

OPINION: POPULATION POLICY

Nick Minchin

Senator Nick Minchin was Minister for Finance and Administration and Leader of the Government in the Senate under the Howard Government. He recently stood down as leader of the opposition in the Senate. He was a speaker at a forum on Australia's population prospects held in Adelaide in May 2010. The following is an edited version of his address.

Debate about Australia's population has suddenly come alive following the release of the government's 2010 Intergenerational Report, which projected a population of 36 million by 2050—a 60 per cent increase. Mr Rudd immediately embraced this outcome as desirable.

I note that the Intergenerational report our government released in 2007 projected a population of only 28.5 million in 2050. So Treasury's forecast for 2050 has increased by a massive 7.5 million in just two years, and the Treasury forecast is now a government target. No wonder this frightening scenario has sparked debate—and a much-needed debate.

Some of you may be surprised that someone like me is a participant in this forum. But I've been interested in this issue for many years, and in keeping with my philosophical conservatism, I have for a long time had a conservative view on population growth.

My views are also influenced by my training in economics, having completed a Bachelor of Economics Degree at the Australian National University in 1974. Economics is after all about the efficient use of limited resources—it's a discipline, like conservatism, that recognises and works within natural limits.

I have been engaged in this issue in the Senate from the outset. For example, I spoke of my concern about high and uncontrolled immigration in my maiden

speech in 1993, and in that speech noted with alarm that net immigration from 1982 to 1992 was over one million—50 per cent more than the previous decade. I also welcomed the fact that immigration in 1992–93 had declined to a net 63,000 and I said it should stay within that figure for the foreseeable future.

Today we have net immigration of about 300,000, nearly five times what it was when I entered the Senate.

In May 1994 I again spoke in the Senate on this matter, and specifically criticised the Keating Government for the absence of any policy framework for population and immigration, and again noted that Labor had essentially lost control of immigration in the 1980s.

During the time of the Howard Government (March 1996 to November 2007) I did whatever I could to keep immigration at sustainable levels. And indeed the average net immigration under us was around 125,000 per annum—less than half the current inflow.

I am renowned as a sceptic—and in the Howard Cabinet I was the most sceptical about the annual submissions from the Immigration Minister requesting an increase in the size of the immigration program.

When I was Industry Minister between 1998 and 2001, I publicly criticised Australian business for always demanding higher and higher immigration. I made the point that it reflected the myopia of Australian

business, always focused on the size of the domestic market, and ignoring the global market of six billion.

I made the point that all business ever seemed to want is for the government to go on forever increasing the size of the Australian domestic market. But the national government's role is not simply to provide more customers for business to sell widgets to.

My particular economic interest in population growth and immigration has been on the impacts that they have on the only real measure that matters—real per capita incomes.

Of course, a bigger population will increase the overall size of the economy, but will the individuals who make up the national economy be any better off?

And in my view any increase in per capita incomes from high population growth would have to be substantial to overcome the considerable costs of high population growth to the environment, quality of life, and many other social measures.

My study of this matter shows that there is virtually no indisputable evidence of material gains in per capita incomes from high population growth, and that therefore any reasonable cost-benefit analysis will produce a negative result from high population growth.

One of the most definitive studies on this was commissioned by our government. We asked the Productivity Commission 'to examine the ways in which the population growth and human capital aspects of migration might affect Australia's productivity and living standards.'

The final report was produced in April 2006.¹ This is an outstanding report which I commend to the audience. It represents an exhaustive and detailed study into the economic aspects of immigration.

The Commission simulated the impacts on the economy of a 50 per cent increase in the level of skilled migration.

Remembering that it is skilled migration, rather than other categories of migration, which is most likely to make a positive contribution to productivity and living standards.

The conclusion is really quite stunning.

The Commission found, and I quote: that 'the effect of increased skilled migration on average living standards is projected to be positive, but small. It is also likely that most of the benefits accrue to migrants themselves'.²

More specifically, the Commission found that if we increased skilled migration by 50 per cent then, by 2024–2025, annual per capita income is just \$383, or 0.7 per cent, higher than it otherwise would have been.³

As already mentioned, the Commission found that 'most of the gains are likely to accrue to the immigrants themselves'. But they went on to say that 'This is not a surprising result and is consistent with research in other countries such as the US'.⁴

In other words, there is effectively no benefit to the existing population in terms of incomes per head from a big increase in skilled migration.

The Commission also examined the impact on productivity and per capita incomes deriving from the effect of higher immigration on natural resources, land, and environmental externalities.

It reported that:

[I]ncreasing the size of the economy increases the demand for natural resources (fixed and renewable) and land. If the supply of these resources is limited, then a larger population can contribute to lower productivity and income per capita. Similarly, environmental externalities, such as congestion and pollution, might also contribute to lower productivity and living standards. The extent of such a decrease would depend partly on the policies implemented by governments and the ease

and cost of substitution of technologies having lower congestion and pollution. A drag on productivity and income per capita would remain.⁵

Thus the economic case for high rates of population growth, which is largely a function of high immigration, does not exist when the economic measure is incomes per capita.

On the issue of productivity the Commission found that:

An increase in the number of skilled migrants would not improve labour productivity overall. The increase in migration leads to a decrease in the level of capital available to each worker. In addition, there is a rebalancing of economic activity that favours less productive sectors, such as construction. This results in a decrease in multifactor productivity.⁶

Therefore, higher immigration-and the consequent population increase-leads to a decrease in economy-wide labour productivity.

And given that high population growth entails other substantial costs, the clear public antipathy to Mr Rudd's 36 million target is well-founded.

Thank you for a few moments of your time.

Senator Nick Minchin presented these views to a population forum in Adelaide on 7 May 2010. This forum and others that took place simultaneously in other capital cities was organised by Kelvin Thomson, Dick Smith and Sustainable Population Australia (SPA). Nick Minchin has been a longstanding member of SPA.

References

- ¹ Productivity Commission, *Economic Impacts of Migration and Population Growth: Position Paper*, January, Productivity Commission, Melbourne, 2006
- ² *ibid.*, p. xxxiii
- ³ *ibid.*, p. xxxii
- ⁴ *ibid.*, p. xxxiii
- ⁵ *ibid.*, p. xxxv
- ⁶ *ibid.*, p. 73