The decline of New Zealand's physical economy

1. Labor force degraded

The condition and deployment of the New Zealand labor force was radically worsened by the 1984 "reforms." **Figure 1** shows the shifts in the composition of the workforce over the period 1947 to 1996, in three broad categories of economic activity—"productive," "non-productive," and "unemployed." In the last 10 years, beginning in the mid-1980s, the labor force was degraded into more and more non-productive work, and unemployment.

The numbers of workers shown in the bottom segment of the differentiated bars, are engaged in "productive" jobs (work involving physical output, infrastructure building and upkeep, and essential social tasks of "soft" infrastructure—science, medicine, education, and so on). Notice the absolute decline in the numbers of workers in these basic jobs in productive sectors from the mid-1980s to the present.

The middle category of Figure 1 shows numbers of workers in "non-productive" work. After the mid-1980s, markedly more of the workforce was shifted into this category. By "non-productive" is meant either jobs not directly involved in production of essential goods and hard and soft infrastructure (for example, administration and sales), and outright parasitical jobs (such as speculation, casino staff, and "entertainment").

The third category shown in Figure 1 is "unemployment," which grew rapidly after the mid-1980s.[1]

Figure 2 summarizes the same process of degradation in terms of percentages. Whereas in 1947, some 65% of the workforce was engaged in productive employ-

FIGURE 1
Labor force, 1947-96

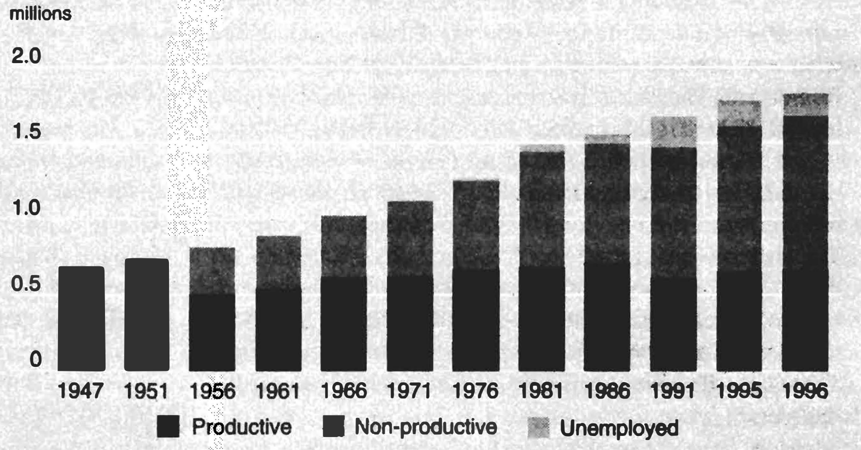
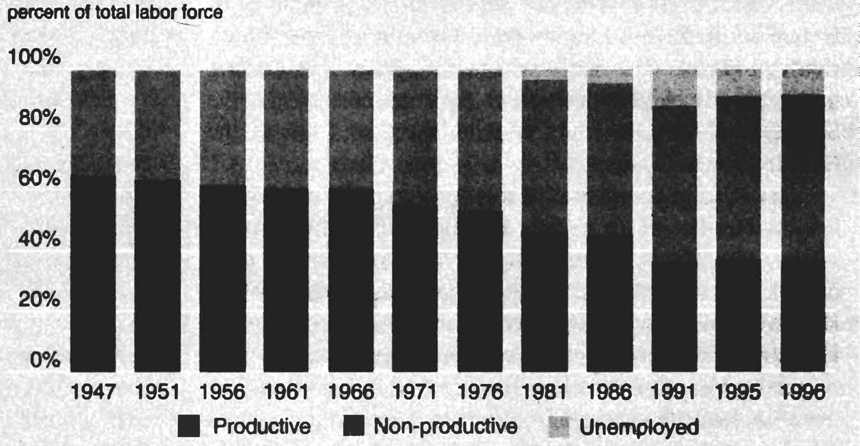


FIGURE 2
Productive versus non-productive labor force



[1]On the statistics shown for unemployment and underemployment, the following should be noted about the calculations used.

A very low official unemployment rate (6.5% in 1996, for instance) is one of the chief "success stories" claimed by those touting the New Zealand "reforms." However, beginning in 1985, just as the unemployment caused by those reforms started to climb, the government changed the method whereby it calculated this figure. Since the rate of unemployment is the "unemployed" divided by the "total labor force," if you shrink the numerator, while expanding the denominator (as the government, through various tricks, did, such as by subtracting the "jobless" from the number of "unemployed"), then the "official" rate of unemployment shrinks accordingly. To show the *actual* rate of unemployment and underemployment, the *New Citizen* study used the government's own, pre-1985 methodology to calculate the post-1985 rates, and thus arrived at the results depicted in Figures 3-5, which are dramatically different from the lying figures the Mont Pelerin Society and its fronts trumpet internationally.

FIGURE 3
Number of non-productive and unemployed workers supported by one productive worker

