

## **Scott Morrison part of Canberra conspiracy to keep immigration rates high**

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Most of you will have figured out by now that Scott Morrison doesn't know the first thing about economics. He was more than happy to impose a higher company tax on the big banks (the major bank levy) while arguing the case for lower tax rates for companies, big and small.

The Treasurer's "cry me a river" rationale just doesn't cut it when it comes to this completely perverse government impost. He also doesn't seem to understand the real case for lower company tax rates. In the context of dividend imputation, the argument essentially boils down to attracting the marginal overseas investor. But Morrison is only too happy to play the xenophobia card by blocking foreign investment proposals, decisions he no doubt thinks may gather in a few extra votes. (Did the focus groups tell him this?)

In the case of the sale of the electricity poles and wires in NSW, he was prepared to block two foreign bids — one for no reason at all — allowing the industry super funds to pick up the asset at a substantial discount (of at least \$2 billion). Good one, ScoMo.

To argue the case for lower company tax rates while being hostile to foreign investment is a complete nonsense. If the company tax cuts are going to cost \$65 billion across a decade, there are more worthwhile initiatives such as redesigning the income tax schedule and lowering the top marginal tax rate.

But where Morrison is on the weakest ground is immigration policy, which may surprise readers because he was the immigration minister. The truth is that the immigration department (now part of the Department of Home Affairs) and Treasury feed successive ministers misinformation, half-truths and unfounded warnings about immigration to keep the migrant intake high while maintaining permissive — some would say lax — regulations.

Now I don't use the term conspiracy often. But I have come to the conclusion that there is an immigration conspiracy going on involving Canberra bureaucrats and politicians, among others, who are only too happy to overstate the benefits of immigration while downplaying the costs.

And there is always that draw card that can be played when Australian-born residents object to high rates of immigration or other aspects of the immigration program: it is because they are intolerant, racist rednecks whose views should be ignored.

Let me quickly run through the economics of immigration. Across the long run — several decades — immigration can have a small positive economic impact.

The higher the skilled component of the migrant intake, the higher will be the economic benefit.

Let me emphasise, however, that the only legitimate measure of the economic impact of immigration is per capita gross domestic product (or other per capita measure of national income). Sure, having more people is associated with having a higher GDP, but this is not the economic measure we should be interested in.

This is where part of the conspiracy comes in. Treasury is so keen to see GDP continue to grow — don't forget we have had more than a quarter of a century of continuous growth apart from a negative quarter or two, and thereby providing an ongoing bragging line for the government — that dips in the growth of GDP per capita are studiously ignored

In point of fact, there have been at least two episodes in the past two decades when there have been technical recessions in GDP per capita defined as two successive quarters of negative growth.

And don't be fooled by the idea that immigration is a solution to an ageing population. The Productivity Commission has made the point on multiple occasions that the impact of immigration on the demographic profile of the population is small and doesn't last without ongoing higher immigration. That's why many people call immigration a Ponzi scheme.

When it comes to the distribution of the economic benefits of immigration, it is businesses, workers with complementary skills to the migrants and the - migrants themselves who Hoover up the gains. In fact, it is overwhelmingly the migrants and their families who gain the most. Workers with skills that compete with those of migrants lose out.

We also should note that most economic studies of immigration simply do not take into account the costs of immigration, such as the loss of urban amenity,

additional congestion, stress on infrastructure, including schools and hospitals, and environmental pressures.

There is little doubt that were a figure to be put on these other costs that immigration would be imposing a net cost on many parts of Australia, particularly in Melbourne and Sydney.

We should also be wary when we hear that two-thirds of the permanent migrant intake is made up of skilled entrants. Very many of them are not skilled at all, having completed average, generalist undergraduate degrees in Australia. We know, for instance, from work undertaken by Monash University's Bob Birrell and Ernest Healy that "nearly 70 per cent of Australian graduates aged between 25 and 34 in 2013 held managerial or professional jobs whereas only 31 per cent of non-English-speaking background immigrants with a degree held such jobs". Note that 80 per cent of the immigrant graduates were from a non-English-speaking background.

So Morrison is really talking through his hat when he says "permanent migrants, in particular skilled migrants, they come, they start businesses, they get jobs, they pay taxes, they invest in their communities, they run sports clubs, they make things happen. Permanent migrants have been a key source of Australia's prosperity for centuries." This is really just emotive hyperbole that is not supported by the facts. And to mention immigration as a means of addressing skill shortages is surely the ultimate cop-out. If there are continuing skill shortages, it is surely incumbent on the federal and state governments to ensure that these jobs can be filled by locals rather than allowing businesses to take the easy way out and bring in skilled migrants.

And as for Morrison's assertion that we would be unable to reduce the family reunion migrant intake, this is just indicative of a government that has loss of control of the immigration settings.

But the real clanger in all this — and part of the conspiracy perpetrated by Treasury, which incidentally has never had any real expertise in the economics of immigration — is that a lower immigration intake — 50 per cent fewer permanent immigrants, say — would cost the budget \$4bn to \$5bn across four years.

This is complete hooey and Morrison knows it. We have always known the fiscal costs of immigration are borne largely by the states and territories. Think: extra schools, extra hospital beds, extra transport, the cost of settlement

services, and the list goes on. For Morrison to worry about the supposed loss of \$4bn to \$5bn in federal government revenue over a four-year period in which total government spending will exceed \$1200bn is neither here nor there. But the extra costs to the states and territories are many multiples of this imagined revenue loss.

That our population is growing at 1.6 per cent, largely as a result of immigration, when the population of almost every other developed country is closer to 0.4 per cent to 0.9 per cent simply beggars belief. There is absolutely no rationale, economic or otherwise, that would justify such remarkably high population growth and all the attendant pressures that are created.

Yes, it's a conspiracy. The politicians are in on it; the Canberra bureaucrats are in on it (yes, Canberra is such an easy place to live); businesses are in on it; the universities are in on it; and various other rent-seekers who benefit from high immigration are in on it.

It's just a pity that the views of ordinary citizens are not sought more often when it comes to developing a more sustainable and acceptable immigration policy.

And, by the way, that's not populism.