Towards an economics approach to evaluating New Zealand immigration policy

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New Zealand’s approach to immigration policy for the last 30 years or so has been a grand experiment. The approach was flawed at conception, but just possibly worth experimenting with. But it has been tried for a long time now, and has failed.

We should evaluate policies first on the claims made for them by those responsible for them (successive governments). New Zealand’s non-citizen immigration programme in recent decades has been sold primarily as an economic enabler (MBIE - agency responsible for immigration policy - used to claim a “critical economic enabler”). And what the serious proponents had in mind wasn’t simply that more people meant more total GDP (well, of course), but that a well-constructed large scale immigration policy could play a material part in turning around the decades of dismal NZ productivity performance. Part of that case was that our own people were leaving in large numbers, but that governments - presuming themselves to know better - could make up for that. The story was - and is – that this bold policy could lift average productivity for New Zealanders more broadly, in turn boosting our general material living standards.

In this talk, I’m focused on the economic issues. One can debate social cohesion, national defence, terrorist risks or whatever aspects of immigration, but this talk is about economic implications.

Since I have limited time, I am also going to take for granted that immigration benefits the migrants. As an economist, I reason that if migrants didn’t think moving would benefit them and their families they wouldn’t have moved. It doesn’t work out for everyone, but in most cases it does. But although gains to migrants are nice, the key consideration for national policymakers - in this as in most other areas of policy - should not be what can be done for people in/from other countries, but what the implications of policy-enabled or promoted immigration are for people already permanently living here.

Here’s how it was supposed to work. We’d attract a lot of smart, hardworking, entrepreneurial people who’d bring new ideas, new connections, and new opportunities to New Zealand. Those

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1 Michael Reddell is a semi-retired economist who writes about economic policy and performance issues at www.croakingcassandra.com
2 Over the longer term perhaps it does, perhaps it doesn’t. Spanish and Italian migrants to Chile, Argentina, and Uruguay typically boosted their material living standards quite a lot by moving, but 100 years on both Italy and Spain have higher average productivity and GDP per capita than the best of the Latin American countries. Over a similar horizon, there is a similar - if less stark - contrast for descendants of migrants from the UK to New Zealand.
3 And thus I don’t comment further on the work by people like Michael Clemens who argues that world average GDP or productivity might rise with open borders. It might - certainly many migrants would be better off - but that is simply a different issue.
ideas and opportunities would be put into place by businesses, small and large, old and new, foreign-owned and local, and in the process, we’d see high rates of business investment, rapid growth in labour and total factor productivity, a significant increase in foreign trade with the rest of the world, natural resources would materially diminish in significance, and our big cities would become dynamic centres of new (and old) outward-looking firms and markets. And so on. This is no caricature: this is how the advocates expected things to turn out, building on top of the whole range of trade and domestic liberalisation brought in at much the same time.

But first, the gist of my story, which starts from a set of stylised facts about our economy. Most of them are not in contention, even if the meaning and implications are debated:

- New Zealand’s productivity growth has continued to languish, and even after the reforms of the 80s and early 90s (including a return to large-scale immigration) there has been no narrowing of the gaps. We’ve fallen further behind Australia, and increasingly behind central and eastern European OECD countries. It would now take a two-thirds lift in the level of productivity to catch the OECD leading bunch,
- Foreign trade as a share of GDP has stagnated, and this century has gone backwards. This in the new great age of globalisation,
- New Zealand’s exports have remained overwhelmingly reliant on natural resources (whether agriculture, tourism or whatever).
- Consistent with this, the rapid growth areas in our economy have been the non-tradable, not internationally competitive, sectors,
- Also consistent with this, our real exchange rate has remained high, even as productivity has declined relative to other countries over decades,
- Even as real interest rates have fallen, they have remained persistently higher than those in other advanced economies,
- Business investment as a share of GDP has been weak (OECD lower quartile),
- Indications are, globally, that if anything distance has become more important not less, with high value economic activity increasingly clustered in big cities near the major markets of the world,
- Unlike what we see in the US and Europe, GDP per capita in by far our biggest city isn’t much better than that for the country as whole - if anything the gap has been narrowing.
- Over the last few decades, no country has aimed to bring more migrants (% of population) than New Zealand did – although Canada and Australia have come close to matching us, and Israel too.
- OECD data show the NZ migrants also have the highest average skills levels (but still a bit behind natives) of migrants to any OECD countries.

Not one of the expected economywide benefits of a large-scale immigration promotion policy has shown up. Not one. And we aren’t five years into this experiment, by 25 to 30.

