

# Economists as superheroes



Nicki Hutley, Independent Economist

# Firstly, a word about economists

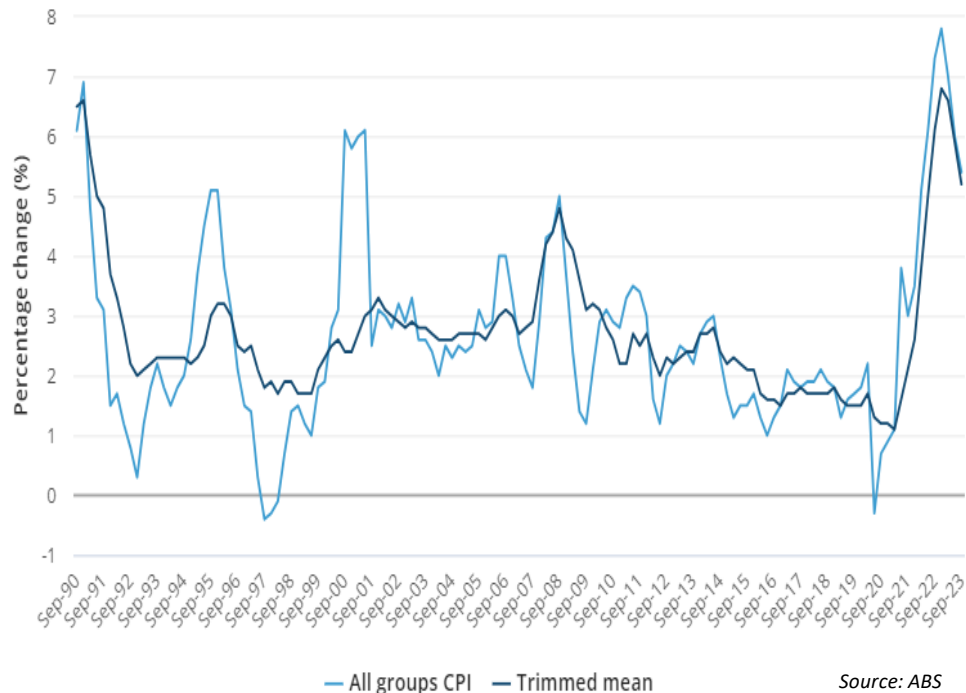


# And one about economics..... Trade offs



# The Phillips Curve trade off

All groups CPI and Trimmed mean, Australia, annual movement (%)



*“Given that the economy is forecast to grow below trend, employment is expected to grow slower than the labour force and the unemployment rate is expected to rise gradually to around 4¼ per cent.”*

RBA Governor Michele Bullock, 4 November 2023

*When unemployment is 3.6 per cent it adds to inflationary pressure. Perhaps 70,000 Australians move into the workforce, [but] 26 million bear the consequences of higher inflation.*

Prof. Richard Holden, UNSW in The Conversation

How – and why – should we think about  
social inclusion and the environment in  
economic policy



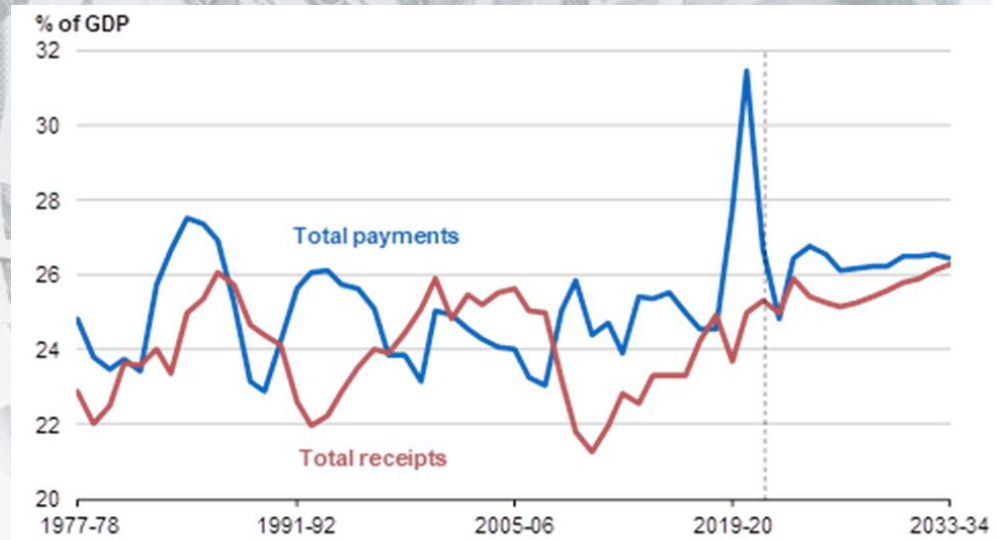
# Still the lucky country?

Australia is well-positioned on the **Global Social Progress Index**, but **fell back to 12<sup>th</sup> place** in 2022, from 8th in 2020. (cf ranked 17th on GDP per capita). **But** there are some critical areas of poor performance.

