

DUBLIN' THE POPULATION: THE CASE FOR RADICAL NATIONAL POPULATION GROWTH

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Tomás O'Connell has the honour of winning the inaugural John O'Hagan award for the best Irish economic policy essay. It is fitting that this essay would win the inaugural John O'Hagan award. In calling for policymakers to consider population as a policy lever, and in arguing that policymakers should pursue "radical" population growth, O'Connell's essay displays that uniqueness and ambition in thought that has distinguished the Student Economic Review as a result of decades of fostering and stewardship by Professor John O'Hagan.

I. Introduction

The legacy of the Great Famine and subsequent population decline thereafter has resulted in the national population being a subject of unusual policy (and popular) interest in Ireland. The unique historical significance and dynamics of population on this island lends population to be used almost as a measure of policy success or failure, and even as a policy aim in itself. This essay argues that Irish policymakers should take population seriously as a policy variable. The Irish population is something that policymakers can and should radically increase.

In our major cities but especially in Greater Dublin, too many people and too much economic activity want to locate, which produces an overheated housing market and pressure on infrastructure and public services. In rural Ireland, too few people and too little economic activity want to locate, which in turn produces a vicious cycle of brain drain, ageing, and population stagnation. The current policy response to these problems involves making costly capital investments to cope with infrastructural pressure in Dublin, and making available a system of subsidies to bring jobs to rural Ireland. These are coping strategies that do not tackle the dynamics of population that are at the root of these problems. This essay argues that treating population as a policy lever is a logical response to Ireland's predicament, and that deliberately and significantly increasing the population of Ireland is not only feasible but desirable.

II. The Problem

Dublin

Dublin has become increasingly populous relative to the rest of the country, and this trend is set to continue into the future. Just under 2 million people live in the Greater Dublin Area (counties Dublin, Meath, Kildare, and Wicklow), which is about 40% of the State's population, and more than half of its GDP (Dublin Chamber, 2019). The increase in population and relative economic weight in the Greater Dublin Area has created two distinct outcomes – increased demand on commuting infrastructure, and upward pressure on housing prices.

The Dublin commuter belt has gradually expanded outwards over time largely due to an increase in housing prices which has pushed many buyers to commuter towns. Ahren & Lyons (2021) find a correlation between rent increases and commute times in Dublin, which is borne out anecdotally: what used to be considered the commuter belt extended to places like Swords or Ashbourne, but many Dublin workers now commute from as far afield as Portlaoise and Drogheda. The sheer number of people moving in and out of Dublin city every day has increased demand for infrastructure. New lanes on the M50 to handle increased traffic flows, LUAS Cross-City, improved bus corridors, proposed extensions of the DART line to Balbriggan and Maynooth, as well as the perpetually in the pipeline Dublin Metro, are all attempts to better manage this commuter belt population growth.

People need to commute these distances because in large part the increased population of Dublin (and particularly of high-earners willing to pay for expensive housing) has not been met with an adequate increase of supply in housing, which has pushed prices upwards and made homes in the inner and middle suburbs unaffordable for large sections of buyers. Infrastructural pressure could, in theory, be managed by continually making coping investments in infrastructure and housing supply forever, but the underlying problem would persist – Dublin would continue to attract a greater proportion of the State's population and economic activity, leaving much of rural Ireland in continued decline.

Rural Ireland

Outside the Greater Dublin Area and the State's major cities, patterns of economic activity differ from region to region. Rural Ireland is not homogenous, but some generalisations can be made. Public infrastructure is often less developed, average incomes are lower than in Dublin, and there are fewer job opportunities available. The economics of location indicates that business activity and investment naturally wants to locate near Dublin where there is excellent infrastructure and lots of consumers and graduates. The main push factor away from Dublin is the high cost of rent, so economic activity that doesn't need to be located in major urban areas - particularly

certain types of manufacturing - has traditionally been the main non-agricultural employer in rural Ireland, usually located in rural towns. Decline in manufacturing has produced a decline in the population and economic weight of rural towns in Ireland, and O'Donoghue et al. (2014) find that "Whilst there are notable and important exceptions, rural towns that have experienced sustained growth in population tend, regardless of their size, to be near or accessible to larger rural towns or the five cities". O'Donoghue et al. (2014) also note interestingly that the decline in rural industries like manufacturing has produced a sharply gendered effect, with outward migration of males being significantly higher than that of females.