Of course, the rest of our economic policies aren’t perfect either, but then no country’s are. On most OECD summary metrics we haven’t tended to score too badly. That’s why the OECD for a time talked of the New Zealand productivity paradox.

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4 In this talk I’m mostly talking about the residence programme, the centrepiece of the immigration system. There are lots of detailed discussion that could be had about aspects of the short-term work visa system - now, among other things, a key feeder to the residency programme - but that is for another day and another paper.
My story of how large-scale policy-led migration has adversely affected our productivity performance has two main strands:

- First, we know (and repeated studies have shown it) that the short-term effects of immigration on demand are greater than those on supply. Repeated (every year) large waves of immigrants thus put continued pressure on the real exchange rate (and our real interest rates relative to the rest of the world). Resources used for one thing - keeping up with the needs of a growing population – can’t be used for other things (growing a tradables sector). As one prominent NZ researcher has put it, in many respects the business of Auckland is building Auckland. Our economy has become quite strongly skewed inwards.
- Second, lots more people mean that the fixed stock of natural resources (still a key component of our economy, but not of many European economies) are simply spread more thinly. With 60m people, Norway’s oil and gas would not leave the country by far the richest European country.

I think the evidence for the proposition that policy-driven immigration has failed on its own terms is now pretty clear. It is a conclusion consistent with a wide range of New Zealand economic performance data, and little or nothing in the international literature represents a significant problem for such a conclusion. It is, first and foremost, a rigorous argument in evaluating New Zealand economic history - one country, one almost uniquely located, one experiment - albeit now in a wider international context.

As it happens, the sort of case I now mount for the immigration programme of the last 30 years isn’t too different from the case often made by leading New Zealand economists and economic historians about the (less well-targeted) large scale immigration of the post-war decades.\(^5\)

But in explaining my case, it is worth standing back and looking more broadly at the modern experience with immigration, perhaps since the Industrial Revolution.

Large scale immigration to New Zealand first became a thing in the 19\(^{th}\) century. And what went on to New Zealand was just one small part of the mass emigration, over the best part of 100 years, from Europe to the New World - the US, Canada, Newfoundland, Chile, Uruguay, Argentina, South Africa, Australia, and New Zealand. Most of our immigration was from the UK, but many European countries saw significant emigration. There is an extensive literature on the economics of this migration (exemplified in the work of Hatton and Williamson).

The Industrial Revolution was raising productivity and incomes in Europe (starting from the northwest) but the rapidly growing population put increasing pressure on available land. But land – a key factor of production - was abundant in the colonies. Once trade routes opened, materially higher wages were on offer in the colonies than at home - even when “home” was the leading economy of the day, the UK. Factor price equalisation was at work, and the literature is pretty clear that (large scale) migration from Europe to places like the US, Australia or New Zealand, tended to lower wages in the colonies of settlement\(^6\) and raise them in the places the migrants left. Land was simply that important. Note that in those days, many fewer migrants would have come to New


\(^6\) Geoffrey Brooke documented this effect for New Zealand.
Zealand had government subsidies not been on offer - it was just too expensive (included in lost working time) to come this far.

There isn’t really that much contention about the earlier (pre WWI) period. The migrants benefited - or else they’d not have come – but with successive waves of fresh migrants, wages (in particular) of those who’d come previously were compressed somewhat. Most probably the pre-European inhabitants (in the NZ case, Maori) also benefited – from the fresh ideas, technologies, institutions (broadly defied), connections - in specifically economic (material living standards) terms.

Bear in mind though that just prior to World War One, NZ, Australia and the UK still had the highest GDP per capitas anywhere in the world. Immigration was akin to sharing the fruits of abundance. But note too that not all large-scale immigration programmes are primarily about economics: in New Zealand, Sir Julius Vogel justified his own expanded assisted-immigration programme partly on the basis of securing settler dominance after the land wars. At later times there were concerns about being small and lightly populated in the face of, for example, a resurgent Japan. The point is not to justify (or condemn) these lines of arguments, simply to recognise the range of different considerations that shaped policy and public opinion at various times.

