

The Hawke Government and the Australian Dollar

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By guest contributor **Ken Atchison, Principal, Atchison Consultants**

Among the very significant reforms of the Hawke Government was the floating of the Australian dollar in December 1983.

Prior to the float, fixed exchange rates had prevailed and, as a result, policies of those countries tended to dictate Australian economic conditions. In order to maintain demand for Australian dollars in balance with the supply of Australian dollars (to pay for imports and foreign acquisitions), the Reserve Bank of Australia (RBA) needed to adjust Australian interest rates.

Floating the exchange rate provided the RBA with the capacity to operate short term interest rates reflecting domestic conditions without being bound by the management of the price of the Aussie dollar. Subsequently, the exchange rate has moved with changes in the Australian economy and with conditions of its major trading partners.



In periods of global instability, the Aussie dollar has acted as shock-absorber. In the 1997 currency crisis and the global financial crisis of 2008/09, significant falls in the AUD against the USD tempered the economic impact on Australia. On each occasion, the Australian economy did not go into recession as imports became more expensive while exports became more competitive.

The legacy of the Hawke government of the floating of the AUD will persist, even as most Australians continue to be unaware of how the Hawke Government's action continues to shelter them from economic storm abroad.