

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 75

Topic: History of Debt in Australia

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Senator Bushby asked:

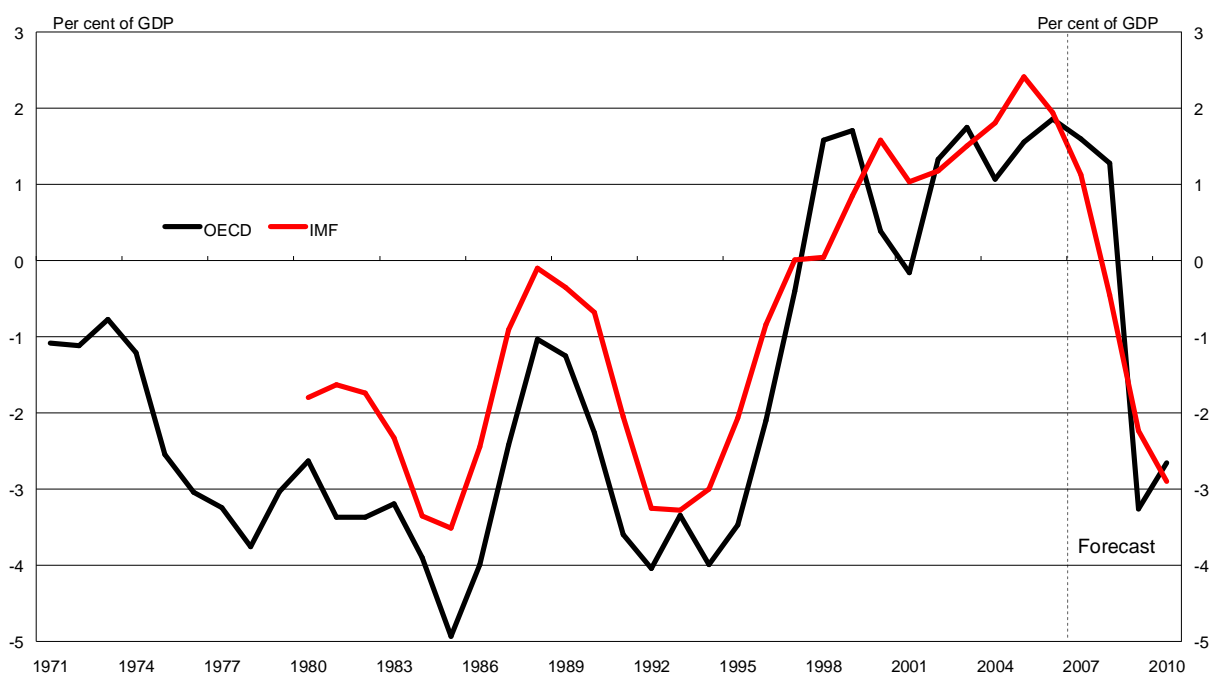
Senator BUSHBY—I have a question that I would like you to take on notice, because it is asking you to chart something a little bit further than you have already. I refer to budget statement No. 4, chart 10 on page 4-17, which is a structural budget balance. I would be very interested, possibly for the same reasons that Senator Cameron took us through—the history of debt in the country—in seeing that charted back to 1975 using the same methodology used to construct chart No. 10.

Answer:

Significant structural changes in the economy over the past quarter century mean that it would not be appropriate to apply the same methodology and assumptions used in the 2009-10 Budget to estimate the structural budget balance back to 1975.

The OECD and IMF have produced structural budget balance estimates for Australia extending back to 1971 and 1980 respectively (Chart 1). However, as noted in the 2009-2010 Budget papers, these estimates are not directly comparable with the estimates shown in Chart 10 on page 4-17 of Budget Paper No.1.

Chart 1 The IMF's and OECD's estimates of the structural budget balance



Source: OECD Economic Outlook and IMF World Economic Outlook Database.