

ISSUE ANALYSIS

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Why a Growing Australia is Nothing to Fear

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EXECUTIVE SUMMARY

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Australia's population is growing because our economy is booming and our society is confident about the future. Population growth is not something to strive for in and of itself, but it is not to be feared either.

A growing population presents us with challenges *and* opportunities. Population growth, and the skilled migration that fuels it, helps our economy grow— giving us the resources to support our ageing population, build better infrastructure, and protect our environment. A growing, pluralistic society makes us socially richer too.

Population growth is not a project driven by the business lobby or politicians. It is a fact. Australia's population is growing, and our demographic structure means it will keep growing.

Rather than pretend population growth is not happening, we should be actively trying to harness the benefits.

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Introduction

Europe is undergoing a financial and existential crisis. Unavoidable austerity measures are leading to social unrest. The continent, like much of the developed world, is shrinking in terms of population and has little hope of growing its way out of its problems. The population of Germany, the engine of the European economy, will shrink by 12% between now and 2050.¹ The number of Europeans aged 14 or under will fall by 27% during the same period.²

These European problems of demographic decline and shrinking population are almost absent in Australia. Nor do we face a fragmented and broken society, failed multiculturalism policies, or lack of suitable and qualified migrants. Australia has a vibrant economy with a population that is still young by developed world standards. Australia is such an attractive migrant destination that it can afford to be selective, to say nothing of its highly successful and integrated multicultural society. Australia's migrant population commands higher household incomes, their children score marginally better in school tests, and they are also a little less criminal than the Australian-born part of society. And unlike most European nations, it still records birth rates close to replacement level.

Visitors from Europe to The Centre for Independent Studies—delegations from European parliaments, diplomats from European countries, government ministers from European capitals—all tell us they would swap their problems for ours without hesitation.

And yet we complain about the state of our nation. Instead of seeing the opportunities in our booming economy and growing population, we have turned to xenophobia and narrow-minded political rhetoric. 'Big Australia' has become synonymous with a catastrophe waiting to happen.

The media foment this fear with stories about population growth in terms of environmental degradation, traffic congestion, and social tensions. Kevin Rudd's support for a 'Big Australia' was a factor in him losing his prime ministership; one of the first acts of his successor, Julia Gillard, was to distance herself from it and embrace a 'sustainable Australia,' whatever that means.

Gillard is not alone in the anti-population growth camp, which has strange bedfellows such as former businessman Dick Smith, Labor MP Kelvin Thomson, ex-Premier Bob Carr, environmentalist Mark O'Connor, and One Nation's Pauline Hanson.

Population growth alarmists have got it wrong both on the facts of our demographic development and in their assessment of the consequences of a growing population. Whether we like it or not, Australia's population is going to continue to grow. Calls to limit population growth would turn Australia into a stagnant, ageing and inward-looking country—a basket case to rival the declining Eastern European countries. 'Big Australia' is a reality that we have to prepare for.

The population debate

Kevin Rudd's announcement that Australia's population might grow to 36 million by 2050 sparked a panic, but this was not a 'new' figure. It had been published by both the Treasury and the Australian Bureau of Statistics, and was widely accepted by demographers.³ In fact, the population projection of 36 million was not based on any change of government policy. Rather, it assumed that the government would continue its *laissez-faire* approach to population growth by letting people decide how many children they wanted and letting the market decide the size of net overseas migration. Our population is not growing because of a scheme hatched up in the halls of Parliament House by Labor or by business interests. Our population is growing because our economy is strong and our society is confident about the future.

What's more, Australia's demographic profile means that a certain level of population growth is 'programmed in' over the coming decades. In the 2009–10 financial year,

natural increase (births minus deaths) accounted for 43% of population growth. Births increased by 2.2%, while deaths fell by 1.7%.⁴ This is an excellent situation: more of us are being born and fewer of us are dying. According to the World Bank, life expectancy for Australians today is 81.4 years. Future generations will live even longer. But it also means our population is growing.

