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POPULATION AND IMMIGRATION

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POPULATION AND IMMIGRATION

In recent years the immigration debate in this country has suffered from no shortage of ups, downs, and sharp switches in focus. 1997 is no exception. The major event of the year will be the government's conference on population to be held in the context of our immigration policy.

'Population' is suddenly the issue of the day. The assumption behind the conference is that excessive immigration might cause our population to exceed some optimal level. In reality any such fears are groundless. If anything, we are probably an underpopulated country. The demonstrated benefits from immigration mean we could be absorbing a substantial inflow of immigrants for a good number of years without any cause for concern about New Zealand becoming overpopulated.

Over the last two decades there has been at least a partial shift in thinking on population issues worldwide. No longer do the lazy assumptions that the world is becoming overcrowded, and that increased population threatens food supply and living standards, go unquestioned. To be sure, your average United Nations body or sixties generation school teacher will probably still sign up to the view that overpopulation is a problem. But many such prophets of doom lack all perspective. In his report on immigration for the Business Roundtable, Wolfgang Kasper posed a question for the reader headed 'Standing room only?' He asked:

If all the inhabitants of the earth were housed in average, modest 4-6 person family homes, each with small gardens, what area would all of mankind occupy? The area of New Zealand? France? Thailand? New South Wales, British Columbia? All of Canada? All of Europe? All of Africa and Asia?

The answer is that the world's entire population could be housed on roughly the equivalent of the land area of New South Wales or British Columbia.

Analysts such as the American resource economist Julian Simon have long pointed out that the dire predictions made in the 1960s and '70s of mass third world famine due to overpopulation did not come to pass. The gloomy view that population growth is bound to put growing pressure on natural resources is just plain wrong. On the contrary, people themselves are our most valuable resource, and we should be celebrating the fact that the development of human skills, institutions and technology means that today we can support on earth a much larger population, in greater comfort, than ever before.

It was the Reverend Thomas Malthus who, 200 years ago, became the most famous of all the population Jeremiahs. Malthus postulated that mankind would forever be trapped at subsistence living standards, since any economic improvement would simply encourage population growth to the point where the initial gain in per capita wealth was choked off by the need to feed all the extra mouths. Malthus's prediction did not come true for Britain or the other industrial countries of the world. Living standards, along with almost every other indicator of the quality of life, have soared in the last two centuries.

This fact has not discouraged population Jeremiahs of our own time, such as the American Paul Ehrlich, from resurrecting the Malthusian vision both for the rich countries and for the third world. Ehrlich's predictions in his book *The Population Bomb* of increasing pressure on resources have been wildly astray. Simon offered Ehrlich a bet that the price of a basket of raw materials would fall over 20 years at a time when the Club of Rome was telling us the world would soon run out of oil and other resources. The price of every single natural resource went down - and Ehrlich refused a second such bet in 1995.

The fate of Malthus, Ehrlich and others should encourage a degree of humility when trying to predict population trends. Looking back at the history of the human race, we can see that the huge increase in our numbers is a sign of success, not failure.

Indeed there have been three big rises in the numbers of humankind, each associated with a revolution. The first rise occurred around one million years ago, at the time of the tool-making revolution. The second was around 10,000 years ago, when our hunter-gatherer ancestors discovered agriculture. In both periods population first rose as the benefits of the new technology were exploited, then reached a new plateau. The third big rise in population started in Europe in the seventeenth century with agricultural improvements, and continued on through the industrial revolution. This advance was powered even more importantly by the development of institutions such as the rule of law and secure property rights, which allowed enterprise to flourish.

Population growth has now levelled off in the rich countries and shows signs of beginning to plateau in most of the developing world. Ironically, Malthus came up with his theory at the very time that the industrial revolution was doing away with the Malthusian trap. Is there a similar irony about holding population conferences at a time when birth rates are declining in all the advanced countries, New Zealand being no exception?

Why does population growth generally slow as countries become richer? Contrary to Malthus's assumption that the poor breed like animals, without foresight or planning, most poor people do give thought to questions of sex, marriage and child-rearing. People in poor countries who opt for large families are not normally irrational, including the rural poor. They face lower costs in raising children, and children themselves bring economic benefits through the agricultural labour they often contribute. Children can also look after their parents in their old age.

