

## Sustainable Immigration and Cultural Integration

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### Executive Summary

- Geopolitical, strategic, economic and demographic factors suggest that substantial population growth over the next half-century is desirable. Environmental and congestion arguments against population growth and mass immigration are unconvincing. Besides, it is inconceivable that the world's emptiest continent could for long remain the home of a shrinking share of the world's population. We probably only have a choice between immigration controlled and selected on our terms now, and illegal and unwelcome invasion later.
- A population of about 33 to 35 million by 2050 should be considered attainable and desirable.
- Accelerated population growth will require a substantial increase in migrant numbers. Immigration could be stepped up to 150,000 annually, adding some 0.8% to the population, as compared to 0.5% currently. Such an increase cannot be implemented without popular acceptance.
- Although Australia's past immigration has been a remarkable and enriching success, there has, in recent years, been a considerable popular backlash against mass immigration. This is so for several reasons:
  - (a) In the now wide-open Australian economy, there is much less need to 'populate or perish' for the sake of industrial development.

- (b) Rising illegal immigration, the involvement of criminal people smugglers, negative experiences with unauthorised migrants in Australian detention centres, which mirror similar incidents in several other countries, and international terrorism have created a strong popular demand for secure borders.
  - (c) To a much greater extent than previously, migrants now come from a growing diversity of cultures and failing economies. Some display hostility to Western values and mores and adhere to modes of behaviour that are counterproductive in a Western context.
  - (d) New arrivals, in particular illegal immigrants, impose costs on Australian taxpayers, and the provision of social welfare to some classes of recent immigrants keeps them from learning useful social norms in 'the school of market interaction'.
  - (e) The political promotion and, in some cases, the opportunistic exploitation of official multiculturalism undermines both the time-tested maxim of equality before the law and the traditional goal of integration. Most Australians expect everyone to adhere to the same basic, shared social norms. While cultural diversity has enhanced our cultural flexibility and capacity to compete in global markets, it has also imposed frictions, risks and transaction costs on the community.
  - (f) There have been well-intentioned attempts on the part of elements of the judiciary and political activists to widen the definition of a refugee. They advocate the acceptance and support for all manner of asylum seekers, irrespective of the cost to taxpayers. This has had the effect of encouraging the lucrative people smuggling industry.
- No community can function effectively without shared cultural values and norms. But not all the world's institutional systems are equally effective in preparing people for life in a modern, open, competitive society; a lack of cultural integration can inflict high and durable costs, even civil conflict.
  - The number of potential international migrants far exceeds Australia's absorption capacity. Consequently, Australian immigration policy has to be, selective. The selection criteria will be crucial in making stepped-up immigration again acceptable to Australian citizens, who will make their judgements primarily on the basis of rational self-interest and not collective guilt or compassion.
  - No-one can know enough to be categorical about the pros and cons of mass immigration. This is why a liberal, pragmatic and experimental migration policy recommends itself and why various (disagreeing) segments of the community should have a direct input in immigrant selection. A sustainable immigration policy should be based on a range of competing selection mechanisms, such as administrative selection, as practiced through the 'points' system, a lottery of settlement visas and global auctions of a limited number of settlement rights in Australia.
  - By paying an auction price, successful bidders would compensate residents for some of the sunk costs of having established valuable hard and soft (that is, cultural) infrastructures now available to immigrants. This will help make immigration more acceptable. Since an auction system is flexible, other programmes—such as an increased intake of genuine refugees—could be easily integrated into a cohesive immigration policy.
  - The protection of our borders from illegal immigration, the sovereign control of migrant selection and the goal of integrating new arrivals into the Australian mainstream will be necessary not only to avert resentments, political divisions and a loss of confidence but also to cultivate time-tested, cherished Australian ways.

## Preface

This essay discusses what I believe will be a critical policy issue for years to come, both in Australia and in other affluent societies: migration.

The intention is to make three interconnected arguments:

- (a) It is in this country's long-term national interest to attract more immigrants.

- (b) Migration needs to be discussed in conjunction with cultural change, a phenomenon that is often poorly understood.
- (c) Stepping up immigrant numbers again will not be possible without broad electoral support. It depends on the cultural integration of immigrant groups with the mainstream and a number of policy reforms.

I made the last two points in an article in *Quadrant* (November 2001). Many readers, including journalists and leading politicians, found my discussion of the theory of cultural and institutional change helpful and thanked me for drawing attention to a popularly recognised, but tricky problem (for example, Wood 2001; Devine 2001). Others (for example, Henderson 2001, Sheridan 2001, Manne 2001) failed to acknowledge that cultural integration after settlement might be a problem but they did not offer empirical evidence or logical argument against my reasoning. A minority (Robson 2002; Kaldor 2002) maintained that I put too much weight on the costs of non-integration or was too pessimistic about the ease and speed of cultural integration of certain new migrant groups into the mainstream. Although not convinced by these latter assertions, I respect these contributions for helping to start an overdue public debate about migration, cultural integration and multiculturalism.

In the meantime, there has been much fresh research and debate about the migration-and-integration issue in the media and elsewhere (for example, *The Australian* 2002). Unfortunately, this is too often marred by emotionalism and a tendency to cast open immigration and official multiculturalism as a position that distinguishes the 'right-minded' from the ignorant, ignoble rest. At the end of the day, only rationality, tempered by compassion, tolerance and an open mind, can prevent discord over these issues.

This essay is a sequel to papers and policy reports I wrote in the late 1980s in which I analysed the conditions for successful immigration and its benefits, and advocated a range of selection mechanisms, for example administrative selection, lotteries and auctions of settlement rights (Kasper 1988; 1989; 1990).

What I had to say then and say here is shaped by my own life experiences and a long-standing academic interest in free international exchange and institutional economics. When I was six years old, my family was among the 15 million Germans who were ethnically cleansed behind Red Army lines after the cessation of hostilities in May 1945. We survived the ordeal and soon turned ourselves from refugees into citizens of West Germany. When I was ten, we moved to Switzerland, where my father worked as a temporary professional migrant. In my early 20s, I studied and worked in five different European countries and Morocco. In my early 30s, having acquired several more or less useful degrees, a wife and a family, I became an expatriate in Malaysia, then an academic visitor in Australia. We were made so welcome, both privately and at work, that we eventually became Australian citizens without ever having planned to settle permanently. My views about migration and adjustment to different cultural and legal environments—and about the responsibility of a migrant to fit into the host society—were further refined by working in the US and several Asian countries.

I owe a debt of gratitude to my colleagues at CIS, as well as Associate Professor William Maley of the Defence Force Academy/University of New South Wales and the Refugee Council, and Associate Professor Chandran Kukathas, of the same university. At a CIS seminar about migration and cultural integration, they offered helpful criticisms on an earlier version of this paper. All those present will realise that I purloined some of the ideas from my colleague at CIS, Owen Harries; but no one is fully aware of how much I am indebted to another of my fellow Senior Fellows, Professor Helen Hughes. I also thank an anonymous referee. My wife Regine helped me to express myself better.

This monograph deals with difficult issues and value judgements. There is much scope for differences of opinion, even if one shares a broad set of liberal values and preferences. For this reason, it behoves me even more than usual to claim exclusive responsibility for what is said in this essay.

Wolfgang Kasper

**Introduction: Compassion or Rational Self-Interest?**

The debate about legal and illegal migration, refugees, and the long-term consequences of large-scale migrant inflows has been raging with growing intensity and great passion, both in Australia and in other affluent countries. Given the huge global pool of potential immigrants and refugees, as well as the contentious nature of the issue, there is every reason to anticipate that it will continue to do so for the indefinite future.

