An Interview with
Alan Bollard

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Brian Silverstone

Alan Bollard's outstanding professional career to date has included leadership roles as Director of the New Zealand Institute of Economic Research (NZIER), Commerce Commission Chairman, Treasury Secretary, Reserve Bank Governor and, shortly, Executive Director of Asia-Pacific Economic Co-operation (APEC). He has Honorary Doctorates from Auckland and Massey Universities.

Formative Influences

When did you decide on a career in economics?

Well, Brian, there was no sudden blinding moment of insight in my case! I certainly did not start off thinking about a career in economics. Indeed, I didn't know what economics was all about as it was not a school subject. I enrolled at Auckland University in 1969 intending to do a degree in history, english and political studies. To assist my history, I wanted to do an economic history paper which required Economics I. That is how I got into economics and I found I liked it much more than I had expected. Perhaps it was because I am a tidy person. I liked the way neoclassical economics fitted together: there was a marginal rate of something that equilibrated to another marginal rate of something else and it all locked together. I thought that was a very organised way of looking at the world. Of course, ever since then I have spent my time learning that life isn't like that. But it was an interesting starting point and I just went on from there. Economics was also, perhaps, a reaction to my parents who were scientists. I tired of all their science talk, but I was interested in social science, that is, explaining how people behave.

So did you drop out of history?

I don't remember making a decision about majoring in economics. I did a year or so of english, history and political studies and after that I moved towards economics and mathematics. Political studies, english and history at Auckland were all well taught at that time - lecturers like Bob Chapman, C.K. Stead and Keith Sinclair. The Maths Department probably taught me more about econometrics than the Economics Department.

Are there any particular books which stimulated your interest in economics?

I have always read widely. I enjoy reading books about economists and economic history, especially where they put issues in context and show some of the drama of learning. I also enjoy books that appeal to the general public. My father took me to hear J.K. Galbraith in Auckland in the 1960s. His *Age of Uncertainty* was the economists' equivalent to Kenneth Clark's *Civilisation*, putting history in its context, showing where Marx fits in, where Keynes fits in and so on. I also enjoy biographies such as Skidelsky's three-volume *John Maynard Keynes* and Sylvia Nasar's biography of John Nash, *A Beautiful Mind.* There is also great a biography of Alfred Marshall as well as one on Charles Babbage. When I was researching the global financial crisis, I read several interesting biographies of Franklin Roosevelt. Central Banking has its share of eccentrics - read Liaquat Ahmed's fine *Lords of Finance*.

Many people can point to a teacher, lecturer or supervisor who has had a significant influence on their education, perhaps taking it in a different direction from what they had in mind? Did you have this experience?

Not so much in my case. Colin Simkin was a traditional lecturer and Peter Phillips also lectured me. John McRae was a young Scottish lecturer who came to the Auckland Economics Department with a lot of enthusiasm for development economics which was also one of my main interests. Reading Gunnar Myrdal's *Asian Drama* was an eye-opener. I went to Tonga to do fieldwork for my masters degree and to one of the Cook Islands for my PhD. When Conrad Blyth came to Auckland he brought enthusiasm and intellect. My PhD was supervised by Roger Bowden and Conrad Blyth together with Fred Fisk from ANU.

NZIER Director (1987-1994)

Elsewhere you have reflected in detail on your time at the NZIER (*Bollard 2009*)*, but could you nevertheless outline the circumstances of your Institute appointment, the challenges and the major outcomes of your tenure as Director?*

The Institute was going through a difficult phase when I returned from the UK in 1984. Brian Easton was the Director. He was very invigorating, full of enthusiasm and a great thought-provoker. Unfortunately, the Institute was running into financial problems, made more pressing by the macroeconomic reforms at the time. Both the Secretary of the Treasury and the Reserve Bank Governor removed themselves from the Board of Trustees. They also removed official funding from the Institute. This was somewhat ironic as the funding had been originally promised to the Institute from the government in the late 1950s but deliberately channelled through the Reserve Bank so there would be a degree of independence for the Institute. Now the Reserve Bank was claiming it was up to them to decide on whether or not funding should continue.