Basic Human Needs	Child Stunting (30) Diet low in fruits and vegetables (74)
Shelter	Dissatisfaction with housing affordability (106)
Personal safety	Interpersonal violence (55)
Inclusiveness	Power distributed by sexual orientation (38) Discrimination and violence against minorities (28)
Access to Basic Education	Equal access to quality education (45)
Health and Wellness	Equal access to quality healthcare (43)
Personal Freedom and Choice	Vulnerable employment (33)

# How governments (usually) think

~~How much will this ambition cost?~~



Source: Treasury

# How much will this ambition deliver?

# Domains of disadvantage (Vinson)



SOCIAL DISTRESS



MENTAL & PHYSICAL  
HEALTH



Community safety



ECONOMIC



EDUCATION



INTERGENERATIONAL



GENDER, ETHNICITY



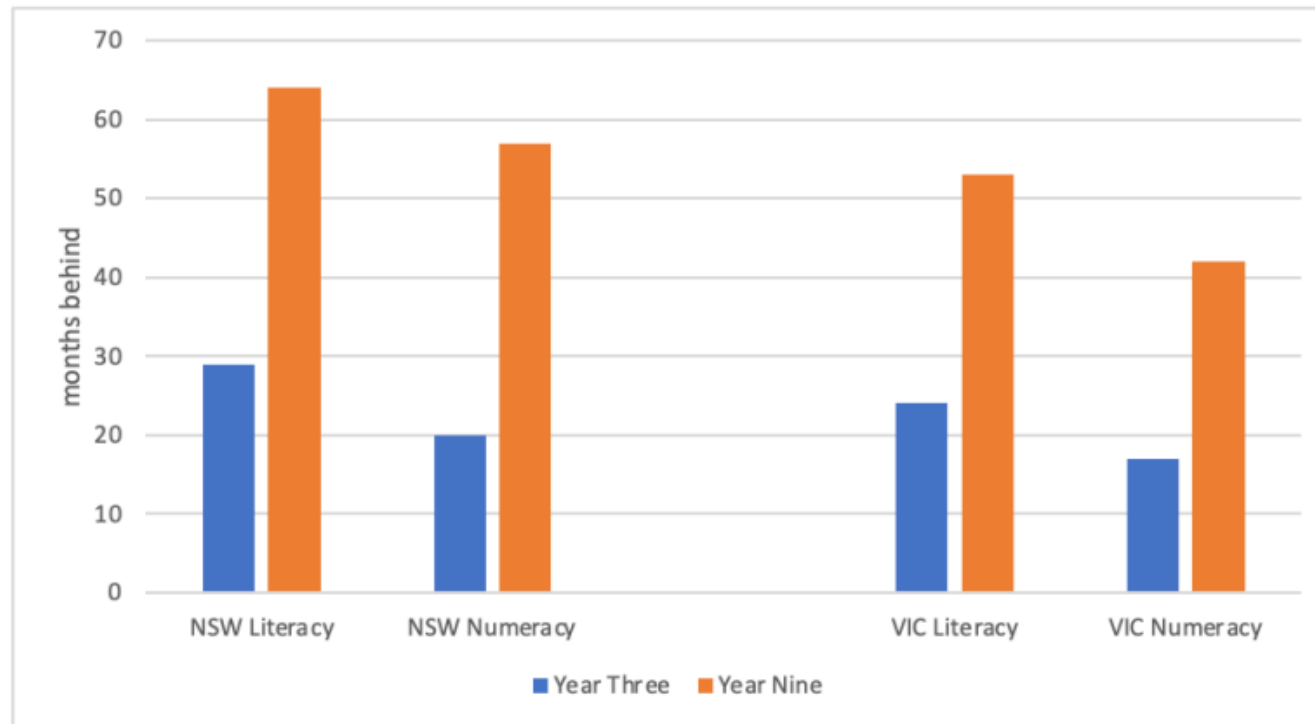
DISABILITY





# Learning to learn

Gap between students whose parents did not complete high school and those who have a university degree



Grattan Institute (2021)



Photo by Kenny Eliason on Unsplash

# If we don't learn, we don't earn (and we're not happy about it)

## Well-being by occupation, 2019 to 2021

People who were unemployed reported significantly higher well-being in 2020.

