

# BRITAIN'S FARM

## 1890-1932



Edward Thomas Robson, ATL, F-1541-1/2-MNZ.

The second main phase of New Zealand's economic history began in the 1890s and lasted into the early 1930s. During this time New Zealand became a primary producer for Britain, exporting largely pastoral products into this single market.

One of the most significant economic developments of the period was new trade in meat and dairy products, supplementing the wool market. This industry was driven by the development of refrigerated shipping in the 1880s. By the eve of the First World War, meat and dairy exports made up 35 percent of total goods exports. Export commodity prices boomed during the war, when Britain was keen to buy whatever could be supplied. However, although the boom lasted for a few years after the war, from the early 1920s the New Zealand economy performed quite poorly, with only brief upturns.

Much of the difficulty came from the external sector. As a primary producer selling principally to the 'home country', New Zealand was particularly vulnerable to economic fluctuations in Britain. In 1928, for example, Britain took £41 million of New Zealand's total exports, by value, out of a total of £56 million. However, British fortunes, after the First World War and into the 1920s, were not good, and this was reflected into New Zealand's economic situation.



Colour print label, ATL, Eph-F-MEAT-Gear-002-3



Frederick Nelson Jones, ATL, F. N. Jones Collection, G-7689-1/1

**Opposite:** Meat from the Longburn freezing works being taken aboard ship in Wellington, early 1930s.

**Above:** Railway construction workers on the Main Trunk Line near Waiouru, Ruapehu and Ngauruhoe in the background, probably between 1901-10. Railway played a key role in New Zealand's internal communications and economy for many years.

**Top:** Gear Meat label, circa 1880s.

## THE TRADING BANKS AND THE ECONOMY

In the 1920s, New Zealand still lacked a central bank, despite encouragement from Britain to establish one. Bank notes were issued by the six main trading banks. Until 1914 they were required to hold enough gold and securities to back the value of the currency, but this requirement was suspended for the war emergency and never reinstated. In practise this change made little difference: the key question for the banks remained their ability to meet customer demand for sterling balances – the funds in Britain that paid for imports. The banks managed their local lending in order to keep the value of the New Zealand pound roughly equal to that of the British. This in turn influenced

the level of spending and economic activity in the domestic economy.

Four of the six trading banks were Australian owned. Their sterling balances in London actually reflected Australasian activity, not just that of New Zealand, with the result that the state of Australia's foreign trade also affected the availability of credit and foreign exchange in New Zealand. This arrangement worked well when the Australian and New Zealand economies were in much the same state, but left New Zealand exposed whenever the Australian economy was weaker than ours.

The government had few tools to address this and other economic issues – all that could be done was to adjust government revenue and expenditure, through fiscal policy. Governments in the mid-to-late 1920s therefore sought to use



Frank J. Denton, ATL, Tesla Studios Collection, G-17399-1/1



Top: Bank of New South Wales, Wanganui branch, 1910.

Above: Bank of New Zealand five pound note, 1920s.



Arthur James Northwood, ATL, Northwood Collection, G-6214-1/1

Left: Timber workers in the Kaitaki ranges, log hauler on the left. Although the economy was pastorally dominated, timber was a significant local industry for New Zealand.

Opposite top: Depression relief work on the Akatarawa road, early 1932.



Photographer unidentified, ATL, Evening Post Collection, G-84131-1/2

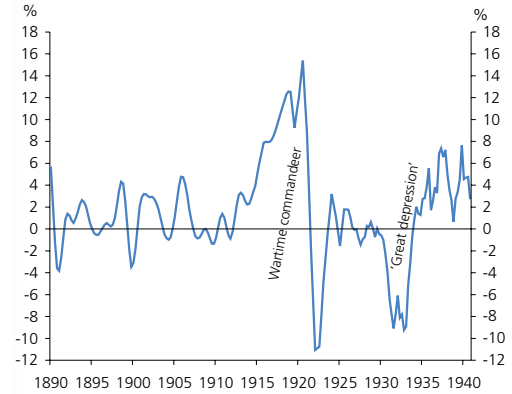
fiscal policy to stimulate the economy, but these efforts were overwhelmed by the Great Depression, into which the world economy fell in 1930.

New Zealand was particularly hard-hit by the collapse of primary-sector prices. At a time when both production and export markets were undiversified, the crash of the British market had dire effects. Unemployment rose sharply, and the economy continued to run down into 1932-33. Estimates suggest that gross domestic product fell by 17 percent between 1929 and 1931. Inflation turned substantially negative. Real incomes for those in work actually rose – prices fell faster than wages – but for the increasing number who were out of work, hardship was often severe. As in many countries, there was considerable pressure to cut government expenditure.

## THE EARLY TWENTIETH CENTURY BY NUMBERS

### Graph 3

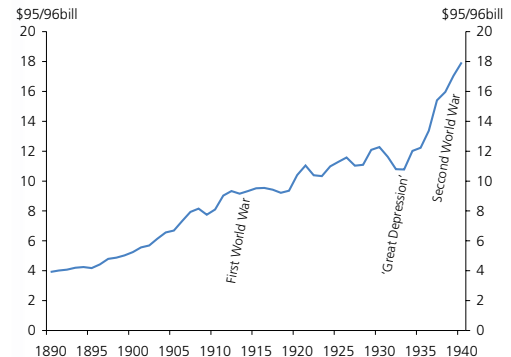
#### CPI inflation 1890–1940



Source: Statistics New Zealand.

### Graph 4

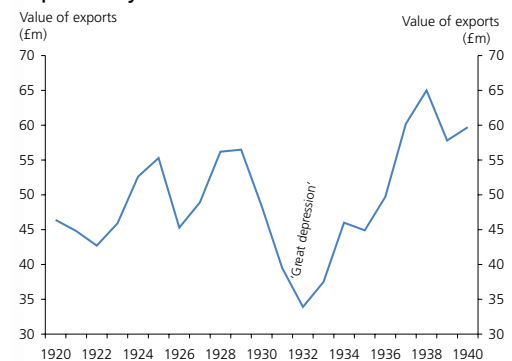
#### Estimated GDP 1890–1940



Source: K. Rankin (1991), Brian Easton (1990), as republished in Phil Briggs (2003).

### Graph 5

#### Exports by value 1920–1940



Source: M. F. Lloyd-Prichard (1970), Statistics New Zealand.