Social welfare & the State

Te Papa, n.d.

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Rogernomics

The 1984 Labour Government, led by David Lange, introduced radical social and economic reforms – dubbed 'Rogernomics' after controversial Finance Minister Roger Douglas. Some people prospered, but others suffered as unemployment rose and the stock market crashed. Until the century's end, governments maintained policies limiting the state's involvement in people's lives and the economy.

> 'FOR PEOPLE WHO DON'T WANT THE GOVERNMENT IN THEIR LIVES ... THIS [ROGERNOMICS] HAS BEEN A BONANZA. FOR PEOPLE WHO ARE DISABLED, LIMITED, RESOURCELESS, UNEDUCATED, IT HAS BEEN A TRAGEDY.'
>
> DAVID LANGE, NEW ZEALAND PRIME MINISTER (1984–89), 1996

Economic woes in the early 1980s

In the early 1980s, New Zealand's economy was in trouble. The country had lost its guaranteed export market when Britain joined the European Economic Union in 1973. The oil crisis that year had also taken a toll.

Moreover, welfare costs had doubled since the 50s, with more people becoming eligible for support. From 1946, all mothers received the Family Benefit, not just those in low-income families. In the 70s, the Domestic Purposes Benefit, Accident Compensation for non-earners, and the National Superannuation retirement scheme inflated costs further.

Muldoon era

To keep New Zealand afloat economically, Prime Minister Robert Muldoon imposed strict restrictions on wages and foreign currency. Import tariffs protected local manufacturers, and farmers received subsidies.
But Muldoon's harsh economic controls and abrasive personality provoked bitterness – in his own party and beyond. People also resented the state's size and role in their lives. A mood for change was in the air.

Labour wins the 1984 election

The Labour Party, led by David Lange, swept National from power in the 1984 election, forming the fourth Labour Government.

Despite its socialist roots, the new government introduced radical free-market reforms. These reforms were soon dubbed 'Rogernomics', after controversial Finance Minister Roger Douglas.

Rogernomics in action

The Labour Government radically reduced the size and role of the state. It corporatised and restructured government departments, often in preparation for privatisation, and sold some state assets to private investors. It abolished many economic controls and removed farming subsidies.

The government also dismantled the centrally organised welfare system, emphasising instead the role of private and regional welfare providers.

Some people prospered in the new environment. Property speculation took off, and the stock market soared as thousands of ordinary New Zealanders bought shares. Others lost their livelihoods as the state sector shrank and unemployment rose.

1987 stock market crash

The economic boom was short-lived too – the stock market crashed in 1987. Some investors suffered severe losses.

The Labour Government continued its free-market policies, but divisions had formed in the party. Lange fired Douglas in 1988 and resigned his leadership the year after. The party lost the next election.

1990s – National continues Labour's legacy

The 1990 National Government continued privatising state assets and slashed welfare payments. Welfare reform in New Zealand was faster and more wide-ranging than anywhere else in the world. Individual responsibility was again encouraged.

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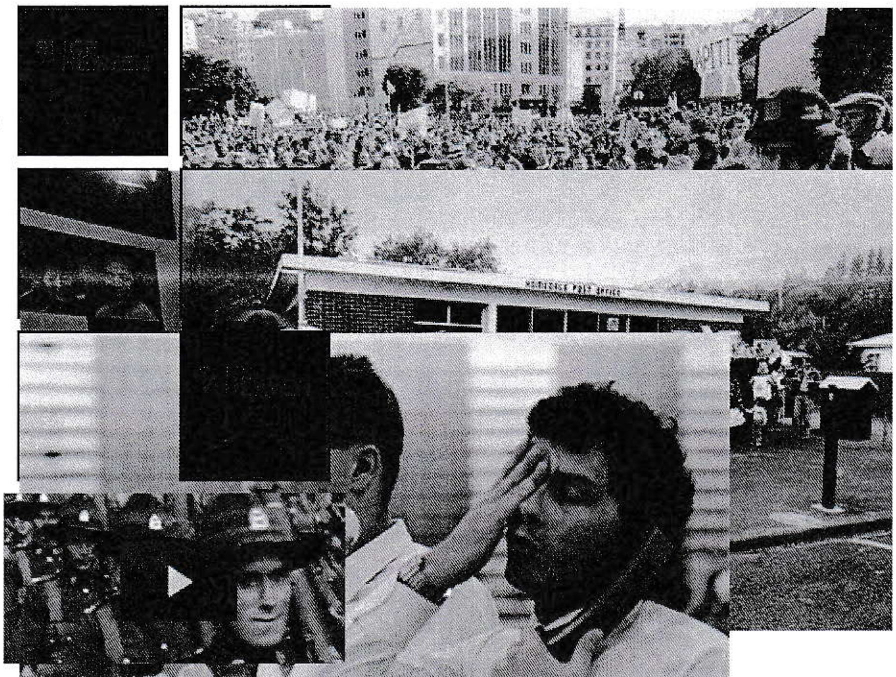

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