ARTICLES

Alan Bollard – Reflections from 2002-2012

Interviewed by Bernard Hodgetts

On 25 September 2012, Alan Bollard completed his second five-year term as Governor and Chief Executive of the Reserve Bank. Dr Bollard was appointed to the role in 2002 following four years as Secretary to the Treasury. Prior to that, he was Chairman of the New Zealand Commerce Commission from 1994 and Director of the New Zealand Institute of Economic Research for seven years. By any standards his tenure has been eventful, covering the latter half of one of the largest booms in New Zealand's post-war history, and subsequently the Global Financial Crisis and its aftermath, here and abroad. In this interview, undertaken in early August, Alan reflects on his time with the Reserve Bank, especially the policy challenges, relationships, and changes in the regulatory framework.

So as a newcomer to central banking, what were your first impressions of the Reserve Bank and your new role upon becoming Governor?

Well, it all rather depends on where you have come from and for me I'd been around the Wellington system for a while. I'd been the Secretary to the Treasury for five years. Actually, somewhat ironically, I had spent time at the Reserve Bank many years earlier as a student as I received a Reserve Bank scholarship to write up my PhD, which was on completely different issues – development economics. Beyond that, I didn't know much about the Reserve Bank and how the role would actually work. Initially it is all a little bit scary coming into a new institution, especially one like this where you are in the spotlight with the markets, the public and politicians. So I realised I had a lot to learn. I did go through quite a structured orientation process, although in the end it's learning on the job and going through the various processes that teaches you things.

Dr Alan Bollard, Reserve Bank Governor 2002-2012

OK, so tell me, how does a new Governor go about learning to do monetary policy and make Official Cash Rate decisions?

Setting the Official Cash Rate is an unusual form of public policy. Of course, I had already seen plenty of areas of economic policy of government. But this is an unusual one where there is a lot of information that you are looking at and then you're doing a lot of analysis and transformation of that information in structured ways to give you – you hope – a detailed picture of the future. But you know that much of the picture will prove to be wrong, the future will be different. Knowing that, you have to make a trilateral decision. Rates can go up, down or not change. That is pretty unusual. Monetary policy is really the one area of discretionary or short-term economic policy. In addition, we have the Reserve Bank Act under which the Governor is the single decision maker. That is not one of the innovations that has been picked up and copied from the New Zealand model overseas, and it is quite unusual now. It puts a lot of stress on an individual's decisions. So I obviously had to learn from people around me.

In Treasury, I'd been involved with the Svensson Report[1] and I had learnt quite a bit from that process. I had seen a lot of policy advice from Treasury as well as the Reserve Bank on the whole area, but in the end you learn by doing. There were certainly some confusions and uncertainties around those earlier decisions. From memory, we used to put a lot of weight not just on the Reserve Bank model projections, but on other metrics like the Taylor rule. The first Taylor rule calculation I was presented with advised me to increase interest rates by something like 200 basis points! As a new Governor and newcomer to monetary policy, it's quite hard to know what a stable or reliable calibration is and how much you should rely on it. You take advice, but your early interest rate decisions are quite difficult.

During your first term (2002-2007), you had to contend with a very strong economic cycle as well as some nasty shocks along the way – SARs, droughts and electricity shortages come to mind. Tell me about some of the policy challenges and uncertainties the Bank faced.

There were uncertainties, although in hindsight, in the context of the global financial crisis, they don't look that bad. Indeed many of them were threats that really didn't eventuate. We had the biohazards – SARS, Swine Flu, Avian Flu. The language used by the World Health Organisation and others about those risks was pretty strong. As it turned out, they didn't really have major effects – the predictions were quite wrong. But we had to take them seriously and we did react to them along with a fairly unusual double year drought which led to the threat of electricity shortages at one stage. We took precautionary action [with monetary policy] which was probably unnecessary from hindsight and potentially damaging in a minor sort of way.

I do remember approaching these events wondering whether our interest rate calibrations were right, why New Zealand policy rates had to be so high compared to other OECD countries and why that was. What would happen if we reduced rates? However, we needed to be very careful because international asset prices were rising sharply and we had a strong New Zealand housing market.

