

BIG AUSTRALIA

THE CASE FOR AND AGAINST

Glenn Withers and **Adam Creighton** argue for maintaining our current rate of immigration while **Judith Sloan** and **Mark Latham** advocate cutting it.*

Glenn Withers:

Adam and I have the advantage, in a CIS context, of being the champions of a freer market in the way in which humans organise their affairs. In this case, it's our opponents who are the command and control folk, concerned about market failure, spillovers and the like, while we are on the side of commonly expressed business views. I note that both Mark and Judith have expressed views earlier that I would say are much more like green environmentalists and union officials on immigration matters.

Let me start for our side with a proposition. There's a range of studies in this area that look at population in a global sense. They find that global population is actually levelling out in terms of growth and will probably peak by about 2050 at that global level. The studies also find that if you allowed free movement of those peoples who wish to relocate around the globe, you would at least double global GDP and hence, when talking about the given population then, you'd have double GDP per capita. So, in fact, following the globalisation logic from free trade and free investment movements into people movements would—if there was nothing inhibiting those movements—be a significant benefit for humankind in terms of material prosperity.

This is an interesting and strong intellectual point to start with because it ties in with the global battle at the moment over protectionism versus

globalisation, with the ironies attached to that of the American president being the champion of protectionism and the Chinese president being the champion of globalisation. So, these are confusing times, but in our case we want to look at how this works itself out in the area of Australian immigration matters.

This debate that's been opened up—including in particular by people like Mark and Judith along with others such as Dick Smith and Tony Abbott—has brought these matters to some prominence lately. So it's a good time to look at some of the issues. I'm also an economic historian and I've noted that in the postwar era we've had a period of stable government under Menzies and his predecessor Chifley producing a long boom. Then we had about a decade of political confusion after this quarter-of-a-century boom where we went through Holt, McEwan, McMahon, Whitlam, Fraser etc. That confusion was resolved by the Hawke-Keating and Howard eras, which gave us another long period of boom. But at the end of that period too there's been a new decade of confusion, which is the period of Rudd-Gillard-Rudd-Abbott-Turnbull.



Glenn Withers is Professor of Economics at The Australian National University in Canberra. The editor notes that 30 years ago he made the case for a moderate expansion of immigration in the predecessor to *Policy*, *CIS Policy Report* (August-September 1988).

* This is an edited version of remarks made at a debate on immigration at The Centre for Independent Studies on March 21.

It looks like we in Australia have a pattern of being able to work well together and live together well as a prospering society—and we are one of the more successful societies—for a quarter of a century but then our adaptation to that starts to have us interrogate ourselves and rethink what we are doing as a society. We're doing that right now. We've clearly been through that period so we're at a crossroads—which we often say—but genuinely I think from that historical construction, we're at a crossroads.

Part of that is a reconstruction and re-examination of what it means for us to have the immigration foundation for our country that we've had—literally 30,000 years ago but most recently in the last couple of hundred years, one of the higher immigration countries in the world. We've got 25% of the population overseas-born as a sort of factoid and about 40% plus are either a migrant or the child of at least one migrant parent.

So we're talking today about something pretty fundamental to the nature of Australia: immigration. Overseas there's a lot of recognition of Australia's achievement in this domain, so why are we worrying about it? Why the angst? The Brexit debate and the US presidential election held up Australian immigration as worthy of admiration and emulation, and yet we're agonising. But the fact is there are genuine issues that are worth agonising over. It's important to get the policy settings right, especially at this point in our historical evolution because getting the settings right helps define the nature of Australia for the future and we want that policy landscape to be the most appropriate for this purpose.

One way to do that is to impose a clear framework on this. It seems to me from some long involvement in this area that there are about five separate things that are really looked at on the claims for immigration being a major force for our advance as a society. These define the relevant framework.

There's a claim for economic vigour, there's a claim for social savings and there's a claim for global positioning. But on the opposite side—on the pain rather than pleasure side of the calculus—there's a lot of concern about what it means for cities and the environment, and what it means for social cohesion and culture. And in examining each of these items,

if you're not going to be an absolutist and simply say that only one of those claims matters and that's the end of the story, if you want to be more like a middle-of-the-road economist like I am, I want to add those things up and see how they balance out. In that sense, I'm a sort of utilitarian much of the time—the greatest happiness for the greatest number: so what will the balance of immigration policy produce for these issues?

