

Book Review

Borderless Welfare State: The Consequences of Immigration on Public Finances [Grenzeloze verzorgingsstaat: De gevolgen van immigratie voor de overheidsfinanciën]

Jan van de Beek, Hans Roodenburg, Joop Hartog, & Gerrit Kreffer
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In Western countries, reports on the costs and benefits of various topics appear regularly. What are the costs and benefits of nuclear power? What are the costs and benefits of an aging population? However, in the Netherlands, there is a political taboo on calculating the costs and benefits of immigration. Some immigrants contribute positively to the society they immigrate to whereas others cost money to their new country, but government reports on this topic are scarce. In 2003, the Netherlands Bureau for Economic Policy Analysis published a report by Hans Roodenburg, Rob Euwals, and Harry ter Rele called *Immigration and the Dutch Economy*. It showed that immigration is extremely costly for the Dutch treasury.

There are other publications, but they were not initiated and paid for by the Dutch government. In 1999, the influential Dutch econometrist Pieter Lakeman published the book *Enter without Knocking: Dutch Immigration Policy and Its Consequences [Binnen zonder kloppen: Nederlandse immigratiepolitiek en de economische gevolgen]*. Moreover, the influential Dutch journalist Syb Wynia, an expert on politics and economy, wrote a column in the rightwing weekly *Elsevier* in 2009 on the costs and benefits of immigration. All three publications reached the same conclusion: Immigration is hugely costly for the Dutch treasury.

Recently, a new study on the costs and benefits of immigration appeared, written by Jan van de Beek, Hans Roodenburg, Joop Hartog, and Gerrit Kreffer, updating the Roodenburg et al. report from 2003. It is generally known that the Dutch are blessed by nature with enormous amounts of subterranean natural gas. The van de Beek report estimates that immigration costs equal the money earned by the Dutch state from selling natural gas since its start in 1963 until now, namely 400 billion euros. They also estimate that an average native-born Dutch family pays five thousand euros in taxes per year that end up being spent on immigrants. The researchers conclude that immigration is so costly that it will seriously harm the Dutch welfare state in the long run.

The central question of the research report is: *What are the fiscal costs and benefits of immigration by migration motive (labor, study, asylum, and family migration) and by region of origin?* The researchers use generational accounting to calculate the net contribution — revenues minus expenses — of immigrants to public finances. The data used were gathered by the Dutch Central Bureau of Statistics and include highly detailed anonymized data on all seventeen million Dutch residents; this includes four million first- and second-generation immigrants. Stating the obvious, this is an impressive, high-quality dataset.

The Dutch state spends money on both the indigenous population and immigrants for education, social security, and benefits. Per capita, the latter receive much more money on average than the former. Also, because of their lower income, immigrants pay less tax and social security premiums. Moreover, the labor force participation of immigrants is substantially lower. In 1995-2019, the total yearly net costs of immigrants were, on average, 17 billion, which add up to 400 billion euros for the whole period. The authors contrast this yearly expenditure on immigration to the recent government spending of 30 billion euros per year on education. The bigger picture: The total income of the Dutch national government is expected to be €293 billion in 2021, and the total expenditure is expected to be €337 billion.

The microdata from the Dutch government allow various fine-grained analyses, such as comparisons between groups with different migration motives. For example, the authors show that labor migrants have a positive net contribution, but study migration, family migration, and asylum migration lead to substantial negative net contributions. For instance, asylum migration costs on average almost half a million euros per immigrant; an important reason is the low level of labor force participation, partially caused by restrictions on work permits while the migrants are waiting for decision about their status.

The authors also compare regions, and it is clear that migrants from higher-IQ regions generally have on average net positive contributions. Exceptions are immigrants from some Central and Eastern EU member states that cost about €50,000 per immigrant for the time they reside in the Netherlands. In contrast, migrants from lower-IQ regions always have, on average, negative contributions. The authors show dramatic differences in net lifetime contribution by educational level: Immigrants with a master's degree contribute +€300,000, and immigrants with only primary education cost €400,000. The dataset used is rich and contains an educational achievement test that Dutch children take at the end of primary school. The lowest educational achievement score generally goes with a lifetime net contribution of approximately -€400,000, whereas the highest score goes with a value of +€300,000. A previous meta-analysis by te Nijenhuis et al. (2004) showed large mean IQ differences between immigrants and native Dutch. It also

showed that second-generation immigrants have substantially better IQ scores than the first generation, even after controlling for Dutch language proficiency. It is well-known that the Dutch educational achievement tests correlate very strongly with classical IQ tests. Te Nijenhuis et al. also show large differences between Dutch and immigrants in school achievement and work performance. So, the findings from the van de Beek report are very much in line with these previous meta-analytical findings.

Predictions of future immigration costs form a more speculative part of the report. The authors produce various scenarios, and their scientifically preferred scenario comes with a cost of approximately €600 billion between 2020 and 2040. So, over time, immigration costs will become a bigger and bigger part of the government budget, so pressures will mount to downsize the Dutch welfare state substantially. The research report comes with a hefty 90-page Technical Appendix detailing the research methods used.

Immigration has become a highly politicized topic, and therefore the authors of this report should be applauded for their attempts to bring hard facts into the discussion. It would be good to publish parts or even the whole report in a peer-reviewed journal, so that other immigration experts can comment on it. Will independent researchers reach similar conclusions? A hurdle to take for new researchers is to receive permission to work with the excellent database of the Dutch Central Bureau of Statistics.

At the time of this writing, the report is only available in Dutch, and only a summary in English is presented. However, there are plans to translate the report into English, so it can be read by the wider research community.

Jan te Nijenhuis

References

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