I do think I had a more formalised decision making structure than under the previous Governor. Previously, there had been more reliance on judgement by the Governor. The Governor of course had also been the chair of the Board but this changed shortly after I came in. We formalised and revised the Official Cash Rate Advisory Group (OCRAG). We already had external people on it, but I required written advice from the members to be in the form of a "one pager" [with advice required under structured headings] that would then go to the Board. When I cut rates in early 2003, I recall the views among the OCRAG group were quite divided. That's the one decision from hindsight that probably wasn't right. But at the time it was insurance.

So how did the exchange rate and the housing sector figure in all of this? What lessons did you learn about dealing with asset prices?

From about 2004 onwards, we had pressure on the exchange rate from the carry trade. Looking back, it is pretty clear to me what was happening, but at the time it really wasn't, odd as that may sound. It's very hard to take a long term view when you are right in the middle of something. We were in the midst of a strong housing and asset price cycle, consumption and inflation pressures were strong, and there were growing imbalances, especially in the household sector but also externally. The internal demand for debt was connected with some of the funding issues like the carry trade that we had to deal with.

Of course, we did take action [raising the Official Cash Rate] at various times through to 2005 and thought that would be sufficient, and paused. But there was a second wind and the housing market started surging again. At that stage we went in and talked to the banks about their growing exposures to housing and the agricultural sector. They responded quite noticeably to that informal warning, and it certainly helped. We should probably have done that earlier. That is definitely something we have learned.

[1] See Svensson, L (2001) *Independent Review of the Operation of Monetary Policy*, available at http://www.treasury.govt.nz/publications/reviews-consultation/monpolreview

Alan Bollard (left) speaks to the media during the release of a Monetary Policy Statement*, June 2008.*

The exchange rate issue hasn't really gone away – the exchange rate has remained uncomfortably high in recent times and is challenging for parts of the tradables sector. What are your parting thoughts on what can be done to manage this?

This is a real problem and not an easy one to solve. When you look at the progress of applied economics since World War II there have been some big developments. They come from Bretton Woods onwards and they relate to our understanding about economic behaviours, about the role of governments and the management of fiscal policy. We also understand more about inflation control and monetary processes and influences. But our understanding of exchange rates is still lacking. The exchange rate is essentially the price of one country compared to another country. Ideally it should reflect a country's long term, sustainable competitiveness. When it doesn't, it is problematic, particularly for a country like New Zealand which is very open and a price taker internationally.

There are two classes of things we can do. The first is to address any internal distortions. Tax distortions in the housing property sector probably exacerbated our housing cycle and the carry trade. Some of those have been removed now which helps, but there are still arguably some distortions. The second is to address international distortions, but this is much harder to achieve. These distortions arise from capital controls and fixed or managed exchange rate systems through a large part of the world.

While a number of emerging markets have been liberalising their capital accounts – which we think is generally a good thing – we have had the global financial crisis. One of its side effects has been quantitative easing by some of the major economies. We have the Federal Reserve, Bank of England, arguably the European Central Bank and for a long time the Bank of Japan undertaking major interventions of an unorthodox sort which in my view have had some significant implications for exchange rates, capital flows and competitiveness. So it's not just countries like China with managed exchange rates that can create significant distortions for small open economies.

Mis-priced exchange rates can be very damaging, for our tradable sector, primarily, but also to the confidence we place in our policy settings generally. In the long run we need to see more countries running good open exchange rate regimes leading to deeper markets. But that's a very long term view. We have been through the

Global Financial Crisis without seeing the widespread trade protection that grew out of the 1930s, but we may now be seeing a form of monetary protection, which could also have distortionary effects. That would be very disappointing, but it's still a bit too soon to judge.

You've written your own account of the Global Financial Crisis and its implications for New Zealand and you are currently updating your book to take account of developments since 2010. But in a nutshell, how have these events changed the New Zealand financial system and the Reserve Bank? What have we learned?

The changes have been huge and I think we have learned a lot. For me the GFC has dominated my second term here. My first term saw five years of economic boom and my second term has seen five years of financial crisis and an economic contraction. Some of the lessons are quite obvious and others are more subtle. I personally don't know how much of what we see is an enduring new world and how much is simply a transition or rebalancing.

Globally, we have a completely different price set from five years ago. We are seeing very low inflation in some countries and we have a lower or sometimes negative interest rates. We have a higher price on risk. And we have a higher price on Australasian competitiveness in the form of higher exchange rates in this part of the world. This makes it difficult to make policy decisions and for private agents to make sensible investment and consumption decisions. In addition, we have seen markets where there have been discontinuities or freezes, and we've seen markets that simply don't look like they are equilibrating. The worst problems are in countries such as in the euro zone. We've seen the emerging markets taking on quite a different role as an engine of global growth and in the commodity markets.