I think going through it like that really helps. I was once at a debate that Steve Bracks organised starring Tim Flannery and Malcolm Fraser. Tim started by saying that Australia's population should be 12 to 15 million for environmental reasons. Malcolm came along and said it needs to be 50 million plus for national security reasons. By the end of the debate, they were arguing over whether it should be 25, 30 or 35. That is, they went through all the elements and were obliged to converge substantially.

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So it seems to me that we do need—as we're going to do in this debate—to go through the evidence on whether immigration produces economic vigour, and I think the evidence from economists confirms this. Indeed it has underpinned growth of GDP and employment. It does not create greater unemployment as it creates as many jobs as it takes. And it has helped Australia weather economic crises much more than is appreciated. In some ways the Immigration Minister is more important than the Governor of the Reserve Bank and Secretary of the Treasury. And its skill composition actually increases GDP per capita more than is recognised, and moderates inequality because the greater pressure is on higher skill incomes.

Immigration does produce savings from the reduced ageing of the population, that is it reduces the pace of ageing. And a percentage migration target rather than a fixed level extends this out for many years, so the glib dismissal of that logic on the grounds that migrants themselves age is to trivialise

a serious discussion about population structure. Migration does enhance our global positioning too if we sustain a higher level of migration. Sharing the costs and providing more resources for defence is also not a small benefit.

Against this, there are the negatives. Immigration does put more pressure on national infrastructure and the national environment (while reducing that pressure in source countries). A key consideration though is that there are ways of dealing with the cities and environmental issues, including greater regional migration. Immigration contributes more to the public purse than it takes out. The key is political good sense and will to plan and manage this process well, utilising the fiscal dividend provided by young skilled migrants, including the capital assets many bring from their homeland.

The trick in this is to get the balance right and gung-ho expansionism may, equally, be its own worst enemy. The same applies as regards the challenges to social cohesion and the associated cultural issues that come in inevitably as an elephant in the room in debate about immigration.

The survey evidence is that Australian public opinion is easily led on these issues. The upside of this observation is that if the voices of our better angels are immediate and strong and ring across the nation—from business, education, religion, state government, charities and more—negative populism is quickly muted. Only if the good hold back, will darker more unworthy views gain a real foothold.

Further reassurance here can come if we also make clear where immigration fits into, and even helps drive, the wider strategy for the re-energisation of Australia. This involves substantial further economic reform to sustain and enhance the commercial side and, parallel to this, investment in infrastructure, education and innovation. With these, social advance and environmental benefit too can follow. Immigration is integral to all of these and helps advance Australia's future.

Judith Sloan:

One of the things we need to sort out is what are the objectives that governments should be pursuing when it comes to immigration and population—although I'm a little lukewarm about the idea of

a population policy because it sounds like central planning to me.

It seems to me that the objectives should be to maximise the well-being of the incumbent population. Some of you might have seen Peter Martin's extraordinary article in the *Sydney Morning Herald* recently saying that, in fact, the objective of the Australian government should be to somehow maximise the welfare of the world and that Australia has been granted a social license to populate the country with people from all over the place.

I fiercely reject that proposition. And I think it's quite important in thinking about this topic that maximising the well-being of the incumbent population—including new migrants, probably new *permanent* migrants, as well as everyone else—is probably what most people would agree with. We can have some secondary objectives such as a relatively modest but well-targeted humanitarian program, which I think most people would go along with too.

Another point—and this is not a factoid, it's an actual fact: Australia has one of the highest rates of population growth in the world. I'm not talking about the developing world and the developed world. I'm talking about the whole world. In fact, the world population is growing by 1.1% and Australia's population is growing by 1.6%. The only place that has higher population growth rate is Papua New Guinea. The UK is at around 0.7, the US 0.6, and a lot of European countries have extremely low rates of population growth. So we have to ask ourselves: why would it be such a sensible idea to be so out-of-whack with the population growth of other countries?