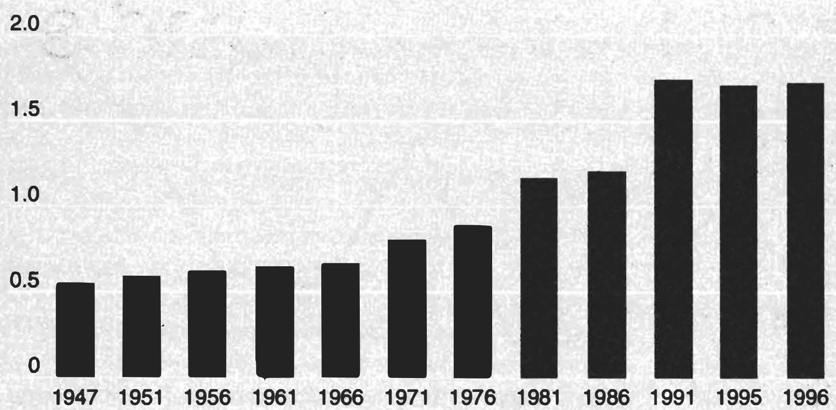


FIGURE 4
Actual unemployment
percent of total labor force

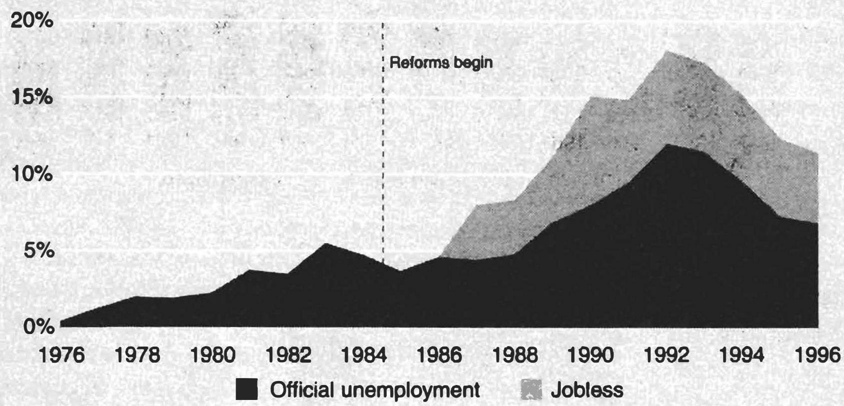
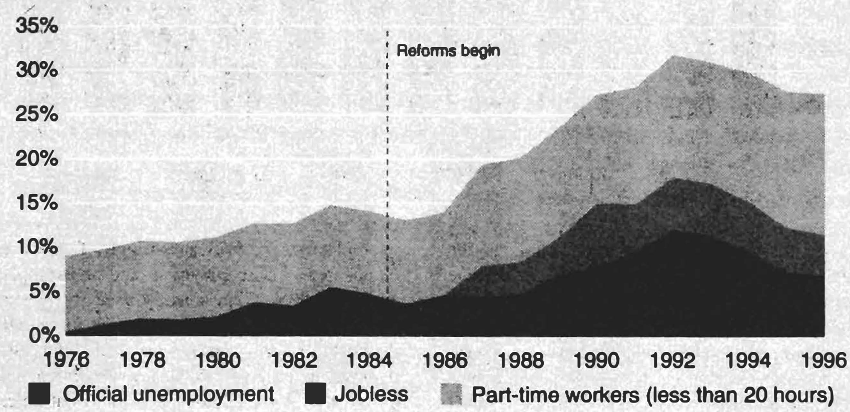


FIGURE 5
Underemployment and unemployment
percent of total labor force



ment, by the mid-1980s this had fallen to 45%, and, since the 1984 reforms, it has collapsed almost another 10%.

Figure 3 shows that in 1947, one productive worker had to "carry" only slightly more than one-half of one non-productive worker as "overhead" (unemployment was practically zero—a grand total of 100 people!). As of 1995, one productive worker supported almost 1.75 non-productive and unemployed workers, an increase in overhead of approximately 215%. Again, note the sharp rise from 1986-91, entirely due to the reforms.

The extent of New Zealand's unemployment and underemployment is shown in **Figures 4, 5,** and **6,** for the 20-year period 1976-96. Figure 4 shows the increase in "official" unemployment rates, which more than doubled from the 1984 level, below 5%, up to 12.5% in 1992 (and then showed a decline to 6.5% in 1996). This trend is bad enough, but it is not the whole story.

Figure 4 also shows (in the upper toned area) the *actual* unemployment level, when the official statistics are corrected by adding in all of the "jobless" (an official government category), not just those listed as seeking work on "official" tallies.

In Figure 5, the picture becomes worse, when you add in part-time workers (fewer than 20 hours per week), on top of the official and actual jobless. Thus, the total of unemployment and underemployment in the economy is 27% for 1996, a huge waste of manpower and a drain on the economy.

What do people do to try to cope? They scramble to find additional part-time jobs. Figure 6, covering 1987 to 1995, shows the increase in the number of people holding multiple jobs. At the lowest point in the last 10 years, in 1990, there were 55,000 multiple-job-holders; in 1991, there were almost 65,000; in 1995, there were more than 69,000.

Figure 6 reflects the fact that the number of full-time jobs (and the pay scale for those jobs) has fallen steadily in the last 13 years of "reform." So, both men and, increasingly, women, have been forced into part-time employment.

What this process amounts to, is the New Zealand version of the *maquiladora* system in Mexico, in which workers are ground up in slave-labor work zones. This is reflected in trends shown in Figures 3 and 4.

Figure 3 shows an apparent, slight downturn during 1991-95 in the combined numbers of "non-productive" and unemployed workers supported per each productive worker; Figure 4 shows a steep drop in actual unemployment from 1991 to 1995. What's going on? Some jobs were created, but the "labor market reforms" embodied in the 1991 "Employment Contracts Act" had the effect of lowering wages, so it became profitable for employers to expand their workforces, but to no benefit to the economy. During this time, there was a sweeping re-orientation—as is typical of Third World countries being put through International Monetary Fund structural adjustment—of the New Zealand economy toward export markets. Multinationals acted to take advantage of the opportunity to underpay the relatively high-skilled workforce in what was formerly an advanced-sector nation, in order to cheaply produce certain manufactured goods for export.

FIGURE 6
Holders of multiple jobs

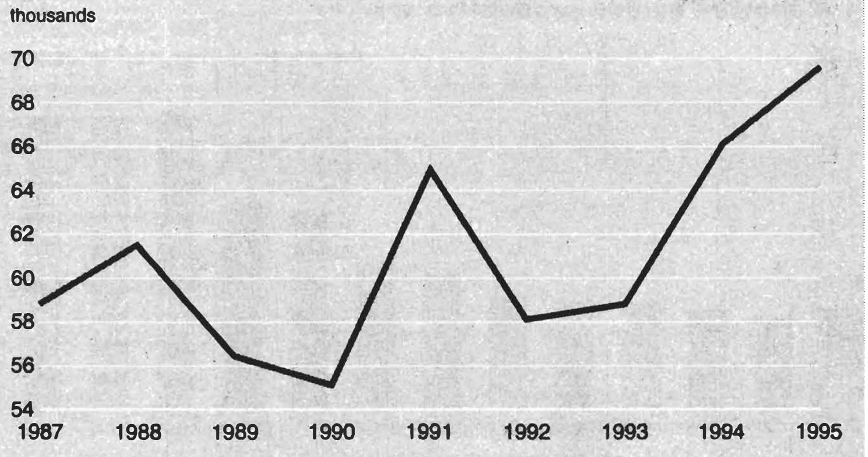


FIGURE 7
Investment in agriculture as a percentage of GNP

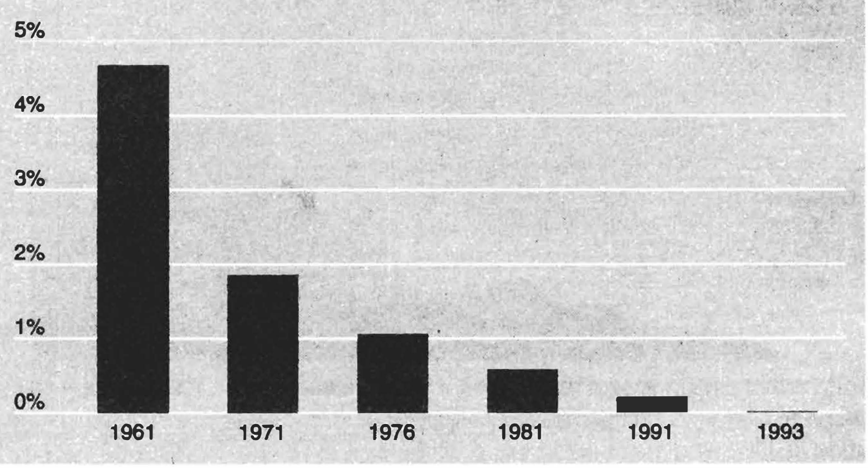
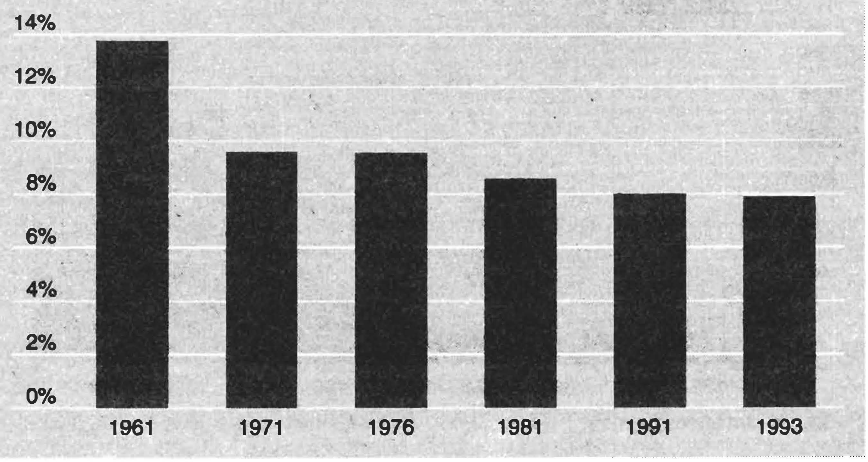


