People, land, and (lots of) sea:
New Zealand's persistent economic underperformance

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It has been said that a definition of insanity is doing the same thing over and over again and expecting a different result. That's my story about New Zealand policymakers, dating back many decades.

Even cyclically, the economy isn't doing particularly well - headline GDP numbers look okay, but per capita growth has been pretty feeble. Inflation has been persistently undershooting the Reserve Bank's target range - which matters because it means many people have been left unnecessarily unemployed. And there isn't very much on the horizon to suggest things are about to change. Dairy prices aren't rebounding materially any time soon, risks abound in the rest of the world (notably China) the impetus (boost to demand) from the Christchurch repair process has passed, and whatever you think of the economics or politics of the immigration surge (we'll come back to that) it isn't likely to get any bigger than it is now.

But the real challenges for New Zealand are more about our long-term continued underperformance. Last weekend was the 80th anniversary of the founding of the National Party, which, in turn, came hard on the heels of the formation of the first Labour government. In 1936, we had the third highest per capita incomes in the world - for all the awfulness of the Great Depression for many, we emerged just a little behind the US, Switzerland and the UK. Now we are 29th.

Even in the years since 2007/08 - having largely avoided the crisis itself - we've done only a little better than the typical advanced economy, and - for all the talk otherwise, particularly from people on the right in Australia - we've done even less well than Australia.

I often tell this story along the lines of "the only countries that have done worse than us over the decades have been the likes of Argentina and Uruguay", but actually in the last 20 years or so even Uruguay has been lifting its relative performance. We haven't.

1936 wasn't some flash in the pan. Just before World War One the best international estimates suggest we actually had the highest per capita incomes in the world. In 1950 we were still one of the handful of countries with the highest incomes. But no longer.

There is a vast literature on what makes some countries rich and others not. Mostly, it seems to me, it is about human beings, and the ingenuity, skills and institutions they develop and sustain. Part of that is their willingness to spot, and respond, to opportunities to better themselves. But there have been big differences in how various cultures have been able to maximise their economic opportunities. These can be touchy issues, but for several centuries now - although not before then - northern European people and the institutions they developed (including when adopted by others) seem to have been best able to prosper.

But people and institutions aren't everything. In some countries, the presence of natural resources makes a huge difference. You can see this particularly with small oil-producing countries - Qatar, Kuwait, Brunei – which are up near the top of the global GDP per capita league tables, even though similar peoples (cultures/institutions) in neighbouring countries, but without the oil, are so much poorer. One can also see the natural resource effect in Europe. 40 years ago, Norway - with much the same sorts of people and institutions as the other north European countries (or New Zealand) - was no more than a middling OECD country. Now - with lots of oil and gas, spread over not many people - it tops the OECD league tables.

Smart technologies enable us over time to do more with the natural resources - previously uneconomic opportunities become economic for example, or land simply becomes that much more productive. Cheaper travel makes beautiful but distant scenery a better economic opportunity.

Location also seems to matter. Not so much perhaps these days for bulk homogeneous commodity products - shipping costs are low enough that the Australia, almost as remote as us, can supply the world with a huge proportion of its iron ore etc. But for all the talk of the "death of distance" - I saw a local investment bank head championing that story just yesterday - if anything personal connections seem to matter more than ever for many of the really high value products and service that modern advanced economies increasingly rely on for their prosperity. We can see this in the continued rise of big cities (where per capita incomes typically rise faster than that elsewhere). Successful cities happen neither by chance, nor by government directive, but because the economic returns to locating close to others in the industry, to service industries, and to customers are sufficiently attractive to make it the big city happen.

Historically, location was often a matter of easy access to sea (or navigable river) transport – which was hugely cheaper than land transport. But even that had to be in conjunction with proximity to people and markets. Climate seemed to matter too - in hot and wet places prone to tropical storms, for example, it was very difficult to store produce, to build capital. These days, it seems to be mostly about physical location and proximity to major markets. Put the same people who inhabit New Zealand today on similar land in New Zealand's near-antipodes, the Bay of Biscay, and they'd probably be materially richer than we are.

Peripheral places seem to prosper only with significant natural resource endowments developed and utilised by smart and innovative people. But the natural resource base of any country is largely fixed, and if it needs able people to utilise it, it doesn't need very many of them - in fact, quite possibly fewer than it did, given the wonders of labour-saving technologies (eg milking machines).

