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2007

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MPRA Paper No. 26007, posted 21. October 2010 16:16 UTC

# **Migration without Borders: The Ethics, Economics and Governance of Free Movement**

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The final version of this paper is published in *Migration without Borders* (edited by A. Pecoud and P. de Guchteneire), New York and Oxford: Bergham Books in Association with UNESCO Publishing, 2007, pp. 65-94.

## **Abstract**

This article develops and discusses the argument that it is difficult to make an ethical or economic case against free movement of workers. The analysis that leads to this conclusion also enables us to demonstrate that free movement is not only feasible but also more efficient compared to restrictive/protectionist policies. Another implication of the analysis in this paper is that a multilateral framework similar to that of World Trade Organisation (WTO) – e.g., a World Migration Organisation (WMO) - would be an optimal arrangement that could enable member countries to tackle externalities and collective action problems associated with international migration. Although free movement and its multilateral governance are not high on governments' policy agenda, they remain the most rational solutions to international migration problems in the age of globalisation coupled with persistence in international income inequalities.

**Key words:** international migration, free movement of workers, ethics of migration, economics of migration, governance of migration

## **Introduction**

After an alarmist reaction to perceived threat of mass migration in the early 1990s<sup>1</sup>, the policy debate on international migration is now going through a new phase. Although the official discourse is still coloured with a restrictive tone, implementation tends to reflect a degree of pragmatism in favour of 'managed' migration. There are

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<sup>1</sup> For example, Martin (1993: 13) warns that 'industrial countries are experiencing their highest ever levels of unwanted immigration, to which there is no end in sight.' On the 'securitization' of immigration, see Heisler and Layton-Henry (1993). For a reaction from the perspective of developing countries, see Matheson (1991).

also a number of regional and international initiatives geared towards the development of regional/international frameworks that would facilitate the management of international migration. We aim to contribute to this relatively positive intellectual climate by exploring the ethical and economic case for free movement, which includes only the movement of people for employment purposes.<sup>2</sup>

The paper is organised in three sections. Section 1 examines the ethical case for and against free movement as defined above. In this section, we demonstrate that the level of analysis and the interdependence between actors at different levels are crucial issues that must be tackled by the ethical debate on free movement. Taking into account the consequences of strategic interaction between actors at the individual, national and global levels, we demonstrate that an ethical case against free movement cannot be made. Then, in section 2, we examine the impacts of international migration on national income, the labour market and fiscal balances of receiving countries. The theoretical and empirical findings suggests that international migration would have positive but small impacts on output, combined with some distributional effects that are in favour of capital but against the low-skilled section of the labour market. We conclude this section by arguing that the distributional effects can be tackled through compensation for the adversely-affected sections of the host country labour force, which can withstand the erosion of their wages only by investment in skill enhancement. Finally, in section 3, we propose a governance structure similar to that we observe in the area of trade. A World Migration Organisation (WMO), just like the WTO, must be based on three principles: multilateralism, non-discrimination, and reciprocity. The conclusion highlights the main findings and discusses the feasibility of free movement as a policy option in the current political climate.

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<sup>2</sup> Asylum seekers or the movement of people in the context of trade in services are outside the remit of this paper. This is because these movements are subject to already existing rules and regulations, embodied in the UNHCR and the General Agreement on Trade in Services (GATS).

## **1. Ethics and free movement**

In our attempt at examining the ethical case for and against free movement, we focus on the essential ingredients of the debate even though this narrow focus may cause injustice to the richness of the existing literature. We limit ourselves to evaluating the existing ethical propositions with reference to a utilitarian criterion. This utilitarian criterion is usually described as the social welfare of the host community and underpins the existing arguments against free movement. In that sense, our point of departure is the same as the ‘communitarian’ approach adopted by policy-makers as well as others arguing against free movement of workers. This point of departure yardstick is the maximisation of social welfare in the receiving country. The only difference between our understanding of social welfare and that of the ‘communitarian’ approach is that, in the derivation of social welfare, we take account of the strategic interaction between actors at different levels. Specifically, we take account of interactions between individuals, groups and the government at the national level and between the latter and its counterparts at the international level.

One implication of the strategic interaction is externalities, which draw a wedge between social welfare and the sum of individual/group welfares. In the case of negative externalities, some individuals or groups are able to influence public policy in their own favour without compensating other individuals/groups for the negative effects of the policy on the latter’s welfare. (In the case of positive externalities, the champions of the policy are not compensated by those who stand to gain from the policy.) Let us explain the negative externality and its implications for individual/group and social welfares with an example of policy choice – say immigration restriction.

