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Removing Climate Change as a Barrier to Economic Progress

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I. INTRODUCTION

It was my privilege to attend what was probably Colin Clark's last public lecture, at an Economics Society meeting in the ANU's Coombs Lecture Theatre.

He was reflecting on early Australian economic policy, when sometime Prime Minister Alfred Deakin loomed large.

> "Deakin was everything that I abhor", Clark said. "An irrigationist, an immigrationist, a protectionist and a prohibitionist".

I felt sympathetic on irrigation (where Australia with its special constraints was the focus), protection and prohibition.

I favoured immigration for Australia then and now, and wondered for a while whether on that issue Clark was still speaking the book of his earlier commission to advise the Pope on population: with a pro-natal policy, Australia could breed its own. I shouldn't have wondered. Clark was a conscientious empiricist. I thought then and think now that Clark was wrong on global population (and that raises very different issues from Australian immigration), but he would have been speaking from firmly held views based on his own assessment of voluminous data.

Clark shares with William Shakespeare a legacy of ideas and phrases that are much used by people who have no idea of their origins. I was with Bob Hawke at a meeting in the Oval Office at the White House in 1983, when Ronald Reagan commented that "someone said that an economy gets into trouble if taxation rises above 25 percent". "Colin Clark". I whispered to the Australian Prime Minister (Clark, 1945).

Manning Clark would have described Colin Clark's as a "teaming mind" if he had turned his thoughts to the history of Australian economics. If you read now his major works from the mid-thirties to the early sixties, you are struck by the originality of thought; the capacity to follow an empirical trail to a conclusion that is way beyond the conventional wisdom and to declare the outcome forcefully and with clarity.

Only a few economists share with Colin Clark an ability to open new areas of inquiry. Many others toil for decades on this new ground once it has been broken, modestly augmenting the original contribution.

Angus Maddison said in his Colin Clark Lecture in 2003 that Clark would have been recognised more highly as an economist if he had not written on so many things. Maddison was probably right. If Clark had written more deeply on a smaller number of issues he may have been regarded more highly in the formal ways of the economics profession. But I am glad of how he spent his time. There is no shortage of economists digging deeper on small ground.

Clark's work on national income concepts and measurement in The National Income 1924-31 (1932) defined the modern approach to international comparisons of national income. In Conditions of Economic Progress (1940) he also set out the limitations of what became the standard measures of economic growth, half a century before non-economists' belatedly "discovered" those same weaknesses with the excitement of Archimedes in the bathtub.

Clark's book with John Crawford that pioneered modern national income accounting in Australia applies Keynesian insights sure-footedly just one year after the General Theory.

> "There is a school of thought among bankers, economists and politicians, members of which hold the key positions in the Australian economy at the present time, to whom these suggestions of public works expenditure, low interest rates and credit expansion are anathema; and they lose no opportunities of saying so. This does not obviate the need for counter-measures against a possible depression..."
> (Clark and Crawford, 1938).

So contemporary for the developed world in 2012!

We will discover too late that there is much relevance for us today in Clark's emphasis on the phenomenon of monopoly in shaping national economic performance. Absorbed from Cambridge in the 1930s, the focus on monopoly and economies of scale caused him to be sceptical of rigid attachments to free markets as the preferred form of industry organisation for all seasons ("The Conditions of Economic Progress", Preface to Second Edition, written 1947).

In the year of the Australian White Paper on The Asian Century, it is bracing to recall Clark's anticipation in 1942 of the industrialisation and rapid growth of China and Japan, which would shift the terms of trade decisively in favour of foodstuffs and raw materials (Clark 1942). The timing was out by four decades (although not if you don't focus too much on the temporary nature of the Japan commodities boom of the sixties and early 1970s) but the economic analysis sound.

Here in Brisbane I should reflect on the philosophic foundations of Clark's economics. He thought that economics as an intellectual discipline was subordinate to moral philosophy and to history (Clark, Conditions of Economic progress, Third Edition, Chapter 1, pp1-2). The values that surrounded his conversion to Catholicism fitted with the pragmatic and rational