

I wrote a book, *Waltzing With Matilda*, Wellington, about ten years ago on this general subject to which I refer you.

Continuing economic integration is I believe a good policy option for both parties and should be pursued whenever feasible.

Nonetheless, the balance of advantage in this process lies with New Zealand.

In the last ten years the Australian economy has become increasingly larger than and even less reliant on it's relationship with New Zealand.

The New Zealand economy has on the other hand become even more reliant on it's relationship with Australia but, perhaps as a result, is now better performing. The apparent urgency of New Zealand's economic malaise has been somewhat diluted over the last decade. Nonetheless it has performed poorly comparatively.

The reasons for this disparity in growth of output, productivity and incomes are canvassed in my book, but must now more clearly include the growth of the mining sector in Australia. The Australian economy is now eight to ten times larger than that of New Zealand, growing faster and is less in debt.

These developments need not, however, reduce the arguments for economic integration in many areas.

But this may not be the case with respect to a common currency. New Zealand may find that it's slower growing economy without a large mining sector cannot readily support a currency at an exchange rate that the Australian economy will generate. Without access to compensatory devices like common taxation, fiscal equalization and political representation, as enjoyed for example by Tasmania, New Zealand might well find the disadvantages of a high currency value outweigh it's advantages.

Australia, on the other hand, would find a common currency of relatively little consequence. It would reduce transaction costs with New Zealand but also relatively depress the impact of the mining boom by spreading it over a somewhat larger currency zone.

In short, a common currency decision is one to be made essentially by New Zealand authorities since they would be in effect adopting the AUD.

In other respects it is difficult to see significant disadvantages in continuing the four decade long process of economic (re-) integration.