The restriction of immigration may benefit some groups such as low-wage, low-skill labour or those with preferences in favour of a relatively more homogenous community. The same policy choice, however, may affect adversely the interests of other groups such as employers, high-skill segments of the labour market or those in favour of a more cosmopolitan community. Unless the winners from restrictive policy are made to compensate the losers, they would lobby for a level of restriction that is

higher than the socially-optimal level. This is mainly because they would not bear the full cost of the restrictive policy on society. Therefore, in the presence of negative externalities, immigration policy is highly likely to be over-restrictive – i.e., inefficient.

The second implication of strategic interaction is what is referred to as collective action failures. According to (Olson, 1965), small groups are relatively better able to organise and lobby the policy-makers compared to large groups with diffused membership. There are two reasons for this type of collective action problem within large groups. First, the marginal contribution of a single member to the success of the lobbying process is small. Therefore, the perceived risk of group failure is small when the marginal member does not contribute. This encourages lower participation rates. Secondly, the benefits derived from successful lobbying are distributed among a large number of claimants. Therefore, in large groups, the expected benefits of active participation are small. Given these dynamics, small groups formed around an anti-immigration objective may be more active and vociferous in their campaigns compared to large but diffused groups who may be in favour immigration. To the extent this is the case, immigration restriction will be not only inefficient but also unfair.

The third implication of strategic interaction relates to the role of government. The realist/communitarian ethics tends to assume that the government is a social planner who maximises social welfare (or national interest) and that the legitimacy of its action is derived from popular consent.<sup>3</sup> Then, it is ethical to restrict immigration if the latter is perceived to be posing a threat to the national interests. This proposition, however, is problematic because the government may be motivated by electoral considerations rather than social welfare. In addition, the government of a migrant-receiving country may adopt a restrictive policy without taking into account the affect of its action on other countries. In fact, this criticism constitutes the core argument of

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<sup>3</sup> A classic example of the realist work in international relations is Morgenthau (1960). Waltz (1979) provides a structural basis for political realism. For a state-centric critique of the realist/neo-realist approach on the basis of interdependence, see Keohane (1986). For a 'globalist' critique, see Linklater (1993). The realist approach to international migration is deeply rooted in international law. See, for example, Oppenheim (1905), Hendrickson (1992). For the application of political realism to international migration, see Weiner (1985, 1996). On the communitarian perspective, see Sandel (1982) and Walzer (1988).

the natural law or egalitarian liberalist approach to immigration.<sup>4</sup> According to the latter, the unit of analysis should be the world itself rather than nation states or communities.

In what follows, we will try to ascertain whether it is ethical to: (i) restrict immigration given the implications of strategic interaction summarised above; and (ii) to discriminate between movements of people and goods and/or capital. To do this, we will examine the propositions in favour of restriction as formulated by the libertarian and communitarian/realist ethics. We will also assess the coherence of the counter-propositions as put forward by the students of natural law and egalitarian liberalism.

### ***1.1 The ethics of restriction***

#### *1.1.1 The libertarian perspective*

The libertarian ethics is based on individual sovereignty, the most explicit manifestation of which is the individual's ability to enjoy the benefits of private property and of the associations formed with like-minded individuals. This premise has two conflicting implications for free movement of people. On the one hand, it implies that sovereign individuals are entitled to free movement, subject to limitations that can be justified on security and public order grounds. On the other hand, however, it also implies that sovereign individuals are entitled to object to free movement if the latter is perceived to threaten their property rights and/or the 'club benefits' they derive from associations they voluntarily establish with like-minded individuals. In practice, the libertarian approach is in favour of immigration if the latter follows an invitation from sovereign individuals or a contract between two parties. Otherwise, immigration amounts to trespassing.<sup>5</sup>

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<sup>4</sup> For the liberal-egalitarian case in favour of taking international society as the unit of analysis, see Linklater (1993), Carens (1987) and Goodin (1988). For the case for open borders from a natural law perspective, see Dummet (1992) and Weithman (1992).

<sup>5</sup> For a libertarian approach based on individual sovereignty, see Steiner (1992). On the case for capital mobility as opposed to free movement of labour, see Lal (1992). For a critique, see O'Neill (1992).

However, property rights is a poor basis for restricting the movement of people for three reasons. First, and as indicated by O'Neill (1992), the right to own and enjoy private property cannot be separated from the way in which the property was appropriated originally. If the original appropriation was based on closure or expropriation, people whose movements are restricted could well argue that the current income inequalities are a result of closure or expropriation. This is an argument likely to be voiced by developing country governments, who would argue that colonisation by developed countries between the seventeenth and twentieth centuries constituted an exercise in expropriation. Then, restriction of immigration on the basis of property rights could be justified only if developed countries compensated developing countries through development aid.

