

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Estimates 22-23 October 2008

Question: sbt 56

Topic: Position of the United States of America

Hansard Page: E67

Senator HEFFERNAN asked:

Senator HEFFERNAN —Is it an unreasonable question to ask, which I asked in Harvard 18 months ago: is the US technically insolvent? Is that an unreasonable question?

Dr Henry —It is a complex question and I would therefore like to take that one on notice, if you do not mind.

Answer:

The solvency concepts that apply to companies are not generally applicable to countries. The best measure of a country's risk of default is its credit rating. The US currently has the highest sovereign credit rating possible from S&P, Moody's and Fitch, implying that the US Government's capacity to meet its financial obligations is very strong.