FIGURE 8
Agricultural workers, as percentage of total workforce



2. Agriculture, industry subverted

The general decline in employment in productive sectors outlined in the labor force overview, has been intense in the agricultural workforce, to the point that rural regions are being depopulated.

Figure 7 shows the drastic drop in investment into agriculture, as a percentage of New Zealand's Gross National Product, over the period from 1961 to 1993. Today's rate of investment in agriculture is a bare fraction of the 1960s' level, and the drop since the 1980s is likewise steep.

What this reflects is that the individual owner-operator farmer in New Zealand (who, in the past, was the typical source of new capital for improvements in agriculture) has been smashed since the "reforms" began.

Figure 8 shows the fall in agricultural workers as a percentage of the total workforce.

Figure 9 shows the decline in numbers of people living in rural areas. There was a downward trend from the 1960s to the 1980s, but then, in the wake of the 1984 "reforms," 30,000 people left the countryside.

Farm leader Collis Blake, a South Island cattle farmer, states that 1986 to 1990 were very bad years, due to "Rogernomics," the economic "reform" policies of Finance Minister Roger Douglas, who came into office with the Labour government in July 1984. Blake said, "The farming community in New Zealand, since 1936, had been in a totally controlled situation: guaranteed prices, or a

FIGURE 9
Rural population
thousands

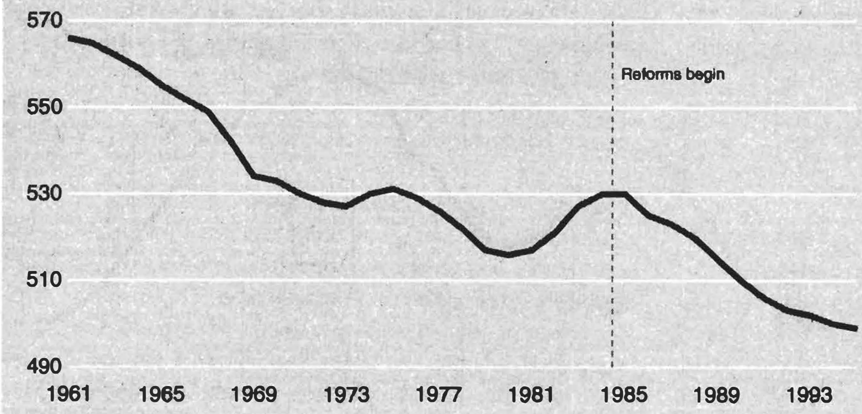


FIGURE 10
Manufacturing workers, as percentage of workforce

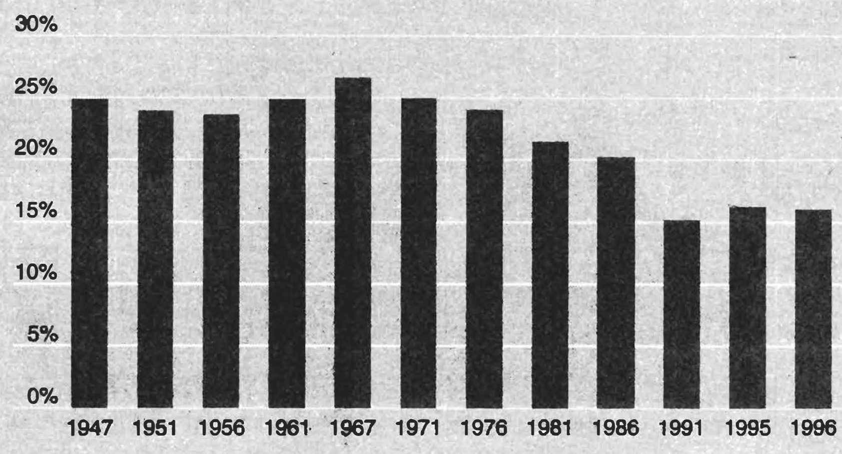
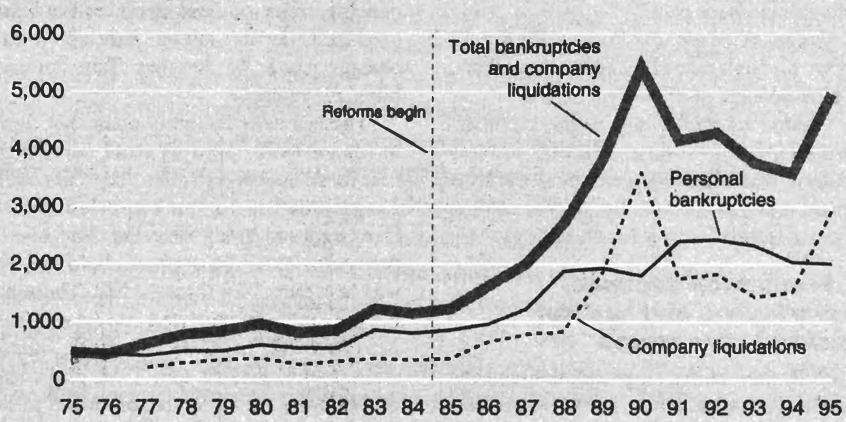


FIGURE 11
Bankruptcies and liquidations, 1975-95
numbers of bankruptcies



bottom situation. The financial part of New Zealand had been totally controlled too, that's Reserve Bank ratios, lending amounts, interest rates, etc. that had been controlled. Government money was lent out, and had been, for all sorts of things, from housing to farming, at very concessional rates over many years, and that stopped overnight. Absolutely stopped overnight. The money output was totally decontrolled, and interest rates just went straight through the roof. . . . At the same time, the produce rates went down very significantly, and interest rates went from an absolute maximum of 12%, to a minimum of 25%, and a maximum of about 36%. . . . The situation went absolutely mad, and it was the financiers, the yuppies, in the main."