Protagonists in the debate are often at cross purposes. Some focus eloquently on ‘matters of the heart’, arguing for more compassion and the moral responsibility to share our wealth and opportunities with the wretched of the earth (*passio*). Others—including, one suspects, the vast ‘silent majority’ of ordinary citizens—judge the issues in terms of what they believe is a rational and enlightened self-interest (*ratio*).

When *ratio* and *passio* are at odds and differing positions are held with intense commitment, serious discord may follow—so the Ancients taught us. The advice from the think tanks of Roman antiquity was to clarify the issues by letting rational analysis and self-interest guide our actions. Only then should compassion be allowed to moderate the conclusions. Much can be said for applying this good advice to the present debate and it is the intent of this essay to do so: What are the rational arguments for and against more migration? In what ways could the benefits of stepped-up immigration be enhanced and the costs alleviated? Can these arguments be made acceptable to the electorate, without whose consent no immigration strategy will be sustainable?

One step towards rational debate has been made by the analysis of the global data on international migration in the recently released monograph, *Immigrants, Refugees and Asylum Seekers* (Hughes 2002). Since many present misunderstandings derive from confusing and often emotional terminology, a second step is to define operable, objective terms (see Appendix, pp. 37-40).

## Chapter One: The Case for Immigration

There are persuasive arguments in favour of continuing, even increasing, immigration to Australia:

- Like in other affluent mature societies, the rate of natural births in Australia’s resident population is trending below the death rate. With moderate immigration, the Australian population is likely to grow by only about half a percent annually over the next 40 years. This would result in the population peaking at around 23 million by 2039, then declining (Australian Bureau of Statistics 2002).<sup>1</sup> If immigration were increased to 150,000 annually (that is, to about 0.8% of the population annually from a present intake of about 0.5% p.a.), long-term population growth could be raised again to above 1% p.a., which would result in a population of about 33-35 million by 2050.<sup>2</sup>
- Such growth still falls considerably short of population growth in the 20th century (table below), indicating that 33-35 million inhabitants are definitely within the limits of what can be

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<sup>1</sup> Population growth is, of course, determined primarily by natural births and deaths. Higher natural fertility may be subject to policy influence, for example changes to taxation that affect the private costs of child rearing. Many observers make the valid argument that natural population growth inflicts fewer adjustment burdens, even if it requires Australians to bear the costs of rearing and educating children. Some also argue that natural population growth results in a culturally more homogeneous community. It should, however, be noted in this context that recent settlers tend to have larger families than resident Australians.

<sup>2</sup> This statement does not imply a plea for a ‘population policy’. Governments cannot engineer predetermined population targets. Are the Australian advocates of population policy thinking of policy instruments such as Lee Kwan Yew’s ‘love boats’ to engineer higher female fertility? Do they contemplate prohibiting the out-migration of Australians? Or is a resumption of subsidised passages on the cards to raise (gross) in-migration (which arguably drew self-selected ‘ten quid migrants’ with a penchant for low self-responsibility and a nanny state)? An activist population policy is bound to endanger individual liberty and assumes knowledge about its effects which no policymaker can ever have.

accommodated without steeply progressive costs. If one takes the potential of the water-rich, still empty tropical north into account and thinks in terms of a free, open economy, 50 million people can be readily accommodated without running into limits of space and resources (Hallsworth-Woodcock 1979; similar conclusions were repeated at the 'Population Summit' in Melbourne in March 2002).

### Australian Resident Population

	<i>million</i>	<i>average growth (% p.a.) over preceding 50 years</i>
1901	3.8	—
1950	8.2	1.6
2000	19.2	1.7
2050	33-35	1.1-1.2

- The case of environmentalists, who argue for zero population growth, less immigration, or even a reduction of the population (Carr 2002), is unconvincing to anyone who keeps past history, the possibilities of future technical innovation and economic growth in mind. The world population is projected to rise by at least 0.6 to 0.8% p.a. over the 21st century. It is hard to imagine that Australia's population will be able to grow less rapidly, so that the world's emptiest continent would be home to a decreasing share of humanity. Australia's *long-run* choice is between controlled and selective, and uncontrolled and illegal immigration.
- The mechanistic assumption that more immigration inevitably means more congestion in greater Sydney (Carr 2002, also Birrell-Rapson 2002) is wrong. In a more flexible economy with a less centralist redistributive fiscal regime and free labour markets, excessive regional concentration self-corrects, for example under the influence of differential house prices. Who says there is no space in the Australian landscape for 25 centres, such as Gladstone, Wagga Wagga, Sale, Albany, Broome, Port Headland and Darwin, growing into cities of a quarter million or more inhabitants each?

It can be argued that Australia does not need a big population because competitiveness and prosperity do not depend on a country's size (Carr 2002). But there are some economic benefits of a bigger population: economies of scale, savings in transport costs, the fact that certain innovations typically are initiated and tested in big population centres. Besides, population size is not only about economic growth, but also about security and defence. Given its geographical location, a small, isolated, and slow-growing Australia would find it hard to defend its sovereignty in the long term.

- The burdens of ageing in Australia are going to increase, although to a lesser degree than is already evident in Europe and Japan. These burdens are real, as the long-lasting economic plight of the ageing Japanese society demonstrates. Substantial immigration of young and fertile people can ease and postpone the impact of the burdens of a 'greying' Australia.
- While new settlers may cause initial net costs to the budget, the international evidence shows that after five years or a decade, most migrants tend to become net contributors to the fiscal equation (Simon 1989; 1999).
- Australia has welcomed six million immigrants since the start of active immigration policy in 1949. The most remarkable feature about present-day Australia is that it has a greater share of overseas-born residents than any other sizeable country, except the Gulf states and Israel. In 1998, no less than 23.5% of the population of 19 million were born abroad, compared to about 10% in the USA and around 8% in the major European countries. The 2001 Census showed a continuing increase in the overseas born share. Moreover, most immigrants have integrated into the Australian mainstream without major upheavals or tensions; for instance, no less than 52% of marriages registered in 1998 were between partners of different ethnic backgrounds.
- The first generations of non-Anglo-Celtic settlers may have imposed adjustment burdens on resident Australian communities, who took it all with good grace. The newcomers did much to

change traditional Australian ways (Kasper 1988). Indeed, poly-cultural competition has contributed much to modernising Australia, making it an open and interesting society. Most Australians have learnt that different is not necessarily inferior. The daily experience with multicultural society has endowed Australians with considerable cultural flexibility and institutional ingenuity that does not come naturally to most Europeans, Chinese or Japanese. In the era of globalisation, this is a major, though hard-to-quantify, competitive asset.

These arguments are widely accepted. In any case, few Australians would now dispute that postwar migration was a success story. Indeed, for most it is a source of collective pride.

## Chapter Two: Some Caveats

Why has public opinion cooled towards further mass immigration and swung obstinately against unauthorised immigration? More than 90% of 55,000 callers at a recent TV Channel 9 poll, for instance, supported the government's treatment of boat people—and this in the face of massive publicity campaigns by NGOs and the media against mandatory detention. Every poll shows similar attitudes.

Before we can explore possible explanations for the new scepticism about the merits of migration, it has to be recorded that the new sensitivity is, first and foremost, a matter of border protection. This is the primary protective function of government, and not a matter of xenophobia or immigration policy as such (Flint 2002).