Secondly, and from natural law perspective, it can be argued that private property is a historical construct and was not a universal right before the emergence of capitalism. Therefore, the property rights argument can be criticised as an attempt at restricting a historically-prior right (i.e., the right to free movement) by upholding a historically-posterior right (i.e., the right to own property). Thirdly, the libertarian approach does not address the possibility of externalities and collective action problems indicated above. In other words, it does not allow for possible conflicts between the maximisation of individual welfare and that of the social welfare.

Finally, the libertarian ethics does not address adequately the issues that arise because of the existence of a 'public space' outside the realm of private property. For example, the delivery of essential public services such as health, education, or social care may require the employment of foreign labour even if the latter is considered as a source of threat to the 'club benefits' associated with membership of the host community. The libertarian ethics suggests that a 'congestion criterion' can be applied to determine whether or not the entry of foreign labour is justified. However, congestion is not a robust criterion because its definition varies. Congestion sometimes refers to the level of unemployment among the native work force; sometimes it is the pressure that foreigners exert on local services; and sometimes it is the exceeding of a threshold in the ethnic mixture of the local/national community. In addition, even if we agree on any of these measures of congestion, the measure in question is influenced by perceptions that change over time and from one community to the other.

In the light of the analysis above, we can detect two major shortcomings in the libertarian ethics of free movement. First, the libertarian ethics may leave no scope for international migration when the latter is perceived to be encroaching on individual property rights or when it is perceived to congest the public space. In practice, this may imply zero immigration – depending on societal perceptions and the organisational strength of the anti-immigration lobbies. Then, the libertarian argument in favour of international migration (subject to preservation of existing property rights or ‘club benefits’) becomes morally obnoxious because it boils down to granting a right that may not be exercised. Indeed, the libertarian ethics could generate propositions that are more exclusionary than the realist/communitarian approach and foster open hostility between defenders of the existing property rights (i.e., incumbents) and trespassers (i.e., immigrants).

The second shortcoming is the high levels of uncertainty and discretion that the libertarian ethics would allow for in the determination of congestion thresholds. For example, what is the acceptable level of ethnic diversity in the host country? To what extent is the pressure on local services due to extra demand by foreigners and not to tax cuts induced by high levels of capital mobility? To what extent are unemployment and wage differentials due to other variables such as free trade, technological change or capital mobility rather than immigration? Finally, how should the policy-maker react to the diverse and sometimes conflicting perceptions about congestion?

### *1.1.2 The realist perspective*

The realist arguments against free movement take two forms, both of which ignore the interaction between actors at different levels. One variant, described as communitarianism, is based on the premise that moral agents are rooted in particular contexts as people choose different ways of life and organise into different communities (Sandel, 1982; Walzer, 1983; and Kymlicka, 1988). Therefore, people are entitled to be protected against international migration that threatens their ways of life and association. In addition, popular sovereignty implies that states are under obligation to prioritise the interests of their political community *vis-à-vis* other individual or collective claims. Realists acknowledge that this stance inevitably



implies exclusion, but they also argue that this exclusion would in fact be less severe than the exclusion that non-state actors, left to their own devices, are likely to impose (Walzer, 1983: 39).

The other realist variant is based on national interest as articulated by governments. For example, Weiner (1985 and 1996) argues that free movement of people or international regimes for regulating international migration are not feasible because sovereign states can always invoke the concept of national interest as a basis for unilateral action. Then, we should be guided by the ethical requirement that '*ought implies can*'. In other words, it is better not to have ethical norms if such norms are not likely to be observed. Weiner (1996: 193) also differentiates between individual morality and the application of morality to public policy. Based on this differentiation, he argues that '[P]ersonal ethics are a poor basis for public choices because they do not take into account the costs that such policies impose upon others.'

As a basis for restricting immigration, the realist/communitarian ethics suffers from three shortcomings. The first is the ignorance of externalities that arise when governments adopt unilateral immigration policies. Just as it is the case with the libertarian ethics criticised by Weiner above, the realist/communitarian ethics can be criticised for ignoring the costs that national policy choices might impose on other nations.<sup>6</sup> True, realists are not against intergovernmental institutions that could mitigate or manage the spill-over effects of unilateral actions. Yet, they leave such institution building to the discretion of nation states, which would prefer either unilateral action or rules/institutions that would be too loose to be effective. So, the realist qualification concerning intergovernmental cooperation provides very little or no remedy to the externalities that may be associated with unilateral national action.