For several decades immigration just wasn’t that important. It resumed here after WW1, but the Great Depression saw a net flow back to the (cyclically better-performing) UK. Even in the first couple of decades after WW2, New Zealand, Australia and Canada were pretty unusual in actively targeting (in our case subsidising) large scale migration. The US, for example, didn’t begin to increase immigration again until after the mid-60s. There were interesting isolated episodes - Jews moving to Israel (whether from Europe post-war, or the rest of the Middle East later), French settlers returning to France after Algerian independence, and Portugese settlers returning from Angola and Mozambique in the 70s. These natural experiments make for interesting academic papers, without offering much insight on the issues relevant to a multi-decade immigration strategy for New Zealand. Underperforming – low productivity but sometimes catching up - European countries faced significant losses of their own people - Portugese to France, Turks to Germany, Irish to the UK. The native dispersion became a thing for New Zealand from the late 1960s (or, on a charitable interpretation, from the mid 70s).

Economic structures had also moved on, at least in some countries. Whatever importance coal or iron ore reserves made once had played in major north-western European countries’ economies, they just weren’t a big thing by the 1990s. The leading edge of growth was the application of new ideas to increasingly sophisticated manufactured goods and services industries, increasingly with integrated cross-border supply and production value chains. Production increasingly tended to concentrate in major cities, where critical masses of expertise were available, and deep pools of specialist knowledge. Think of places like Paris or London or Copenhagen or Zurich (all of which have GDP per capita far above that of the rest of the economy). Fixed factors - land or other natural resources - just weren’t a big issue any longer, and there was a plausible story of how putting more smart people together with other smart people would foster new ideas, new investment and fresh waves of productivity growth.

But on even a superficial glance, it clearly wasn’t the story with all rich countries. A good chunk of the countries with the highest GDP per capita were largely oil producers. In the OECD, that includes Norway. And countries like New Zealand and Australia were still very heavy reliant on trade in natural resource-based products.

7 And in today’s world one might think of large-scale immigration to Israel as having similar motivations.
At a global level, the new era of migration mostly dates to the last 20 or 30 years. Much of that is about Europe (where most of the advanced economies in the world are) where the collapse of communism in eastern Europe and increasingly open borders among EU countries gave rise to a whole new set of people flows. But it wasn’t just that: in the UK for example the Blair government adopted a more open approach to immigration from non-EU countries. In the US, much of the variation was unconventional arrivals - whether illegals from Mexico and central America, or occasional waves of refugee arrivals from Cuba (and thus papers on the Mariel boatlift flows).

And, of course, first New Zealand then Canada and Australia launched a modern economic points-based immigration policy, trying to bring in (a) large numbers of people, and (b) target those thought most likely to provide economic benefits to the recipient economies. International tertiary education got into the mix – often bundling together subsidies to struggling education systems, with work or potential immigration rights.

And if you look at the immigration policy discussion 20 years ago, New Zealand’s approach to immigration was often described as world-leading8 (it is still something some in the US, for example, where family ties are the main way to get a green card, hanker after). It was a serious policy experiment, at scale (policy aimed at residency approvals each year of about 1 per cent of the population - three times per capita what was being done in the US), and regarded at the time as about as good as it gets. And we have more data on New Zealand because we’ve been doing large scale immigration for a long time, and add to that now have 50 years of data on substantial emigration as well.

In fact, no advanced country in recent decades has had anything like the combination of large-scale emigration of its own people - pursuing better opportunities for themselves and their families - with large-scale policy led immigration of non-citizens. For generations, for example, Ireland lost many of its own people. More recently, they’ve had relatively large inward migration (of non-citizens) but - and this matters - the influx really began only after they’d already begun to generate sustained rapid productivity (and income) growth.

Usually, when people are consistently leaving a place in large numbers economists would take it as an indicator of the opportunities that place offers. But our officials and politicians saw it as something they could fix by replacing the people who were leaving. If we’d done that in Taihape, Denniston or Okarito, they’d be real sinkholes. But our politicians did it to the entire country. It is often (usually?) better to trust the revealed preferences of the people who know the country best, our own people. Or, if you can, fix the things that made people choose to leave (often you can’t in short order – nothing UK policymakers in the 19th C could sensibly have done would have made the UK more attractive than NZ, Australia, Canada or the US).

My story is primarily about New Zealand and our immigration. It is the country I know best and the one I really care about. But the more I’ve dug into the experience of other advanced economies, the more I think our experience isn’t that unusual or out of step with how things operate elsewhere. It is just that the preconditions for a sustained dose of large-scale immigration working out well here were particularly absent.