### Globalisation

The decline of the postwar consensus in favour of large-scale immigration is partly the consequence of the liberalisation of international trade and capital flows. The traditional Keynesian argument of 'populate or perish' and 'growing the national market' has lost much relevance since Australia opened its borders to free trade and capital movements. The relevant demand for many Australian producers now is world and not national demand. At the same time, labour-intensive industries have emigrated to low-wage countries, so that there is less call for low-skilled workers. As the economy became more sophisticated and demanded higher skills, the 1950s generation of subsidised, unskilled migrants became part of the problems of the decline of former 'tariff industries'. These shifts explain why important segments of Australian business are now less strongly in favour of large-scale immigration than previously.

Organised labour has been influenced by changes in global and Australian trading conditions in a somewhat different way. The number of reasonably educated, though low-skilled industrial workers worldwide competing in global markets has more than tripled in a lifetime. Low-skilled Australian workers are now exposed to much keener competition and find it harder to maintain favourable working conditions. With progressing globalisation, the pressures on these workers are bound to increase.

Most studies, both in Australia and overseas, have shown that residents derive general economic gains from immigration. But some recent studies have challenged this conclusion by pointing to the possible displacement of low-skilled native workers by low-skilled immigrants. A resurgent protectionism—for example, amongst organised labour in the US—has now taken hold. Even high-skilled immigrants in the US are now said to depress the earning potential of high-skilled Americans (29% of immigrants to the US have tertiary degrees). Taking both people and capital flows into account, a recent US study has estimated that these international factor movements lowered the US terms of trade by some 0.7%, or even 0.9%, of its domestic product. Most of this impacts on US-born workers (Davis-Weinstein 2002). Although these guesstimates are based on limited, comparative-static analysis and overlook the hard-to-quantify dynamic effects of more open competition and innovation, they may well inspire Australian immigration sceptics to advocate caution in raising the migrant intake. In my view, the dynamics of more competition and openness

would on balance still be beneficial to resident Australians, as long as selection policy ensures that migrants come with good human and skill capital. By contrast, the populist anti-globalisation reaction in favour of reintroducing trade and investment barriers would be folly for a small, trade-dependent country like Australia. The only sustainable path to growing incomes is better education and training, as well as institutional reforms that enhance economic freedom and efficiency (Kasper 2002).

Another argument in the immigration debate, sometimes mentioned in connection with globalisation, is that from a liberal perspective, one cannot be in favour of the free international flow of goods, services and capital, yet advocate border controls for people; restraints on people movements endanger a generally liberal policy design.

One response to these arguments is that people are obviously not things. People come with deeply ingrained cultural baggage, and settlers, once accepted, change the foundations of the society in which they live. New settlers from varying cultural backgrounds inflict adjustment costs on all (see insert *On Cultural Change* on pp. 14-17) reshaping the living and working conditions in the community in ways that differ fundamentally from the effects of international commerce and investment.

A growing number of observers even argue that the average income of the world population could be raised by moving more poor workers to rich countries (World Bank 2002: 43-46). It is of course true that a poor, unskilled Mexican can leave a job that pays US\$31 per week to take up a job earning \$278 in the US and that Indonesian workers, who earn 28 US cents per day, could after migrating to Australia be paid an infinitely higher minimum wage. But this is comparative-static thinking devoid even of a rudimentary understanding of the transaction costs of resettlement. Such reasoning by World Bank analysts only leads to policy prescriptions that would mobilise popular and union resistance to all immigration. The task of the World Bank is to assist with developing the economies of poor countries and improving the institutions and policies of poorly governed, impoverished societies. There is no such thing as a global cake of wealth that could be reallocated by migration, and there are private and collective property rights which international organisations must respect. It must also be recognised that prosperity rests on openness and inter-jurisdictional competition, and this is only possible with certain restraints, such as border controls of people movements.

### **Cultural change and official multiculturalism**

Migration is not an isolated, one-off act. It inevitably leads to a process of social interaction between old residents and new immigrants. Therefore it cannot be discussed meaningfully without an understanding of the drawn-out and complex processes of institutional adaptation. Most of the learning costs are borne by the immigrant minorities, as they have to come to terms with the language, the customs, work practices and legislation of the host country. But these institutions, which form the shared social capital of Australian society, also come under pressure to adapt to the influences of mass immigration. This is not necessarily a bad thing: institutional change and flexibility are useful when a community has to come to terms with dynamically changing, open globalisation. Nevertheless, the dictum applies that 'old rules are often good rules', because we have adjusted to them and are familiar with them, so that rule breaches are rare and trust is high. This can make an enormous difference to the efficiency of economic and social interaction (see insert pp. 14-17). Where people have cultivated the virtues of honesty, punctuality, tolerance and respect for the law, the costs of establishing and enforcing mutually beneficial contracts and finding innovative solutions to emerging problems are comparatively low. Without these virtues, social interaction inflicts high transaction costs.

If newcomers do not readily understand or respect these prevailing rules and values, then residents will provide constructive feedback. Tit-for-tat responses, a critical word or gesture, derision, shunning or ostracism are some informal ways in which we cultivate and enforce the system of social institutions, quickly and effectively. In healthy societies, compliance with the formal laws of the land is encouraged and enforced by such informal, spontaneous means. Post-war Australian immigration

led to millions of such acts of spontaneous education, and New Australians accepted this. Australian society is now the better for it.

By these social mechanisms, we cultivate shared institutions—our ‘social capital’. Such integration fails to work when large numbers of migrants with differing values arrive, and show defiance or contempt for the host society, or do not mix and/or are encouraged to stay apart. Some immigrants may come from cultures which place greater emphasis on politeness and ‘saving face’ than on the veracity of what is said, and they might find it difficult adjusting to the very different norms governing interaction in Australia. Those from societies where bribery of officials is an accepted part of getting anything done, or where using official positions to favour relatives or friends is standard behaviour, will have to re-adjust. Some immigrants may wish to shield themselves and their families from some aspects of Australian morality and culture which they find unfamiliar or even offensive. Multicultural policies do not always help immigrants make these necessary adjustments and sometimes can positively discourage them from doing so. The more frequent these cases are, and the more that adjustment is taken out of the hands of civil society and centralised in the clumsy, visible hands of government, the higher the coordination costs, the weaker the ‘social cement’ of institutions and the less effective social and economic interaction. Once subgroups with differing rules and values develop and create a critical mass of their own, society is in danger of fracturing. If deviant behaviour of minorities—for example, non-compliance with the tax code—confers advantages, useful old standards are abandoned by all.

Many, perhaps most, public commentators on migration and refugees, have tended to ignore this continuing consequence of mass immigration. They either deny that there is a problem, or assert that the benefits of cultural enrichment and flexibility are considerable and swift while the costs are small and transitory. By contrast, most ordinary Australians in suburbs and workplaces where new migrants congregate are fully aware of the transaction costs of cultural diversity. In my judgement, their concerns are a major reason why popular support for immigration has waned. This is why a somewhat methodological exposition of institutional evolution is offered in the insert (pp. 14-17).

The problem of cultural integration has been intensified by fundamental shifts in the policy of multiculturalism. The official postwar approach to cultural diversity was to favour assimilation. If New Australians wanted to watch soccer, rather than rugby or Aussie rules, or if they associated in Italian clubs or danced polka, that was their private affair. Traditional Australian tolerance and a free constitution left ample space for such diversity. Some of it was seen as a boon by Old Australians, and not only at the culinary level (Kasper 1988). Immigrants who could not, or would not, read the regulatory fine print, did much to undermine counterproductive regulations, whether of shopping hours, workplace practices or professional standards. Sometimes, new and imported ways became popular and set new standards; in other instances, new ways were rejected, often by the migrant groups that had tried them out in the first place. The underlying foundation of the open society and the British rule of law was rarely challenged by the New Australians in the 1950s and 1960s. Indeed, many came here because they valued these institutional assets, as well as the security and new opportunity they provided.