There is a large cohort of 18- to 30-year-olds in Australia who will soon begin having children and pushing up the birth rate. Demographers call this a ‘momentum for growth.’ Over the next four decades, this generation’s equally large cohort of parents—the baby boomers currently in their 50s and 60s—will reach old age and eventually pass away, reducing the rate of natural increase. As this happens, everything else being equal, population growth will begin to slow.⁵ Even if we dramatically cut migration, our population will continue to grow for at least the next few decades.

Legislators don’t have too many options to stop this process. We wouldn’t accept any attempts to limit increases in life expectancy, such as putting a brake on medical research or limiting medical care for older people. We wouldn’t accept limits on the number of children Australian families can have. The government could withdraw financial support (e.g. the Baby Bonus) from families to discourage births, but this will probably not be successful in lowering the birth rate (the Baby Bonus was not particularly effective in raising birth rates, good economic times did).⁶

Even if we radically changed our approach to migration, the current ‘momentum for growth’ makes it very difficult to stop population growth. Australia’s population growth will stabilise⁷ only if net overseas migration was slashed to zero, a policy that is not only undesirable but impossible to implement.

Government has remarkably little control over aggregate migration numbers in any one year. Canberra only sets annual targets for *permanent* migration. It does not control the number of long-term temporary migrants entering and leaving the country, or the number of Australian citizens and permanent residents leaving and re-entering the country. Our migration numbers are driven by temporary migrants; many of them take up permanent residency after living in Australia for a number of years.

If government did want to exert more control over net overseas migration—for example, by implementing an annual cap—it would have to substantially change the nature of our immigration program.

Two-thirds of our migration is skilled.⁸ Much of this is demand driven. The total number of migrants coming to Australia in any one year depends on how many overseas workers business needs to hire, how many working holidaymakers want to come to Australia, how many students wish to study in our universities, and how many New Zealanders make the trip across the ditch. Changes in economic conditions both in Australia and abroad can result in large swings from year to year.

Between 2009 and 2010, the number of long-stay business visitors fell by more than 33,000—a drop of almost one-third.⁹ This makes a huge difference to Net Overseas Migration but has nothing to do with government policy. As skills shortages intensify, business arrivals will increase. This *laissez-faire* approach enables our migration program to act as a release valve, moving in sync with the economic cycle. This feature, along with a focus on skilled, prime working-age migrants has made Australia’s migration program a success where so many others have failed.

Campaigners for a ‘Small Australia’ suggest that we should slow population growth by more than halving migration to around 70,000 a year. But even such a dramatic policy change would not have the result they want. According to The Centre for Independent Studies’ own demographic projections, if fertility were to remain constant Australia’s population would still grow to 29 million by 2050—even with slashed migration levels. If the fertility level *increased* to replacement rates—as it already has in both the United States and New Zealand—our population would cross 30 million by 2050.¹⁰ So even if migration is cut dramatically, we still need to prepare for a very substantial growth in population.

Government has remarkably little control over aggregate migration numbers in any one year.

What's more, we would have to face some rather unpleasant economic and social side-effects of reduced migration, particularly in the ageing of our population. Australia has so far managed to avoid the problems of the shrinking, dying societies of Europe precisely because we are growing. Where Japan has a median age of around 44, and Italy around 43, Australia has a relatively young population with a median age of 37.¹¹ Even with declining birth rates and lower migration rates, our median age will be around 47 by 2050.¹²

Our relatively high birth rate, not our migration rate, shields us from rapid ageing. After all, migrants get old too. But migration can help supplement our workforce as we transition to an older society. Currently, there are about 820,000 Australians aged 80 or over. By 2050, this number will double—regardless of changes in fertility and migration or the adoption of 'big' or 'small' Australia policies.¹³ That's because of a trade-off: If we slow population growth, our population will age more rapidly. To slow ageing, population must increase.

