Dennis Rose’s legacy:
a dig through his study, July 2026

Geoff Bertram

“Accepting that the economy that I work in is essentially capitalist and is, to some degree, open for change, for better or worse, the challenge is to identify issues on which I can make a difference. Right across the political spectrum and in every type of social system, the balance has to be struck between the atomistic, usually market-moderated, system that gives us our daily bread and the need for central coordination and decision in pursuit of collective goals.”

From “An interview with Dennis Rose”, *Asymmetric* No 44, August 2012, p.8.

Late 1957	Joins Department of Statistics, put to work on "an economic classification of the public accounts"
1960-1964	Appointed to Officials Committee on Economic Policy as the Dept of Statistics person.
1962	Chief Research Officer at Stats
1964	Moved to Industries and Commerce, still on the Cabinet Committee, with Jack Lewin senior
1966	Recruited by Jim Rowe to NZIER to produce Quarterly Predictions, started work on motor industry protection
1971-76	Director of NZIER
1976-80	House-husband and self-employed consultant: UNIDO, Pacific, SPARTECA. PNG, FIJI, Tonga, Arts Council.
1980	Recruited to Planning Council
1991	Planning Council abolished; moved to BERL
c2003-	Retired but active in research: IPS, SEF, IGPS

Legacy has many dimensions

- Personal memories, family, friends, professional colleagues
- Contributions to the structure of the national accounts, the government statistics, policy debates and policy formation
- Civic activism on civil liberties, human rights, local planning issues
- The physical record, much of it unpublished except in typescript form

Papers harvested from Dennis's study in Paekakariki

Industry and sectoral studies	28
Labour market and employment	39
Projections, Fiscal and Monetary Policy, Long-term thinking	43
Balance of Payments, International Investment Position, Saving and Investment	24
Pacific Islands	10
Other	19
TOTAL	**163**
Other papers cited but not located	26
Total identified works	**189**

Constant themes

- A disciple of, and hands-on player in, the high-income, full-employment, protected-frontier economy of postwar New Zealand

- Continual effort to reconcile his practical first-hand knowledge of how that had worked with
  1. the growing critique from mainstream economists in Treasury, Reserve Bank, and academia, and
  2. the evolving economic history
  3. The breakdown of the postwar policy consensus

- Quest for a new economic configuration that would be able to sustain full employment as the central goal of policy

The past 3 decades:

- Focus shifted to the way the balance of payments constraint morphed into an international indebtedness constraint, operating through high interest rates and restrictive monetary policy
- Critical engagement with Modern Monetary Theory
- Return to a focus on the government's accounts and the role of fiscal policy in a possible pursuit of full employment
  - Long-run series for key fiscal series on an SNA basis => Brian Easton's new work
  - Critique of the Public Finance Act's s.26G => Bill Rosenberg to review.

What follows is in Dennis’s own words over the years

The NZ economy of the 1950s and 1960s

For New Zealand, one of the most controversial policy instruments has been that of import controls. Amongst economists they have few defenders, of whom I am one. As I view our economic history, the system of comprehensive import controls in the late 1930s helped establish a system of economic management which enabled New Zealand to maintain full employment for a thirty-year span at the same time as we built a manufacturing sector alongside the historic pastoral base of the economy. The essence of the system was that physical control of the value of imports enabled the maintenance of a more expansive internal economic policy without having demand spill over into extra imports to the same extent as it otherwise would have done. The consequence was that demand was diverted to local producers, stimulating local output and employment.

These were significant achievements and gave New Zealand an almost unique character as a capitalist economy where there were jobs for everyone willing and able to work.

Planning for full employment. Address to Mental Health Foundation seminar, September 1981, p.2.

The success of that package depended … on a wider range of factors and on the circumstances then prevailing. Let me log a few of the main points:

- the New Zealand policy depended on an expanding international economy characterised by stable exchange rates and low inflation,
- the policy of protection implied an income transfer from internationally exposed agriculture to domestically protected manufacturing sectors. At first that transfer could be seen as socially justifiable and economically sustainable, but in time its viability collapsed as the relative size of farming reduced and as the manufacturing sector expanded into exports,
- the potential of contra-cyclical economic management was undermined by an increased tendency to inflation."

Employment policy - some perspectives. Address to Waikato Vision for the Future forum, May 1986, pp.2-3.

The economy of the 1950s was widely characterised as an externally constrained high demand economy, operating with one foot on the brake and the other on the accelerator. It contained two central flaws. The commitment to sustained high demand threatened and, in time, delivered high inflation. Secondly, the external constraints of tariffs and import licensing distorted resource allocation thereby threatening lower real incomes.