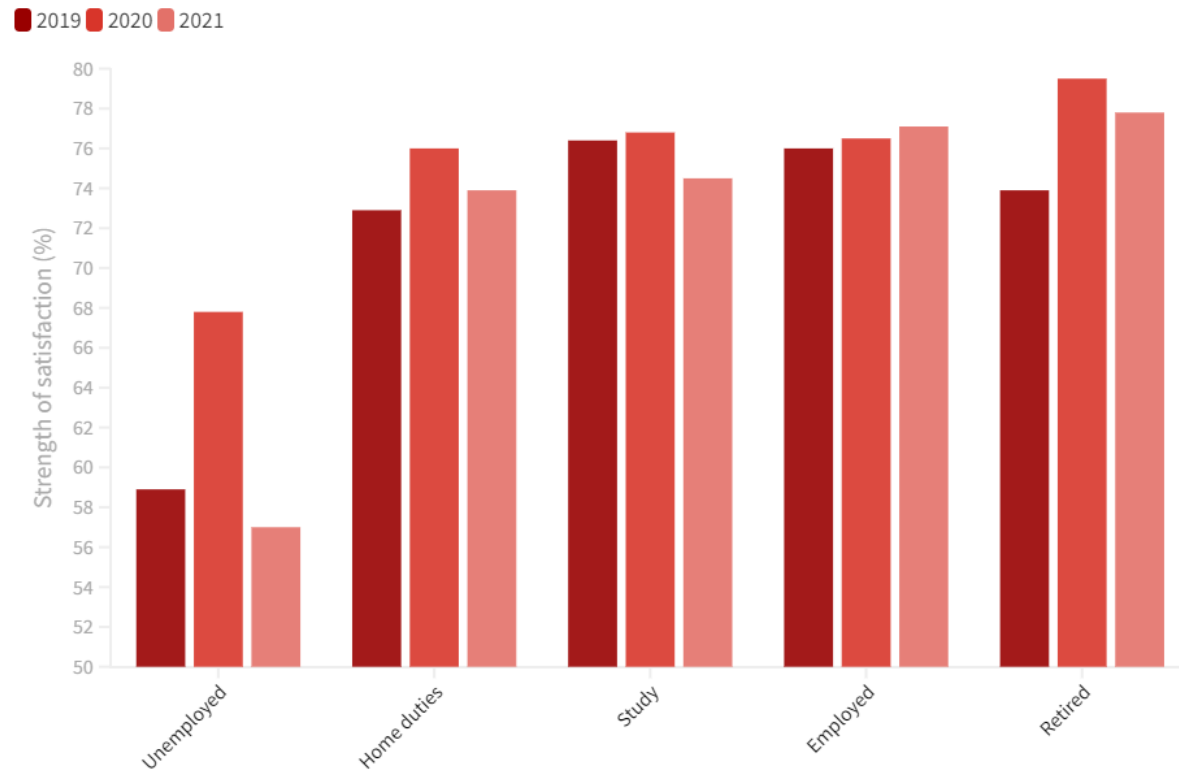


Chart: The Conversation / Source: Australian Unity Wellbeing Index

- Persistent poverty in childhood makes you five times more likely to be persistently poor in adulthood
- Completing high school leads to 18.6% higher earning for men, 14.5% for women.
- The lifetime costs of leaving school early – Loss of income, increased welfare and other social supports, increased crime, loss of well-being – have been estimated at \$616,200 per person (In 2017, that amounted to \$23bn for each cohort).

# Mental health issues cost society \$220 bn a year

Almost 1 in 10  
Australians  
report having a  
mental health  
condition

For aboriginal  
and Torres Strait  
Islanders, the  
figure is almost  
double

Poor mental  
health leads to  
reduced work  
hours

Treatment  
increases  
probability of  
recovery;  
reduces  
likelihood of  
relapse

# The dividends keep rolling

Raising female participation in NSW to equal of men would increase GSP by 8% by 2060

NSW Intergenerational Report

Average cost of homelessness is \$15,000 per person per year

SGS Economics

The economic dividend from Australia having a more inclusive society is estimated to be worth \$12.7 billion annually as a result of higher productivity, improved employment outcomes and improved health outcomes.

Deloitte Access Economics

Decreasing the gap in labour participation rates between people with and without disabilities by one third could result in an increase in GDP of \$43 billion over a decade.

Australian Human Rights Commission

# “WHAT GETS MEASURED GETS MANAGED”

Not everything that matters can be measured.

But “jobs and growth” alone is clearly not the answer to sustainable growth

# A quick word on valuing outcomes

Market  
value

Non-  
market  
value

Revealed/stated  
preference

Benefits transfer  
method

NSW Treasury

TPG23-08  
NSW Government Guide to  
Cost-Benefit Analysis

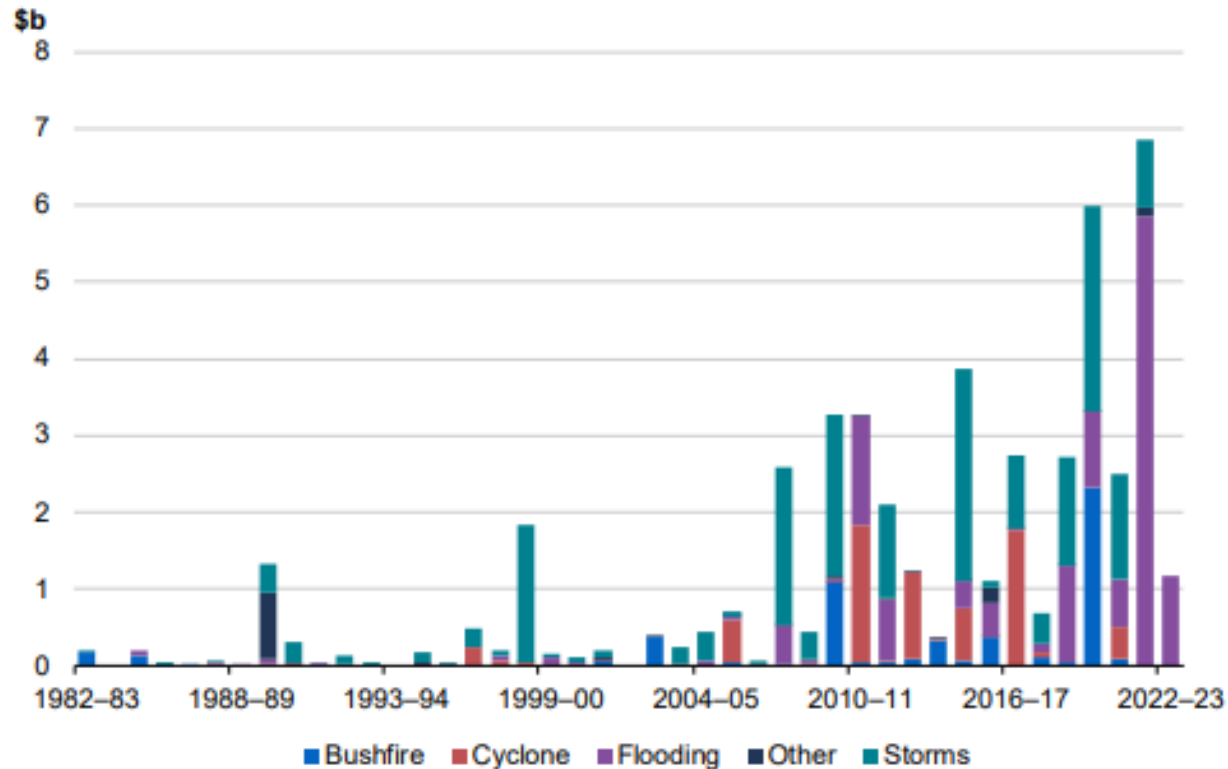
February 2023

Climate change is exacerbating disadvantage



# The known knowns – climate costs in Aus

Chart 5.6 Normalised value of insured losses caused by natural disasters, 1982–83 to 2022–23