In terms of monetary policy, the world's policymakers are learning what happens when you get towards the zero lower bound [for policy interest rates] and how unorthodox monetary policy such as quantitative easing might work. I have to say there are still a lot of unknowns about unorthodox monetary policy – we haven't really seen anyone complete a cycle successfully with that yet. In New Zealand we have felt more comfortable as we remain in the orthodox zone and interest rates could go up or down from here and we would still be in that zone.

Could the Reserve Bank ever be in a situation where we cut interest rates towards zero only to find that households and businesses are not interested in borrowing? The international experience says that's always a possibility and it's sobering. On fiscal policy, I think the lesson really is that you've just got to be whiter than white when it comes to running good fiscal policies at the moment, especially in a small open economy like New Zealand. In the banking supervision space, I've learnt that banks can be very dangerous institutions and can be very complicated and it can be very hard to model the risks. Tail end risks are something you can talk about, but are very hard to deal with. Contagion can be much more virulent than I thought, both between institutions and between countries. The whole area of strengthening banks to reduce the probability of default and finding ways of resolving bank distresses in a way that can reduce losses and panic is a really complicated area, but we have learnt a lot. Still, there will be more crises. Policymakers have tried to strengthen banks by requiring them to hold more capital, but that doesn't guarantee that they won't encounter future problems. And of course we are still in the middle of this crisis with European banks and sovereigns.

When it comes to the local business sector I do worry that some of them may be caught in a loop of uncertainty choosing to sit and do nothing but try and stay safe. That will have its costs for the country in the medium term and for the companies themselves which might otherwise be out there innovating and growing.

You've often said that being a full service central bank helped immensely during the financial crisis. How did it help?

It helped us with information flows. It helped us collect and coordinate views from the wide range of policy and functional areas of the Bank and it helped us with implementing policies. So we learned about aspects of the crisis through our economic forecasters, through our financial stability analysts, our bank supervisors, our payment and settlement systems and our team managing the distribution of cash to the banks. Those were all important in giving us a window on the economy. We could triangulate these sources and understand from there. We didn't have the same problems of sharing information between different institutions that the FSA and the Bank of England faced, for example, because most of it existed internally. In addition we were pretty close to the Treasury and other relevant institutions, and the banks.

When it came to putting crisis polices in place, we were able to do all of that in-house with emergency liquidity facilities through to broader macro-financial policies and traditional monetary policy, and put it all together. We had different committees working on the details but were able to coordinate it all. Being a small economy and a small organisation helped as well.

The Reserve Bank's role and reach in the regulation of financial institutions expanded significantly in your time as Governor. How challenging has it been to meet these new responsibilities?

It has been quite a challenge. First of all, we have altered our approach to banking sector regulation. It is no longer as light handed as it was, although it is still light handed by most international standards. That transition hasn't always been easy. But we have learnt more about when you should be light handed and when you shouldn't be so light handed. And how you nudge, how you influence, and how you insist in order to get outcomes.

Our banking supervision people have to deal with some quite complex, large foreign institutions while simultaneously developing and understanding policy in quite challenging circumstances. But I am really pleased with the progress. We have achieved good outcomes in areas like outsourcing policy [related to critical functions and processes], better governance and stronger balance sheets and these have stood the test of some very difficult financial conditions in recent years. The banks themselves have become better at balance sheet and risk management, as have other corporates. When one compares levels of non-performing loans [during the recent economic downturn] with those of the early 1990s, they have been a lot lower.

Several years ago we were given the task of regulator of the non-bank deposit takers – that's a really hard area. It's difficult because you have some very different institutions operating in it. Some are large, some are very small. Some are tried and true operators in areas like household and consumer financing and plant and equipment financing. And then there have been some real cowboys providing finance in areas like land and property development. We have seen a whole range of business models and governance integrity and management practices from very good to very bad and have had a number of failures there. These were not large in terms of the financial system but big enough to cast a shadow over the reputation of New Zealand's own domestic financial institutions. And it hurt the confidence of some of the older investors in New Zealand. In the short term, the failures have left a gap when it comes to mezzanine financing and other forms of funding – particularly in land and property development. At times I do wonder if we now have quite a good regulatory framework for non-banks but nothing much left to regulate!