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8 The quality of the programme has been degraded over time - including by provisions rewarding migrants for living outside big cities, and strongly favouring people with NZ job and/or study experience - but in outline still resembles where it was 20 years ago. The focus has tended towards absorption rather than - in principle at least - excellence.
Recall that I said that three other OECD countries had run large policy-led immigration programmes - Canada, Australia (both similar policies to ours, trying to attract skilled migrants), and Israel, which takes any Jewish person. All are - like New Zealand - relatively wealthy countries. But all - including New Zealand - are far behind the frontier; the group of the best-performing OECD countries (a swathe of northern European countries and the US). Israel has a reputation of a high tech economy - maybe, but its productivity for hour worked and its GDP per capita has largely tracked that of New Zealand for decades, lagging a long way behind the leaders. Canada has the advantage of being right next to the United States - Toronto is closer to New York than Auckland is to Wellington - and yet, despite a much more liberal approach to immigration, has been dropping further behind the US in the productivity stakes. What about Australia? It matters to New Zealand, because that is where most of our diaspora went. It is much richer and more productive than we are - though for a long time that wasn’t the case. But that leading bunch of OECD countries is far ahead of Australia, and Australia isn’t closing the gap, despite all those natural resources they’ve newly been able to tap and all that immigration.

If you were looking to tell an (economic) success story for planned immigration, you’d really have hoped that one of the four countries running the largest scale programmes would look, at least superficially, like a candidate. But they don’t. As for New Zealand, rather like Israel, we had neither fresh natural resources that could be tapped nor the advantages of being close to major centres of economic activity. And our own people were leaving en masse.

Of the other OECD countries, sometimes Switzerland is cited as an immigration success story. They certainly have a large share of the resident population born overseas, and they have a high level of productivity. But - relative to the rest of the OECD - they looked even better 50 years ago: they’ve been one of the OECD countries with the slowest productivity growth over the intervening years; just slightly faster than New Zealand. A pleasant place to live no doubt but not an obvious advert for the productivity-enhancing benefits of immigration, even if the heart of the most productive part of the world economy (where the theoretical case seems strongest)\(^9\)\(^10\).

Are there advanced country exceptions? Singapore perhaps, or Hong Kong in its heyday? Both were superbly located. But even Singapore found its success was a magnet for more people, rather than the people preceding the productivity growth. Singapore also began to run very high domestic savings rates - tending to deliver very low interest rates and a low real exchange rate. More people were in some sense a natural complement. NZ politicians and officials sometimes like to pretend they can replicate Singapore here: they can’t (and as a semi-authoritarian state, thank goodness for that).

And at the other end of the scale are the central and eastern European OECD members (Lithuania, Latvia, Estonia, Poland, Hungary, Czech Republic, Slovenia, Slovakia). All are part of the EU, all have had significant outflows of their own people - to elsewhere in Europe - and (as far as I’m aware) none has sought significant permanent inward migration (although all are attractive to people from poorer neighbours, such as Ukraine). The story in (non-OECD) Rumania and Bulgaria looks pretty similar. All are more or less rapidly catching up with, and passing, New Zealand productivity levels.

\(^9\) And one might mention Denmark: now with the highest labour productivity of any of the leading OECD bunch, with a low share of foreign-born population and tight restrictions on non-EU immigration.

\(^10\) It is perhaps here worth noting the sustained slowdown in productivity growth in frontier OECD economies over the last 15 years or so. That isn’t likely to be due to immigration (which is mostly quite small scale to these economies) but nonetheless has happened despite the new infusion of talent available from (in particular) central and eastern Europe.
None has significant population growth. None has significant permanent skilled migration. Several have quite significant problems with large scale corruption.

Now a common response is “well of course they are catching up: they are right next to Germany (German car industry is a big source of foreign investment) and in the EU”. But that is sort of my point: the convergence – the sort we have aspired to ever since starting our reforms in the 1980s - is happening substantially through location. Would they be doing even better if they sought to scour the world for lots of skilled migrants to reverse their own demographics? It is always possible - the standard model beloved of champions of immigration to NZ says yes - but frankly it seems unlikely.

What evidence do we have on that count? Well, one of the things that is striking in the macroeconomic data is that across OECD countries those that have had more rapid population growth rates in the last couple of decades have tended to have lower shares of GDP devoted to business investment than countries with flat or falling populations. That is the opposite of what the pro-immigration models would lead one to suspect - remember all those ideas cross-fertilising and spilling into new business opportunities and investment. There is quite a similar relationship when we look at population growth and growth in total factor or labour productivity. Some of the relationships are weak but none of them has run the way the standard model immigration champions use would have predicted. But it is exactly the sort of relationship one might expect on the sort of model I described for New Zealand earlier: resources that don’t have to be used for meeting the needs of a growing population are freed up to be used for more outward-oriented business investment etc; the absence of resource pressures tends to lower the real exchange rate, which helps grow the outward-oriented businesses that are usually a key marker of successful economies, catching up with the best?

