

Preface

This book celebrates the life and work of Palle Schelde Andersen, a Danish economist who spent the last 23 years of his career in the Monetary and Economic Department of the Bank for International Settlements (BIS). Palle died at the age of 65 on 13 April 2005, only a few months after his retirement from the BIS. The book contains the papers and proceedings of a conference that was held at the BIS in Palle's honour on 3 December 2007, along with a survey of his work and one of his papers.

There were sad undertones at the conference, as many of the participants were friends and colleagues of Palle's. But it was mostly a joyous affair with rich intellectual content – just as Palle would have wanted. The participants told stories about the man himself as they explored a difficult topic of great importance: the implications of globalisation and population growth for labour markets and inflation. The tone for this mix of intellectual content and personal feelings was set by Bill White during the opening dinner in a speech in which he discussed both Palle's contributions to economics and policymaking and Palle the man. The luncheon speech by Kazumasa Iwata, Deputy Governor of the Bank of Japan and a former OECD colleague of Palle's, also blended humorous memories of Palle with a discussion of his contribution to the research on real wage adjustments, productivity gains and terms-of-trade effects. I think that the participants will long remember this conference for its unique atmosphere.

The paper by Philip Turner in Chapter 1 of this book gives a good overview of Palle's career and his contributions to economics. Palle worked for just over three decades in international organisations. He began his career in 1966 at the University of Århus, first as an assistant and then as an associate professor. He was at the OECD from 1974 to 1982, except for one winter (1979–80) when he went on a Reserve Bank of Australia fellowship at the University of Sydney. At the OECD, he became the head of the General Economics Division after first serving on the country desks for the Scandinavian countries and the United States. He came to the BIS in 1982 and stayed there until retirement, except for the period 1994–95 when he was acting Head of Research at the Reserve Bank of Australia.

At the BIS, Palle was in charge of general economic analysis. He was the macroeconomic powerhouse of the Bank. Among his many duties was to write the background current assessment note, first for the G10 central bank Governors and then for the bimonthly Global Economy Meeting. It was short and to the point, occasionally a little masterpiece in its own right. Many comments show that it was highly appreciated by the Governors, whose respect for Palle can be gauged by the fact that the Global Economy Meeting observed a minute's silence in his memory in May 2005.

Those who have worked in domestic or international public organisations know that a significant part of the output of the economists in these institutions does not appear in their name. That was probably even more so during Palle's career than might be the case nowadays. But Palle was a hard-working man. He wrote 40 substantive economic papers in his own name, which are listed at the end of the overview by Philip Turner. He also played a big role in organising various meetings of central bankers, both at the BIS in Basel and in other parts of the world. And then he was gracious with his time, helping colleagues, guiding younger economists and discussing with policymakers. Palle was a man of deep intellect and wisdom. His knowledge of macroeconomic developments and history was vast. In spite of all these qualities, Palle was a modest and unpretentious man.

Palle was well known and highly respected in the central banking community. My first encounter with him came during a meeting of Nordic central bank economists in Stockholm in 1982. He had just started at the BIS and was probably therefore invited to that meeting as a keynote speaker. The Nordics were proud of their man. It was only later, however, when we worked together on a paper on disinflation in Iceland that I got to know Palle. It was then

that I began to really appreciate his great intellect and deep knowledge. I also began to realise how extensive his network in the central banking community was. My family and I spent some time in Basel, and he and Elsebeth came to Iceland. We developed a friendship that lasted to the end.

When I later started working at the BIS, it became clear that I was in the company of many when it came to knowing and collaborating with Palle. He was particularly well connected in central and eastern Europe, where he had organised an annual BIS Working Party on Monetary Policy from the beginning. I consider myself lucky to have chaired the last such meeting that Palle attended in February 2005, just a few weeks before his death. The participants were all full of warmth and admiration when they thanked him for his contributions to central banking in the region.

Palle was for years the main macroeconomist of the BIS. As such, he worked on many issues. However, I think that it is fair to say that wage determination and inflation dynamics were his biggest topic. It was with that in mind that it was decided that the theme of the conference in his honour should be “Globalisation, labour markets and international adjustment”. First-rate academics and researchers were commissioned to write papers on three topics. These were: Stephen Nickell, professor at the University of Oxford, with a paper entitled *Immigration: trends and macroeconomic implications*; Jill Rubery, professor at the University of Manchester, who, with co-authors Annamaria Simonazzi and Kevin Ward, wrote *Exploring international migration and outsourcing through an institutional lens*; and Suresh Tendulkar, professor (retired) at the Delhi School of Economics, who submitted *Labour markets in newly integrating emerging economies such as India and China: are they different?* The discussants and most of the panellists were Palle’s friends and former colleagues – like the chair of the panel on the implications of the globalisation of labour markets for central banks, Frederic Mishkin, at the time a Governor on the Federal Reserve Board.

We are all grateful to Malcolm D Knight, the then BIS General Manager, for his decision to honour Palle in this way, and for giving the opening address at the conference. There were four main organisers: Philip Turner, Dubravko Mihajek, Dietrich Domanski and myself, being at the time still at the BIS. Throughout the process, we received encouragement and guidance from Bill White, then the Economic Adviser of the BIS. Dubravko bore most of the burden of editing the book, while Marcela Valdez-Komatsudani was in charge of the logistics for the conference and the preparation of texts. I thank them and all the others who contributed to the conference and the book.

This book deals with some key issues which should be of interest to researchers and policymakers alike. What are the macroeconomic effects of increased flows of labour across borders? How significant was the dampening effect on global inflation of the integration of labour from former command economies into the global market economy? How has globalisation changed the inflation process or the transmission mechanism of monetary policy? What has been the role of emerging Asia in the build-up of global current account imbalances? What can policy do about the resulting problems? It is our hope that this book will be seen as an important contribution to the analytical debate on issues that are very much alive today.

Már Gudmundsson
Governor
Central Bank of Iceland