Ruth Richardson's Economic Record: 1990-1993

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When Ruth Richardson became New Zealand's Minister of Finance in 1990 she inherited an economy in deep recession, a state Bank [Bank of New Zealand] requiring a bailout, a budget forecast to blow out massively [by a billion dollars in 1990-1991 and forecast to be in excess of $5 billion in 1993/1994 if left unchecked], and a credit downgrade from an international credit rating agency. Much of this was not disclosed prior to the election.

Taking early and decisive action to correct the fiscal position, Ruth was a principal architect in turning New Zealand's economy around.

In her 1990 Economic Statement [two months after taking office] and her subsequent annual Budgets:

- Social welfare benefits were cut, abolished or more tightly targeted to achieve fiscal savings and to increase the margin between earnings in the workforce and earnings from a benefit.
- The age of eligibility for a state pension was increased from 60 to 65 over a 9 year period
- Tariffs on imported goods, at that time around 20%, were cut by a further third over 3 years
- Further state assets were privatised
- The health system was restructured to separate out the funding of health services from their provision
- Housing assistance was rationalised to treat people in equal circumstances equally with the tax system used to deliver an accommodation allowance to those less well off.

Ruth also initiated three other significant reforms:

- Signing a Policy Targets Agreement with the Reserve Bank requiring adherence to an inflation target of between 0-2%
- The Employment Contracts Act which reformed the labour market by abolishing the national award system and replacing it with individual or collective employment contracts, and making strikes illegal except during the negotiation of a new contract.
- The Fiscal Responsibility Act which held future governments to the principles of responsible fiscal management and included a requirement for pre-election disclosure of the country's economic and fiscal position.

As a consequence, Ruth was responsible for an economic programme that resulted in:

- dramatically reduced interest rates [from 15% in 1991 to 7.5% by 1994]
- strong employment growth [15.3% from 1991 to 1996 and the 3rd highest growth in employment in the OECD between 1991 and 2000]
- a significant decline in unemployment [from 11% in 1991 to 6% by late 1996]
- a significant fall in work days lost to industrial action [90% from the 5 years leading up to 1991 as against the 5 years leading up to 2000]
- an historic fiscal surplus in the 1993/94 financial year, the first in a generation
- a fall in government debt as a percentage of GDP [48% in 1990 to 30% by 1996]
- strong Gross Domestic Product [GDP] growth [an average of 3.6% for the 10 years from 1993]
- a reduction of government expenditure as a percentage of GDP [from around 40% in 1990 to below 31% by 2001]
- New Zealand's first credit upgrade in ten years

When she left office, the economy had recorded eight quarters of positive economic growth and she had set the stage for remarkably strong continued economic and employment growth.