The loss of funding was very hard for the Institute given its limited resources. Meanwhile Brian Easton left, and David Mayes came in as Director for a year and then left quite abruptly. The first I knew about his departure was when Institute Chairman Ray White came to my home. He said the Institute Board had just met in emergency session and wanted to appoint me as Director starting the next day. My first task was to prepare a plan to close down the Institute if it proved necessary: an unusual way to begin a chief executive job! It was a crisis and rather stressful, but we got through it. It wasn't easy.

I had to learn not only to manage myself and other people, but also how to build a sensibly-funded private research programme mainly through consultancy. At the same time, many New Zealand firms who had felt a public benefit duty to support the Institute no longer felt that way. They were also suffering during this period of radical change. The trading banks were starting to employ economists and producing free economic forecasts. Understandably, firms questioned whether it was worth them paying money to be a member of the Institute. This meant I had to spend considerable time marketing our services.

On a positive note, we had some interesting work to do given the extent of restructuring in the public and private sectors at the time. Looking back on our work, we kept the forecasting side going and we did considerable work on state-owned enterprises and industrial structural change. We had a great team of economists, many of whom have since gone into chief economist and similar roles throughout New Zealand. Under my successor, Alex Sunderkov, the Institute became increasingly orientated towards commercial consulting. MOTU has picked up on the growing public funding and filled some of that gap. More recently, under Jean-Pierre de Raad, the Institute has returned to straddling public good, public research and consulting.

One of your interests while at the Institute was the refurbishment of one of the Phillips machines, your memorable demonstration at the 1991 NZAE Conference at the University of Waikato and, ultimately, its installation in the Reserve Bank Museum. How did your interest in Phillips and the Phillips-Newlyn machine emerge?

I met Bill Phillips in 1974 in Auckland. He was the quiet chap who came into the room on a walking frame, sat down and did not say very much. Then afterwards, someone said 'that's the famous Bill Phillips'. I saw him a few times, but that was about all. He lectured my wife, Jenny Morel, on the Chinese economy.

I love seeing visual presentations of data and interesting ways of analysing it. The Phillips-Newlyn machine called the MONIAC (standing for 'Monetary National Income Analogue Computer') is a great expository device, developed in a period when computing was in its infancy**.** So what did Phillips do? He took a black box and turned it into a white box - something one could see right through. It is a complex and very sophisticated machine.

When it was built in 1949, it was probably the only way to solve an economic system of that sort with differential equations.

I read an article in *The Economist* in 1987 saying that London School of Economics (LSE) had rebuilt one of its two machines. I contacted the LSE and said ‘what about giving New Zealand the other machine’. They were very good about the request. It was a big exercise. I had to raise a lot of money so that we could get it to a model rebuilder in London, get it transported to New Zealand and into a rundown garage in Halstead Street in Wellington for assembly. We had quite a difficult time putting it together as it was so complicated**.** I had help from David Mayes, Institute staff, and others.

Recently, the Institute generously lent the machine, on a long-term basis to the Reserve Bank Museum. This is an appropriate place as the Bank has the engineering resources to maintain the machine. It is demonstrated regularly by enthusiastic economists. Go and see it! In 2010, the University of Trento in Italy held a conference devoted solely to the Moniac. Most of the papers (edited by Vela Velupillai 2011) are available as free downloads.

You have now embarked on a biography of Bill Phillips. Is this venture intended for a general audience, an academic audience or both? Do you anticipate new insights?

A biography of Bill Phillips is something I have had in mind for some time. I have been gathering material for decades and I am now using my brief period between jobs to make a start. I am writing for a general audience and I hope any intelligent reader will find it fascinating. Phillips led a most interesting life, both intellectually and physically. For me, the really interesting thing is how his background, and the events around him, influenced what he was doing and thinking. One interpretation, which I don’t accept, is that he was an electrician with a screwdriver in his pocket and went about fixing things. He was a lot more than that. He was creative. He was brilliant. He was a genius. One does not rub shoulders with a genius many times in life. I am enjoying trying to understand the man.