Notes for address nominating Sir Frank Holmes as a Distinguished Fellow of the New Zealand Association of Economists. July 2004

Limitations on factor substitution in the production function of an economy with an externally open labour market:

In economic analysis land and labour are often described simply as infinitely variable factors of production, and in this light the appropriate allocation of additional units of labour in pursuit of output may be easily determined in principle. But farming is an industry in which the self-employed owner predominates so that labour and capital are supplied jointly. In this situation a massive increase in farm labour could be achieved either by breaking down farm size or by a radical change in patterns of ownership such as would have permitted increased emphasis on the more labour-intensive forms of agriculture. In the event, each of these was a political impossibility. Given a firmly established pastoral sector and a labour force increasing beyond that which could be called into use, either directly or indirectly, by that sector, at the politically acceptable minimum wage rate, manufacturing development stood as the effective alternative to emigration or at least a lower rate of immigration. That alternative might well have provided a higher average income for those that remained but in the event the nation chose not to vote with its feet.

Manufacturing development policy in New Zealand 1958-1968. *Pacific Viewpoint* 10(1): 57-77, May 1969, p.66.

Was there an alternative way to achieve the rent transfer?

[A] substantial devaluation associated with a large increase in land tax used to fund increased social security benefits and the promotion and subsidisation of export-oriented industrial ventures could have provided just as great a stimulus to industrial expansion and employment and have maintained equity. This would have required a much more positive political initiative and might have depended on more widely spread support than either party could command. In the event ... the approach to industrialisation was defensive and protective rather than positive.

Manufacturing development policy in New Zealand 1958-1968. Pacific Viewpoint 10(1): 57-77, May 1969, p.66.

In retrospect:

It was self-evident to the operators of the post-war economic regime that there were tensions between the competing objectives of full employment, low inflation, fiscal balance and external balance… Those who operated the system knew that it was easy to improve performance on one front if you were prepared to give away performance on the other. If they had been told that in forty years time policy makers had succeeded in controlling inflation by letting unemployment rise to six percent or more they would have been surprised, not by the fact that this was technically possible, but by the fact that anyone should accept this as a satisfactory outcome.

The changing role of the state in relation to the economy during the period 1940 to 2000:
(1) Making our way in the world economy. First of two lectures at the Stout Centre, VUW, September 2000, p.10.

The loss of momentum

[T]he roughly 20 percent fall in New Zealand's terms of trade between the opening few years of the 1970s and the rest of that decade fundamentally undermined the old policy model that had promoted full employment and high urban incomes by transferring pastoral rents to the urban sectors behind a strong protective wall. The introduction of supplementary minimum payments for pastoral products in the late 1970s and into the 1980s was a clear sign that the industrial policy of protected manufacturing policy had run its course. The new policy was setting out to transfer rents back into the pastoral sector.

Comments on Max Harris and Toby Moore's paper ''A rejuvenated industrial policy for New Zealand: theory and practice", c2017, p.3.

The shift in economic policy thinking

Advocates of industrialization, frontier controls and full employment were always under fire from three important groups: (1) many of their economic colleagues, particularly in the Treasury, the Reserve Bank and most university economists…, (2) the farming community which was forced to buy in a more expensive local market, and (3) importers and retailers (and through them consumers) who faced restricted choice and higher prices.

Comments on Max Harris and Toby Moore's paper ''A rejuvenated industrial policy for New Zealand: theory and practice“, c2017

Think Big was not the solution

it is necessary to caution against any expectation that this will lead to some new era of prosperity. The benefits that will result are important but the capital costs of those developments are enormous and to a very large extent the developments are being undertaken to make good the damage we suffered as a result of the oil price hike.

Background to debate on the economy. Address to PSA Annual Conference, August 1980.

the major energy projects of the 'think big' era were anomalous, in that they returned the state to a central role in shaping the pattern of industrial development. In the event the negative lessons drawn from that experience were used by the fourth Labour government, the Treasury and others as arguments in favour of ongoing reform of patterns of industry assistance.

Manufacturing. Pacific Viewpoint 32(2):171-180, 1991, p.171

How a planning agency might help guide business as well as Government to a new order

Given its historical connotations planning is frequently taken to imply, necessarily, control over the allocation of resources. That is not my usage. Rather I use planning to refer to an on-going interactive process between medium-term decision-makers, be they policy formers in public and private sectors or private or public investment decision-makers.