Of course, it's not just an issue about the numbers, it's also about spatial location. Nearly two-thirds to three-quarters of population growth is being driven by immigration and the rest is being driven by natural increase or births



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over deaths. Most of that population is going to New South Wales and Victoria—by which I really mean to Sydney and Melbourne. So about two-thirds of the growth is going to those two cities. It's all very well to be sanguine about saying we can fix up the infrastructure problems, the loss of urban amenity, and the environmental pressures. I'm not nearly so sanguine. Do we really trust state governments to be able to do it in a practical sense and certainly in a timely sense?

Let me also talk about the economics of migration. What it tells us is that there is probably a very small positive impact of immigration on per capita GDP or per capita income. Everyone here would agree that there's no point in talking about absolute growth. Of course, if you grow immigration, you grow the absolute size of the economy. But we must be concerned with per capita growth.

It takes a long time to get that positive economic impact—probably 25 to 30 years—and in the short term, we actually have a decline because the capital to labour ratio goes down, there's a dilution of capital, and productivity goes down. So the idea that immigration is some sort of boost to the economy is not true.

This is very important, and I think it has been undercooked. There are clearly distributional impacts of immigration. So who are the winners? The winners are largely the immigrants themselves and businesses (businesses can't get enough of immigrants—they're growing their businesses for them, they're providing them with workers they might otherwise have to train). So businesses are also the beneficiaries, and so too are complementary workers who have skills that complement the immigrants. Workers who have substitutable skills are clearly the losers. I refer in particular to the work of George Borjas, a Cuban immigrant and professor of economics at Princeton, who has done some very interesting work about the distributional implications of immigration.

These economic studies—remember the very small long-run per capita economic gain—don't take account of the loss of urban amenity, congestion costs, environmental pressures and the like—possibly house prices. I'm an empiricist too, and if you added all those things up, there's no

doubt in my mind that the economic impact would be significantly negative.

Another issue is cultural integration. I refer here to Wolfgang Kasper's work, published by The Centre for Independent Studies, on the importance of cultural integration by the immigrants themselves in order to secure those economic benefits. This becomes much more difficult if you have a mass immigration program because migrants can form groups where integration is actually not a practical alternative.

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Let me also refer to the important work that Bob Birrell has done because it is often argued that the Americans and the British admire Australia's program because it's focused on skills. But if you look at Bob Birrell's work what he's saying is that the skilled aren't really that skilled. An example is the proportion of overseas graduates from non-English speaking backgrounds who hold professional jobs in Australia compared with local graduates or graduates from English-speaking immigrants who hold degrees. It's almost double—that is, about 75% for locals and English speakers and about 39% for immigrants with degrees who have graduated here and have stayed on as immigrants.

The final point I would like to make in terms of the global studies of people movement and GDP gains for the world that Glenn Withers refers to is that this raises a sort of morality issue for Australia and our skilled migration program. We're saying it's really good for us that we can suck the skilled workforce out of poorer countries. I've always thought that that was a rather strange attitude. I know there have been instances where, I think, there were a lot of nurses who were taken out of Africa to populate the National Health Service in the UK and that morality argument was taken up. So it seems to me that this is also an interesting angle: We claim to have a skilled program, which we probably don't as much as we think, and we argue that it's fine to sap those skills from countries that might actually benefit from them.

Adam Creighton:

Judith says that we are out of whack with the rest of the world, and it's true that our rate of population growth is 1.6%—which is the second highest in the OECD after New Zealand until recently. It's also important to remember that our population base level is not especially high and so any kind of raw figure is obviously going to be a large percentage of the existing population.

If you go back historically to the 1850s in Australia, our population tripled in just that one decade. The increase was from a very small base, but the point is that we have experienced very fast growth in the past and survived. In the 1950s and 1960s we also had a faster rate of population growth for nearly 20 years than we do now roughly.

I'd also point out that the current immigration quota of 190,000 a year has actually been fixed at that level for about the past four years, so it's already the case that it's shrinking slowly. And that's what we on the pro side are advocating—that we hold the current absolute level. Of course if you do hold it at the absolute level, the growth rate will also shrink over time. It's simple mathematics.