The second problem is that the negation of '*ought implies can*' is not '*cannot implies ought not*' (Goodin, 1992: 252). An action that would produce a superior outcome compared to the existing state of affairs may well be unfeasible. As Goodin indicates, however, 'the good remains good, even when it lies beyond our grasp.' Then, the realist approach cannot justify restrictions on international migration merely by

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<sup>6</sup> On this, see for example Keohane and Nye (1977).

pointing to the practical impossibility caused by the division of the world into sovereign state jurisdictions. It would be still ethically correct to argue in favour of free movement, not only because one has to be logically consistent but also because one has to call a spade a spade – i.e., one has to highlight the fact that the existing order is preventing the achievement of a superior outcome. Otherwise, the realist/communitarian proposition will boil down either to ‘excuses’ in defence of the existing order or to collusion with dominant actors in that order.

The third problem stems from the possibility of ‘veto groups’ within national communities and the impact of these groups on national and global welfare. Veto groups are likely to emerge when: (i) the group size is small; and (ii) the benefits to be derived from common group action are large (Olson, 1965). Therefore, the larger the number of veto groups in a country, the higher the probability of sub-optimal policy choices. In addition, the ability of veto groups to impose sub-optimal policy choices will increase to the extent that the group can equate its own interests with the national interest that the state is expected to defend against non-nationals (see, Ugur, 1995). Unless it demonstrates that these complications do not exist, the realist approach cannot provide an ethical basis for rejecting free movement.

### *1.1.3. The natural law and egalitarian perspectives*

The natural law or egalitarian approaches to the ethics of international migration try to overcome the shortcomings indicated above by focusing on global society or humanity. For example, the natural law approach argues that one’s rights arise from one’s being human – as opposed to being a citizen or a member of a community. The egalitarian approach, on the other hand, seeks a just distribution of wealth within a global society. Therefore, according to the natural law approach, ‘any legal or political arrangement in which citizens have rights which aliens do not have’ is unjust and in contradiction to natural law (Finnis, 1992: 205. See also Dummett, 1992). The liberal egalitarian approach, on the other hand, considers free movement as a human right comparable with other rights, and the exercise of this right is necessary to reduce global inequality (Carens, 1992: 25; Woodward, 1992: 60).

The strength of these arguments stems from their non-contingent nature, which leaves little or no room for discretion or uncertainty. Yet, the natural law and liberal egalitarian approaches too ignore the implications of strategic interaction between actors (governments, individuals, groups) at different levels. For example, there is evidence suggesting that economic convergence between nations reduces while economic inequality increases the incentives to migrate. Then, the number of people exercising the right to free movement would fall as inter-country and inter-group equality increases. This is unlike the right to free speech, for example. The exercise of the latter not only contributes to achievement of equality but also becomes more feasible as equality increases. In other words, there is a symbiotic relationship between the right granted and the common good (equality) that it is expected to serve.

Therefore, the natural law and liberal egalitarian approaches must accept that free movement is not a basic right but only an instrument that could enable individuals to escape inequality. If this is the case, then the effectiveness of this instrument should be compared with that of others (e.g., free trade or free capital mobility) that may also alleviate inequality through convergence of wages and other factor incomes. In short, free movement of people may not be considered as a basic human right but only as a policy choice, which, preferably, should satisfy ethical and efficiency criteria.

Furthermore, free movement of people should be presented as a basic right only if it can be demonstrated that the exercise of this right does not harm others. All human rights have a 'public good' character in that the exercise of these rights does not reduce the amounts of rights available to others with legitimate claims. *Neither free movement of people nor that of goods and capital satisfies this condition.* All these so-called rights have redistributive effects that generate winners and losers, even though their exercise may lead to an increase in global welfare. Therefore, the ethicality of the free movement cannot be established on the basis of whether or not it constitutes a basic right. We can still develop an ethical argument in favour of free movement because the domain of what is ethical (i.e., right to do) is larger than the domain of basic rights (i.e., rights to enjoy).

The analysis above enables us to argue that neither libertarianism nor political realism can provide an ethical basis for restrictive immigration policies. Both approaches

ignore the possibility that restrictive policies may not serve the common good (i.e., they may not lead to the maximisation of social welfare) within the countries that adopt them. Also, both approaches are conducive to a high level of discretion and uncertainty either in the internalisation of externalities or in the management of international migration. Therefore, we conclude that that neither libertarian nor realist/communitarian ethics can be invoked against free movement

However, the analysis above also suggests that the ethical case *in favour* of free movement cannot be based on its conceptualisation as a basic right. Yet, the impossibility of conceptualising the free movement of people as a basic right does not imply that an ethical case for free movement cannot be made. Free movement can still be ethical because the domain of what is ethical (i.e., right to do) is larger than the domain of basic rights (i.e., rights to enjoy).

