

THE OFFICIAL RATIONALE FOR POSTWAR IMMIGRATION TO CANADA: AN ECONOMIC/DEMOGRAPHIC CRITIQUE

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I hereby declare that this thesis is my own work and that to the best of my knowledge and belief, it contains no material previously published or written by another person, except where due acknowledgement is made in the text of the thesis.

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INTRODUCTION

This sub-thesis examines the major official and semi-official reports in Canada which investigate the economic and demographic rationale for boosting the natural rate of population growth through immigration, presumably because the natural growth rate at a given time is considered sub-optimal. In Canada, as in Australia, immigration was opened to applicants from Asian and other non-European countries in the 1960s and, at least from then on, the question of the size of the immigration intake rather than its racial basis took centre stage in public policy. In both federations, postwar immigration was encouraged principally on economic grounds and therefore the economic justification for larger immigrant intakes is my principal focus for analysis. Since the aggregate immigration program is my main concern, I do not consider refugee, humanitarian and family reunification policy.

In examining Canada's immigration reports, I have assumed that because of the similarities and parallels between the federations of Canada and Australia, such a review will also yield results of interest to Australian policymakers. Recent articles and monographs by Houghton (1987), Atchison (1989) and Hawkins (1989) have explored a number of the immigration parallels, particularly since 1971. But a comparative analysis of the stated economic and demographic reasons for policy changes in each federation and the appropriate framework in which to assess those reasons has yet to be made. Because of the space constraints of a sub-thesis, I cannot undertake a detailed comparison. Instead, I will begin by analysing the Canadian literature and policies for a large immigration intake since the Second World War and examining their stated theoretical basis. My critique is of the adequacy of this theoretical basis and not of the right of a democratically elected sovereign government to admit to Canada whomsoever they wish.

Major Canadian reports to be analysed are the 1966 White Paper by the Department of Manpower and Immigration, the 1974 Employment and Immigration Green Paper and its expert research reports which led to a new Immigration Act, the 'MacDonald' Royal Commission on the Economic Union and Development Prospects for Canada of 1985, Annual Reports to Parliament on Future Immigration Levels (since 1978) and recent reports which form part of the three-year Demographic Review completed in 1989.

The analogous Australian reports are the 'Vernon' Report of the Committee of Economic Inquiry of 1965, the 'Borrie' Report of the National Population Inquiry of 1975 and its 1978 Supplement, the 1977 Green Paper on Immigration Policies and Australia's Population, various annual issues of the Department of Immigration's Report on Australia's Population Trends and Prospects, the 'CEDA' Report commissioned by the Department of Immigration and Ethnic Affairs and the Committee for the Economic Development of Australia on the Economic Effects of Immigration on Australia of 1985, the Report of the National Population Council on Options and Scenarios for the Australian Population of November 1986, and the 'Fitzgerald' Report of the Committee to Advise on Australia's Immigration Policy of 1989.

I start from the idea that the complexity of the issues involved in assessing the economic and demographic impact of immigration tends to allow sponsors and researchers both a choice of investigative methodology and of the research conclusions which are highlighted as a result of the methodology chosen. These conclusions can be based on a priori normative assumptions or even on firmly held convictions. I argue that there are two major reasons for this. First, there is not a clear specification of whose economic welfare the studies are seeking to examine and maximise and second, pro-immigration interest groups, particularly the Immigration bureaucracy, have undue influence. My thesis is that these deficiencies allow for the possibility that higher immigration may be lowering the economic welfare of existing residents of Canada. But, as in the case of the losers from high tariffs, potential losers from high immigration are a much more diffuse group than are winners like property developers and the ethnic lobby.

I argue that if we take a national perspective and accept also that migrants will only migrate if they believe it is in their best interests, it is the change to the welfare of existing residents (the indigenous permanent residents before a new immigration intake) which is the appropriate focus for analysis. Some 'optimum population' planning figure is needed to ensure the best welfare outcome for this group. Depending on how a society views the rights of future generations, a discount rate can be set which incorporates the welfare of the offspring of existing residents to this framework.

Obviously, a different immigration intake structure with respect to age, sex, skills and education will alter the economic impact of the intake. Also, the economic impact will vary according to the time

scale of the investigation. If we assume, however, that the structure of the intake is roughly constant, some broad conclusions can be drawn.

In Australia, defence, economic expansion and domestic economies of scale have successively been the major justifications for large scale immigration. In Canada from 1946 to about 1966, the desire was to maximise population growth through immigration subject to 'absorptive capacity' which chiefly meant short run labour market conditions. In a second phase, after a White Paper in 1966, large scale immigration was justified mainly in terms of economies of scale which could raise the incomes and welfare of the indigenous population. A Green Paper in 1974/75 highlighted the importance of also relating immigration to broader economic issues than just the labour market, and in particular, to the environment and to demographic concerns like population size and age structure. Only the last of these has been an additional concern in a third phase which has operated to 1990 and which relates high immigration intakes to demographic concerns, the labour market, economies of scale and economic growth.

The issues raised in 1975 of the need to relate immigration to an 'optimum population' target, to the environment or to economic issues like inflation, investment and the balance of payments have not been followed through, much less rigorously tested. In this thesis I argue that the pressure of a few key policymakers, the Immigration bureaucracy and the ethnic lobby and other vested interests who believe that higher immigration intakes are a good thing have led to this. As a result, the theoretical basis for high and growing immigration intakes is unsatisfactory and the possibility that immigration could be lowering the economic welfare of existing residents of Canada remains substantially untested.

CHAPTER ONE: THEORY

The key theories which I will explain and review are those which deal with:

- economies of scale;
- the 'optimum population';
- international trade and comparative advantage;
- measuring and distributing economic welfare and the sustainability of economic growth;
- capital widening and deepening investment; and
- net supply and demand effects of immigration in the short and long run.

Early Theorists

At the beginning of the twentieth century at the University of Sydney, the major works of Griffith Taylor, Australia's first Professor of Geography, criticised the naive popular views of those who thought Australia could support a population of 50 to 200 million people at a high standard of living. His criticisms were as unpopular among contemporary academics and policymakers as initially were those of Malthus more than a century earlier. Indeed there are more than a few parallels to be drawn from history as the origins of the theories which underpin many of the population arguments of today are to be found in the eighteenth century and even before.

Day cites Aristotle's Politics written twenty-three centuries ago as an early tract on the relationship between population size and human welfare: *"to the size of states there is a limit as there is to other things, plants, animals, implements; for none of these retain their natural power when they are too large or too small, but they either wholly lose their nature, or are spoiled.... The best limit of the population of a state is the largest number which suffices for the purposes of life and can be taken at a single view"* (Singer, 1971:275).

In the middle of the eighteenth century the 'populationist attitude' that an increase in heads would increase real income per head because of increasing returns for the economy as a whole, was held with near unanimity and was partnered by a belief in protectionism (Schumpeter, 1954:251-2). As Sir Josiah Child argues: *"for much want of People would procure greater Wages, and greater Wages, if our Laws gave encouragement, would procure us a supply of People without the charge of breeding them. The Riches of a City, as of a Nation, consisting in the multitude of*

inhabitants..." (Heckscher:1934:158-9). The argument in William Petty's "Treatise of Taxes and Contributions" was similar: *"fewness of people is real poverty, and a Nation wherein are Eight Millions of people, are more than twice as rich as the same scope of land wherein are about Four..."* (Isaac:1947:14). The source of increasing returns included not only savings on 'breeding' but Petty's argument in his 1686 "Essay Concerning the Multiplication of Mankind" that expenditure on government, roads, schools, and so on does not increase proportionately with population (Schumpeter,1954:258). Increasing returns also became associated after the industrial revolution with 'economies of scale' in which the per unit costs of production fell as market size increased.

In 1767, separate essays by Steuart and Turgot helped to set limits to the notion of increasing returns and defined cases of decreasing returns in situations where technology was a constant. Steuart presented the case of the 'extensive margin': *"as population increases, poorer and poorer soils have to be taken into cultivation and, applied to these progressively poorer soils, equal amounts of productive effort produce progressively smaller harvests"* (Schumpeter,1954:259,263). Turgot detailed the case of the 'intensive margin': *"as equal quantities of capital (or labour) are successively applied to a given piece of land, the quantities of product that result from each application will first successively increase up to a certain point at which the ratio between increment of product and increment of capital (or labour) will reach a maximum. Beyond this point, however, further application of equal quantities of capital will be attended by progressively smaller increases in product, and the sequence of these decreasing increases will in the end converge to zero"* (Schumpeter,1964:260). These essays set the scene for Malthus's 1798 "Essay on Population" which developed his theory of overpopulation in which incomes are reduced to a subsistence minimum by population growing at geometric rates while food supplies grow at arithmetic rates.

The liberal intellectual revolution of the nineteenth century owed much to the ideas of Adam Smith. The Mercantilist ideas of the need to restrict emigration and encourage a surplus on the balance of trade was replaced by the classical theory of trade based on the principle of comparative advantage. But Brinley Thomas argues that in one respect there was little or no difference: *"the classical economists, like the mercantilists, believed that migration should be regulated by the State. It was one of the few exceptions to the general rule of laissez faire"* (Thomas,1973:2). The direction and type of regulation was different, however, with most of the classical thinkers like Torrens and Wakefield believing in the

encouragement of emigration from Britain to people the new white colonies of the Empire and help overcome the law of diminishing returns and the tendency for profits to fall (Thomas,1973:3-4). In any case, as John Stuart Mill argued in 1848: *"after a degree of density has been attained, sufficient to allow the principal benefits of combinations of labour, all further increase tends in itself to mischief, as regards the average condition of the people"* (Singer:1971:407). Mill doubted whether emigration would ever be extensive enough to dispense with the necessity of checks to population growth (Thomas,1973:6).

Although neo-Malthusian population theory continues to have application to much of the Third World, it has failed to allow for major technological advances in agriculture which have underpinned the affluence of developed countries. At a more general level, however, Malthus, as well as Senior and J.S. Mill, defined overpopulation as: *"a population too large for maximum efficiency of production, so that a reduction in numbers would raise income per head"* (Blaug,1985:73-4). In the 1920s this concept was crystallised into the so-called 'optimum theory of population': *"if the population of a particular area may be too small for maximum efficiency - 'the division of labour is limited by the extent of the market' - as well as too large, it is obvious that there must be some point in between at which it is of optimum size. In other words, a population of optimum size is one that maximises income per head"* (Blaug,1985:74). Another way to look at it is as James Meade says: *"the larger the population, the less important the advantages of large-scale production become and the more important will be the fact that there is little capital and land to use with each worker, so that at some point output per head would be reduced by further growth in numbers"* (Meade,1937:266).

Economies of scale and Keynesian models

In developed economies, the assumption of substantial economies of scale through immigration is widely disputed on both empirical grounds and because nowadays most goods are tradeable. The latter means that scale economies can be obtained through trade and without relying on the domestic market. If goods and services can be produced efficiently and based on a country's comparative advantage (itself based on the cost of domestic factors of production like types of labour, capital and raw materials), they can be sold on world markets for which demand, for most normal goods and services, is effectively unlimited. Only a few items like cement may be too perishable or heavy to be traded internationally at a reasonably competitive price. Only non-tradeable goods rely on the

size of the domestic market, where 'size' may be related more to disposable income than to mere numbers.

Unlike most branches of economic theory, population economics is still biased toward early naive Keynesian models which stress that growing populations and expanding frontiers lead to advancing technology and stimulate high and rising levels of investment and national income and maintain full employment in the economy. Such theory was developed by Canadian development economists like Professor Ben Higgins (Corbett,1957:112) and more recently by the American economist Julian Simon (Simon,1977,1981,1987). Much of this theory is now discredited in its application to Third World countries (World Bank, 1984) where high population growth rates are seen as a principal hindrance to economic development and Western conceptions of 'full employment' are idle speculation.

Keynes (1937) actually focussed on the economic problems for a developed country associated with a declining population. Other Keynesian economists like Hansen (1939) have argued that though a stationary population would be an older population and demand more personal services, it would demand far less housing and construction which involve much larger capital outlays. For that reason: *"with a stationary population we could maintain as rapid a rise in per capita real income as that experienced in the past, by making annually only half the volume of new investment to which we have been accustomed"* (Hansen,1939:12). Isaac is another early Keynesian economist who is less simplistic as concerns population economics and presents the interesting argument that while immigration may delay a downturn in the business cycle it may also lead to an excessive expansion in the capital industries and increase the severity of a subsequent depression (Isaac,1947:92,226).

Optimum population

Cannan is generally credited with developing the theory of 'optimum population', although Wicksell had written of the concept in 1910 (Sauvy,1969:37). Other early pioneers of the pre-Cannan concept were Edgeworth and Sidgwick (Isaac,1947:75). In more recent literature, the fundamental issue underlying the concept of an optimum population is the quality of life (Singer,1971:ix).

If it is possible to specify what is a particular country's optimum population, an immigration program can be assessed in terms of its consistency with that optimum. In terms of the marginal theory of production, the optimum point for a population with a given

amount of capital and natural resources is reached under conditions of free competition when the marginal product of labour is equal to the average output per head. The problem is to measure the marginal productivity of labour when, as Spengler has noted, so many other factors are inter-related and constantly varying (Isaac, 1947:71,74-5,89). Thus it may not be possible to specify a unique population optimum even in a static sense.

