

AUGUST

1 August The Commission for the Future released its report *Casualties of change: the predicament of youth in Australia*. Prepared by Richard Eckersley, principal issue analyst with the CSIRO, the report analysed the social and psychological problems faced by young Australians. Based on statistical data and discussions with youth workers, the report claimed that rapid social, economic and technological change had led to high levels of apathy, suicide, drug abuse and crime among young people. The report predicted that 350 Australians under the age of 25 would kill themselves in 1988, making suicide the second biggest killer of young people after road accidents. The peak age of people arrested for crimes against property is 16 years, for violent crimes 19–24 years.

1 August The British Prime Minister Margaret Thatcher arrived in Perth at the start of a six-day official visit to Australia. She toured Alice Springs, Canberra, Melbourne, Sydney and Brisbane. In Melbourne she was jostled by demonstrators during a walk through Bourke Street Mall. Thatcher called for the strengthening of ties between Australia and Britain and invited Prime Minister Bob Hawke to visit Britain in 1989 for official talks.



British Prime Minister Margaret Thatcher aboard a flying doctor plane during her visit to Alice Springs. Photograph by Michael Rayner, Sydney Morning Herald, 3 August 1988.

1 August The opposition leader, John Howard, called for a slowdown in the rate of Asian immigration.

1 August The federal government's Mutual Assistance in Criminal Matters Act came into force. The act allows overseas and Australian authorities to obtain evidence, search premises and seize profits from crimes committed by convicted persons from a country that has signed the agreement. The Philippines signed the agreement in March; negotiations were continuing with American, European and Asian nations.

1 August The standard doctor's consultation fee under the Medicare schedule rose by \$1 to \$18.60.

1 August A report by the Department of Public Health at Sydney University, commissioned by the National Campaign Against Drug Abuse, found that more than 60 000 Australians aged between 20 and 30 had used heroin.

1 August The NSW Commission of Audit report *Focus on reform* revealed that the state had liabilities of \$46 billion. The report, commissioned by the premier and completed by three private-sector financiers, recommended large public sector cuts and reforms to statutory authorities including Elcom and the State Rail Authority.

1 August Prime Minister Bob Hawke opened an exhibition in Sydney of film and sound memorabilia from the National Film and Sound Archive. The exhibition, *Take '88*, toured NSW, Qld, SA and Victoria.

2 August High Court judges abandoned their traditional robe, jabot and wig in favour of new full-length woollen gowns.

2 August As part of a series of nationwide rallies, wheat growers in Dubbo, NSW, demonstrated against the federal government's move to deregulate the wheat industry. Other rallies had been held at Warracknabeal, Vic, on

29 July and Narrandera, NSW, on 1 August. Primary Industries Minister John Kerin had suggested deregulation of the domestic wheat industry at a meeting of the Grains Council of Australia in Adelaide on 20 April.

2 August Scientists reported that fur seals had again begun to breed in large numbers on Heard Island, a remote Australian territorial outpost 4100 kilometres southwest of Perth. Fur seal populations had been drastically reduced by Sydney-based sealers in the nineteenth century, and although some seals had returned to the sub-Antarctic island, none were known to have bred there.

3 August Prime Minister Bob Hawke announced that fifteen Australian Army officers would be sent to the Persian Gulf as part of the United Nations Iran-Iraq Military Observer Group, a peace monitoring force. The officers left from Sydney on 14 August.

3 August Six survivors of the Philippines bulk ore carrier *Singa sea* were rescued after spending 30 days drifting in a life boat off the WA coast. Their vessel was wrecked on 4 July, two days after leaving Bunbury, Western Australia. A previous search had failed to find any trace of the ship or its 25 crew.

3 August Western Australian Independent Senator Jo Vallentine was gaoled for three days after refusing to pay a fine imposed by the Alice Springs Magistrate's Court, which had found her guilty of trespassing on the US base at Pine Gap in October 1987. She was released after two days.

4 August Federal cabinet adopted the compromise proposal submitted by Environment Minister Graham Richardson for Tasmania's Lemnathyme and Southern Forests. The proposal called for the protection of 80 per cent of the area investigated by the Helsham Inquiry. About \$40 million compensation would be paid to the Tasmanian timber industry.

4 August Former diplomat Sir Keith Shann died aged 70 in Canberra.

4 August Aboriginal activist and community worker Winnie Quagliotti died aged 57 in Coranderrk, Victoria.



The funeral procession of Aboriginal matriarch Winnie Quagliotti on its journey to Coranderrk Cemetery, Vic. Photographs by Jason Childs (inset), Age, 10 August 1988 and John Lamb, Age, 11 August 1988.

4 August The SA cabinet asked SA Health Minister John Cornwall to resign after the Adelaide District Court awarded damages against him in a defamation case brought by a North Adelaide surgeon. The surgeon, Peter Humble, sued Cornwall for slander over comments he made about Humble during a 1984 news conference on the Medicare debate. The SA Premier John Bannon appointed Frank Blevins as minister for health on 11 August.

4 August Three pedestrians were killed and eight others injured when a 2.4-tonne concrete slab fell from a crane on to the footpath in Queen Street, Brisbane.

4 August The WA Supreme Court awarded \$371 000 damages to two men who contracted the fatal lung disease mesothelioma after working at Wittenoom asbestos mine owned by CSR Ltd. One of the men had died on 1 April.

4 August The exhibition *Out of sight, out of mind* surveying the history of prisons, asylums and other places of confinement opened at the S.H. Ervin Art Gallery in Sydney. It closed on 18 September.

4 August The Australian Biennale 1988 opened at the National Gallery of Victoria. It closed on 25 September.

5 August The United Nations Working Group on Indigenous Populations released a report in Geneva stating that Australia was violating its human rights obligations in its treatment of Aborigines. Prepared by Professor Erica Daes who visited Australia between December 1987 and January 1988, the report stated that 'the original inhabitants of this large and plentiful continent [are] living in poverty, misery and extreme frustration'.

5 August In a Sydney radio interview the opposition leader, John Howard, attacked multiculturalism and called for a 'One Australia' policy on Asian immigration.

5 August At the annual conference of the NT Country Liberal Party in Alice Springs, Chief Minister of the NT Marshall Perron called for a boost in immigration from Asia, as well as Europe, to speed national development.

5-7 August The Third National Conference on AIDS, attended by 1400 delegates, was held in Hobart. The theme of the conference was 'Living with AIDS: toward the year 2000'. It was noted that 482 people had died from AIDS in Australia. The opposition spokesperson on health, Wilson Tuckey, caused controversy by stating that AIDS resulted from 'deliberate and possibly unnatural activity . . . You don't catch AIDS, you let someone give it to you.'

6 August Thirty kilometres of the old Ghan passenger railway line between Macdonnell and Ewaninga, south of Alice Springs, NT, was reopened to commemorate the arrival of the Ghan from Port Augusta to Alice Springs in 1929. Volunteers from the Ghan Preservation Society had worked since 1985 to restore locomotives, carriages, the railway station and the line.



A break in their London rehearsal for members of the Australian Youth Orchestra during their month-long Grand Bicentennial Tour.

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6 August The Australian Youth Orchestra commenced a Grand Bicentennial Tour to Asia and Europe with a concert in Singapore. The tour continued to London, Holland, West Germany, East Germany and Hungary, concluding on 9 September.

