

**NOTES FOR TALKING TO A MASSEY UNIVERSITY  
AUDIENCE ABOUT LIFE IN POLITICS, 11 a.m., 8 August  
2018, in Palmerston North**

**Perhaps useful to provide some background:**

- Brought up in a Presbyterian manse, on the left of politics
- Educated in good state schools, and the University of Canterbury, where I was heavily influenced by one of my Economics lecturers, Wolf Rosenberg, a neo-Marxist
- Wrote a Masters' thesis expressing opposition to foreign investment
- But then gradually moved to the right at the ANU – realised I had been quite wrong about foreign investment
- Went to the World Bank and moved further to the right when studying Peru – German official aid mis-used, etc.
- Incredibly luck to work on the Pearson Commission staff with high-powered people, on the Commission itself and on the staff
- Then worked in Robert McNamara's staff for two years
- Lucky also because I met Michael Bassett at that time – proved very significant later

**Since returning to New Zealand, I've had several careers:**

- Broadbank
- New Zealand Kiwifruit Authority
- Trust Bank

**And during that time became heavily involved in advising various governments and on the periphery of politics:**

- Appointed to the MEC by the Kirk/Rowling Labour Government
- Appointed to the Committee of Inquiry into Inflation Accounting and to the NZ Planning Council by the Muldoon National Government

- Approached by David Lange to join the Labour Party Policy Committee and be available for selection as a Labour Party candidate in the late seventies
- Totally out of the blue, asked to stand for National in the ECB by-election in 1980 – mixed result, but lost – extremely fortunate for me
- Stood in the 1981 general election and lost again – very fortunate again
- After the Lange-Douglas Government was formed in 1984, chaired four successive tax committees (GST, rural sector, life insurance and superannuation, accrual tax treatment of income and expenditure)

**Then the Reserve Bank Governorship - hugely important part of my career**

- 1989 Reserve Bank Act pioneered a totally new relationship between government and central bank
- It also made the RBNZ the first central bank to embark on inflation targeting
- Forced a huge improvement in the efficiency of the central bank
- And we also did some pioneering stuff on bank regulation

**But while central banks can play a hugely important role, I was frustrated at not being able to deal with a lot of other serious problems facing the country**

- Knowledge Wave speech of late 2001 – people said it was an inappropriate speech for a central bank governor, and it was
- So when asked to stand for the National Party in April 2002 I agreed
- Very fortunate to get into Parliament when National was at a very low ebb – meant that I was senior in the caucus from the very start (#3, with the Finance portfolio)
- I learnt about the tension between conscience and caucus unity – at least in public – in the discussion on whether NZ should back the US invasion of Iraq
- But I also enjoyed the life – writing policy papers (including a 20 page paper which was made public, about how to increase our growth rate), giving speeches, etc.

- Speculation on a leadership change, with my name one of three mentioned, to my considerable surprise

### **Leadership change in late October 2003**

- Dramatic and very public challenge to Bill's leadership
- Followed soon afterwards by the first of five major policy speeches – the only one still remembered, at the Orewa Rotary Club
- Had an astonishing, and surprising, effect on support for the National Party and me as Leader – surprising because there was no new policy in it; Georgina Te Heu Heu resigned her portfolio
- Visit to Waitangi, and being hit by mud
- “Credible death threat”
- Polls waxed and waned
- Next Orewa speech, January 2005, on social welfare reform – disaster with Katherine Rich resigning her role

### **2005 election**

- Result very close – National got a higher share of the total vote than in 1996, 1999, or than in 2002 – indeed, even higher than in 1993 under First Past the Post
- Couldn't claim victory or concede defeat on election night, but when final votes counted, National had 48 MPs, Labour 50
- Rodney Hide urged me to form a Government – and almost made it; 57 MPs wanted Helen Clark to continue as PM, 57 wanted me as PM, and Winston held the other seven votes – and went with Helen.
- Why did National not win in 2005?
- “Gone by lunch-time”?
- Met with the Exclusive Brethren?
- But the real reasons for Labour winning related to a very buoyant economy and some extremely generous electoral bribes – Working for Families and interest-free student loans
- “Don't put it all at risk” and Labour's over-spending
- But we did much better than we had any right to expect given our starting point, Labour's election bribes, and

Labour's over-spending – a result of Judy Kirk's hard work, Steven Joyce's hard work, John Ansell's creative skills, etc.

## **2005 till November 2006**

- I had intended to resign as soon as it was clear I had lost – on the day of the election, but of course I didn't know at that point whether I'd won or lost.
- So I soldiered on but it was a very unsatisfactory time from my point of view – nothing of value achieved, though support for National kept gradually rising.
- Some challenges:
  - I. How to rank the caucus, and dispute with Brian Connell;
  - II. Tension with how to deal with ACT
  - III. Tension caused by leaked emails – a few surfaced before the 2005 election, but in December WP claimed he had emails that “were the most damaging information seen in the Western world, and could blow their heads clean off”
  - IV. Very challenging Speaker – allowed Clark to give nonsense answers to Parliamentary questions
  - V. Tried and almost succeeded in getting a 90 day trial period introduced
  - VI. Worked hard to find a solution to the very high effective marginal tax rates which affect people on benefits when they try to get off benefits
- By late October 2006, support for National was at 49% (where it had been for some months), and for me as preferred PM at 18%, but ongoing media speculation that I would step down – discussion with McCully, after which I decided to step down

## **A few comments about the subsequent National Government:**

- A hugely disappointing Government:
  - I. They pledged to reduce the gap between NZ incomes and those in Australia, and utterly failed;
  - II. They pledged to make housing more affordable, and utterly failed

- III. They pledged to finalise Treaty settlements within six years of being elected and to scrap Maori electorates, and failed in both respects
- In my own view, the present Government is likely to do a better job in making housing more affordable, but probably a worse job in closing the income gap with Australia, and an equally poor job in moving New Zealand towards a society where every citizen, irrespective of ethnicity, has equal political rights.