An increase in income in a poor country may be associated with increased fertility and population in the short run. But as income rises a whole set of contrary influences come into play. With child mortality falling through better nutrition, sanitation and health care, fewer births are needed to attain a given family size. Rising education levels improve contraceptive knowledge and alter people's views about family planning. Urbanisation makes children more expensive to raise and less valuable as a source of income. With increased participation by women in the workforce, the opportunity cost of taking time out to bring up a family is much higher. All these factors contribute in varying degrees to a big slowdown in fertility rates, and the levelling out of the population. This demographic transition has been a feature of rising prosperity throughout the developing world over the last few decades, just as it was in the rich countries at an earlier time.

It is true that population growth can put pressure on some resources. But in the longer run, many things happen. As the price of a given resource rises, there are incentives for people to find better ways of exploiting the resource, economising on it or finding substitutes. Those incentives will be greatest in a market economy, where the widest range of innovations is likely to occur. The rise in population also means there are more human minds to come up with technological and institutional solutions, and greater specialisation and division of labour. Time and again, short-term pressure on a resource has led, over the long term, to a fall in the price of that resource.

Only one resource today is consistently getting more scarce - the labour services provided by people. The clearest indicator of that trend is that real wages continue to rise over most of the globe, despite short-run ups and downs. So long as market-based economic systems are maintained and allowed to spread, we can be confident that trend will continue. As Simon puts it, "the ultimate resource is the human

imagination in a free society." A free society provides the environment and the incentives to put the human imagination to its most creative uses.

Thus rising populations in today's world are not leading to increased pressure on land, as predicted by the population Jeremiahs. On the contrary: there have been huge increases in agricultural productivity as a result of the 'green revolution'. Even if no new techniques for raising agricultural productivity are discovered - itself a heroic assumption - global productivity will continue to rise for some time as the best farming methods are progressively adopted around the world. The total stock of world agricultural land is rising, not falling. There is even a trend towards larger farms per farmer: the countryside is becoming more thinly populated, despite greater numbers overall.

The world's people have never been better fed, and the projections of mass starvation through overpopulation in the third world have been decisively refuted by events. Paul Ehrlich had declared that in the 1970s "hundreds of millions of people are going to starve to death", and that "many brutal and heartless decisions" would be needed to stop people breeding. Yet famine in recent times has been confined to a comparatively few local tragedies. Moreover, today's famines - such as the harrowing images from communist North Korea - are almost all associated with collectivised agriculture. Where farmers have been left alone to follow market incentives, they have almost invariably made progress.

The contrast between the Soviet Union and China provides the best possible illustration of the value of market forces in agriculture. At the height of the economic crisis that accompanied the dying days of the Soviet Union, China was able to send food to that vast and land-rich region. How could that be? Was not China a by-word among the population Jeremiahs as a country with a shortage of land for growing food? The answer is that around 1980 an immensely important development had

occurred: China had essentially privatised its agriculture. Given the number of people involved - some 600 million peasant farmers - this was the biggest rollback of collectivism in human history. It led over a few short years to a huge increase in agricultural output, to the point where in 1991 China shipped grain and meat to the Soviet Union. Of course, in the birthplace of communism agriculture had remained collectivised, and large numbers of people were ultimately threatened by starvation as the economy collapsed around them. India - another huge country supposedly impoverished through overpopulation - rapidly became self-sufficient in food after price controls were lifted.

Another misconception is that increased population leads to greater pollution and environmental degradation. As before, it is important to distinguish between short-run and long-run impacts. Over the short term there may be pressure on the natural environment from increased numbers of people, but over a longer period the opposite forces come into play. Greater wealth allows a society to allocate more resources to maintaining a clean environment.

The increases in the populations of today's rich countries have not been associated with greater environmental degradation, but rather the opposite. It is a myth that we live in a comparatively polluted century. Anyone who thinks so would find it a salutary experience to be transported back to the London of Charles Dickens' time, with its filthy streets and pea-soup fog. Richer is typically cleaner. Today the transformations are much faster in the rapidly advancing countries. Taipei today is where Tokyo was at 25 years ago before it reached its present level of prosperity. Bangkok's traffic problems became chronic but are now easing. The natural environments of the rich countries have improved, are improving and will continue to improve. To be sure, there are concerns about developments such as the possible increase in global temperatures, but the effects seem unlikely to be apocalyptic and, if confirmed, global action to adapt to and/or curb them seems quite feasible. Speaking

at a seminar on population and immigration in Australia in 1995, David Henderson, a former senior OECD official, also made the important point that:

The likelihood that growth of real income per head and of population will go together with environmental improvement, and not deterioration, will be greater in so far as governments and voters are prepared to let the scarcity of resources be reflected in market prices - an obvious example here being the price of water.