One of the marks of the great success of the world economy in recent centuries is how many more people it can now support in levels of comfort never previously widely available. But, and it is a crucial "but" to understanding New Zealand, I think, we don't find lots of people - and particularly lots of prosperous people - everywhere.

Peripheries are typically very lightly populated, and often they aren't that prosperous at all, and when they are prosperous it is typically prosperity for a rather small number of people. There is no sign of people trying to flock to those remote places - they just aren't natural places to generate high-returning jobs and businesses in the modern age. It is not that lots of people **couldn't** live in those places, but that they typically **wouldn't** choose to do so. I did a post last year pointing out the Stewart Island or even the Chatham Islands have more land than either Singapore or Hong Kong, but that it was just inconceivable that voluntary choices would ever generate a situation with millions of people earning First World incomes on those remote islands. Setting New Zealand to one side for a moment, there is no remote island anywhere that sustains top tier incomes for more than a few hundred thousand people. In fact the total population of Kerguelen, the Azores, Hawaii, Seychelles, Fiji, Iceland, Tasmania, Reunion, St Helena and the Falklands is just a bit less than New Zealand's.

How does all this apply to New Zealand?

The gist of my argument is as follows:

- In the 19th century, a combination of the immigration of an economically more productive institutions/people, combined with falling transport costs, refrigerated shipping, and new dairy technologies enabled New Zealand's natural resources to become tradable on world markets. That lifted material living standards for almost everyone here, Maori and European. The story was much the same, with specific characteristics for each country, for Australia - or Chile, Argentina, Uruguay or California.
- Those falling transport costs etc represented a huge positive productivity shock that enabled the country to support many more people with top tier incomes than had been the case previously.
- But there has been nothing remotely comparable in at least the last 100 years that has favoured countries like New Zealand (natural resource dependent but without large quantities of oil, and distant).
- And yet there has been a persistent desire, often popular, but particular among the elites, to populate New Zealand ever more heavily. It goes at least back to Vogel in the 1870s. But there at least it anticipated the gains that would soon flow from refrigeration, dairy etc. And it has gone on almost every decade since - with brief interruptions around the Great Depression, and in the mid-late 70s and much of the 1980s. For decades this desire was sufficiently strong that we actually subsidised people to come here: it was much more expensive to get from Europe to NZ (or Australia) than to the US or Canada, so we offset some of that natural disadvantage.

We've brought in ever more people, with no more natural resources, no NZ-specific positive productivity shocks, and all the disadvantages of distance, and we wonder why our per capita economic performance has fallen ever further behind.

Let me elaborate:

Read back through New Zealand economic history and as early as 1960 you find serious commentators worrying about our underperformance. In a way it wasn't surprising - we had hobbled ourselves and built a large and inefficient manufacturing sector here (I wrote recently about the extraordinary fact that in the early 1960s New Zealand had 20 firms making TVs, for a population of only around 2.5 million people). We eventually undid all that protection - and did a bunch of other mostly worthwhile reforms. As Fabians perhaps some of you were sceptical, but the conventional wisdom was that we'd done enough to put ourselves back on the right path, and converge back to the incomes of other better-performing OECD countries. I treasure a *Herald* photo from 1989, in which the Minister of Finance David Caygill is shown pointing to a graphic illustrating exactly this sort of convergence he expected. He wasn't alone. As a young government economist it was certainly my view.

But in the subsequent decades we have just slipped further behind. Oh, the fall hasn't been as rapid as it was in the 1970s and 1980s, but it has been real and material nonetheless. For a few years at a time the terms of trade (outside our control) sometimes help us out. And we work long hours per capita, to make up to some extent for the low output per hour. But none of it masks the continued underlying decline - not just against Australia, or Singapore, but against almost every OECD country.

Important as I think much of those reforms were, it is quite clear that the challenges of New Zealand economic underperformance or more serious than just removing trade protection, streamlining regulation, and keeping in tax rates moderate.

There are some odd features of our underperformance. I think they help point us towards the answers. One of them is that we've had consistently the highest real interest rates in the OECD, and a real exchange rate that has never sustainably fallen (as one might have expected) even as we've slipped ever further behind our peers.