At the start of the 1970s, the distinguished participants in the United States Population Council's symposium on optimum population had little dispute about the existence of an optimum population, or rather of several optima, but considerable differences in specifying the optimum (Singer, 1971:3). As Hardin put it: *"given plural optima, the problem of choice among them reduces to one of choice among the value-functions that define the optima. Thus enter questions of 'taste'"* (Singer, 1971:260). So perhaps Sauvy is right to say: *"the optimum, like the maximum, can be no more than a useful pointer"* (Sauvy, 1969:39-40).

According to L. H. Day, the usual economic criteria of the optimum population are too narrow and sometimes misleading, and the optimum size has to be set within the maximum set by either resource, ecological or social limits. Further, *"there are three main problems in any consideration of population optima: problems of measurement; cultural difference and change; and diversity of values"* (Singer, 1971:274). Values can change in as little as a generation and Day quotes an anecdote of the demographer, Aynsley Coale, to this effect: *"it is my observation that the disadvantages of a larger population are seen most vividly by those who were born in an earlier era. Often the current inhabitants see nothing wrong with many of the changes that older citizens decry. I feel deprived by the disappearance of open land around Princeton. My children never miss it"* (Singer, 1971:278). Yet, *"while one may not be able to specify this optimum, one can certainly specify the demographic characteristics of an optimum population since they would have to be those of a stationary population"* (Singer, 1971:254). Such a population involves a low level of mortality, a stable age and sex distribution and a growth rate of zero. The United States Presidential Commission Report of 1972 adopted this line of reasoning (Ryder, 1972). Day (1978) describes in some detail what such a ZPG society would look like.

It is important to allow for the dynamics of an optimum population as well as the static question of size. As Spengler says: *"the population growth rate may be too high even though the population aggregate is suboptimal in size. This rate is important for three*

reasons: it generates a relatively unfavourable age structure; it absorbs resources that could otherwise be used to augment welfare per capita, with the result that as much as 4 to 6 per cent of the national income may be required to support a 1 per cent per year rate of population growth; and it tends to intensify the forces making for maldistribution of population in space" (Singer,1971:289).

Even in narrow economic terms, a definite optimum point of population is likely only if technology and the stock of capital are constant. If they change as population increases, it is likely that the production curve or the curve of income per head will plateau or have several maxima at different population sizes (Isaac,1947:77). It is necessary therefore to examine the structure of investment (with embodied technology) and the sources of capital following an immigration-induced population increase.

In an open economy model at any given time an optimum population for a particular country will depend on the rates of its population growth, innovation, capital accumulation, resource discovery and the trading relations between it and the rest of the world (Corbett, 1957:105,108). Even if there is no exact or unique optimum population size or growth rate which can be specified at a moment in time or in a dynamic setting, there is still a need for a rough rule of thumb. The reason is that, de facto, there is one anyway through a government's immigration intake policy. Optimum population theory at least shows the fallacies and shortcomings of the extreme alternatives of the Mercantilist 'populationist' belief in prohibiting emigration and maximising population size and immigration for its own sake irrespective of living conditions, and the strict Malthusian belief that population increase will lead to subsistence conditions and emigration is but a 'slight palliative'. As Isaac says: *"it was the main contribution of the optimum theory of population to refute both these theories by showing that the standard of living is dependent on two opposing forces: the effect of the law of diminishing returns and the economies of large-scale production"* (Isaac,1947:75-6).

International trade

In a closed, static economy the problems in defining an optimum population are massive. If we allow for international trade, however, the complexity of the task increases. With trade, the size of the domestic market is no longer a constraint on the achievement of economies of scale which means a country can achieve increasing returns to scale by increasing its trade. By doing this it will also

reduce the risk of the factors leading to decreasing returns becoming dominant because it is easy to trade less but once people settle in Canada it is difficult to get them to stop having children or to leave. With foreign trade: "*the optimum population falls more often than it rises*" (Sauvy,1969:158). This reality (shown empirically by countries like Sweden with 8 million people) may be unpalatable for latter day protectionists who share the populationist attitude of the mid-eighteenth century.

Trade theory is a complex topic to summarise in a few paragraphs. In a seminal article, Samuelson (1948) challenged the basic tenet of classical trade theory that complete equalisation of factor returns could only be realised under conditions of factor mobility. Under a set of stringent assumptions he proved that factor prices will be equalised relatively and absolutely by free international trade alone. A result which meant that commodity mobility is a perfect substitute for factor mobility. Accordingly, he claimed that little could be gained from large scale immigration (Green,1976:3-4) (Lucas,1981:93).

The modern 'comparative advantage' theory of international trade is based on the assumption that international mobility of capital and labour is practically non-existent. It is the exchange of goods which tends to equalise the prices of commodities and factors in two trading countries. With trade, export industries will expand and the production of goods which have to compete with imported goods is likely to contract. National income in both countries will rise provided that full employment of the factors of production can be maintained. How the increases in income are shared depends on the terms of trade which are largely determined by the relative demand for traded goods in each country and other forms of bargaining power.

Allowing for capital mobility can speed up the factor equalisation process. But freely mobile capital can also leads to balance of payments difficulties if borrowed foreign capital is used unwisely, or to loss of sovereignty if foreign ownership becomes widespread. Allowing for freer movement of population can accelerate the gains from specialisation, but the loss of sovereignty is again a potential problem and the gains can accrue at the expense of indigenous workers. Most of the literature on international labour mobility treats migration symmetrically with international capital mobility or else focusses on 'brain drain' from Third World countries to developed countries like Canada.

An exception is work by Travis (1982:82) which argues that migration of skilled and unskilled labour, the international flow of capital, international trade in goods and international differences in technology are all intimately interrelated such that none of these areas can be fruitfully studied independently. His study findings include that skilled immigration depresses the unskilled wage rate in the United States in much the same way as unskilled immigration (Travis,1982:83,92). He concludes that *"unfettered migration of unskilled labour to the United States would be a disaster, however unjust the restrictions"* and recommends *"eliminating tariffs (to) remove some of the pressure for the migration of unskilled workers"* or technology transfer (Travis,1982:95). Travis also sees skilled labour migration to the US as tantamount to reverse foreign aid (Travis,1982:104). Although these results are interesting, they are not conclusive and international economics cannot at present answer the questions about the optimal size of population and immigration to a developed country.

Measuring economic welfare, the distribution of gains and losses, and the sustainability of economic growth

I have already established that in general we cannot say what the optimum population target for Canada should be at a particular moment. But perhaps we can approach the problem by defining the group for which income and 'utility' per head is to be maximised. Spengler shows that a social welfare function (SWF) which summarises the utility preferences of residents of a country would be of obvious relevance to defining an optimum population (Singer,1971:254). Arrow and others have shown that in the absence of a benevolent dictator who defines such a SWF, it is impossible to aggregate the preferences of the individuals in a country to produce a SWF even if we knew what those preferences were (Sen,1982,1984).

What is possible is to argue that it is the maximisation of the welfare of existing residents of Canada, and their descendants, which is the appropriate focus for population and immigration planning. This is not the only possibility for maximising welfare. Johnson (1967) argues forcefully for maximizing global welfare, as this will maximise efficiency gains worldwide and winners can more than compensate losers. There are two problems with this viewpoint. First, it is based on a static analysis according to which immigration can reduce the maldistribution of the world's population. In fact, immigration to countries without a population problem may just lead to more widespread overpopulation. Second,

it presumes a global government which can fairly redistribute the gains. For all the good works of the United Nations, such a government is far from reality.

Others to argue for a form of global welfare maximisation include Withers (1985,1987a,1988) who develops a measure termed 'present resident economic welfare' (PREW). This is the increase in a country's aggregate welfare per capita as measured after an immigration intake. It seems counter intuitive to me because in considering whether immigration should be increased the focus is on not the existing population but on the future population after the increased intake. Given that a large and growing proportion of immigrants to developed countries like Canada and Australia are from the Third World, the immigrants experience large welfare gains on arrival in their new country. PREW generally increases even if the income per head and welfare of natives (who would normally be thought of as the 'present' residents) declines. PREW is an indicator favoured by those who wish to encourage Third World immigration to developed countries.

Most of the literature focusses on national income per head of existing residents as a desired welfare indicator. Despite its well-known shortcomings, Gross National Product (GNP) per capita is the best single indicator of living standards available. At least for empirical work, it will have to suffice until the United Nations project on measuring an environmentally adjusted sustainable national income measure which allows for resource depletion and pollution control is further developed. Using Gross National Product, which allows for income to Canadians received from abroad and payments to foreigners from Canada, is a better measure of economic welfare than Gross Domestic Product which is based on production in Canada irrespective of its ownership. For example, if immigration leads to a big increase in foreign ownership and foreign borrowing to maintain average levels of investment and infrastructure, per capita GDP may rise but per capita GNP may fall when the foreign debt is serviced and profits remitted to companies abroad.

People and countries are nationalistic and selfish and their capacity for foreign aid and charity has close limits which in most developed countries fall short of the United Nations target of 1 per cent of GNP. If all the world's 12 million refugees were settled in Canada the massive underlying problems of Third World poverty, hunger, conflict and overpopulation would still remain. While the refugees would probably be better off, most existing Canadians would be worse off and Canada's ability to set an example and help with

those global problems would be severely reduced. This was the view taken by Canada's Special Joint Committee on Immigration Policy in its Report to Parliament: *"while affirming Canada's obligation and commitment to working towards human betterment on an international scale, the Committee for a number of reasons agrees with the majority of submissions in rejecting the idea that immigration to Canada should be a factor of any significance in this endeavour. Canada could never take enough immigrants to have a noticeable effect on the poorer countries with exploding populations"* (Special Joint Committee,1975:12).

Canadians are presently concerned by the backlog of around 100,000 people claiming to be refugees who have arrived uninvited. Political realism and official pronouncements suggest that sovereign states will not suddenly give up their sovereignty and admit whoever wants to come. Subject to environmental sustainability and quality of life concerns, maximising the income per head (GNP per capita) of existing residents seems the appropriate long run economic focus for immigration policy, particularly if an allowance is made for future generations.

Depending on the extent of a country's time preference (the value placed on a dollar today compared with one in the future), some discount rate must be applied to future benefits from immigration compared with those available in the present. These future benefits may accrue to residents alive today or to their descendents. It may also be appropriate to make an allowance for increased consumption and the faster use of non-renewable resources after immigration compared with the possibility of investing those resource rents for the future (Solow,1986:141).

Assuming that a broad aggregate picture of the impact of immigration on the economic welfare of the indigenous population can be established, there is still a need to examine the distribution of the costs and benefits. Landowners, entrepreneurs, traders and others may gain and unskilled workers lose from immigration. The entrepreneur class and capitalists are generally in favour of large scale immigration because an increase in the supply of labour is likely to increase their profits and their share in the total national income, possibly at the expense of wage earners. Foreign entrepreneurs who are prepared to invest their own funds in the new country after their immigration are most likely to raise the wage level through increasing the supply of other factors of production and the demand for labour (Isaac,1947:207). Some key studies with a focus on the distribution of economic gains and losses

from immigration include Reder (1963), Mishan and Needleman (1968a), Epstein (1974b) and Parmenter (1989).

Capital widening and deepening investment

To successfully absorb immigrants so that they produce at least the average income per head of existing residents, capital is required to provide each migrant family with housing, a share in infrastructure and services, and equipment with which members of the labour force can work. There are three possible sources of this capital. Sufficient savings by the resident population may be available, immigrants may bring savings with them, or capital may be borrowed abroad from the savings of foreigners. Between 1900 and 1913, Canada's population increased by 45.8 per cent and slightly over half of this increase was due to immigration. While correlation does not imply causality, in parallel with this, the amount of foreign capital in Canada increased from \$1,200 million to \$3,700 million in the same period (Isaac, 1947:251). Investment was stimulated by immigration, but much of it was used in what Hawtrey termed 'capital widening' rather than in 'capital deepening' (Hansen, 1939:5).

Brinley Thomas argues convincingly that the full economic significance of immigration cannot be assessed without paying attention to the capital structure of the economy. He uses Kuznets' U.S. data for the period 1879 to 1928 to show that major inflows of immigration were associated with a more-of-the-same widening of the capital structure in which there was a declining or constant ratio of capital stock to GNP, while when immigration was at a relatively low ebb, a higher average productivity deepening phase had operated in which the aggregate capital-to-output ratio had risen from 1.98 to 2.58 in the space of a decade (Thomas, 1973:158, 163-165). If domestic savings and migrant capital do not cover the extra widening investment, lower productivity and balance of payments problems may follow. As a result: *"the immigration of immigrants with their own capital may be considered as the best way of providing the capital required for the widening of production which is the consequence of immigration"* (Isaac, 1947:256-7).

MacMillen states that immigration may cause a fall in labour productivity unless there is complementary net investment which prevents a decline in the capital/labour ratio. His empirical survey of European Commission countries shows that there will be a redistribution from indigenous wage earners to owners of capital and if the latter have a higher marginal propensity to save, gross

savings will rise (MacMillen,1982:251). Concerning the capitalists, he says that: *"a major question, however, is whether their savings are sufficient to provide for the additional capital requirements, both industrial and social, of their own employment and use of public facilities, that is in order to maintain the industrial capital/labour ratio and the social capital/population ratio"* (Macmillen,1982:252).