In sum, the population Jeremiahs have been wrong about virtually everything. After a careful examination of the evidence, Simon concludes: "No negative relationship between population and economic growth is revealed in anecdotal history, in time series studies over the past 100 years, and in contemporary cross-sections." Indeed no simple relationship exists at all. Simon argues that the long-run impact of an additional person on overall global welfare is, if anything, positive, and the short-run impact is, if anything, only slightly negative.

Given the simplistic nature of the Malthusian arguments, it would clearly take quite a heroic effort to argue that New Zealand is in danger of becoming overpopulated in any economic sense. Perhaps someone will try to do so at the coming population conference. But we are one of the most thinly-populated of the developed countries. It is hard to conceive how a somewhat larger population could result in the average New Zealander being worse off. If anything, population growth of the right sort would mean a larger critical mass of skilled people, more experimentation, more creative thinking, and economies in production.

I have already noted that population growth is not something that can be predicted with confidence. Still less is it easy to centrally plan, short of the most thoroughgoing totalitarian methods. In a free society, population - like gross domestic product - results from many individual decisions. I would argue that fertility, which is the main determinant of population, is no business of governments. Most New Zealanders would find China's one-child policy as distasteful as Singapore's attempts to

encourage university graduates rather than low income people to have more children, not to speak of Hitler's programme of eugenics. Yet if we really wanted to influence population levels and patterns, controls, incentives and disincentives of this kind would be the most powerful levers.

By comparison with the effect of fertility decisions, immigration on any likely scale for a number of years is a less important factor. Even if we wanted to use immigration to achieve some desired overall level of population, it is doubtful we could do so with any reasonable accuracy. Even though New Zealand was taking in immigrants during the 1980s, the outflow of population was much greater. We have an open labour market with Australia. We can be sure that if New Zealand loses its way again economically, the net immigration trends of recent years will reverse. The level of interest in migrating to a country is usually a key indicator of its overall economic, social and political attractiveness. It is no accident that the United States is the destination of choice for most of the world's immigrants, even though its own chattering classes find it hard to accept that point.

It follows, therefore, that by and large population and immigration are separate issues. There is no need for New Zealand to have an explicit population policy. But there is one demographic concern that perhaps does have implications for immigration. Virtually all demographers are agreed that next century the number of elderly people as a percentage of those in the workforce will begin to rise markedly. One obvious policy to ameliorate that problem would be to encourage immigration of younger people.

Moreover, the other potential benefits of a sound immigration policy are considerable, as representatives of the Business Roundtable have argued at previous conferences of your Association. They are recognised by most people required to take a national view of public policy and have little to do with raw numbers of people. Countries

with small populations can largely make up for their size and prosper by participating vigorously in international trade. With open markets, business in general has less of a direct interest in simply getting willing workers into the country (it can invest internationally), or in increasing the number of domestic consumers (it has access to vast world markets). The argument for immigration is much more about diversity, human capital, links with other markets and international relations. Indeed our own Treasurer has recently stated that immigrants bring experience, resources and trading contacts, and that New Zealand is immeasurably richer as a consequence.

Throughout history, immigrants have brought important skills, attitudes and cultural enrichment to the countries in which they have settled. According to Thomas Sowell, in his most recent book *Migrations and Cultures: A World View*, "the historic role of migration in spreading skills, technology and manpower from where they are abundant to where they are more scarce has been monumental in its consequences." Provided policies are sound, one research study after another has found that the overall benefits from immigration are unambiguously positive. For the United States, Julian Simon reports that immigrants on average have higher labour-force participation than native-born Americans, save more, work harder, receive fewer welfare payments, and have a higher propensity to start new businesses. In New Zealand, a survey of recent Asian immigrants by Enterprise Auckland reveals a positive impact on the Auckland economy.

Many immigrant ethnic groups have achieved great economic success despite discrimination and persecution. Indeed there is no apparent connection between the extent to which an ethnic group gains political representation or is politically active on the one hand, and their economic success on the other. Sometimes their material wealth is the focus of envy, even though their very success is evidence that they are benefiting the destination country. They can be seen as 'parasites' by groups who themselves lack the skills, attitudes, work habits and other cultural assets to make a

similar contribution to the society around them. Wholly fallacious arguments - such as that immigrants take the jobs of local people - can then be mounted through ignorance or prejudice.

