

Executive Summary

A Plea for the Revival of the Commonwealth Government Securities Market

. The prospective disappearance of the Commonwealth Government Securities (CGS) market is a direct consequence of present Government budgetary policies which can easily be altered to prevent it.

. The key alteration is quite simple – the re-definition of what constitutes current government expenditure to exclude capital outlays.

. Necessary government capital outlays and/or social investment should be funded, as they have been in the past, by issues of CGS.

. The funding of government capital formation from private and/or overseas saving through the issue of CGS is not deficit financing.

. This practice, which distributes the costs of government capital formation across generations, has long been recognized in public finance theory as more equitable than wholly funding it through taxation.

. Any possible short-term reduction in national saving, by the return to the use of CGS, should be countered by using their ongoing issues as a platform from which a long overdue campaign in favour of increased national saving would be maintained.

. The undoubted continuing national need for capital inflow should not neglect the cheapest, exchange-rate-risk-free form of obtaining a portion of what is required through the domestic issue of CGS.

. The threat of war should not be forgotten.

. The full set of arguments in favour of ensuring continued growth of the CGS market is compelling.