This combination of population growth and ageing will present a number of policy challenges. We will need more hospitals, aged care facilities, and support services for the elderly. Larger and older populations will require different housing and transport—all this will happen at a time when our workforce might even be shrinking.

Economic value of population growth

Traditionally, economists did not think population growth made a difference to a nation's wealth. Some were even inspired by the gloomy predictions of Thomas Malthus who believed that population growth would make us poorer. But over the last few decades, more and more economists have broken out of the old paradigm to realise that population growth does not make us poorer. Markets and technology prevent us from falling into the Malthusian trap. Growing populations generate more ideas, more innovations, and more solutions—not just in absolute terms but also per capita.

This effect has been well documented in a study by Harvard University economist Edward Glaeser. Analysing population and economic growth rates for a sample of 200 US cities of different sizes, he said: 'One of the interesting things about growth across US cities in the past 30 years is that the two measures move together, so that most things that predict per capita income growth predict population growth as well.'¹⁴ Glaeser concluded that faster growing populations generate faster growing per capita wealth. More people mean more ideas. More people mean greater specialisation. Population growth is certainly not an economic panacea, nor is it even the most important condition for economic prosperity. But it is certainly conducive to economic growth and per capita growth.

Our current economic growth is making us complacent. It's true that we are a very rich society. But without continued economic growth, we cannot handle the inevitable challenges brought by population growth—building new infrastructure, preventing environmental degradation, paying for pensions, and maintaining current standards of living.

Building for population growth

These theoretical arguments about the economic benefits of population growth don't mean much if you are sitting in a traffic jam. What Australians are really concerned about is how population growth is affecting their quality of life. But population growth is already programmed into our demographic structure. We need to build more housing and infrastructure anyway—even if we cut migration or take other steps to slow population growth. Rather than debating the pros and cons of population growth, our politicians should prepare for it. We need to start building now.

If population growth slows down, ageing will happen faster. As ageing societies in European and north Asian countries such as Japan show us, household sizes shrink when the population gets older.

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Australian households are relatively large at 2.5 people on average.¹⁵ If this drops to around 2 people per household in the process of population ageing, as it has in Western Europe, the number of households would increase by 20% even at a constant population size. On current projections, we will have around 16 million households in Australia in 2050, up from about 9 million today. But if we dramatically cut migration to 70,000 a year, as the ‘small’ Australia campaigners suggest, we will still have around 15 million households in 2050. The trade-off between growth and ageing means that we will need to build millions of new dwellings in the coming decades, no matter what.

We will also need to provide infrastructure to the considerable number of Australians who move between cities and states. Over the past decade, an average of 370,000 people moved interstate each year—significantly more than the net overseas migration level.¹⁶ Mining boom states provide employment opportunities that attract labour from other states. The ‘sea change’ and ‘tree change’ phenomenon means city-dwelling families and retirees are seeking a different lifestyle away from capital cities. As long as Australians can move freely, even a stagnant population needs investment in new infrastructure in new locations. It is our failure to keep up, rather than population growth, that has caused our current infrastructure problems.

Protecting our environment

Another contentious area affected by population growth is the environment. Will we have enough food, water and land to meet the needs of a bigger Australia? And will a larger population irrevocably damage our natural heritage? All reliable estimates suggest that Australia is well placed to cope with projected population growth. According to the CSIRO, Australia produces about 93% of the food we consume by retail value. We are extremely food self-sufficient. Moreover, we export about two-thirds of the food we produce by value. This is enough to feed 60 million people each year.¹⁷ If our population were to increase significantly, we might not be able to export the volume of food that we do now. But the population would have to triple before we have trouble feeding ourselves—even if we made the very conservative assumption that agricultural productivity will not increase at all in the future.

Nor are we about to run out of land. While much of Australia is desert and not suitable for farming or habitation, our sheer size means that the habitable areas are still quite large. The federal government’s 1994 inquiry into Australia’s carrying capacity found that, ‘Arable Australia has almost the same area as France and the United Kingdom combined ... If “arable” Australia had the population density of France, it could hold 76.9 million people¹⁸—more than triple our current population.