### ***1.2 The ethics of asymmetric treatment***

The inadequacy of the ethical debate concerning free movement is also apparent in the debate on whether it is ethical treat the free movement of people and that of goods/capital asymmetrically. On the one hand, the liberal egalitarian and natural law approaches argue that both types of movement should be treated symmetrically. Their argument derives from their assumption that free movement is a basic right. This is explicit in the case of free movement of people, but it is implicit in the case of free movement of goods and capital. In that sense, the natural law and liberal egalitarian approaches appear to be avoiding inconsistency at the expense of subscribing to a questionable characterisation of free movement as a basic right.

The libertarian approach engages in a different trade-off. It refrains from discussing whether or not free movement of people is a basic right, but accepts explicitly that this is different from free movement of goods and capital. That is because the latter would result only from voluntary contracts concluded prior to the movement itself; whereas people can move between countries with or without prior contracts. The problem here is that this classification is based on questionable criteria. For example, the existence or lack of prior contracts may well be related to whether or not governments are

permitting a market in which migrant workers can contract freely with potential employers. If such a market existed, migrants would prefer to secure an employment contract before they migrate to another country. For example, in the 1960s, almost all Turkish migrants secured such contracts before they left for Germany. The ratio of illegal to legal migrants tended to increase significantly afterwards, when securing such contracts was prevented by restrictive government policy. Therefore, the libertarian approach cannot justify the asymmetric treatment of the free movement of people on the basis of whether or not prior contracts exist.

Another problem with the libertarian asymmetric treatment is that it introduces *ad hoc* criteria in addition to the classification criterion mentioned above. For example Lal (1992) appears to be suggesting *efficiency* and *feasibility* criteria. He argues that restricting the movement of capital may be unethical because restriction impairs economic efficiency or because it would be ineffective given the extent to which national boundaries have been eroded. This shifting basis for asymmetric treatment suggests that the 'objectivity' of the criteria for discrimination becomes even more questionable. In addition, it raises the question as to whether or not restrictions on the movement of people could also be inefficient and ineffective.

The lack of a coherent basis for asymmetric treatment is a problem in the realist approach too. Realism justifies asymmetric treatment by reference to national interest, which is characterised by two features. First, it is defended and maximised by the state. Second, the variable maximised differs from one state to the other because it depends on the position of the state in the international system (see, Goodin, 1992b: 257). One implication here is that asymmetric treatment is justified if states consider free movement of people as a threat to their national interest. The other implication is that one should not expect all states to treat free movement of people in the same way: some states may be more or less restrictive than others. Put differently, the realist logic can be invoked to justify *any* act of discrimination between people and money/capital - either over time or across countries. Then, realism cannot be relied upon to provide a yardstick with which one can distinguish between *necessity* and *political convenience*.

This problem is exacerbated by the non-quantifiable nature of the threats to the national interests. For example, realists draw attention to the impact of international migration on racial mix in the receiving country. Yet, they do not provide a consistent measure of how such change is going to harm the national interest. Communitarians refer to the threat posed by immigrants to existing values and norms; whereas conventional realists refer to security risks. However, the measures of such risks/threats are time- and ideology-dependent. In addition, there is no convincing evidence suggesting that countries of immigration have been subject to higher risks/threats because of immigration rather than other factors (e.g., past or current foreign policy preferences). All we have is tautologies such as the following: that ‘admitting new people ... will inevitably change the society’ (Barry, 1992: 286); that any country that opens its borders ‘may soon find other states taking advantage of its beneficent policy’ (Weiner, 1996: 173); or that different people are entitled to lead their own different ways of life without undue influence from others. One can hardly rely on such speculations to justify asymmetric treatment.

### ***1.3 The ethical case for free movement of people: a proposition***

The analysis above suggests that the existing literature does not provide a coherent ethical basis for the argument *against* or *in favour* of free movement. We can avoid this shortcoming by defining what is ethical and proposing a measure to verify it. We define ethical as a quality, which implies ‘right to do’ rather than a ‘right’ to exercise. The measure that would be used to decide whether or not an action is ‘right to do’ is the impact of the action on social welfare, understood as the sum of individual/group welfare under strategic interaction between governments and individuals. If this specification is accepted, free movement of people can be considered as a *policy choice* rather than a *basic right*; and its ethicality can be derived from its positive impact on social welfare.

Here, social welfare is taken as the main variable to observe not because it is *necessarily* an ethical concept, but because it is *the concept* that all approaches to international migration invoke when they refer to the interests of the community (e.g., communitarians, realists.) or to the interests of individuals that constitute a community (libertarians and natural/law egalitarian approaches). Put differently, we

take the concerns of all approaches about the impact of international migration on the host community at face value and use the concept of social welfare as the context within which the impact can be measured.