When we’ve considered the economic performance over recent decades of the active immigration-promoting countries, and the countries experiencing outflows of their own people, the ball should really be in the court of the pro-immigration economists to show us, concretely, where and how large-scale immigration is lifting the productivity and incomes of the natives. That is particularly so in New Zealand, given the disadvantages we can enumerate in advance - distance and continued natural resource reliance – and the signal implicit in the decades-long outflow of natives.

Some champions of a fairly liberal large-scale approach to immigration will tell you there is no basis for any economic concerns. They will often cite two types of economics literature. The first suggests that the effects of immigration on wages isn’t negative, or sometimes “isn’t very negative”. The second attempts a cross-country approach, and in some cases purports to show large positive effects, especially on GDP per capita from migration.

There are problems with both types of literature:

The first set shows much less than is claimed. Some of the papers in this literature look at one-off shocks. They make nice natural experiments, but you wouldn’t expect a one-off population lift to have any very enduring effect on anything (good or ill), with perhaps only a few adjustment hiccups. But much more important, I don’t think I’ve ever seen one of these studies take seriously the

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11 I don’t have time to discuss the GE models sometimes used in these areas. Sometimes results are reported favourable to immigration, sometimes not (eg major work done by the Australian Productivity Commission and a more recent piece for the joint NZ and Aus Productivity Commissions) but the key thing to remember is that an aggregate level these people really only tell one back what one told them in the first place. If you set up the model with very slowly adjusting capital, immigration will have net negative effects in that model, and if you set it up with some of sort of increasing returns to scale assumed, it will show positive effects.
macroeconomics. It is simply standard fare - New Zealand macroeconomists have been running the line since the 1950s\textsuperscript{12}, and formal Reserve Bank and IMF research confirms it - that the demand effects (including demand for labour) of a wave of immigration exceed the supply effects in the short-term. What one expects to see - and typically does - is that surges in immigration boosts demand (including for labour), and lowers unemployment for a time. In that climate, if anything you’d expect wages to \textbf{rise}. Often monetary policy tightens to lean against those demand effects. And in the New Zealand case we have repeated - every year - waves of new large-scale immigration. I’ve shown in the New Zealand case that wages over the last 25 years have run well ahead of nominal GDP per hour worked (capturing productivity and terms of trade effects) but that is no consolation to anyone given that the productivity growth itself has been dire. The impact (whatever it is) on productivity growth is what matters\textsuperscript{13}.

What of the second set, attempting cross-country estimates of GDP effects? I’ve written elsewhere of one particular study championed by the IMF\textsuperscript{14} in which they produced results which, if taken literally, suggested that both Britain and France would be hugely richer (40 per cent so) if only 20 per cent of the population of each country moved to the other. We could close our productivity gap to Australia by a similar sort of exchange. It is so implausible, that however statistically significant the result appears to be it simply speaks to a mis-specified model. And happens not to square with any country’s experience in modern times.

(Incidentally, the US is often seen - especially by Americans - as some case study of the wider economic success of modern immigration. Except that the doors were largely closed after WW1, and modern research suggests that TFP growth in the US was at its strongest in the 1920s and 1930s, and of course the period of greatest US economic leadership was the couple of decades after WW2, when the doors were still largely closed. I’m not suggesting a causal connection, just that there is no evidence of the one advocates of the standard pro-immigration model should have expected.)

So if there are severe limitations in what the existing literature shows\textsuperscript{15}, there are also huge gaps in that literature. For example, it isn’t often realised that not many countries have done anything like the experiment New Zealand has been trying for decades (exogenous, state-controlled, large scale) so it would be nice to see some good studies specifically focused specifically on them. On much the same point, many of the migration flows that make up the samples for the studies that have been done have been small (very small). Even if the results happened to be robust for those particular countries, the scale of New Zealand immigration is simply very different (three times as many residence approvals per capita as US green cards, and by OECD standards the US is relatively welcoming to immigration).

\textsuperscript{12} An example from 1952 is discussed here \url{A Victoria University professor on New Zealand immigration | croaking cassandra}

\textsuperscript{13} Note that the way the work visa system operates it is quite feasible that for some particular occupations, where employers have been able to secure lots of work visa workers, wages may be driven down relative to prevailing New Zealand wage level.

