Immigration a study in financial and moral impoverishment

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Most of the advocates of the economic benefits of immigration confine themselves to assertions or pass on assertions made by others. These advocates include the drafters of the last Conservative and Labour manifestos but also widely read commentators, such as David Aaronovitch of *The Times* and Matthew D'Ancona of *The Evening Standard*, as well as the editorial writers of *The Daily Telegraph*. These journalists are not regarded as experts but simply are generalist commentators who do not have any economic or accounting expertise but are simply passing on the beliefs of the political class.

But there is another group in favour of immigration – those who style themselves as 'freemarket economists' and claim expertise.

These would include *The Economist*, the *Wall Street Journal*, *The Adam Smith Institute, The Centre for New Europe, Open Europe, and The Daily Telegraph* financial page. Mostly these follow the same line or argument as the generalists with little economic analysis and zero accounting analysis of the effects of immigration.

Occasionally, in passing, they do notice that lower skilled natives are seeing their wages reduced. Sometimes they take cognisance of crowding-in effects caused by an influx of immigrants. their usual reaction is that of Queen Marie Antoinette with innumerate calls for 'policies to relieve strains on public services and living standards' by the *Economist* and Laslo Andor, the EU Immigration Commissioner, telling us, *"The answer to these problems is to invest in new facilities, housing and services not to turn away people"*. There is talk about the 'pressure on public services' although why that should be any different from the situation of the capital sector or the private sector as a whole is never explained. This is a soundbite.

They do not quantify the cost of supplying the capital requirements of immigrants, which are truly colossal. They do not identify who is to pay these costs but you can be sure it is the native taxpayer and native workers. They do not calculate how the costs of providing capital equipment for immigrants massively outweigh the economic benefits they allege are bestowed on natives by immigration.

Economic Effects of Immigration - When an immigrant steps off an aeroplane in London or New York, he arrives in a country whose native inhabitants have accumulated capital and wealth over generations and centuries. From the moment of arrival, he makes use of this wealth – the airports, the roads, the water supplies. Later, he requires the 'tools of production', housing, health services, churches, colleges and cultural institutions, etc.

British and American politicians and commentators have typically addressed only the aggregate GDP effects of immigration and, in the case of Britain, the three major political parties have regarded these as favourable.

From the economic point of view, this is a partial analysis.

The issue of the impact of immigration on wealth is rarely mentioned. The essence of this is as follows – when an immigrant worker arrives without capital and earns the same as a native worker, that means the wealth of the country is being shared among more people and, therefore, wealth and capital per head are reduced.

To put it another way, how can an immigrant worker finance his initial stake in society – the same amount of wealth that the native workers have been building up over centuries?

There are two conclusions:

1) It is a consensus by economists, although it is not advertised by them, that capital is supplied for immigrants by inducing a depression in the wages of native workers due to increasing the supply of labour vis-à-vis capital.

2) Even though native wages are depressed, this process will not fully supply an immigrant worker with his requisite share of wealth. So capital per head in the new migrant and native economy is less than in the previous native only economy and, for a long time, it is a lot less.

Natives lose out both ways:

1) Their wages are reduced.

2) Their wealth per head is reduced.

So their standard of living is reduced as well.

The process of depressing the wages of native workers also raises the question – is it socially and morally right to deliberately depress the earnings of native workers in order to provide capital and wealth for immigrants?

The American Experts - The fundamental economic benchmark relating to the economic effects of immigration is that put forward by the National Research Council of the USA, which states that *"if immigrants have exactly the same skill distribution as domestic workers and if they have brought sufficient capital with them to maintain the US capital/labor ratio, then natives will neither benefit nor lose from immigration"*. [1]

Clearly, the vast majority of migrants bring little or no capital with

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them.

The process of capital adjustment is quite clearly spelt out by economists, if not by politicians – falls in the wages of native workers fund the capital requirements of immigrants.

This was put by Professor George Borjas, the Harvard expert on immigration:

"In other words, if native workers are not harmed by immigration, many of the benefits that are typically attributed to immigration – higher profits for firms, lower prices for consumers – cease to exist."

"As I pointed out earlier, no pain, no gain."

["Heaven's Door: Immigration Policy and the American Economy", by George J. Borjas]

Most economic discussion on migration has concentrated on the impact of migration on aggregate GDP but this is only part of the picture.

To take a simple point, all that is reflected in GDP figures for housing is the annual addition, which in Britain is around 135,000 houses (net) per annum, plus the cost of repairs, etc. The existence of 20 million houses plays no part in GDP calculations, but does play an immense part in wealth and 'standard of living'. All other 'created assets', such as roads, schools, factories, etc., play the same role.

To consider the standard of living of a country's inhabitants, we must not only take account of the income and expenditure account, or GDP, but also the wealth or balance sheet. Standard of living does not depend solely on GDP; it also depends on the use of the accumulated wealth, such as houses, buildings, roads, factories, water supplies, power stations and a myriad other items. These are not reflected in GDP, except in the form of marginal annual additions.

Migrants without Capital - What happens when the immigrant worker does not have capital with him? We then have the phenomenon of 'crowding-in'. Immigrants use dwellings more intensively; they overload transport, water resources and all the other accumulated capital (we assume the native economy is in equilibrium). Production per head decreases, because there is capital dilution and so each worker has fewer 'tools of production'. As the *National Institute Economic Review* (No. 198, October 2006) pointed out: *"For each extra pair of hands income rises less in proportion because there is no extra capital."*

This diverts some capital from the job of intensifying the wealth of natives to that of supplying the needs of immigrants – either voluntarily, by the means of capital readjustment described below, or through government taxation. So, the increase in the capital backing of natives is reduced, and there may also be some diversion of natives' consumption into supplying capital to immigrants. Immigration, therefore, reduces the wealth and consumption of natives.

