

From:

Sent: Wednesday, 12 August 2020 12:42 AM

To: EC - Economists

Subject: Farewell remarks [SEC=OFFICIAL]

Today is my last day at the RBA after 9 years. The virus means we can't do the usual farewell ceremony (though ER have organised a small zoom meeting this afternoon). So my departure speech is attached.

Bye.

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Farewell Remarks

There are two sides to central banking. There is a useful function, such as setting interest rates, where if we do it well people are better off.

And there is a ceremonial function such as conferences, hosting international visitors, large parts of the SMP and many other things I won't mention, where we do it to be polite, for a warm inner glow or because we've always done it.

Farewell speeches are definitely in the latter category – the ceremonial function. But I have always hated that side of work. It always annoys me when people leave and they don't explain why. So I will try to explain. I am sorry to disappoint those who were hoping for something more gracious and ceremonial.

The RBA has an unusually strong sense of community and loyalty. There is a downside to that, but it also means that leaving is an occasion of sadness and regret, which I feel strongly. I will miss many close friends and colleagues that I respect. The following comments should be interpreted in that context.

My time at the Bank has been mixed. Some things have been great and some things have been bad. I will mention the frustrations first, because they explain why I'm going.

Like most of you, I want a career where I serve the public interest. My main reason for leaving is that I no longer believe the RBA does that. It isn't just that I disagree; it's more fundamental. I think the decisions are bad because the processes are bad. There is little deliberation. Opposing views are not taken into account. Decision makers seem hostile to a consideration of evidence or research.

The Bank says that the disagreements it has with mainstream macroeconomics are differences of judgement. If that were so then the Bank would explain its position explicitly and in detail, addressing obvious counter-arguments. It doesn't. Perhaps because it knows its arguments are contradicted by the evidence. Our disagreements over the zero bound or financial stability reflect "judgement" in the way that disagreements over climate change, the health effects of tobacco, or

vaccination reflect judgement. It would be more accurate to say that one side respects the research while the other side believes what it wants to believe.

I am most frustrated by the Bank's reluctance to be honest and open. The Bank says things about the effect of policy on confidence, the likelihood of the zero bound, the effectiveness of policy, the effect of interest rates on financial instability, the effects of negative interest rates and so on that are contradicted by internal and external research. But we don't even acknowledge that, let alone respond to it.

I recognise that these problems are not the Bank's fault. We have a Board that does not understand monetary policy or statistical research. FOI legislation greatly stifles policy deliberation. The media misreport us. The public criticise errors of commission and ignore errors of omission. So although there are lots of great people at the Bank, our environment makes the organisation dysfunctional. Whatever the reason, I do not belong here.

That said, there are also big parts of my job that I loved and will miss. In particular, writing RDPs – where I felt the RBA made major contributions to public discussion. In this I was blessed with great co-authors

I was given the opportunity to work on some very interesting questions and I am grateful for that.

And I've enjoyed working with my immediate colleagues, in particular and the rest of the Research Department, whom I respect and am impressed by.

Thanks for providing a captive audience for this rare opportunity to vent. Even though I'm cutting my ties to the organisation, I hope we can remain in close contact at a personal level. Please keep in touch

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