

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: 112

Topic: Australia's GDP between now and 2050

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Senator Cormann asked:

Senator CORMANN: With a discount rate of zero, what is the cumulative cost in terms of the reduction in economic growth? Compared to the GDP without a carbon tax and an Emissions Trading Scheme, what is the cumulative reduction in Australia's GDP between now and 2050 with a discount rate of zero?

Ms Quinn: I do not have that number with me but I am happy to take it on notice.

Senator CORMANN: So you have not calculated the total cost of the carbon tax to the economy?

Answer:

It is inappropriate to assume a discount rate of zero as this would overstate the impact on cumulative GDP. As discussed in the 2008 Garnaut Climate Change Review, it is appropriate to use a positive discount rate when evaluating future income and consumption, to reflect "society's concern for equity in income distribution" (page 19).