6 August The Swan Premium Freestyle Skiing International was held at Perisher Valley, New South Wales.

7 August In a speech in Bunbury, WA, Prime Minister Bob Hawke warned that Australia's economic relations with the South-East Asian region were being jeopardised by the political debate over the level of Asian immigration.

7 August Four people were killed when two light planes collided over Moreton Bay near Brisbane.

7 August Western Australian Premier Peter Dowding announced the formation of a special state government task force to investigate problems in Aboriginal communities.

7 August Canberra defeated North Melbourne 108-101 to win the best-of-three men's National Basketball League grand final.

8 August Melbourne historian Marjorie Tipping claimed that a letter written in 1822 by John Hart to A. W. H. Humphrey, a Hobart magistrate, referred to John Batman, Melbourne's pioneer, as a convict. The letter was found in the Mitchell Library, Sydney, among Tasmanian Police Department Records. In it, Hart, a settler at Oyster Bay, Tas, described Batman as 'one of my assigned servants'.

8 August Social Security Minister Brian Howe and his NZ counterpart Michael Cullen signed an agreement whereby NZ would reimburse Australia for the cost of all pensions paid to New Zealanders resident in Australia. The agreement would come into effect from April 1989.

8 August At 8.08 am sailor Kay Cottee officially started the Around Australia Bicentennial Yacht Race from Sydney. A Qld competitor drowned and 13 others were rescued after the 21-boat fleet encountered 50-knot winds and 7-metre seas as it headed north of Port Stephens on the NSW central coast later in the day. Three vessels including the NSW police rescue launch *Sea eagle* sank during the storm.

9 August In Paris, the Organisation for Economic Co-operation and Development released its 1987/88 review of Australia. The annual review praised the federal government's budgetary and wages policies but expressed concern over the growth in the foreign debt.

9 August Victorian Treasurer Robert Jolly brought down the state's annual budget revealing a surplus of \$141 million. Middle and low-income families were the main beneficiaries from a family support package that increased the education allowance for children, introduced stamp duty exemptions for lower income first home buyers and reduced motor vehicle registration fees by 50 per cent. On 29 August the Vic Premier John Cain announced a state election for 1 October.

9 August The Australian Institute of Marine Science and ICI Australia Operations Pty Ltd

announced the development of a new sunscreen at the Sixth International Coral Reef Symposium in Townsville, Queensland. The new drug was a version of synthesised amino acids used by corals to withstand the tropical sun.

9 August The Ecological Society of America announced that it had awarded the Eminent Ecologist Award for 1988 to Professor Charles Birch, Emeritus Professor of Biology at Sydney University.

9 August A pre-Olympic Games men's basketball six-test series between Australia and the USSR commenced in Brisbane. The Australian team lost all six matches. The final match was played in Perth on 17 August.

10 August The Australian Bureau of Statistics tourism figures for June revealed that a total of 301 200 visitors arrived in Australia, an increase of 25 per cent for the same period in 1987, while 316 900 Australians left the country, an increase of 20 per cent.

10 August The full bench of the Qld State Industrial Commission rejected an application by the Qld Confederation of Industry to remove the 17.5 per cent holiday pay loading.

10 August Thomas Ericksen died aged 52 in Melbourne. Ericksen was due to face 230 charges including fraud, sexual assault and blackmail brought by the National Crime Authority and the Vic police.

10 August Seven members of the religious sect dubbed 'The family' headed by Anne Hamilton-Byrne were sentenced by the Ringwood Magistrate's Court, Vic, to five months gaol for making false social security claims.

10 August The full bench of the Federal Court in Sydney quashed Alan Bond's attempt to have an Australian Broadcasting Tribunal inquiry into his fitness to hold a broadcasting licence dropped. The inquiry would investigate circumstances surrounding contradictory evidence Bond had given to the ABT in 1987 over a \$400 000 out-of-court defamation settlement paid by Bond to former Qld premier Sir Joh Bjelke-Petersen.



NSW Premier Nick Greiner joins dancers in traditional dress at the launch of Carnivale 1988. Photograph by Glenn Gibson, Australian, 11 August 1988.

10 August In Sydney NSW Premier Nick Greiner launched Carnivale 1988, a sixteen-day multicultural festival.

11 August The Australian Bureau of Statistics released figures showing that Australia's unemployment rate had fallen to 6.9 per cent in July, the lowest seasonally adjusted unemployment rate in six years.

11 August In Perth, National Party leader Ian Sinclair advocated reduced Asian immigration.

11 August The Anglican Church paid sacked Toowoomba headmistress Penny Mosquera \$100 000 in an out-of-court settlement. Mosquera agreed not to pursue court action over her sacking on 30 June as headmistress of the Glennie Memorial School.

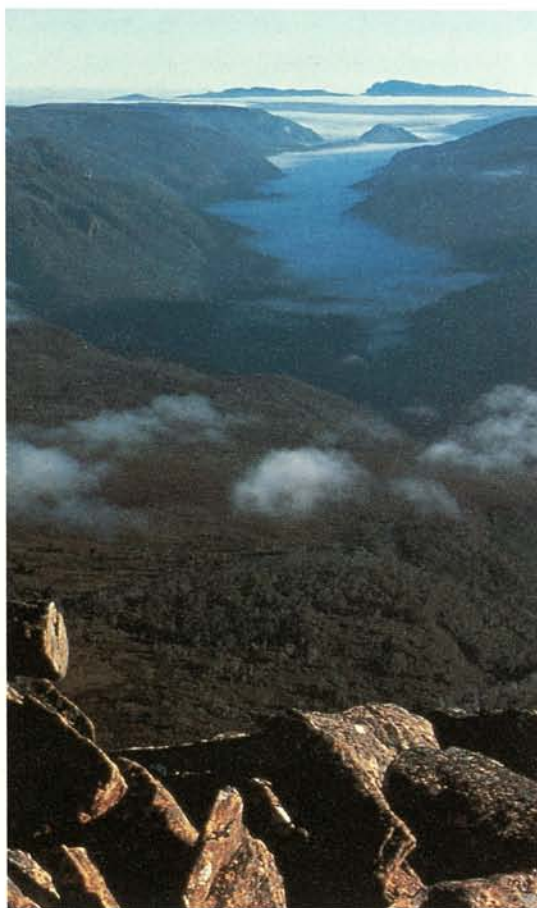
11 August Prime Minister Bob Hawke revealed in a meeting with Tas Premier Robin Gray in Canberra that a further 146 000 hectares of Tasmania's wilderness would be protected by the federal government.

11 August Tasmanian sawmill companies staged a 24-hour 'strike' to protest against the federal government's decision to protect 80 per cent of the Lemonthyme and Southern Forests area.

11 August About 700 students, parents and teachers demonstrated against NSW Education Minister Terry Metherell, and called for his resignation at an Education Department reception at Jamison High School, South Penrith, New South Wales.

11 August Australian heavyweight boxing champion Dean Waters and his trainer and father Cecil Waters were charged with conspiracy to murder after the shotgun death of Alan Hall on 29 June. Hall had been living with Cecil Waters' estranged wife. The charges would be heard in Wyong Local Court, NSW, on 31 October.

11 August The SA wine company Thomas Hardy and Sons won the Jimmy Watson Trophy for its 1987 cabernet sauvignon at the Royal Melbourne Wine Show Awards.