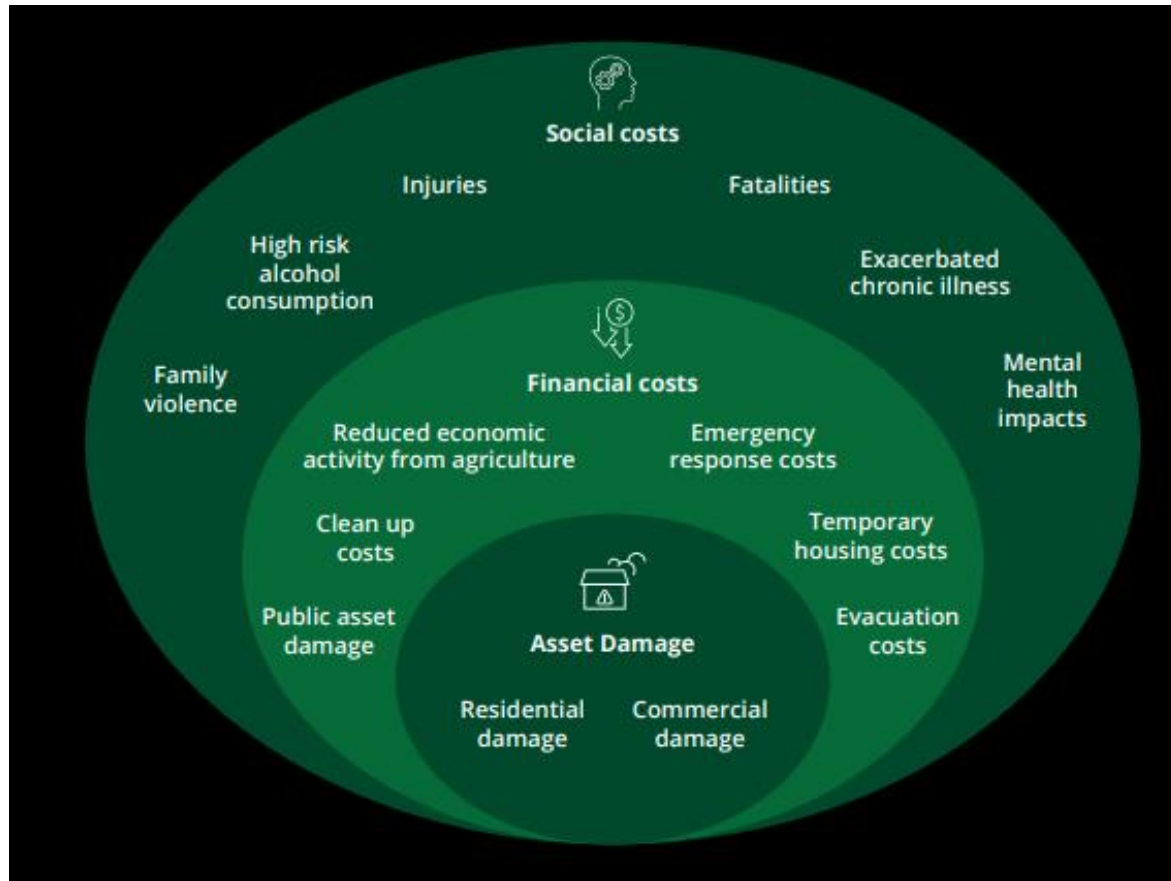
\$100 bn

0.2%-0.8%

\$3.4 trn

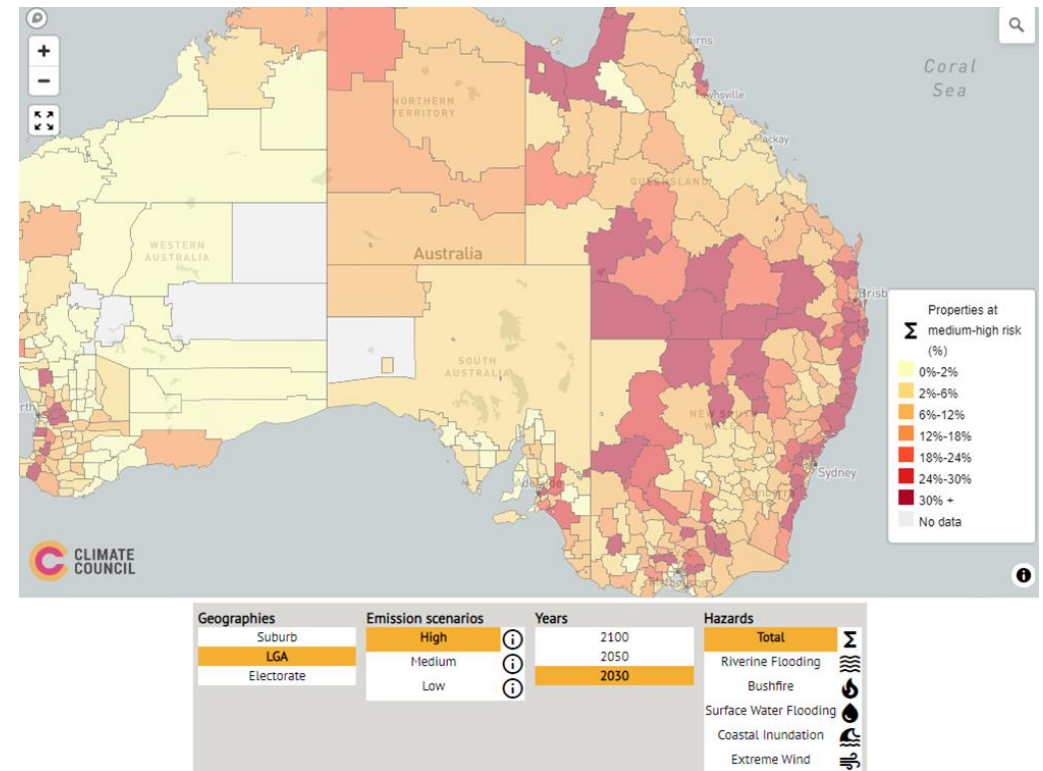


# The mounting costs of climate change



Source: Australian Business RoundTable on Natural Disasters

## Uninsurable nation?



<https://www.climatecouncil.org.au/resources/climate-risk-map/>

# The global costs of extreme weather that are attributable to climate change

[Rebecca Newman](#) & [Ilan Noy](#) 

[Nature Communications](#) **14**, Article number: 6103 (2023) | [Cite this article](#)

**13k** Accesses | **790** Altmetric | [Metrics](#)

## Abstract

Extreme weather events lead to significant adverse societal costs. Extreme Event Attribution (EEA), a methodology that examines how anthropogenic greenhouse gas emissions had changed the occurrence of specific extreme weather events, allows us to quantify the climate change-induced component of these costs. We collect data from all available EEA studies, combine these with data on the socio-economic costs of these events and extrapolate for

missing data to arrive at climate change in the last

We find that US\$ 143 billion per year of the costs of extreme events is attributable to climatic change.

extreme events is attributable to climatic change. The majority (63%), or this is due to human

loss of life. Our results suggest that climate change arrived at by using underestimates of the economic costs of climate change arrived at by using

estimates of the economic costs of climate change arrived at by using Integrated Assessment Models may be substantially underestimated.

We'd have to spend a lot before costs outweighed benefits...

# What is the role of governments?



These Photos by Unknown Author is licensed under CC BY-NC-ND

# What to do?

There is evidence to suggest that decarbonisation is not advancing at a sufficient pace to attain the government's target of net zero in 2050.

In light of this, Australian governments should, as top priorities...

(pick up to 3, this list has been shuffled)

- phase out non-electric vehicles
- expedite the development of nuclear energy
- take no special action, net zero will be achieved by 2050 without it
- expedite building new transmission lines to connect renewable energy
- expedite investment in large battery storage
- expedite the development of alternative fuels such as hydrogen
- increasing the carbon price presently paid by big polluting facilities, via the Safeguard Mechanism
- introduce an economy-wide cap and trade carbon price
- <https://theconversation.com/worried-economists-call-for-a-carbon-price-a-tax-on-coal-exports-and-green-tariffs-to-get-australia-on-the-path-to-net-zero-216428>  
expand the safeguard mechanism to cover more facilities, to mimic a broader carbon price