Free movement can be expected to increase social welfare in receiving countries for three reasons. First, free movement enables receiving countries to avoid *direct exclusion costs*. Direct exclusion costs are welfare-reducing because they result from non-productive activities such as increased border controls, increased costs of monitoring immigrants within the country, and increased cost of enforcement. These costs will tend to increase as the world economy becomes more integrated, globalisation becomes a dominant trend, inter-country inequality increases, and governments tend to be more receptive to exclusion demands. In addition, some of the factors that increase the exclusion costs (e.g., globalisation, market integration, etc.) would also reduce the effectiveness of exclusion. Therefore, exclusion costs are welfare-reducing not only because they result from non-productive activities, but also because exclusion becomes less effective as it absorbs more resources. Free movement will be ethical because it will enable receiving countries to avoid 'absolute waste'.

The second reason why free movement would be ethical relates to *indirect costs of exclusion*. A restrictive policy provides perverse incentives to citizens. For example, it perpetuates labour market rigidities as it strengthens the veto groups, who would deliberately confuse the *equality of employment opportunities* with *entitlement to employment*. In addition, restrictive policies prevent competition and reduce the incentives for skill enhancement and investment in human capital by the incumbent work force. Finally, restrictive policies increase the probability of illegal employment and, thereby, provide perverse incentives to employers to be less concerned with productivity-increasing capital investment. Taken together, these perverse incentives will have a negative effect on social welfare - by discouraging investment, competition, and qualification. Free movement, *coupled with the principle of equal treatment with nationals*, can enable receiving countries to avoid such consequences by inducing employers and incumbent employees to engage in productivity-increasing investment.

The third reason why free movement would be an ethical policy choice can be deduced from its relative efficiency in stabilising the flows of migration. The existing evidence suggests that restrictions are largely inefficient in curbing the flow of migrants from countries with low wages and employment opportunities to countries with high wages and employment opportunities. The cases of the US-Mexican border and the continuing increase in the number of illegal immigrants in the European Union are well known facts in this context.

Free movement is generally perceived as a recipe for unlimited flows of migrants from less developed to developed countries. Yet, the EU experience concerning free movement demonstrates that this is not the case. The number of Italian, Greek, Spanish or Portuguese workers within other EU countries did not register a sudden increase after their entitlement to free movement. In fact, the number of the citizens of the new member states registered a relative decline not only in comparison to historical trend but also in comparison to third-country citizens who were subject to strict restrictions (ILO, 1990; Ugur, 1999: 134).

One important reason for this trend was the fact that free movement removed the premium on 'border jumping' as a source of advantage and increased the probability of decisions based on the probability of employment in the destination country. In other words, free movement encouraged potential migrants to act in accordance with the signals about employment opportunities and wage levels in the destination countries. This is in contrast to taking high risks with the anticipation that entry into a closed market in itself would ensure sufficient compensation. In short, given reduced cost of entry and exit under free movement, migration will cease to be a one-way bet. In addition, the demand for labour in the destination countries will be a more significant determinant of migratory flows into and out of the developed countries.

On the basis of this analysis, we can argue that free movement of people would be an *ethical* policy choice because it can increase social welfare by: (i) challenging the existing individual or group privileges that cannot be justified on the basis of objective criteria such as productivity or performance; (ii) encouraging welfare-improving reforms in receiving countries; and (iii) inducing a self-regulatory dynamic that is conducive to manageable levels of migration. The task in the next section is to



ascertain the extent to which the existing research on the economics of international migration supports these conclusions.

## **2. The economics of free movement**

In this section, we examine the findings of the economics literature on international migration. The aim here is to provide an empirical underpinning to the ethical conclusions derived above. We first examine the theoretical findings in section 2.1 and then the empirical evidence in section 2.2.

### ***2.1 Theoretical findings on international migration***

Attempts at formal modelling of migration date back to Harris and Todaro (1970). Focusing on rural-urban migration in a developing country, Harris and Todaro demonstrated that migration can lead to improvement in welfare as it eliminates labour misallocation between regions. The improvement in welfare will be larger the larger is the wage differential between receiving and sending regions. Harris and Todaro also demonstrated that migration will increase as wages and employment opportunities in destination regions increase; but it will decline as wages in regions of origin and the cost of migration increase.

An important refinement to the model has been introduced by Borjas (1987b). Using Roy's (1951) model of income distribution, Borjas argued that migration models must take into account the extent of self-selection. Self-selection arises because migration is not a random process. A migrant makes two decisions before migrating: (i) the decision to leave his/her country; and (ii) the decision to go to country A rather than B. Self-selection may be involved in both decisions because not all potential migrants emigrate and the distribution of income in the origin and destination countries can influence the type of migrants.