Part of the Lemonthyme Forest, Tas, under threat from logging interests. Photograph by Grant Dixon.
TASMANIAN WILDERNESS SOCIETY

CELEBRATIONS ON THE
BIRTHDAY OF HRH THE PRINCE
OF WALES

12 August 1788 'The Governor in honour of the day, gave a dinner to every gentleman in the settlement, & we seemed to enjoy ourselves much more than we did the 4th June, but White & Balmain, in the evening, in the course of conversation, quarled about some duty, & the went out in the middle of the night to decid it with pistols, without any seconds. The report of the pistols alarmed the guards, for, before the patroles could come up with them, they had each fired 5 rounds, without doing any material injury to each other. Balmain received a small flesh wound in the right thigh, a little above the knee. It would not have rested there had not the Governor taking the matter in hand, & convinced the 2 sons of Esculipious that it was much better to draw blood with the point of there lance from the arm of their patients, than to doe it with pistol balls from each other.'

MARINE LIEUTENANT RALPH CLARK

12 August The Conciliation and Arbitration Commission delivered its national wage case decision in Melbourne. The commission abandoned across-the-board national wage rises in favour of making 3 per cent and \$10 a week rises available during the following twelve months, which would be conditional on unions agreeing to the restructuring of their awards. The decision represented a 5.2 per cent increase for a worker on average earnings. The increase became available from 1 September.

12 August The High Court ruled that two of the federal government's proposed advertisements advocating a 'yes' vote for the 3 September referendum were illegal. The advertisements breached the Referendum (Machinery Provisions) Act.

12 August World Boxing Council featherweight champion Jeff Fenech successfully defended his title at the National Tennis Centre in Melbourne when he knocked out Trinidad's Tyrone Downes.

13 August Historian Sir Keith Hancock died aged 90 in Canberra.

13-14 August Queenslanders Murray Coote and Iain Stewart won the Esanda Rally, Australia's premier motor rally, in Canberra.



One of the paintings to be displayed in the controversial exhibition Bond — towers of torture. The exhibition also included sculptures, prints and photographs and opened as scheduled on 9 September. Photograph by Elizabeth Dobbie, Sydney Morning Herald, 9 September 1988.

14 August The Pro Vice Chancellor of Sydney University, Professor Sue Dorsch, ordered the director of the university's Tin Sheds Gallery to cancel an exhibition critical of Alan Bond. The exhibition, *Bond — towers of torture*, was intended to focus on Bond's involvement with Chile and was scheduled to open on 9 September. The university reversed its decision on 26 August after pressure from university staff.

14 August In Sydney, Governor-General Sir Ninian Stephen opened a conference tracing Australia's development entitled 'Terra Australis to Australia'. Organised by the Australian Academy of the Humanities, 33 speakers addressed the conference held in two parts at Sydney University and the Australian National University from 14–25 August. In conjunction with the conference the exhibition *Terra Australis — the furthest shore* was held at the NSW Art Gallery.

14 August Steve Moneghetti and Lisa Martin won the annual 14-kilometre City to Surf race in Sydney in times of 40 minutes, 17 seconds and 45 minutes 47 seconds respectively, from a field of more than 37 000 runners.

15 August The opposition leader, John Howard, placed a ban on immigration statements by his party. The only exceptions in Howard's directive were himself, National Party leader Ian Sinclair and immigration spokesperson Alan Cadman.

15 August Militant unionist and communist Clarrie O'Shea died aged 83 in Melbourne.

15 August Melbourne's city councillors elected Councillor Winsome McCaughey as Melbourne's Lord Mayor to succeed Councillor Leckie Ord.

15 August A Sydney coroner ordered a full coronial inquest into the deaths of two Royal Australian Navy sailors who were swept overboard when the submarine HMAS *Otama* dived off Sydney's South Head on 3 August 1987.

15 August Western Australian police arrested 22 people after a group of Aborigines allegedly stoned police and attacked the police station in the remote northern town of Halls

Creek. Trouble broke out when Aborigines allegedly began removing cartons of alcohol from a parked road train.

15 August A research team led by Professor Jack Martin of Melbourne University announced the development of an antibody treatment for high levels of blood calcium, one of the most common complications of cancer.

15 August The Changi chapel was opened at Duntroon, Canberra. The Roman Catholic chapel, built from scraps of wood and corrugated iron at the Changi prisoner of war camp in Singapore during World War II, had been disassembled and returned to Australia at the end of the war. It stands in the Duntroon grounds as a memorial to all Australian prisoners of war.

16 August The NSW government announced a royal commission into mental health services including an inquiry into the use of 'deep sleep' therapy at the Chelmsford Private Hospital in Sydney's northwest. Twenty-four people allegedly died at the hospital between 1963 and 1979. The royal commissioner would be Justice John Slattery of the NSW Supreme Court.

16 August Sculptor Cath Phillips was fined \$400 in Mildura Local Court for displaying an



Winsome McCaughey delivers her inaugural speech as Melbourne's Lord Mayor. Australian, 16 August 1988.

obscene expression in a public place at the 1988 Sculpture Triennial at Mildura in April.

17 August The Chief Minister and Treasurer of the NT, Marshall Perron, handed down the NT budget aimed to create jobs in the private sector and encourage vigorous economic growth. He committed the government to \$1.561 billion in spending for 1988/89, an increase of 3.5 per cent.

17 August More than 50 000 people attended a rally in Sydney's Domain to protest against changes to the NSW education system. It was the biggest education protest in the state's history and virtually closed the public school system; 94 per cent of the state's schoolteachers went on strike. Protestors marched from the Domain to Sydney's Parliament House in Macquarie Street.

17 August Foreign Affairs Minister Bill Hayden resigned from the Hawke ministry, parliament and the Australian Labor Party to accept the position of governor-general. His appointment was announced by the Queen. Hayden succeeds Sir Ninian Stephen and will be sworn in on 16 February 1989.

17 August The two-week fifth Festival of Pacific Arts opened in Townsville, Queensland. Organised by Aborigines and Torres Strait Islanders and funded by the federal government, more than 1800 people from Australia and 25 other countries attended the festival, one of the largest cultural events in Australia.

17 August Premier Nick Greiner announced the appointment of retired naval officer Rear-Admiral David Martin as the next governor of NSW to succeed Air-Marshal Sir James Rowland. He was sworn in on 20 January 1989.

18 August Prime Minister Bob Hawke and NZ Prime Minister David Lange signed the revised Closer Economic Relations agreement in Canberra. The free trade agreement commences on 1 July 1990.

18 August The first official National Vietnam Veteran's Day was held on the twenty-second anniversary of the Battle of Long Tan in which 18 Australians were killed. The national day was one of the recommendations of the Agent Orange Royal Commission. In ceremonies around the country hundreds of

BILL HAYDEN

Born in 1933, William George Hayden, a former police officer, entered federal parliament in 1961. He held the social security and treasury portfolios in the 1972-75 Whitlam government, which was sacked by the Governor-General Sir John Kerr in November 1975. Hayden led the Australian Labor Party from 1977 to 1983 when Bob Hawke succeeded him. He held the foreign affairs portfolio in the Hawke government from 1983.

