

Population Distribution. Labour Mobility. Storage and Transport of Labour

Current economic wisdom is that geographical labour mobility is an almost unqualified positive and an inalienable right. This should not go unquestioned.

Labour mobility is responsible for improved employment, lower costs, greater efficiency and is associated with an overall increase in welfare. Other considerations should include factors such as overcrowding in cities, hollowing out of secondary cities, towns and villages, infrastructure requirements, distribution and allocation of resources, and the equitable distribution of wealth.

One metric of welfare should be population density. There is an optimal density in the welfare function below which the incumbent population regards an increase in population a good thing and beyond which it regards it as a bad thing. A local population deserves certain rights to control the population density in their area. The problem lies in determining the appropriate level and nature of the controls.

Different groups within a local population have different objectives regarding population. Business owners and employers seek the import of skilled or cheap labour. Owners of land seek demand for labour storage. Governments may see immigration as a means for maintaining demographic characteristics and as a source of tax revenue. Employees may regard immigration as competition for jobs and resources, as demand for goods, services and housing drive inflation. The representation of various groups in government will drive immigration policy.

Sprawl has infrastructure costs related transport and communications. Some of these costs are public and some private, but the public cost is significant. Countries are collections of local populations. National policy can affect the cost of doing business in a country creating divergences between countries. Most countries are evidently operating productivity accretive immigration policies, subject to the tolerance of the majority of the incumbent population who prefer less immigration. This is indicative of the representation of the various groups in most governments.

Priority is unlikely to be given to policies where the costs are not associated with commercial gain in the most direct, immediate and evident ways. That the factor of population density in the welfare function is often subordinated to more commercial interests or is omitted altogether, it is not surprising that current policies encourage concentration of population, in particular productive labour in urban centres, while less productive groups are left in suburban towns and villages. If valid, this will be evidenced by larger cities getting larger and more dense while smaller cities shrink and get less dense in a 'winner' take all dynamic.

The concentration of population in cities leads to potentially major disparities in real estate prices as well as rapidly inflating prices. As overcrowding sets in, proximity to resources and infrastructure also command significant premia. Foliage, water, aesthetically pleasing surroundings and locally lower population density are goods that can command significant premia. River side and park side housing show evidence of this.

As a scarce resource, real estate can become a source of rising cost for both residents and businesses in a city. Costs should rise as long as people continue to move in to cities, pushing up prices until they reach the limits of affordability. Availability and cost of credit can increase demand by spreading the cost of ownership over time and easing affordability at least in the short term. Excessive credit can create real estate bubbles if credit underwriting is too lax and or loses sight of rationality. Principal agent issues in mortgage markets where mortgage loans are sold or securitized and sold by originating banks can exacerbate the problem. Artificially low interest rates also add to the problem, enabling unsustainable real estate prices. Such interest rate policies may or may not be integral to housing policy.

This analysis is incomplete and some of the hypotheses untested. It is built on expectations and understanding of human behaviour, an approach that has worked elsewhere, such as in economics and financial markets. The above should therefore be regarded as interesting speculation rather than an academic study or survey.