For Germany, Steinjan in 1970 estimated that the total capital needs per migrant worker were some twenty times his annual local savings and tax payments (Macmillen,1982:253). For the UK, Mishan (1970:97) estimates the capital per household figure in 1962 was 5,300 pounds of which roughly one third was industrial capital and two thirds social capital. Usher (1977) calculated how much extra capital a migrant would have to bring to the UK with him and invest in the appropriate private/public sector mix to exactly offset the fall in the original resident's income on account of the sharing of public capital with the immigrant population. The sum was about 51,000 pounds for a family of four in 1974 (MacMillen,1982:253). Since all these estimates are many times the average level of savings brought with immigrants, capital widening investment will, of necessity, rely on domestic savings and foreign borrowing.

Supply and demand effects in the short and long run

It is important to examine both the stock and flow of immigration and to calculate the economic costs and benefits of immigration from both short run and long run viewpoints. A balanced examination will investigate both supply side and demand side effects of immigration: it will consider immigrants both as producers and consumers and assess the structure and net impact of each. At best, this should be done for different net intake sizes of the same age/sex/skill composition and for a constant net intake size of varying visa category and composition. This can be studied by using a theoretical model of the effects of immigration and testing it over time and across similar immigration receiving countries.

Theory overview

This theory review, though far from exhaustive, indicates that because most goods and services are tradeable, to achieve economies of scale a larger population is not generally necessary. The concept of an 'optimum population' is useful as a rule of thumb to order one's thoughts, while the most appropriate welfare focus for a national government is the economic welfare (GNP per capita) of its existing citizens. If increasing the welfare of non-nationals from the Third World is seen as a subsidiary goal, aid and trade may be a better way to assist than larger scale immigration. The net impact of large scale immigration will depend on the balance of supply and demand effects in both the short and long run. It is important to examine immigration-induced economic growth to ensure that it is sustainable and not overly based on low productivity capital widening investment, or creating negative externalities which lower the quality of life.

CHAPTER TWO: CANADIAN POLICY AND REPORTS ON POPULATION AND IMMIGRATION, 1946 TO 1975

Key players in the early postwar period

In Canada, support for higher immigration after the Second World War was the result of a few key players who regarded it as good for Canada. Between 1946 and 1948 in particular, a Senate Committee on Immigration and Labour was a key influence on subsequent policy. Although the Committee heard expert witnesses who: *"raised basic questions about the uses of immigration for Canada and the extent to which immigration should be geared to the short-term and long-term needs of the Canadian economy"*, the Committee *"believed that immigration was of major importance to Canada and that immigrants should be admitted in substantial numbers beginning as soon as possible"* (Hawkins,1972:82-3).

From the outset, however, this support was conditioned by the resulting economic impact of immigration. The Committee stated that: *"admissions should not exceed the number which can be absorbed from time to time without creating conditions of unemployment, reducing the standard of living or otherwise endangering the Canadian economy"* (Hawkins,1972:84). However, as I will show, there has been virtually no official research examining immigration's impact on the standard of living. The Committee basically agreed on all matters except how to define 'absorptive capacity', indeed one or two Senators and some witnesses were proponents of the 'take millions' theory. According to Hawkins, this difference of opinion was not resolved and the problem of measuring 'absorptive capacity' was not explored (Hawkins,1972:84).

In 1946 both employer groups and unions supported high levels of immigration. They feared a postwar recession and were enamoured of Keynesian stimulatory policies which included boosting population growth. The influential Canadian, W.H. Chamberlin, had written in 1942: *"a country that is too sparsely inhabited often encounters a vicious circle. Its industrial costs of production are high because its factories cannot employ the methods of mass production that are possible in a country with a large internal market. Costs of local government, of transportation are higher if there are comparatively few people to pay these costs. The consequent burden is a drag on national development and population increases more slowly because it is already too small"* (Isaac,1947:100-101). The Canadian Chamber of Commerce resolved that Canada must have a vigorous immigration policy

immediately, while the trade union Congresses said they were in favour of immigration provided it did not reduce the Canadian standard of living which they had struggled so long to improve (Hawkins,1972:86).

The classic statement on Canada's postwar immigration policy was made by the Prime Minister the Rt. Hon. William Lyon Mackenzie King on 1 May 1947: *"the policy of the Government is to foster the growth of the population of Canada by the encouragement of immigration. The Government will seek by legislation, regulation and vigorous administration, to ensure the careful selection and permanent settlement of such numbers of immigrants as can be advantageously absorbed in our national economy.... Let me now speak of the Government's long term programme. It is based on the conviction that Canada needs population. The Government is strongly of the view that our immigration policy should be devised in a positive sense, with a definite objective... of enlarging the population of the country.... The fear has been expressed that immigration would lead to a reduction in the standard of living. This need not be the case. If immigration is properly planned, the result will be the reverse. A larger population will help to develop our resources. By providing a larger number of consumers, in other words a larger domestic market, it will reduce the present dependence of Canada on the export of primary products. The essential thing is that immigrants be selected with care, and that their numbers be adjusted to the absorptive capacity of the country.... The figure that represents our absorptive capacity will clearly vary from year to year in response to economic conditions..."* (King,1947:2644-6).

Other key points of the Prime Minister's statement concerned selection policy and the racial composition of the intake. This is not relevant to my argument here. What is relevant is that the statement was drafted by two key policy makers who believed in a policy of large scale immigration, Gordon Robertson and J.W. Pickersgill (Hawkins,1972:91).

King's Liberal Government, in power since 1935, was a devoted convert to Keynesian economic principles. In particular, it picked up the optimistic Keynesian view of population growth (Corbett, 1957:114). As a result of a few key individuals who were, to use Hawkins's description, 'true believers' with a strong faith in immigration, a larger population was thought desirable and immigration was encouraged (Hawkins,1972:72). It was thought capable of generating domestic scale economies and thereby raising the standard of living. How it should be properly 'planned' to

achieve this outcome has not been specified or tested. But the size of the immigration intake was also to be subject to 'absorptive capacity'. Because of the lack of Senate Committee agreement, a lowest common denominator definition of this was taken, essentially as a microeconomic labour market concept. Since the state of the labour market varies from year to year, this notion of 'absorptive capacity' had a very short run time scale which was linked to the business cycle of the economy.

The meaning of absorptive capacity was discussed by Timlin (1951) in a study entitled "Does Canada Need More People?". Timlin argued that absorptive capacity could be defined in three ways: *"first, statically, in terms of filling the gap to an optimum size of population; second, dynamically, as a rate of admissions required to achieve the optimum rate of population growth, bearing in mind the probable rates of change of other factors such as investment, real income, technology, resources, and so on; third, pragmatically, as the rate of immigration which proves to be, as time goes on, consistent with desired rates of economic development and employment"* (Corbett,1957:117). Timlin argued for the third which she termed 'absorptive ability' which meant keeping estimates of absorptive capacity flexible, limiting them to the short term, and basing them on pragmatic tests such as evidence of employment opportunities (Timlin, 1951). Whether consciously or not, it appears her argument for imprecision was largely accepted by the Government. Timlin's study also concluded that: *"a larger population for Canada should mean a higher physical product per capita and hence higher real incomes for Canadian citizens"* (Hawkins,1972:113). There was no evidence for this claim.

The growing role of an institutional player

On 18 January 1950 the Department of Citizenship and Immigration was created as a strong institutional source of conviction that immigration was beneficial to the country (Hawkins,1972:72,98). Canada's Immigration Act of 1910 was replaced by a new Act in 1952 which was proclaimed on 1 June 1953. In debate on the Bill, the Minister for Immigration, the Hon. Walter Harris restated that: *"policy is to admit into Canada, in numbers not exceeding the absorptive capacity of our country....such persons as are likely to contribute to our national life"* (Passaris,1978:6). The notable aspect of the new Act was that it granted the Minister wide discretionary powers which gave him the last word on individual cases. Like Australia's Minister Ray in 1988 and 1989, Minister Pickersgill complained in 1954 that he was spending 90 per cent of

the time which he devoted to the Immigration Department on marginal cases (Hawkins,1972:103).

With the exception of (northern European) refugees, the policy under the new Act was as outlined by Immigration Minister Pickersgill, namely to: *"try to select as immigrants those who will have to change their ways least in order to adapt themselves to Canadian life and to contribute to the development of the nation.... That is why a deliberate preference is shown for immigrants from countries with political and social institutions similar to our own"* (Pickersgill,1955:1254). The Citizenship and Immigration Department was by now a powerful influence on policy and took an long-term expansionist view of immigration which opposed the 'tap on and off' policy of the Department of Labour which wanted to restrict the intake when the business cycle turned down (Hawkins,1972:75,111).

Unemployment had risen after 1953 and from 1957 was running at levels of well over 6 per cent. In April 1957, Minister Pickersgill indicated to senior immigration officers that the current year: *"would be the last year of large scale immigration and that it was necessary to start immediately to organise for an entirely different phase of immigration in which greater emphasis than ever will be placed upon sponsored immigration"* (Rawlyk,1962:295). The Mackenzie King rapid population building exercise seemed over. However, the general election of June 1957 saw the defeat of the Liberal Government and its replacement with a Conservative Government led by Prime Minister John Diefenbaker (Passaris,1978:7) and Mr Pickersgill's instruction was overtaken by the agenda of a new Administration.

In November 1957 the Report of the Royal Commission on Canada's Economic Prospects was published. The 'Gordon' Commission came out strongly in favour of a well-planned and stable immigration policy geared both to the requirements of the Canadian labour force and to population growth and took a stance half way between the Immigration Department's view that immigration should be 'carried' in times of mild recession and the Department of Labour's view that it should not (Hawkins,1972:113-4). The Commission stated that: *"it is our conviction that the economic advantages of continued immigration are substantial enough to justify an attempt to maintain a stable immigration policy, even through periods of mild recession in Canada. Inevitably - and rightly so in our opinion - if there were a deep and widespread drop in employment in Canada, immigration would either be drastically reduced or suspended altogether"* (Royal Commission,1957b:120).

The Conservative Government did see the need for curtailing immigration in the immediate circumstances and in early 1958, acting Immigration Minister Fulton detailed the reasons for restricting immigration on economic grounds: *"it would be a disservice to Canada and to the cause of immigration generally if any government were to embark upon a program of bringing in immigrants carelessly without regard to the fact that when they reach Canada they can only enter into competition with those already in Canada in a tight employment market"* (Fulton,1958:4057-9). So this was to be only a short term curtailment. The 'cause of immigration' remained unchanged. Indeed, the peak of the postwar political enthusiasm for large-scale immigration seems to have been in 1959 when Prime Minister Diefenbaker presented a National Development Policy which aimed to have a Canadian population of 50 to 100 million (Taylor,1987:2). At the time, fertility was near replacement level and gross immigration was averaging around 100,000 per annum, so a steady increase in landings was the obvious implication of the policy. In fact, the annual intake continued to fall to a trough in 1961 and 1962 of 72,000. The main reason for this was continuing unemployment of around 6 per cent of the labour force.

Unemployment was not seen as a reason to curtail immigration by the new Economics and Research Division which had been created in 1959 within the Department of Citizenship and Immigration. An internal memorandum written by the Division in early 1960 urged that certain positive steps be taken to remedy: *"Canadian timidity and vacillation in immigration policy and programming"*. Immigration should be endorsed by government *"as a means to stated population goals"* and the need for immigration and its economic advantages should be clearly explained to the Canadian public (Hawkins,1972:74-5).

The Economics and Research Division recommended that the following be established as Canada's national immigration policy:

- "1. For economic, political and moral reasons, Canada must accept a substantial flow of immigrants.*
- 2. Immigration policy should aim at an average flow equal to one percent of the Canadian population with annual movements of 0.75 percent to 1.25 percent of the population. In terms of Canada's present population, this would amount to an average annual immigration flow of 175,000.*
- 3. Within these limits, immigration will be subject to regular review by the Minister of Citizenship and Immigration, but negative*

adjustments will not be effective within one year of the time decisions are reached.

4. The Department of Citizenship and Immigration will be given the authority to proceed with a program designed to bring to Canada suitable, desirable, and adaptable immigrants who will be of economic benefit to Canada, who will be able to establish themselves in Canadian social, cultural, political and economic life without undue hardship to themselves, or hardship and dislocation to the Canadian communities in which they will settle" (Hawkins,1972:75-6).

Against Treasury, Civil Service Commission and Department of Labour arguments to the contrary, points 1 and 4 were accepted by the Cabinet, but the Department of Citizenship and Immigration wanted more and continued to push for a large scale immigration program along the lines of point 2. This push was not underpinned by economic research; it owed more to a belief in naive Keynesian economics.

Economics instead of race

Between 1960 and 1962 Canada changed its migrant admission policy to further encourage the selection of migrants with skills and, as a consequence, to allow the much freer admission of slavic and oriental people. In the words of Immigration Minister Mrs Ellen Fairclough: *"we are doing a great disservice both to the immigrant and to our own community, when we bring to this country people who lack any kind of craft, skill or profession, who have no technical or other form of training suited to the demands of an increasingly technical world.... If I were asked what I think is a real test of what makes a desirable immigrant, I think I should have to answer that it is a matter of what he has to contribute to Canadian progress and the strength and welfare of the Canadian community. At first blush that may sound like a selfish yardstick, but I am sure that if you give it a little careful thought you will agree that it is the only honest and sensible one"* (Parai,1974:39). The use of such a 'selfish yardstick' squares well with my use of income per capita of existing residents as a welfare indicator. There was little effect from the policy change for a number of years because extra staff and new overseas postings for immigration officers were not forthcoming to non-traditional immigration source countries (Hawkins,1972:77).

