

‘... who comes to Australia?’

Where migrants come from can tell us something about how they might fit in, say **Sinclair Davidson** and **Christina Yan**

Immigration and border protection have been important, and difficult, policy issues in the past ten years. Pauline Hanson was elected to the federal parliament on the basis of anti-immigrant (and anti-aboriginal) comments. To be sure, she was not re-elected and her party, One Nation, has disappeared from the national arena. Nonetheless, issues surrounding immigration to Australia remain prominent, and close to the top of policy agendas. Andrew Norton, writing in the Autumn 2006 *Policy*, demonstrates that Australians favour large-scale immigration, but expect migrants to ‘fit in’.¹ Fitting in can be very important. In a provocative article, Andrew Leigh has demonstrated that higher levels of ethnic diversity lead to lower levels of trust at the Australian neighbourhood level.² He defines the challenge for policymakers as being how to maintain the high levels of migration while minimising the adverse impact of diversity on Australian society. This, of course, begs the question: Are immigrants to Australia very different from native-born Australians? In this paper we examine the differences and similarities between migrants to Australia and the native born population. While migrants may be multi-hued, multi-accented, and multi-cultural they may not be too different from the people already here.

How to choose?

Irwin M Stelzer has described the most appropriate migration policy as being one of ‘economic self-interest’.³ The most appropriate policy is ‘an immigration policy aimed at the rather selfish

goal of enriching the host nation (and only incidentally its new arrivals)’. While not so blunt, the Australian government’s policy basically reflects this notion. The prime minister has repeated on many occasions, ‘We shall decide who comes to Australia and on what terms.’ This, of course, is Leigh’s challenge.

The ‘who comes’ question is of interest and importance. Wolfgang Kasper has written on this very question. The crux of Kasper’s argument rests on an important observation, ‘While all men may be born equal, they carry deeply held cultural and institutional baggage of greater or lesser value for life in Australia.’⁴ This observation may not be politically correct, but probably is factually correct. To be frank, migrants may add diversity into our diets and variety to life, but this is not a basis for immigration policy.⁵ Kasper’s argument relates to the burden that migrants place on Australian society once they arrive. This is not a burden *per se* on the welfare system, or on government services (as Leigh suggests). Rather it is a transactions cost burden—how do migrants fit in, what are the assumptions they make in their dealing with others? Are migrants able to cooperate in Australian society? If so, we should accept them, and if not, then we should not accept them. These are not overly onerous requirements; previous waves of

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migrants ‘embraced Australian institutions—such as democracy, the rule of law, private property and freedom to use one’s property—with relish and conviction.’⁶ Kasper describes these migrants as having a ‘commercial-collaborative ethic’. In other words, can migrants participate in Australian economic and political life with little disruption to extant Australians and themselves?

People with commercial-collaborative institutions interact freely with strangers, learn a lot, and are soon employed and welcomed, because they impose low transaction costs on others. They do not have to be fully assimilated, because their *mores* do not disturb social harmony.⁷

The difficulty with Kasper’s argument is operationalising the theoretical notions into practice. How do we identify differing institutional structures and baggage? Kasper suggests that individuals from ‘rigid, closed institutional backgrounds, who adhere to fierce tribal rule systems ... can inflict huge transaction costs on ordinary Australians.’⁸ Harold Demsetz provides some clues to operationalising Kasper’s theory: ‘Property rights are an instrument of society and derive their significance from the fact that they help a man form those expectations that he can reasonably hold in his dealings with others.’⁹ Similarly Douglass North argues that legal norms, organisational forms, and mores determine property rights.¹⁰

We operationalise Kasper’s theory by employing measures of Economic Freedom, Civil Rights, and Political Rights as proxies for ‘institutional baggage’. These indicators tell us about the practices and assumptions that migrants might bring to Australia. Other proxies we could have employed

include ‘trust’. There are two limitations to using this variable. First, international comparative data are sparse.¹¹ Second, ‘trust’ does not tell us about how people might behave—the crux of Kasper’s theory—rather it tells us what people believe. As Norton makes clear, there is a ‘distinction between what we think about other people and how we behave towards them’.¹²

Institutional characteristics of migrants

Economic Freedom is an index devised by the Fraser Institute and measures four key ingredients relating to economic activity. These are: **personal choice** instead of collective choice; voluntary exchange; freedom to enter and compete in markets; and protection of persons and their property from aggression.¹³ We have data for 1995, and then the five-year period 2000–2004. Economic Freedom has a **maximum score of 10**. Australia scores **highly** on this measure—Hong Kong has the highest score (8.7) in 2004.