Borjas identifies two main types of self-selection. *Positive selection* occurs when only people with earnings higher than average income in the country of origin emigrate. These migrants are likely to be characterised by high skill levels and will move to

countries where income distribution is widely dispersed – i.e., the variance of the income distribution is large. That is because a widely dispersed income distribution in the destination country signals to potential migrants that there is a good association between income and skill distributions and that the probability of rewarding high skills is high. The widely-dispersed income distribution can also be interpreted to suggest a destination country where the probability of low earnings or that of remaining unemployed is high unless the immigrant has high skills. *Negative selection*, on the other hand, occurs when potential migrants have lower skills and earn less than employees with comparable skills in both home and destination countries. In this case, these migrants will move to a country where income distribution has a relatively lower variance. That is because the low-variance (i.e., the more equitable income distribution) would signal to potential migrants that the risk of remaining unemployed or earning low income is small.

These findings by Borjas (1987b) do not suggest that international migration is conducive to lower social welfare. All they suggest is that self-selection may dampen the positive impact of international migration on social welfare and/or exacerbates its impact on earnings as well as employment probability of the low-skilled native workers. Yet, Borjas' findings provide significant insights as to why some policy-makers would be inclined to restrict free movement. On the one hand, negative selection would lead to a flood of low-skill labour, which would cause the overall skill level to deteriorate. On the other hand, negative selection implies that income equality in the receiving country is a liability rather than an asset. That is because the more egalitarian a country is, the more likely it is to attract immigrants with low skills.

Although such theoretical possibilities strike a chord with anti-immigrant views held within the low-skill segments of the labour market, they can be questioned on a number of grounds. First, negative selection becomes less of a problem if labour shortages in the destination country are felt in the low-skill segments of the labour market. Secondly, a strictly implemented 'equal treatment' principle will work in favour of the workers in the destination country. That is because equal treatment in terms of wages and other employment-related benefits is likely to counter-balance any employer bias in favour of immigrants with similar skills to incumbents. Finally, Borjas' theoretical findings are not supported by empirical evidence. For example

Chiquiar and Hanson (2002) test Borjas' negative selection hypothesis and finds out that: (i) Mexican immigrants into the United States may be less educated than US natives, but they are on average more educated than residents of Mexico; and (ii) the wages of Mexican immigrants would have occupied the middle and upper segments of the Mexican wage distribution had they remained in Mexico and been paid in accordance with current skill prices there.

These findings suggest that negative selection may be a theoretical possibility, but it is not inevitable. True, one can argue that the absence of negative selection in the case of Mexican migrants in the US could be due to dispersed income distribution in the latter. Such arguments, however, would fail to explain the absence of negative selection within the European Union. There is no evidence suggesting that free movement within the EU has attracted mainly low-skill migrants from relatively less developed member states such as Greece or Portugal into more developed member states with high levels of income equality. If anything, free movement has generally led to increased mobility by high-skill workers across the EU.

Another refinement to the Harris-Todaro model concerns the assumption about the level of employment in the receiving country. The original model assumed employment in the receiving country to be variable. Ghatak et al (1996: 168-172), however, draws attention to the consequences of migration when employment in the receiving country is taken as constant. Under this assumption, migration is sub-optimal from the perspectives of individual migrants and society in general. That is because every additional migrant is increasing the probability of unemployment in the destination country. As the probability of unemployment increases, the costs borne by those employed in the destination country (whether migrants or natives) will be higher than the benefits accruing to the additional migrant at the margin.

However, the constant employment assumption can and should be questioned for two reasons. First, if migrants are complementary to incumbent labour, they increase the productivity of the latter. This will lead to an increase in the demand for labour at current real wages. Secondly, if migrants are substitutes to incumbent labour, they would lead to fall in real wages and an increase in the demand for labour. So, irrespective of whether immigrant labour is complementary or substitute to incumbent

labour, there is scope for an increase in the demand for labour in the destination country.

The only qualification that can be made here concerns the distributional effects of migration. If the distribution of skills within the migrant population is similar to skill distribution in the destination country, there will be no distributional effects within the labour force but there will be redistribution from labour in general towards capital. If the distribution of migrant skills is biased towards low-skills, there will be a redistribution effect within the labour force as well as between labour and capital (Borjas et al., 1997: 3).

The brief review above suggests that international migration is conducive to improved global welfare under standard assumptions. In fact, welfare improvement would be possible (albeit dampened) even if full wage convergence does not occur or negative selection proves to be the case. Therefore, at the theoretical level, there is no economic case against free movement of people. Yet, the review also suggests that international migration is likely to have inter-group or intra-group distributional effects. Given the overall improvement in social welfare, however, these distributional effects cannot be used to support an argument against free movement of people.