On 1 February 1962 the new policy which replaced geographic origin by the education, training and skills of the applicant as the main criterion for admission became effective (Parai,1974:39). The

policy coincided with a long economic boom which followed the trough in March 1961 (Hawkins,1972:140) and which led to a reduction in unemployment. Immigration intakes rose to a peak of 222,876 in 1967 (see Appendix on Canada's Postwar Population and Immigration Statistics).

In late 1964 Immigration Minister Tremblay said that he proposed to initiate "*detailed studies over the whole field*" before moving to present a revised Immigration Act to the Parliament. However, the Prime Minister raised the stakes by announcing on 31 December 1964 that a 'White Paper' on immigration would be presented in 1965 (Hawkins,1972:150).

Following a Government Organisation Bill introduced by the Prime Minister on 9 May 1966, a new Department of Manpower and Immigration was created on 16 June 1966 to replace the old Departments of Labour and of Citizenship and Immigration. The Prime Minister stated that the Government had decided that it was a "*wise course to place immigration under the same Minister as the Minister dealing with manpower generally*" (Hawkins,1972:156). (The Whitlam Labor Government was later to take the same step in Australia.) The new Minister for Manpower and Immigration, Mr Marchland, also argued that in this way immigration would best contribute to economic growth. He also said that the Prime Minister's promised White Paper would be released soon (Hawkins,1972:158).

The White Paper of 1966

A near-final draft of the White Paper was presented to the new permanent head of the Department on 1 January 1966 but it was apparently viewed as essentially a document suitable for internal consumption which should be rewritten for greater 'saleability'. A senior Canadian Immigration Department officer was asked to produce a fresh draft "*written as a document for the purpose of public acceptance*" (Hawkins,1972:159-60). When the White Paper was finally tabled on 14 October 1966 it was a 'pleasantly written' but 'curious' document in which there were 'extraordinary omissions', "*essentially, it was an exercise in persuasion for a particular policy*" (Hawkins,1972:159-60).

The wording of the 1966 White Paper follows closely the general policy outlines set by Prime Minister King as reinforced in the Department's Cabinet submission in 1960: "*the Government's view is that it is in Canada's interest to accept, and if need be to encourage, the entry to this country each year of as many*

immigrants as can be readily absorbed. Subject to this limitation, we should accept or seek out people who have the capability to adapt themselves successfully to Canadian economic and social conditions. Canada will need as many qualified immigrants as it is likely to be able to attract during the foreseeable future. The economy will gain from an increased supply of people able to adapt to the demands of an increasingly complex society in which accelerating technological change is reshaping the world of work more and more rapidly. On the other hand, Canada cannot expect to provide employment for increasing numbers of unskilled, semi-skilled or unadaptable workers" (White Paper,1966:5,41). The one caveat on a desire for a larger population was the vague notion of 'absorptive capacity'; no doubt this had been insisted on by bureaucrats who had joined the new Department of Manpower and Immigration from the old Department of Labour.

The White Paper's rationale for a larger population was that: "immigration has made a major contribution to the national objectives of maintaining a high rate of population and economic growth.... Without a substantial continuing flow of immigrants, it is doubtful that we could sustain the high rate of economic growth and the associated cultural development which are essential to the maintenance and development of our national identity beside the economic and cultural pulls of our neighbour to the South.... A bigger population means increased domestic markets for our industries. A larger home market permits manufacturing firms to undertake longer, lower-cost production runs, and it broadens the range of industry we can undertake economically; for both these reasons, population increase in turn improves our competitive position in world markets. A bigger population also yields lower per capita costs of government, transportation and communications, and stimulates the development of more specialized services. These are the very important economic reasons why immigration tends to increase the real income per person available to all Canadians" (White Paper,1966:7-8).

The basic premise of Canada's 1966 White Paper on Immigration was that immigration tends to increase the real income per person available to all Canadians through the achievement of economies of scale. This was an assumption rather than a conclusion based on empirical economic research. It was also assumed that a high rate of population growth was a 'national objective', though *"immigration policy must be consistent with national economic policy in general and with national manpower and social policies in particular"* (Epstein,1974a:1). Migrants were to be skilled and adaptable. For this reason the White Paper stopped well short of

advocating an open door policy: *"...we do not have a frontier open to new agricultural settlement. Our people are moving off the land, not on to it. We are not a country of virgin lands and forests waiting to be settled by anyone with a strong back and a venturesome spirit. Despite its low population density, Canada has become a highly complex industrialized and urbanized society. And such a society is increasingly demanding of the quality of its work force. If those entering the work force, whether native-born or immigrants, do not have the ability and training to do the kinds of jobs available, they will be burdens rather than assets. Today, Canada's expanding industrial economy offers most of its employment opportunities to those with education, training, skill"* (White Paper,1966:8).

An interesting thrust of the White Paper was its move away from a definition of 'absorptive capacity' as merely the short run economic context of a proposed annual migrant intake. The argument used was that what a government should not do is vary the intake widely from year to year because *"if we were to promote immigration one year and discourage it the next year, turning the tap on and off in response to short-term economic conditions, we could not expect to get much high quality immigration"* (White Paper,1966:12). The long-run expansionist immigration views of the old Department of Citizenship and Immigration were again coming to the fore.

According to Passaris, the White Paper was essentially a vehicle to publicise the Federal Government's fundamental immigration policy objectives and accordingly adopted an expansionist philosophy stressing the positive gains from enhanced immigration (Passaris,1979:299). But it was also the basis for selective immigration. Perhaps this was to be expected given that the White Paper was produced by the Immigration Division of the Department of Manpower and Immigration. As Hawkins notes, the Division was unaccustomed to 'displaying its wares' in public and produced a cautious and carefully written document (Hawkins, 1989:51).

The impact of the White Paper

The White Paper was discussed by a Special Joint Committee of the Senate and the House of Commons. In that discussion the Committee was unfavourably disposed toward it, particularly its suggested curtailment of the 'basic liberty of sponsorship' (Passaris,1978:13). But the Joint Committee failed to produce a report which could challenge the White Paper (Hawkins,1989:52).

In parallel with the White Paper inquiry was an investigation by Mr Joseph Sedgwick of immigration law and procedures, particularly directed to the issue of Ministerial discretion (Sedgwick,1966). Both the Sedgwick Report and the White Paper showed the need to develop and utilise more objective criteria for recruiting the best skilled immigrants (Passaris,1978:9-12). The Department of Manpower and Immigration used this as a basis for new 'points system' selection criteria for immigrants which were announced on 18 April 1967 (Parai,1974:39; Passaris,1978:13).

Much of the policy impetus for the points system came from policymakers led by a key adviser to Prime Minister Pearson, Mr Tom Kent (Gray,1989:3) who was another influential believer in large scale immigration. The points system became effective a few months later on 1 October following the announcement of totally non-discriminatory new regulations on 12 September (Hawkins,1972:52). For a maximum score of 100 points, the nine criteria covered education, skill, arranged employment, demand for occupation, personal qualities, age, the presence of relatives in Canada, the ability to speak English and/or French, and area of settlement destination in Canada (Passaris,1978:14-15). In spite of the White Paper conclusions favouring increased immigration, Canada's settler intake fell from 223,000 in 1967 to 122,000 in both 1971 and 1972. In part this may have been due to world economic conditions of uncertainty and rising stagflation.

The Green Paper of 1974

On 17 September 1973 Immigration Minister Andras announced a fundamental review of immigration policy as a prelude toward the preparation of a 'modern' legislative base for the future conduct of Canada's immigration programme (Passaris,1978:18). As the review concluded, Mr Andras explained why it has been held: *"at a time of increasing concern throughout the world about population growth, the limits of the earth's resources and the preservation of our environment, Canadians are beginning to raise fundamental questions about the population of their own country. Although Canada is a vast land with enormous natural resources, it is not immune from many of the problems affecting other countries. We are now starting to consider, in a conscious policy framework, the questions of the overall size of our population, the pace at which it grows, its geographical distribution, its age patterns, its linguistic, educational and occupational mix, and other related issues such as urban growth"* (Andras,1974).

At the end of 1974 the review had produced a Green Paper which was presented to Cabinet. It reflected the response of public opinion to the 'limits to growth' (Meadows et al,1972), 'small is beautiful' (Schumacher,1973) and 'zero population growth' (Ehrlich,1968) arguments of the day which were clearly opposed to a 1974 immigration intake of 220,000 which appeared out of control (Taylor,1987:4). The establishment of the inquiry was no doubt influenced also by the Presidential Commission on Population (1972) in the United States which recommended, among other things, that zero population growth be the demographic target for that country, that immigration should not be increased, and that its demographic consequences should be assessed (Hill & Whalley,1985:58).

In contrast to the earlier premise that large immigration intakes were good for the economy, Canada's Green Paper was ambivalent: *"through much of Canada's history, the arguments supporting rapid population expansion seemed compelling, and coloured national attitudes towards immigration. Forcible as they were in the past, and although they still have support from many, the validity of these arguments in contemporary circumstances is now being questioned. To many Canadians living in a modern industrialized and increasingly urbanized society, the benefits of high rates of population growth appear dubious on several grounds. Canada, like most advanced nations, counts the costs of more people in terms of congested metropolitan areas, housing shortages, pressures on arable land, damage to the environment - in short, the familiar catalogue of problems which most prosperous and sophisticated societies are currently endeavouring to overcome.... But when all the arguments are sifted, it would probably be a not unfair assessment of our understanding of the economic consequences of higher against lower population growth rates for a country in Canada's present position to conclude that the evidence in favour of higher rates is uncertain. Furthermore, the hidden costs that they entail in terms of social strains and the impairment of the quality of life have thus far tended to be neglected in expert appraisals"* (Green Paper,1974a: 5-6). There was no subsequent research to examine the veracity of these doubts or to quantify them.

The Green Paper presented four policy options with respect to immigrant selection *"for discussion as illustrative of the range of possibilities that deserve attention"* (Green Paper,1974a:42-4). These were:

- retaining the current system which did not fix in advance the number of immigrants to be admitted annually;

- gearing the program more intensively to meet economic and labour market objectives;
- developing and announcing explicit targets for the number of visas to be issued annually, on a global and regional basis; and
- establishing annually a global ceiling for the total immigration movement, and specifying the priorities to be observed in the issuance of visas to different categories of immigrants within that ceiling (Parai,1975:474).

When the Green Paper was tabled in the House on 3 February 1975, it was accompanied by an explanatory statement from Immigration Minister Andras which called for a country-wide debate on population goals and immigration policy. Like the White Paper, the Green Paper document itself was prepared by a small group within the Department of Manpower and Immigration which did not discuss its content with the academic consultants who wrote the background supplementary studies (Hawkins,1989:53-6). This group apparently did feel the need to incorporate more of the doubts about higher immigration than had been detailed in any previous official report. As noted below, this perceived need was to be shortlived.

The Green Paper also presented the results of a survey in which Federal Departments were asked to assess the policy consequences over the following twenty years of two alternative ranges of annual net immigration: 50,000 to 100,000, and 100,000 to 200,000 (Taylor,1987:4). The survey indicated that: *"there were few areas of public policy where problems would be materially alleviated by a future spectrum of population growth in the higher of the two ranges"* (Green Paper,1974a:7). Most Departments supported growth at the lower end of the range. This was in contrast to the Chairman of the Economic Council of Canada, Mr A. Reynauld, who argued that *"until now, Canada's economic growth has always been rapid because of one of the highest rates of increase in manpower in the world.... Around 1980-81, these manpower rates will gradually drop and we can be faced with a rather generalised situation of lack of manpower"* (Denton & Spencer,1978:102).

The impact of the Green Paper

A Special Joint Committee on Immigration Policy of the Senate and House of Commons was appointed in March 1975 to examine the Green Paper and to hold public hearings on it throughout Canada. The Special Joint Committee tabled a Report to Parliament on 6 November 1975 which made 65 recommendations, 60 of which

were accepted by the Government as the basis for a new Immigration Act.

The major recommendations were that:

- Canada should continue to be a country of immigration for demographic, economic, family and humanitarian reasons;
- immigration should be treated in future as a central variable in a national population policy (since a country as large and thinly populated as Canada cannot afford the declining population which is indicated by current trends in fertility and must continue to welcome a minimum of 100,000 migrants a year as long as present fertility rates prevail);
- annual admission figures should be calculated on the basis of 100,000 minimum, plus an annual target figure to be adjusted from time to time (to achieve an even rate of population growth and to take account of changing economic conditions, since from 1980 future economic development might actually be held back by labour shortages unless immigration is continued); and
- the points system should be retained but modified in certain respects such as the introduction of a category of 'area demand' in the points system (which should be used experimentally to encourage immigrants to settle in areas requiring development and population growth) (Special Joint Committee, 1975:7-8; Hawkins, 1989:57-63).

In setting the immigration target the Special Joint Committee suggested two principal indicators, demographic and economic. The demographic indicator would take into account the population's age, fertility rate, size, and rate of change in size, as well as the rate of entry into and exit from the job market. The economic indicator would take into account the level of economic activity and rates of employment and unemployment (Passaris, 1978:20). The latter of these economic considerations is the old short run business cycle/labour market concern with 'absorptive capacity'; the former is a more scientific restatement of the Mackenzie King immigration rationale. There was no recommendation concerning the long run economic impact of immigration or the concern about its impact on inflation or the balance of payments, despite the specialised papers which canvassed these topics. The environmental impact was not mentioned.

