtown Parking in Auto City," *Regional Science and Urban Economics* 39(1) 1-14.

Barro, Robert J. and **A. Serletis** *Macroeconomics: A Modern Approach*. Thomson 2010.

Mishkin, Frederic S. and **A. Serletis** *The Economics of Money, Banking, and Financial Markets*. Addison Wesley 2010.

Feng, Guohua and **A. Serletis** "A Primal Divisia Technical Change Index Based on the Output Distance Function." *Journal of Econometrics*, forthcoming.

Elder, John and **A. Serletis** "Oil Price Uncertainty." *Journal of Money, Credit and Banking*, forthcoming.

Feng, Guohua and **A. Serletis** 2009 "Efficiency and Productivity of the U.S. Banking Industry, 1998-2005: Evidence from the Fourier Frontier Function Satisfying Global Regularity Condition." *Journal of Applied Econometrics* 24 105-138.

Taylor M.S. 2009 Innis Lecture "Environmental Crises: Past, Present, and Future" *Canadian Journal of Economics/Revue canadienne d'économique*, Vol. 42(4) 1240-1275, November / novembre.

Copeland, B. and **M. S. Taylor** "Trade, Tragedy and the Commons" *American Economic Review*, Vol. 99(3) 725-749.

Oxoby, R. "Skill Uncertainty and Social Inference" *Labour Economics*, forthcoming.

Oxoby, R. "The Effect of Incentive Structure on Heuristic Decision Making: The Proportion Heuristic" *Journal of Applied Social Psychology*, forthcoming.

Oxoby, R. and J. Spraggon "The Effects of Recommended Play on Compliance with Ambient Pollution Instruments" in *Experimental Methods in Environmental Economics*, eds. T. Cherry, S. Kroll and J. Shogren Routledge, forthcoming.

Walls, W.D. 2010 "Petroleum refining industry in China." *Energy Policy*, 38(5):2110-2115.

M. Kendix and **W.D. Walls** 2010 "Oil industry consolidation and refined product prices: Evidence from US gasoline terminals" *Energy Policy*, 38(7): 3498-3507.

M. Kendix and **W.D. Walls** "Estimating the impact of refinery outages on petroleum product prices." *Energy Economics*, forthcoming.

Walls, W.D. 2010 "General stable models of the rate of return to Hollywood films" *Advances and Applications in Statistical Sciences*, 2(1):19-36.

Walls, W.D. "Superstars and heavy tails in pre-recorded entertainment: Empirical analysis of the market for DVDs" *Journal of Cultural Economics*, forthcoming

Walls, W.D. 2009 "The market for motion pictures in Thailand: Rank, revenue, and survival at the box office" *International Journal of Business and Economics* Vol. 8(2) 115-131.

Harvey, P. J. and **W.D. Walls** 2010 "DVD movie piracy in Hong Kong: Autopsy of the brick-and-mortar market?" *International Journal of Management*, Vol. 27(1) 31-37.

Walls, W.D. *Hollywood Models: A Toolkit of Quantitative Models Applied to the Movie Business*. Lambert Academic Publishing, Saarbrücken, Germany. 2009.

Wen, J.F. and **L. Yuan** 2010 "Optimal vertical utility privatization" *Canadian Journal of Economics*, forthcoming.

Department Working Papers, 2009-10

Download from

<http://econ.ucalgary.ca/research/workingpapers>

Sean Flynn, Aidan Hollis and Mike Palmedo 2009
An Economic Justification for Open Access to Essential Medicine Patents in Developing Countries

Olena Ivus 2009
Trade-Related Intellectual Property Rights: Theory and Empirics

B. Curtis Eaton, Mukesh Eswaran and Robert Oxoby 2009
'Us' and 'Them': The Origin of Identity, and its Economic Implications

A. Abigail Payne and Joanne Roberts 2009
Government Oversight of Public Universities: Are Centralized Performance Schemes Related to Increased Quantity or Quality?

Steeve Mongrain and Joanne Roberts 2009
Plea Bargaining with Budgetary Constraints

Dan Bernhardt, Steeve Mongrain and Joanne Roberts 2009
Rehabilitated or Not: To Release is the Question

Robert Oxoby 2009
Social Inference and Occupational Choice: Type-Based Biases in a Bayesian Model of Class Formation

Jesse Matheson and Herb Emery 2009
Public Pensions and Elderly Mortality in Canada: Comparing Means Tested and Universal Eligibility, 1921-1969.

Elizabeth Anne Wilman 2009
Carbon Sequestration in Agricultural Soils

M. Scott Taylor 2009
Environmental Crises: Past, Present and Future

Robert Oxoby 2009
Understanding Social Inclusion, Social Cohesion and Social Capital

Katherine Cuff, Nicolas Marceau, Steeve Mongrain and Joanne Roberts 2009
Optimal Policies and the Informal Sector

Alexander M. Jakobsen, B. Curtis Eaton and David Krause 2009
Coordination and Equilibrium Selection in Games with Positive Network Effects

W. D. Walls 2009
The Market for Motion Pictures in Thailand: Rank, Revenue, and Survival at the Box Office

W. D. Walls and Lasheng Yuan 2009
Highway Subfranchising and Tolling Competition

Michael Kendix and W. D. Walls 2009
Oil Industry Consolidation and Refined Product Prices: Evidence from US Gasoline Terminals, 2000-2008

Christopher Bruce and Jeremy Clark 2009
Collaborative Bargaining in the Shadow of a Backstop Policy: An Experiment

