

Spending in the economy

Economic reform from 1984

The 1984 Labour government introduced an extensive programme of economic reforms. These aimed in part to improve the responsiveness of New Zealand producers to changes in the spending patterns of domestic and overseas consumers. In the 1990s the National government extended the reforms.

Licences, quotas, and tariffs

Before the late 1980s, consumers in New Zealand were restricted in their choices. Importing consumer goods into New Zealand generally required a licence from the government, and a wide range of goods had quotas that restricted how much could be imported in any one year.



Spending locally



Restricting spending



Credit cards (1st of 2)



Shopping as leisure

Working class prunes

In the late 1950s Prime Minister Walter Nash was directly involved in deciding import quotas. His approach was satirised at the time:

'The Prime Minister would ... say that no extra tinned salmon was needed. Someone would say, "But many women use salmon with their Sunday salads."

"So they do. X extra tons. Now prunes. Many working class families eat prunes. Y extra tons."¹

A key objective of the reforms was to open up the domestic economy to the global economy. The government began phasing out import licences in 1984. This process was completed by 1992.

This left tariffs as the principal form of border protection (a tariff is a tax imposed on imported goods as they enter the country). The government began reducing tariffs. The average tariff rate in 1981 was 28%. By 1999 it was close to 5%, and 95% of imports (by value) were tariff-free. Tariffs were frozen for 6 years, then there was a further programme of reductions between 2006 and 2009.

Shopping hours

Over the 20th century governments reduced shop opening hours, requiring shops to close at 9 p.m. during the week, and to remain closed on weekends. Hours were liberalised in 1980 to allow Saturday (but not Sunday) trading.

In 1990 the government repealed the Shop Trading Hours Act 1977, removing previous restrictions on trading hours, apart from those requiring shops to be closed on Good Friday, Easter Sunday, Christmas Day and before 1 p.m. on Anzac Day. This opened the door to Sunday and late-night trading. To provide some protection to employees, it remained illegal to pressure a worker to work on Sundays, or at night between 9 p.m. and 7 a.m.

Access to credit

New Zealand's financial system before 1984 was one of the most regulated of the developed countries. Interest rates were controlled by the government, and financial institutions like banks were expected to observe credit-growth guidelines set by the minister of finance. The government actively discouraged growth in consumer credit. These and other restrictions were removed soon after the 1984 general election, giving New Zealand consumers access to more credit than ever before.

Spending since 1984

These changes helped to produce substantial changes in spending behaviours by New Zealanders. Shopping became an important leisure activity. Retail shopping malls could provide customers with access to the latest branded products from around the world and were open in the evening. Weekend markets attracted customers with specialist stalls offering local produce or arts and crafts.

Footnotes

1. Quoted in Keith Sinclair, *Walter Nash*. Auckland: Auckland University Press, 1976, p. 308. Back

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