Our water supplies are well positioned to accommodate projected population growth.¹⁹ Although we consume the second highest amount of freshwater per capita in the world, this amounts to less than 10% of freshwater resources available. We are getting so much better at using water efficiently that while Sydney’s population has increased by 1.5 million since the 1970s, the total amount of water it uses has not increased at all.²⁰ We are not in danger of running out of water. As recent droughts and floods so tragically demonstrate, managing the *variability* of rainfall, rather than the sustained lack of it, is the biggest challenge we face.

Nor is it certain that population growth will inevitably lead to environmental destruction in Australia. Every Australian government inquiry since the 1970s into when we might reach our so-called ‘carrying capacity’ has rejected the idea that such a constraint even exists.²¹ This is because ‘carrying capacity’ is a fluid notion. As we get better at using our resources effectively, we can support a much bigger population with the same resources—as the example of Sydney and its water use demonstrates. We will be able to meet environmental challenges through changes in our behaviour and improvements in technology—not through cutting migration.

Environmentalists and the Greens oppose population growth saying that it will contribute to climate change, but it doesn’t necessarily follow that a larger population

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Population growth will be unsustainable only when we cease to be creative.

will lead to higher carbon emissions. Australia currently has among the highest per capita carbon emissions in the world. But other countries with similar standards of living maintain much larger populations, and yet emit less. Both France and Australia emitted just over 370 million metric tonnes of carbon in 2009.²² Yet France's population is almost three times that of Australia. Moreover, both countries had a per capita GDP of just over US\$40,000 (adjusted for purchasing power parity (PPP)), suggesting residents enjoyed a similar standard of living.

Our carbon emissions don't come from the fact that we have too many people but that we rely on carbon intensive sources of power such as brown coal. In contrast, France derives three-quarters of its power from nuclear energy. Changing the way we source our energy would make a much bigger difference to our carbon emissions than slowing population growth. Those who are really worried about climate change should focus on the effects of the mining boom before they bother with the size of our population.

Clearly, we need to make some compromise between preserving our environmental resources in their pristine state and promoting human and economic development. But this requires a value judgment. Some people will place more importance on preserving the natural environment, others on development. 'Sustainability' is not an absolute concept but rather highly contested and subjective. So how useful is it as a basis for public policymaking? All we can comfortably say is that population growth will be sustainable if we continue to innovate and make better use of existing resources. Population growth will be unsustainable only when we cease to be creative. And we have seen that human creativity is an almost limitless resource.

Protecting our way of life

Migration obviously has social and cultural impacts. Asylum seekers arriving by boat dominate the headlines, and politicians on both sides of politics have linked refugee issues to the population debate. But last year, refugees accounted for around 3.5% of population growth—and boat arrivals an even smaller proportion than this.²³ People arriving by boat on Christmas Island are not causing traffic jams in Western Sydney.

The failure of multiculturalism in Europe is an accepted fact now. But no Australian politician, Pauline Hanson aside, would publicly say that about Australia. Multiculturalism in Australia is still a bipartisan project. It is a concept promoted by people as different as Gough Whitlam and John Howard.

The great majority of migrants, who have come to this country in the last 30 years, have been skilled. Those who came in the decades before may have been unskilled, but they were entrepreneurial and ready to work. Most have had the right mix of skills and attributes to be successful in Australia.

We have everything to gain from such migrants. Instead of worrying about them, we should be actively competing for them. Otherwise they will take their skills, qualifications and brains to Canada, the United States, Asia or South America instead.

The way forward

So how do we move beyond the current impasse and prepare for population growth? The population blame game has largely happened at the federal level. This is understandable. The few levers that government has over population growth—such as migration policies—are controlled by the federal government. It also has an explicit interest in keeping Australia's population *growing*. In our heavily centralised tax system, all new revenue flows in one direction: Canberra.