\textsuperscript{14} \url{IMF advocacy for immigration: some caveats | croaking cassandra}. In a less formal piece of work by the IMF \url{The IMF's paper on New Zealand immigration | croaking cassandra} they found the same (not statistically significant) small negative relationship between immigration and TFP growth for a large group of advanced economies.

\textsuperscript{15} Including identification problems. Some of these are lessened in the NZ, Australia, and Canada case precisely because of the explicit articulation of targets for arrivals, although even then policy isn’t made in a vacuum.
And immigration policy is set primarily at a national level (or supranational in the case of intra-EU). But we should be able to derive useful insights from what does - or doesn’t happen - in different regions of common immigration areas (usually known as countries). Close to home, once migrants come to (eg) Australia, they are free to settle anywhere they like in Australia. But few settle in Tasmania or South Australia, presumably judging that the economic opportunities in those places are not particularly attractive. It is an interesting thought experiment to wonder how many migrants would settle anywhere in New Zealand if New Zealand and Australia ran a common immigration policy, inviting in the total numbers the two countries now individually do. Richer countries can always attract migrants – Tasmania could if it were independent too - but the fact that few migrants move to remote parts of existing migration areas is probably revealing about economic opportunities there. The more so if natives are systematically leaving. Again, this is nothing specific to New Zealand - one could think of somewhere like Nebraska in the US, or Wales in the UK (an independent Scotland could attract lots of migrants, but actual Scotland in the UK attracts relatively limited numbers).

**Conclusion**

There might be all sorts of reasons for favouring high immigration – better ethnic restaurants\(^2\), defence, a liking of big cities, or trains. If your country has prospered greatly, you might be happy to share the gains widely. But the economic case for large scale immigration, as a way of boosting the productivity outcomes for natives in already advanced economies\(^3\), looks thin at best. Not many countries have run the experiment in modern times, notwithstanding the models that are claimed to support such an approach. New Zealand has been at the forefront - actively promoting large scale immigration for all but 15 years since World War Two. Unfortunately, New Zealand has had the worst relative economic performance of any advanced economy over those decades - we haven’t just come back to the pack, but now languish well down the rankings, have led the GDP per capita tables just 100 years ago (when abundant land, small population, and asymmetrically favourable technology shocks combined in our favour).

As I review the experience of advanced countries, if one wanted to take a punt on policy promoting large scale immigration (and few have) the best places to try look to be countries:

- Close to the centres of global economic activity (whether Europe, North America, or East Asia),
- Having experienced an asymmetric productivity shock - whether from the market or other policy reforms - favouring longer-term economic prospects in your country,
- With economies with substantial reliance primarily on sophisticated manufactured products and high-tech services,
- With their own people coming back home

And it looks like a highly risky strategy if your country is

- Very far from anywhere,
- Heavily dependent on (fixed) natural resources,
- And has seen little sign of asymmetric favourable productivity shocks for your industries in a quite a long time,
- Somewhere your own people have been leaving in large numbers

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\(^2\) I recall Eric Crampton suggesting an Ethiopian quota

\(^3\) The contrast, say, to the economic gains New Zealand Maori may have received from 19th C immigration.
These look to be quite general insights. And yet few if any of the countries that have three or four of the first characteristics have gone in heavily for policy-led immigration (perhaps Ireland or the UK might have been the closest - but UK immigration per capita was also about a third of New Zealand’s (per capita), and the UK is no productivity star). Of the countries that went heavily for policy-led immigration, even Canada and Israel each meet only one of the three criteria - and neither can readily show the **economic** gains from large-scale migration. Australia and New Zealand meet none.

As for New Zealand, we can (sadly) tick all four items in that second class of conditions. This was - and is - perhaps the least propitious advanced economy on earth to experiment with a large-scale immigration strategy. And yet we did. If it was perhaps defensible in 1946, and optimistic in 1990, persisting now it just stubbornly wrongheaded, defying experience and evidence. It isn’t quite as wrongheaded as a strategy to promote mass migration - however able the people - to Kerguelen, the Chathams or the Falklands, but not far short of it. Australia has coped better with its experiment only because they were able to bring to market lots of natural resources previously lying idle.

It isn’t that people are any different here - locals or migrants. And water still flows downhill. But the opportunities just aren’t very good at all. It is an old line but no less true for that: a definition of insanity is doing the same thing again and again and expecting a different result. We’ve tried this one far too many times for our own good.

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18 Eric Crampton’s line.