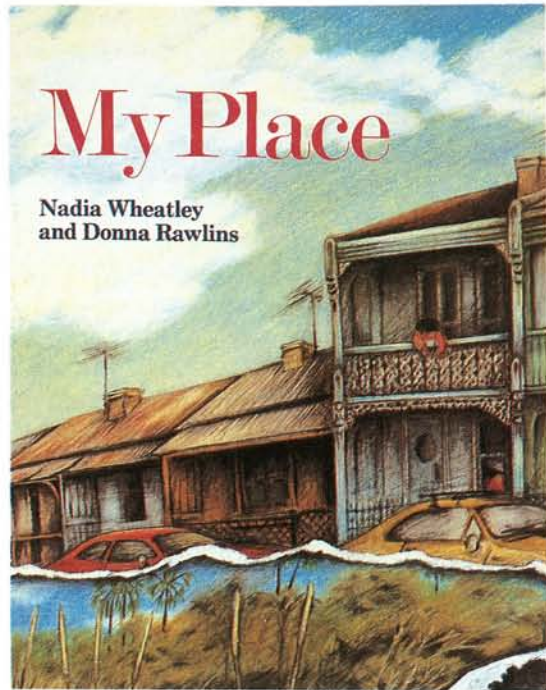
On 10 July 1988, in an interview on Channel 9 television program *Sunday*, Hayden indicated that he would become the next governor-general. He played down his republican sentiments stating 'republicanism is not as important as many other issues, not the least of which are the welfare of the Australian community, the strength of the economy and the security of the country.' Rumours had been rife throughout 1988 that Hayden would succeed Governor-General Sir Ninian Stephen. Information was leaked that Prime Minister Bob Hawke had canvassed the subject with Hayden in September-October 1987, but Hayden denied the conversation. On 30 June 1988 the leader of the opposition, John Howard, claimed that Hawke had discussed the appointment of Hayden at a meeting with him in early June. The opposition subsequently orchestrated a campaign against the suitability of Hayden, releasing a series of his past comments critical of the office including his remark in March 1977 'I don't believe that we need any such position'.

veterans and their families paid tribute to Australians killed in Vietnam.

18 August Cronulla-Sutherland rugby league half-back Barry Russell was named winner of the 1988 Rothmans Medal.

19 August The High Court refused to order overseas airlines to pay the Commonwealth the immigration fees collected from international air travellers brought into Australia in the first half of 1988. The Commonwealth had sought to make airlines hand over about \$5 million collected before the fee was repealed on 30 June.

19 August The 1988 Children's Book Awards were announced in Perth to mark the beginning of Children's Book Week. The award for Book of the Year for Older Readers went to John Marsden, *So much to tell you*; Book of the Year for Younger Readers went to Nadia Wheatley and Donna Rawlins, *My place*; Picture Book of the Year went to Bob Graham, *Crusher is coming*. *My place* by Wheatley and Rawlins also won the Eve Pownall Award for a non-fiction book that contributes 'to children's understanding and knowledge of the natural or social environment'. A record 142 books were submitted for the awards.



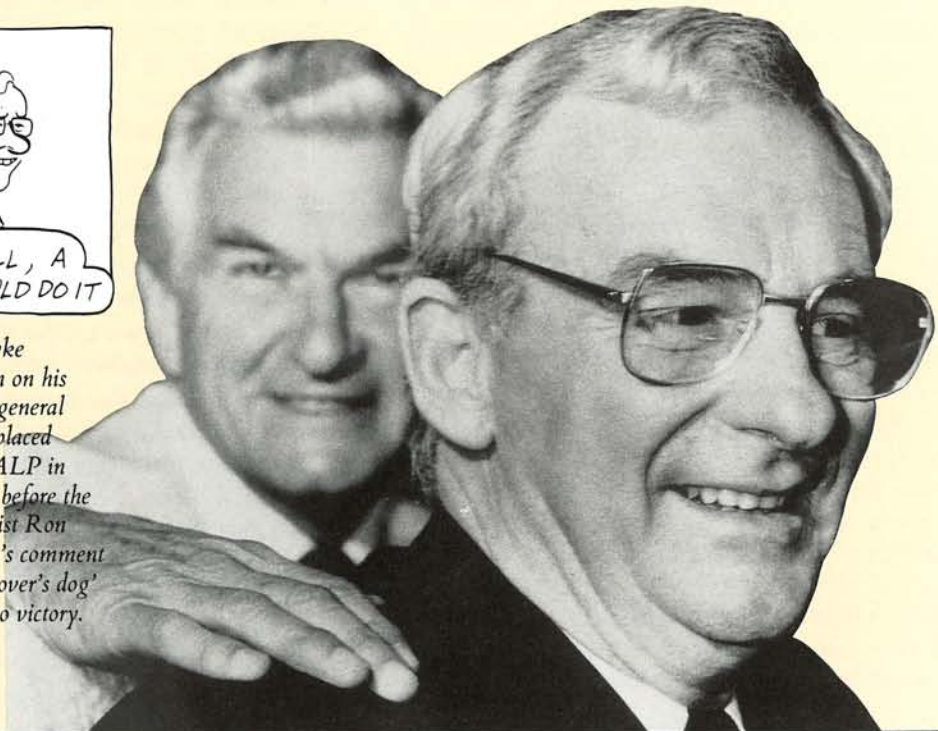
Nadia Wheatley
and Donna Rawlins

Award winning children's book My place by historian Nadia Wheatley and illustrator Donna Rawlins 'flips you back into the past, where you'll meet other Australian girls and boys who have lots in common with you . . . no matter where you live in Australia, your place has a story as old as the land.' Published by Collins Dove, Vic.

TANDBERG



Prime Minister Bob Hawke congratulates Bill Hayden on his appointment as governor-general designate. Hawke had replaced Hayden as leader of the ALP in February 1983, a month before the federal elections. Cartoonist Ron Tandberg quotes Hayden's comment in March 1983 that a 'drover's dog' could have led the ALP to victory. Age, 18 August 1988.



20 August Queensland National Party candidate Judy Gamin narrowly won the Qld seat of South Coast in a by-election caused by the resignation of former National Party minister Russ Hinze.

20 August The Bicentennial Army Tattoo '88 opened at the Sydney Entertainment Centre. The tattoo included more than 1000 performers with contingents from the US, NZ, Britain, Papua New Guinea and Canada. The show toured Brisbane, Townsville, Darwin, Perth, Adelaide, Hobart, Melbourne, finishing in Canberra on 5 December.

21 August Australian and US government officials signed an agreement to expand and deregulate air services between the two countries. Three American airlines would be allowed to carry tourists on domestic routes within Australia; Qantas would be granted reciprocal rights.

21 August The annual Wynn's Safari race began in Alice Springs. The fifteen-day event for motorcycles, four- and two-wheel-drive vehicles covers 10 000 kilometres to Darwin via the Kimberleys, then to Sydney via Mt Isa. Driver Ross Dunkerton and navigator Steven McKimmey of Perth won the event in a Mitsubishi Pajero. Ninety-six of the 200 competitors completed the race.

22 August Immigration Minister Clyde Holding resigned his portfolio. A reshuffle was announced following Bill Hayden's resignation as minister for foreign affairs. Changes, which came into effect from 2 September, included the appointment of Senator Robert Ray as minister for immigration; Senator Gareth Evans as minister for foreign affairs and trade; Ralph Willis as minister for transport and communications; Clyde Holding as minister for the arts and territories; Peter Morris as minister for industrial relations; and Gary Punch and Robert Brown as junior ministers within the transport and communications portfolio.

22 August Governor-General Sir Ninian Stephen opened the first sitting of the federal parliament in the new Parliament House.