W. D. Walls and P. J. Harvey 2009
DVD Movie Piracy in Hong Kong: Autopsy of a Brick-and-Mortar Market

W. D. Walls 2009
Superstars and Heavy Tails in Pre-Recorded Entertainment: Empirical Analysis of the Market for DVDs

Eugene Beaulieu 2009
Are Service Firms Affected by Exchange Rate Movements
March 31, 2009 on FREIT (Forum for Research on Empirical International Trade)

- W. D. Walls 2010
General Stable Models of the Rate of Return to Hollywood Films
- Apostolos Serletis, Govinda Timilsina and Olexandr Vasetsky 2010
Interfuel Substitution in the United States
- John Boyce 2010
Putting foxes in charge of the hen-house: the political economy of harvest quota regulations
- Jared Carbone and V. Kerry Smith 2010
Valuing ecosystem services in general equilibrium
- Robert Oxoby and William G. Morrison 2010
Loss Aversion and Intertemporal Choice: A Laboratory Investigation
- Apostolos Serletis, Govinda Timilsina and Olexandr Vasetsky 2010
International Evidence on Sectoral Interfuel Substitution
- Jean-Francois Wen and Daniel V. Gordon 2010
An Empirical Model of Tax Convexity and Self-Employment
- Aidan Hollis 2010
Generic drug pricing in Canada: components of the value-chain
- Alexander Smith 2010
Group Composition and Conditional Cooperation
- M. Kendix and W. D. Walls 2010
Estimating the Impact of Refinery Outages on Petroleum Product Prices
- Daniel Gordon and Rögnvaldur Hannesson 2010
The Norwegian Winter Herring Fishery: A story of technological progress and stock collapse
- Trond Bjørndal, Daniel Gordon and Mintewab Bezabih 2010
The Potential for Rent in the North Sea Herring Fishery

A Policy Comment.

Bill 50: More Heat than Light^a

Jeffrey Church, John MacCormack, and William Rosehart

Albertans have been subjected to a barrage of media and advertising recently over the future of our electrical system. From front page stories to duelling ads, it's clear that the debate is heated, and that the stakes behind Bill 50 are high. Most Albertans do not give a second thought when they flick the light switch unless the lights don't come on. However, the duelling public relations campaigns and the billions of *their* dollars at stake should give Albertan's pause to consider the Province's plan to eliminate regulatory hearings over the need for high-voltage transmission lines and mandate construction of four electricity transmission projects valued at over \$5.7 billion. As we point out in our recent study, published by the School of Public Policy at the University of Calgary, *Transmission Policy in Alberta and Bill 50*, the uproar over Bill 50 shows the value of a regulatory process. The debate over transmission investment and additions should not be confined to the media and between competing websites. The media and advertising campaigns are not the appropriate forums to debate complex technical issues and, most importantly, test and verify the positions of financially-interested parties.

Our study considered three issues. First, we examined the government's policy on electrical transmission. The policy simply stated, is this – when using the backbone of the transmission power grid which would include the proposed HVDC lines, the companies that generate power are charged nothing to be able to sell their power, *regardless* of the cost. Also, the Province has a “zero congestion” policy, meaning regardless of the costs or benefits of putting a certain amount of power on the grid at a certain location, all generators must be provided enough grid capacity to be able to sell all the power they produce. The effect of this system is that it provides a subsidy from consumers of electricity, you and me, to electrical generators. Moreover, it distorts competition between generators since the subsidy provided is greater for distant generation. The effect of the subsidy and distortion is to raise the costs of delivered electricity: too much remote power generation, too much transmission, and not enough generation located close to consumers.

Of interest then, is how the system works in practice. How large are the potential higher costs from the wrong mix of generation and transmission facilities? We compared the anticipated costs from 2013 to 2028 of the two high-voltage power lines between Edmonton and Calgary that are included in Bill 50 against an alternative that locates gas-fired generators in southern Alberta, close to southern Alberta consumers and using the existing grid. Depending on factors like the amount of wind power produced, greenhouse gas emissions costs and the value of energy lost from heat on the existing grid, the cost of the Bill 50 option is between \$1.1 and \$2.2 billion *more* than locating generation in southern Alberta. The comparison maintains reliability at current levels, the lights aren't more likely to go out under either scenario than they are today. Both options provide adequate supply in southern Alberta. But one is much more expensive. This is an inefficient use of our resources: why spend up to \$2.2 billion more than is required?

Our conclusion regarding the inefficiency of the two HVDC lines show, in our view, the value of an independent regulatory process. Under an independent regulatory process it is less likely that project approval and conditions will be driven by short-term political or commercial interests and more likely that decisions will reflect long-term considerations. Regulatory agencies are more likely to draw on relevant expertise, historical awareness and background knowledge to understand, evaluate and adjudicate complex issues. Their public process allows for greater scrutiny of alternative points of view and provides a forum for public debate, all of which contributes to public acceptance and legitimacy of the decision. The process also requires the regulator, through written decisions, to provide their rationale for each decision. This is an important constraint on any potential for collusion between the decision maker and private interests.

We believe that the heat created by the current mass media debate over Bill 50 could easily and quickly be turned down. We believe the evidence shows that Bill 50 requires change. The inefficiency of the two high voltage direct current lines shows the value of an independent and effective regulatory process.

Jeffrey Church is a Professor in the Department of Economics, William Rosehart is a Professor, and John MacCormack a doctoral student, in the Department of Electrical Engineering, at the University of Calgary. Their report is available online at <http://policyschool.ucalgary.ca/files/publicpolicy/TransmissionPolicyONLINE.pdf>.

^aThis article originally appeared in the Edmonton Journal on November 18, 2009 under the title ‘Why we need to pull plug on Bill 50 Duelling campaigns generate overheated, not enlightened, debate’.

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