One has to be careful in recreating someone’s life after the event that you don’t falsely attribute motives or events. For example, I see no evidence that Bill Phillips decided early on that he wanted to change the world or to become a great economist. He is not well known in New Zealand, maybe a reflection on our cultural views about commerce, economics and higher learning. If he had been a rugby player or mountaineer it would be different. I made several approaches to Te Papa Museum to offer them the Moniac machine so that New Zealanders could own it and see it. It was, after all, good enough for a Moniac machine to be in the British Science Museum just metres away from the Babbage analytical engine. Te Papa rejected the offers.

Commerce Commission Chairman (1994-1998)

What was the background to your appointment as Chairman of the Commerce Commission?

The invitation to be Chairman came out of the blue. I had been at the Institute for a decade. It was a very interesting period because at that time business in New Zealand was coming off import licensing and regulatory controls and was subject much more to 'the market'. There was a question about what competition trade-offs would work for a small open economy. New Zealand was caught between allowing large companies to dominate industries and exploit economies of scale on the one hand, and having the benefits of competition and open entry on the other. We were able to apply some basic economic principles around competition and contestability. It was a particular period for two classes of company in New Zealand: big utilities that had been corporatised and smaller New Zealand businesses who were having to cope with a new Fair Trading Act which prohibited misrepresentation.

What cases within Commerce Commission activities (*Fair Trading, Consumer Credit, Business Competition and Regulated Industries*) *do you most recall and with what success?*

Under the Fair Trading Act we had to deal with some cowboy operations. That should have been fairly straightforward, but at first the district court struggled with some of the concepts. We tried to help educate judges in a very subtle way, because to my surprise they refused to accept offers of formal training courses. Things eventually improved, but it did take a while.

The Commerce Act is different. It is more complex, analytically difficult and legally complicated. We faced issues around behaviours such as price-fixing, misuse of market dominance and intentions to lessen competition. One of the classic cases I remember was the prosecution of North Island meat companies for fixing the prices they would pay farmers for animals. These practices had persisted, and some business people felt there was no harm in price fixing. These were very long and costly cases.

Another class of issues related to dominant behaviours. A major case related to new entrants trying to set up services at the Port of Nelson. This case went through the High Court, taking many long tedious years, but finally reaching a resolution. There were also business acquisitions and mergers to adjudicate. One of the most memorable was Air New Zealand and Ansett. Air New Zealand wanted to take over the failing Ansett operations. By a split decision - my vote - we ruled that they couldn't take over domestic operations but they could take over the Australian operations.

We built up economic talent in the Commerce Commission headed by Michael Pickford so that we could establish economic frameworks to guide our thinking. We did quite a bit of work defining and measuring (as far as possible) producer and consumer surplus, Harberger triangles, static and dynamic public benefits and costs. It was more founded in microeconomics than previously**.** In addition, we employed better quality investigators and lawyers to take the cases through the courts. I had to learn, that just because you are trying to enforce the law, you cannot assume you will win cases.

There were also big issues in areas like health, where there were district health board issues caught by the Commission, and particularly difficult ones like electricity and gas and above all, telecommunications. It was the period just after Telecom had been privatised but before some of the technical developments were in place, so Telecom was in a dominant position. They also learnt pretty quickly the techniques of legal obfuscation and delay. When I came in, the Commerce Commission was in almost permanent dispute with Telecom with a no-win situation for either side. We had to rationalise quite a bit of that. But then they and other telecommunication firms did engage in long, tedious litigation some of which did deliver some interesting concepts such as Baumol-Willig pricing. Overall, it was quite hard to get economic concepts though courts. It was something else I had to learn.

Treasury Secretary (1998-2002)

Incoming executives usually have the opportunity to review directions and, hopefully, 'make a difference'. Did you initiate any major changes in organisation or direction during your time at the Treasury and, if so, how did they work out?

Good question! I'm not sure about the answer though**.** I was invited to take the Treasury position and was there for five years. It is a very hard job indeed, harder, I think, than being Reserve Bank Governor. You are juggling lots of balls in the air all with various analytical, policy and political consequences. The Reserve Bank Governor's responsibilities are clearly laid out in the Act. But the Treasury Secretary has to be able to operate in a very ill-defined space. I look back on that period and now think that I might have done things a little differently. At that time, I was partly repairing scars from the difficult period of reform in the 1980s and 1990s. The Treasury had some important achievements in that period, but that came at a cost. I felt they paid too much attention to microeconomic issues and not enough to macroeconomics. There was a feeling that if you got all the microeconomic settings right, you should not have to worry about other things. Of course, you do.