Matters changed fundamentally in the 1970s and 1980s. Successive Australian Commonwealth and some State governments designed and implemented official multicultural policies to intervene in the civic processes of cultural integration. The traditional equality of individuals before the law was eroded by formal privileges and subsidies to preferred ethnic groups. Anti-discrimination legislation and official moral suasion thwarted the spontaneous social feedback that had worked so well in the 1950s and 1960s. Indeed, it sometimes intimidated resident Australians.<sup>3</sup> Cultural integration was impeded. Political and administrative opportunism created incentives and subsidies to perpetuate enclaves of ethnic minorities, irrespective of whether or not their traditional mores and values were working in Australia’s open society.

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<sup>3</sup> Governments in many other affluent countries also intervened in private processes of integration and promoted official multiculturalism out of political opportunism, typically with unexpected and deleterious consequences. For the US experience see Dinesh D’Souza (2001).

One example illustrates the bizarre manifestations of the ‘multiculturalism industry’. Anyone who visits the government’s *Centrelink* website ([www.centrelink.gov.au](http://www.centrelink.gov.au)), assuming to find assistance with a job search, is informed first up that the multicultural industry has joined the gravy train:

We speak your language: Albanian, Amharic, Arabic, Assyrian, Auslan, Bosnian, Burmese, Chinese, Croatian, Czech, Danish, Dari, Dutch, English, Farsi, Filipino, French, German, Greek, Hindi, Hungarian, Indonesian, Italian, Japanese, Khmer, Korean, Lao, Macedonian, Malay, Maltese, Polish, Portuguese, Pukapuka, Pushto, Russian, Samoan, Serbian, Sinhalese, Somali, Spanish, Tamil, Thai, Tingriya, Tongan, Turkish, Ukranian and Vietnamese.

As if one could succeed in the Australian job market without English. And as if the learning of this basic survival skill was not the private responsibility of people who come here to join Australian society. Every reader of the Bible knows what confusion and inefficiency the linguistic chaos of Babel inflicted on humanity, yet Australian bureaucrats and ethnic leaders seem bent on inflicting the same on us. No wonder voters now doubt the gains from multicultural immigration.

The normal processes of gradual integration within the reliable framework of British tradition and law were increasingly complicated by ‘political correctness’ and confusing positive discrimination. This was driven by political opportunism, on the part of vote-seeking political parties and ethnic community leaders. Some groups became agile subsidy seekers (Rimmer 1988). The politicisation and the artificial protection of incompatible cultural mores and values began to increase frictions in society—economists would say they drove up social transaction costs.

### On Cultural Change A Necessary Methodological Digression

Shared institutions are enormously important. They order human activities, create trust and contain the costs of the division of labour both in knowledge search and exchange. These costs are called coordination costs, and are divided into ‘transaction costs’ in markets, and ‘organisation costs’ in firms, governments and other organisations (see Kasper-Streit 1998, ch. 5 and 6; Kasper 1998: 43-62). The co-ordination costs in a modern economy with a well-developed division of labour account for more than half of all costs incurred in producing and distributing the national product. And the quality of institutions determines to a large extent how much wealth can be created. Good institutions also make for social peace, justice and security.

No society can function effectively without a set of widely accepted ground rules. These form a society’s ‘institutional capital’, a valuable shared asset that needs continuing cultivation and steadfast protection. Like private property, institutional (or social) capital may be legitimately protected by the exclusion of outsiders.

Most institutions that matter are informal *internal rules* (morals, customs, work practices, etc.) which evolve in society and are spontaneously obeyed or, if not, informally enforced. But in some instances and in large societies, these rules require backing up by formal *external institutions*. These are designed and imposed from above by collective, political means (a constitution, legislation and administrative regulations). Violations are sanctioned by force, including by ‘violence professionals’, who have a legitimate monopoly to use force—the police, jailers and the military. These external institutions are very costly to administer; and it is often hard for government authorities to find out when rules have been breached and adjudicate. This is why classical liberals prefer small government and a heavy reliance on internal rules. They want the external institutions to formalise and codify existing internal rules and put great store in harmony between the internal and external orders.

The internal institutions of society adjust through trial and error as circumstances change. Thus, Asian migrants affected the eating and trading habits of Australians. Modes of behaviour that are discovered to be advantageous are emulated until they gain critical mass and become the new community standard. Other modes of behaviour are rejected and disappear. Thus, the internal rule system of a society evolves continually through mutual give and take and not without thousands of small conflicts.

External institutions, by contrast, are more rigid and less responsive to changing circumstances. Political, external institutions may, for example, not be adjusted because massive vested interests have a stake in the existing order, or the rule makers (for example, parliamentarians and judges) suffer from cognitive limitations and don’t even know that problems arise. They therefore cling to old, though

outdated rules (Kasper-Streit 1998: 381-408). Moreover, external rule changes tend to inflict high compliance and agency costs on the community.

Problems always arise when external rule makers engage in 'social engineering', in other words when they decree rules from the top down which clash with the internal rules of civil society.

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The existence of effective, shared rules is often taken for granted. Institutions are almost invisible to analysts in many disciplines such as economics and some branches of political theory. Economists readily abstract from them to present simple models of the world, but such abstractions are invariably misleading. Such costs—which are the consequence of human ignorance—are an integral element in all social life (Hayek 1973, 1976, and 1979).

When people from different cultural and legal backgrounds join a resident population, the costs of institutional differences may become a major problem. They range from irritating banalities, such as misunderstanding someone's pronunciation, being annoyed by 'queue jumpers', having to count the small change at the market, or having to enter into heated argument over who cheated whom, to more serious matters such as dishonest business conduct, bribery of local officials, defiant ethnic justification of crimes, or even differing ways of interpreting the tax code. The ensuing loss of trust and security is then perceived as a great cost, as indeed it is.

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Without realising, newcomers invariably challenge existing rules, learning from the informal feedback they receive. Little social tension results, especially if the newcomers act in a spirit of pragmatic flexibility and cosmopolitan openness. Problems and social tensions arise when newcomers display a tribal mentality and are intransigent and unwilling to embrace the social foundations of the host community.

Table 2 below lists key characteristics typical of the tribal ethics of closed societies and the commercial ethics of the open society. It is taken from Jane Jacobs (1992), who wrote a most readable explication of the contrasts between tribal and commercial-cosmopolitan ethics as well as the problems this difference creates for civil interaction and social harmony. As social and economic life evolved, some people learnt to interact with strangers and to obey objective rules. Tribal virtues—such as loyalty and respect for hierarchy—survived, for example within the family, but this mode of behaviour was overlaid in open societies by commercial virtues (such as the shunning of force, self-reliant effort, industriousness, and respect for voluntary agreements) because these attitudes and rules worked.

**Closed, static order: 'The tribal moral syndrome'**

Shun trading	Exert prowess
Be obedient and disciplined	Adhere to tradition
Respect hierarchy	Be loyal
Take vengeance	Deceive for the sake of the task
Make rich use of leisure	Be ostentatious
Dispense largesse	Be exclusive
Show fortitude	Be fatalistic
Treasure honour	

**Open, dynamic order: 'The commercial moral syndrome'**

Shun force	Come to voluntary agreements
Be honest	Collaborate easily with aliens
Compete	Respect contracts
Use initiative and enterprise	Be open to inventiveness and novelty
Be efficient	Promote comfort and convenience
Dissent for the sake of the task	Invest for productive purposes
Be industrious	Be thrifty
Be optimistic	

*Source: J. Jacobs (1992), 215*

New Australians with a commercial-cosmopolitan ethic, for example non-British Europeans and migrants from the urban societies of the Far East, proved to be culturally compatible with

Australia's open society. The processes of cultural integration worked smoothly, producing mutual cross fertilisation. When breaches of the rules attracted an occasional personal reprimand, tit-for-tat responses, or shunning, the newcomers responded readily and in their self-interest.