High interest rates can be sign of an economy doing very well, with abundant opportunities needing investment to take advantage of world demand for the sorts of products and services it can produce well. And a high and rising average real exchange rate is what you expect in an economy with rapid productivity growth, that is catching up to the rest of the world.

But of course that isn't the New Zealand story. In our case, they've resulted from persistent excess demand, in turn resulting from a rapidly growing population in a country where the savings rate isn't high. In the process, business investment has been squeezed out (ours has been among the lowest in the OECD) and especially that in the tradables sector, where firms have to compete internationally.

The issues have become increasingly apparent, and stark, in the last 40 years or so, as many New Zealanders (more than 900000 net since 1970) have left for better opportunities abroad, mostly in Australia. Their departure should have helped those of us who stayed behind. Outflows of people would put downward pressure on our interest rates. And it should have put downward pressure on the real exchange rate. Together those adjustments would have helped - a lot. More firms with smart ideas, products and export opportunities would have been viable, even in this remote location, and the natural resources we have would have been spread over fewer people.

But successive governments have simply stopped that adjustment from happening. Individual choices to move represent a market signal - but one that governments have just ignored, or treated as if it is something they have to offset. They do that through the large scale (notionally skills-based) immigration programme. Our governments now aim to bring in 45000 to 50000 non New Zealanders as new residents each year. That is around one per cent of the population - one of the largest active immigration programmes in the world. We can lose sight of how large and unusual it is – I'm aware of few if any other modern governments that have ever turned to large scale immigration when their own national productivity and incomes have been drifting further behind those abroad. Emigration was a more common approach (see the exodus from Italy or Eastern Europe at the turn of the last century).

The logic of the immigration programme is supposed to be that we capture some of the cream of the global crop, and in the process boost the productivity and economic performance of all New Zealanders.

Unfortunately, there is not the slightest evidence that the New Zealand strategy has worked. The formal evidence base around the economic impact of immigration to New Zealand is unfortunately still quite limited, and we never quite know what would have happened without the immigration. But it was never a strategy that was likely to succeed. For one thing, being small, remote and (by advanced country standards) now relatively poor, New Zealand is not exactly first choice for the hard-driving and ambitious best and brightest. Our universities are middling at best, so we can't attract many potential stars that way. And we don't actually focus very strongly on attracting really highly-skilled people. As Hayden Glass and Julie Fry point out in their new book, our skills-based programme has been attracting less skilled people, on average, than the Australian or Canadian programmes.

All this has been done without any real in-depth analysis of the opportunities and constraints of New Zealand's physical location. By failing to do that analysis our politicians (from both main parties) and their advisers have implicitly treated New Zealand as if it were some Northern European country, or perhaps one just off the north-east coast of the United States. We aren't, but policymakers typically haven't acted as if they believe that matters.

New Zealand might have plenty of smart people and low regulatory barriers to starting businesses but it seems to be a pretty poor place to base global business. That seems to be our experience. But look around the world, and you simply don't find many such businesses on remote islands.

Modern New Zealand has always been, and remains, a natural resource-based economy, and no one is making any more land, sea or other natural resources. We find new and smarter ways to maximise what we earn from the natural resources - productivity in agriculture in recent decades, for example, has been quite impressive - but that doesn't change the fact that we have a given stock of natural resources and a fairly rapidly growing number of people. For each new person we add there are simply fewer natural resources per capita. In a well-ordered society, abundant natural resources are a blessing not a curse, and there are plenty of opportunities for productivity gains in many of those industries. But the stock of resources isn't increasing, and the number of people is. It doesn't take more people to utilise those resources well, just capable people developing utilising new technologies and other innovations.

None of this would matter if we were rapidly growing industries that were taking on the world based largely on the skills and talents of our people. After all, there are no known bounds to human creativity and ingenuity. You could think of the US or the UK, or Belgium or Ireland. People in New Zealand talk of comparisons with Denmark - once also a key agricultural supplier to the UK, but which now has much different industry patterns. But in a key respect we aren't, and can't be, like any of those countries.