When I arrived, I felt the culture was very influenced by contractual managerialism. I wanted to open things up and I think we had some success in that. I reduced the levels of hierarchy, although that took a while to achieve. I think it paid dividends, though, as people felt freer about the things they wanted to say. The culture was evolving from a 'there is no alternative' mindset.

I was not the innovator at the Treasury. Graham Scott and Murray Horn were the innovators. I was trying to make the organisation work better in a challenging political environment. When I was appointed, Winston Peters was Treasurer, Bill Birch was Minister of Finance and it was the last years of the National Government under Jenny Shipley. They were trying to privatise some assets with fragmenting support. The subsequent Labour Government under Helen Clark and Michael Cullen both distrusted Treasury, and it took quite a long time to connect with them. This was all challenging and exhausting. Another very difficult period was the crisis around Air New Zealand getting into financial strife and, at the same time, the attack on the World Trade Centre in New York in September 2001 (9/11).

On my first day as Secretary I had 13 appointments, and life went on like that for five years. Treasury is a bit of a factory as well. It could be producing 10 or 20 policy papers every week for ministers. You cannot get your head around everything. You have to be able to rely on colleagues. You have got to know where you can make a difference and affect outcomes. You also need to be the one who is trying to ensure the best possible spending around government activities. Every other part of government has good reasons why it should spend more, so that is a big challenge, and I wonder whether I could have done better there.

What Treasury projects do you particularly recall and with what success?

I think we improved macroeconomic forecasting during my time as well as more work understanding the drivers of growth. I feel we might have achieved better budgetary control, but we were really entrenching the Fiscal Responsibility Act which has since proved its worth. At the time, our approach was quite radical. It is now the standard recommendation for countries seeking to act in a fiscally responsible way. We did a lot of work on productivity, growth and comparative studies. I got in talented people including Bob Buckle, Geoff Lewis, Grant Scobie and David Skilling to think about the bigger picture. Although we built up credible frameworks from this work, it didn’t deliver easy policy outcomes.

Looking back, I am a bit self-critical about my time at the Treasury. From hindsight, I think we should have paid more attention to private decision-making that seemed short-term rational, but has not proved socially optimal in the longer term. I am thinking particularly about the household sector which was starting to build up large imbalances at the time due to its lack of savings, as opposed to the government sector. The institutional view in Treasury was people will make rational decisions and they should be left to do so. But we have learned from the global financial crisis that there are externalities to consider: broader macroeconomic, retirement income, financial and exchange rate implications. We could have framed the debate in a better way.

Reserve Bank Governor (2002-2012)

As Bernard Hodgetts (*2012*) *has interviewed you on most aspects of your Reserve Bank Governorship, I have just a few questions. In the public - and in many political minds - the Reserve Bank is usually portrayed as an institution pursuing single-mindedly a price stability target without regard to other aspects of economic activity. Yet Clause 4*(*b*) *of the Policy Targets Agreement says that 'In pursuing its price stability objective, the Bank …. shall seek to avoid unnecessary instability in output, interest rates and the exchange rate'. Why has the Bank apparently failed to get across the message that its price stability goal is in fact constrained - or supposed to be constrained - by the very matters* (*such as output, employment, interest and exchange rates*) *that observers say should be taken into consideration in setting monetary policy?*

This is a challenging question. The Reserve Bank Act 1989 was written in a way that allows one to elevate the relationship between monetary policy and prices above other macroeconomic variables. This interpretation was probably more useful during the Bank's initial experience with targeting: if you need to be an inflation-buster, then that should be your message; *strict* inflation targeting. Nowadays, New Zealand and the 22 other countries that have since adopted a monetary policy framework based on the Reserve Bank Act, would all regard themselves as being *flexible* inflation targeters, meaning that although there is a primary objective of price stability, there are other secondary objectives or, as some view it, constraints.

