

in brief...

The discussion of immigration needs to improve

Those who believe in a more open, liberal approach to immigration often frame their argument as being on the side of 'good economics' versus 'bad politics'. **Alan Manning** explains why the arguments presented as 'good economics' are often unconvincing; those on this side of the argument really need to up their game.

Post-pandemic net migration has risen in many countries. Although there are good reasons to think much of this is temporary, many countries, including the UK, have responded by making their immigration policies more restrictive.

Those who believe in a more open, liberal approach to immigration argue that this is "good economics" but closer scrutiny shows these arguments are often not as strong as they think or could be.

To illustrate this I consider three articles from respected sources. I apologise to the authors for singling them out; I could have chosen many others who put forward similar arguments. I chose them because I think they are representative, not because they are especially bad. They are an *Economist* editorial "How to detoxify the politics of migration", a *Financial Times* op-ed "Immigration crackdowns are good politics but bad economics" and a *Guardian* article "Why Home Office visa plans will be 'nail in the coffin' for UK hospitality".

The *Economist* editorial points out "the share of the world's people who live outside their country of birth is just 3.6%; it has barely changed since 1960, when it was 3.1%", implying immigration anxiety is a fuss about nothing. This is highly misleading; it is the high-income countries where concerns about immigration are focused and there the share of migrants has doubled in the last 30 years and continues to rise; can this really be described as "barely changed"? In most of these countries, the share of migrants is at historical highs.

The chance of an immigrant winning a Nobel can hardly be used to argue for a generally open immigration policy

The *Economist* goes on to outline some economic benefits from immigration: immigrants are four times likelier to win a Nobel science prize than the native-born. True, but this is 45 people since 2000 so the chance of an immigrant winning a Nobel is so small that it can hardly be used to argue for a generally open immigration policy (though perhaps more open for some small selective groups of high-flying scientists). The *Economist* goes on: "Immigrants in America are nearly twice as likely to start a company as the native-born". They could have used other less striking sources, for example a 2011 OECD report also found that "migrants are more likely to start a new business in most OECD countries" but "the survival rate of those businesses is lower than that for new businesses started by native-born entrepreneurs" so that "on average across OECD countries the percentage of migrant entrepreneurs differs only slightly from that of natives". In addition "On average, a foreign-born self-employed who owns a small or medium firm creates slightly fewer [additional jobs] than their native-born counterparts" suggesting migrant businesses seem less successful.

The *Economist* claim comes, I think, from the study "Immigration and Entrepreneurship in the United States" (Azoulay et al, 2022) but is an inaccurate summary of a misleading paper. Misleading because many companies have both local and migrant founders and the study's headline figure is based on counting these as migrant firms. And then it compares the share of migrant firms with the share of migrants in the total population. Migrants are more likely to found firms in large part because they are more likely to be working-age; few companies are founded by children and pensioners. Adjust for this and you arrive at a conclusion similar to the OECD.

But what about the argument that we need working-age immigrants to deal with the challenge of an ageing population? The *Financial Times* op-ed argues "the US would need to let in nearly 4mn migrants a year, every year, to prevent its population growth turning negative in the coming decades". I think the intention is to argue that high immigration is necessary to address ageing but really it makes the point that even immigration at very high levels

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IMMIGRATION



(implying 1% population growth per year permanently and ultimately a population over 50% migrant) can only delay population decline by a few years. As a 2019 EU report put it: "Higher fertility or more immigration are not enough to cope with the challenges of population ageing." The reason is simple; migrants age at the same rate as everyone else. They may be young when they arrive but don't stay that way. All serious demographic work of which I am aware comes to a similar conclusion yet proponents of immigration as a solution to an ageing population rarely cite this work.

Then there is the argument that we need migrants to deal with problems of labour shortages. But most of the shortages we hear about are not the result of too few people in a country able to do the job (a skills shortage); they are the result of too few wanting the job because of poor pay and conditions. These sectors want a ring-fenced supply of migrants so they do not have to offer competitive salaries. The *Financial Times* op-ed argues immigration "reduced upward pressure on wages and inflation" while the *Guardian* article recounts an employer who "when he advertised for a head chef in Birmingham, on a very competitive rate of £37,000, he woke up the next morning to find rival restaurants outbidding him for the same staff at £40,000." I understand why business owners dislike this bidding war for workers but perhaps the chef might think it a good thing. Both of these articles seem to imply that wage growth would have been higher if immigration had been lower thus conceding a common criticism of immigration – that it reduces wages – while seeming to imagine they are making a case for more liberal immigration.

Please do not think those on the other side of the immigration debate are better; they are equally, probably more, guilty of using cherry-picked studies, misleading statistics and arguments that do not withstand much scrutiny. There is an unfortunate tendency for discussions of migration policy to lionise or demonise migrants when they are only human. If, as I do, you think we can have a more liberal, open (though with limits), humane immigration policy please be a bit less critical of the other side and more critical of yourselves. Otherwise don't be surprised if your arguments fail to prevail.

A version of this article first appeared on LSE British Politics and Policy (<https://blogs.lse.ac.uk/politicsandpolicy/the-discussion-of-immigration-needs-to-improve>).

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Further reading

Pierre Azoulay, Benjamin Jones, J Daniel Kim, Javier Miranda (2022) 'Immigration and Entrepreneurship in the United States', *American Economic Review: Insights* 4(1): 71-88.

European Union (2019) 'Demographic Scenarios for the EU – Migration, Population and Education'.

Organisation for Economic Co-operation and Development (2011) 'International Migration Outlook'.