It's a vote of confidence that we have such a high population growth rate.

The second point I'd like to make by way of opening is to deny that a high rate of immigration growth has become so unpopular all of a sudden. Bob Carr recently talked about how around 74% of Australians are massively against higher immigration, but he's basing that on a very loaded survey. If you refer to the Scanlan Foundation or various surveys from the Australian National University and the Lowy Institute, you'll find that the proportion of Australians who are in favour of lower immigration has been static at around a third. That's not small but it's not 74% and it's been static for quite some time.

So I wanted to make those first two points because they alone deny that this is an issue that we should be so concerned about. One reason that some people think it is such a big issue is because they believe that immigration is dragging down wages. Yet wage growth has been slow in pretty much every

country in the world. It's not unique to Australia; it's a universal phenomenon at the moment. I think it's got little to do with our immigration rate.

The second reason is house prices—the perennial Australian issue. But once again, asset prices have soared around the world. It's has nothing to do with the rate of immigration except maybe slightly at the margin. Instead the huge fall in interest rates around the world—which it can be argued is artificial and induced by government—has seen house prices and stock prices soar. That's created all sorts of problems, but we can't blame the rate of immigration.

This is not to deny that a bigger population does not lead to greater congestion. I think that is what's driving a lot of the debate. Sydney and Melbourne in particular are getting bigger and this is increasing commute times and so forth, which makes people angry. So it's become a political issue. However, I would say, let's rather focus on the problems and deal with those. And they're not trivial problems. Judith Sloan's right. We are bad at this. For instance, one major issue is how our state governments plan and build. But I think it's better as a country that we focus on fixing the problems rather than halving the rate of immigration growth.

Which, I might add, would be a big shock to the economy. The last time we had an immigration growth rate—or rather a population growth rate—about half the rate it currently is was in the 1930s during the Depression. When an economy and a country are going well, its population is going to grow rapidly. It's a vote of confidence that we have such a high population growth rate: People want to live here because it's such a great place to live. We've been a capital importing country for a long time, and if you're going to import capital you're going to import people too. You can't just keep having the capital and choke off the people. That doesn't work.

The solution to this simmering angst is better planning and



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better density. For instance, a factoid I have used in my columns is that in the past 12 months until November last year there were 44 new dwellings approved—that is, homes and apartments—in Woollahra in the Eastern suburbs of Sydney. That's all. There is a population of some 60,000 and only 44 new dwellings were allowed by zoning. In Parramatta, it was 4,500. That is remarkable on many levels. If you go to any other major city in the world, even the poshest parts—such as Chelsea and Kensington in London—will have four and five storey buildings, not just freestanding houses. So if we have more sensible zoning policies, and if we increase the number of storeys that are allowed in some of the inner-ring suburbs, including some of the posh ones, we can have higher and stable population. It also brings down the cost of infrastructure because you don't need to have so many train stations and the like. You can run the trains more frequently.

A study of the density of Australian cities and 50 of the biggest cities in Canada, New Zealand and Europe found that the bottom three are Adelaide, Perth and Brisbane. That's extraordinary. We shouldn't be at the very bottom of that list. Are we really saying that those other cities—for instance, Madrid and Barcelona—are terrible places? Of course they're not. People want to visit them and people lead satisfying lives there.

Economics is not going to answer this question. The answer to the question of what our population growth rate should be is about our vision for the country. I'm willing to concede that I like big cities. That's my bias. I think they're exciting. And I think Australia needs big powerful first-tier cities if it's going to be of any relevance in the 21st century. I worry that what's happened to Adelaide is going to happen to Melbourne and Sydney on a larger scale if we close off people and try to shrink their relative size. They are not going to be relevant, especially in a region like we're in. What kind of message does that send to the rest of the world, especially at this rather precarious time, if we shrink our population growth rate?

One final thing: Julia Gillard wrote in *The Australian* in 2010 that we don't want a Big Australia, we want a Sustainable Australia—which was code for slowing population growth. She won

an election. But what happened? In 2010, the norm was 172,000 net overseas migration. Then it was 205,000 and then it was 225,000. The point is that it doesn't really matter what our politicians say. The reality is that we're really going to struggle to control our population growth.

