



Immigration and Public Debt – Comment on the OBR’s Sustainability Report 2013

Summary

1. The recent OBR report was deeply misleading on immigration because it:

- chose for the summary an entirely theoretical scenario.
- made no assessment of the government’s actual policy; indeed, the general effect was to misrepresent it.
- made no mention of the population impact of its central case which would add 15 million to our population in mid-century of whom 10 million would be due to immigration.
- gave inadequate weight to the fact that immigrants also get older so that any effect can only be temporary, requiring ever - more immigration in later years to maintain the same age-structure.
- assumed no change in participation rates or pension ages.
- ignored the wider costs of high levels of immigration and made no mention of the social and environmental impacts.

Detail

2. The recent OBR report on fiscal sustainability has been widely misunderstood or misquoted to suggest that immigration control would massively increase the burden of public debt. For example:

“How much do we want to cut net migration anyway, when the OBR warns that if it were stopped (sic), the UK’s public sector debt would rise from 74% of GDP today to 187% by the middle years of this century?”

(Polly Toynbee, The Guardian, 8 August 2013).

3. The truth is rather different. First, after a review of the “vast literature” on the economics of immigration, the OBR found that its contribution to productivity and GDP and its fiscal impact were **“positive, although not significant”** (emphasis added). This is remarkable confirmation of the House of Lords report of April 2008.

4. In view of this outcome, the OBR *assumed* that immigrants have the same economic characteristics as natives while being more concentrated in the working age group. Thus it is simply that the additional numbers of persons of working age that reduces the ratio of public sector debt to GDP.

5. The subsequent spin, intentional or otherwise, arises from the OBR’s decision to use “natural change” as their basis for comparison. This term refers to a theoretical situation in which there is no movement in or out in any age group. It could only be achieved by closing our ports and airports permanently. It is this scenario that generates their headline public debt/GDP ratio of 187%.

6. Their next scenario is "zero net migration" where numbers arriving balance those leaving. This is feasible, it is just not government policy. It gives a net public debt / GDP ratio of 140%.
7. The OBR make no calculation of the effect of the government's actual policy of "tens of thousands". If we regard that as 80,000 a year, the ratio would be of the order of 120%.
8. The OBR's chosen central case of net migration of 140,000 gives them an outcome of 100% as a net public debt / GDP ratio. However, they do not mention that this level of immigration would add 15 million to our population by mid-century of whom 10 million would be the result of immigration (the immigrants themselves, and and their children born after 2013). Nor do they give due recognition to the fact that immigrants also get older so a large and increasing flow of immigrants would be required to maintain the effect upon the age structure, leading eventually to enormous increases in UK population. It has been understood by demographers for many years that it is impossible to maintain a constant age-structure through immigration, or even to moderate it to an important degree, with sustainable levels of immigration.
9. A major factor in such projections is the possibility of raising the pension age as expectation of life increases. The OBR have assumed no change. That is, in itself, is an extreme scenario, flying in the face of current trends throughout the modern world. Raising the age of pension entitlement in line with increases in life expectation has an important moderating effect upon public debt / GDP ratio.
10. Finally, the report makes no mention of the many costs arising from mass immigration, and the substantial demand on capital which it creates, let alone its social and environmental consequences.
11. It is hard to avoid the impression that this was an unduly simple approach to an important issue which, in effect, misrepresented current government policy. It was bound to be seized upon by the immigration lobby. We should expect the OBR to produce a more careful and balanced assessment in such a sensitive field.

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