Rural areas that are not fortunate enough to be near larger urban centres have suffered from substantial youth migration, which is the basic population problem of rural economic development. Without young people willing to stay in rural areas to work, start families and invest in communities, it can be almost impossible to avoid a trap. A declining population makes it difficult to attract investment and makes it inefficient to provide costly public infrastructure when population density cannot support it, which in turn makes it even more challenging to attract employment and retain young people. Rural young people moving to large cities and staying there often after completing a third-level education, or simply emigrating altogether, creates a brain drain phenomenon where talented and ambitious people concentrate in large urban centres and deprive the more isolated rural areas of the essential human capital required to escape the trap of rural underdevelopment.

III. More People Is Good

Malthusian economic thinking is very ingrained in how most people intuitively think about population. The idea that more people would stretch our finite resources thinly makes sense in a day-to-day context and is perhaps somewhat in-built into how human beings see the world around them. Before the Industrial Revolution, the main determinant of human standards of living was the availability of land. More land per person meant more resources, and more people meant fewer resources per person.

This thinking is intuitive, but it misses the point that a modern developed economy is far more productive than an agrarian economy and that the main factor in standards of living in a services-based economy is productivity, not access to resources. Our ability to innovate new productive technologies is what has enabled economic growth since the Industrial Revolution: better technology allows us to produce more and better outputs with fewer inputs, which raises standards of living.

Productivity

Small populations are inherently limited in their productivity because they cannot specialise as a larger population can. Consider the hypothetical example of a closed economy that is only large enough to support one pub. This one pub has to be one size fits all, and needs to cater to the entire community

and a range of diverse preferences across atmosphere, drinks menu, and patronage. If the population were to become three times as large, it could support three pubs. Each pub could specialise in catering to a specific type of customer, thereby increasing the productivity of all three pubs. In short, more people are more productive purely by virtue of being more numerous, all else being equal. There are also a range of network and secondary effects to this phenomenon. Some bartenders might be much better at working in nightclubs and some might be better at a traditional pub, so more pubs enable more efficient pub-to-bartender matches to be made in the labour market, increasing the economy's productivity of labour. An economy with lots of pubs might invest in a bartender training school, enabling the productivity of its labour force to increase further. Network effects multiply, as bartenders concentrate and learn from one another. Innovations and competition in bartending and public house management occur, further increasing productivity. The GDP per capita of our hypothetical economy is now far greater than it ever was before the population was increased.

The point here is to illustrate that a Malthusian understanding of population is wrong, and in fact, in a service economy like ours, more people actually increases the standard of living of the population and all else being equal, is something we should want. To some extent, this is basically what we see in the higher wages earned in Greater Dublin. Intuitively one might assume that much of that difference comes from the selection effect of lots of smart and ambitious young people moving to large cities, but Fontagné & Santoni (2016) use French firm-level data to find that “denser commuting zones seem to offer a better match between employers and employees, leading to more productive firms” – in other words, areas with more people are more productive primarily because they have more people and not for any other reason.

Density

The above would imply that increasing our population should be a policy priority because density is economically wise, and Ireland is an unusually sparse country in a European context. At 71 people per square kilometre, Ireland would need to quadruple the population of the State to reach the same density as the United Kingdom. The UK is a country that has lots of large and dense metropolitan areas in Greater London, Greater Manchester, Birmingham and the Midlands, and in Leeds and Newcastle in England's Northeast, but the UK is not an unmanageably overcrowded country, and much of Scotland and central Wales is sparsely populated even. The point is that a much more populated Ireland is actually not unfeasible or a particularly unpleasant vision – it would simply mean larger and busier regional towns (imagine Tralee looking more like Drogheda), expanded secondary cities (Galway being as large as Cork), and some continued growth in Greater Dublin. Pre-Famine Ireland supported over 8 million people on a dense and vibrant countryside. Also, unlike in many other countries, there are no significant areas of land in Ireland that are totally unsuited to large-scale human settlement. There's no geographic or spatial reason that we should constrain the national population to its current size.