The elites pushing for Big Australia are way out-of-touch with the realities of suburban life.

Mark Latham:

It's a brave move to be hosting a debate about immigration and questions of ethnic diversity on International Harmony Day. There's an international day for everything, but I wonder whether we'll get through the whole debate without Tim Soutphommasane and his 18C storm-troopers bursting through the door to close us down for the thought crime of speaking freely about Australia's immigration intake. Let's hope we can go the distance.

My starting point is to argue that economic rationalists should support big cuts to Australia's immigration program for the sake of wages growth, housing affordability, productivity and urban efficiency.

I used to have a little rule, having lived in Western Sydney for 50 years and heard the eternal promise of better planning, that I called the 'scream rule'. I've now moved onto the 'garrotte rule'—I always remember the way Gareth Evans said he wanted to garrotte Bronwyn Bishop one night in the Senate. The garrotte rule is for people who say Western Sydney's problems can be solved by 'better planning'. For 50 years we have heard how better services and better planning will end the congestion, and overcome the paucity of infrastructure and services. But it never happens. It never happens for the basic reason the elites pushing for Big Australia are way out-of-touch with the realities of suburban life.



Mark Latham is a former federal Labor leader and political commentator.

Speaking of elitism, I should start with the most elite of the elites, Malcolm Turnbull, our Prime Minister, and his policy-making offsider, Lucy Turnbull. On ABC radio in March 2016 Mr Turnbull said in relation to his Big Australia immigration policy: ‘This is the simple concept. Most people in their day-to-day work, education, shopping, recreational activities, should be located within 30 minutes of walking, cycling or public transport from their home’.

I failed the 30-minute test today—I left home at 9.45am on the outskirts of southwest Sydney and got here at 11.45. I don’t live in the 30-minute city that Malcolm Turnbull advocates. I live in the 120-minute city, and there’s large numbers of people in the same circumstances because of Sydney’s gross urban inefficiency. We need a helicopter to help us comply with Malcolm’s 30-minute rule. In fact, his helicopter would be nice.

A fortnight after Mr Turnbull said this, Lucy Turnbull echoed his views in an article in *The*

Australia’s immigration program is so big and our settlement programs are so flawed, we haven’t got effective ethnic integration.

Weekend Australian in her position as the Chief of the Greater Sydney Commission. She too believes in the fantasy of a 30-minute city. Unfortunately, in terms of urban efficiency and Big Australia, Malcolm and Lucy Turnbull have become to this policy area what Joh and Flo were to good governance in Queensland. On the urban fringe, we are all feeling the adverse impacts.

The Greater Sydney Commission has projected Sydney will need to accommodate another 1.8 million people over the next 18 years; that is, 100,000 per annum. In April 2017, the Federal Cities Minister Angus Taylor said that already two million people call Western Sydney home and this number will increase by another million in the next 20 years.

These numbers have given rise to what I call the Upside-Down City. In the 1970s we had the centre-and-radial spoke system in Sydney and other Australian cities, where everyone assumed that the most congested spot was in the centre of the city.

Well, these days you can put down a picnic blanket and have morning tea in the Cross City Tunnel under Sydney’s CBD. Meanwhile, the congestion has moved to the urban fringe. It’s upside down now. Congestion has become a way of life on the urban fringe, while the centre of the city flows much more efficiently.

Outer-ring inefficiency has a massive economic cost. No sooner have roads like Narellan Road and Camden Valley Way in southwest Sydney been widened and improved, and new car parking areas have been built at Leppington and Edmondson Park railway stations, than the congestion starts again, just six months later. Whenever the state government builds new facilities, the rate of immigration and population growth ensures they are overcrowded again shortly thereafter.

I invite anyone who talks about ‘better planning’ to go to the new Oran Park Public School where, with the wonders of better planning from the state education bureaucracy, they have 24 demountable classrooms—three rows of eight lined up. It looks like Manus Island. All those lefties in Glebe and Paddington who complain about Manus Island should go and have a look at the one that exists under the banner of better planning at Oran Park. There are huge liveability and urban efficiency costs to this crazy policy of extra population growth fuelled by Big Australia migration.