Concerning the points system, the Special Joint Committee recommended: *"a shift from the present immigration system, which allows for the admission of everyone meeting certain criteria regardless of numbers, to a more managed system capable of regulating the total flow. However, the proposed system must do*

this in a fair and non-discriminatory, efficient, and manageable way" (Special Joint Committee,1975:12). The Committee thought the Minister should propose an annual figure after consultation with the provinces which should be subject to Parliamentary scrutiny (Howith,1988:4). The Minister should: *"explain how the target figure was determined, give an account of the previous year's immigration experience, and offer a three-to-five year rolling projection of proposed immigration rates"* (Special Joint Committee,1975:17-18).

Following the Green Paper, immigration fell from 220,000 in 1974 to 86,000 in 1978. With an estimated 50,000 emigrants, the net figure in 1978 was 36,000, which was well below the Green Paper's target (Taylor,1987:5).

Overview of the postwar period to 1975

Overall, the 1947 to 1975 period is characterised by the influence of key policymakers and the Immigration bureaucracy who believed in the economic benefits of a larger population and higher growth rate obtained through immigration. Until the notes of warning sounded in the 1974 Green Paper, the one caveat on the size of the immigration intake was a labour market concern with 'absorptive capacity'. Before the Green Paper, there had been no examination of possible negative impacts of large scale immigration or of the nature of the economic welfare a larger population was intended to promote. The consensus among decisionmakers was that immigration was good for the economy as a result of economies of scale, but there was no empirical testing of that assumption in an open economy model. The theoretical and empirical economic papers by Parai (1974) and Epstein (1974a) which were commissioned as part of the Green paper were of a high standard and for the first time sought to test the positive consensus on large scale immigration's impact on such measures as the balance of payments, economic growth, income distribution and inflation. In large measure their conclusions were not reflected in the final Green Paper report or further tested.

CHAPTER THREE: CANADIAN POLICY AND REPORTS ON POPULATION AND IMMIGRATION SINCE 1975

The 1977 Immigration Act and improved monitoring

The post-Green Paper period is marked by a new Immigration Bill (C-24) which was introduced into Parliament on 22 November 1976 (Hawkins,1989:69). This was a Bill which reasserted the Immigration Department's steady-as-she-goes management of a continuing large-scale immigration program. During his First Reading speech on 24 November, the Minister for Immigration stated: *"the Bill explicitly affirms, for the first time, the fundamental objectives of Canadian immigration law; family reunification, non-discrimination, concern for refugees, and the promotion of Canada's economic, social, demographic and cultural goals"* (Passaris,1978:20). The Act became effective on 10 April 1978 (Howith,1988:6). Sections 3 and 7 of the new Act made explicit for the first time the objectives of Canada's immigration program. Section 3 included the objective to: *"foster the development of a strong and viable economy and the prosperity of all regions in Canada"*; while Section 7 included: *"the requirement that the future immigration level, as determined by the federal government, be announced annually by way of a report to Parliament; and the requirement that such an announcement include the demographic considerations taken into account in determining the future level"* (Howith,1988:7).

In practice, economies of scale and 'absorptive capacity' remained the pre-eminent economic considerations. As Immigration Minister Cullen stated two months after the Act was passed: *"it would be irresponsible for us not to try to determine the number of immigrants that can be absorbed by the country in any one year. It is not fair, either, to prospective immigrants or to Canadians to accept more people than our economy and society can handle"* (Cullen,1977:4). In this statement, the old idea of 'absorptive capacity' was extended to cover absorption into Canadian society as well as the economy. Added to this consideration was a new concern for other demographic impacts of immigration, which was a positive result of the Green Paper.

Annual Reports to the Parliament on Future Immigration Levels Planning as recommended by the Special Joint Committee commenced in October 1978. The first report identified a landings planning level of 100,000 for 1979, or net immigration (after emigration) of approximately 60,000 (Howith,1988:9).

After an overshoot to 112,096 in 1979, the second Annual Report identified a level of 120,000 landings for 1980 which included 27,000 Indochinese refugees. This report also estimated that for each annual increase in net immigration of 25,000 during the 1980s, average labour force growth would increase by about 0.1 of a percentage point (Howith,1988:10-11). The second Report noted *"the determination of the federal government to opt for low net immigration in the medium-term future"*. However, actual landings in 1980 numbered 143,117, mainly as a result of an unexpected decision to accept Indochinese refugees (Howith,1988:12).

Chastened by the overruns in 1979 and 1980, the third Annual Report for the first time expressed the landings target as a planning range rather than an exact figure. The range for 1981 was identified as 130,000-140,000 (Howith,1988:12). Actual landings were 128,618.

The fourth Annual Report to Parliament on Future Immigration Levels of November 1981, recommended that labour: *"shortages in specific skills and/or regions be met through increased and redirected efforts to train and relocate Canadians"* (EIC,1981:186). The Employment and Immigration Canada Report further recommended encouraging the immigration of 20,000 to 25,000 'selected workers' annually as: *"the appropriate way to meet unanticipated skill requirements for which it is not possible to train domestically"* (EIC,1981:205). It explained that, including dependents, *"Canada would have to take in an annual average of roughly 50,000 to 60,000 immigrants ... to produce the 20,000 to 25,000 selected workers"* (EIC,1981:186).

Recession and Royal Commission

On 1 May 1982 restrictions were placed on 'independent' immigration and a firm job offer was made necessary for selection (Atchison,1984: 21). In October/November 1982, the fifth Annual Report reduced the forward planning intake targets because of the economic recession (Howith,1988:16).

With a change of Government in 1984, a Royal Commission was established to review the general direction of economic policy, and this included immigration policy. With Canada now out of recession, the 'MacDonald' Royal Commission concluded that: *"Canada should set its immigration levels on the basis of long-term objectives, rather than on that of short-term considerations.... Given the uncertainties involved in deciding both on an appropriate population size and on its age composition, Canada should follow*

that course which, in the past, has served our country well: that is, a less restrictive policy than that currently in place.... In recommending this approach to immigration policy, this Commission is fully aware of the cultural, linguistic, economic and racial implications" (Royal Commission,1985:668). This was a victory for the Immigration bureaucracy who had been arguing this case for a number of years. By the seventh Annual Report tabled on 19 November 1984, Minister MacDonald had announced a 'general review of immigration matters' to take place during 1985 (EIC,1984b).

The immigration review of 1985

The general review of immigration matters during 1985: *"aimed at finding out if there was an emerging consensus on such questions as the longer-term economic impacts of immigration and the relationship between the immigration program and Canada's future population size, distribution, and composition"* (EIC,1985a:1). The review process led to a report in June 1985 which stated that immigration to Canada had fallen from 143,000 in 1980 to 88,000 in 1984 mainly as a result of the 'temporary' restriction applied in May 1982 which required independent immigrants to have a validated job offer, and that there was an emerging consensus (among whom it was not stated) that Canada's intake of immigrants has been too low in recent years. Accordingly, the report states that there was support for a *"moderate, controlled increase in immigration levels in coming years, subject to Canadian economic and labour market conditions"* (EIC,1985a:3,5).

According to the report: *"immigration has also fostered a perception of Canada as a nation whose positive immigration program contributed to both its international obligations and its domestic economic growth"* and it claimed that *"these benefits of immigration could be jeopardised by the restrictive approach [since May 1982]"* (EIC,1985a:5-6). On this occasion the only hard evidence tendered in favour of the economic benefits of immigration was 'a perception', there was no research backing for this policy change.

The new Progressive Conservative Government also expanded the business class category of immigrants. Initially, in 1984, this was for self-employed people and entrepreneurs, but in 1986 a new class of 'investor' was added (Gray,1989:5).

The impact of the 1985 review

Following the recommendations of the Royal Commission, a report by the Standing Committee of the House of Commons on Labour, Employment, and Immigration which called for a population of 30 million by the year 2000 (EIC,1985a:13), and the results of the 1985 general immigration review, the Federal Government announced a policy of 'moderate, controlled growth in immigration levels' for calendar years 1986 and 1987 (EIC,1985a). In 1986, Minister of Immigration, Gerry Weiner, justified this policy: *"we have bought the myth, since the last recession, that immigrants take jobs....[instead], immigration contributes to Canada's economic growth by giving impetus to capital expansion, job creation for Canadians, and consumer demand for Canadian goods and services"* (Gray,1989:7). While immigration may create more jobs than it demands, without research on the source of capital for expansion, the sustainability of job creation and the impact of migrant demand on inflation, the rationale for the policy switch seems weak.

The immigration landings planning range for 1986 was to be 105,000-115,000 and for 1987 115,000-125,000. The ninth Annual Report in late 1986 confirmed a target for 1987 at the higher end of the range, 125,000 (EIC,1987b:i).

In the context of the total fertility rate (TFR) of Canadian women being less than 1.7, (well below the 2.1 needed for long term population replacement), and average annual emigration running at 52,000, net immigration averaged 58,500 per annum between 1976 and 1985 (Beaujot and Rappak,1987:57). This meant that annual net immigration contributed one quarter of Canada's annual population growth of about one per cent. Employment and Immigration Canada estimated that if the TFR remained at about 1.7, it would take an average net immigration of 125,000 per annum to obtain a 'stable' population of 25 million over the long term beyond the year 2021 (EIC,1983:6; Hawkins,1989:270). Since emigration was estimated to continue at about 50,000 per annum, gross immigration of about 175,000 per annum would be needed (EIC,1985a:11). The Immigration Commission's response to this is clear in a later report: *"if fertility were to continue below the replacement level and if low net immigration had been permitted to continue, the Canadian population would begin to decline shortly after the turn of the century. There is no evidence that a decline in the Canadian population would be beneficial to this country"* (EIC,1987b:25).

The general immigration review consultations led to four main conclusions which were important in prompting another 'wide-ranging' Demographic Review. These were that most respondents agreed that:

- a declining population would not be desirable;
- there was less certainty about a desirable rate of population growth and the best mechanisms for achieving demographic goals;
- population policy should shape immigration levels not vice versa, which implies that population goals should be shaped outside the Canada Employment and Immigration Commission; and
- generally, it was seen to be premature for the government to determine a comprehensive population policy at this time (EIC,1985a:11-12).

The official conclusion by the Immigration bureaucracy was: *"most of the findings of the immigration review point to the conclusion that immigration levels are too low. Some demographic studies suggest that levels of up to 175,000 immigrants a year may be needed to sustain continued population growth, but the implications of this view entail longer-term issues which must be addressed as part of a population review to be conducted by the Chairman of the Cabinet Committee on Social Development"* (EIC,1985a:20).

The Canadian Ethnocultural Council certainly thought that population policy should be determined outside the Immigration bureaucracy. The Ethnocultural Council is the peak body of thirty-seven major ethnic organisations. The Council's policy is for an annual increase in immigration levels to one per cent of the Canadian population (250,000 to 260,000 persons). The Government has not endorsed this target but both opposition parties have (Gray,1989:8). The Council recommended that 60 per cent of immigrants should be in the family reunification class, 20 per cent in the refugee category, and 20 per cent selected on the basis of labour market requirements or their own business skills. According to Gray, the Government and opposition political parties told the Council during the 1988 federal election that they favour expansion of the family reunification class (Gray,1989:90). This is a potent indication of the power of the ethnic vote, at least as it is perceived by the parties concerned. Although thus far all three major parties have resisted the Council's demands for appointments to senior government positions to reflect the proportion of different racial and linguistic groups in the population (Gray,1989:12).

The Demographic Review

On 26 May 1986, Canada's Minister for Health and Welfare, the Hon. Jake Epp, announced a three-year Review of Demography and its Implications for Economic and Social Policy. Minister Epp's press release stated that the 'Demographic Review' would examine:

- population projections for the next forty years (1985-2025) and the prospect of population decline nationally and regionally;
- the impact of a changing age structure on federal policies and programs over forty years;
- a review and assessment of the relationship between Canada's projected population growth and economic growth including the long term benefits and costs of immigration and emigration; and
- the impact of immigration on urban growth and the labour market (Epp,1986).

On 2 June 1986, the Minister appointed a Secretariat which was given three years in which to conduct the review. The first stage of the review involved consultations which led to five main issue areas:

- changes in household and family organisation and related declines in fertility and in population growth;
- the relationship between population growth and economic growth and the economic role of immigration;
- internal migration and regional economic and social development;
- the changing character of Canadian society; and
- Canada's place in the system of international population movement (Demographic Review,1987:1-2).

Research projects in these five areas were called for and 21 were selected for funding in the second phase of the review which commenced in June 1987 (Demographic Review,1987:9-10).

Early results based on models of population and economic growth indicated that the relationship is complex and remains unresolved. A declining population can be shown to increase per capita incomes if there is a constant savings rate which yields more capital investment per worker. But if the population ages significantly and retirees run down savings, this result can be reversed. This result can in turn be reversed if workforce participation rates increase, particularly for the elderly and for women, and/or reduced youth dependency offsets some of the increase in aged dependency (Demographic Review,1987:5-6).

Initial results of the 'neoclassical model for macro futures' simulations by Denton and Spencer suggest that on the basis of the unreal assumptions of no trade, zero net migration, and no technical

progress over the four decades to 2025, there is likely to be a declining rate of national product, a lower rate of saving, a falling real interest rate, an increasing ratio of capital stock to output and higher levels of average labour productivity. This is the result of population ageing, but it could be offset after a couple of decades if fertility rose (Demographic Review,1988:20-23). The extent of the unlikely assumptions underlying the results mean that no argument for positive net immigration was established. Other research hypothesised that productivity is dependent on demographic factors which affect average age and education. Empirical testing of this hypothesis found that a more educated but younger workforce with a larger component of women has brought about substantial gains in productivity in Canada (Demographic Review,1988: 23-25).