So the Reserve Bank would maintain that it is a flexible targeter using Clause 4(b) of the Act to conditionalise monetary policy decisions. As an example, were we too slow to increase the Official Cash Rate (OCR) during the housing boom of the 2000s? From hindsight 'yes', though arguably from foresight 'no', because we were taking into account other things such as the exchange rate. It is all being discussed again at the moment. Asset price stability, for example, might be a candidate for inclusion in Clause 4(b). Incidentally, it is easy for many New Zealanders to believe that the Reserve Bank can simply pull levers, such as 'just drop the OCR and the exchange rate will fall'. We know there is no simple relationship like that, though some New Zealanders will not accept that.

Professor Milton Friedman's famous and influential 1967 presidential address to the American Economic Association included two sections: 'what monetary policy cannot do' and 'what monetary policy can do'. Monetary policy cannot, he said, peg real interest or unemployment rates for more than very limited periods while monetary policy can both prevent money itself from being a major source of economic disturbance and provide a stable inflation background for the economy. Four decades on, and from your experience, to what extent would you agree with Friedman?

Nowadays, we have a different tool (the short term overnight interest rate rather than the money supply as the key instrument) and there have been data advances and modelling developments. Putting these points aside, I would agree with Friedman on this point about what we can and cannot do. We see examples of this with the global financial crisis and the subsequent unorthodox monetary policies. It does worry me when you see a central bank being forced into taking action because the other arms of government are not able to implement fiscal policy properly. There are still a lot of people who think the Reserve Bank can do things it cannot do. My parting shot as Governor was to say 'get real about what the Reserve Bank can achieve'. In New Zealand this has historically been about influencing the exchange rate. There has been a view that 'no one else can bring it down, so you must be able to undertake this task.'

Any frustrations with fiscal outcomes in New Zealand?

Yes, at times, but nothing like what the Federal Reserve and European Bank must be going through because we have not been in a really difficult fiscal state. There was an increase in spending in the last couple of years of the Labour Government that from hindsight has been unhelpful. Our fiscal position has taken a hit during the global financial crisis, of course, but is recovering gradually.

In early 2006, well before the global financial crisis broke in August 2007, you received a report on 'Supplementary Stabilisation Instruments' (*2006*) *as part of a Finance and Expenditure Committee Inquiry into whether there might be useful tools 'with a direct bearing on the housing market … which could supplement the central role of interest rates in managing inflation'. What, ultimately, was the outcome of this Inquiry? With hindsight and with the Reserve Bank* (*2007*) *submission to the Committee in mind, were there any lost monetary policy opportunities from this Inquiry?*

We should distinguish the Reserve Bank work from the Inquiry itself. We had prepared several pieces of work on stabilisation instruments. From this we concluded that there were wedge tools that might close the gap between the cost and use of funds and in ways that might lessen exchange rate pressures. We were, however, quite worried how such tools would work practically and the distortions they would bring. We also pushed for changes in the tax treatment of property that would make the tax situation more neutral to investment decisions. We have picked up on what has come to be called macro-prudential tools and we have come to regard those as possible supplementary short-term measures. The Inquiry on Housing was useful, but some of the recommendations around planning were resisted, such as land supply in Auckland. I know it is a difficult topic, but if Auckland wants to develop as a major metropolitan area and not impose a high cost structure on New Zealand, it will have to take much harder decisions.

Michael Bordo, in his interview with Aaron Steelman (2011), blames 'United States housing policy back to the 1930s and government regulators being captured or not being on the ball' as the proximate causes of the 2007 global financial crisis (GFC). In New Zealand, there have, since 2009, been numerous regulatory changes relating to finance companies with some of these changes under the jurisdiction of the Reserve Bank. Do these measures, in hindsight, reflect the fact that 'light-handed' financial regulation was a failure and that Michael Bordo was substantially correct regarding regulators 'not being on the ball'?

