

Pressure on rates as CPI hits 28-year low

Inflation dive puts pay claim in doubt

By economics writer LAURA TINGLE and industrial correspondent SHANE GREEN

THE deflationary forces unleashed by the recession continued in the June quarter, when inflation fell by 0.3 per cent to produce an annual rate of 1.2 per cent and put pressure on wage claims and interest rates.

The annual outcome was the lowest since the March quarter of 1964 and was welcomed by the Treasurer, Mr Dawkins, as a "gold medal performance on inflation".

But the very low quarterly outcome puts intense pressure on the ACTO over its plans for a \$10 wage claim, which is based on expectations of a 1.4 per cent annual inflation outcome for the five quarters to June in the face of record unemployment.

It also confirms the Government and Reserve Bank's expectations about inflation, which means there could be scope for further cuts in official interest rates after the Budget.

At that time, the central bank will be able to assess the scope for further rate cuts in the light of information about the outcome of wage negotiations between the ACTO and the Government, and about the size of the Budget deficit.

It will have to balance the good news on inflation against some renewed weakness in the Australian dollar, which prompted the Reserve to intervene in local trading in the foreign exchange market yesterday to stop the currency slipping too sharply.

The bond market, however, responded positively to the inflation outcome.

Ten-year bonds — the best indicators of changing inflationary expectations — fell 0.2 percentage points to a 19-year low of just 8.2 per cent yesterday afternoon.

The main contributions to the June quarter inflation outcome, measured by the Bureau of Statistics consumer price index, came from a series of one-off factors, including lower housing costs (down 1.9 per cent), lower health and personal care costs (down 3.9 per cent) as a result of the reversal of the Medicare rebate decision, and falling transport costs (down 0.4 per

Warm nostalgianomics flawed by cold realities

By economics writer LAURA TINGLE and industrial correspondent SHANE GREEN

TREASURER John Dawkins has revealed himself as a practitioner of a new branch of the dismal science — Nostalgianomics. At his press conference on the CPI in Canberra yesterday, he was keen to point out that Australia's inflation rate was back to the levels of "the early part of the 60s". According to Mr Dawkins, this reflects a dramatic structural shift in the economy which means Australia will have the "kind of low inflationary growth that we had, particularly during the early part of the 60s when the economy was growing quite strongly and yet it was doing so in circumstances of low inflation".

Leaving aside the minor quibble that the "early part of the 60s" was marked by a recession savage enough to almost lose Bob Menzies from office, there are unfortunately a couple of other difficulties in the way of our return to this economic golden age.

The first is the problem of generating strong economic growth in a world where forecasts of economic activity are being steadily revised down.

The second is that even when growth picks up, unemployment in Australia will remain at levels

(cent) mainly as a result of lower sales tax on cars.

Big falls in fresh fruit prices, the cost of overseas holiday travel and accommodation, and consumer credit charges also helped push prices lower in the June quarter.

But despite the one-off factors, underpinning inflation is still showing signs of falling. The Reserve Bank estimates that the underlying rate of inflation in the private sector has fallen from around 2.4 per cent to 2.1 per cent.

The ACTO is expected to set its claims for an across-the-board pay rise at \$10 following the release of yesterday's inflation figures, opting

By economics editor ALAN WOOD

about four times those of the 1960s.

It will do so because of problems on the supply side of the economy, not least in the labour market. These will be resolved only by deregulating that market in the same way that financial markets and now (via tariff cuts) product markets have been deregulated.

But this is the one market this Government is least able to reform. Despite persistent questioning, John Dawkins didn't even dare criticise ACTO plans for a national wage claim yesterday — although he must know one man's wage rise means another man's job.

Without labour market reform, Australia is stuck in a no-man's land between a collapsing system of centralised wage-fixing and deregulated wage bargaining. There are plenty of studies from around the world to suggest that this is the worst place to be if we want to hold our painfully won gains against inflation.

for a flat dollar, amount to assist lower paid workers.

The Government was reserving its position on whether it would support the likely wage claim yesterday, pending talks with the ACTO.

But Mr Dawkins made it clear the Government hoped the trade union movement might contemplate both the size and timing of any general wage claim in the light of the very low inflation number and the employment situation.

On the ABC's 7.30 report last night, the Treasurer said that both the Government and the ACTO "have all got to think very hard" about a \$10-a-

week pay claim in the face of the very low inflation outcome.

"I think the ACTO has got to think very hard about it and I think what we have got to do and what I am sure the ACTO will do is put employment first as an objective for us," he said.

"But we are at a stage where we have got inflation low — lower than the average of our trading partners — and so it is not as if we could not have some small increase without threatening that objective which we have set ourselves about maintaining an inflation rate below our trading partners."

ACTO wages strategists could argue, if necessary, that the amount includes a claim for general productivity improvements in the economy.