Civil Rights protect citizens from both government and interest group oppression within society. These freedoms include: freedom of religion and thought; freedom of movement; freedom of association; right to privacy; and a right to a fair trial. Political Rights allow citizens to participate in public affairs either directly or through a freely chosen representative, which includes the right to vote or be elected.¹⁴ We have data for each year 1972–2004. Political Rights and Civil Freedoms score between one and seven—we have re-ranked the data so that seven is the highest score and one the lowest score.

We collected data on the national origins of

Table 1: Actual and weighted average freedoms

Flow of Australian Migrants						
	Economic Freedom		Political Rights		Civil Rights	
	Australia	Migrants	Australia	Migrants	Australia	Migrants
1995	7.8	6.92	7	4.43	7	4.13
2000	8.0	7.19	7	5.24	7	5.08
2001	7.9	6.99	7	5.17	7	4.90
2002	7.9	7.00	7	4.92	7	4.85
2003	7.8	7.06	7	4.94	7	4.96
2004	7.8	7.06	7	4.86	7	4.91

Sources: Data from DIMIA, Fraser Institute and Freedom House.

migrants from the Department of Immigration and Multicultural Affairs,¹⁵ calculated weighted averages for Economic Freedom, Civil Rights, and Political Rights and compared those scores to the actual scores for Australia.¹⁶ For example, if migrants from the UK make up 17% of migrants, then we multiply the UK Economic Freedom score by 0.17—we do this for all economies and sum the results. Results of this exercise are shown in table 1. Unfortunately we do not have Economic Freedom data for all economies.¹⁷ As such, our estimate for the weighted average Economic Freedom is measured with some error and probably represents an upper limit of the Economic Freedom that migrants have experienced.

All up the weighted Economic Freedom associated with migrants is not too different from the Australian levels of Economic Freedom. In 2004, for example, the weighted score is 7.06—in that year Italy had a score of 6.9. Australia already has a large prosperous Italian community who have assimilated well into Australian life and culture. In other words, the weighted average migrant has little economic baggage that is likely to cause difficulty.

Turning our attention to Political Rights and Civil Rights, we see a somewhat different picture. Australia has consistently achieved the maximum score of 7. The weighted Migrant scores for Political Rights and Civil Rights are a lot lower than the Australian score. The weighted average migrant comes from a poor Political Rights and Civil Rights environment. Countries with this level of Political Rights and Civil Rights include East Timor, Honduras and Papua New Guinea. Of course, it may be that Australia with its freedoms is attractive to migrants for these very reasons, yet migrants from these types of economies may have adverse institutional baggage.

Much of the recent debate has revolved around migrants from the Middle East. The proportion of migrants coming from the Middle East and North Africa have varied between seven and eleven percent over the past decade. In the past five years, migrants from Sudan and Iraq have increased in number. Lebanon also is a large source of migrants. Economic Freedom data for Sudan and Iraq do not exist. It is likely, however, that Economic Freedom is low in those countries. The Fraser Institute calculates an Economic Freedom score of 7.1 for Lebanon in

2004. On Political Rights and Civil Rights, all three countries score very poorly. The institutional baggage these migrants bring with them may well impose high costs on the Australian community.

We also need to set out some of the limitations of our analysis. We have investigated the institutional baggage migrants can bring from their home country. This does not necessarily indicate that all migrants bring that baggage with them. Nor do we suggest that all migrants from a particular country have identical baggage. Some will, while others will not. While we want to generalise, we should also avoid stereotyping.

It is important to recall that migrants to Australia are not a random sample. The Australian government selects migrants from the pool of individuals who apply to migrate to Australia. Over the past decade the Australian government has emphasised skilled migration. In other words, it is not surprising that the average migrant is economically similar to Australians. Table 2 provides some data on the top ten source countries for migrants over the eleven year period 1995–6 to 2005–6. In that time, 1,095,420 migrants came to Australia. These ten countries account for 60.4% of those migrants. This percentage from these economies has been fairly stable over that period. New Zealand and the UK provide nearly 30% of all migrants—these countries have higher Economic Freedom scores than does Australia and equal Political Rights and Civil Rights scores. Most other migrant source economies have Economic Freedoms lower, but similar, to Australia—Hong Kong is higher and China much lower. As when looking at the weighted migrant scores, the measures for Political Rights and Civil Rights are mixed.