22 August Irina Dunn was sworn in as an

23 August 1788 'All along the shore we met the natives, who seem to have no fixed residence or abode; but, indiscriminately, whenever they meet with a hut, or, what is more common, a convenient excavation or hole in the rocks, take possession of it for the time. In one of their huts, at Broken Bay, which was constructed of bark, and was one of the best I had ever met with, we saw two very well made nets, some fishing lines not inferior to the nets, some spears, a stone hatchet of a very superior make to what they usually have, together with two vehicles for carrying water, one of cork, the other made out of the knot of a large tree hollowed. In this hut there were two pieces of coarse linen, which they must have obtained from some of our people, and every thing about it bespoke more comfort and convenience than I had observed in any other.'

JOHN WHITE,
SURGEON GENERAL TO THE SETTLEMENT

Independent senator after quitting the Nuclear Disarmament Party (NDP). Members of the NSW branch of the NDP had passed a motion of no-confidence in Dunn on 14 August.

23 August Prime Minister Bob Hawke presented a resolution to recognise prior occupation of Australia by Aborigines as the first business in the new Parliament House. The resolution had been proposed by the heads of Australia's churches. The resolution acknowledged that 'Australia was occupied by Aborigines and Torres Strait Islanders who had settled for thousands of years before British settlement at Sydney Cove on 26 January 1788; Aborigines and Torres Strait Islanders suffered dispossession and dispersal upon acquisition of their traditional lands by the British Crown; and Aborigines and Torres Strait Islanders were denied full citizenship rights of the Commonwealth of Australia prior to the 1967 Referendum.' It affirms 'the importance of Aboriginal and Torres Strait Islander culture and heritage; and the entitlement of Aborigines and Torres Strait



The 148 members of the House of Representatives in the opulence of their new chamber during the first sitting in the new Parliament House, Canberra. Age, 22 August 1988.

Islanders to self-management and self-determination subject to the Constitution and the laws of the Commonwealth of Australia; and considers it desirable that the Commonwealth further promote reconciliation with Aboriginal and Torres Strait Islander citizens providing recognition of their special place in the Commonwealth of Australia.'

The resolution failed to attract bipartisan support after the opposition leader, John Howard, moved an amendment to insert the words 'in common with all other Australians' after the words 'self-determination'. The amendment was defeated in both the House of Representatives and the Senate and the resolution was passed.

23 August In his budget speech to parliament Treasurer Paul Keating declared that Australia was emerging from its economic crisis and announced a projected budget surplus of \$5.5 billion. The budget included a cut in indirect taxes by \$400 million; a cut in personal taxes from 1 July 1989; a rise in the family allowance

supplement from 29 December; the establishment of a 'New start program' to provide adult long-term unemployed with 25 000 places; and places for 40 000 new university students over three years to be funded by a university tax contribution scheme under which students repay 20 per cent of the cost of their courses once they have reached average earnings. An income test was also introduced on the capital growth of market-linked investments held by pensioners.

23 August Former police officer and head of the SA drug squad, Barry Moyses, was sentenced by the SA Supreme Court to 27 years gaol for possessing, supplying and selling heroin.

23 August Christopher Skase's Australian Television Network (ATN) signed an agreement with the American television group NBC to become NBC's first international affiliate. The deal gives the ATN Seven Network the rights to all NBC-generated programming.

23 August Emeritus Professor John Oliver of Queensland University announced the location of Australia's precise mathematical centre of

24-25 August 1788 'This Day a Convict was examined who said he had discovered a Mine which had some Gold in it, but for some time would not tell where it was, unless he was promised Pardon & a sum of Money. Finding that he could not obtain it, he said he would shew any Officer the Lt Governor might send with him, where it lay. . . soon after the Boat left Sydney Cove, he declared to the Officer, that the ore produced was the work of his own hands from Brass, Copper & a Guinea mixed with it in a composition which he had prepared for that purpose & that he had hopes of selling a considerable quantity of it to the Transports when they might be just on Sailing, & that he had not made any discovery, but was persuaded by the woman who lived with him to do it.'

LIEUTENANT WILLIAM BRADLEY

gravity at the International Geographical Union Congress in Sydney. The spot is to be named Lambert Centre after an Australian surveyor, and is about 335 kilometres east of Uluru, close to the Aboriginal community of Finke in the Northern Territory. The map reference is 25°, 36', 36.4" South of the equator, and 134°, 21', 17.3" East of Greenwich. It was located from 24 500 points on the high-water mark around Australia's coastline. A small replica of the flagpole of the new Parliament House would be placed at the spot.

23 August Swiss skier Marianne Irniger won the women's and American Audun Endestad won the men's Australian Cross Country Skiing Championships at Mount Blue Cow, New South Wales.

24 August Opposition member Jim Carlton launched an attack in parliament on Treasurer Paul Keating for travelling to Japan in July without valid entry documents.

24-25 August Victorian Stephen Pate won the men's sprint and Tasmanian Danny Clark won the one-hour motor-paced championships at the World Professional Sprint Cycling Championships in Ghent, Belgium.

25 August Three Liberal Party members of parliament, Ian Macphee, Philip Ruddock and Steele Hall, crossed the floor to support a Hawke government motion opposing the use of race to select immigrants.

25 August The Qld parliament passed legislative amendments to allow evidence from completed trials to be considered by the Fitzgerald Inquiry into Police Corruption in Qld and removed the post 1 January 1977 time limit on investigations. The amendments gave Commissioner Tony Fitzgerald unprecedented powers to pursue organised crime and police corruption in Queensland.

25 August South Australian Premier and Treasurer John Bannon delivered his state's budget. Bannon eliminated the \$63 million consolidated account deficit inherited by his government in 1982 by using reserve funds accumulated by the South Australian Financing

Authority to balance the budget. He introduced tax cuts and a social justice package at a cost of \$47 million.

25 August Police arrested four people after violence flared between Aborigines and police in Bunbury, Western Australia.

25 August About 30 demonstrators occupied the boardroom of the head office of the ACTU in Melbourne to protest against its decision to accept the new wage-fixing system.

25 August The international publishing, television and film group News Corporation Ltd announced a \$464.46 million profit for the financial year ending 30 June.

26 August Indonesian Tourism Minister Susilo Sudarman arrived in Brisbane to attend Indonesia Day at Expo '88. He was the first Indonesian government minister to visit Australia after the deterioration of relations in April 1986 when the *Sydney Morning Herald* published allegations of financial misdealings by the family of Indonesia's President Suharto.

26 August Five people were arrested after police and more than fifty Aborigines clashed in the Sydney suburb of Redfern. Premier Nick Greiner promised that he would consider changes in law enforcement in the predominantly Aboriginal suburb.

26 August The Australian Bureau of Statistics figures for July revealed a current account deficit of \$1.6 billion, causing turbulence on the Australian stock market.

26 August A national campaign of protest against visits to Australia by nuclear-armed warships began when the USS *New Jersey* and the USS *Ingersol* docked in Fremantle, Western Australia. The US government refused to confirm or deny the presence of nuclear arms aboard its naval vessels.

26 August Jennene Johnston, a student at Blacktown Girls High School, Sydney, won the Australian/Commonwealth Bank National Art Award for her painting *Burnt anathema*.

26 August A member of the Australian Olympic Team, modern pentathlete Andrew Keily of Sydney, was banned from international

competition for two and a half years after he tested positive for drugs in June in Switzerland. Keily had taken a common brand of cough mixture containing pseudophedrine, a mild stimulant.

28 August Prime Minister Bob Hawke called for the reform of international trade in an address to the 1988 Australian Economics Congress in Canberra. He urged visiting international economists to 'preach the virtues of free trade'.