Employment and the Economy. NZ Planning Council Planning Paper No 21, February 1985, p.61.

Goals and weaknesses of the Planning Council:

The planning of sectoral development [was] a longstanding interest of mine…because it was the drawing of a balance … between manufacturing and other emerging sectors on the one hand, as against the natural advantage of pastoral sectors. It's always seemed to me that the chief dilemma that New Zealand has faced is trying to extend the high income status which pastoral advantage brings to the nation across an expanding population base. That implied that you had to be growing other industries…

An interview with Dennis Rose, *Asymmetric* No 44, August 2012, pp.5-6

The Planning Council] undertook a lot of interesting work, contributed to public debate on a range of important issues, but although it developed a programme of forecasting and analysis based on sectoral consultation and economic modelling it was never to produce a 'plan'. One could argue the reasons for this in terms of personalities and the important influence of the Treasury on the Council's workings but it is probably best seen as reflecting a pronounced shift in the climate of the times

The changing role of the state in relation to the economy during the period 1940 to 2000: (1) Making our way in the world economy. First of two lectures at the Stout Centre, VUW, September 2000

Dennis’s very measured critique of rogernomics

It is obvious that current policies have failed to deliver satisfactory employment outcomes. To go further and assert that this reflects policy failure rather than lack of will or difficult circumstances begs the question whether there were in fact practical policy alternatives.... I propose to focus on what can most usefully be done now. [Employment policies have suffered from] a failure to build understanding through constructive argument and debate"; also by focusing on comparative statics and ignoring the time involved in transitions/dynamic adjustment… Full employment will not be secured by accident. It presupposes ongoing and effective action in all the areas that I have been discussing.

Understanding unemployment in New Zealand: what can usefully be done? Address to NZ Association of Economists August 1991

I do not believe that the current policy mix will of itself lead to a satisfactory outcome on employment. To the contrary, I suggest that New Zealand history and contemporary OECD experience show that open, deregulated, balanced budget, low intervention economies tend to generate levels of unemployment incompatible with the full employment objective.

Job Creation Strategies. In New Zealand in a Changing World (Institute of Policy Studies 1988) pp.51-62, p.51.

I believe that it was obvious from the beginning that the scale of the micro reforms was such as t create substantial costs over a prolonged period and that this would require careful management if major macro costs were to be avoided. In the event we have pushed ahead taking little account of the inevitable transition costs which are now evident around us.

The short to long term prospects for the New Zealand economy. Paper presented to International Association of Students in Economics and Commerce, Auckland, May 1991, p.3..

The balance-of-payments constraint morphs into an overseas-debt constraint, worsened by tight monetary policy:

