

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

4 – 6 June 2013

Question: BET 314

Topic: Government Debt

Written: 17 June 2013

Senator WATERS asked:

In how many years since federation has government debt been a larger proportion of national income than it is now, and were there serious concerns about default in those years?

Answer:

The paper, *A history of public debt in Australia*, published by Treasury in 2011, provides a chart of Australian Government public debt between 30 June 1912 and 30 June 2008 as a proportion of GDP (see Chart 5 in the paper). A link to the paper is at

http://lowpollutionfuture.treasury.gov.au/documents/1496/PDF/01_Debt.pdf

Chart 5 shows that Australian government debt as a proportion of GDP increased during and immediately after the First World War. It remained in the 40 to 60 per cent of GDP range during the 1920s and 1930s, before rising again during and immediately after the Second World War. It reached a peak of over 120 per cent of GDP in 1946. Australian Government debt fell as a proportion of GDP following the war with lower peaks in the late 1980s and mid-1990s.

As at end March 2013, the face value of Commonwealth Government securities on issue was around \$267.4 billion which was around 18 per cent of nominal GDP¹. A visual inspection of the above chart suggests that this level was exceeded between 30 June 1918 and 30 June 1963, in June 1988 and in the period between 30 June 1994 and 30 June 1997. It should be noted that these are gross debt figures and do not take account of financial assets held by the Australian Government.

It is not possible to be definitive in relation to whether or not there were serious concerns about the risk of default in these past periods.

¹ The value of nominal GDP in the four quarters to March quarter 2013 was around \$1,499.4 billion.