By contrast, cultural clashes are more likely when migrants with a strong tribal ethic join the open society. A reprimand may be interpreted as an attack on personal honour, new challenges may be seen as threats rather than opportunities, deception may be seen as appropriate in certain circumstances, and even physical violence may more readily be resorted to. Shunning and tit-for-tat do not work when the new community avoids close contact and segregates into ghettos. It is then also likely that support and tolerance is demanded, but not given.

The problems of cultural non-adjustment mushroom when official policy suppresses social feedback mechanisms on grounds of cultural relativism, or openly supports the perpetuation of differing 'traffic rules' for different ethnic communities. In this respect, the move to bar immigrants, other than the humanitarian intake, from receiving social welfare has to be seen as a move in the right direction. It requires new arrivals to interact with the rest of Australian society. However, it is still easy for recent arrivals with a tribal ethic and low material aspirations to draw public welfare, once the two years have elapsed, and then to avoid many of the interactions in the marketplace. Such support then prolongs problems of non-integration.

#### **Co-opting from all cultural backgrounds, regardless**

From the 1970s onwards, immigrants were sourced from a widening range of cultural backgrounds, so that the transaction costs of integrating a given number of migrants went up. The north and south European migrants of the 1950s shared many internal institutions with Australians of British descent. They, and the urban Chinese migrants of the 1970s, arrived from their homelands with a fundamental understanding of the institutional foundations of urban mass societies. Their commercial-cosmopolitan ethic enabled them to occasionally stand back and reflect on issues from a non-partisan viewpoint and they shared a commitment to fundamental principles, such as social peace, justice and prosperity (Jacobs 1992; Giersch 1993).

In contrast, the costs of cultural integration are increased and the benefits decreased if new migrants come from societies where Western values are not widely understood and where some of the core values in Australian culture are rejected. When migrants from these societies enter more individualistic, commercial societies, they may respond in one of two ways. While the trauma of relocation makes some people more open to change, others may be more opposed to reinventing themselves as New Australians. In extreme cases, resentments and cultural intransigence can be passed on to the next generation, who grow up in their new home country and therefore feel more assertive. This appears to be behind the protests and riots by young North Africans, Turks, Kurds, and Pakistanis in France, Germany and Britain.

In such situations, an official policy, which suggests that adjustment and cultural integration are not necessary and which indeed makes a virtue of preserving imported cultural differences, increases the transaction costs of immigration.

#### **Markets versus the welfare state**

Many Australians question the desirability of continuing mass immigration because of the ready access to socialised welfare that newcomers long had. Nowadays, a two-year waiting period is imposed until new arrivals can draw social welfare, except for refugees, though it is possible that popular perceptions have not fully absorbed these administrative changes. In any event, many resident Australians express the view that migrants from economically backward backgrounds impose higher long-term costs on public budgets and community resources than they contribute. To the best of my knowledge, there are no empirical studies on this for Australia, but it is worth recording that, in the more self-reliant culture and flexible economy of the United States, average migrants have been found to be net contributors to public budgets after about five years (Simon, 1989).

Starting a new life in Australia is a difficult challenge for many from other cultural and legal backgrounds. Nevertheless, the Australian government was right in introducing a waiting period before new arrivals could draw public welfare, for this tends to distort the process of cultural integration. Much social interaction, learning and adaptation of values and rules occurs in the marketplace. New arrivals can trade and barter with minimal English, gradually learning about Australian values, skills and institutions. In this way, they improve their chances of material success. We know from worldwide experience that people from diverse cultural backgrounds are able to cooperate productively and peacefully in markets as long as everyone's property rights are secure and contracts are voluntarily adhered to (Rabushka 1974; Sowell 1983). In other words, markets are schools for learning and peaceful and productive coexistence—even when people with a predominantly commercial ethos meet people steeped in the tribal ethic. *Catallaxis*, the spontaneous process of human interaction to discover and test ideas, normally leads to beneficial evolution and racial harmony (Kasper-Streit 1998: 221-230). It is only when political action—partisan factions, redistribution, favours and the like—intervenes that socialisation by markets turns into group antagonism.

### **Surreptitious changes to the law**

There are ill-defined popular perceptions that the recent wave of 'asylum seekers' are not all refugees in the traditional UNHCR definition of the term (see Appendix, pp. 37-40). In my view, many ordinary citizens feel that government-funded single-issue activists (NGOs), UN bodies, bureaucrats, political parties, the media, and the judiciary, are trying to exploit the traditional goodwill of Australians towards suffering refugees in order to bring in welfare-prone poor people, who are in reality economic migrants. The term 'asylum seeker' implies some sort of pre-judgement and is a means of surreptitious linguistic manipulation. It exerts some moral pressure in favour of accepting illegal arrivals.

Such manipulation is, I believe, popularly resented. Suspicions arise when clear-cut rules are redefined surreptitiously rather than by transparent democratic processes. It is no help that migration legislation now covers over 500 pages and is supplemented by near endless regulations, compared to the 58 page legislation from the 1950s.

In discussing the illegal immigration problem, one also has to take the costs to taxpayers into account. It is estimated that people smuggling has become a major industry, with proceeds worldwide being around US\$50bn annually. Every unauthorised arrival costs Australian taxpayers \$50,000, and the enforcement of border controls against the people trading syndicates is now costing around \$300m p.a. (Ruddock 2002).

In recent years, overzealous judges and the High Court have widened the traditional and accepted definition of who is an international refugee; for example, in the case of Naima Khawar, a Pakistani woman who was abused by her husband and was not properly protected by Pakistani authorities, (Albrechtsen 2002) Justice Callinan disagreed with the majority ruling in this case, pointing out that police inertia in a third world country does not constitute persecution under the UN Refugee convention. Likewise, new law was made when, a few years ago, a Chinese woman was recognised by the High Court as a refugee, because she was aggrieved by China's one-child policy and wanted a second child. Such rulings trivialise refugee status and add to popular 'compassion fatigue' (Albrechtsen 2002).

This has not only raised administration costs, but has contributed to a veritable blow-out in litigation. In the mid-1990s, the courts had to deal with some 400 applications against rulings of immigration officials. In 2001-02, despite efforts to streamline the rules and the review processes, the number rose to 2000 cases. In 90% of all cases, the courts upheld the administrative decisions; but the litigation cost taxpayers some \$15m (Ruddock 2002). For litigants, court appeals amount to a gain in time, but the litigation blow-out is also a crucial factor in extending the regrettably long period of time in which illegal immigrants are held in mandatory detention. Another consequence of

the litigation is that new and often confusing case law is being created, slowing down the administration of the Migration Act and making it increasingly costly.

Some court rulings probably also induced people smugglers to target Australia. Lax court decisions and activist refugee advocates have contributed to raising the probability of success for 'asylum seekers' in gaining residency and access to welfare in Australia. When an unauthorised migrant makes it to Australian soil, he greatly improves the probability of being recognised as a refugee and gaining access to welfare than if he reports to an UNHCR office elsewhere. This is borne out by UNHCR reviews of refugee applications by the *Tampa* passengers: Of the 433 persons rescued, only 32 have been deemed refugees by the UNHCR, and the bulk have been rejected.<sup>4</sup> This success rate is far lower than the acceptance rate of unauthorised arrivals on Australian soil in recent years. In contrast to the sceptical treatment of applicants by the UNHCR, all but one of the 132 *Tampa* passengers who were transferred to New Zealand quickly gained the right to resettle there permanently and received generous welfare support. Such judicial activism will only serve to make mass immigration less acceptable to the general public.