Conclusion

Our analysis suggests that migrants, on average, will have little difficulty settling into the economy, and the Australian market place. In this sense, they impose low economic transactions costs. On the other hand, migrants, on average, may have some difficulty settling into Australian political and civil society. In that sense, they may well impose high transactions costs on society. The more important issue though is what can be done about this?

Last year the federal government released a discussion paper that considered the merits of

Table 2: Top ten sources of migrants 1995-96–2005-06

Rank	Country	Total Number	Total, %	Top Ten, %	Economic Freedom Score 2004	Political Rights Score 2004	Civil Rights Score 2004
1	New Zealand	184,618	16.85	27.88	8.2	7.0	7.0
2	UK	138,197	12.62	20.87	8.1	7.0	7.0
3	China	88,882	8.11	13.42	5.7	1.0	2.0
4	India	62,400	5.70	9.42	6.7	6.0	5.0
5	South Africa	51,864	4.73	7.83	6.7	7.0	6.0
6	Philippines	37,684	3.44	5.69	6.3	6.0	5.0
7	Indonesia	28,429	2.60	4.29	6.0	5.0	4.0
8	Vietnam	25,685	2.34	3.88	5.9	1.0	2.0
9	Malaysia	22,603	2.06	3.41	6.7	4.0	4.0
10	Hong Kong	21,764	1.99	3.29	8.7	3.0	6.0

introducing a formal citizenship test for migrants.¹⁸ At present migrants need to be familiar with the rights and duties of Australian citizenship, but need to have no other knowledge of Australia. Similarly, permanent residents need to have no knowledge of Australia, or the rights and duties of citizenship. The discussion paper does indicate that other countries require knowledge about 'the system of government', 'the legal system', 'customs and traditions', and similar issues for citizenship. Our analysis indicates that (some) migrants may well benefit from training in these areas. Indeed, all Australians are likely to benefit from a better understanding of their political and civil rights.

Endnotes

- ¹ Andrew Norton, 'Disliking making a fuss', *Policy* 22:1 (Autumn 2006), pp 17–22.
- ² Andrew Leigh, 2006, 'Diversity, Trust and Redistribution', *Dialogue* 25:3, pp 43–49.
- ³ Irwin M Stelzer, 'Immigration policy for an age of mass movement', *Policy* 17:4 (Summer 2001–2002).
- ⁴ Wolfgang Kasper, 'Immigration, institutions, harmony and prosperity', *Quadrant* 46:11 (November 2001), pp 6–10.
- ⁵ See John O'Sullivan, 'How not to think about immigration', *Quadrant* 46:10 (October 2002), pp 15–22, especially at p 18.
- ⁶ Kasper, 'Immigration, institutions, harmony and prosperity', p 8.
- ⁷ As above.
- ⁸ As above.
- ⁹ Harold Demsetz, 'Toward a Theory of Property Rights',

American Economic Review: Papers and Proceedings 57:2 (May 1967), pp 347–359.

- ¹⁰ Douglass North, *Institutions, Institutional change and economic performance*, (Cambridge: Cambridge University Press, 1990), p 33.
- ¹¹ Trust data are collected by the World Values Survey. That survey, however, is performed every five years and country coverage varies substantially from survey to survey.
- ¹² Norton, 'Disliking making a fuss', p 17.
- ¹³ See John Gwartney and Robert Lawson, *Economic Freedom of the World: 2005 Annual Report* (Vancouver: The Fraser Institute, 2005). Data retrieved from www.freetheworld.com. The data are ranked from one (lowest) to ten (highest).
- ¹⁴ See Freedom House, <http://www.freedomhouse.org>. The data are ranked from one (highest) to seven (lowest). In order to reduce confusion and enhance interpretation of results the data are transformed to a scale from seven (highest) to one (lowest).
- ¹⁵ Settler Arrivals 1995–96 to 2005–6, available at http://www.dimia.gov.au/media/publications/statistics/immigration-update/Settler_Arrivals0506.pdf.
- ¹⁶ Unfortunately, data limitations prevent us from presenting a comprehensive set of time series averages. Freedom House data extend from 1972–2004. Fraser Institute data are annual from 2000 only (five-yearly before that), while we can find Department of Immigration data for the period 1995–2005.
- ¹⁷ In 2004, we can account for 85% of migrants.
- ¹⁸ Department of Immigration and Citizenship, *Australian Citizenship: Much more than a ceremony*, Discussion Paper (Canberra: DIAC, September 2006).