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What sort of Immigrants?

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Does migration affect unemployment and the balance of payments positively or negatively? The best available economic models don't provide clear answers.

This is hardly surprising. Economic modelers are unlikely to assume that migrants differ from resident Australians, or from each other, in characteristics that cannot be measured precisely and which imply moral judgements. For fear of being accused of racism, they are unlikely to model the (well-known) facts that Kalathumpians tend to be energetic self-starters while Mesothumpian migrants include altogether too many whinging shop stewards. And they cannot capture the effect of as yet unrecognised new ideas. Thus the main factors tending to raise or reduce per capita production are likely to be excluded from economic models.

In the long run, migration per se should neither cause nor reduce unemployment. The goods and services that new migrants produce yield them incomes which they spend on goods and services that others produce. The net effect on unemployment is thus negligible. In the short run, migration, like any economic change, can cause frictional unemployment. It can raise prices in some parts of the economy and produce labour over-supply in others. But it can also reduce such imbalances. The important issue here is whether the particular migrants cause the cost of employment to rise or fall relative to production.

Similarly, if migrants' spending and saving patterns are the same as those of people already here, there should be no net effect on the per-capita imbalance of payments. In the short run again, new migrants may tend to draw unemployment benefits or live off the support of relatives. If they do these things, they will consume more than they produce, adding to the balance-of-payments problem.

In short, the effect of migration upon the economy depends upon what migrants do once they are here.

Some anecdotal evidence suggests that Australia has done rather well from post-war migration. For instance, an extraordinary proportion of school prizes are taken off by girls and boys with non-Anglo-Saxon names, and even casual perusal of go-getter small businesses or lists of multi-millionaires reveals high numbers of first-generation Australians. On the other hand, some categories of recent migrants are over-represented among the unemployed and sometimes among picket lines---pastimes that make the rest of us poorer.

Example is important. Koreans have revolutionised the supply of fruit and vegetables in New York. There is a delightful story in "The Freeman" of the effect one of these Korean families had upon an American bum living on the sidewalk where they had set up their fruit stall. They offered him small change to sweep the footpath and unload their truck. Soon the bum was sweeping and unloading for other stall holders. Then, he was seen driving a truck and sleeping in a more up-market doorway. At the time of writing, he had rented an apartment. Work habits are catching. In this case, better work-habits raised the standard of living of the bum, the Koreans and of people who eat fruit and walk the streets. They raised the average standard of living.

However, averages miss much of the point of migration. When poor people, especially pitifully poor people such as those in refugee camps, come to a country such as Australia, then their standard of living rises sharply. Probably more than a decade is added to their life expectancy.

If, as well, they work harder or more skilfully than those who came before them, then, because our society is relatively free of entrenched privilege, they will further raise their living standards to, and beyond, the Australian average. We can all cite examples of Italian Australians, Greek Australians and others who have done just that. By producing at a lower unit cost they also raise the real incomes of the earlier residents who initially own the capital migrants use and buy the goods migrants make. It is thus possible that an influx of poor people will reduce Australian average living standards as measured by international bean counters. Nevertheless, those new migrants who produce efficiently make the existing population richer.

Of course, if migrants don't work harder, more skilfully or more cheaply, if for instance they collect the dole, then, although they may raise their own living standards, they will depress the living standards of those who came before them.

The aim of our migration program should surely be to attract the migrants who will make not only themselves but everybody better off---that is, dedicated producers. Unfortunately, Governments are not very good at choosing them. Administered migrant rationing systems require detailed

enquiries. They tend to select for the skills that were wanted yesterday, they are not objective and are therefore open to corruption, and they do not choose the migrants who value Australian citizenship most highly. Most seriously, they cannot identify the newcomers who have 'drive' and who will, by hard work and guts, lift themselves and older Australians into higher income brackets.

The highly successful migrants, who in the last century might be said to have made Australia, did not face today's bureaucratic hurdles. Like today's migrants they came to make better lives, but their numbers were rationed by the market--- that is, by the knowledge that Australia, although a land of opportunity, offered few free lunches. Within a generation their families became among the richest in the world. A similar story can be told of the Irish, Jews and Poles migrating to the United States and of most other successful migrations.

If Australia were again to offer its newcomers less by way of social security, we should not need an economic model to know that migration benefited the existing population. Then we could again afford to accept migrants and refugees at a rate nearer to that of the last century. Such a policy would be more self-interested, but it would also be more humane than current policy. It would allow more newcomers to enjoy Australian opportunity while automatically selecting for productive people. If we don't improve our productivity, we, like New Zealand, will in time become more worried about emigration than immigration.

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