Figure 10 shows manufacturing workers as a percentage of the total workforce. The sharp drop is obvious, beginning with the 1984 "reforms." The pre-existing downward trend is also clear, of the decline in the percentile of manufacturing workers since the 1960s, which was a time when the economy "worked" relatively much better.

Figure 11 shows the soaring numbers of bankruptcies, both corporate and per-

FIGURE 12
Lockouts
percent of all stoppages

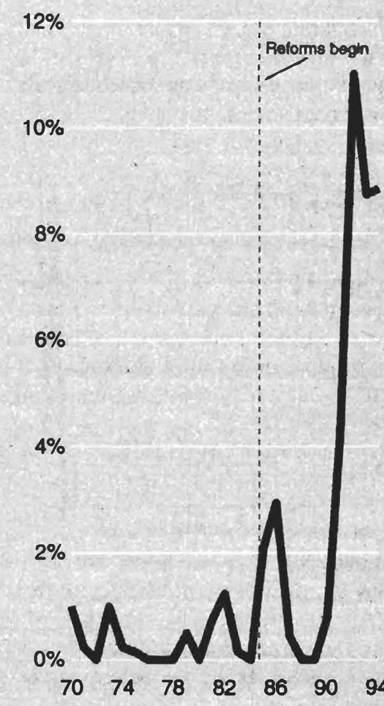


FIGURE 13
Union membership
thousands of members

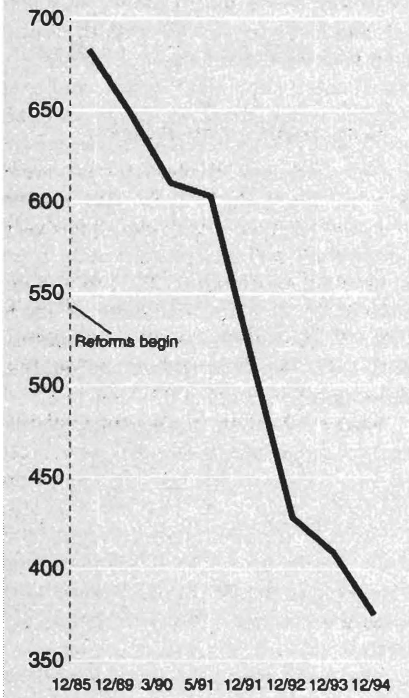


FIGURE 14
Sheep production
million head

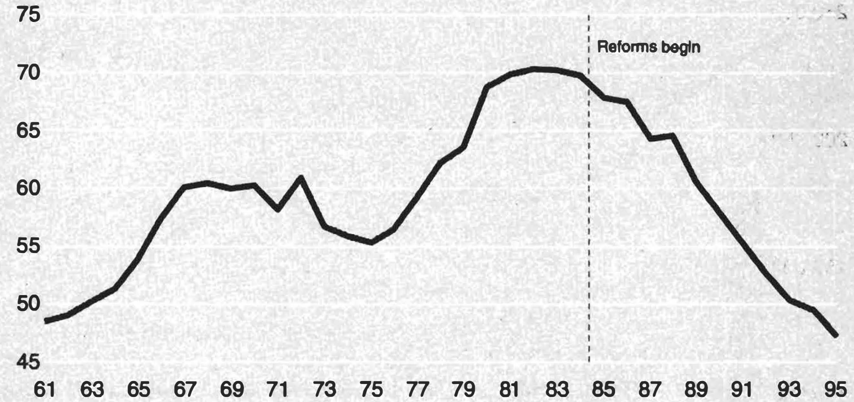


FIGURE 16
Wheat production
metric tons

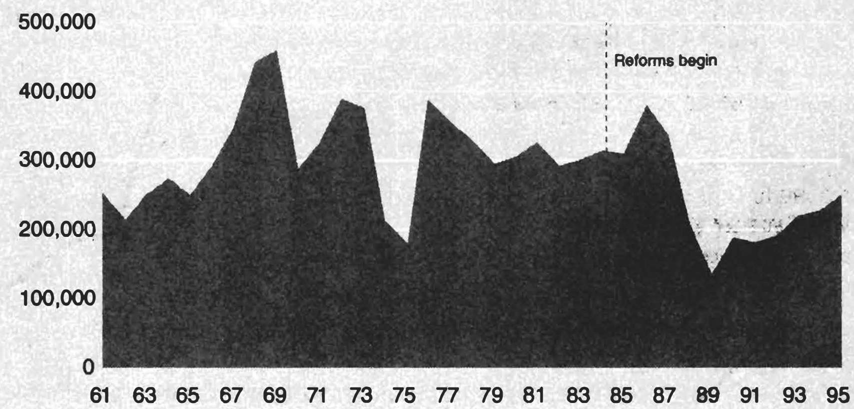
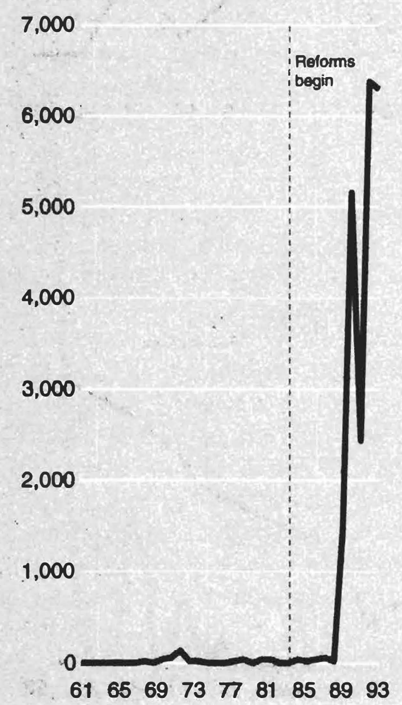


FIGURE 15
Mutton imports
metric tons



sonal, that came in the wake of the 1980s "reforms," of privatizations, and free trade swindles. The motto of Finance Minister Douglas, the architect of the reforms, was: "No gain without pain."

Organized labor was broken. **Figure 12** shows the high rate of lockouts of workers, as a percentage of all work stoppages.

Figure 13 shows how union membership fell, from close to 700,000 in New Zealand when the "Rogernomics" reforms began, down to 372,000 by 1994, a decline of close to half—and it is still falling.

3. Production declines, imports rise, and 'market baskets' deteriorate

Both the volume of production and the *potential* for production have been undermined by the 1984 "reforms," to the point where the "market baskets" of household and capital goods being consumed in the economy are below what is required to reproduce the society. Essentials of food, housing, transport, and so on are not being produced, nor consumed. Household purchasing power is plunging. Take automobiles, for example.

The last auto assembly plant shut down in March 1997. (New Zealand never manufactured motor vehicles, but cars were long assembled from imported parts.) Used cars are being recycled. The rate of new car acquisition per household in 1996 was less than 50% that of 1982. There has been a surge in imported *used* cars, from zero in 1982, to 87,385 in 1995, mostly from Japan. Radios and TVs, and many other items, are no longer produced in the country.