Pre-empting the conclusions ?

The tenth Annual Report to Parliament on Future Immigration Levels of 1987 was presented in the middle of the Demographic Review. The Minister of State for Immigration, the Hon. Gerry Weiner, confirmed that the federal government planned to continue the moderate growth in the immigration target that had occurred since 1985. The planning range for 1988 was therefore 125,000-135,000 (EIC,1987b:ii). Minister Weiner stated that the *"announced increase in immigration for 1988 will help to delay or deflect the onset of projected population decline, pending the results of the Demographic Review"* (EIC,1987b:iii).

The tenth Report also contained a *"survey of the positive impacts of immigration"*, including the positive demographic and economic impacts (EIC,1987:25). Concerning demography, the Report states that though the optimum size of Canada's population has not been identified, the *"feeling often expressed by a wide variety of informed persons is that the optimum is not less than the current level of 26 million. Continuing low fertility means that immigration is the only way to reach an optimum level of population"* (EIC,1987b:31). It is accepted that a declining population is 'inevitable' in developed countries like Canada in the long run. There is a fear that to maintain economic growth *"even a no-growth population would require very large increases in immigration in the next century"* (EIC,1987b:31). It is stated, without argument, that cities with high population growth rates as the result of immigration have not suffered reductions in the quality of life of their residents. And the MacDonald Royal Commission is cited in defence of the proposition that immigrants are generally well educated: *"over the post-war period, the education and skills of*

immigrants have enriched our society and improved the performance of our economy" (EIC,1987b:32). No detail or evidence on how this performance improvement has occurred is tendered.

The report also alludes to research for the Canada Employment and Immigration Commission by Dr David Foot which argues for a new age-directed immigration program. This is because nearly one half of all immigration to Canada fell in the age groups 20-39 years which comprise the baby boom generation. Current immigration policy is therefore intensifying the problems associated with population ageing in Canada which are dominated by this generation (Foot,1986). This aspect of Foot's research was not highlighted by the Immigration bureaucracy.

The tenth Report claims that: *"immigration means increased domestic markets and increased investment.... Economies of scale and increased competition in supply owing to population expansion caused by immigration is likely to raise productivity, and hence the incomes of residents"* (EIC,1987b:29). The question as to whether the increased investment was in capital widening infrastructure and tooling at the expense of capital deepening in more productive technology is not posed.

Migrant consumption expenditure is said to provide a boost to the economy, and excluding business immigrants, it is estimated that immigrants to Canada currently bring close to a billion dollars annually. Skilled migrants, it is argued, can break labour market bottlenecks and increase the number of entrepreneurs. It is claimed that: *"though immigration in the short-run may involve increased government expenditures, in the long run it results in lower per capita costs for government, transportation, and communication and stimulates the development of more specialised services. Higher immigration levels decrease per capita government expenditures on health, social security, and welfare, and increase them only slightly for education"* (EIC,1987b:29-30). Obviously the EIC had no qualms about adopting the Petty argument of 1686 (see my theory review in chapter one) and pre-empting the findings of the Demographic Review.

The eleventh Annual Report to Parliament on Future Immigration Levels was tabled in the House of Commons on 23 December 1988. The Report claimed that the policy of a 'moderate and controlled' growth in the immigration intake would continue in calendar year 1989 with plans to admit 150,000 to 160,000 immigrants (EIC,1988:1). Once again it was stressed that three years ago the federal government had made the decision to *"restore and*

revitalise" the immigration program in a policy "grounded in the recognition that immigration brings economic, social, demographic, humanitarian, cultural, and international benefits to Canada" (EIC,1988:1).

The Annual Report of the Department of Employment and Immigration for 1988/89 stated that *"three years ago the Federal Government announced that it was adopting a policy of moderate, controlled growth in immigration levels with a view to re-establishing the entire program since the annual number of immigrants had fallen to less than 85,000, that is, below the annual post-war average of 140,000 to 150,000"* (EIC,1989a:27-8).

The theoretical rationale for such an increase was lacking and it is hard to imagine that in the minds of the Immigration bureaucracy, the Demographic Review could do other than provide an *ex post* rationalisation for this policy. The Annual Report also claimed that: *"the planning of immigration levels results from an independent analysis of each main program component - family class, refugee and designated classes, selected workers and business migrants. The result is an immigration intake which reflects Canada's prevailing economic, demographic and social objectives"* (EIC, 1989a:27). While component planning impacts on each of these objectives, by not planning the overall program, it remains possible that the impacts of the intake on the macroeconomy could be perverse. A holistic approach is required because the impact of the aggregate program may be more than the sum of its parts.

The twelfth Report to Parliament on Future Immigration Levels was presented by Immigration Minister Barbara McDougall on 18 October 1989. In the report the Minister announced a planning range for immigration in 1990 of 165,000 to 175,000, an increase of 15,000 over the 1989 planning range (EIC,1989b:1). Preliminary statistics indicate that actual arrivals in calendar year 1989 could exceed 180,000 and processing backlogs at overseas posts suggest that settler arrivals in 1990 could be even greater. These figures exclude the tens of thousands processed under the refugee backlog scheme which remains at about 100,000.

Minister McDougall also announced wide-ranging consultations between November 1989 and March 1990 on the planning levels for 1991 to 1995 and noted that the final report of the Demographic Review was expected soon, her press statement does not indicate how the system will be modified to achieve whatever planning targets are set. (The same problem was addressed by the Special Joint committee on Immigration Policy of the Senate and the

House of Commons in 1975.) Instead it is stated that: *"with immigration restored to about the average levels of the past forty years it is time to examine the economic and social impacts on Canada and prepare a plan for the period 1991-1995"* (McDougall,1989:1). Given recent experience, the objectivity of such an examination must be in question particularly as the Minister also said that: *"we are convinced that immigrants make a valuable contribution to Canada"* and that an exchange of views: *"will help to develop a broad consensus about immigration to Canada for the 1990-1995 period"* (McDougall,1989:1-2).

Results of the Demographic Review

The final Report of the Demographic Review admits its limitations in not discussing Canada's future population in the light of major global environmental problems like the greenhouse effect or of the continued massive increases in the world's population (Demographic Review,1989:ii). These seem to be important omissions. With respect to the environment, the Report does show that a larger population by 2036 leads to less trees than in 1986 and, with continued immigration at 1 per cent of the existing population, the decline in trees per head of population is large (Demographic Review,1989:13). It can also be argued that by not setting an example of a stable low growth population, and by continuing to allow the 'brain drain' from Third World countries, Canada is sending the wrong signals to a world whose population will be over 10 billion by 2036.

With the possible exception of the 1974 Green Paper, the Demographic Review Report is a far more comprehensive document than previous population and immigration reports prepared by the Immigration bureaucracy since the Second World War. The Report shows that with current fertility levels and zero net immigration (immigration equal to emigration at about 50,000 p.a.) the population would grow to a peak of 28 million in 2011 and then decline slowly to 27 million in 2036 and a little over 19 million fifty years later in 2086 (Demographic Review,1989:2,10,43). The Canadian population has been ageing for many decades as fertility has declined and life expectancy has improved, but is still relatively young compared with many countries in Europe (Demographic Review,1989:20-21). By 2031 it is said to be all but inevitable that Canada will have a rounded population distribution like contemporary Sweden instead of the more familiar developed country pyramid.

The Demographic Review concludes that: *"increases in immigration to levels as high as 600,000 per year have, in the long run, no impact"* on the ageing of Canada's population (Demographic Review,1989:24) but *"with proper planning and careful utilization of resources, it need be no less dynamic and prosperous than it is today"* (Demographic Review,1989:18-19,52). The Report thereby undermines much of the previous official demographic rationale for increased immigration intakes. It is clear that without immigration, the population will not immediately decline and that large scale immigration will not slow ageing appreciably in either the short or long run.

The Demographic Review shows that the dependency ratio of Canadians will not alter significantly even after a *"sharp upswing in immigration from a total of 140,000 a year to 200,000 a year"* (Demographic Review,1989:26). Having more children would increase the dependency ratio, but it is concluded that the best way to lower it is not more immigration but increasing the labour force participation of Canadian women to near the Swedish rate and/or reversing the trend of Canadian men to take early retirement to closer to 1965 levels (Demographic Review,1989:26,52-3). The Report cites Denton and Spencer's (1985) conclusion that total government expenditures will rise in real terms as a result of demographic factors but the rate of increase will be less rapid than that of population or GNP. It also endorses the international study in 1986 by Heller, Hemming and Kohnert which finds that even Denton and Spencer's conclusion is a 'worst-case scenario': *"Canada would not see a large increase in these expenditures and its position relative to the other developed countries would remain excellent"* (Demographic Review,1989:53).

On the general economic rationale for immigration, the Demographic Review argues that, in general, in 22 OECD countries between 1960 and 1985 there was no major relationship between population and economic growth (Demographic Review,1989:9). Concerning living standards, *"population change explains less than 1% of change in per capita GDP. Moreover, what relationship exists is negative [more population growth is related to less per capita growth in GDP]"* (Demographic Review,1989:46). This is in stark contrast to the statements made by Employment and Immigration Canada in the tenth Annual Levels Report to Parliament quoted above (EIC,1987b:29-30). Rather than a significant positive economic impact, the Report concludes that: *"there are the makings of a consensus that the economic consequences of any likely population change, up or down, are minor compared with the consequences of other forces acting on the economy"* (Demographic Review,1989:47).

The Demographic Review attributes the finding that population growth and size is not a major factor behind economic well-being to the much larger impact which world trade performance has on economic welfare (Demographic Review,1989:9). This is similar to the findings of the Centre for International Economics in Australia that economies of scale from a larger domestic population are insignificant in an open economy model with trade (CIE,1988). The Demographic Review concludes: *"the implications of effects of scale... even a higher rate of population growth would not change these factors enough to produce a significant economic effect; on the other hand, the growing internationalization of trade makes the size of national markets increasingly irrelevant"* (Demographic Review,1989:46-7).

The results of Denton and Spencer's modelling of the Canadian economic-demographic system are quoted in the Demographic Review to the effect that whether the Canadian population in 2036 is 27 million after zero net immigration or 41 million after annual immigration equivalent to 1 per cent of the population, *"makes little difference to income per person or household"* (Demographic Review,1989:10). This assumes that, as now, immigrants have a higher average level of education compared with the Canadian-born and earn a higher average income (Demographic Review,1989:35-7). Denton and Spencer find that only population increase as a result of more births has a significant impact which is to lower per capita income. What the Report fails to notice is that a significant part of the higher GDP with the larger population will be from services dealing with pollution and other environmental problems. The same per capita GDP under these circumstances could, in practice, mean a lower quality of life. If the impact on GNP is quantified, this possibility is more likely.

Minister Epp announced in 1986 that there would be an analysis of the impact of immigration on urban growth. But the only reference in the Report is: *"immigrants, and especially recent immigrants, have not gone to places outside the major urban centres, nor to the major urban centres east of Montreal. In fact, immigration to Canada for the past four decades has been not a national but a highly focused phenomenon, focused on the large cities; Montreal and the large cities west of Quebec and especially Toronto and Vancouver"* (Demographic Review,1989:34). A weakness of the Demographic Review is that having established this, it was not followed by an analysis of the economic and environmental impact. The shortcoming in analysis is particularly clear since the 1974 Green Paper had drawn attention to the need for research on

congestion and housing shortages as a result of immigration (Green Paper, 1974a:5-6).

Another Review ?

The Minister of Employment and Immigration, Barbara McDougall, has already said that she would like to increase immigration levels. But she wants public consultations first as: *"we cannot lead where no one will follow... Who knows? We may end up deciding we don't want any more immigrants. But we cannot decide anything until we have had a public debate"* (Gray, 1989:2-3). It will be interesting to see where such musings lead in the next few months and years.

The Demographic Review is far from an exhaustive treatment of even the more important aspects of population growth through immigration. Specifically, it does not review and analyse the *"long term benefits and costs of immigration and emigration"* as Minister Epp had announced it would in 1986. An analysis of the impact of immigration on the structure of investment, the balance of payments, unemployment and training, and inflation and housing, to name but a few key areas, is absent.

The Review Report quotes as a definitive statement the letter of transmittal of the United States Commission on Population and the Future (1972) which it says contained America's most distinguished economists, namely: *"we have looked for, and not found, any convincing argument for continued national population growth. The health of our economy does not depend on it. The vitality of business does not depend on it. The welfare of the average person does not depend on it"* (President's Commission, 1972). The Report claims that though there is no similar Canadian statement, *"some Canadians feel that conditions in Canada are sufficiently different to make that American conclusion inapplicable to Canada"* (Demographic Review, 1989:47-8). This seems to contradict the previously quoted finding of the Report on population size and ageing that *"with proper planning and careful utilization of resources, it [Canada] need be no less dynamic and prosperous than it is today"* (Demographic Review, 1989:18-19, 52).

