

## ACCENTUATE THE POSITIVE

### More chance to show spin-doctoring skills

EU membership and the issue of migration are, once again, topping the political agenda. With the accession of Bulgaria and Romania due on 1<sup>st</sup> January 2007 they are likely to remain among the biggest issues in British politics, however much the major political parties may regret it.

It is often pointed out that the Home Office study, 'The Impact of EU Enlargement on Migration Flows' of 2003 spectacularly misforecast the likely influx of workers from the Eastern and Central Europe as the result of EU enlargement in 2004. This estimated that the influx would be between 5,000 and 13,000 per annum. But it should be noted that the forecast was made *before* the decision of Germany and others not to let in immigrants from the new member states. The Home Office study in fact predicted that, in that case, migration from the Accession Eight (A8) to the UK could be between 12,000 and 82,000 a year and it drew attention to academic forecasts showing a range of possible migration figures to the EU15 between 100,000 and 260,000 a year. It also emphasized the draw of the English language as an important migration driver.

Given that the population of Bulgaria and Romania is about 30 million and that its standard of living is 28 per cent of the EU15 as against 45 per cent for the A8, is it now possible to estimate the number of likely migrants to the UK from Bulgaria and Romania?

The decision of the other major EU countries in the Spring to continue restrictions on the A8 for another three years means that they will not let in migrants from Romania and Bulgaria. The Blairite think tank, the IPPR, which the government has commissioned to look at this, forecasts an inflow of 68,000 to the UK in the first year. The twin issues of EU membership and migration share many characteristics and illuminate the dysfunctional nature of British politics. As Jeff Randall, the BBC's economics correspondent has remarked, modern British politics represents the triumph of public relations over rational thought. It is quite clear that the major parties have no idea of what the EU principle of 'freedom of movement' is likely to entail in practice. They have been protected from exposing their ignorance by the fact that little intra-EU migration took effect before 2004.

All the major parties are in favour of the EU and immigration. All make dogmatic statements about the benefits without scruple or evidence. All refuse to consider impartial costs/benefits' analysis. All ignore the obvious losses to Britain's poorest people. All profess support for the 'free movement of labour' without understanding its implications. Incredibly, all, ultimately, favour a completely free movement of labour area with Turkey and without any analysis of the likely economic and social impact. All ignore an important truth: that very large-scale immigration means that the receiving economy begins to take on the characteristics of the country from which the immigrants have come, as the National Research Council of the US National Academy of Sciences has acknowledged in its study 'The New Americans: *"In the extreme case in which immigrants' descendants never assimilate and have a higher rate of natural increase, the nation to which they have immigrated eventually takes on the same economic characteristics as the one they come from"*. Given that Turkey will soon have a labour force as big as that of Germany and the UK combined this is something worth bearing in mind.

On immigration, as on 'Europe,' all parties are careless about history, evidence and principle. Instead, the parties quarrel over the second order issues of management

and presentation. Thus when the assumption that A8 immigration being between 5,000 and 13,000, turns out to be wildly incorrect, no action is taken or apologies made. Instead the government follows the advice of its PR experts by 'accentuating the positive'. So, having reassured the voters that A8 migration would be a fraction of the 400,000 who actually arrived, the Government suggests that the actual outcome constitutes an unmixed economic blessing.

Up to 20<sup>th</sup> August the Labour Government had not said whether or not it would allow in migrants from the two new states. It was reported that the Conservatives had decided to remain united in their indecision about immigration from the two new countries, at least for time being. Meanwhile there was a major effort to rearrange the presentation in Conservative immigration policy. Conservative policy has always been in favour of free movement of labour in the EU and indeed in favour of wider immigration. The party manifesto for the 2005 election said, "Britain has benefited from immigration. We all gain from the social diversity, economic vibrancy (what that?) and cultural richness that immigration brings." David Davis has opposed Labour only on managerial grounds, "*What you have to do is to manage the system properly in order to provide the skills we need, without overwhelming local social services or the housing market, without upsetting community relations.*"

It is difficult even to take the remarks of Damian Green (*Times*, 8<sup>th</sup> July 2006) seriously. According to Mr. Green, a new immigration policy must have the consent of ethnic minorities. Precisely how this consent is to be elicited and why the consent of the indigenous population is not required is not explained. Even Green must realize there is something bizarre about approaching Muslims in Coventry and, by implication, promising them a vote over whether Bulgarians and Romanians should be admitted to the UK.