FIGURE 17
Wheat imports
metric tons

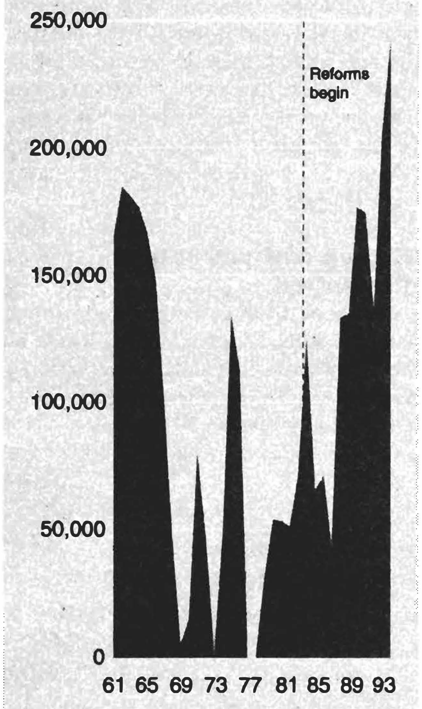
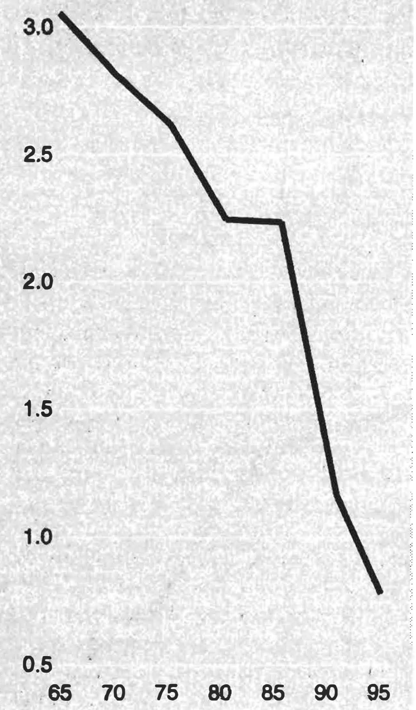


FIGURE 18
Footwear production
pairs of shoes per person



Meat is an even more striking example. Prior to the 1984 reforms, New Zealand was the world's largest sheep exporter, and accounted for over two-thirds of the entire world's export of sheep meats. **Figure 14** shows the collapse in sheep numbers since the reforms, to a level below that of 1961. **Figure 15** shows that, starting in 1989, four years after the reform, New Zealand now imports mutton. Moreover, New Zealand households are consuming over 50% less meat than in pre-reform 1982—they can't afford it.

Figure 16 shows the fall in wheat output after the 1980s' reforms. And **Figure 17** shows the rise in wheat imports, which formerly only went up if there were crop and weather problems.

This pattern of domestic output decline, rising imports, plus lowered and degraded consumption, is occurring across the board, from finished products to raw commodities. Look at shoes. **Figure 18** shows the steep drop after 1984, in domestically made footwear, per capita, in New Zealand—a place traditionally well stocked with hides.

4. Resource base, infrastructure degraded

The 1984 reforms have eroded New Zealand's economy to the point of shrinking the nation's resource base and physical infrastructure grid.

Figure 19 shows the fall in land area dedicated to farming. According to the UN Food and Agriculture Organization, farmland area has declined by 1 million hectares since 1981; and 1.25 million hectares of permanent pasture land for

FIGURE 19
Agricultural area
thousands of hectares

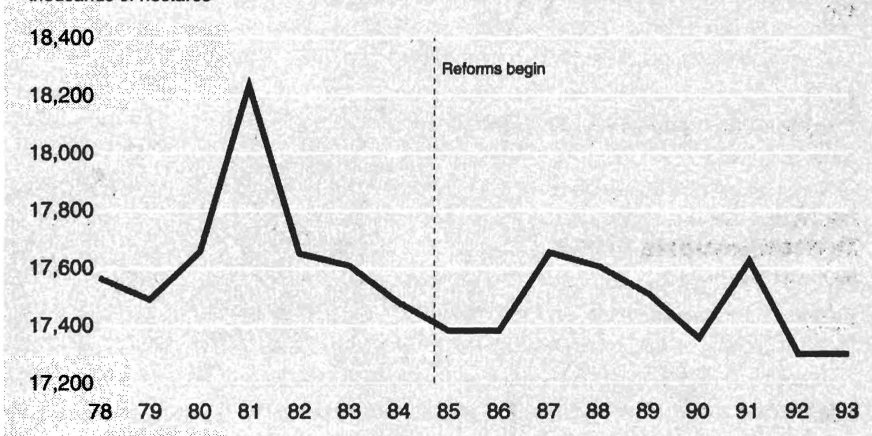


FIGURE 20
Forests and wooded areas
thousands of hectares

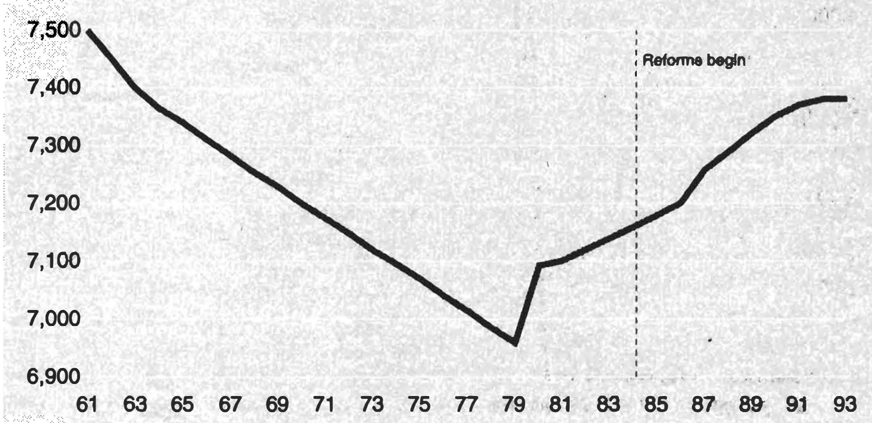


FIGURE 21
Single-track railway line
kilometers

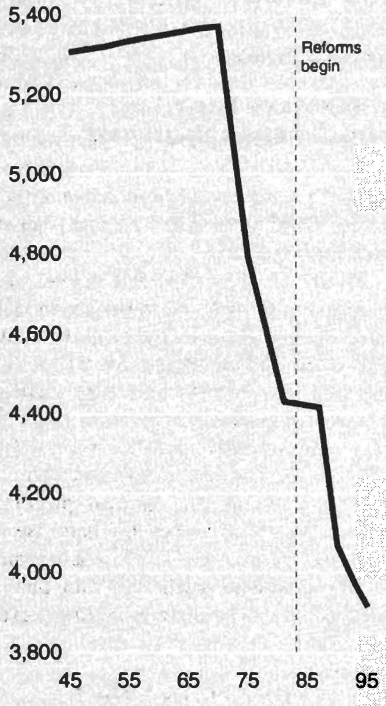
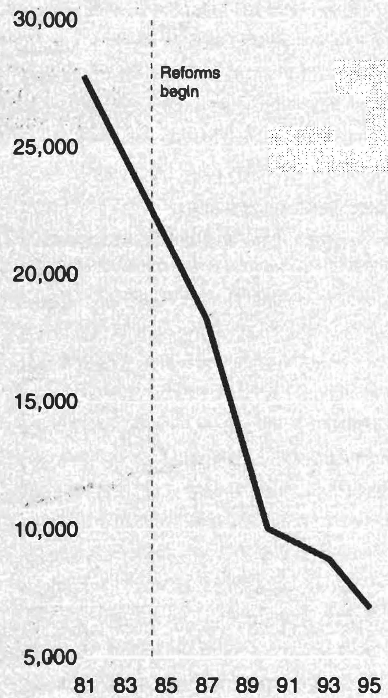