This is a very wide-ranging question with commentators devoting whole books such as Howard Davies (2010) *The Financial Crisis: Who is to Blame?* and my GFC experience *Crisis: One Central Bank Governor and the Global Finance Collapse* co-authored with Sarah Gaitanos (2012, 2nd edition). The GFC stemmed from a complex interaction of causes, and attempts to put blame on particular people or institutions usually trivialises this complexity. The behaviour of regulators, however, is certainly part of the story. It varied considerably in different countries. For example, the failure of investment banks in the United States was a completely different story to the finance company debacle in New Zealand. I agree with Bordo that the regulatory problems in the States are connected to the housing market and to the 'American dream' of home ownership. I have always felt, however, that bank regulators should not try and be too clever, because there are usually ways around regulations in the capital markets. Indeed one of the core things that highly-paid, well-resourced investment bankers do is to arbitrage around regulations.

Finance companies in New Zealand were not actively regulated. They are now being regulated by the Reserve Bank alongside building societies and credit unions. This is going to be a very hard sector to regulate efficiently because firms are small, diverse and entrepreneurial. We shouldn't be trying to regulate risk out of the New Zealand capital market. Our main aim has been to make the risk as transparent as possible. This is being done indirectly through trustee supervisors. It is not a great model, but we could not think of a better one.

For me, though, bank regulation is far more important. When I arrived at the Reserve Bank I thought this area needed some rejuvenation. And we have done that. We did face-off a challenge from the Australians who wanted to control the regulatory side in New Zealand. The GFC showed that we were right to insist on our own policy tools. There remains a risk that we could go in the opposite direction and become over-regulated in response, say, to the pressures from Europe with consequent deadweight costs on the banking sector. Remember that next time the crisis will be different!

In also discussing causes of the global financial crisis, Paul Krugman (*2009*) *analyses the blindness of many economists 'to the very possibility of catastrophic failures in a market economy'. There was, he said, a misplaced belief that assets were priced correctly for risk, that financial market behaviour through incentives could be trusted together with a failure to appreciate the long history of financial crises. Is this fair comment?*

Krugman combines a number of assertions here. Were economists blind to catastrophe? The good economists I know have always allowed that such things are possible, but have also pointed to the practical problems about modelling and predicting major failures. We have models that are better at explaining cyclical behaviour rather than large sudden change, and certainly they have not been good at demonstrating financial-induced catastrophes. I guess Krugman is correct that some economists did not know their history or thought that regulation would preclude that happening again. I guess a lot of economists, myself included, were certainly surprised at the speed and severity of events such as the massive price movements in many financial markets.

Then you get the situation where the credit agencies changed the rating for institutions abruptly from AAA to junk bond status.

The record of the credit rating agencies on sub-prime was very poor and reflects the fact that they and the investment banks had considerable trouble estimating tail-end risks and the contagion effects. With globalisation, events can be triggered quickly across the world. I recall someone asking Alan Greenspan about the subprime market pre-GFC and Greenspan responding that it was pro-efficiency and pro-stability (based on the immense size of the sub-prime market). Maybe Paul Krugman wrote about this beforehand. Some people think credit agency ratings are predictive when it is well-known that they are not a lead indicator - they have always been reactive. Do I think we should continue to have agencies rating finance companies and banks? Yes.

The Reserve Bank Museum was your idea, Alan. Has it met or exceeded your expectations, has the level of interest continued and what further developments, if any, would you like to see?

It has met my expectations. Prior to the museum, we had a large, high-ceiling, ground-floor banking hall that was no longer used. The museum is a great space with a well-designed layout. To me, it has been especially useful in showing the roles of a full-service central bank. There are not many full-service central banks worldwide doing monetary policy, bank and financial sector regulation, payment and settlement systems, foreign reserves management and currency. The museum helps to instil a sense of history and contributes to the broad area of financial literacy. Go and visit it!

Research and Publications

During your leadership roles, you maintained a very wide range of research interests resulting in many books, monographs, papers and presentations. These interests have included agriculture; economic and political reform; industry structure and development; markets, regulation and pricing; trade and tariff policy; the role of technology; business dynamics; computer simulation and the global financial crisis. What pleases you particularly from these interests?

I consider myself an applied economist and lucky to have been able to work and enjoy a range of research interests starting with development policy at the South Pacific Commission, industry policy in the UK, a wide range of policy topics at the Institute, fiscal policy at the Treasury and monetary policy at the Reserve Bank. Next I am going to be focussed on trade policy at APEC. I am interested in how policy impacts and how it makes a difference, ultimately, to people's lives. I also enjoy putting economic issues within the bigger picture, and explaining it in intelligible ways. This is the approach, for example, that I took with *Crisis* (Bollard 2012).

