

# Immigrants take on liabilities

*Do immigrants realise that they take on pre-existent public debt and liabilities?*

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One of the world's current puzzles is why immigrants continue to come to the UK, as well as other western European countries and the USA, where they automatically assume responsibility for the interest burden and repayment liabilities of enormous government debt. This debt was incurred by past government spending and incurring of liabilities before these immigrants even arrived. Little of this debt was used to acquire government assets.

There is another puzzle. Those who advocate immigration, and even talk about immigrants helping to pay for pensions, do not care to inform immigrants of the liability they are taking on. However, the fact is that new immigrants take on an enormous debt burden for past government spending. They become late entrants to a Ponzi scheme.

Those who advocate immigration are often quick to adopt a posture of high morality. This is difficult to justify when the fact is that they are putting forward a policy that will saddle new immigrants with large-scale debts for past government spending and entitlement promises.

**Emigration** - A further aspect is that emigrants from highly indebted countries, shed their share of that debt when they emigrate. Nowadays, there is an increase in emigration, especially of the better skilled, from southern Europe, Ireland and the UK. The motivation for this movement is to find jobs not to avoid debt. However, often mentioned is that these jobs carry lower tax burdens and the tax burden reflects, inter alia, debt servicing. The fact is that if their emigration is permanent, they do shed their share of their native country debts.

Joel Kotkin in *Forbes* magazine, 28th June 2012, pointed out "An estimated half million left Spain last year alone. Ireland, which in recent

*decades actually attracted migrants, was exporting a thousand people a week last year. In recession-wracked Britain, a 2010 poll found nearly half of the population would like to move elsewhere."*

There is clearly a danger that emigration of the better skilled, motivated at present by a search for employment, will leave the remaining population with more debt per capita. When this is realised, emigration may increase substantially.

**Impairment of the security of lenders** - Lenders to the British government need to be aware that their perceived security, which is the future taxes levied on the British taxpayer, and defined in the Whole of Government Accounts as 'Total Liabilities to be funded by future revenues', is gradually being transferred. The underwriting taxpayer is gradually changing as the better skilled emigrate and are replaced by immigrants whose taxable capacity may be less.

**What are the figures for the UK?** - According to the Office for National Statistics in its publication, 'Capital Stocks, Capital Consumption and Non-Financial Balance Sheets', the total wealth of the UK on the 31st December 2010 was £3,181 billion in terms of the net written down value of all fixed assets (£2,539 billion in 2004) and is, therefore, per head £50,781 (£40,532 per head in 2004).

The UK population is about 62 million. The gross value of UK fixed assets (stocks, work-in-progress and also land and foreign investment, are all excluded from these calculations of wealth and capital assets) in 2010 was £5,199 billion, or £82,996 per head. The actual total of government assets, according to the Whole of Government Accounts for 2009/10, was £1,207

billion (at 31/3/2010) or £19,268 per head, so the share of government assets acquired by each immigrant was £19,268 per head.

The total government liabilities of the UK were £6,269 billion on the 31st December 2010, that is, the total of government official debt, public sector pension and state pension liabilities, or approximately £100,000 per head. Therefore, each immigrant immediately assumes this amount of liabilities. As only half the population is actual workers or income generators, each worker assumes a debt of £200,000. From the figures on wealth above, the amount of written down capital assets acquired for use by an immigrant is less than half of this (£50,781) and his share of government assets is about twenty per cent of his share of government liabilities. An emigrant from the UK immediately sheds a corresponding amount.

These figures can be summarised as follows for the UK in 2010:

1. Total government liability acquired per head by a new immigrant £100,000
2. Total government liability acquired per head by a new worker £200,000
3. Total government assets acquired per head by a new immigrant £19,268
4. Total share of national wealth acquired for use per head by a new immigrant £50,781
5. Total wealth needed to be created for each new immigrant if capital assets per head are to be maintained. {This figure is different from that in (4) because new immigrants have to be equipped with new capital equipment as it is impossible to add extra part-used assets to the economy.} £82,996.

The enormous rise in formal government debt, public sector pension liability and state pension liability over the last six years, (it has more than doubled in five years) means that

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the total of liabilities taken on by the average immigrant is now substantially in excess of the total assets gained for use by an immigrant and massively more than his share of government assets.

**Qualifications** - For the purpose of this analysis, it is assumed that each emigrant or immigrant has exactly the economic characteristics of the average (mean) earner of the native population. In fact, the cost of taxes falls more heavily on higher earners, who do not include most UK immigrants but who will have to pay for a greater share of

the burden of past government debt and liabilities.

An emigrant who is a high earner will, therefore, shed a greater sum of government debt than an average earner. A high earning immigrant will take on a greater share of debt than an average immigrant.

A broader perspective should also take on the possibility that government liabilities have grown so large that they can never be paid and must be defaulted on. This may make the apparently irrational intention to immigrate a more rational course of action.

**Conclusion** - Like most native citizens, immigrants do not usually form their judgement of whether to change their country of residence on contemplation of relative long-term government liabilities.

However, for most immigrants into the UK, it is clear they take on responsibility for past government debts on a massive scale. Similarly emigrants from the UK shed their share of responsibility for these debts.

Is there not now a case, both morally and practically, and in the interests of transparency, for giving a formal notice to each immigrant that they are taking on such a large liability?

## National or European Parliament?

The independent Labour Peer, Lord Stoddart of Swindon has called for the European Parliament to revert to being an assembly, as it was until 1979, with representatives 'elected by and accountable to national parliaments'. In a written question in the House of Lords, Lord Stoddart asked if the Government would advocate such a course in any future discussions on revision of the European Union treaties.

Baroness Warsi, replying for the Government, would not be drawn into a direct reply, going no further than saying that the Government would work to "enhance the role of national parliaments in European Union

matters, including by using existing mechanisms such as improved consultation, and through the reform of institutions".

Commenting on the Government's reply, Lord Stoddart said: "These weasel words simply aren't good enough. The European Parliament is now regularly seeing itself as senior to national parliaments. It is currently attempting to hold a secret vote on the latest EU budget settlement, which is quite disgraceful when you consider that they are dealing with how taxpayers' money is to be spent. It is national parliaments which raise the taxes that are handed over to the EU and who are directly accountable to the electorate. It is they who should have

the final say, not the European Parliament.

Only yesterday, the President of the European Parliament, Martin Schulz said "the multi-annual budget negotiated by heads of governments will have no majority in the European Parliament, we will reject it for sure". He is openly challenging an agreement reached by elected heads of government on behalf of their taxpayers. This institution is out of control and badly needs to be reformed and returned to being an assembly with representatives responsible to national parliaments.

*Written Questions - House of Lords, Hansard 26th February 2013.*

## Pay and the EU

The EU officials have struck a deal on new financial rules, including capping bank bonuses.

Under the agreement bonuses will be capped at a year's salary, but can rise to two years pay if there is explicit approval from shareholders.

The UK which hosts Europe's biggest financial services centre, was opposed to any cap on bank bonuses.

David Cameron said the EU should concentrate on tightening up banks other ways.

Chancellor George Osborne was in Brussels last week trying to renegotiate the proposals, he failed, but further talks are expected.

However, EU finance ministers in the Economic and Financial Affairs Council (Ecofin) have approved the bonus proposals.

The City of London fears the rules will drive away talent and restrict growth and Boris Johnson has supported these fears.

The result of these changes means that yet another power will move to the EU, how long before they dictate wages and benefits?

The difference between salary and bonuses payments being included as pay will probably end up in the courts.