

# The Australia Institute

Research that matters.

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**In a big Australia, there are more people, more profits. But it's a lazy way to grow.**

When politicians talk about our growing population they usually take credit for the economic growth they say it brings. When business people think about all those extra customers they rub their hands in anticipation. But when I hear talk about a big Australia I get worried.

I don't know how many people Australia can handle, but I do know it can't handle 35 million given that it can barely handle our current population. I don't know when we will be ready for a much bigger population, but I will recognise the signs when I see them: spare seats on peak hour trams, hospital beds just waiting for someone to get sick and a natural environment that repairs itself rather than retreats as rapidly as our suburbs advance.

We can't agree who should use what water we have at present. We can't agree how to reduce our greenhouse gas emissions. And we can't agree whether we should increase the population density of our cities or whether we should keep sprawling outwards. But, until recently at least, our two major parties were agreed that rapid population growth was desirable as it drove rapid economic growth. These days it seems they want a "sustainable population" but if we are to make real progress we need a genuine debate about what sustainable means.

Like all good salespeople the proponents of rapid population growth like to focus on the potential benefits of jamming more people into our existing cities. They are strangely silent on the benefits to themselves, and on the inevitable costs to the community and to the environment.

Population growth means rapid economic growth, we are told again and again. But look at what they don't mention.

The National Australia Bank chairman, Michael Chaney, has been explaining how we all benefit from becoming a "big Australia" but neglects to mention the benefits for banks. The most obvious benefit is that the big banks make, on average, about

\$1000 per citizen per year in profit. Another million Australians means another billion in profit each year.

Banks make a profit margin on the money they lend out for us to buy homes. If houses get more and more expensive then our home loans get bigger, which means, accidentally of course, that the banks' profits will rise even faster than the population.

Banks are in the business of managing risk. Every time they lend money there is a chance they won't get it back. The lower that chance, the more profitable they are. So as house prices keep rising the odds on the banks losing their money fall. For example, if the bank lends you \$500,000 to buy a \$550,000 home there is some chance of the bank losing money if house prices fall. But if your \$550,000 home becomes an \$800,000 home then the bank just can't lose.

Of course, it isn't just the banks that profit from 1 million new customers arriving every four years. The building industry, the construction industry and the retail industry know there is something in it for them as well. It's funny how they never mention these benefits when they talk about the need for a big population.

But the worst offenders are, collectively, our local, state and federal governments. We shouldn't be surprised that companies are pushing policies that make them money at the expense of our amenity and our environment. We should expect more from our elected representatives. So what's in it for them?

Rapid population growth is a lazy way to generate economic growth. We measure economic growth by calculating gross domestic product, which, put crudely, translates as the total amount of stuff that was produced last year. There are two main ways to increase GDP; produce more stuff with the same number of people (which economists call increasing productivity) or bring in a lot more people to help make more stuff. The first kind of growth is hard to achieve and the second kind is easy. No surprise then that all our state premiers and prime ministers in recent decades have loved population growth.

Rapid population growth means more people, more income and more profits to tax. But population growth should also impose obligations on governments to invest in new schools, new hospitals and new public transport. Rather than make such investments, governments have instead put the money into our pockets (in the form of tax cuts) or their pockets (in the form of bigger surpluses) and then congratulated themselves.

But running down our existing infrastructure and failing to plan for the growth they claimed credit for isn't good economic management, it's simply short-sighted.

There aren't many people who would invite 200 people to a party and tell them to not just bring a plate, but to bring a chair as well. In fact, the neighbours who have those sorts of parties are usually the ones we like to complain about. But like an adolescent who can afford to go on holidays but can't afford to get their car serviced our elected governments have been spending up on the fun stuff and neglecting the important things.

To those who say Australia can handle a much bigger population I simply say put your money where your mouth is. Don't brag because you opened a new school or some new hospital beds. With an extra million taxpayers you should have done so years ago. If you are serious about a big Australia build a big transport system, a big

hospital system and a big aged-care system first. And show us where you are going to get the clean energy and the sustainable water supply from while you are at it.

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