28 August Austrian skier Rudolf Nierlich won the Bicentennial Cup giant slalom at Thredbo, NSW. The Australian Ski Federation was criticised by skiers for failing to include women's events in the Bicentennial Cup.

29 August Australia's seven-week-long Customs officers' dispute ended when union members voted to accept a Conciliation and Arbitration Commission recommendation to direct staffing matters to a review board. The dispute had caused severe backlogs to import clearance and the standing down of 300 Customs officers.



Western Australian police remove anti-nuclear demonstrators from an American warship at Fremantle.

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29 August In federal parliament Prime Minister Bob Hawke repudiated statements calling for a slowdown in Asian immigration and an end to multiculturalism made to the press by Western Australian Labor Party backbencher Graeme Campbell. Hawke described his comments as 'offensive, inaccurate and contrary to Government and Australian Labor Party policy'.

29 August At the start of a week-long visit to Australia, the British Secretary of State for Trade and Industry, Lord Young, arrived in Perth. He held meetings with senior federal government ministers to forge closer trading ties between the two countries.

29 August Minister Assisting the Prime Minister on the Status of Women Senator Margaret Reynolds released results of the joint Commonwealth-State Task Force on Domestic Violence. Among the findings were that domestic violence occurred throughout all segments of society and that many considered domestic violence to be a private matter, rather than a criminal offence. The task force findings highlighted target areas to which the government would allocate \$1.6 million over the next three years in a national campaign to reduce domestic violence. One main target area would be a campaign directed at all men to take responsibility for other men's violent behaviour.

30 August The federal Labor caucus agreed to set a minimum quota of 25 per cent women for appointments to all government boards, councils and committees. The current average was 17 per cent.

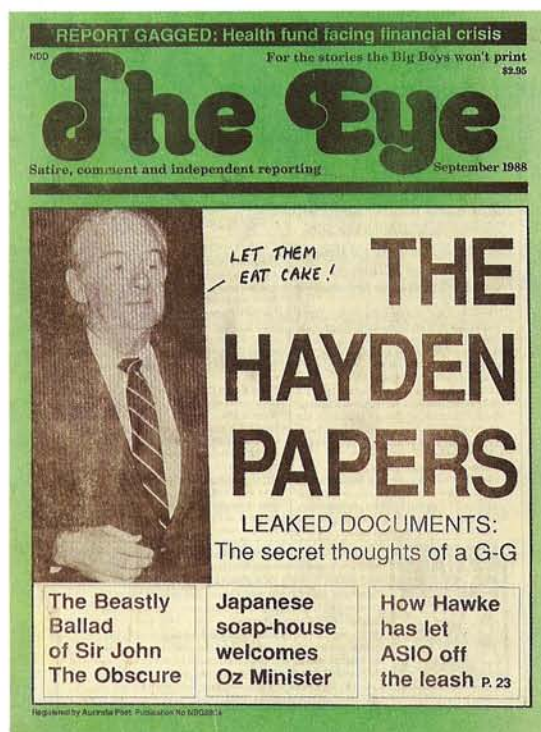
30 August The WA Premier and Treasurer Peter Dowding delivered his state's budget. The budget froze taxes and increased spending on health, police, education and capital works. The state ended the financial year with a surplus of \$3.1 million. A state election was scheduled within the following six months.

31 August Sydney journalist Brian Toohey published leaked foreign affairs documents in his magazine *The eye*. The 1983-84 documents, believed to be about 10 000 sheets, contained disparaging remarks by former foreign affairs

minister Bill Hayden about Indonesia, Papua New Guinea, Japan and Malaysia.

31 August Police bagman Jack Herbert appeared before the Fitzgerald Inquiry into Police Corruption in Qld. Herbert claimed he had dealt in corruption for 29 years and had personally paid corrupt money to suspended Qld police commissioner Sir Terence Lewis. Herbert alleged he had collected more than \$3 million in graft, two-thirds of which was distributed to Lewis and other police. He alleged that on two occasions he had used his wife, Peggy Herbert, to pass money to Lewis via his wife Lady Hazel Lewis. He also gave direct evidence against former Qld cabinet minister Don Lane. Herbert, who was granted indemnity from prosecution conditional on telling the

August On 14 August David Blenkinsop and Joanne Mist were shot by Indonesian police who had boarded their 15-metre yacht *C-ment* off the island of Bjak. Blenkinsop, who held both Australian and British citizenship, disappeared overboard; Mist, a British citizen, was taken to Serui to receive medical attention. Blenkinsop and Mist had sought shelter from a storm on the remote Indonesian island during a yacht trip from Thailand to Australia. On 27 August the British Consul in Indonesia was informed of the incident and members of the Blenkinsop family resident in Australia flew to Indonesia to search for David Blenkinsop. Prime Minister Bob Hawke described the shooting as an 'appalling and despicable' act and called for an impartial inquiry. On 11 October two Indonesians allegedly involved in the shooting were arrested and charged. On 13 October Australian Ambassador in Jakarta Bill Morrison informed Indonesian officials that the Australian Customs Service had had Blenkinsop under surveillance for possible drug trafficking and had planned to search his boat upon his return to Australia. However, the yacht had been searched by Indonesian police on 9 August in Serui and no evidence of drug-trafficking had been found.



Front cover of Brian Toohy's magazine *The eye* in which he published leaked foreign affairs documents critical of Australia's Pacific neighbours.

whole truth, gave evidence against more than 150 people, mostly police and alleged SP book-makers, during his three-and-a-half-week appearance before the inquiry. Commissioner Fitzgerald expressed scepticism about some areas of Herbert's evidence, including his claim to have had no knowledge of the drug trade.

31 August Rival bids from Sydney, Melbourne and Brisbane to host the 1996 Olympic Games were lodged with the Australian Olympic Federation. The successful bid would be submitted to the International Olympic Committee for consideration. Intense rivalry had developed between the states. Victorian Premier John Cain stated that NSW 'would be lucky if they got the Little Athletics heats'. The winning city, announced on 17 November, was Melbourne.

August A group of Australian theatre, comedy and cabaret performers including Circus Oz, Gerry Connelly, Wendy Hamer, Gina Riley, Kate Ceberano and Rod Quantock appeared at the Assembly Rooms in Edinburgh as part of the Edinburgh Fringe Festival.

ECONOMY

The fifth set. The final 18 holes. The last 5 kilometres of a marathon. To Australia's economic managers, 1988 must have seemed to correspond to the critical point in an epic sporting championship. In the struggle to stay with the prosperous world and avoid the slide into a 'banana republic', there was at year's end cause both for hope and for concern. As with those equivalent moments in sport, the critical factors were stamina and patience.

From a global view, Australia's prospects looked bright. The greatest commodities that have sustained Australia economically for most of the 200 years of European settlement were being sold, at last, into improving world markets; weather was kind; furthermore, a determined effort seemed to be in hand to attack the labor-market inefficiencies that have long bedevilled Australia's export effort. But by the end of 1988, the tasks of economic management seemed hardly to have been reduced. Indeed, the stubbornness of the deficit on the current account of the balance of payments — and the corresponding lack of progress in bringing foreign debt under control — seemed to show that Australia had reached an impasse, calling for fresh reserves of political will to cope with a combination of two unpalatable requirements: further spending cuts by government and an unexpected postponement of the end of the era of wage restraint.

