



1878

(Easton, 2010)

Boom and bust, 1870–1895

Vogel boom

The boom of the 1870s was the result of a public borrowing programme instituted by Julius Vogel, colonial treasurer and on occasion premier between 1869 and 1876. There were also private capital inflows.

Vogel thought that by investing in immigrants, infrastructure like roads, rail and bridges, and land development, the economy would enter a sustained phase of economic prosperity.

There was some economic growth, but it was more a reflection of population growth than increased output per head. Before a sustainable boom could happen, overseas borrowing was cut off by an international financial crisis. The New Zealand economy lapsed into a long depression in which borrowing and an associated debt burden (especially on land) became a weight on the economy.

Vogel's dreams were fulfilled in the 1890s when New Zealand entered a long boom. However, while he envisaged the role of wool in the expansion, he did not foresee the crucial contribution of refrigerated products.

Bust

The long depression from the late 1870s through to the early 1890s was an accident waiting to happen. Some argue that the depression began earlier, in the late 1860s, as the quarrying of limited resources and the war economy ran out, but that the underlying sluggishness of the 1870s was obscured by unsustainable borrowing.

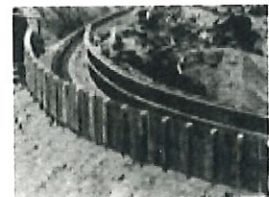
The slump was precipitated by the collapse of the City Bank of Glasgow in 1878. This led to a credit contraction in the City of London, then the centre of the world's financial system, which reduced the credit available to New Zealand. With many activities dependent upon credit and landowners heavily over-borrowed, a credit shortage compounded the effects of a falling wool price.

There was much hardship, with 'sweating' (exploitative labour conditions) in the factories, a lack of jobs for rural workers, and farmers going bankrupt. Harry Atkinson, the dominant colonial treasurer during these years, got a reputation for cutting government expenditure. However he had little choice but to retrench because he could not easily borrow when revenue was less than planned spending.

A 3rd careful management of the national finances set the economy up for the long boom in the mid-1890s. Prices fell during these years, so for people with jobs the ability to



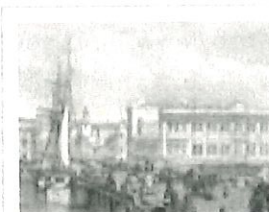
Main trunk line



Rimutaka incline, around 1880



Sweating system



Auckland waterfront

purchase goods improved.

Auckland's economy

Until the main trunk railway line was completed in 1908 Auckland was not well connected to the south, so Auckland was not dependent on the wool economy. It relied on hard-rock mining of Coromandel gold, native timber exports to booming Australia, and kauri gum – all finite resources. It was reasonably prosperous during much of the 1880s, but when Australia went into depression towards the end of the decade, Auckland slumped too.

Biographies



Harry Albert Atkinson, 1831–1892



Isaac Earl Featherston, 1813–1876



Arthur William Follett Halcombe, 1834–1900



Thomas Russell, 1830–1904



Julius Vogel, 1835–1899



Frederick Whitaker, 1812–1891

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