Source: World Bank

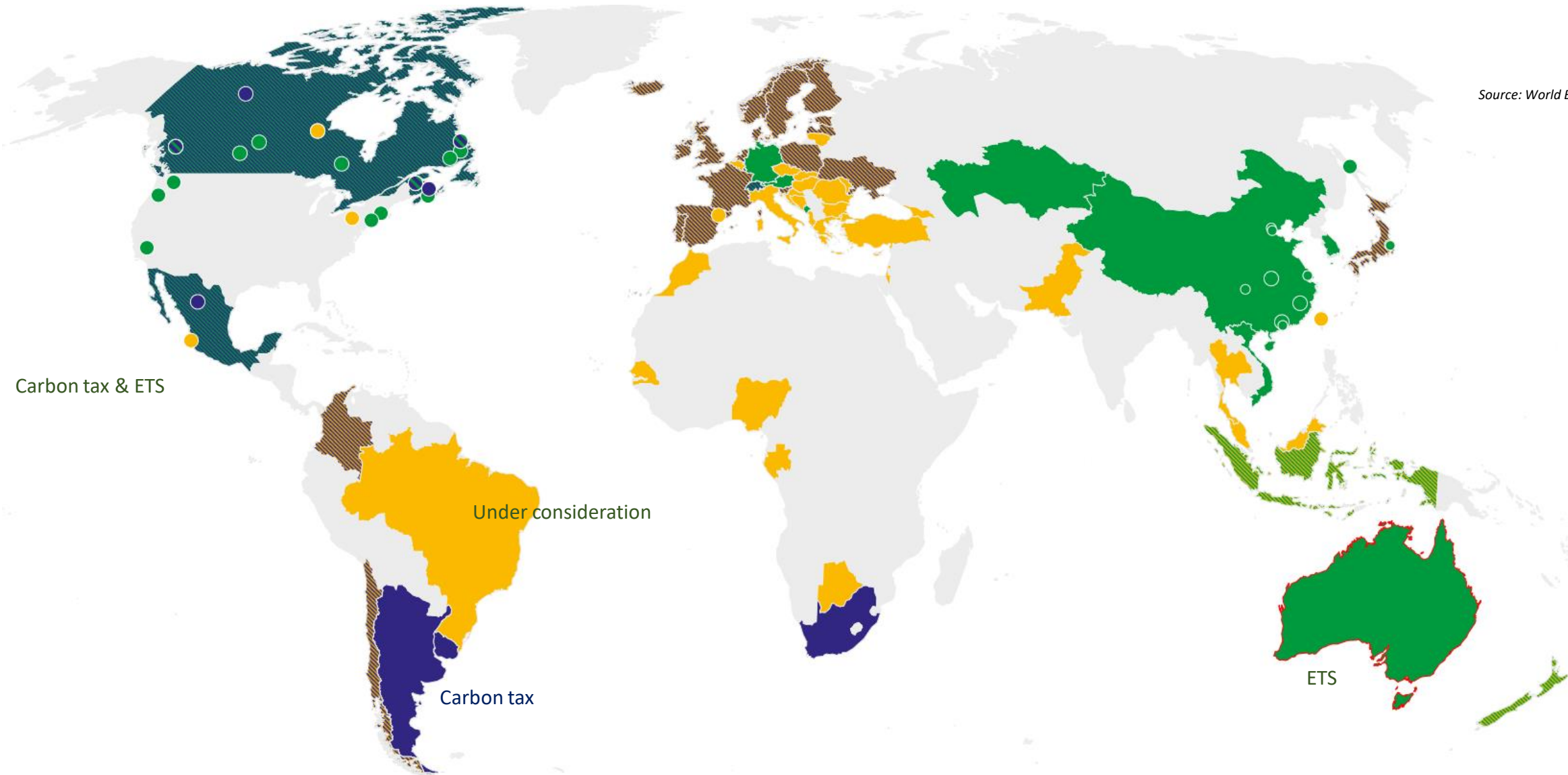
Carbon tax & ETS

Under consideration

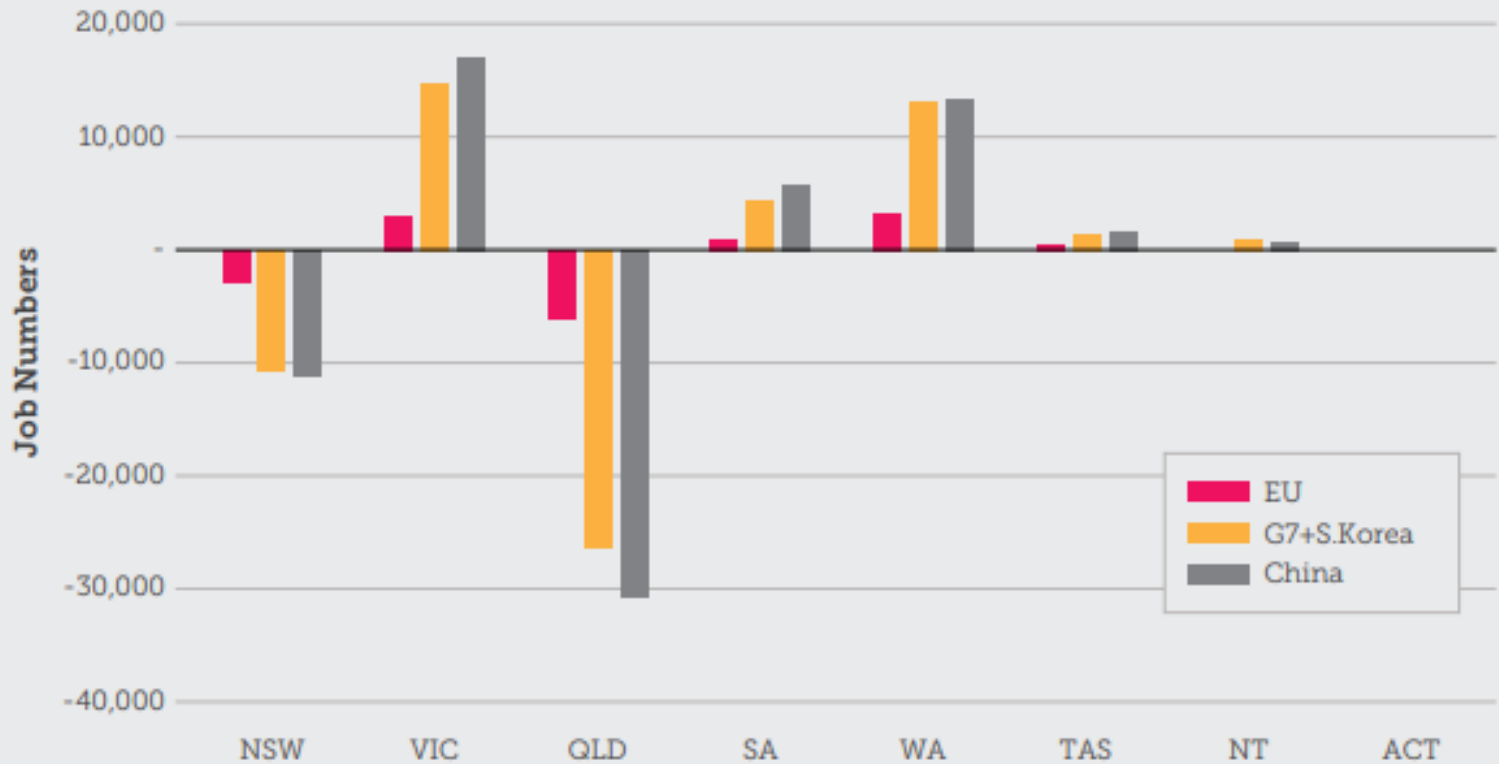
Carbon tax

ETS

# Carbon pricing regimes



### LONG RUN IMPACT OF CBAM ON STATE AND TERRITORY EMPLOYMENT



Source: Climate Council/Victoria University

Tragedy of the commons?