A disintegration of firm immigration rules may lead to splits between the political elites and the citizens and may become the basis of social and political instability. This danger is not acute in Australia as of mid-2002, but overseas political developments in countries where the problem is more acute should serve as a warning.

### Chapter Three: Elements in a Sustainable Immigration Policy

#### A political quandary

Globalisation, indiscriminate migrant intake, official multiculturalism, public welfare provision and people smuggling now unfortunately ensure that the positive post-war attitudes to migration are no longer widely shared.

Despite these reservations, most of the arguments for stepping up immigration, enumerated in chapter 1 (pp. 3-6), still hold true. They should be retained as the foundation of future immigration policy. On the other hand, it cannot be disputed that popular opinion and the policy of the two major political parties have drifted against collective generosity and mass immigration. This parallels the evolution in all major affluent, liberal democracies, except possibly in the United States.<sup>5</sup> As the problems of mounting migration and cultural integration become more pressing, political passions will remain high in Australia. Differences of opinion, if not sorted out rationally, pragmatically and speedily, could become socially divisive. A lack of clear-thinking leadership would demoralise Australians.

Some European countries are close to this perilous state, as highlighted by the outcome of the French Presidential election in April 2002. The populist nationalist candidate LePen, who ran predominantly with an 'anti-immigration/secure borders message, edged out the country's socialist Prime Minister from second place in the vote. Similar trends have emerged elsewhere, from Denmark to Spain. Socialist internationalists are surprised, because they have little appreciation, even contempt, for the traditional 'soft infrastructures of society'. Although these post-democratic elites

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<sup>4</sup> As of 15 June 2002, 25 cases are still pending, and it can be expected that many of the rejected *Tampa* applicants will appeal.

<sup>5</sup> Contrary to oft-repeated media comment that tough border protection damages Australia's good international reputation, this author has repeatedly been told by overseas observers that Australia's resolute stance is widely admired and even envied. As of mid-2002, there is a distinctive political swing in the EU to introduce tougher border controls against illegal migrants and to quickly expel illegal migrants. Moreover, several EU countries are now introducing detention policies similar to those already in place in Australia and regularly remove illegal immigrants after restricted and speedy legal reviews. The legal profession and the courts are allowed less and less leeway for taking immigration policy out of the hands of elected governments, as politicians fear that a soft treatment of illegal migrants will cost them re-election.

make little headway in influencing public opinion, it cannot be ruled out that Australian society, too, may become more acutely polarised over migration.

Therefore, the question is: What should be changed to make increased immigration widely acceptable again in Australia. Popular acceptance is essential for a sustained immigration policy in any democracy. Without it, governments with lax attitudes to migration will either be overturned or forced to embrace populist interventionism (of the Hanson or the Green varieties).

### **Making mass immigration more acceptable again**

Australia's absorption capacity for immigrants falls far short of the number of potential immigrants—economic migrants and refugees alike. Among the more than 6.4 billion people on Earth, growing numbers now have the knowledge, the skills and the material means to resettle in Australia. If only 1% of humanity were to migrate internationally per decade, this would make for 64 million willing international migrants a year. And if only one tenth of these were to choose Australia as their new home, the demand for residency in Australia would far outstrip the feasible supply of settlement places. No case can be made for opening Australia's doors to all newcomers, unless we wish to abandon all aspiration to living in a peaceful, prosperous and liberal democracy.

Policymakers who favour immigration must (a) outline ways of improving Australian society's willingness to absorb newcomers, and (b) find and firmly administer accepted rules of migrant selection.

Clearly, absorption capacity would be improved greatly by the selection of immigrants with the skills, capital and attitudes to thrive in open, globalised markets. Official multiculturalism—the recognition of different ethnic or cultural groups according to where they come from, and the allocation of subsidies and privileges on the basis of their origin—must be abandoned. When Old and New Australians of all backgrounds are not treated as equal before the law and the administration, this is bound to produce resentment. Cultural integration must again be considered desirable, but the integration processes must be left to civil society.

It is fundamental to a sustainable, liberal immigration policy that we retain the sovereign right to exclude foreigners and to select immigrants. Yielding to international organisations and special lobby groups by softening sovereign immigration policy would lead to a social and political backlash.<sup>6</sup> Our shared institutions are collective capital that needs to be protected by controlled immigration just as much as private property encompasses the right to exclude third parties from the use of the property. Liberty is not license, and a liberal immigration policy does not mean an unconditional opening of our borders. Those who argue that the enforcement of sovereign border controls corrupts pure liberal standards do not at the same time maintain that the protection of private property corrupts our liberty. Naivety, after all, is bound to lead to anarchy. It has no chance of winning popular acceptance. To the contrary, it could pave the way for a xenophobic backlash. It is a crucial role of government to protect us from the social polarisation and the demeaning of cherished Australian traditions of tolerance, generosity and good will.

Some may argue that a more selective immigration policy would pave the way for renewed racial discrimination. In several European countries, populist politicians use appeals to primitive racist sentiment and preach xenophobia to gain votes; and they have been partially successful. Such dangers seem less acute in Australia, given past experience with mass immigration and a clearer commitment to tolerance and a free society. But they are present here too, and one reason for protecting our borders, ignoring UN and NGO agitation, constraining immigration, preventing abuses and

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<sup>6</sup> There is a tendency in Europe to jettison national sovereignty and to transfer policymaking powers to the Brussels centre. Given the small size of some European countries and their history, this trend is understandable to a degree, though it should be well understood that it involves the surrendering of power to unelected bureaucrats who are very weakly controlled. But Australians surely realise that this trend is not for us and that 'world government' removes important policies from parliamentary control. A takeover of key aspects of Australian migration policy by international bureaucrats would produce a painful democratic deficit in this important matter and empower overseas political operators who care little for the welfare of Australians, to meddle in what must be our own choice.

pursuing the measures discussed here to make stepped-up immigration acceptable is to keep repugnant, opportunistic racist agitators at bay. Sustaining a liberal society requires certain constraints for this very reason.

Selectivity is controversial in some circles. But what is wrong with preferring people who have cultural affinities with cosmopolitan Australian mores and values? If immigrants from urban-cosmopolitan cultures were selected, this would allow us to welcome more immigrants than if we admit a sizeable number of persons who are harder to integrate (see insert, pp. 14-17).

If public reaction to people smuggling has shown anything, it is that Australians value the security of their borders. Migrant intake must never be decided by a readiness to employ the help of criminal organisations. Border security is essential for maintaining the population's trust that Australia will remain in control its fate. If this requires mandatory detention and the speedy repatriation of illegal arrivals, it is a price worth paying. Once people become insecure about border protection or if governments start to fudge the issue, voters will use the ballot box to stop immigration altogether, irrespective of how unwise this may turn out to be in the long term.