IV. A Policy Agenda

Solving the Irish Policy Challenge

The policy problem facing the State as discussed in Part II is twofold – too many people and too much economic activity want to be in Dublin which pressurises the State’s ability to provide infrastructure, and too few people and too little economic activity want to locate in Rural Ireland, which produces a vicious circle of rural decay and underdevelopment. This totally ignores the dependency ratio problem that we face – plenty has been said about the Pension Age before, and policymakers know that we need more young people urgently. The response in Greater Dublin has been to keep making capital investments to keep pace with growth, which has been very challenging and not very successful – much of the commuter belt does not have access to the type of transport infrastructure that is available in comparable cities in Europe and many transport projects either do not happen or are delayed due to local opposition in the suburbs. In rural Ireland, the policy response has involved making piecemeal and expensive State subsidies available to companies to locate in places where they probably would not otherwise locate in order to bring jobs to rural Ireland,

The root of Ireland’s problem is its small population. There are no large counterweights to the economic gravity of Dublin, meaning that Dublin attracts too much economic activity and people. Much of Rural Ireland is in the grips of a vicious cycle of outward youth migration. The way to solve both of these problems at once is to have lots more people in cities and towns outside of Dublin. If regional towns and cities were large enough to create their own economic gravity, some of the infrastructural pressure on Dublin would ease as investment and economic activity would begin to concentrate in large and growing alternative urban centres. This is basically a chicken-and-egg problem. Investment and jobs are difficult to attract without a young and growing population, which is difficult to retain without investment and jobs. Ireland’s approach thus far has been to encourage investment and jobs in rural Ireland first in the hopes that strong employment prospects will keep young people in rural Ireland, but it is an uphill battle. A better approach would be to systematically increase the population of the country and let investment move to places where there is a growing population and consumer market. An Ireland with twice or three times its current population would have other large urban areas beyond Dublin, and large and bustling regional towns that could attract economic activity in their own right. Those places would serve as a counterweight to the dominance of Dublin, and would reach such a critical mass as to keep young people in those areas in the long term, enabling family formation and an escape from the rural underdevelopment trap discussed earlier. This would be a fundamental reversal of fortunes for the entire country, and it could be done if population was to be taken seriously as a policy lever.

Policy Ideas

Population change is a function of the birth rate and net migration. Consequently, there are two ways to radically increase the national population – increasing the birth rate and allowing more immigration.

The fertility rate across the globe has fallen year on year for some time due to better access to contraceptive technology, reduced child mortality, and improvements in the status and economic independence of women. In highly educated societies, norms around family formation have also changed, and the average age of family formation has moved later, effectively shortening the fertility period. Simultaneously, the cost of having and raising children in the developed world has increased in most countries as childcare and education has grown more expensive. Interestingly however, Bongaarts (2001) finds that there has been a sustained and even growing difference between desired fertility (the amount of children per woman survey respondents said they wanted) and observed fertility. This difference between desired and observed fertility can largely be explained by the increased cost of having and raising children, and the shortened fertility period. The implication here is that a significant population increase could be achieved simply by making it cheaper and easier to have and raise children, through the provision of state-subsidised childcare and stronger parental leave guarantees, which would in theory allow observed fertility to meet desired fertility.

Positive net inward migration is the other way in which the population can grow. Just over half of the population increase in 2020 came through net migration, which amounted to about 28,900 people (CSO, 2020). There are undoubtedly more people that would move to Ireland if offered the chance than are currently able to. The real constraint on net migration is a political and labour market one. There is a perception in many European countries that immigration will reduce wages for native workers, particularly unskilled ones. Empirical evidence for this claim is somewhat mixed, Dustmann, et al. (2008) find that negative wage effects for native labour only occur in relatively narrow circumstances. In fact, Dustmann, et al. (2008) find that wages often increase with immigration. In general, immigration is a net positive for economies - and this is aside from the previous discussion of the economic benefits accrued through density. More people is good, and policymakers should want to increase the population using whatever tools are available to them.

V. Conclusion

Population is rarely thought of practically as a policy variable that can be controlled, perhaps for political reasons – attempting to radically increase a population is a very ambitious idea, and efforts to actively manage population size have had a mixed history with often bad connotations. However, the economic theory discussed in this essay shows that more people is good for productivity, and there's no real constraint that would prevent us from having a much larger population in Ireland. More people is not only good in the general case but

would specifically benefit the unique structural development problems we face in Ireland. Attempting big, ambitious, direct policy interventions to increase the population of Ireland is a good idea. Even though attempts to increase Ireland's population would involve overcoming many technical and logistical challenges around providing housing and making infrastructure available, these are good challenges: as a country, we should want to engage with the problems of growth, population and dynamism and not our current problems of urban sprawl and rural decay.

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