# Social Cost of Carbon – the price you use when you don't have a price

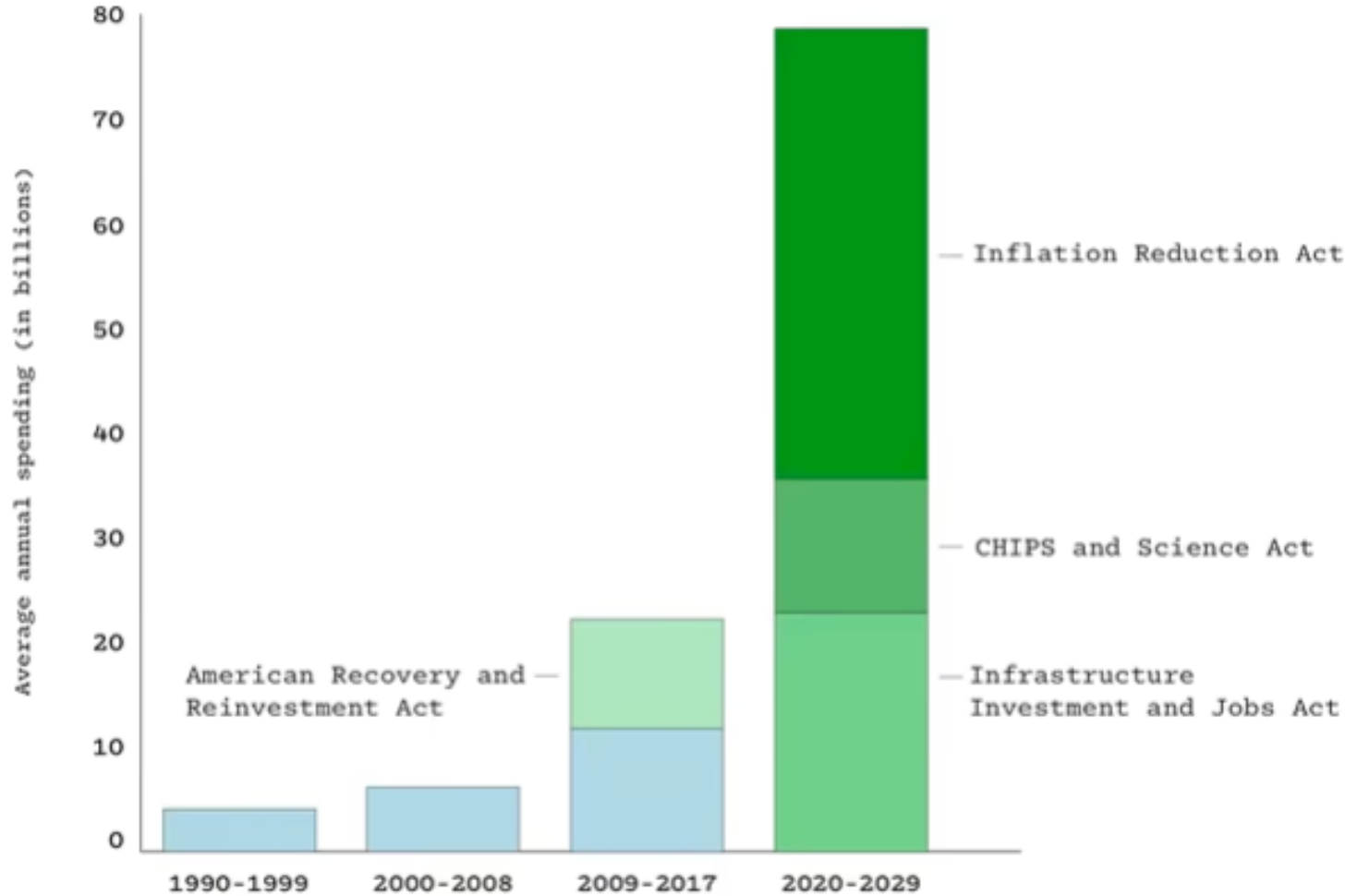
Emission year	Discount Rate		
	2.5%	2.0%	1.5%
2020	161	255	456
2030	188	308	509
2040	228	362	576
2050	268	415	643
2060	308	469	710
2070	348	509	764
2080	375	549	804

## Analysis finds extending Eraring's lifespan could cost \$1.7 billion in damages a year

7.30 / By [Rhiana Whitson](#)

Posted Thu 28 Sep 2023 at 11:10am, updated Thu 28 Sep 2023 at 9:27pm

## US Fed Govt avg annual climate spend



Source: RMI

# Biden chooses carrots (and CHIPS)

A research report by University of Massachusetts predicts that “over a 10-year period, the IRA will generate an average of about 912,000 jobs per year



# Not everyone is happy

Industry policy, or  
trade war?

Inflationary?



