

So to start off where are you from, where did you grow up, and what attracted you to studying economics?

I grew up in Mumbai, India. In 1991, India had a major trade liberalisation episode. We went from a completely closed economy with prohibitive tariffs to very low tariffs. There was a balance of payments crisis in India and the IMF said 'if we are to bail you out, you have to open up your markets'. This was when I was growing up and I thought it was fascinating. You open up your economy to the world and everything changes. So that's kind of what drew me to economics as a field and that's why I specialize in trade and international trade.

And where did you study?

My bachelor degree is from the University of Mumbai in economics and mathematics, and then I did my MPhil in economics from Oxford after that. I worked at the World Bank in Washington DC for a bit, a year. And I did my PHD from Syracuse University in upstate New York. I was in South Africa for five years at the University of Cape Town. From there I came here, to the University of Auckland.

Could you discuss some of the misconceptions people have about economists coming from the media or the public?

I think people don't understand what economics is. People ask me questions about the stock market and in finance I think they confuse economics and finance. They also think it's all mostly about the macro stuff because that's what they read about. They read about unemployment, GDP growth, inflation exchange rates, they think that's all economists do. The whole side of microeconomics about behaviour, incentives are a big chunk of what we do.

They all seem to think that you're money greedy and only care about GDP growth.

Absolutely. That even if you only cared about how countries are developing you don't want to just focus just on GDP growth. I think that has essentially created and led to the mess that we are in at this point.

We also worry about the distribution of wealth. If your country is rich but the rich the wealth is concentrated we know the problems that can lead to so also this interaction between politics and economics I think was ignored. But it is now coming back because of what's going on with Brexit and the Trump. The election of the Trump administration. I think that that was sort of ignored the multidisciplinary nature of economics. People never really thought that was useful.

Is that coming from within economics that people were more ignoring it or was the demand just not there from outside? No one was asking economists these questions, or it was economics not looking at them that much?

I think it was both. I also think inside the profession. You know there were this whole focus on neoliberalism and neoclassical economics, rationality but then with the behavioural with

behavioural approaches and experimental economics becoming more mainstream I think that changed a little bit. So now people do think about it and you do question things like rationality. You know questions like, how could human beings be altruistic? What role does trust play? So I think that has opened it up a little bit. In that space and I think that's a good thing.

I saw that you did a piece for Newshub at one stage where they got you to talk for about eight seconds.

That's right. Yes, they actually... The whole thing lasted almost an hour. I was shocked. This was the first time I did TV. Usually I... I either write myself or I do print media, which is a little bit different. The television thing was weird. They asked me or all kinds of questions and I thought I gave very detailed answers. But then I was on for two seconds and they just picked bits and it is quite scary. I must say this one didn't do a bad job in that they didn't misrepresent me. But I can see how I could have been misrepresented so now I'm a little smarter and I have to be way more careful about what I say. I think that now with this whole thing with the trade war it's everywhere. So I've been getting a lot of requests. I usually deny these interview things I don't like them that much, because they really force you to condense and I don't like to do that. You know, everything is black and white. They want black and white answers and I can't give them that. So I've started saying no. Unless it's print media where you can be nuanced in that.

Is there something that you see New Zealand doing that you think the rest of the world could adopt or vice versa? Where you think there's particular policy or approach that you think one or the other could learn from?

New Zealand does very well on this new Government pitch on well-being. It is becoming very popular and Jacinda Arden did talk about this in the U.N. and so on. The idea is you don't just focus on GDP, as well-being is about things like child poverty, health, nutrition and so on. I don't know if you've heard about Amartya Sen – he was a big economist from India. He won the Nobel prize but he talks about development as freedom. It's not just GDP or per capita consumption. I think it's something that New Zealand is trying to pitch which I think it's good. There is a big debate on how you actually measure it, a lot of economists don't like it and I kind of agree with them it's very hard to define and measure once you go outside GDP. How do you measure child poverty how do you measure health how do you measure wellbeing. There is a challenge, but I think in this day and age of data we should be able to do a decent job.

