

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

I'm originally from Auckland. My family moved here when I was fourteen and that's why I have a kiwi accent. I lived in Washington DC for seven years, but my wife and I moved back to New Zealand when we had kids.

As for what attracted me to study economics, I'd have to say it was my high school economics teacher. He was a very cynical and grumpy old man and for some reason that appealed to me. I decided I wanted to be a cynical and grumpy old man when I grew up. I'm not sure if it was his teaching style or his views on life but he definitely had an impact on me.

**What do you think people misunderstand about economics, particularly how different people across the political spectrum see what you do?**

Economics is very broad and you'll find policy prescriptions from everything across the spectrum. On one side you have the libertarians who think the free market is the solution, and left wing economics on the other end of the spectrum who believe the state should have a large role in our society.

I think this comes back to the fact that economists are social scientists who are trying to understand the way societies operate, but we do not have the luxury of conducting randomised controlled trials the same way natural sciences can. For the most part that is what drives the broad spectrum in terms of policy prescriptions.

**What do you see the media getting wrong? I often find they take something specific and run with it, what do you see differently to the media?**

I sympathise with the media. In my experience, they will often reach out to us for commentary but a lot of academic economists and academics do not engage with the media as much as would be good. I regularly get requests from people in the media and I respond to probably a quarter of them. Often I feel like I'm not in a place to give my input on a

particular topic or it is outside my subject area. We are on the Dunning Kruger effect – we know how much we don't know and we're unwilling to say anything we are not confident in.

We often have a short time period to give an answer. They will call and ask if I could do something this afternoon and I'll say I can do it next week instead but they often have to move onto the next topic in a weeks' time.

**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?**

An interesting New Zealand experience is that we went from a very closed economy to one of the most open ones in the world. The Auckland Unitary Plan is quite innovative. An academic report published in 2016 highlighted that no other city in the world has up-zoned or relaxed housing regulations the way Auckland has in order to enhance housing affordability. Cities such as Seattle and Portland are in the process of adopting similar plans.

On the contrary, we don't have the same level of evidence-based debate over policy compared to the United States. It is a double-edged sword but we could benefit from more investment into research. For example, a lot of time and effort went into the recent Tax Working Group report, but there was no economic analysis of what impact a capital gains tax would have on X, Y and Z. It is hard to do that without a rich research ecosystem, which of course is in part due to the scale effect.

**What is something New Zealand could do in this regard despite its small size? Is there something we could do without pouring a huge amount of money into that area?**

My view is that the incentives for academics are a bit misaligned. If I am doing research on New Zealand's issues, I am rewarded relatively less than for research on issues that have impacts on a global scale. That means for economists, we are always looking at the U.S., Europe, or maybe China if we want to publish in top journals. Because of this, we take examples that apply to the U.S. or Europe and apply them to New Zealand, which a lot of the time those explanations don't really pass the smell test. So yeah, the policy agenda is often driven by research that is coming from overseas.

**If you were suddenly Supreme Leader of New Zealand and could introduce any three policies what would they be?**

The first move would be to relinquish my power, but apart from that the policies I would be interested in putting research and resources into tax reform. I'd like to look at lowering income tax rates at the lower bracket, increasing the incentive to return to work. This is primarily motivated around concerns over equality. A carbon tax would make this policy revenue neutral in a way that doesn't distort incentives. On the flip side, I would introduce a wealth tax that is based on the unimproved value of land. New Zealand actually used to have this up until the early 20th century. It's a progressive tax because it generally affects wealthy people more than poor because usually, but not always, rich people own a lot of property while poor people have limited or no ownership over significant land.

Economists often want to have a progressive tax system, but they're often inefficient and affect behaviour. But, well, it's hard to alter your behaviour to not pay this tax. The amount of land we have as a people is fixed, so you can't make more or less land like people can go to work more or less. From a tax evasion point of view, once you have an asset sitting in New Zealand, it's hard to hide it, especially because it's undeveloped value so you can't even hide improvements you've made to the land. It actually creates a significant incentive to improve the value of the improvements on your land; if you take your farm and build an apartment block then you'll improve your value but still pay the same tax. It's also hard to move the asset, you can't hide your Cayman Islands, it is where it is. It creates an incentive for people that have lots of assets but low income to pass on their assets, especially for older people who often hold a lot of assets but aren't very productive with them. You want a price incentive for those that do own productive land to allow their land to become more productive and end up in some else's hands.

**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?**

It's all about maintaining living standards. If we want to maintain standards relative to OECD we need to take this issue seriously and understand what is at stake. If you look at what's happening in the medical sector, there's a lot of technology they can extend our lives and improve our quality of life but they're going to be really expensive. If we wanted these technologies to be a right for everyone that's a resident or citizen of the country and not just something for the wealthy then we need to maintain these living standards. Similarly, if you care about the environment and our pollution footprint we have to consider our economy that is dominated by tourism, agriculture and commodities. Those are heavy polluters and that's why we have to think seriously about it how we do what we do.