Source: Breugel.com

**Productivity Commission**

# Choosing least cost pathways

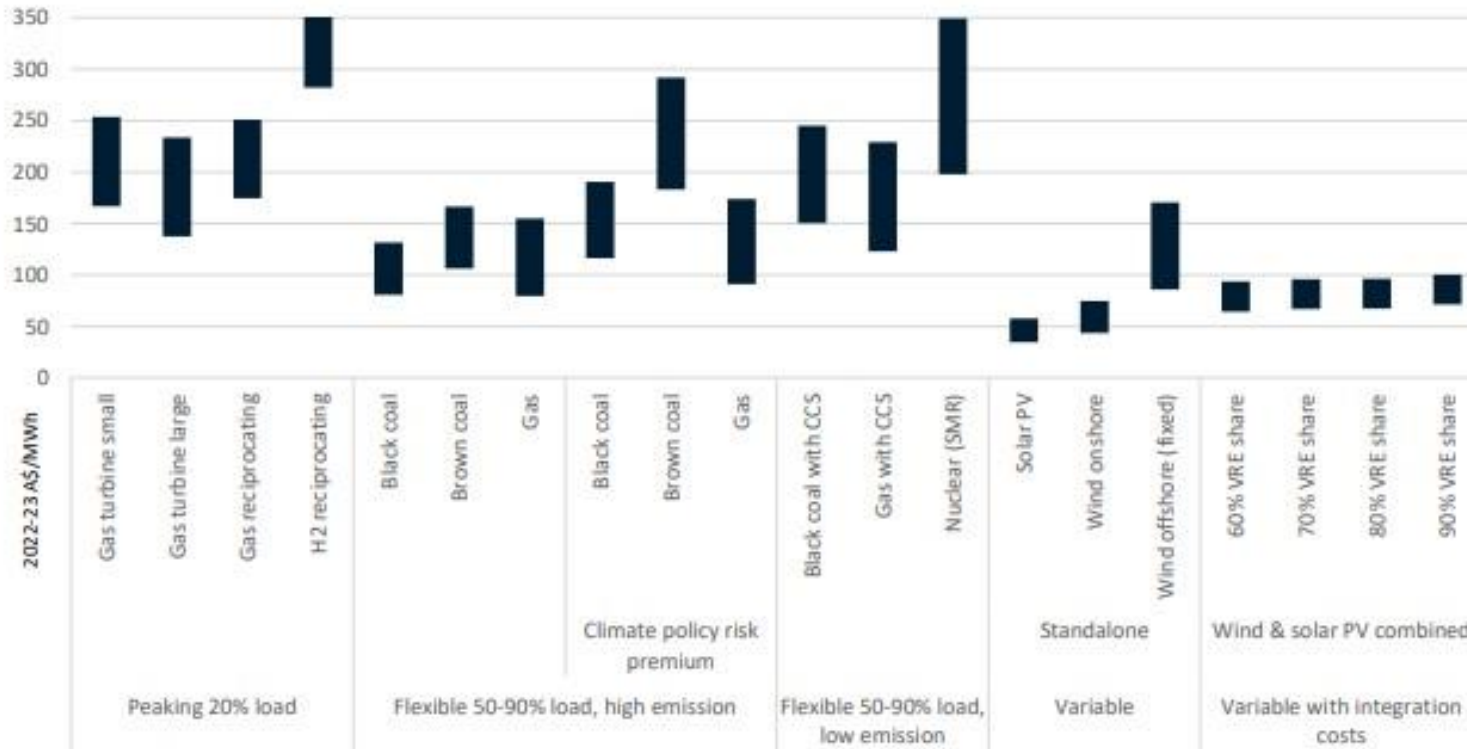


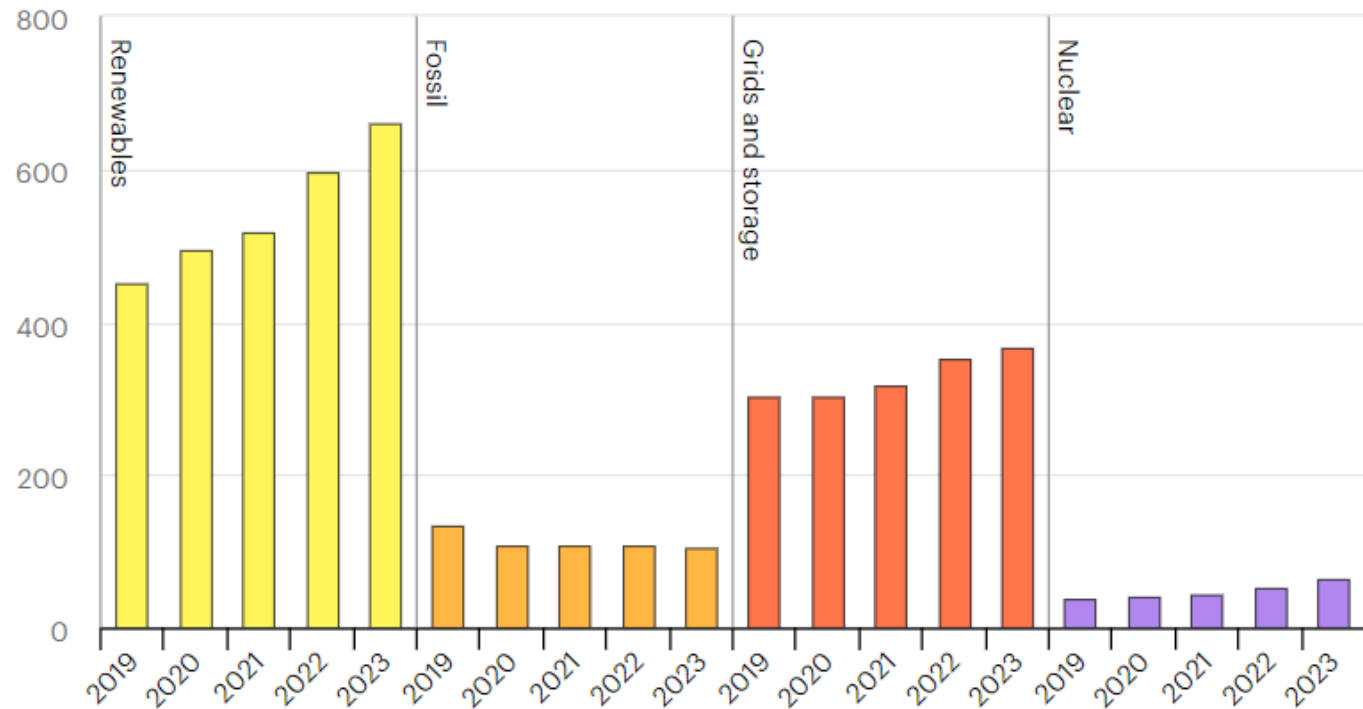
Figure 5-4 Calculated LCOE by technology and category for 2030

Source: CSIRO/AEMO

## Power investment, 2019-2023

Open [↗](#)

billion USD (2022)



Despite challenges, the world IS moving ahead



thank you

Nicki Hutley

[nickihutleyeconomics.com.au](http://nickihutleyeconomics.com.au)