Although it is not comprehensive, the Demographic Review presents a more balanced view of immigration than earlier work and dispels several myths about ageing, dependency and economies of scale. Since the Minister of Health and Welfare chaired the Review Committee, this may have reduced the Immigration bureaucracy's ability to cast the final report in its own image. Judging by the

continuous flow of immigration statements favouring a higher intake level made throughout the period of the Demographic Review, the Review's conclusions which are less favourable to the case of higher immigration are likely to be buried during the current period of consultations.

Overview of policymaking between 1975 and 1990

Overall, the period since 1975 is notable for the plethora of official reports on immigration. Justification for a large intake was based on economies of scale and apparent demographic imperatives. At the same time as many reports were underway, the 'true believers' among the Immigration bureaucracy and key policymakers were operating as if the findings of the reports would encourage larger scale immigration. This is clear during the recent Demographic Review. The possible negative impact of immigration on existing residents of Canada, including the issues raised by the Green Paper, was not investigated. Having increased immigration before the theoretical rationale for such a policy switch was established, it is little wonder that only the positive economic and demographic impacts of large scale immigration continue to be officially highlighted.

CHAPTER FOUR: WHAT SHOULD WE HAVE LEARNED?

Whether or not immigration is a good thing depends mainly on the criterion chosen, from the brotherhood of man to the selling price of one's house. The choice of criterion is value laden. It is essential to specify whose welfare policymakers are trying to maximise and how, before conducting research. As a rule of thumb a rough idea of an 'optimal population' target and a social welfare function (SWF) would be helpful. Chapters two and three indicate that most of the official studies of Canadian immigration have taken place in something of a theoretical vacuum.

Undoubtably, there have been and continue to be many positive benefits to Canada from large scale immigration. And while space has prevented a full analysis of this aspect, it seems that the 'quality' of the migrant intake is important, for example, business migrants and entrepreneurs who invest large sums of their capital appear to be the most beneficial to the recipient economy.

As mentioned above, the tenth Annual Report to Parliament on Future Immigration Levels notes that positive impacts may include:

- on arrival immigrants make more jobs than they take (demand effects outweigh supply effects), they frequently take jobs that are not accepted by residents, have a high rate of labour force participation and within 5 to 7 years their unemployment rate parallels that of native-born Canadians;
- increased domestic markets and increased investment with increased competition likely to raise productivity and hence the incomes of existing residents;
- the immediate consumption expenditures of immigrants provide a boost to the economy, and immigrants other than business immigrants bring an estimated \$1 billion with them annually;
- immigrants can break labour market bottlenecks, both occupationally and geographically;
- immigrants can increase the number of entrepreneurs who create jobs;
- immigrants can contribute more in taxation than they receive from government, especially in the long run, and can decrease per capita government expenditure on health, social security, and welfare;
- steady, managed immigration can help forestall the anticipated decline in Canadian population growth after the turn of the century;
- population growth through immigration contributes to a larger GNP and is correlated with economic progress and social development;

- large populations can offer greater economies of scale and although the optimum size of Canada's population has not been identified the feeling often expressed is that it is not less than the current 26 million;
- certain anomalies in the age structure may be somewhat lessened by an age-directed immigration policy;
- Canada's cities which have enjoyed high growth rates have done so with the assistance of immigration and the quality of life in these cities and the standard of living of its residents has not suffered as a result. A number of smaller cities could grow significantly and without damage to environment or lifestyles;
- immigrants are well educated and have improved the performance of the economy over the postwar period (EIC,1987b:28-32).

My argument is that there are also many negatives which have not been weighed up against these claimed positives in any systematic way. To rectify this we need more objective research and some form of optimal population goal and welfare calculus. My thesis is that much of this research has yet to be done in Canada and that accordingly, it is possible that higher immigration may be lowering the per capita economic welfare of existing residents of Canada.

The historical evidence shows that postwar immigration policy to Canada has had a number of justifications. The most characteristic feature of the period is the large number of general reviews of immigration policy which have taken place. When the public questions an aspect of the immigration program, another review is often commissioned. But it appears these reviews have little or no impact on the size of the immigration program and many are *ex post* justifications for a decision to expand the intake. The explanation for this appears to be the influence of the Immigration bureaucracy whose power in Ottawa is seen to be maximised by larger immigration intakes. The influence of Immigration officers is boosted by a few key opinion makers in Canada, including the Canadian Ethnocultural Council, who have vested interests in convincing the rest of the population that immigration is a good thing for the country. Few, if any Ministers seem to have been able to withstand the weight of bureaucratic advice, particularly when their backbench immigration committee members often proffer the same advice since they tend to self-select themselves and join that committee because they believe in higher levels of immigration.

The economic consequences for an immigrant receiving country most frequently examined in the academic literature, according to Epstein (1974:175) are the effects of immigration on excess

aggregate demand, the balance of payments, per capita income and the distribution of the national product, the brain drain, and labour shortages. Lucas, while bemoaning the absence of systematic cost-benefit analyses of immigration, states that using an efficiency objective, *"the economic components of costs and benefits may generally be summed using three main classes of prices: foreign exchange, labour and capital [or savings]"* (Lucas,1981:104). Yet these are the effects most noticeably absent in conclusions of official studies of Canada's immigration intake since 1946.

Most Canadian literature on immigration is written or sponsored by the Immigration bureaucracy and seems to be far from exhaustive. A number of results are presented in the reports surveyed in chapters two and three which have yet to be contradicted. In the remainder of this chapter I outline these, together with key evidence from the academic literature. In this way I hope to be more positive than just suggesting the need for more research and indicate what policymakers should have learned from past official studies.

International relations and global welfare

The Commission on International Development established by the World Bank in 1968 and chaired by Canada's former Prime Minister Lester B. Pearson, pointed out in its 1969 report that the brain drain out of Third World countries was a problem of disturbing dimensions. The Commission noted that the flow of skilled and qualified personnel from poor to rich countries actually outnumbered the flow of advisory personnel from rich to poor countries. They concluded that Third World countries did not merely need more aid, but rather international development *"means a willingness to look to the total economic relationship between developing and industrialized countries"* (Hawkins,1972:24). Mishan makes much the same point in concluding that if *"we wish to make some contribution to the well-being of the poorer countries we could make our contribution the more effective by undertaking a careful examination of the various methods of affording economic relief (such as removing trade barriers to their sales of products in this country) and by giving direct aid"* (Mishan,1970:121). Further investigation of the tradeoffs between increased immigration from the Third World and more aid or trade is clearly necessary.

Economic expansion and sustainable growth

Empirical work in many countries, including Canada, indicates that immigration which increases the population expands the size of the economy. The question then becomes whether the economic growth is sustainable, at least maintains average productivity and output per head, does not lead to excessive inflation or deterioration in the balance of payments, and does not reduce the incomes of existing residents. As was made clear in the background papers to the 1974 Green Paper, the evidence on this remains less than convincing. As the Green Paper concludes: *"when all the arguments are sifted, it would probably be a not unfair assessment of our understanding of the economic consequences of higher against lower population growth rates for a country in Canada's present position to conclude that the evidence in favour of higher rates is uncertain"* (Green paper, 1974a:6). More recently, the Report of the Demographic Review concluded that, in general, among OECD countries, there was no major relationship between population and economic growth.

Wherever economic growth is discussed, growth in gross national product (GNP) rather than in gross domestic product (GDP) is the preferred measure (Parmenter, 1987, 1988). This is because GDP includes domestic production that accrues to foreigners whereas GNP is the net productive gain to residents including from foreign sources. Using the GNP measure captures the effect of foreign debt and hence gives an indication of the sustainability of economic growth.

Economic welfare

The sources of changes in per capita GNP are broadly twofold, the average productivity of new migrants as a result of their ages, skills and labour force participation; and externalities like economies and diseconomies of scale, constraints from fixed factors and induced technical change (Parmenter, 1988; Joske, 1989:6). If we take as a reference point the perfectly competitive closed economy of neoclassical theory with constant returns to scale, full employment and all factors of production receiving their marginal products, the wage rate of an immigrant worker will be equal to the additional product he or she generates. Assuming labour is homogeneous and technological progress is neutral, the effect of immigration on per capita income will then depend on the scarcity of other factors of production. With natural resources limited, per capita income will fall. As Denton and Spencer conclude, *"looked at from the point of view of the domestic population, there is no economic case for*

immigration in this theoretical framework" (Denton & Spencer,1978:109).

Once we include trade, technological change and various domestic complications to this perfectly competitive neoclassical economy, an assessment of the overall per capita economic welfare impact of immigration becomes much more difficult.

Davies examines and tests three macro-econometric models of the Canadian economy, CANDIDE 1.0, TRACE and RDX2, for three levels of net immigration (zero, 100,000 and 200,000) over the simulation period 1961-1974. He finds that in all cases increased immigration raises the unemployment rate, marginally lowers real output per capita and slightly reduces the rate of inflation as measured by the consumer price index (Davies,1977:299). He notes that experiments on one of the models a few years earlier had shown that if the Government spends around \$4,500 per extra immigrant, the unemployment rate can be kept at its zero net immigration level but inflation will increase (Davies,1977:304).

Davies and Sharir (1976) argue that if immigration lowers incomes of prior Canadians, potential migrants should be allowed to compensate for this effect by paying a fee. Using Davies (1974) results from CANDIDE Model 1.0, they estimate that for immigrants to compensate prior Canadians for the loss in their per capita incomes, an annual fee or tax surcharge of about \$772 would have to be paid by each immigrant (Davies & Sharir,1976:495).

Using CANDIDE Model 2.0, Rao and Kapsalis (1982:379) find that if annual net immigration is increased from 50,000 to 100,000 the additional immigration could cause a reduction in the average per capita income by as much as \$231 in 1982 prices by 1990. And on a per immigrant basis between 1980 and 1990 the cost would amount to about \$6,200 in 1982 prices (Rao & Kapsalis,1982:382). Other studies such as those by Mishan (1970) and the CIE (1990) found a fairly small impact on aggregate income per capita.

Income Distribution

While per capita GNP may not fall by much with a large immigration program, income distribution may worsen. MacMillen's survey of the costs and benefits of immigration in the countries of the European Community finds that the instantaneous welfare effect of immigration is to lower the wage rate so that indigenous workers will be worse off. Output will rise and the gains from this will be shared between immigrant workers and

capitalists. If a large proportion of the capital stock is owned by foreigners, there will be little boost to average per capita income to compensate for the depressed wages (Macmillen,1982:247). Lucas concludes that from the viewpoint of original residents any change in the capital-to-labour ratio resulting from migrants arriving with a different wealth endowment as compared with natives, raises the incomes of the latter. He says *"in summary, the arrival of workers benefits the indigenous capitalist; the arrival of capitalists benefits the native workers"* (Lucas,1981:91).

Mishan (1970:113-4) finds that the index of distribution is significantly worse with a large immigration program, so that adverse distributional effects are an important factor in assessing the welfare effects of immigration. If domestic capitalists reap the gains, it is possible to tax them to ensure that workers are not worse off, but this option may be more difficult if foreign capitalists reap most of the income gains. Parmenter and Peter (1990:8) reassess the Australian CIE (1988) results and find that immigration reduces the average income of natives and redistributes income from workers to the owners of agricultural land. Parmenter (1988:7) argues that the distributional impact of immigration within the pre-migration population may be large even when the net effect is small. Unlike the Canadian studies to date, both GNP per capita of pre-immigration residents and the distribution of costs and benefits from immigration need to be quantified when assessing an immigration program (Parmenter,1989).

Economies of scale and international trade

If significant economies of scale are assumed for immigration, there can be a positive increase in average incomes per head. However, the more common value for economies of scale in empirical work is unity (Mishan,1970:109). A recent Australian study by the Centre for International Economics claims that in the Australian context, there is no empirical evidence of significant domestic economies of scale from immigration, rather there are diminishing returns to the economy as a whole (CIE,1988:vi,59-63).

Macro-econometric modelling is a tool frequently used to assess the overall impact of immigration on the economy. But like all models, these large computer simulations are dependent on their assumptions. The two key variables are usually the assumptions made about induced technical change and returns to scale. Often, as with the ORANI and IMP models used in Australia (CEDA,1985) assumptions of economies of scale from population increase are

built into the usually constant-returns-to-scale models (Parmenter,1987:2) which misleadingly (CIE,1988) generate a positive economic impact from higher immigration. Often the models, like the Economic Council of Canada's CANDIDE 2.0, do not disaggregate the labour force or assess the domestic labour market displacement effects by skill level (Rao & Kapsalis,1982:385). A common assumption made in Australian ORANI modelling is that real wages are flexible downwards (CEDA,1985; CIE,1990). CEDA, for example, find that if *"no scale economies are assumed, a wage cut of 1.6 per cent is required to employ the additional labour force contributed by the increased level of immigration"* (CEDA,1985:519) and *"for all scenarios without economies of scale there is a decrease in real GNP per worker with an increase in immigration"* (CEDA,1985:527). Given the trade union structure of countries like Australia and to a lesser extent Canada, real wages are 'sticky' and are not cut easily. If they are, this suggests that indigenous wage earners are losing further as a result of higher immigration.

There is a need for further research on the importance of economies of scale in non-traded goods and of the appropriateness of assuming a value of unity for economies of scale generally in models testing the impact of immigration. But there is no doubt that through international trade, developed countries can reap economies of scale by exporting a larger quantity of competitive goods and services and at the same time improve their balance of payments. The opposite is the case when reliance for economies of scale is placed upon a larger protected domestic market. Freer international trade will also help the Third World countries to be less economically dependent upon foreign aid and give scope for their best trained people to remain at home. Considerations of distributional justice would seem to favour exporting capital rather than importing populations (Mishan,1970:121).