Of course, what New Zealand exports has changed over 170 years – at one stage, gold was our largest export, perhaps whale products at one stage even earlier. Optimists like to point out the agricultural exports have diminished in relative significance. But if we look at all our exports, our natural resource based exports - agriculture, oil, fish, gold, (most) tourism, forestry, aluminium - make up probably 80 per cent of our total exports (good and services). That proportion isn't shrinking materially. There are some globally successful companies based here, who don't primarily draw on the natural resource base – Fisher and Paykel Healthcare might be the best known, and Xero is no doubt hoping to join them – but there aren't many, and there is simply no sign of the export base transforming. Exports of educational services have been in the headlines this year, but we aren't exactly selling premium Ivy League type products. Mostly we are "exporting" second tier educational services - and often enough, the preferential right to apply for residence here - rather than world-beating products

Long-term prosperity depends on being able to successfully sell stuff to the rest of the world. That, after all, is where the bulk of the markets are: the best opportunity for really smart companies, products, and management teams to make the most of what they have to offer. There is nothing very controversial in that proposition – countries that catch up mostly do so by trading more heavily with the rest of the world.

But how have we done? 100 years ago we had some of the highest per capita exports of any country. Now we languish way back, especially when compared to other small countries. More recently, in per capita terms, the volume of tradable sector production (exports and local producers competing with imports) in New Zealand is no higher than it was 15 years ago. Over that period we might have hoped for a 50 per cent increase (around 2.7% pa). No wonder our living standards keep falling behind.

Much New Zealand discussion has also focused on empowering and enabling Auckland. You all know the rhetoric - our one "real" city, our one global city, and so on. Population growth in Auckland has been very rapid. Since World War Two only one OECD country has a largest city that has grown faster than Auckland. Since 2000, Auckland has grown by 30 per cent and the rest of the country only by 13 per cent. That much larger population - and the growing diversity of the population - should, so it was argued, have markedly boosted our economic fortunes.

We know that within countries incomes tend to be higher in bigger cities. But that simple empirical insight has led to all sorts of wrongheaded policy thinking here. Instead of treating city size as an outcome, we've come to treat it almost as an input. There has been a belief that if only we build and promote a big city then growth will come. There is simply no good economic basis for that belief - world expert on the economics of cities, Ed Glaeser, said as much when he visited a couple of years ago. It is little more than old-fashioned boosterism dressed up in modern language - the Dunedin stadium debacle writ large.

And whatever the arguments, there is simply no evidence that the strategy has worked. We've run a huge natural experiment, the evidence is in, and it isn't good. Over the last 15 years, a period of no growth in per capita tradables sector production in the country as a whole, we've also seen Auckland's average per capita incomes **falling** relative to those in the rest of the country. Fifteen years ago average Auckland incomes were 124 per cent of those in the rest of New Zealand. Now it is more like 115 per cent. Sure there is lots of activity going on there, but much of it just supports the needs- roads, schools, houses, shops, offices etc - of a very rapidly growing population. There is simply no sign of a fast-growing knowledge-based outward-oriented tradable sector, that would lead faster national growth in productivity and incomes, emerging.

This simply is not a place where those knowledge-based industries would naturally locate in any number. Even if they started here, in many or most cases the owners could maximise value by relocating (or selling) abroad.

The contrast with small European countries is striking. In a blog post last week, I showed a chart of how big cities do relative to the rest of their countries. In the typical small European country (typically with rather slow population growth), GDP per capita in the dominant city is around 50 per cent higher than for the country as a whole. In the UK or France, that margin is more like 60 per cent. In Auckland last year it was 7 per cent. In most of those countries - and in the US - big city GDP per capita has been growing faster than that of the country as a whole. In New Zealand it has been the other way round. Auckland has been underperforming, and badly. There is good reason to think policymakers are simply drawing more people into a place that doesn't have great economic promise. Auckland's population growth these days is largely (and New Zealand as a whole's, entirely) the result of non-citizen immigration

I can imagine you have lots of questions and challenges to this diagnosis. I can't deal with all of them in a single speech presentation, but perhaps the key one is "but isn't immigration generally beneficial?"

Well, yes, it generally benefits the immigrant. And that is a real gain. But countries make policy for their own people. Immigration programmes driven by economic considerations - as ours is (the government tells us it is a "critical economic enabler") - should help the citizens of the recipient countries (and not just help a few by boosting regulatory-restricted urban land prices). But if we look globally and historically there is very little history of immigration boosting the incomes of the citizens of the recipient country anywhere, unless - and it is an important, but sobering, caveat - unless the immigrants bring with them a materially more economically successful culture and institutions, and swamp what was there before. Think (perhaps rather uncomfortably) of the fate of the indigenous populations of Australia, Canada, the United States, Chile, Argentina, and….New Zealand.