Figure 1

Interest rates and net international investment positions

Industrial countries, means 1980-2004

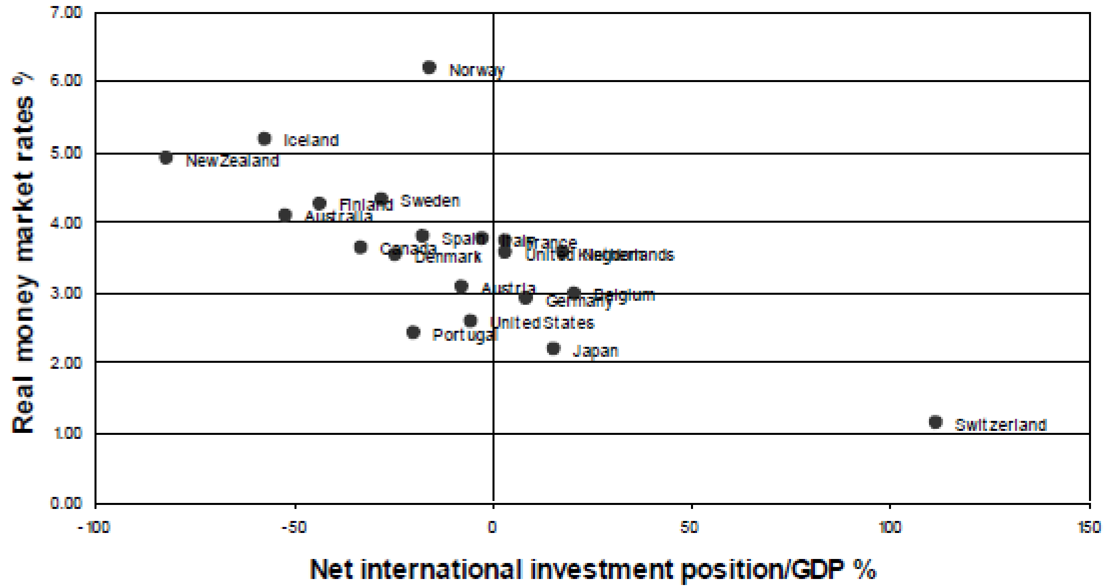

Figure 4

Sectoral matrix of assets and liabilities

		Sectoral liabilities recorded in columns			
		Domestic real economy	**Domestic banking sector**	**Rest of world**	**World**
Sectoral assets recorded in rows	**Domestic real economy** (business, households, government)	DA_D DL_D Real assets, net worth B_{11}	$DA_B = BL_D$ Cash, demand and time deposits B_{12}	$DA_R = RL_D$ Deposits, loans, equity B_{13}	
	Domestic banking sector	$BA_D = DL_B$ Advances B_{21}	$BA_B = BL_B$ Interbank assets = liabilities B_{22}	$BA_R = RL_B$ Overseas assets and reserves B_{23}	
	Rest of World	$RA_D = DL_R$ Loans, Equity B_{31}	$RA_B = BL_R$ Capital, loans and deposits B_{32}	RA_R RL_R Real assets, net worth B_{33}	
	World				

The net international investment position of the home country is formed from four of the remaining six cells within the system,

$$NIIP_H = (B_{13} - B_{31}) + (B_{23} - B_{32}) \qquad (5)$$

(i.e. the net overseas assets of domestic actors plus those of the banking system).

The two remaining cells (B_{12} and B_{21}) summarize relations between the national banking sector and domestic actors, comprising households, enterprise and government, with B_{12} covering bank liabilities to domestic sectors and cell B_{21} representing bank advances to domestic sectors.

Real interest rates, net international investment positions, demand and time deposits, draft paper, September 2017

It is difficult to avoid the inference that elevated real interest rates must discourage investment in real productive assets and thereby discourage entrepreneurial activity itself. In short, elevated real interest rates must inhibit growth. The are also associated with elevated real exchange rates, so inhibiting movement towards the balance of payments surplus necessary to fund reductions in international liabilities.

New Zealand's high level of net international liabilities demands a response. Well, maybe, but if so what? Paper for NZ Macroeconomic Dynamics Workshop, VUW School of Economic and Finance April 2013, p.1.

New Zealand's ongoing balance of payments deficits and the sustained level of New Zealand's net international liabilities are in my view symptomatic of an underlying policy failure… New Zealand's high net international liabilities result from a long sustained sequence of current account deficits, which in turn reflect developments in economic structure and policy since the radical rebalancing of the 1980s reforms. The accelerated opening of the economy … led to significant rebalancing of incomes and significant levels of unemployment that have proved persistent. In addition the new policy framework whilst notably successful in pursuit of domestic price stability, has been volatile and often unhelpful with respect to exchange rates … and thereby unhelpful in its implications for the balance of payments and net international liabilities

New Zealand's high level of net international liabilities demands a response. Well, maybe, but if so what? Paper for NZ Macroeconomic Dynamics Workshop, VUW School of Economic and Finance April 2013, p.1..

The financing flows between the Reserve Bank, other depository institutions (primarily the trading banks) and the Crown constitute quantitative tools that complement the established price-based focus on the Official Cash Rate as the primary instrument influencing the creation of money by trading banks. The quantitative easing associated with the GFC and Covid-19 exemplifies a three-pronged policy response: lowering the official cash rate, central bank injection of cash to the economy at large, and central bank provision of cash to central government in support of fiscal initiatives.

Because the *Government Financial Statements* do not differentiate the Reserve Bank as a distinct accounting element within their reporting framework it is not possible to get a clear view, from the *Financial Statements*, of the relative importance of these different avenues of stimulus and restraint. This is a serious shortcoming. At the very least Treasury should be regularly reporting on the main transactions occurring between the fiscal core of government and the Reserve Bank. Such reporting is a pre-condition for the more active use of fiat money creation in pursuit of the full employment objective.

Update on the Crown accounts November 2021

Describing Sir Frank Holmes, Dennis reveals his own values too:

As I look back over New Zealand's undoubted successes in transforming the structure of its economy, I suggest we can give thanks to people such as Frank for their undogmatic pragmatism, for their preparedness to review the strengths and weaknesses of the actually existing economy and its institutions. To try and define how their performance might be improved and then to argue and advocate the policies that might help us get there. And at all times, to keep in mind that economic performance is instrumental and needs to be tested within a wider framework encompassing our individual and collective aspirations, both social and national.

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