More recently we have been given the insurance sector to supervise and regulate. The cultures are different, the risks and issues are different and we have had to learn a lot about that. This new responsibility has involved a lot of new staff, new operations, and licensing on a scale we haven't faced before. It has gone well, but we have had the Christchurch earthquakes which have had major implications for the insurance sector.

With some of our new responsibilities comes the need for enforcement [of policies and regulatory requirements]. To date, we have done a lot of oversight but very little enforcement. Enforcement, particularly where it involves the courts, is difficult and costly, and in time I envisage will pose challenges for the Reserve Bank. That is not something it has had to face as yet.

The global financial outlook still looks very precarious given the sovereign debt problems in Europe that we are currently seeing. How optimistic are you about the resolution path? And about New Zealand's economic

Alan Bollard demonstrating the MONIAC hydraulic economic computer in the Reserve Bank Museum, 2009..

prospects through it all?

I am optimistic that we will not see a cataclysmic event in the euro zone, but I expect to see a lot of smaller events or mini crises of one sort or another, some requiring urgent policy responses. I think the euro zone's low growth will continue for a few years and that the pressures are going to continue. We may see some successful recovery stories – like Portugal and Ireland. We are going to see some real problems with countries like Greece. And we are going to see some major attempts to stop contagion to Spain and Italy. Europe will inevitably continue to be quite inward looking for quite a long period as a result of recent events. It has already cast a shadow on world trade which has been significant, but not devastating. The presence of European financial institutions has been contracting in some regions and that's been significant but isn't proving a major problem for regions like East Asia.

A longer-term issue is what happens in other countries with very large levels of government debt like the United Kingdom, United States and Japan. At face value their indebtedness is worse than in the PIIGS economies, although we know they have better governance, more market confidence and some other favourable features. There will need to be a significant re-balancing in those countries at some point and I don't know how they will be able to achieve that and continue growing.

At some stage, global financial markets will start to pay more attention to the role of demographics, which create limitations for productivity growth, and the effects of an ageing population on the government accounts. Public and private sector liabilities have not been properly costed in relation to superannuation, pensions or the welfare needs of older populations. Those costs could be huge and it's hard to know how and when the markets will react to them. It could create some major challenges for financial systems.

What are your thoughts on the potential role of macro-prudential tools like countercyclical capital buffers and loan-to-value ratios restrictions?

Broadly, macro-prudential policy is an area where, instead of trying to change the price of capital as in orthodox monetary policy, you are trying to help stabilise the financial system by influencing bank balance sheet requirements. Some instruments are new but some are really just the traditional micro-prudential tools used in new ways. There are risks around this area of policy, in that some of these tools are being viewed as great new silver bullets when they are not. I'm not yet convinced on how effective they might be. Some tools have been tried in various ways in the past and discarded, but the area does offer interesting possibilities for the future.

Macro-prudential tools could offer some useful assistance for New Zealand if we were to get back into the conditions we saw over 2005-2007 of rapidly growing asset prices, particularly housing prices. They could help to protect the financial stability of the country in those conditions. Would they be helpful on the downturn as well? I think that is a real open question and it will be interesting to see the international evidence. I think a country like New Zealand and its central bank ought to be able to discover what can work in this space.

What particular challenges did the Canterbury earthquakes pose for the Reserve Bank as a regulator and in its monetary policy role?

The Canterbury earthquakes have been really damaging economic events and unusual by international standards. Certainly a lot bigger than we might have expected from readings on the Richter scale. The nature of the location, timing, liquefaction and pattern of aftershocks have all increased the economic costs and have slowed down the rebuild process.. Damage from the Chilean earthquake shortly before has now probably been two thirds rebuilt or something like that and there has already been some significant rebuilding following the Japanese earthquake around the same time. But Christchurch has been in a somewhat different position.

In terms of our response to the Christchurch earthquake, the immediate question on the day was whether there was enough cash available and could it be dispensed? That always has to be our first question in these sorts of crises. In the event, the cash and transit companies, warehousing arrangements and the banks worked well together. Next, we had to understand how the banks would be affected and and whether they could continue to function well. As it turned out, their provisioning [for losses associated with the earthquake] was significant but manageable and many of them were quite proactive in terms of lending and assisting the early rebuild.