On top of this, our ethnic integration and settlement policies are atrocious. I always look at the promise of the New South Wales Baird Government when we took a special intake of 7000 Syrian refugees in this state. They went to the trouble of appointing Peter Shergold, formerly head of the Prime Minister’s Department, to be the Coordinator-General for Refugee Settlement. He said the new arrivals would live in Coffs Harbour, Albury and Wagga, yet 6000 of the 7000 settling in New South Wales went to one local government area: Fairfield in Western Sydney, with all the problems of integration and service delivery. Fairfield has the highest unemployment rate in Sydney.

I did a couple of surveys recently in the town centre of Fairfield and 90 per cent of people there don’t speak English. I support multiculturalism but on the basis that people can speak to each other in the national language of English, so we

can communicate and build the bonds of support, trust and social capital. That's the only way in which multiculturalism can work. But Australia's immigration program is so big and our settlement programs are so flawed, we haven't got effective ethnic integration. We've got the development of ethnic enclaves.

Former Prime Minister Tony Abbott has blown the whistle on the economic impact of Big Australia. He has said the Federal Treasury uses it as an easy, artificial way of boosting Australia's headline GDP numbers. Over the past decade, two-thirds of Australia's annual growth figure has come from funnelling more people into the country.

This does nothing to improve GDP per capita—the best measure of Australia's true economic strength. The Turnbull/Morrison strategy is to boost headline GDP with more people. Yet what the Australian economy actually needs is more incentive and more productivity. Big Australia migration allows Treasury and the Federal government to avoid this reality. It gets them off the hook—a soft, complacent, self-defeating outcome.

Numerous studies have shown how high immigration levels are causing urban congestion, unaffordable housing and sluggish wages growth in Australia. Governments have flooded the housing market with new arrivals in our major cities, driving up prices. New migrant workers have also flooded the labour market, suppressing wages growth.

In recent decades, Australia has produced a huge number of university graduates. Forty per cent of the 25-35-age bracket has tertiary qualifications, a high level by international standards. Logically, 'skilled migration' is no longer needed in vast numbers. Why are we spending billions of dollars on our education system each year to then rely on migrants for workforce skills?

The Australian Population Research Centre at Monash University has found that between 2011 and 2016, 84% of new arrivals to Australia aged 25-34 who held degree-or-above-level qualifications came from non-English speaking countries. Among this group, less than one-quarter found work as professionals. We are bringing in engineers to work as taxi drivers.

Migrants are filling low- and semi-skilled jobs in large numbers. In a recent research paper, even the

Federal Treasury admitted to the job-taking impact of Big Australia policies. It chronicled how: 'Recent migrants accounted for two-thirds (64.5%) of the approximately 850,000 net jobs created in the past five years. For full-time employment, the impact is even more pronounced, with recent migrants accounting for 72.4% of new jobs created.'

These are stunning numbers. New arrivals are taking nearly three-quarters of new full-time jobs in the Australian economy. The Turnbull government has boasted of strong employment growth since 2013 but overall (for full- and part-time work), only 300,000 new jobs have gone to existing Australian residents, an average of 60,000 per annum.

The difference between the current program of around 200,000 a year and the 20th century average of 70,000 involves tens of millions of extra people coming into Australia over the next 30 years.

As a result, we've got the worst of both worlds. We've got a flooded labour market holding down wages and we've got a political system relying on immigration as an artificial way of boosting economic growth. Meanwhile, in terms of job opportunities, existing Australian residents are only getting the crumbs from the table.

The scale of immigration in Australia is massive. The difference between the current program of around 200,000 a year and the 20th century average of 70,000 involves tens of millions of extra people coming into Australia over the next 30 years. It's reshaping our country in a way that's bad for our cities, bad for wages growth, bad for housing affordability and bad for economic efficiency.

The purpose of our immigration policy must be to do what is right for the people who live here now, rather than the fantasy that we owe the rest of the world something. In fact, here's what we owe: we owe it to our cities and the people who live in them to reduce the annual immigration intake back to the 20th century average of 70,000 per annum. That would be the smart thing to do, and it's something that every single economic rationalist should support.