Its not all crisis; I like some economic fun as well. I enjoyed co-authoring (with Graeme Davidson and Greg Allum) a computer software game *Oikonomics* (*Oik*) designed to simulate an economy pretending you are Minister of Finance. It got sold in an educational version in the United States and pirated in Taiwan which was flattering. (We didn't make any money out of it though). Don't ask me for a copy - it is now technically obsolete. For some time, I have had a novel in progress called *The Rough Mechanical*, a novel of war and post-war experiences, with just a hint of economics. It will be self-published electronically (through Xlibris), hopefully before Christmas 2012.

Unlike most academics, you have been in a position to see the results of your research implemented in either actual policy changes or, at the very least, influence debates. Could you give some examples of where you believe your work has resulted in either actual policy changes or has influenced debates?

That is quite a hard question because in good systems single people do not usually make a single difference; it is teams, processes and institutions that make a difference. I have never done anything particularly innovative like some of the pioneers of economic policy in New Zealand, nor been a leader of new thinking. I have, however, tried - with others - to make things work better. I would point to the work at the Institute in the 1980s designing better state-owned enterprises, a better competition framework at the Commerce Commission, improved macroeconomic surveillance of the New Zealand economy at the Treasury, working through the consequences of macroeconomic imbalances for a small open economy and improved bank regulation at the Reserve Bank. Some of this sounds a bit general, but that's the nature of public policy economics.

APEC Executive Director (2013-)

In response to the announcement of your appointment as Executive Director of the APEC Secretariat, you are reported as saying that you were looking forward to working with the 21 member economies 'to achieve APEC's common objective to expand free and open trade and investment in the region' and 'achieving reinvigorated growth and development through greater cooperation'. What major aspects of New Zealand's reforms, if any, and from your wider experience, would you be likely to encourage the APEC Secretariat to consider?

There are reforms that New Zealand has done that are now relatively common around the Pacific Rim. I am not, however, really going into this position thinking what APEC can learn from New Zealand. It may be the other way around. APEC is an umbrella over a whole bunch of different systems, economies, forms of governments and economic policies which are all trying to unite within some broad framework. I am still trying to feel my way to an understanding what it is that APEC can do to further promote economic prosperity in the region - international integration, harmonisation of rules, good regulatory practice - those sort of things. In the first instance, I shall be listening. The APEC economies have been through massive growth, but I don't think it is easy to say how much of that is due to APEC, how much to national factors, and so on.

Overall (1984-2012)

Your return to New Zealand in 1984, and your subsequent leadership roles at the Institute, Commerce Commission, Treasury and Reserve Bank, coincided with the Fourth Labour Government's economic reforms. Looking back, and keeping in mind that the reforms covered a dozen major areas, what do you think were amongst the major achievements from the reform period and, perhaps, the major wrong calls?

To me, there were at least three big advances from the reform period. First, New Zealand got 'real' recognising that the world did not owe it a living. Secondly we got efficiency gains from sensible private investment decisions as opposed to the public sector 'Think Big' programme. Thirdly, there was a consumer revolution through a big increase in consumer surplus resulting from deregulation, competition and choice. These advances contributed to improving the wellbeing of New Zealanders. Against these outcomes, I would, (from hindsight) criticise the speed, sequencing and some of the scarring. From these experiences, I conclude that it is not always the best thing to lead the world. If you can be a good economic follower, as Australia sometimes has been, you may be in a better position. Our recent bank regulation is an example of this approach. Reform ought to be an on-going process, incremental where possible.

Are there any other thoughts that you would like to share?

I had a big failure as Chair of the CRI called the Institute of Social Research and Development which we shut down after a few years. If I was back in Treasury again, I would probably do things a bit differently there. Overall, I have had a whole range of economic experiences: I have loved them, been horrified by them, and learned from them. I still have a lot of learning ahead. In many countries you are either a central banker or a treasury official or an academic. In New Zealand we are lucky (and sensible) allowing people to move around.

My biggest worry in life is that I might get bored. It hasn't happened yet!

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