The earthquakes put a lot of stress on the insurance sector and the Government later stepped in to support one insurance company, AMI. That situation was very disappointing and has certainly fed into our views about the appropriate degrees of regional concentration and book concentration for insurance companies for the future. Most of the larger insurance companies there have had to re-capitalise through their owners and generally that's happened relatively smoothly. We have watched the industry's interactions with the reinsurance sector which have gone reasonably well but have been complicated, especially given the aftershocks which led to repricing of reinsurance. Then you have all the complications surrounding insurance assessments because of ongoing quakes, multiple companies and the private insurance versus EQC interface. You have negotiations of large numbers of claims and like other arms of the public sector we are looking for ways to try and speed the process up so we can actually get the rebuild occurring.

As time has gone on, we have learnt that the earthquake caused more damage than we first thought. We have increased our estimate from the very first earthquake from $5 billion up to nearly $25 billion. The insurance industry has increased its estimates from $25 billion to over $30 billion. That is a very big shock given New Zealand's relative size. So there is one challenge yet to come for the Reserve Bank and that will be forming their views on the inflationary pressures and what is acceptable or not as the rebuild occurs over the next couple of years.

Part of the role of the Governor is to manage the Reserve Bank's relationships with politicians and with other government agencies like the Treasury. And then we have other central banks, the IMF[2], BIS[3] and EMEAP.[4] Tell me about your approach to managing these relationships.

There are many relationships. My first objective was to stem any concerns about politicisation of the role of the Reserve Bank. That was difficult because the previous Governor had left abruptly to go into politics, so there were some accusations made about the role of the Reserve Bank. I wanted to be very clear about our role and hone it down to monetary policy, financial stability and related issues, and not go beyond that. I wanted also to ensure we had a proper integrated relationship with the other relevant parts of government, especially the Treasury, while maintaining Reserve Bank independence. I should say I have not come under any pressure at all on independence on monetary policy decision making, partly because I think various Ministers have thought independence is a good idea because they don't get blamed for bad decisions. It's part of the fabric of the system now, so I don't see that being seriously re-litigated.

We are a small country in a big world and we have to do the best for New Zealand incorporated. We have good relationships with other arms of the New Zealand government like the Treasury, whilst preserving our independent areas of operation. I think we do this as well or better than other similar countries and it is important to keep doing that.

In terms of their international relationships, central banks are a bit unusual. Central banks for various historical reasons and some cultural ones form clubs all over the place. There's a Trans-Tasman one, there's the East Asian Pacific one, the BIS and various others. They can be either useful or time wasting so we have tried to concentrate on the ones that really work for us. The good ones are where you get support, advice, and ideas to calibrate policy, and that has been really useful when things go bad.

For me, an important time was when we chaired the EMEAP Governors' meeting in Terrace Downs [on the edge of the Rakaia Gorge at the base of Mount Hutt] in May 2006. We deliberately selected a remote site and said for the first time "don't bring your cellphones, they won't work, don't bring your security guards, there is no danger and we have Stu the local constable briefed for any problems, and don't bring any translators, your English is good enough". And that was the first time that had happened. We had a dinner at the beginning of the meeting with 11 Central Bank Governors representing about two thirds of the world's reserves sitting in the room. We brought food in and there were no other people there except for us. I think we probably had the most candid and useful meeting of that sort that you would have seen up until then.

So what works is if you get a candid real connection at the top. We have had it at EMEAP. We also get it around the table at the Global Economy Meeting at the BIS. We have created our own little informal groups of small open economies in the BIS to discuss particular issues and that too has been really valuable. But we also end up travelling long distances to all of these meetings and it is important we are clear what our objectives are. We have to be sure we are doing it for New Zealand aims rather than just to fill a seat at a roundtable somewhere.

As a former Chairman of the Commerce Commission, you have taken a close interest in the efficiency and structure of the New Zealand financial system. How well do you think our financial system meets the needs and interests of New Zealand's households and businesses?