However, most of the costs of population growth—new schools, new roads, hospitals—must be met by the states. In this sense, state and local governments have an implicit interest in keeping population growth *down*. The federal government gets all the benefits of population growth, but state and local governments bear the costs. Until we can overcome this disconnect, and allow the states to share in the financial *benefits* of population growth, they are unlikely to shoulder the infrastructure costs.

Despite the political rhetoric, our leaders know that population growth is happening. We are having more babies than in the past, and our booming economy means more people want to come to Australia than ever before. While population growth isn't something to strive for in and of itself, it is nothing to be feared either.

We are beginning to see just what happens when societies begin to age, shrink and perhaps ultimately die. The challenges brought about by population growth are substantial, but they are dwarfed by the challenges faced by the shrinking societies of Europe and Japan. Growth might even make us richer. Bigger, dynamic societies are more creative and innovative. And our skilled migration program helps us expand our workforce and ultimately our wealth. Our environmental resources can cope with projected growth. Despite the doomsayers, Australia is in no danger of running out of food, water or land. Population growth may even spur us to become more innovative and efficient in the way we use our resources and energy. Finally, we now know that living in a colourful, multi-ethnic society is nothing to be feared. Not only can a growing population make us economically richer, it can make us socially richer too. Our challenge is not how to stop or slow population growth. Our challenge is to properly manage it to ensure that a growing Australia is a prosperous, interesting and liveable place for us all.

Bigger, dynamic societies are more creative and innovative.

Previous CIS publications in the *Population and Growth* series

PM112 Jessica Brown and Oliver Marc Hartwich, *Populate and Perish? Modelling Australia's Demographic Future* (2010).

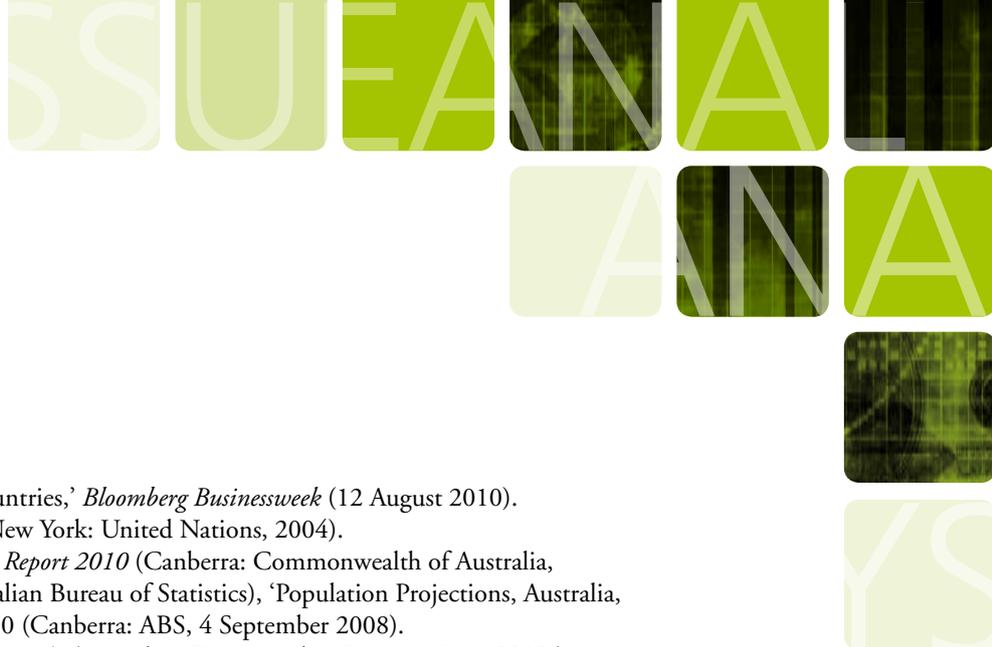
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PM123 Stephen Kirchner, *Hands, Mouths and Minds: Three Perspectives on Population Growth and Living Standards* (2011)

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Endnotes

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