

Brian Easton

# Good and Faithful Servant Jas McKenzie 1939–2020

The earliest assessment of Jas that I recall is that he was ‘New Zealand’s John Stone’, referring to a towering secretary of the Australian Treasury. When I told Jas this he was appalled, because their political views were very different. I explained that the comparison arose because Stone was considered a world-class public servant and public economist, and even when I heard it, in the early 1980s, so was Jas.

I had come across him earlier when his name appeared on some Lincoln Agricultural Economics Research Unit research papers. Jas spent eight years at Lincoln as a student, researcher and

teacher. In those years Bryan Philpott produced a galaxy of young economists thoroughly grounded in economic theory and well trained in empirical methods; Jas was the brightest star. However, he

abandoned academia for the Treasury in 1966 (although he spent a couple of years teaching international trade theory at Auckland University in the early 1970s). This time he was mentored by Henry Lang. His achievements there included being the Treasury officer at the London High Commission, and establishing Treasury’s first serious economic forecasting unit in its Internal Economics division. In 1980, the 41-year-old was appointed deputy secretary at the Treasury.

As the Stone quote illustrates, by this time he was greatly, and indeed affectionately, respected by the younger Treasury staff, for added to his economic

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skills were political acumen and skilled management, especially of his subordinates.

The Byzantine intrigues within the Treasury which began about that time are yet to be written up; they would be resolved by Roger Douglas siding with the Rogernomes. Jas was not a Rogernome – he was too grounded in empirical economics – and was an internal critic. He was in the way. The line put to me was: ‘Jas is very good you know, but he has problems ...’ Jas was bipolar, although his most spectacular mood swings were controlled by lithium from 1971. Often such marks are borne long after they become irrelevant. Nor is the upside always observed; a list of the famous who were bipolar – it includes Churchill, Lincoln and Montague Norman – shows that people with bipolar disorder can also be exceptionally creative and insightful in the up phase.

So a public sector economist with international standing had to be sidelined. Nineteen eighty would be the high point of his time at Treasury. In 1986 Jas became secretary of labour. In later years he talked about how unprepared he was for the job. He had spent all his public sector life in a policy-focused department. Now he took over one with huge and straggly operational responsibilities – factory inspection, immigration, job search and skills training, as well as industrial relations. Jas also had a research team in the Labour Market Policy Group, which, having seen how Treasury had lost control of its equivalent unit, he stationed right outside his office. It was a difficult time, with the introduction of the Employment Contracts Act and other neo-liberal changes and with record unemployment, but the many-talented Jas recalls that he enjoyed the management challenge. In 1994, at the age of 55, he retired.

He contributed to a number of independent inquiries, but he had the cussed habit of not telling the government what it wanted to hear, instead offering his best judgement – which often proved correct. And so he returned to Treasury as a consultant – as he described it, he gave up the job of field marshal to become a private again.

Jas described himself as ‘retiring’ in 2002, but he never lost interest in

macroeconomics, international trade, economic growth and political economy in general. Except for the lapse reported below, his main retirement hobby was ‘stimulating conversation’, connecting up with old friends but also making new ones among younger economists; he wanted to know what was going on.

Towards the end of the 2010s he joined an informal university-based group who were reviewing the state of macroeconomics. It was in flux, as is usual although the conventional wisdom rarely appreciates this. It was in even greater flux than usual because the implications of the global financial crisis were still working their way through. Particular to New Zealand was that the Labour opposition had imposed upon itself ‘budget responsibility rules’ which made its economic management principles look as though the party had learned nothing from the crisis. (The rules have been since abandoned under the Covid-19 crisis and the group could argue that it helped prepare the way.)

Jas brought to, or reinforced in, the group three features which reflected his public sector career. First, he brought a history with him and an empirical attitude about using it. An earlier illustration is that he had been on an independent university panel which assessed the Treasury forecasts; earlier he was on the committee which recommended the panel. In early 2008 he was dropped from it for reasons never explained. Now the panel and the Treasury forecasting team had only memories which struggled to go back a decade. Jas’s went back to the 1966 wool price crash (he was involved in dealing with it, and most of the others). There is a basic rule in forecasting a sharp change of direction: forecasters tend to underestimate the severity of the shock. So when the global financial crisis began, the forecasters, without the wisdom of Jas, underestimated the strength and nature of the downturn. This meant that fiscal management in the first years of the Key–English government was based on faulty assumptions.

Second was his experience in policy development and implementation. Outside policy commentators rarely take enough consideration of the practical problems. The 1979 Budget measures reducing

external protection were supervised by Jas. The package looked like a dog’s breakfast; I suppose it was. It was the result of a long struggle between the Treasury and the forces of inertia that Muldoon presided over. What had to be constructed was a package which got as much reduction of the most damaging protection as possible, but which would get past Muldoon. Part of the aim was to make changes which would get things moving and undermine the inertia.

Third, as with the rest of the group Jas was deeply interested in economic theory. In his last stint in Treasury he was challenged to write a framework for macroeconomic policy. Of it he said:

Things had moved on a long way from simple-minded rational expectations. There were now two schools of thought. One school maintained that Say’s law always applied and that the economy is always close to equilibrium, with all resources fully employed. Any fluctuations in economic activity were due to changes in technology. ... The second school of thought stresses that prices don’t adjust quickly enough to ensure that equilibrium can be quickly restored after a shock. I was attracted to this second school. I wrote a long paper stressing that the question of the speed of price adjustment was crucial to modern macroeconomic thinking.

In 1999 Treasury was still riddled with neo-liberal monetarists and the report, which favoured an alternative approach, fell flat. As Jas once commented to me, ‘F\*\*\* them; I’m a Keynesian’.

Neo-liberal principles were in retreat when he died during the Covid-19 crisis (but not from the virus). The development and implementation of Keynesian principles in the post-pandemic world will be heavily contested. We will miss his counsel when fashioning the new world, and his stimulating conversation.