As for the UK Independence Party, its Leader, replying to criticism over his setting up a family company to import Eastern Europeans to under cut British workers, reminded us that it too is in favour of some immigration, "For such long term work as opposed to my short term guest workers, UKIP has proposed a proper [sic] work permit scheme."

During July and August a number of prominent politicians and media figures began to warn that the large scale of immigration from Eastern Europe was impacting on the wages of British people and producing a number of other undesirable consequences of a kind which are likely to follow when an influx of labour is not matched by the requisite increase in capital spending on houses, roads, water, etc. These included John Denham, Frank Field, Polly Toynbee, Susan Anderson of the CBI, Bob Cotton of the British Hospitality Association and David Frost of the British Chamber of Commerce, as well as sections of the media.

Extraordinarily, within less than twenty four hours both Labour and the Conservatives announced inchoate, media-driven changes in position. The Conservatives decided to call for 'strict quotas' on the number of workers allowed in from Bulgaria and Romania, whatever that means, while Alastair Darling, in answer to a question as to whether Britain would offer an open door, said "*No. No-one who deals with immigration fails to realize that we have to have a system which is properly managed, properly constructed. That is essential.*" Downing Street later claimed no decision had been made.

The two crucial questions on the Bulgarian and Romanian issue are – does migration benefit the British people as a whole and is the free movement of labour in the EU in the interest of the British people as a whole?

In order to demonstrate that it achieves the first of these goals those advocating the free movement of labour would have to show that reducing the earnings of the indigenous population in order to pay for the additional capital expenditure necessary to raise the living standards of imported labour is likely to have compensating long-term benefits. But they do not do this. Nor do they explain why the arrival of capital-less labour is in some peculiar way more beneficial than the addition of migrants with exactly the same capital and skills as indigenous populations which, as the US National Research Council frequently points out, would simply enlarge the economy without achieving a positive impact on GDP per head.

There is substantial evidence, for example, that provided by the Economic Institute of the Dutch government that, with capital fixed, almost any type of immigration reduces GDP in per capita terms with considerable losses to wage earners outweighing extra returns to capital. Leaving aside important issues relating to national identity, there are quite obviously considerable fiscal costs in importing workers with low marginal productivity into a welfare state,

Only the most highly selected skilled or wealthy immigrants could possibly increase the prosperity of the native population. In 2004, only 25 out of 582,000 immigrants qualified for investors' immigration consents and the hurdle for being an 'investor' is extraordinarily low – being less than the cost of a house in a salubrious area of London.

Lord Turner, a very europhile former Director of the CBI, said on 11<sup>th</sup> July, "*The economic disbenefit is that in the short term, at least, high levels of unskilled immigration are bad for unskilled workers and I think to deny that is nonsense. There is an attempt to deny that but it just flies in the face of all economic theory.*"

One wonders how he can support the EU with its principle of freedom of movement - but at least his statement exposes the weakness of the parties' policies on the EU and immigration.

Now the two major parties in a formation dance are appearing to reverse their previous certainties about the benefits of the influx of capital-less labour, a few questions may be asked. Are they prepared to stop the immigration from the A8 countries? Are the A8 immigrants considered to be a permanent addition to the British labour force? Or are Bulgaria and Romania going to be the only EU countries from whom immigration is controlled? Are they prepared to conform to the EU agreement to take unlimited labour from the A8 countries after 2011 and Bulgaria and Romania after 2014? Are they still serious about enlarging the EU and allowing (eventually) free movement of Turkish labour? Is it not time they based their immigration and EU policies on analysis and principle?