FIGURE 22
Railway rolling stock
number of wagons



sheep and beef cattle have disappeared. To survive, some sheep and cattle farmers converted to dairying. But the world dairy cartel companies are exploiting New Zealand milk output, and many farmers have gone under. For those still operating, farm living standards have plummeted. At least 73% of all farms depend on off-farm income to survive.

Figure 20 shows that the land area dedicated to forests has soared; often this is foreign-owned. Area planted to trees has almost doubled since 1984, to 1.4 million acres.

Replanting agricultural land with forests causes the disappearance of entire small towns, and the depopulation of the rural sector (as shown in Figure 9).

The national infrastructure grid (water, power, transportation) is likewise deteriorating. When key parts of infrastructure, such as power companies, the national airline (Air New Zealand), rail companies, and so on, are sold off, little or no new investment is forthcoming from the new owners, because there is no "profit" in it. Therefore, existing stores of infrastructure, built up over decades, are looted, as we see in the collapse in length of rail line (**Figure 21**) and in the amount of rolling stock (**Figure 22**).

5. Social infrastructure dismantled

All aspects of essential "soft" infrastructure of the nation have been looted by the "reforms"—education, social security services, health care, science, and so on.

FIGURE 23
General hospital beds
beds per 1,000 population

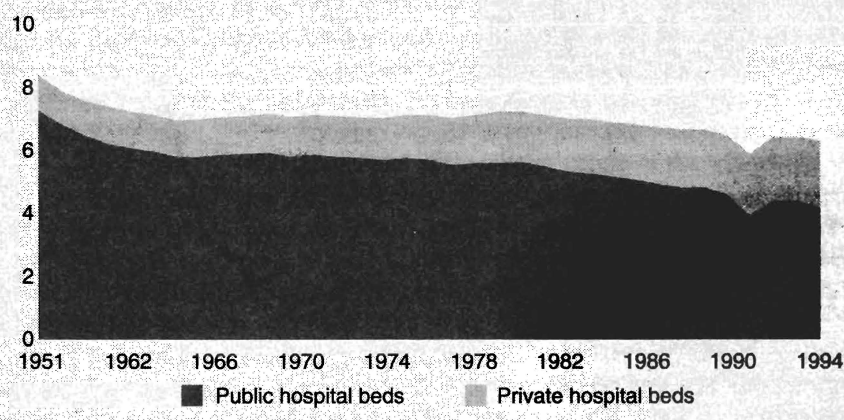


FIGURE 24
Mental hospital beds
beds per 1,000 population

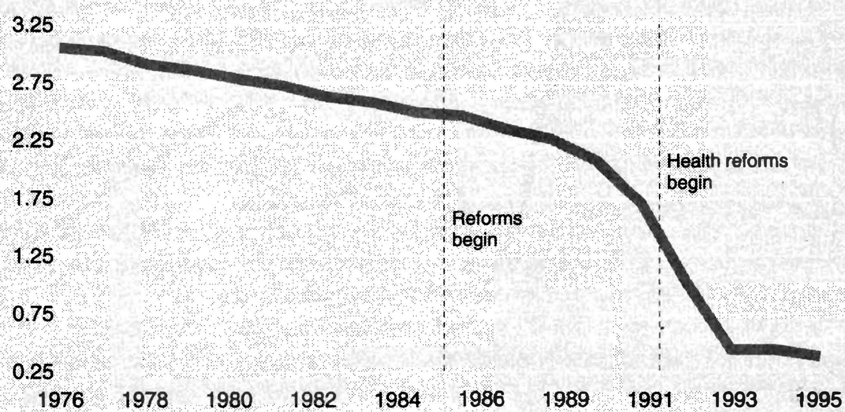


FIGURE 25
'Official' surgical waiting lists
people requiring surgery

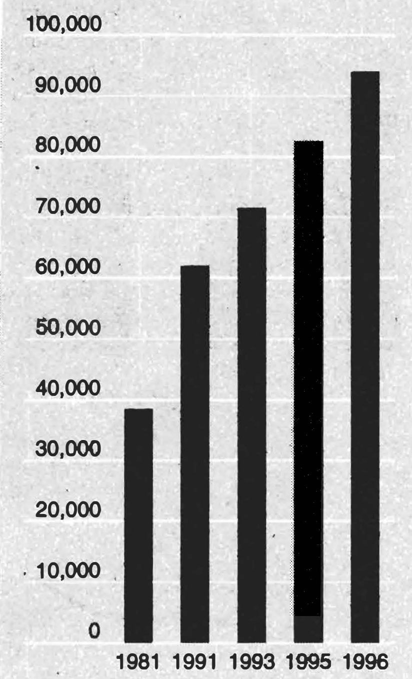
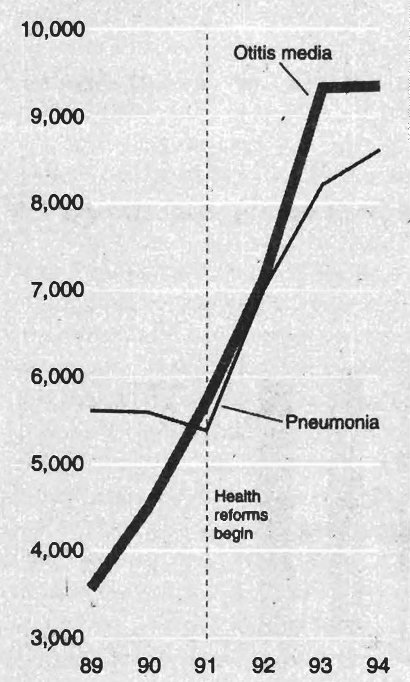


FIGURE 26
Otitis media and pneumonia
patients discharged from public hospitals



• Education. Not long ago, New Zealand's educational system was among the best in the world. In 1938, the country was the fourth most literate in the world; in 1950, the population had the highest per-capita library book lending rate, and so on. Today, the "reforms" have resulted in severe teacher shortages, unfunded schools, high pupil-to-teacher ratios, and demoralization. In 1995, of secondary school teachers, 12.9% left the profession over the 12-month period.

• Social security. As of 1938, New Zealand was recognized as having the most comprehensive social security system in the world. Benefits helped ease the problems of old age, sickness, loss of spouse or parents, unemployment, and other exceptional circumstances. Family doctor, hospital, and maternity services were *free*. The "reforms" have now all but dismantled New Zealand social security, for reasons of "business profits."