One of the fundamental keys to an understanding of the influences at work on a major trading economy such as Australia is the terms of trade. Measuring the amount of exports required to pay for a given quantity of imports, the terms of trade improved dramatically throughout 1988. By the end of September, the level of exports stood at its highest point since June 1977—an improvement of more than 20 per cent since 1986. The improvement reflected the firmer markets for Australian exports—the OECD index for agricultural commodities rose by more than 10 per cent, and for minerals by 23 per cent—and falling prices in imports, as a result of a strengthening in the dollar.

There was, however, no improvement in Australia's trading position, as measured by the current account of the balance of payments. Indeed, by the end of 1988 the situation was ominous. The failure of the balance-of-payments to improve as predicted by Treasurer

Paul Keating in the 1988 Budget speech can be seen in the current-account figures: the first half of 1988 saw a deficit of \$5755 million; in the second half, this had blown out to \$8247 million. Indeed, the deficit for the latter half of the year was almost as much as the government had forecast (\$9500 million) for the entire 1988/89 financial year.

The predominant cause of this unforeseen imbalance was soaring import growth. While exports remained virtually steady after allowance for inflation, imports were growing at an annual rate of more than 20 per cent. Moreover, this growth rate was increasing: in the September quarter alone, imports increased, after allowing for inflation, by more than 15 per cent. This seemed to be due to a sharp increase in import penetration of Australian markets: (up almost 10 per cent in the first three quarters of 1988) rather than to a surge in private-sector spending, which had risen only 1.3 per cent after inflation in the same period. The silver lining to this cloud lay in the strong growth in the import of capital goods — machinery and equipment to help bring about the long-awaited revival in Australia's productive base, which rose in the year to the end of September 1988 by more than 40 per cent, in real terms.

The most serious consequence of the balance-of-payments deterioration was explosive growth in Australia's foreign debt — the sum owed by today's and future generations to overseas lenders. By the end of September, Australia's gross overseas debt had reached \$120.4 billion, a rise of \$4.2 billion in three months. In net terms, allowing for money owed to Australians by foreigners, this is a rise of 3.7 per cent to \$93.3 billion or equivalent to almost a third of Gross Domestic Production — high both in terms of Australia's history and by comparison with other countries.

The blow-out in foreign debt resulting from the deterioration in the current account of the balance of payments was beyond doubt the greatest challenge for Australia's economic managers in 1988. The response of the government was to tighten monetary policy. Interest rates, which had already risen steadily throughout the year, were given a further hike in the last quarter, pushing the politically-sensitive housing-loan rate to 15 per cent. As the year closed, there were preliminary indications that demand for new houses had peaked.

Interest rates are not a selective tool of economic management, however, and the good that

WAGES AND PRICES
Average Weekly Earnings of Employees, Australia

| Reference period— pay period ending on or before | Males | | | | Females | | | | Persons | |
|--|---|-------------------------------------|-------------------------------------|---|-------------------------------------|-------------------------------------|---|-------------------------------------|-------------------------------------|--|
| | Full-time adults | | All males | Full-time adults | | All females | Full-time adults | | All employees | |
| | Average weekly ordinary time earnings | Average weekly total earnings | Average weekly total earnings | Average weekly ordinary time earnings | Average weekly total earnings | Average weekly total earnings | Average weekly ordinary time earnings | Average weekly total earnings | Average weekly total earnings | |
| 1987— | —dollars— | | | | | | | | | |
| 20 November | 477.50 | 516.30 | 470.00 | 392.00 | 401.90 | 306.50 | 450.10 | 479.70 | 401.80 | |
| 1988— | —dollars— | | | | | | | | | |
| 19 February | 485.70 | 522.40 | 474.90 | 402.20 | 412.20 | 315.30 | 458.80 | 486.90 | 408.80 | |
| 20 May | 491.40 | 532.40 | 481.70 | 409.20 | 419.50 | 316.40 | 464.80 | 495.80 | 411.90 | |
| Quarterly change— | —per cent— | | | | | | | | | |
| November | +1.5 | +2.3 | +2.8 | +0.8 | +0.9 | +1.4 | +1.3 | +2.0 | +2.4 | |
| 1988— | —per cent— | | | | | | | | | |
| February | +1.7 | +1.2 | +1.1 | +2.6 | +2.6 | +2.9 | +1.9 | +1.5 | +1.8 | |
| May | +1.2 | +1.9 | +1.4 | +1.7 | +1.8 | +0.3 | +1.3 | +1.8 | +0.8 | |
| Standard errors— | —dollars— | | | | | | | | | |
| May 1988— | —dollars— | | | | | | | | | |
| Level | 2.70 | 2.80 | 3.10 | 2.20 | 2.20 | 2.30 | 2.10 | 2.20 | 2.50 | |
| Change (quarterly) | 2.00 | 2.20 | 2.30 | 1.90 | 1.90 | 1.60 | 1.60 | 1.70 | 1.70 | |

Australian Bureau Statistics, Catalogue no 1304.0.

high interest rates might do in easing the demand for housing has to be weighed against the harm they do to business investment, an area the government sees as the key to economic growth. By the end of 1988, the high interest rate regime had begun to undermine business confidence. The Quarterly Survey of Manufactures, conducted by the Confederation of Australian Industry and Westpac Bank, revealed in December that business confidence fell to its lowest level in nine months. While most respondents said that interest rate rises had not, yet, affected their investment plans, most expected new orders to fall sharply in 1989.

Clearly, the cost of tight money in damaging the long-awaited business investment revival would grow over time. Unless there was a remarkable turn-around in Australia's trading position, something else would have to be found to supplement, and to supplant, tight-money as an instrument to restrain demand. With the Australian dollar floating and foreign-exchange and import controls having been abandoned, the only areas for government action are fiscal policy, through the Federal Budget and Premiers' Conference, and wages policy, through the government's accord with the Australian Council of Trade Unions. For historical reasons, each presents problems.

Fiscal policy was already tight on the eve of 1988. Thanks to the work of the government's Expenditure Review Committee, the Hawke government had, in three successive budgets,

brought federal spending down as a proportion of Gross Domestic Product from more than 30 per cent in 1984–85 to below 27 per cent in 1987–88, the year the national budget went into surplus. This performance was not without political cost, both in the general electoral standing of the government, where decisions such as the introduction of an assets test on pensions rankled with significant groups, and in the patience of ministers facing the apparently endless process of examining spending line-by-line for further ways to cut. Treasurer Paul Keating perhaps revealed his own state of mind when, in his 1988 Budget speech, he dismissed calls for further big spending cuts as 'mindless shrieks by ideologues against the legitimate spending functions of governments', a mood reflected in both the May Economic Statement and in the 1988 Budget.

The May statement has become the vehicle for the Hawke government's assault on the size of the government sector. By attempting to bring spending cuts and revenue gains forward in time it allows the full-year effects to show up in the budget in August. In 1988, the focus of the May statement shifted from the spending side of the ledger to the taxing side. While cuts of \$1363 million in federal spending were announced, \$870 million of that came in reduced payments to the states, while new spending of \$382 million almost offset the rest.

Keating was able to predict a federal Budget surplus for 1988–89 of \$3 billion, largely

because rising incomes would push taxpayers into higher tax brackets — 'bracket creep', as it is known. Income-tax cuts would not be brought in before 1 July 1989, he announced, and their size and timing would be influenced by the rate of wages growth. This 'wage-tax trade off' was aimed at helping bring Australia's inflation rate down towards those of its trading partners. Meanwhile, the top company tax rate was cut from 49 cents in the dollar to 39 cents, a tax on income from gold mining was foreshadowed and some forms of superannuation had their tax-shelter status ended.

