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Then Prime Minister Robert Muldoon, left, appointed economist Len Bayliss, to his key economic advice body in the early 1970s. By the early 1980s Bayliss was increasingly critical of Muldoon's policies and eventually resigned from the BNZ after they clashed. Photo montage by Lynn Grieveson.



JANUARY 29, 2018
UPDATED JANUARY 28, 2018



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BOARDROOM

Len Bayliss' courageous voice

BNZ's former chief economist, Len Bayliss, has passed away. Michael Reddell recounts Bayliss' key role in the debates about economic liberalisation through the late 1970s and 1980s.

Len Bayliss was one of the most prominent New Zealand economists of a previous generation that ran from the late 1960s to the late 1980s and his public clashes with Prime Minister Robert Muldoon late in Muldoon's reign were instrumental in a growing debate about the nation's economic direction.

Len was born and educated in Britain, but wanted to get out of the United Kingdom after finishing his degree at Cambridge. Eschewing South Africa for laudable reasons, he wrote to various banks and government agencies in Australia and New Zealand. After an interview that seemed to be not much more than a cup of tea with a visiting Deputy Governor passing through London, he was hired by the Reserve Bank of New Zealand in 1951, where he spent quite a few years in a vibrant economics department.

He moved on to the Monetary and Economic Council, and played a key role in that agency's 1966 report calling for liberalisation of the financial sector — which wasn't particularly popular with the bureaucratic establishment. But his most prominent perch was as the long-serving Chief Economist of the (state-owned) Bank of New Zealand, where he openly championed sound economic management and liberalisation.

Firstly, he liked Muldoon...

In the early years of Muldoon's Prime Ministership he served on the Prime Minister's Policy Advisory Group and appears to have played an instrumental role in the financial liberalisation that government undertook in 1976/77. He wrote that Muldoon was the best boss he had ever had, being absolutely decisive.

"I wrote his speech for the Mansion House dinner, the most important speech he'd made after becoming PM. I gave it to him. He said send it to Treasury and see if it's all right with them. They wrote back wanting something changed and wrote a little memo and he just put 'No,'" Bayliss wrote.

"And he always was very proper. He may have been tough to his political opponents but as Bernard Galvin used to say, certainly in the time I was there, it was a very happy group. He never tried to force you to do anything. In a sense, he treated you just like a public servant, as a politician should treat them. He was decisive. He would argue very intelligently. Watching him at the Cabinet Economic Committee, he really tore strips off ministers who hadn't done their homework. And I saw him several times in debates with Noel Lough [Deputy Secretary to the Treasury]. Noel Lough was a lovely bloke but Muldoon really won the debates."

And then they clashed

After his secondment ended, Bayliss returned to the BNZ, from where a few years later, having become increasingly critical of the economic management of the New Zealand economy, he was put in a position where - under fire from Muldoon, and with no support from the supine BNZ Board and management - he felt he had no choice but to resign (at considerable financial cost to himself).

In the post-liberalisation year, Bayliss served on the Board of the BNZ, and he recounted in his published works the frustrations of trying to constrain a management gorging on bad credit, and eventually driving the bank to the point of failure.

At a macroeconomic level he had long-favoured liberalisation and stabilisation (cutting inflation, balancing the budget), but in the post-liberalisation decade he was increasingly uneasy about the persistently high real exchange rate - a concern that he (rightly in my view) never lost.

I only met Len once - although we had corresponded a bit since - when the New Zealand Association of Economists asked me to record, and edit, a long interview with him (as part of a series on the life and work of prominent New Zealand economists). The **text of that interview** has quite bit that might interest those concerned with the history of New Zealand economic and financial policy.

In preparing for that interview, I had been focused on the earlier decades and didn't give the attention it warranted to his departure from the BNZ or his later time on the Board.

But as he records it, that interview and some follow-up questions from me prompted him to put together a volume of documents and recollections — *Recollections: Bank of New Zealand 1981-1992* - dealing with his ouster from the BNZ and his later term as a government-appointed director of the BNZ as it descended into crisis and near-failure in the late 1980s and early 1990s.

And I used that material last year for a **post** on his ouster from the BNZ, having finally got under the skin of the Prime Minister once too often.

'An unusual and courageous voice'

When some academic finally writes the definitive history of the financial debacle/crisis in New Zealand in the late 90s and early 90s, I hope they take time to draw on the perspectives and papers Bayliss has apparently lodged at Massey University.

His was a courageous voice and unusual for its day. In an environment in which few could speak -- there weren't many economists outside government — it was a valuable contribution in articulating the increasing unease about New Zealand's economic under-performance and poor economic management.

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