• Health care. **Figure 23** shows a slight decline in the number of hospital beds in New Zealand. The trend appears slight, only because the books were cooked; dozens of hospitals were closed during the reforms to-date, and the only reason the loss of hospital beds doesn't show up is that the official statistics lie. The sharp dip noted for 1989 hints at the reality, before the government changed its calculation methods.

The loss of mental health treatment beds is acute, shown in **Figure 24.** The present number of such beds equates to about 38 for every 100,000 persons, a dramatic decrease from approximately 225 per 100,000 in 1985; or even 500 per 100,000 fifty years ago. Desperately ill people are sent home, stuck into hotels, or cast out, and left abandoned on the streets.

Figure 25 shows the sharp climb in the waiting lists for surgery, and these are "official" figures—the real waiting lists are more than than *double* what is shown here.

Dr. John Neuze, cardiologist at Green Lane Hospital in Auckland, says that about one person per month dies while awaiting heart surgery. In fact, he says, "People are on our waiting list for over two years who would, in most Western countries, have the operation within three months. . . . Treatment has been inadequate for about ten years in this area."

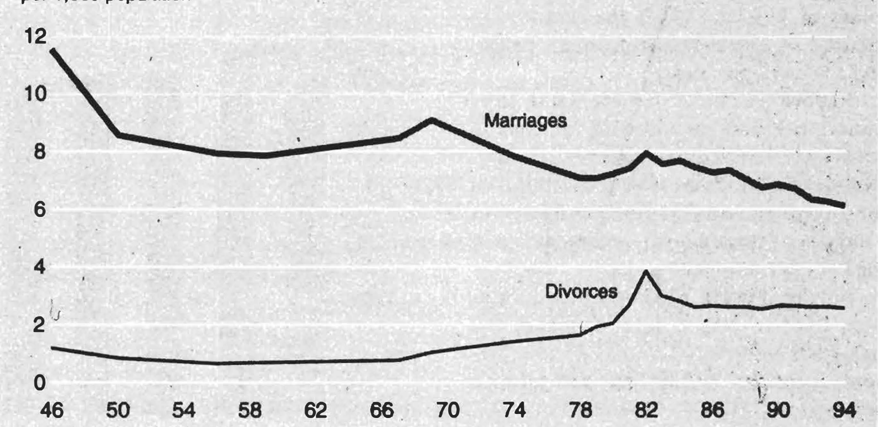
Under the 1991 health reforms, for many simpler ailments, proper treatment is lacking, even as diseases of poverty increase. **Figure 26** shows the sharp rise in *otitis media* ("glue ear"), and pneumonia, in terms of patients discharged from public hospitals. The population is getting sicker and sicker.

6. Demographic downturn

The Mont Pelerin Society-instigated reforms have so rent the fabric of society in New Zealand in a such a short time, that even crude demographic statistics show the process.

Figure 27 on "Marriage and Divorce," while showing steady decline in the institution of marriage over earlier decades, shows for the post-reform period, a high step-up in the divorce rate. (The sharp

FIGURE 27
Marriages and divorces
per 1,000 population



jump in the years around 1982 is a slight abnormality, reflecting a loosening in the divorce laws that occurred at the time.) Thus, the economic unit of the household is suffering.

Figure 28 shows a steady decline since 1966 in the size of New Zealand households. The greater drop between 1966 and 1976 reflects (in addition to a change from a 10-year interval, to a five-year interval used thereafter) the anti-family impact of the rock-drug-sex counterculture worldwide. After 1986, for the first time, the number of persons per household fell below three. The household is the unit of reproduction for society, which normally consists of adults and children; such a fall indicates that the society is not reproducing itself.

Figure 29 shows that the number of abortions skyrocketed after 1985, in the period of enormous economic uncertainty and pessimism ushered in by the Mont Pelerin Society's Rogernomics. Many other breakdown factors increased at the same time, including rates of violent crime, "white-collar" crime, and so on.

The number of people below the poverty line has risen sharply since 1989, and is now reported to be one in six New Zealanders.

7. Speculative financial bubble

While the physical economy in New Zealand collapsed, the bubble of financial aggregates and speculation grew.

Figure 30 shows that in pre-reform years, most foreign currency trade in New Zealand was to settle accounts for merchandise trade. Following the 1984 reforms, only a tiny percentage is accounted for that purpose; otherwise, foreign currencies are exchanged for speculation.

Figure 31 shows for the reform period years of 1985 to 1995, the ballooning increase of speculation in futures, options, and share options trade.

Figure 32 shows for the same time period, the start-up and wild increase in turnover of derivatives trading. Derivatives, which are a form of betting on the future value of almost anything, for example, of stock market indices, are nothing but a giant roulette game.

Finally, **Figure 33** shows that the foreign debt of New Zealand, which the free-trade reformers claim to want to prevent, increased wildly after the reforms began.