The 1988 Budget, delivered in Parliament on August 23, continued the theme of 'taxing, not axing'. Federal spending was budgeted at \$362 million more than in the May statement, most of the increase going on programs designed to appeal to the Labor party's traditional base of support, a base that appeared shaky following large swings against the government at recent by-elections and state elections. The Budget surplus, largely due to 'bracket creep', was forecast to be \$5.5 billion, a forecast that seemed on track in December 1988. However, as we have seen with the current-account deficit (where the \$9.5 billion forecast for the year was almost reached within six months), some components within the Budget were seriously awry.

One of the most crucial factors was that Australians continued to head to the bottom of the world league of savers. In the year to September, Australian households saved, on average, 8.2 per cent of their income, a figure that is historically low and half the rate of the mid-1970s. If this trend in savings rate continued, savings by Australian households would be totally eliminated by 1993, without allowing for inflation, which further reduces the value of savings.

The effect of reduced savings is easier to see than the cause. Quite simply, the benefits to Australia of budgetary surpluses (or savings by government) are being opposed in roughly equal measure by the lack of savings by households. In 1988-89, Australia might reach the milestone of a surplus for the whole government sector — national, state and local — which would mean the elimination for that year of the Public Sector Borrowing Requirement and a retiring of part of the national debt.

For Australia to pay its way in the world, national savings — (that is, savings by both the public and the private sector, including individual households) must be increased. It was the hope of the government that by reducing

| EXCHANGE RATES | | | | | Trade-weighted index (end of period) of value of Australian dollar (May 1970 = 100(a)) |
|------------------------------------|-------------|----------------------------|--------------|--------|--|
| Exchange rates (end of year/month) | | | | | |
| Units of foreign currency per \$A | | | | | |
| USA Dollar | UK Pound | Germany Fed Rep Mark | Japan Yen | | |
| 1987-88— | | | | | |
| July | 0.6978 | 0.4375 | 1.294 | 104.24 | 55.3 |
| August | 0.7124 | 0.4366 | 1.293 | 101.30 | 55.2 |
| September | 0.7194 | 0.4420 | 1.324 | 105.54 | 56.2 |
| October | 0.6757 | 0.3939 | 1.172 | 93.80 | 51.7 |
| November | 0.7052 | 0.3869 | 1.159 | 93.52 | 52.3 |
| December | 0.7225 | 0.3857 | 1.143 | 88.22 | 52.0 |
| January | 0.7138 | 0.4009 | 1.189 | 90.76 | 52.5 |
| February | 0.7198 | 0.4056 | 1.213 | 92.24 | 53.1 |
| March | 0.7388 | 0.3934 | 1.225 | 92.04 | 53.8 |
| April | 0.7585 | 0.4045 | 1.266 | 94.46 | 55.2 |
| May | 0.8051 | 0.4357 | 1.387 | 100.56 | 58.9 |
| June | 0.7940 | 0.4612 | 1.441 | 105.17 | 59.8 |
| 1988-89— | | | | | |
| July | 0.8045 | 0.4661 | 1.503 | 106.82 | 61.0 |
| August | 0.8069 | 0.4777 | 1.509 | 108.83 | 61.8 |
| September | 0.7829 | 0.4647 | 1.472 | 105.28 | 60.0 |

(a) The trade-weighted index is calculated by the Reserve Bank and is an index of the average value of the Australian dollar vis a vis currencies of Australia's major trading partners.

public-sector borrowings, national savings would be increased; the sustained fall in savings by ordinary Australians has vitiated that.

To the extent that the Hawke government has improved its own finances by resort to 'bracket creep', it has damaged those of ordinary households, a fact reinforced by looking at the difference between the income that households receive, which grew 9.4 per cent in the year to September, and the income available (after tax and things such as consumer debt interest) to be spent, which increased by only 5.9 per cent, or not much more than half the inflation rate. The difference, of which the greatest component is the income-tax bite, grew rapidly through 1988 and must account for a large part of the collapse in savings. In other words, to help Keating balance his books, ordinary Australians unbalanced theirs.

The Economic Planning and Advisory Council has examined the problem and observed that for middle- and higher-income earners effective rates of income tax on interest earnings are between 90 per cent and 172 per cent. However, the cost of getting those rates down — say, by exempting the inflation component in interest payments — would be so great as to

require a change in strategy on the revenue front, which the government, having ruled out a broad-based indirect tax, no longer seems to have the political capacity to bring about.

The government's revenue policy is now set in collaboration with the ACTU. This is not simply a matter of political alliance, although the ties between the ACTU leadership and the guardians of economic management in the Hawke ministry continue to be, despite hiccups, close; it is also one of the consequences of running an incomes policy such as the Accord. Quickly agreed to by the ACTU and Hawke, following his sudden accession to the Labor party leadership in early 1983, the Accord has been the vehicle by which a reduction in real wages and an increase in the share of income going to capital (at the expense of Labor's share) has been achieved. In 1988, this arrangement seemed close to the end of its life. As with the search for spending cuts, one of the factors here is the exhaustion of political credit: in this case, the credit of the ACTU leaders with their constituent unions and members. The commitment to tax cuts after July 1989 announced in the May statement, was made not so much because it seemed like sound economics — indeed, as the current-account deficit ballooned, the whole idea of tax cuts was increasingly under question — but because it seemed politically impossible to defer them.

One of the key factors on the wages front in 1988 was a change in expectations. After preaching restraint from the moment he won office (and practising it after his first Budget), Hawke began, in the run-up to the 1987 elections, to suggest that the worst was past. As the economy improved, particularly in housing, shortages of labour developed, giving rise to wage pressures that some employers were willing to bow to. The technique of browbeating employers into standing firm against wage claims was replaced by the novel technique of disciplining the union movement to prevent workers from taking them. As 1988 progressed, the lid on wages restraint threatened to come off and allow an explosion of wage demands that would have scuttled the government's economic strategy.

The lid was kept on, however, despite some difficult moments. The worst of these concerned some of the government instrumentalities that have been told to behave more like

profit-orientated, efficient and competitive firms, as a possible prelude to privatisation. As a consequence, organisations, such as Australian Airlines, have planned very large salary increases for their executives in line with the private sector. When the Overseas Telecommunications Commission extended the proposal to cover technical staff, the government was forced to intervene, dismissing the OTC chief executive, George Maltby, in the process, in order to stop another round of pay rises from getting under way. Proposed pay rises for judges and other officials were also postponed, although the end of 1988 was marked by a \$112-per-week pay rise for federal politicians.



Cartoon by Tandberg, Sydney Morning Herald, 24 November 1988.

The Australian dollar stayed surprisingly strong during 1988, buying US72 cents at the beginning of the year, it bought 85 cents by year's end; in Japan it went from 88 to 106 yen; in West Germany from 1.14 DM to 1.51 DM; in Britain from 38p to 47p. This was no doubt in part due to Australia's tight-money policy, with its consequent bidding up of interest rates.

But as they went off on holiday at the end of the year, Prime Minister Bob Hawke and Treasurer Paul Keating could take little comfort from that. Should they stumble in 1989, Australia's strong-dollar period would quickly end. The 'banana republic' outcome would again be staring Australia in the face.

ROBERT HAUPT