Thus not only is the per capita GDP of the new, combined workforce of natives and immigrants reduced below the previous per capita GDP of natives by the effects of immigration without capital, but so is the accumulation of the wealth of natives, their standard of living, and also, therefore, their future production.

The Theory of Capital Adjustment - It is necessary also to look at the dynamic effects on capital and wealth.

Any arguments that migration benefits native workers centre on the increased returns to capital, which create a fresh demand for workers and a new equilibrium, with higher levels of capital and employment (but not higher amounts of capital per head).

It should be noted that the leading American academics, such as the NRC and Professor Borjas, do not claim that the increased returns to capital will do any more at best than restore native wages to the pre-immigration level. In its second major study, entitled *'The Immigration Debate, Economic, Demographic and Fiscal Effects of Immigration'*, the NRC stated: *"We are not, of course, suggesting that immigration caused an improvement in real wages".* [2]

This fits in logically with the NRC analysis quoted earlier, demonstrating that, once immigrants acquire skills and capital similar to those of the natives, the economy will simply enlarge pro rata. So the American academics believe that increased returns to capital are only effective up to the point at which immigrants have the same skills and capital as natives.

This must be the logical conclusion. Furthermore, the NRC states:

"As already mentioned, in the short run the influx of new labor is likely to depress the capital-labor ratio before it is restored through new investment. If the capital stock is disproportionately owned by native-born residents ... then native-born owners of capital will benefit temporarily from higher returns to capital. Indeed, it is this higher return to capital that (in part) is thought to induce an increased volume of investment that ultimately restores the capital-labor ratio to its pre-immigration level." [3]

The theory of capital adjustment makes it clear that money taken away from native workers is used to fund the capital required by immigrants. Capitalists are an intermediary in this process. Of course, much British capital is now foreign owned and, therefore, there is a loss to British workers and a gain for foreign and British capitalists at least until a new

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equilibrium is reached which would be more than a lifetime.

So, for natives, the whole process of immigration means initial losses, immense dislocation, reduced production per head, a reduction in the standard of living due to wealth dilution, with the ultimate result that the capital-labour ratio is restored to its pre-immigration level – or, put another way, 'as you were'. This is not a good deal for natives, since the proper accounting of capital adjustment shows this does not return wealth to its pre-immigration level.

There is simply no respectable argument that immigration will ever generate added returns for natives, unless immigrants have skills and capital that are superior to those of natives.

Moral Impoverishment - Considering only the economic issues, there are moral objections to mass immigration. That is, regardless of the national, cultural and other objections.

First, it is the consensus among serious economists that it redistributes income from those natives competing with migrants towards capitalists and complementary labour. In the UK, much capital is foreign owned so the distribution is partly from British workers to foreign capitalists.

Second, capital equipment – housing, schools, hospitals - is supplied for migrants by diverting investment from, and cutting wages for, native workers.

Their wages and wealth per head are reduced.

Third, immigrants are not informed that they automatically take on their relevant share of government debt and off balance sheet liabilities. This burden per family is now far in excess of average mortgage debt for housing. This debt was incurred by government spending and future promises from which they do not benefit and, indeed, was taken on before they migrated. Their position, therefore, can be seen as a form of long-term debt peonage.

References:
1. The New Americans: Economic, Demographic, and Fiscal Effects of Immigration.
2. Economic Impact of Immigration: 1st Report of Session 2007-08: Evidence by House of Lords. Select Committee on Economic Affairs.
3. NRC, *'The Immigration Debate, Economic, Demographic and Fiscal Effects of Immigration'*.
(All 3 references available at http://www.publications.parliament.uk /pa/Id200708/Idselect/Ideconaf/82/82 we31.htm)

Anthony Scholefield, Futurus – *January 2015*

Is the Queen sovereign?

The Government's refusal to confirm who has final say on UK nominees to the European Commission raises a question: Is the Queen no longer sovereign?

Despite repeatedly being questioned by the independent Labour Peer, Lord Stoddart of Swindon, the Government has steadfastly refused to confirm who has the final say over nominees to the European Commission, the Commission President or Her Majesty's Government.

Responding for the Government to Lord Stoddart's latest request for a direct answer to this question, the Minister of State at the Foreign and Commonwealth Office Baroness Anelay of St Johns has once again avoided answering by falling back on previous non-answers and talking about the need to 'discuss' and reach agreement.

Commenting on the Government's response, Lord Stoddart said: "It is perfectly clear to me why they wish to avoid answering this important question. To admit that the President of the Commission has the final say means admitting that Her Majesty's Government has become a vassal of the European Commission and that Her Majesty, whose Government makes the nomination, is no longer sovereign. This makes Jean-Claude Junker, the President of the Commission, the most powerful man in our country's government and raises him above Her Majesty."

European Commission

Question - **Asked by Lord Stoddart of Swindon:** To ask Her Majesty's Government, further to the Written Answer by Baroness Anelay of St Johns on 20 November (HL2790) concerning candidates nominated by member states of the European Union to the European Commission, whether the member state or the President of the European Commission would be the final arbiter of whether the nominee takes office.

The Minister of State, Foreign and Commonwealth Office (Baroness Anelay of St Johns) (Con): I refer the noble Lord to my previous answer. Depending on the particular circumstances and facts of the situation, both parties would need to discuss and agree next steps.

Source: Hansard 15th December2014