Pretty well. We are talking about a very big system and four banks dominate it, in contrast to many OECD countries. The four largest banks in New Zealand are Australian owned but ironically are more important to our economy than they are to the Australian economy, and that highlights a couple of issues. First, what about the non banks? They now perform a disappointingly small role in the New Zealand economy, one that needs to grow and to improve in quality and professionalism. That will take a long time. We will see new developments in the sector but I'm not exactly sure how they will occur. Second, we have been prepared to host foreign owned banks and that's been a wise decision for New Zealand. I think we are in a much better position now than ten years ago in that there is now quite a track record on how to regulate from a host country point of view. We are seeing quite a number of other good economies with foreign owned banking systems. I'm thinking of the Scandinavians, Baltics, some

2 International Monetary Fund
3 Bank for International Settlements
4 Executive Meeting of East Asia Pacific Central Banks, which includes the central banks of Australia, China, Hong Kong, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea and Thailand.

Eastern Europeans, some Latins. So we are no longer alone.

I think the banks have been efficient from a productive point of view and from a dynamic point of view I think they have been quite innovative. From an allocative efficiency point of view it is worth asking why the banks can continue to earn returns through the cycle which are large by most standards. Banks are learning to live with lower returns although they are still higher than in most other banking systems. However, banking is an industry that you want to be sound so you might well be prepared to live with a degree of allocative inefficiency – part of which may arise from an implicit subsidy of the system by the Government – provided what you are getting in return is soundness and guarantees of soundness, which I think we are getting.

On the other hand, there are some barriers to entry to the banking industry. It is not that hard to get a banking licence in New Zealand, it's not that hard to get into payment and settlements systems, so I am not really talking about the obvious sorts of barriers. The real barriers are probably related to the need for economies of scope or scale to access foreign funding. It will be interesting to see how institutions like Kiwibank attempt to overcome these barriers, but I'm not sure there is a strong case for regulatory intervention.

What was it like to be the guy who signs New Zealand's bank notes?

It is good, especially if you have practised your signature enough so it looks alright! You just have to remember with that sort of show comes quite a lot of responsibility so if something goes wrong with the bank notes it's pretty clear whose responsibility it is given that you have personally signed every one. And if something goes wrong with the stabilisation of inflation it's also clear where the responsibility rests.

Were there any things you would like to have seen or achieved as Governor but didn't – perhaps because the financial crisis got in the way?

I would have liked to have seen more rebalancing of the New Zealand economy, especially in the household sector and in the external sector. And greater financial literacy, which in my view would have led to slightly different choices around the allocation and aggregation of household assets between housing and other financial assets and the balance between consumption and savings. In New Zealand, we have historically thought of savings as something deciles 9 and 10 [of the income distribution] do. Savings should be something that most deciles do and that most New Zealanders get an opportunity to do at some stage during their economic and financial lives. We are starting to head in that direction but we have a long way to go. The financial crisis has both helped and hampered that. It helped by giving people more incentive to rethink those issues. It hampered it because asset values fell and assets are now earning lower returns.

The other dimension to rebalancing is New Zealand's external imbalance where we have continued to run a large current account deficit and a big negative international investment position. I would be more comfortable if these external imbalances had reduced and if a greater proportion of domestic investment in productive activities had turned out to be good investments from hindsight. A more favourable exchange rate might have helped on that score.

Finally, your best and worst moments as Governor?

My best moment was when I got that phone call from Bill Wilson [Chair of the Reserve Bank non-executive Directors' Committee at the time] saying that the non-executive board had decided to recommend me for appointment. That was back in August 2002.

My worst moment was probably Sunday 12 October 2008. [The Government announced the introduction of the New Zealand retail deposit guarantee scheme that afternoon following a similar announcement in Australia.] That was the day when a lot of our fears about contagion from the Global Financial Crisis and the need for governments to offer guarantees to banks to preserve financial stability came home to roost. We realised that we were at the end of this long international chain of beggar-thy-neighbour policies and the options were closing in around us. Maybe there was a better option than that, but I don't know what it would have been at the time. That said, the pricing of the guarantee [to participating deposit-takers] looked quite distorting and there were obviously a lot of issues following on from that.

There must have been some other best moments, surely?

Well, actually, the very next day was good. I came into work at 7am and then straight on to *Morning Report* on the radio. I knew I had to go across to Parliament and brief the Opposition but I took a moment to go into the Bolton Room [a meeting room within the Reserve Bank] where we had hastily set up a call centre. I listened to staff answering calls from the public about the retail guarantee and could hear them helping to stabilise New Zealanders' confidence in the financial system. I thought that was pretty good.