If you think about where the most productive industries are going to be located, they're going to be located in cities in tech sectors; either IT or high-tech manufacturing. Cities are very productive but something that's important in generating high value productivity is the high cost of housing. So Auckland has to be sorted out, and that has to be done while maintaining the pleasant aspects of Auckland. A lot of academic research shows that if you want to stop growth in cities you need to make them expensive.

As for getting it right in anything beyond that I don't have a lot of answers. I regularly talk to people in high tech manufacturing as well as IT sectors and what I'm often told is you see entrepreneurs doing exciting stuff and it's not hard to find seed capital but the next stage when you need some serious venture capital that doesn't seem to be there. Because of this, firms go overseas or at least have some operations and high value areas overseas. Heading overseas is often necessary to get them face-to-face with some of these high-level venture capital investments.

But from New Zealand's perspective you really want production to be located in New Zealand, so how do we maintain production so that their production is maintained here? That's a difficult nut to crack. One thing that is often overlooked is the role that universities play, if you think about why Silicon Valley is where it is, it is a lot to do with Stanford University. They have this revolving door with the private sector where geniuses come in, cross the road, start a company and then come back to university. So I think we should do more to cultivate that relationship with the universities.

**Could you discuss some of the key findings around housing and affordability, specifically what do you think about the council and governments current approach to tackling housing?**

The Auckland Unitary Plan is a step in the right direction but it remains to be seen. My own research shows that there was some initial price effects in the more intensive forms of housing where we have seen a little bit of a price drop. With the market already anticipating supply coming, it is also increasing the value of houses that are sitting on a lot of land. The areas that have been targeted for density have seen a 100% increase in consents. So while it's unclear if it will be enough at least it's creating the kind of construction that it intended to.

On the foreign buyers ban, I don't see a lot of drawbacks, especially because foreign money can still contribute to new dwellings. Kiwibuild has a bad rep and it remains to be seen if it was a positive net present value project, but it's still a step in the right direction.

I will also give National credit for trying to stem the rise of housing costs with the Brightline capital gains tax. But on the whole, National seemed oblivious to this growing problem and the threat it poses to our productivity. Labour seems to be much more aware of it, but whether it's enough remains to be seen. Ignoring the problem is a very bad thing to do.

**Since you seem relatively positive when it comes to the unitary plan, would you go further with it?**

It's hard to say given that we don't know what the full impacts currently are. It does seem like the government, in an announcement by Phil Twyford, said they're proposing more up-zoning, especially in areas that are close to where the jobs are. You know, Ponsonby, Grey Lynn, Parnell, parts of downtown, Devonport and if you read between the lines of the policy statement that is generally what it's getting at.

But there is a political economy aspect to this. We want to convince as many people as possible that this is the right thing to do. We do live in a democracy where people's opinions matter, so to answer your question: I'm not sure if more is needed as of yet but certainly if we don't see a significant decrease in the cost of living then the answer is obviously yes. But there are other ways, for example, better and faster public transport so other areas such as Helensville, Kumeu, and Warkworth are viable options. Pukekohe already has the rail down there, but it's ridiculous that you have to take two trains, making those commutes another priority.

We will need 10 years to really evaluate the unitary plan, these things do take time. So if prices of houses keep coming down and if nominal terms incomes continue to rise hopefully in 2026 will be in a better position. Auckland Council gave itself until 2030 to make house prices only five times annual income, which seems ambitious. Just, the trade-off this way of upsizing is a good way for houses to increase in affordability to a large extent without penalising people. By creating more and more high intensity dwellings but all the people that have a lot of land underneath their house, the value of the property will continue to go up.

Because another thing we're up against when you're talking about a reduction in house prices is if you if it shouldn't sharp it can be severe consequences for the rest of the economy we have a lot of debt tied up in housing so in an ideal world you want to slowly come down.

**Do you see the same housing problems and solutions in other areas of New Zealand? A lot of people are attributing these problems to a spill-over from Auckland as people and a lot of money leaves the city. So do you see similar solutions? Do you think the Wellington unitary plan would work?**

Wellington should definitely be looking at what is happening in Auckland because they are very geographically constrained, the land basically is vertical at some points, so the city basically has to go vertically. So, yeah they need to be looking at how housing could be done more efficiently through building up.

But some other cities are a bit more lucky, Hamilton if you look at it has lots of space around it; if you look at a satellite map of Hamilton, within the Hamilton territorial authority it is been built up to the edge of the city with a little bit more outside but you have all this farmland beyond that is sort of off limits. If they opened it up, in a sensible way obviously and infrastructure has to be paid for of course, they don't just have to watch the spill-over from Auckland and see the price rise. They can learn from it. And it would be very much in the interests of young people that want to live in Hamilton. But the problem is that it isn't in the interest of the older generation, they want the house prices to go up.