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**To:** Measuring What Matters  
**Subject:** Climate change and productivity

**Follow Up Flag:** Follow up  
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My submission is prompted by the Treasury Secretary's address to the Australian Business Economists 18 May 2023. The address not surprisingly placed significant emphasis on productivity (12 mentions). Productivity is crucial for real income growth, sustainable wage increases and inflation. However, no mention was made of climate change. A reasonable hypothesis would that the insidious impact of climate change has been a factor in the stalling of productivity growth and a contributor to inflation. Extreme weather events clearly are having an impact on, for example, on agricultural production, transport, mines (flooded pits), health and construction. In addition, an increasing proportion of construction activity, although recorded as GDP, is actually replacing/repairing roads, bridges, buildings etc and not adding to the nation's capital stock.

With current national policies (including those of Australia) being consistent with more than 2 degrees of global heating, it should be expected that the impact of climate change will have increasing economic impacts, including an increasingly adverse impact on productivity growth (in addition to the structural issues more commonly discussed). The assumption of a return to historical levels of productivity growth is becoming increasingly problematic. An increasing impact of global heating has profound implications for community expectations about real income growth and appropriate economic policy responses.

In this context, "measuring what matters" needs to go beyond the usual measurement of what has happened. Forward looking statistics based on modelling of both physical and economic systems are crucial. For example, effective public and private investment decisions must be based on realistic public projections of global heating. The impact of such heating should also be published, on not only the temperatures, rainfall and sea level, but also the economic consequences. The Government, including Treasury, has a role in publishing such projections.

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