Immigrants typically flow from poorer countries to richer countries and in so doing tend to narrow the differences between incomes in the two. That is what the NZ/Australia flows should have done over the last few decades. Academic research is also quite clear that it is how European migration to North America, Oceania and Latin American worked in the 19th century. Great opportunities in the US or NZ attracted lots of migrants - and in the process lowered wages a bit in the recipient countries and raised them a bit in the sending countries. But the fabled gains to recipient populations typically do not exist. The US didn't keep getting rich because it took lots of migrants; it is simply that really successful countries can "afford" to take lots of migrants if they choose. We did in the couple of decades prior to World War One. But the US actually chose not to for 50 years after World War One, before they opened the doors wider again. But there was no discernible deterioration in US economic performance in the closed years - in fact, the years when the US was largely closed to immigration were among those which saw the very fastest productivity growth. I'm not suggesting a causal relationship, but it makes the point that immigration is hardly vital. Or even necessarily helpful, to the prosperity of citizens of recipient countries.

So we come back to New Zealand. In their individual wisdom, knowing their own country, New Zealanders has been recognising that prospects for them and their families are better abroad than here. Even last year, more left than came back. And yet our governments - backed more or less by all political parties - have simply decided to bring in huge numbers of new people each year. It is an astonishing example of a central planner's hubris - a whole new Think Big strategy in which governments, each with the best will in the world, mess up the stabilising adjustments that would otherwise have been underway. Most of you are probably more enthusiastic on the role of government than I am, but I'd argue that for decade after decade our governments - from all parties - have pursued deeply flawed economic strategies. Whatever else we ask governments to do, we would be better off leaving economic development, and population numbers, as something that arises from the choices of firms and citizens. The knowledge problems - and the incentive problems - are just too great for anything else to be worth risking. And governments need to learn to respect market signals: when so many of your own people are leaving year after year, it should be telling us something about the number of people who should sensibly - and prosperously - be living here. It does when people leave Taihape or Invercargill. It should do when they leave New Zealand.

Governments don't help by messing up the housing market but, salient as that pressure is right now, especially in Auckland, it isn't the real issue. The real issue is simply that there are no new really good income earning prospects - new highly rewarding export industries - that the much higher population is enabling us to tap. We haven't found new natural resources or ideas that need lots more people to take full advantage of them. If we keep on with such a strategy we'll keep on, little by little, drifting further behind the rest of the advanced world. We are simply in the wrong place to support very many people. No other remote island has anything like our population. Our own people have implicitly recognised the limits of New Zealand for decades. It is governments and their official advisers who seem blind to it.

Of course, New Zealand will probably always support a nice lifestyle for the well-educated and talented - but then the beaches of Montevideo (those Uruguay comparisons again) look pretty good too. But the economic strategy just isn't working, either for Auckland or for the country as a whole.

Closing those widening income and productivity gaps will take far more rigorous and robust analysis and advice from our key economic agencies, such as Treasury and MBIE. They need to look hard at all the symptoms of our longer-term economic condition. Curiously, Treasury was in the forefront of highlighting the distance issues 15 years ago - with the great line that a 1000km radius circle around Wellington captured 4.5 million people and lots of seagulls, while similar circles around European or Asian capital captured hundreds of millions of people. But they never seem to have connected it to a discussion of immigration policy. Just this week, Treasury released some papers on their view on immigration policy. There is some sensible stuff about how we are putting insufficient weight on attracting really highly skilled people, but nothing at about distance, location or opportunity. If distance is a real cost - and it seems to be - Treasury and MBIE might want to recognise that it is not necessarily sensible to be adopting policies designed to drive up our population, so that more people face the uphill battle of the cost of distance.

But this isn't just a matter for bureaucrats. It will also take political will, drive and vision - a willingness to put aside the implicit "big New Zealand" mentality that has shaped so much of our history - from Vogel to Seddon to Holland to Holyoake to Douglas, Birch, Clark and Key. We need to recognise is that there are plenty of nice, and - more importantly - successful small countries. Actually, many of the countries of eastern Europe fill that bill - since the opening up they've typically seen quite large migration outflows to western Europe, where the opportunities are better for now. But actually, that hasn't held those countries back from - and may even have helped in - making substantial progress in catching up with the rest of Europe for those who stayed. The contrast with Israel - even faster population growth, although with different motivations - and New Zealand, the productivity laggards should be sobering.

