

Aimer, 2015

Story: Labour Party

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Electoral surge in the 1930s

By late 1930 the effects of the economic depression were being felt throughout the country. Labour votes had kept the United (formerly Liberal) government in office since the 1928 election, but Labour withdrew its support in December 1930, as United pressed ahead with policies of retrenchment. In September 1931 the United and Reform parties combined to form a coalition government. Labour became the official parliamentary opposition. The general election in December that year became, in effect, a two-party contest and Labour's vote lifted to 34%.

First Labour government, 1935

Four years later Labour surged to victory with 46% of the vote and 53 of the 80 parliamentary seats. Voters rejected the coalition government in protest at its harsh policies, and in response to the grave economic and social impact of the depression. Labour promised social and economic security and presented a more benign image under Michael Joseph Savage, who had become party leader after the death of Harry Holland in October 1933.

The politicians who made up the first Labour government were drawn mostly from the union movement, especially former miners' leaders such as Bob Semple. They included a minority of educated liberals, for example lawyer Rex Mason.

Two-party politics: Labour versus National

Labour's electoral breakthrough in 1935 changed the political landscape, creating the two-party system that dominated New Zealand politics for the rest of the 20th century. In 1936 the National Party was formed out of the Liberal-Reform coalition. Labour and National alternated as either governing party or official opposition until the introduction of proportional representation in 1996.

Labour's total years in office as a governing party lag behind National's. Two Labour governments (1957-60 and 1972-75) have lasted only a single three-year term. Twice more, however (1935-49 and 1984-90), longer-serving Labour governments have radically changed the direction of public policy in New Zealand.

Reform within capitalism

Spending and saving

Labour's economic policies were often termed Keynesian, after the principles of British economist John Maynard Keynes. Keynes advocated a mixed public-private economy and government-led stimulation of economies during times of recession and depression, rather than cutting back state expenditure to balance the budget. However, a New Zealand review of Keynes's breakthrough book says: 'the most striking point about Mr Keynes's book is that it parallels the views of the Labour Party', interesting that the Labour Party actually developing their ideas



at the same time as Keynes, rather than simply adopting them.

Labour's first period of government was also its longest in the 20th century. Its 1935 victory was reaffirmed in 1938 with the highest vote share ever won by any party – almost 56%. In the pre-war period Labour was openly socialist in its political aims. It began to nationalise large

sections of the economy, including the Bank of New Zealand, coal mines and domestic air services. Broadcasting and transport were brought under the control of government ministers. To stimulate New Zealand's depressed economy, Labour increased wage rates, launched a programme of public works and state-housing construction, and introduced a guaranteed price for dairy products. The Social Security Act 1938 greatly expanded the scope of the welfare state, introducing universal free health services and extending benefits for the aged, sick and unemployed.

Labour was an active and popular reforming government before the outbreak of the Second World War. However, after guiding the country out of economic depression, then through the crisis of the war and into the first years of post-war recovery, Labour's reforming zeal was spent. It was defeated in the election of 1949 and remained in opposition for the next nine years.

The actions of the first Labour government set the terms of political debate and action for the next 40 years. Neither Labour's welfare state nor its mixed economy were seriously challenged until the 1980s.

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