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**AN ECONOMETRIC ANALYSIS OF
NEW ZEALAND'S DETERMINANTS OF
ECONOMIC GROWTH
1960-1996**

*A Research Thesis submitted in partial requirement for the degree of Masters of
Applied and International Economics at Massey University*

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ABSTRACT

The key purpose of this study is to analyse whether the generally agreed determinants of economic growth, such as labour force, trade, openness to trade, investment, inflation, research and development, human capital, tourism, government consumption expenditure and government education expenditure, impact significantly on New Zealand's growth. This study applies Auto-Regressive Distributed Lag (ARDL) cointegration regression analysis to time series data on the relevant variables for the period 1960 to 1996. Empirical models are based on neoclassical and endogenous growth theory models, and equations specified will fall under seven differing frameworks. The importance of economic growth and principally the sequence of New Zealand's growth, is the main reason for choosing New Zealand as the case study in this analysis. Such an empirical examination should enhance the knowledge and future development of economic growth and its determinants for New Zealand.

Empirical evidence indicates that the endogenous growth model explains New Zealand's economic growth performance quite satisfactorily. Models incorporating the variables: growth of exports, public sector investment and tourism receipts, are positive and statistically significant to New Zealand's growth performance over this period. Export-led growth is favoured in this analysis.

The need for massive state intervention in the New Zealand economy was officially declared over by the Fourth Labour Government in 1984. Radical and extensive macroeconomic and microeconomic reforms were undertaken, representing a revolutionary break from past policies of heavy regulation and import protection and the accompanying large fiscal deficits and high rates of inflation. Succeeding this period of major restructuring, the New Zealand economy has supported a strong recovery since 1991, outperforming most other OECD countries. The challenge now for policy makers, is to manage sustained economic growth, as growth slows under the influence of a shaky international environment.

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LIST OF ABBREVIATIONS

ADF	Augmented Dickey Fuller
ARDL	Autoregressive Distributed Lag
BOP	Balance of Payments
CER	Closer Economic Relations
CIF	Cost, including Insurance and Freight
CPI	Consumer Price Index
CRI	Crown Research Institute
CTRatio	Collected Tariff Ratio
DF	Dickey Fuller
DSIR	Department of Scientific and Industrial Research (replaced by nine Crown-owned Research Institutes, known as CRIs, in 1992.)
ECA	Employment Contracts Act
EU	European Union
FBT	Fringe Benefit Tax
FDI	Foreign Direct Investment
FOB	Free On Board
GDP	Gross Domestic Product
GST	Goods and Services Tax
GFS	Government Financial Statistics
GNP	Gross National Product
IFS	International Financial Statistics
IMF	International Monetary Fund
LDC	Less Developed Countries
MAF	Ministry of Agriculture and Fisheries
MNC	Multinational Company
OECD	Organisation for Economic Co-operation and Development
PIN	Pacific Island Nations
RA	Regional Authority
R&D	Research and Development
WTTC	World Travel and Tourism Committee