Roger Douglas and his mates originally

FIGURE 28
Average number of people per household

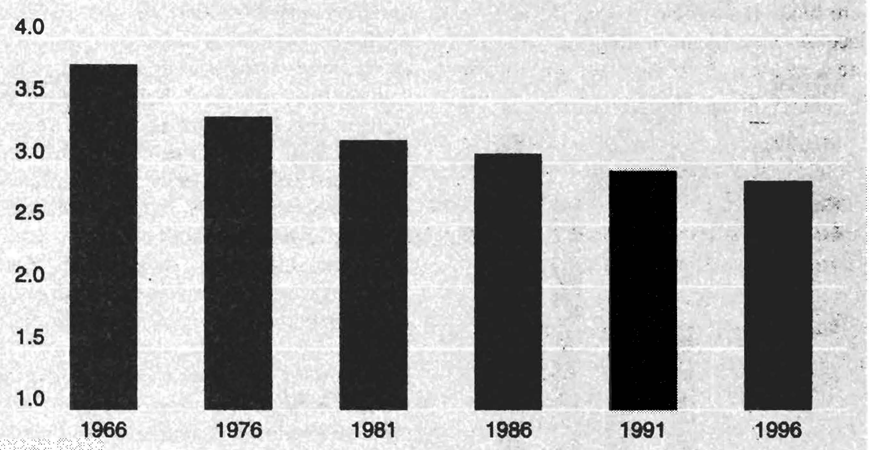


FIGURE 29
Abortions
per 1,000 women aged 15-44

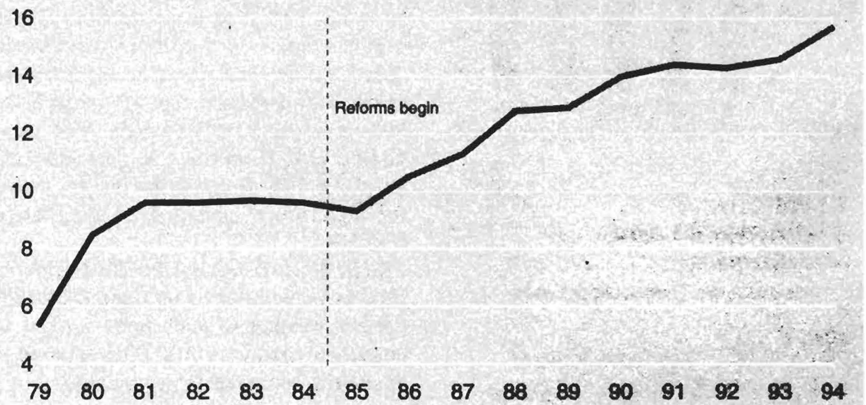
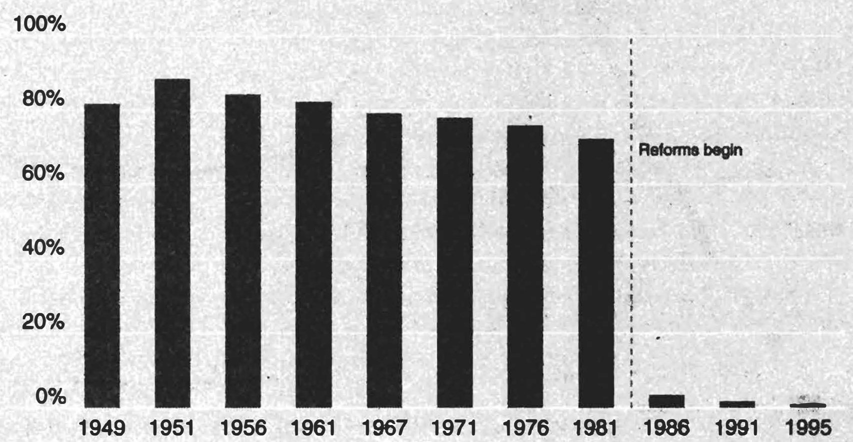


FIGURE 30
Merchandise trade, as percentage of foreign exchange



claimed that the purpose of their reforms was to eliminate the growing per-capita debt burden of New Zealanders. Instead, they dramatically worsened it. In fact, they were lying about their motives in the first place. As Douglas later admitted, "I'm not sure we were right to use the argument that we should privatize to quit [eliminate] debt. We knew it was a poor argument but we probably felt it was the easiest to use politically."

8. Lies, damn lies, and statistics

While researching the New Zealand "reforms," the *New Citizen* repeatedly found that entire categories of production (such as freezers, refrigerators, washing machines, etc.) had either been dropped from post-1985 yearbooks, so as to make physical market basket comparisons difficult, if not impossible, or, that the government and its agencies in effect lied in what they purported to show.

An example of the latter, is the use of the "average total weekly earnings" as an ostensible indicator of the average worker's well-being. For manufacturing, this is listed as approximately $630 a week, which might not look too bad (though only a little over $30,000 a year), but, it turns out that the *skilled worker* makes $100 a week *less* than that "average," and that everyone else makes still less than that. The government added in the salaries (many of which are more than $1 million) of Business Roundtable executives to get its average. The absolute numbers are less important, of course, than what the worker can actually purchase with them, compared to pre-reforms, but the *New Citizen* showed that that had collapsed as well.

FIGURE 31
New Zealand futures and options exchange
thousands of contracts made

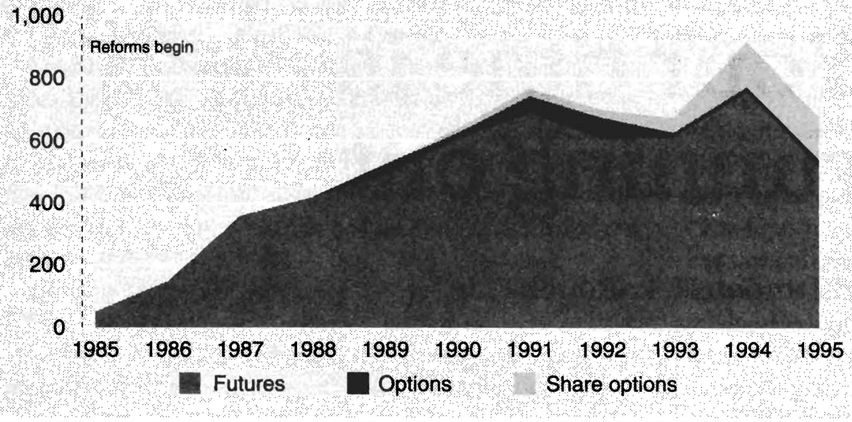


FIGURE 32
Total annual derivatives turnover
trillions $

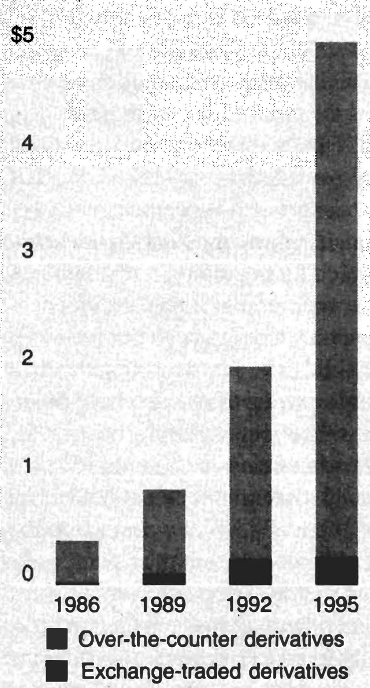
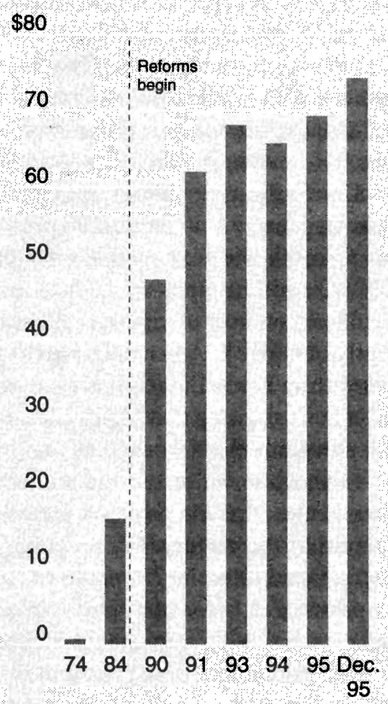


FIGURE 33
Foreign debt
billions $



Sources

The data shown on the graphs come principally from the relevant New Zealand government agencies, including Department of Labor, Census, ministries of Health and Education, Police National Headquarters, *Statistics New Zealand Yearbook,* Arbitration Commission New Zealand, the Employment Court Library, the New Zealand Parliamentary Library, and similar agencies and publications. Financial data come from the New Zealand Futures and Options Exchange, New Zealand Stock Exchange, and the Reserve Bank. Data also come from, or were corroborated by, associations such as the New Zealand Post Primary Teachers, the Federation of Trade Unions, and other labor, farm, and medical groups. International sources include the UN Food and Agriculture Organization, the World Health Organization, the Bank for International Settlements.