I don't think the fear of not being able to measure something should move us completely away from it. But I like that about New Zealand. People say that New Zealand is great with the environment and a hundred percent Pure New Zealand. But I have some questions particularly about the dairy industry and meat industry in general I am not sure they are thinking about. The meat animal industry is one of the biggest emitters of greenhouse gases. I don't think they're putting in enough thought in terms of diversification of the economy. Particularly the nexus between immigration and how you could have a large services

industry. I am not aware of that discussion, which is a bit strange if you want to diversify away from animal, dairy and meat which is not environmentally sustainable.

New Zealand moved a bit anti-immigrant now with this government which I think is quite sad.

Going back to the wellbeing framework, what do you think about the Treasury framework that is being used to evaluate policy?

I like the spirit of that. I am not so sure how effective it will be but I am very much on board with the spirit of actually looking at well-being holistically. I don't think economics has done a good job of trying to measure it. There are measures of well-being but they're very subjective, and that is a problem. We need better objective measures of wellbeing.

There is a large body of literature saying that it all depends on perspective. If you go to see a slum in India in Mumbai and you ask people 'are you happy?', they might say sure. We need objective measures. But I am optimistic about that because of we are in an age of data.

If you are suddenly supreme leader of New Zealand you can introduce any three policies, what would they be?

I don't have any specific policies, but I can tell you what areas I think need attention. One would certainly be inequality with the housing market how it is. With the wealth that is in New Zealand there has to be a solution. I mean we know there are political issues with the capital gains tax. They're trying to bring it in, but it's hard, I understand that. It is very tricky to design a good capital gains tax, but I think some form of capital gains tax is essential.

What do you see as the key pieces of a well-designed capital gains tax or tax in general?

Look I'm not an expert. This is not my area. I wouldn't comment. There were some issues with the current version of it that I was sympathetic to. I agreed with a lot of the criticism of the current version. Now what is the ideal version? I don't know. That's not my area. So I wouldn't comment. So that's one.

The other is the immigration thing that I mentioned. I think is New Zealand needs to think about its immigration policy. Because I think the current government went back. So there's restrictions now on immigration but I think this is actually a good time to be opening up to more immigration. So that's two. And then the environmental. There's the diversification of exports away from Dairy and that would be another.

Productivity in New Zealand lags behind many of its contemporaries, and it is below average in the OECD. How do you see this issue? Is it a little bit inevitable because of the small size and distance of New Zealand, or what are some possible solutions or improvements we could make to make our economy more productive?

The housing market distorts a lot of unproductive investments, so you want investments going into innovation and capital into productivity.

I also think distance is a problem. But this is where I think things like services exports can help because you can use communication technology and New Zealand can carve a niche in services. One way to do this would be just open up immigration and attract more skilled migrants. Invest heavily in ICT infrastructure, encourage innovation. A lot of my research now is looking at utilisation of immigrants skills in New Zealand. There's research that shows if you have a diversity of skills, it boosts labour productivity. There are a lot of things that can be done, mainly productive investments in human and other forms of capital, and encouraging innovation using migrants.

How do you think we could encourage innovation?

One key thing is the schooling system. If you have highly skilled migrants, make sure that they are able to match their knowledge flows to the right jobs. I think New Zealand is new to the immigration game. Immigration policy was relaxed in the 80s so it hasn't been that long.

I think New Zealand is still learning but even things like cultural assimilation of migrants, trying to make it easier for them to find jobs can actually boost innovation because you have a diversity of ideas. However, you can't just expect them to innovate when they don't have access to the right tools so invested is needed. I think it has to be a two pronged strategy.

You've previously talked about how in a lot of ways the world trade system is breaking down, and many of the rules that we used to operate by are broken. So how do you see this issue continuing to change in the future?. Do you have any big predictions?

I am extremely nervous like everybody else. Honestly, we thought this would be a temporary thing. Most mainstream economists did not think that the trade war would continue as long as it has. So I think there was a lot of denial in the world trading system early on. I think most people are hoping it's going to be temporary. A lot of people are hoping that 2020 will change things, but I think it really depends on what happens then.

If the Trump administration is voted out we can pretend like this was a blip. If that doesn't happen, then I think the WTO really needs to start getting real. Because right now they're just saying oh this is just a temporary thing, so let's carry on the way we've been carrying on and hope that from 2020 things will go back to normal. Essentially you have the U.S. withdrawing from its leadership role in trade, whether China can and is well placed to take that role we don't know. We are optimistic about countries like France, Germany, China taking that leadership role. The U.K. has its own problems so we don't have high hopes of the U.K. either. So it's really up to the European Union i.e. Continental and China, India and the large developing countries to sort of go forward. I am optimistic about that.

