

Dear Mr. Garnaut,

I would suggest to you that the problems that confront us are largely due to failings in the way the economy is managed. This is because the current approach to economic management has its origins in the system developed at a time when resources were considered to be infinite and environmental problems, whenever they were considered, were regarded as something that could be dealt with at some later stage. This of course has now proved to be the perfect approach to lead the world into the current situation of climate change and resource scarcity. Logically therefore some drastic changes will have to be made and I suggest that these could be simplified down to two steps;

1. Governments must be prepared to intervene in business and industry to a far greater degree than they have in the past.
2. Economists must abandon the panacea of growth as the measure of economic success and instead aim to achieve a sustainable society where wellbeing takes presidency over conventional economic indicators.

Many other countries are already doing this and far from causing the wheels to fall off their economy, it has often created new opportunities for business. Germany is just one example where legislating to fix the price of solar and wind energy has created a boom in research and development.

In Australia government intervention into business operation has been limited to special cases, like the tobacco and asbestos industries, where public pressure forced their hand. But there are many other examples where, just like the tobacco industry, the potential benefit to the economy from taxation is far outweighed by the social damage. Gambling and the liquor industry are two prime examples, the later costs the public \$7.6b per year, causes untold loss of human potential by brain impairment and is responsible for 40% of police work.

Should this policy of not intervening in the operation of business groups be followed by the new government we will have no hope of reaching acceptable greenhouse gas reduction targets because corporations are only responsible to their shareholders.

With regard to the concept of growth and the status it enjoys within economic thinking let me acknowledge that it was growth that enabled countries ravaged by WW2 to build a better life for their people and arguably prevent them turning to extremists political systems. However the cult of consumerism that has followed has done nothing to increase human wellbeing, instead it has concentrated growth into production of frivolous items and pursuits. It is the production of these which has accelerated the damaging practices that now plague our society. In fact one of the absurdities of modern economics would have to be the use of economic indicators, especially things like growth figures for energy consumption, new cars registrations, home approvals etc, all of which are damaging our environment.

As an economist I am sure you would argue that economic growth is necessary in order to fund not only the services like health and education but also the drastic modifications we will have to make in order to overcome the challenges of peak oil, obesity, climate change and the other problems that threaten our society. However the financial gain from growth is pointless unless it can exceed the extra costs incurred by growth, and as was pointed out during the election campaign our infrastructure deficit, around \$80 billion has occurred despite record growth. This has occurred because the cost of providing the new infrastructure for our growing population is greater than the increased revenue obtained. Unfortunately these costs are never acknowledged in any balance sheet, sometimes because they are difficult to calculate in financial terms. Examples of these are;

1. Australia is highly urbanized so the majority of people suffer the stress and inconvenience of inadequate transport facilities. The average time for commuting to work has exceeded one hour which equates to 14 hours/week of lost production not to mention frustration, road rage, extra costs with fuel price hikes and the mounting greenhouse pollution . The later also creates more health problems than road accidents yet neither is seen as a barrier to population growth while the mere financial cost of traffic congestion has been put at \$13b/year. (Bureau of transport and Communications 1995 figures) .

2. The housing affordability crises is a direct result of population growth, and since it is a mainly a social issue it does not appear on the economic ledger except as a positive in that it raises more in taxes. However it is also largely responsible for Australia's personal dept of one trillion dollars so logically one could say that the money required for the ever increasing house price could be spent on far more useful projects, for instance if only 10% of that were directed instead to shareholdings in non property related activities we would have more money available for the medical and other research necessary to combat our future problems.

3. While housing affordability gets the headlines it is actually the cost of land that is the main contributing factor and that impacts on business, commerce agriculture and the cost of installing or replacing infrastructure. Business groups are forced to move out of high land price districts and new ones are inhibited from starting.

Some of the best agricultural land is being swallowed by urban sprawl forcing growers to move into more marginal land with higher transport costs. ( ABS puts the value of our soils as diminishing by \$300m every year) They also suffer the double blow of having governments put cities ahead of rural areas for water allocations.

4. In cities urban consolidation is producing housing with little or no open space which is hard on families but impossible to build with the efficiency devices, solar heating, water collecting and waste treatment that we must have in the future. Once again the advocates of this approach are not forced to account for the infrastructure requirements when essential services like power, water and sewerage systems become overloaded. There is also ample

evidence that this type of concentration is more susceptible to natural or man made disasters that will increase with climate change. .

5. Perhaps one of the greatest absurdities relates to the pricing of energy. We are told that we cannot “afford” clean energy systems because they are far more expensive than coal fired power stations. Yet when pricing coal derived electricity there is only a simplistic approach in the accounting process, the real cost should include the permanent damage to the environment caused by water and air contamination from the mining as well as the air contamination from the combustion process and wind blown fly ash. There is an estimated 7 million tones of fly ash that has to be disposed of each year in Australia and it contains heavy metals like beryllium, cadmium, lead and mercury as well as uranium and thorium. We are now warned to limit our consumption of fish because of heavy metal contamination, and some people have been found with levels of mercury 7 times the recommended safe dose. Mercury, even in tiny amounts have a devastating impact on the human nervous system especially for children. The Ontario Medical Association has declared air pollution a “Public Health Crises” with coal fired power stations as the single largest contributor to this crises.

Sincerely,

Don Owers  
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