

Joyce warns of bigger GFC

MARK DAVIS

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THE Nationals Senate leader Barnaby Joyce is openly canvassing an economic upheaval that would dwarf the current global financial crisis, triggered by the US defaulting on its sovereign debt within the next few years.

In unusually pessimistic comments for a senior political figure, Senator Joyce said the US Government was running such large deficits and building up so much debt that it was in a similar position to Iceland or Germany before World War II.

In a Senate estimates hearing on Wednesday night, he asked Treasury secretary Ken Henry what would be the implications of an American debt default for the Australian economy.

Dr Henry warned that canvassing extreme scenarios could alarm the community.

"I don't mind discussing hypotheticals in general ... [but] one has to be careful not to discuss publicly hypotheticals that are that extreme," Dr Henry said.

"I don't, myself, consider that outcome to be a high probability outcome, certainly not one that I would want to say much about in a public forum."

But Senator Joyce insisted yesterday that the dangers to the global economy from the run-up in US private and public sector debt were real and should be debated.

"It is the elephant in the room," Senator Joyce told *The Age*. "This is a huge risk that Australia faces. What is the game plan, what happens if it comes unstuck?"

"Far from turning around the [George] Bush legacy of deficits and debt, [US president Barack] Obama has made it worse. It has got all the hallmarks of a financial collapse about to happen in America."

Senator Joyce said investor concerns about the American Government's ability to fund its deficits were already undermining the role of the US dollar in the international trading and financial system.

"The US dollar is almost becoming like junk bonds," he said.

<http://www.theage.com.au/national/joyce-warns-of-bigger-gfc-20091022-hbg6.html>