The ACTO assistant secretary, Mr Ian Ross, said yesterday: "Obviously the CPI is a factor in our wages deliberation but that's a matter which the wages committee will consider. We will be meeting with the Government after that."

Mr Ross acknowledged that national productivity was also one of the factors which the ACTO would consider when determining the claim.

He said it was up to the wages committee to determine when the claim was lodged, but there was strong pressure from unions with members who had missed out on pay rises through enterprise bargaining to have the Industrial Relations Commission hand down its decision before Christmas.

But there are some difficulties ahead for the ACTO and the Government — most notably the IRC itself, which could well reject any wage claim lodged in the next few months, creating both industrial and political problems for the labour movement.

Government sources said last night, that attempts would be made to change the IRC's likely position on wages when it held a private conference to consider the wages system tomorrow.

The Opposition's finance spokesman, Senator Jim Short, welcomed the low number yesterday, but said it was a direct result "of a continuation of the most severe recessionary conditions for 60 years".

Shift away from unions endorses Coalition — Page 3
More reports — Page 31



Mr Berezowsky yesterday

DPP fails in bid to try war crimes

By ROHAN SULLIVAN

A BID to prosecute a second Australian for alleged war crimes failed yesterday after a magistrate found there was no case to answer against him.

Magistrate Mr David Gurry, handing down his finding in Adelaide Magistrates Court, said there was insufficient evidence to commit Mr Mikolaj Berezowsky to trial. He dismissed the single charge relating to a mass murder brought against him.

Mr Berezowsky, a 78-year-old Adelaide pensioner, broke down after the finding, made in a brief hearing yesterday afternoon, and left court attended by members of the defence legal team.

Outside the court Mr Berezowsky, who speaks limited English, said he was relieved at the outcome. He was charged with being knowingly involved in the wilful killing of 102 Jews from the Ukrainian village of Gnivan during World War II between March and July of 1942.

The finding is a victory for the defence team, which is representing three men charged under Australian war crimes legislation.

The first, Ivan Tymofeyevich Polyukhovich, has been arraigned in the South Australian Supreme Court and the third, Heinrich Wagner, is expected to face committal proceedings later this year.

Sources said yesterday it remained open for the DPP to lay ex officio charges to keep the case alive.

Early this month the DPP filed three charges against

Continued — Page 4

Master photographer dies

MAX Dupain, regarded as the father of modern Australian photography, has died aged 81.

Dupain, whose photography is regarded as capturing the essence of Australian life, died early Monday evening.

At the request of his family his death was not disclosed until after his burial in Sydney yesterday.

Dupain's agent, Mr Richard King, said last night Dupain had been in failing health for the past three months.

Dupain released his last big works in May, the Dupain Gold Series, commissioned by The Australian, which portrayed five Australian Olympic gold medalists.

Friends and admirers paid tribute to Dupain, calling him an inspiration.

Earlier this year Dupain was awarded the Companion of the Order of Australia for services to the visual arts.

Further report — Page 3

Westpac pays the price

WESTPAC is paying the price for a failure of accountability for the \$1.7 billion loss announced on May 20.

Not only has none of the directors paid the price of losing so much of their shareholders' money, but internal succession has occurred within management following the departure of former chief executive officer, Mr Stuart Fowler.

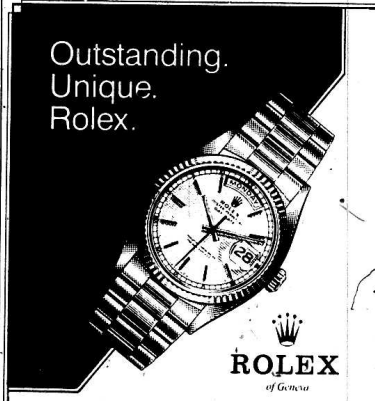
The new chief, Mr Frank Conroy, said in May that the \$2.6 billion in new specific



Comment by ALAN KOHLER

provisions for bad and doubtful debts would be a "circuit breaker". He was wrong — that was just wishful thinking.

Alan Kohler on Westpac. — Page 31



The great tradition of the watchmakers of Geneva is preserved in the creation of a unique watch: The Rolex Oyster. The case of each Oyster necessitates 162 skilful operations and is carved out of a single block of metal. Doubtless there are easier ways to make a watch but Rolex have no time for them.

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Registered by Australia Post
Publication No M97 0054
Second edition — 51

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LATE NEWS

HONECKER LEAVES MOSCOW: Former East German leader Erich Honecker reportedly left the Chancellery in Moscow early today by car after six months holed up in the building to avoid trial in Germany on manslaughter charges.

TODAY'S WEATHER

Adelaide	Showers	15
Brisbane	Fine	24
Canberra	Mainly fine	12
Darwin	Fine	32
Hobart	Showers	14
Melbourne	Showers	15
Perth	Showers clearing	19
Sydney	Dry	22

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