Although economies of scale have been the primary economic justification for high post-war immigration, this justification should now be seen to be misplaced. Denton and Spencer's conclusion is that: *"there is no strong argument for heavy immigration in the 1980s based on considerations of the economies of scale"* (Denton & Spencer,1978:104). And the Report of the Demographic Review concludes concerning: *"the implications of effects of scale... [that] even a higher rate of population growth would not change these factors enough to produce a significant economic effect; on the other hand, the growing internationalization of trade makes the size of national markets increasingly irrelevant"* (Demographic Review,1989:46-7)

The balance of payments and domestic savings

Migrants bring with them a certain amount of capital and while in Canada remit a certain amount overseas. The net effect of this is the most direct impact on the balance of payments. In Canada, as in most migrant receiving countries, this impact is strongly positive overall. A high proportion of net foreign capital, however, is brought by the relatively small group of entrepreneurs and professional migrants. When examining the merits of increasing the aggregate immigration program it may not be appropriate to use the capital benefits from this small group of business migrants to justify an increase, except in that category.

Bennett and Dippelsman (1989:73) and Joske (1989a,b) indicate that in 1988-89 up to two-thirds of Australia's current account deficit, (up to \$9.5 billion), could be the result of immigration-induced capital widening. If correct, this suggests that there is still much wisdom in the conclusions of Eggleston and Parker (1937); Isaac (1947:116), Karmel (1953), Corden (1955) and Arndt (1964) who argued that a sensible upper limit to immigration is set by the volume of imports a relatively small developed country like Canada can afford.

Mishan and Needleman (1966) were also among the first to outline the significance of the impact of immigration on the balance of payments. Additional demand and output associated with immigration will directly increase imports, while a preference for the purchase of foods and other products from the country of origin may result in a higher import content of consumption expenditure for the immigrant population compared with the indigenous population (MacMillen, 1982:256). Exports may also fall as a result of a larger population through immigration requiring exportable products in excess of what they produce themselves.

Collard (1970:79) concludes that in the long and the short term the effect of immigration on the balance of payments will be unfavourable, for as population and income rise, so do imports. Stammer (1982) points out that the short term effect of immigration is to increase both the deficit on the current account and the requirement for capital inflow. The net effect depends on the behaviour of exports (Collard, 1970:80). But as Mishan states, there is *"no economic model, Keynesian, Marshallian, input-output, or any other [which] assumes any direct relationship between national income, or domestic labour supply, and aggregate exports"* (Mishan, 1970:103).

Inflation

The impact of immigration on excess aggregate demand and inflation has been considered by Kindleberger (1967) and by Mishan and Needleman (1966). Kindleberger states that *"high rates of savings and of remittance abroad of the average immigrant make him contribute more to supply than to demand"*; Mishan and Needleman argue the reverse (Collard,1970:74). The net effect depends on the balance between supply side and demand side impacts. Average unit costs will fall if immigrants lower wage rates or induce an increase in productivity. But if the additional immigrant-generated demand is concentrated on goods produced under increasing cost conditions prices will tend to rise. There would also be an adverse effect if government borrowing is increased as a result of immigrants' demands for government services being in excess of their contribution to the financing of such services.

Macmillen concludes that, *"the effects of immigrants on inflation depend on many factors including the sectoral distribution of their employment and consumption, their age and family structures, their incomes, local savings, remittances and tax payments"* (MacMillen,1982:256). Mishan and Needleman argue that *"while it is always open to the government to respond to inflationary pressures generated [primarily by the capital requirements of immigrants] by higher interest rates, restrictions on borrowing and higher taxes.... any success thereby achieved only postpones the production of some part of the additional capital requirement of the immigrant inflow, requirement which can be met in the short run only by reductions in the spending, either on consumption or on investment goods, of the indigenous population"* (Mishan and Needleman,1966:147). Mishan shows that if only one fifth of the immigrants' total capital requirements is met by new investment, there will still be some excess aggregate demand until the tenth year after arrival (Mishan,1970:103).

Infrastructure, investment and productivity increase

Technical change and new technologies may be helped or hindered by immigration. Simon (1977,1981,1987) assumes that a larger population will lead to faster technical progress and hence finds immigration a positive force for improving economic welfare. But there is little empirical evidence either way (Parmenter,1989:13).

Higher immigration necessitates major public expenditure on infrastructure and social services as well as in the investment

required for a new worker to be employed productively. The Australian CEDA Report found that such 'capital widening' is a substantial effect of immigration as *"scarce capital must be spread over a larger population and larger workforce, therefore productivity is cut"* (CEDA,1985:34). The more recent Australian CAAIP Report notes that such capital widening would retard the adoption of new technologies because 'capital deepening' in higher technology investment generally suffers as a result of capital widening (CAAIP,1988:48).

High levels of immigration to already large cities may also have the effect of pushing up housing and property prices and diverting investment to private construction instead of to more productive uses.

Immigration and ageing

The casual observer is wont to claim that immigration is solution to the perceived problem of an ageing population. Canadian Ministers of Immigration and their public servant advisors are as guilty as those in Australia (see Weiner in CEIC,1987b). But Canadian research convincingly refutes such claims. Kalbach notes that *"not only does immigration have to be tied to specific labour force needs in terms of skills, but also to fluctuations in fertility rates some twenty years prior to the planning year"* (Kalbach,1975:308). Star claims that *"immigration of workers during the next 10 to 20 years will add to the problems of an aging population"* (Star,1975:340). Foot convincingly demonstrates the correctness of these views, concluding that if it is desirable to smoth out the population pyramid it is not baby boomers that should be sought but the next generation of younger migrants (Foot,1986:10). Foot's paper followed the recommendation of Canada's House of Commons Standing Committee on Labour, Employment and Immigration that: *"every effort should be made, beginning today and continuing for at least 30 years, to consider using immigration policy to smooth out the current age imbalance in the Canadian population"* (Second Report,1985:4).

Basically there are two fallacies in most arguments which suggest that high immigration can reduce the ageing of the population of Canada. First, even if migrants are on average five years younger than the native population, an intake of even 200,000 will make only a trivial difference to the pace at which a base population of 26 million ages. Second, since many of the immigrants are baby boomers of working age, they will exacerbate the bulge in the population pyramid that the Commons Standing Committee said it

wished to smooth. The Canadian conclusions are similar to those in Australia by CEDA (1985:29) which found that even if the past relatively young age structure of the immigration intake continued, a 200,000 per annum net intake over 15 years made a difference of less than one per cent to the country's average age compared with a much smaller intake near 50,000. Projections by Young (1988:220-30) show an even smaller impact on age which diminishes as the size of the immigration intake becomes a smaller percentage of the country's population.

Most recently, the Demographic Review concluded that: *"increases in immigration to levels as high as 600,000 per year have, in the long run, no impact"* on the ageing of Canada's population (Demographic Review, 1989:24).

Immigration and dependency

As the Canadian population economists Denton and Spencer argued in 1978, *"the argument for increasing the labour supply in the 1980s through immigration in order to offset the burden of an increasing dependency ratio does not rest on firm ground"* (Denton & Spencer, 1978:103). The population/labour force ratio reached a postwar high of 2.8 around the beginning of the 1960s and has declined since that time. It is unlikely to reach that level again. It is true that within the overall dependency ratio, aged dependency is increasing as child dependency falls. This is not only a function of lower fertility but also of two positive factors: lower mortality; and the leisure preference of the aged being expressed in early retirement from the labour force. If the early retirement trend is considered economically disadvantageous to the country, incentives can be provided to encourage retirees to stay in the labour force on either a full time or a part time basis. The dependency ratio can also be lowered by encouraging the participation rates of women. Either of these alternatives are much more direct and effective than increasing immigration and, unlike larger scale immigration, do not suffer from the disadvantage of increasing the numbers in absolute dependency.

Unemployment and net social security transfer payments

In an immigrant recipient economy with minimum wage laws, like Canada, Rivera-Batiz (1981:626) finds that immigration increases the unemployment rate of the native population and shifts income distribution against labour and in favour of the non-labour input. Most research finds that immigration does not increase the

unemployment rate in developed countries. But more work may be needed to examine whether it increases the net costs associated with a greater absolute number of unemployed.

If Canadian experience is similar to that of migrants to Australia, migrant life expectancy will exceed that of the native born (Young, 1986) and hence more immigrants will mean more aged welfare dependents and an increased burden on the health system. More research on this is required. Similarly, data on whether immigrants are disproportionately represented among criminals in jail or disproportionately law abiding is a further necessary piece of the overall cost/benefit calculus.

Congestion, diminishing returns and quantifiable quality of life impacts

Singer (1971) indicated that whatever else it means, an 'optimum population' should take quality of life into account. As the 1974 Green Paper stated: *"Canada, like most advanced nations, counts the costs of more people in terms of congested metropolitan areas, housing shortages, pressures on arable land, damage to the environment - in short, the familiar catalogue of problems which most prosperous and sophisticated societies are currently endeavouring to overcome"* (Green Paper, 1974a:6). Congestion, overcrowding, travel time and the condition of roads, sewerage, pollution, housing costs, and general environmental degradation are all factors which require investigation and quantification. Most of these have costs associated with them such as to clean up pollution or to reduce travel time. It should be possible to balance them against the benefits of immigration, but so far they have not been, despite the clear recognition of the need to do so in 1974: *"the hidden costs that they entail in terms of social strains and the impairment of the quality of life have thus far tended to be neglected in expert appraisals"* (Green Paper, 1974a:6). It is unfortunate that the Demographic Review did not address the issues of immigration's impact on urban growth and quality of life since the Report states that: *"in fact, immigration to Canada for the past four decades has been not a national but a highly focused phenomenon, focused on the large cities; Montreal and the large cities west of Quebec and especially Toronto and Vancouver"* (Demographic Review, 1989:34). The assessment of this impact remains a task for the future.

CONCLUSION

Official Canadian reports on immigration leave many important gaps which still require thorough investigation. A fresh and objective look at the basic rationale for a large scale immigration program seems warranted. But already there are a number of policy lessons from the reports:

- the many official reports on immigration do not examine obvious key economic costs and benefits of an increased immigration intake and as a result, much additional objective research, perhaps not controlled by the Immigration bureaucracy, is required;
- this and other evidence suggests that key policy makers who like most of the the Immigration bureaucracy are 'true believers' in higher immigration have combined with various interest groups to restrict investigation and reporting of the economic welfare consequences for existing Canadians of large immigration intakes;
- before researching the economics of immigration, it is essential to specify whose economic welfare it is desired to maximise by immigration before sensible analysis of an 'optimum population' can be undertaken;
- population policy should shape immigration levels not vice versa, which might suggest that population goals should be shaped outside the Canada Employment and Immigration Commission;
- this is particularly important given that the complexity of testing the economic impact of immigration means that investigator bias can be reflected in the assumptions, methodologies and modelling techniques chosen;
- large-scale immigration can have a big impact on real wages and the per capita incomes of indigenous residents and on the distribution of income and wealth, and, contrary to official reports, the impact may be negative;
- losers from large scale immigration are likely to be a diffuse group like the consumers who lose as a result of high tariff protectionism, whereas the gainers employ high profile housing, protected business and ethnic lobbyists who are politically influential;

- most economic welfare gains from economies of scale can be more simply obtained through international trade, where the balance of payments effect is clearly positive, than through increased immigration where it may not be (particularly after business migrants are excluded), so the principal official postwar economic argument for immigration does not stand up;
- with large-scale immigration, the demand for savings will be raised and the structure of investment biased toward relatively low productivity infrastructure and housing and, the extent and consequences of this requires further analysis;
- the sustainability of welfare increases through immigration also requires detailed investigation which should include its environmental impact and impact on urban growth and quality of life; and
- in contrast to popular perceptions, larger scale immigration has a trivial effect on lowering the median age of the population and may worsen the shock to the economy when baby boomers become aged dependents on the welfare system.

APPENDIX: CANADA'S POSTWAR POPULATION AND IMMIGRATION STATISTICS

YEAR*	IMMIGRATION	POPULATION
1946	71,719	
1947	64,127	
1948	125,414	
1949	95,217	
1950	73,912	
1951	194,391	14,009,400**
1952	164,498	
1953	168,868	
1954	154,227	
1955	109,946	
1956	164,857	16,081,000**
1957	282,164	
1958	124,851	
1959	106,929	
1960	104,111	
1961	71,689	18,238,000**
1962	74,586	
1963	93,151	
1964	112,606	
1965	146,758	
1966	194,743	20,015,000**
1967	222,876	
1968	183,974	
1969	161,531	
1970	147,713	
1971	121,900	21,568,300**
1972	122,006	21,801,300
1973	184,200	22,043,000
1974	218,465	22,363,900
1975	187,881	22,697,100
1976	149,429	22,992,600**
1977	114,914	23,272,800
1978	86,313	23,517,000
1979	112,096	23,747,300
1980	143,117	24,042,500
1981	128,618	24,343,200
1982	121,147	24,631,800
1983	89,157	24,884,500
1984	88,239	25,124,200
1985	84,302	25,359,800
1986	99,219	25,591,100**

1987	114,740
1988	150,757
1989	165,841
1990	165-175,000***

* Calendar years except 1988-1990; ** Census data;
*** planned (excludes processing of refugee backlog)

Sources: (EIC, 1989a:35); (Gray,1989:4).

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