#### **Alternative selection methods: Lotteries and auctioning settlement rights**

No one can have sufficient *a priori* knowledge of the diverse and hidden transaction costs of integrating members of differing ethnic or cultural groups into the Australian mainstream. To some extent, policymakers can be guided by proxies, such as levels of education, skills, and knowledge of English, to identify intending migrants with a good potential for fitting into Australian society. There is also a strong argument for empirical trial and error. Migrant selection requires a learning process which is hard to organise. As long as migrant selection is left exclusively in the hands of government administrators, selection will require the gathering of additional information, such as statistics on group-specific intermarriage rates (Penny-Khoo 1996), workforce participation, crime, and welfare dependency. Such attempts, however, go against the grain of the classical liberal, as they encourage administrators to judge individuals not on their own merits, but according to group characteristics and stereotypes. The dilemma arises because information and other transaction costs make it very costly for public administrations to treat every individual case on its own complicated merits and demerits. The need to use public resources economically, yet to avoid major injustices, unfortunately compels administrators who have to decide individual applications to be allowed to immigrate to rely on a degree of empirical generalisation. In our private decisions, we frequently rely on generalisations to save time and transaction costs, and we bear the costs of possible misjudgments. Sometimes public policy must proceed on the basis of a similar rationale.

This is an argument for non-administrative procedures of migrant selection. There is scope for trying out alternative selection methods, or a mix of different selection methods that will provide us with richer information. One possibility is to combine administrative selection along the lines of the conventional 'points system' with annual worldwide auctions and lotteries of settlement rights, similar to the US 'Green Card lottery'. It is feasible for the government to advertise that a certain quota of settlement places in Australia has been made available for the year ahead, say 50,000 settlement visas, and then to invite interested parties to submit sealed bids, with the highest 50,000 bidders obtaining settlement visas (Kasper 1989, ch. 6).

The quality of the migrant intake could be enhanced by appropriate promotion of Australia as a quality place to live and work, for example as part of an auction system as described in more detail below. The government might again advertise the fact that we welcome willing migrants with certain characteristics. It is incorrect to presume that rich Europeans or Americans are no longer interested in migrating to Australia. *The Economist* reported in February 2002 that 45% of all Swiss had considered international migration, and that Australia was their favourite destination. A deregulated, vibrant and free economy would make Australia so attractive to new settlers that settlement permits would fetch a high price.

The supply and demand conditions for the right to settle in Australia have changed dramatically over the past 50 years. This once over-regulated, distant country may well have had to subsidise migrant passages in the 1950s and 1960s. As of 2002, however, the world has shrunk and Australia

no longer suffers from the tyranny of distance. To the contrary, it is a highly attractive place to live, as the payment of tens of thousands of US dollars per family to people smugglers shows. If the Australian government competes legally with smugglers and maintains effective border controls, the criminal and dangerous people trade can be defeated.

Whenever there are scarcities and a need to ration demand, the economist can suggest an obvious solution: to sell or auction what is scarce, in this case settlement rights. Since I first floated this idea in a report on immigration strategies for New Zealand (Kasper 1989; 1990), it has been taken up by others (for example, Harrison 1989; Stelzer 2001-02; Soon 2001-02; Kaldor 2002). Similar procedures are used in some countries to allocate business and other visas by the payment of a price.

The auctions could be organised transparently by fixing an annual intake and then advertising worldwide for sealed bids. Resident permits (which carry no welfare entitlements and are non-transferable) would then go to the highest bidders, as long as they meet administrative checks; for example for criminal records, or certain political connections.

Such an auction system would ensure that the resident community obtains rents, which accrue to immigrants under a system of administrative selection. It can be argued that this shift is justified by changed circumstances, as Australia is now a location which can demand a 'joining fee'. A buyers' market for resettlement rights has turned into a sellers' market.

Auctions would have further advantages. They protect politicians from accusations of having selected 'wrongly'. They are less open to corruption and less costly to administer than the points system. The system leaves room for procedural flexibility. Auctions allow, for example, the granting of bonus points towards the bidding for families or certain politically preferred categories of people, such as approved refugees or persons who have obtained degrees from Australian education establishments. One could, for example, count half the tertiary fees paid towards an Australian degree as payment of the accepted bids at auction.

An important side benefit of marketing Australian residence permits worldwide will be that the revenues from auctions will be perceived by resident Australians as a compensation for sharing the use of their valuable hard and soft (ie. institutional) infrastructures as well as Australia's attractive natural environment (Kasper 1990). In a world of scarce resources and growing population pressures, there is nothing wrong with demanding a price for joining a 'club' with desirable attributes. Indeed, the price obtained at worldwide auctions for resident permits would indicate how highly Australia's collective institutional assets are valued. This would provide an important political incentive to improve our attractiveness even further.

Clients of people smugglers released from long-term detention can be expected to start life in Australia full of resentment. By contrast, immigrants who succeed at an auction would approach Australian residence as an opportunity to make the best of living here. Instead of fostering a claims mentality and paying criminals, auctions would open the country to people who are prepared to submit competitive bids and who, if they have voluntarily deposited an up-front 'joining fee', want to contribute to the Australian community and economy.

The auction system, as outlined here, does not require that the bids be paid by the migrants. It allows employers to sponsor new workers or New Australians to sponsor additional family members. It also allows refugee advocate groups to sponsor refugees with funds which they raise, for example in the form of tax-exempt donations. It may even be possible to allow taxpayers to direct a percentage of their income taxes towards competing charities of refugee supporters.<sup>7</sup> Raising donations would turn refugee activists from mere lobbyists into hands-on helpers. This would also provide valuable feedback, for example, on the type of refugee that Australians find worthy of support. The difficult information problems to do with cultural differences, learning, cultural integration and transaction costs would then at least be addressed by involved private citizens rather than a notoriously information-challenged bureaucracy or judiciary. Interested citizens could have a say in what the future Australian population should look like. The issue of migrant selection would thus be somewhat de-politicised.

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<sup>7</sup> Such a system of taxpayer choice works well in present-day Hungary.

## Refugees

Since the end of World War II, Australia has resettled some 600,000 refugees and displaced persons, a proud record. Refugee admission is not based on material national self-interest, but on humanitarian considerations and obligations. If illegals are excluded and immigrants are selected according to our national interests, it will be easier to justify taxpayer-funded compassion to refugees and to find citizen support for a generous intake. After all, there are some 20 million or so genuine refugees in the world (UNHCR website: [www.unhcr.org](http://www.unhcr.org)).

It cannot be denied that refugees often impose relatively high and long-lasting cultural integration costs on the host society. They may not speak English or are not versed in the customs of our urban-commercial culture. They did not plan and prepare to come here, and they may be traumatised. They are often poorly educated. It is estimated that every refugee costs taxpayers some \$50,000 p.a. and that about half the accepted refugees become long-term additions to the social welfare rolls (Ruddock 2002). As there is now a general tendency away from tax-funded generosity and a paring back of domestic social welfare schemes, similar generosity to refugees will always have to be limited if the electorate is not to rebel. Refugee intake therefore needs to be integrated with overall immigration policy so as not to overtax voter tolerance.

There are strong arguments for quickly integrating refugees into daily working life, ie. to determine their status quickly, repatriate those found to be illegals promptly, and chaperoning recognised refugees into normal working lives. As noted, market disciplines can be a great help in this process, even if they inflict short-term adjustment costs on the refugees. Much should in any case be left to volunteers and community groups, rather than officialdom.

A climate of renewed acceptance of immigration, fostered by the reforms discussed above, would improve the chances that more refugees are accepted.

## Conclusion

The reforms discussed here could serve as a circuit breaker in the present impasse on immigration policy. If these reforms were instituted, it would seem feasible to discuss a net migrant intake, including refugees, of some 150,000 per annum, roughly a 50% increase over the average annual intake in recent years. Immigration could be allowed to accelerate gradually, as and when appropriately qualified migrants volunteer to settle here—evidenced by high auction bids—and citizen support is obtained by the policy reforms.