Any country or region with control of its own immigration policy can build big cities - there are always place poorer, where people will move from - but surely a better test is the choices that your people are making, people who know the country better than almost any migrant. Ours are still leaving.

I drove last year from Omaha, Nebraska to Denver, Colorado. The US is a big country with more than 300 million people. The distance of my drive was much more than from Wellington to Auckland - and yet there were hardly any people along the way. It is good farmland (so I gather) but Americans have concluded, presumably quite rationally, that the economic opportunities are better elsewhere. Give Nebraska an immigration policy, and a New Zealand type desire to Think Big, and their politicians too could attract several million more people quite easily. But there is no evidence that in doing so, it would lift the incomes of the Nebraskans. Big Auckland isn't an outcome of great outward-looking economic opportunities, but of a central planners' hubris.

So what should we do instead? I've argued for a much smaller immigration programme, and one that seriously targets only the very ablest people (on top of whatever humanitarian refugee quota we want to take) - not lots of retail managers, café or restaurant managers, or rest home nurses (the local labour market will take care of any individual "skill shortages"). Cutting the residence programme target to, say, 10000 to 15000 per annum would, I gather, put our inflows about on a par (per capita) was those of the United States, which takes perhaps 1 million migrants a year.

What would happen if we did? Let's work through some of the channels.

First, house prices would fall, and probably quite considerably in Auckland. High house prices are mostly the interaction of supply restrictions and population pressures. So take away the population pressures, and houses will be much more affordable. That is an important but incidental benefit.

Second, real interest rates would fall. After 25 years in which our interest rates have been persistently above those in other countries, ours would converge with the rest of the world. Demand pressures (that result from perennially meeting the infrastructure needs of a rising population) would dissipate, and all the resources (people) currently deployed in catering to a rising population would be free for other uses.

Relatedly, the exchange rate would come down, and stay down. We'd still have exchange rate cycles of course, but around a much much lower level. The best estimate is that if our interest rates matched those abroad, we might see the exchange rate averaging 30 per cent lower. That wouldn't be comfortable for those of us with tastes for Amazon books and overseas holidays. But in a sense that is the point. Instead, it would make a whole lot more businesses able to compete internationally, growing export business from New Zealand. A lower exchange rate won't fully offset the locational disadvantage, but for some it will make a huge difference. We'd see exports growing as a share of GDP, after 30 years as almost the only OECD country where that share has gone nowhere. And no fewer fish would be caught or cows would be milked, no less gold mined, no less wine produced, and no fewer tourists will come. In other words, the natural resources will still be there, but the benefits will be spread less thinly over fewer people. Ours just aren't areas of advantage that need lots more people.

For the time being, this approach would give us a flat, or perhaps marginally falling, population. International experience suggests that isn't a problem. In fact, it enables a country to concentrate its energy and resources on intensive growth (getting more from the same number of people) rather than extensive growth, struggling to keep up with rapid growth in numbers of people. It might also generate more of a focus (from firms and governments) on the struggles of many of our own people, rather than allowing elites to get away with implicitly writing off the locals on the basis that "we can always import better people". Successful countries are likely to have growing populations - people will want to stay, and want to reproduce - but you can't invert the process. We don't make successful countries by using policy to induce a growing population. The same goes for big cities. Big Auckland is simply a big "natural experiment" that's failed.

New Zealand isn't in short-term crisis, and for that we can be grateful. But our people - our kids and grandchildren - deserve more than leaders pursuing one flawed "Thinking Big" strategy after another. Simply adding more people failed in the post-war decades, and has failed again in the last 25 years. We also need responses that take seriously our location. Facing up to the opportunities and constraints of our location is the first step towards beginning to reverse the generations of decline, and the exodus of so many of our own people. Our natural resources, combined with the skills and talents of our people, enable us to produce pretty reasonable living standards. But we've been going backwards. It looks as though this land will, for now at least, produce really good living standards for really quite small numbers of people. Perhaps one day distance really will be dead. But wishing it doesn't make it so. A population growing as fast as ours is – and by government fiat when private choices are running the other way - in a location so remote, just doesn't make a lot of sense.