Of course, there can be a downside to immigration, and governments can make mistakes with immigration policies. Some undesirables will slip through the net, but we should remember that gangs are not confined to immigrants. The rate of immigration can be excessive and pose problems of absorption. Drawing immigrants from closed societies who do not assimilate readily is not generally a good idea (though there may be humanitarian reasons for doing so). A critical success factor is the adaptability of the new migrants (as well as mutual adjustments by incumbents). Encouraging ethnic or multicultural politics is a recipe for social division. Allowing immigrants to qualify for welfare benefits soon after arrival is also foolish. I see nothing wrong, for example, in New Zealand imposing, say, a two-year moratorium on access to general welfare benefits, as Australia is proposing for New Zealand immigrants to that country, and imposing a longer period than 10 years for access to New Zealand Superannuation.

The Business Roundtable has always supported a liberal immigration policy for New Zealand, and views with concern the possibility that spurious worries about population might lead to immigration policy becoming more restrictive. We do not want to see here what has just happened in Australia - immigration numbers cut on the basis of populist politics and bad economics. At present, we consider a net annual intake of 30,000-40,000 immigrants on average to be a reasonable target - equivalent to adding around 1 percent to the population each year. This would mean an increase in population of perhaps 350,000 over 10 years. Such a target would not put excessive strain on our ability to absorb people from different cultures, while providing genuine economic benefits.

In our view, the great bulk of the new arrivals should come under the general skills category. We have never been particularly enamoured of a high weighting for financial assets or the business immigrant category. The points system was an advance, but we have argued that there should be a thorough investigation of the idea of charging an entrance or settlement fee. This was again the conclusion arrived at by former OECD official David Henderson in his recent report for the Business Roundtable, *New Zealand's External Economic Policies*. Given rules for screening out unsuitable applicants, the basic idea is to use an entrance fee for permanent residence, both as the main means of selection and as a means of rationing when the number of applicants exceeds the desired intake. As Henderson puts it:

The willingness to make substantial payments for entry provides evidence (i) that those who make them will be able to function effectively within their new environment, and (ii) that they place a high value on the opportunity to live in that environment, and hence on its values and institutions.

The charging of an entrance fee would allow current citizens to capture a higher percentage of the total benefits of immigration. Immigrants would effectively be paying for the privilege of gaining entry to a stable and tolerant democracy, with a physical and institutional infrastructure and other assets built up by past and present citizens. If the opposite deal was on offer, I have no doubt many New Zealanders would be prepared to pay for the right to settle in other countries that were attractive to them. The fee would also help cover the cost of services such as additional English language training, unless these were charged for separately. Since it can be an uphill battle to sell the benefits of immigration to a public often misled by simplistic arguments, this feature could have political attractions as well.

Whatever method of selection is used, those of us who favour a liberal immigration policy have a duty to make the case for it. Immigration will always be a sensitive issue - and understandably so, for it affects the nature of our society, which should be a matter of democratic choice. If we are to gain the maximum benefits from

immigration, we must pursue a stable, long-term policy; immigration cannot sensibly be turned on and off like a tap. To strengthen a community consensus for immigration we need to deal in a dispassionate and fair-minded way with issues and objections that are raised.

The latest issue raised is the perceived link between population and immigration. I have argued that a careful examination suggests that, for the foreseeable future, it is largely a non-issue in the New Zealand context. The key points are that:

- fertility is typically a bigger factor than immigration in population growth;
- governments should not try to influence fertility;
- the arguments for immigration do not rest on notions of influencing population size; and
- immigration for a number of years on the scale suggested by those who favour a liberal policy would not create undue population pressures.

The same conclusions were reached by David Henderson in an Australian context. He suggested that for the indefinite future there is little or no risk that in terms of sheer numbers there will be 'too many' citizens or residents. Secondly, he suggested that, pending any new evidence, immigration policies should be viewed and judged with reference to other aspects than that of their eventual effect on total numbers.

I would add that to better cope with whatever inflow of immigrants is determined, we should concentrate on making things like the labour market, the education system, planning regulations and the provision of infrastructure services more flexible and efficient.

If the population conference reaches similar conclusions, this will be a positive outcome which will allow us to strengthen the consensus for, and to look for ways of improving, a sound, long-run immigration programme.