The impact of an increase in migrant arrivals on population growth is not straightforward, because government can only set targets for the gross intake. Much will depend also on permanent out-migration. If Australian residents depart in search of a freer economy and society overseas and a more interesting life than is available here, more (gross) immigration may amount to no more than a change in the population structure. After all, globalisation is now offering skilled young Australians wider choices of location and social regime under which to live. Much will depend on whether the young can look forward to a legacy of opportunity and freedom in this country.

Whatever the future of immigration policy, two things seem clear. First, no form of immigration policy will be sustainable without the approval of a majority of Australian voters, and second, no policy will get this approval if immigration is not seen as in the interest of the majority of residents.

Such approval will also depend on whether policy elites demonstrate that the right of residence and belonging to Australia is valuable and exclusive. Ordinary Australians have become quite allergic to tax-funded generosity at their own expense. They now harbour a deep distrust of self-anointed elites who try to take control of policy out of the hands of government. Such a strategy will not regain popular support for higher immigration—quite the opposite. If divisions about the personal and emotional issues of immigration and cultural integration continue and majority opinions are habitually brushed aside, the hitherto viable immigration system will collapse in confusion and resentment.

In the long term, failure to regain popular support for stepped-up immigration would be a tragedy, because a slow-growing, inward-looking Australian population will sooner or later lose

sovereign control over and in deciding who gets the opportunity to use this country's bountiful resources.

## Appendix

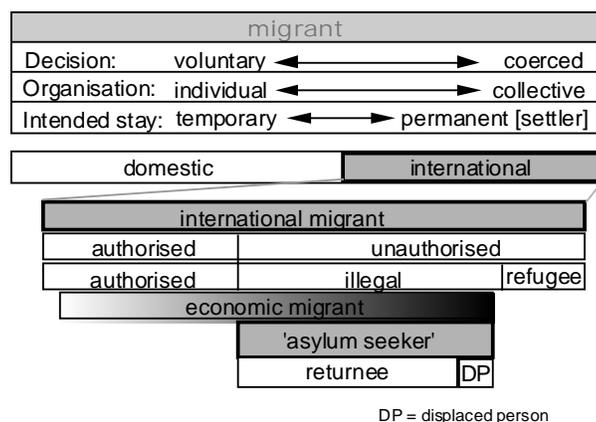
### Of Migrants, Refugees and Others: An Attempt at Defining Operable Terms

An *international migrant* is a person who crosses a national border for the purpose of living in a different jurisdiction, either for a limited period of time (for example as a seasonal or 'guest worker') or permanently. This excludes short-term visitors, such as tourists. Permanent legal migrants are often called *settlers*; the traditional Australian term for them, '*New Australians*', has much to recommend itself.

Changing places is an age-old, ongoing human pursuit, be it for reasons of material betterment, security, curiosity or the sheer thrill of exploring a new place. Much migration is voluntary and occurs within national boundaries. Major *internal resettlement* schemes have, historically, been officially instigated and only partly voluntary; for example, the Gaelic settlement of Ireland, the attempt to Russify the outlying, non-Russian parts of the Tsarist-later-Soviet empire, or officially sponsored present-day *transmigrasi* within Indonesia and China. Many of these schemes have led to long-lasting strife.

One can classify migrants according to whether the decision to move was voluntary or coerced, whether the migration is organised by individual families or by a collective (such as churches or government agencies) and according to the intended length of stay (see graph below). In each case, different policies should be applied.

International migrants are subdivided into those that have sought prior authorisation (settlement visa) and those that arrive without such authority or overstay a short-term visitor visa. Some of the unauthorised arrivals will be able to be officially recognised as refugees or persons deserving short-term acceptance, but many will be illegal migrants. Among these and authorised migrants, there will be varying shades of economic motivation.



In recent years, the number of *unauthorised entrants* into the affluent liberal democracies of the West has increased considerably. The rising tide of people moving without prior authority from poorly governed and impoverished societies now creates problems of extra-legality, exploitation, long-term poverty and poor integration with host societies.

A minority among the unauthorised immigrants are *refugees* (Hughes 2002); that is, persons with a 'well-founded fear of persecution because of [their] race, religion, nationality, membership in a particular social group or political opinion; and . . . unable or unwilling to avail [themselves] of the

protection of [their country of origin], or to return there, for fear of prosecution' (Article 1 of the 1951 UN Refugee Convention). A person ceases to be a refugee (a) when the danger of prosecution in the home country ceases to exist, or (b) when the person has integrated himself sufficiently in the host society.

It is normal and desirable for the refugee status—and, with it, the suffering of existential fear—to be temporary. Permanent refugees, such as those unfortunates held for more than a human life time in Palestinian camps, are a deplorable anomaly. People may of course also be refugees from natural calamities, but these are not covered by the UN definition.

Most of the proliferating new problems with international migration stem from those *unauthorised migrants* who are not able to claim refugee status under the internationally accepted definition and whose motives are predominantly economic (Hughes 2002). They are illegals. Economic migrants have a legitimate motive, but it is equally legitimate for communities to protect their collective assets of cultural amenities and shared social capital by excluding uninvited outsiders.

Those illegal migrants who cannot be repatriated are sometimes called '*displaced persons*' (DP). Unauthorised migrants are now frequently moved between countries surreptitiously by criminal organisations (people smugglers, 'snakeheads').

In an attempt at semantic guile, refugee activists and the media have dubbed unauthorised economic migrants '*asylum seekers*'. The term implies that they should be treated as if they deserve special preference, or even be equated with refugees. The term 'asylum' is not clearly defined in law; it derives from the traditional European practice of princes and governments granting high-ranking pretenders to a crown, or political troublemakers from other countries, protection and certain other privileges. Asylum was not a right, was typically temporary and could be withdrawn if asylants failed to comply with stipulated conditions. The Australian practice of granting temporary protection visas to certain persons who are not recognised as refugees corresponds closely to this practice, as long as it is supplemented by eviction, once the privilege of asylum is withdrawn.

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Migration typically entails complex problems of *cultural integration*. New settlers bring with them deeply entrenched 'cultural baggage'—customs, ethics, work and business practices and fundamental values—which may differ from the shared values and cultural institutions of the host society. Cultural differences relate to learnt social traits whereas racism relates to inherited biological traits.

Cultural integration is likely to produce a new creative flexibility, but it may also lead to entrenched conflicts and lasting frictions. The outcome depends on whether migrants and residents share some cultural affinities and basic values, whether the newcomers are young and come prepared and voluntarily, and in what concentration the immigrants settle. The problems of cultural integration in the wake of migration are typically most intractable with involuntary migrants and least with educated, skilled migrants.

The goal of cultural integration is based on the fundamental insight that all cultures evolve and that no community can function effectively without members sharing a minimum of values and coordinating institutions. Once institutions become fuzzy due to excessive institutional diversity, trust is destroyed and the social transaction costs go up.

Cultural integration differs from *assimilation*, which obliges immigrants from diverse backgrounds to adopt the institutions—the ethics, norms, customs, traditions, language, practices of work and professional conduct—as well as the values of the resident population. Assimilation is based on the mistaken concept that the institutions of a host society are immutable and static. By contrast, integration is a process that recognises mutual evolutionary adaptation in the light of experience, exchange and competition. It typically occurs through decentralised civil interaction and spontaneous feedback. In a free society, self interest—for example, material opportunity and satisfaction from belonging and being accepted—encourages cultural integration, reducing transaction costs and enabling effective cooperation and discovery (Kasper-Streit 1998, ch. 12.2).

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