The U.S. China trade war is disturbing. So my hope is that both of those countries begin to see some sense and that the trade war cools down. But we're never going to move to a world where the U.S. is the leader, I think this is a fundamental shift. It's going to have to be more collaborative. So it's going to be the U.S, E.U, and the large developing countries all of them playing an equal part. I don't think we can look to the U.S. now to just set rules. So that is a shift, how we are going to navigate that shift? I think it remains to be seen but I am a

generally optimistic person. But this is personal, it depends on how you view the world. But I do think 2020 will be big in determining many things. Because if the Trump administration continues then we're looking at a lot more instability.

What do you think some of the outcomes, negative or positive of someone else taking that larger leadership role? What do you think is some of the effects of that would be on the international trading system?

I think it's a good thing for China to be stepping in because I think isolating any country is dangerous, especially a country as big as China. China being a part of the world trading system is a very good thing. But the trade war is a completely different thing. This is two Basically you're in a situation like that because talks that failed you are now in a lose-lose situation and that is spilling over to the entire world. I think that is a very specific question and how the two countries are going to navigate that we have to see. But broadly speaking, I am very encouraged that China seems to be taking a lead role in everything – trade, globalization, climate change.

China has the Belt and Road Initiative. They're doing quite a lot on climate on developing renewable energy and so on. Xi Jinping is a very particular type of leader, he is devoting too many resources to state enterprises. I am not a fan of that, I think China has got some very excellent and innovative private sector players.

I think if the Chinese economy gears more towards the private sector it will benefit everybody. I am just not optimistic with the Xi government because they don't seem to be moving quite a few resources to state owned enterprises. But overall, I think China being on board is a good thing, we need them to be an integral part of the WTO.

What are some of the implications you think for New Zealand moving through a new system?

So for New Zealanders it's a small country which means it does not have a lot of bargaining power or negotiating power. I think New Zealand trade negotiators are some of the best in the world, to get the kinds of deals that New Zealand gets with its size. But I think a well-functioning WTO is fundamental for New Zealand because if you don't have a rule based system, a small country has no chance. We don't know what's going to happen to the US, if they withdraw from the WTO and cut a deal with China, If you have a system where large players are cutting deals with each other that's bad for New Zealand because we're not going to be able to cut deals with anyone.

It is great thing for New Zealand to get in on a thing like the CPTPP. Given that the WTO system ideal of the whole world being one big trading bloc isn't going to happen, the next best thing is regional trading blocs. New Zealand needs to slot itself into massive trading blocs. While there are certain things that are not in our control, New Zealand is pushing for large trade agreements, large blocs and that's exactly because you want to minimise.

How do you see that relationship with the Pacific working? Especially as they have even less negotiating power than we do...

New Zealand is going to host the next APEC meeting, so APEC is another example. It involves a lot of small Pacific nations and the US coming together. APEC is a big regional bloc and New Zealand is very much a part of that and an active player in APEC and the US is an equal player in that. I think those kinds of initiatives are something that New Zealanders is taking and that's a good thing.

How should New Zealand move forward with things like Brexit and trying to create new trading blocs?

Unfortunately New Zealand can't do much about this right because it is a small player. All it can do is try to facilitate these large blocs, it did it very well with the CPTTP. You can kind of partner up with friendly countries like say Japan and work with them to generate these large blocs. But you can't control other large countries that are driven very much by their own domestic politics. China, India, the U.S. have their own domestic issues to take care of and they're going to make decisions based on their domestic situations and there is nothing you can really do about it. You can't really convince them one way or the other.

Now the UK... I don't know. I mean they are on their own. I really don't know what's going to happen with the whole Brexit thing. There's just been so much uncertainty. If there is a hard Brexit, I think the UK is going to be isolated. They are isolating themselves from one of the largest trading blocs in their neighbourhood. The distance alone is very anti-gravity. They're going to strike deals with countries of medium size that are far away from them. Is the U.S. going to want to cut a deal with them or would they rather cut a deal with the entire EU? I would say New Zealand should... but who would you rather have a trade deal with – the UK or the EU? I don't think NZ should be vindictive or anything, and NZ will likely sign a trade deal with the UK, but they should also sign one with the EU.