## ***2.2 Empirical findings on international migration***

In this section, I will examine the findings of the empirical literature concerning the impact of migration on GDP and native work force earnings, the labour market, and fiscal balances. I must indicate at the outset that not all of the findings reported below are based on a free movement scenario. Even those based on a free movement scenario are related only to the EU and the US. Therefore, they cannot be taken as definite indicators of the costs and benefits of free movement at a global level. Nevertheless, these findings are still pertinent because they are in line with the predictions of the theoretical model discussed above – which assumes free movement and delineates the implications accordingly.

### *2.2.1 Migration and GDP*

Brücker (2002: 7) provides simulation results for the European Union, using a one-good model of a closed economy and with different scenarios concerning labour market characteristics and composition of migrants. One of his findings is based on the assumptions that the labour market remains in equilibrium, manual workers account for 70% of immigrants, and the share of immigrant labour in total workforce increases by 1%. Under this scenario, total GDP in the host country increases by 0.7%. Of this, only 0.006% accrue to native workers, with the remaining increase in GDP accruing to capital. Similar distributional effect is also found by Borjas (1987a).

Brücker (2002) also considers the scenario where the labour market does not clear. Under this scenario, and assuming that the wage elasticity of the demand for labour is -0.4 for manual workers and -1.0 for non-manual workers<sup>7</sup>, the increase in the host country GDP is nearly halved to 0.39%. Although the change in GDP is still positive, rigid labour markets lead to a fall of -0.22% in total income of the native work force. The increase in GDP would be slightly higher if the sensitivity of the demand for labour to the change in wages increases – i.e., if the labour market becomes more flexible.

Borjas et al. (1997: 19, 44) provide some simulation results for the US. For example, change in total native earnings due to immigration in the 1980-95 period amounted to an increase of about 0.05 % of the 1995 GDP if the quantity of capital adjusts. The increase in native earnings would be higher, at 0.13% of the 1995 GDP, if capital is assumed to be fixed. However, these findings are based on the assumption that all workers within a skill group are perfect substitutes. If complementarity exists, the gains will be higher. Another finding in Borjas et al. (1997) is that immigration would have a negative impact on a small group of the least educated US native workers, who constituted 12.7% of those aged 18-64 in 1995.

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<sup>7</sup> The assumption concerning wage semi-elasticity is based on a number of studies that found that this parameter ranges between 0.4 and 1.1. See, for example, Layard et al (1991).

These findings suggest that free movement is highly likely to have a positive effect on social welfare in the receiving countries, even though the magnitude of the welfare gains is small – most probably less than 1% of GDP. Then, the policy implication is that a restrictive immigration policy cannot be justified on the grounds that immigration is welfare-reducing. In fact, one can make a case in favour of free movement under different assumptions about labour market flexibility, capital adjustment, and the extent of substitution or complementarity between immigrants and native workers. This case requires only attention to distributional consequences of migration, which are small and can be addressed more effectively through compensation and incentives for skill enhancement.

### *2.2.2 Migration and the labour market*

As far as the impact of migration on the labour market is concerned, the following findings can be listed.

In his work on migration into West Germany, Smolny (1991) reports that migration had positive effects on employment and alleviated labour demand pressure on wage and price inflation. This is confirmed by Chiswick, Chiswick and Karras (1992), who found that immigration had a positive long-term effect through capital deepening and rising native incomes. Similarly, Straubhaar and Weber (1994) found that this was the case for Switzerland. In their work on Australia, Withers and Pope (1983) and Pope and Withers (1993) reported that immigration did not contribute to the level or risk of unemployment.

These findings are in line with that of Borjas et al. (1997), who report that a 10 percentage point increase in relative number of immigrants reduces the employment-to-population ratio of the natives only by 0.45 percentage point. In addition, any negative impact was diffused across the country. Borjas et al. (1997: 18) also report on the combined effect that trade and immigration might have had on wage differentials between high- and low-skill US workers. *The combined effect of trade and migration accounts for less than 10% of the increase in the wage differential.* Other factors, such as ‘acceleration of skill-biased technological change, a slow down in the growth of the relative supply of college graduates, and institutional changes in

the labour market', etc. are likely to be more important in explaining the widening wage differential since the late 1970s.

These findings enable us to put the distributional effects of international migration into context. Even though free movement is likely to have some distributional effects on the incumbent labour force, the effect will be small and only a minority of the incumbent workers (specifically, the low-skilled workers) will be affected adversely. In addition, the adverse distributional effect of international migration accounts only for a small part of the relative decline in the earnings of the less-skilled labour. The major causes of the relative decline have been either technological change or labour market flexibility, both of which had been embraced and encouraged by governments of destination countries.

A report by the European Integration Consortium (2000) provides similar insights into the likely consequences of free movement within an enlarged European Union. Focusing on Austria and Germany, the two countries that are expected to attract a disproportional share of the migrants from new member states, the Consortium's Final Report (2000: 130) states the following: 'Against the background of empirical knowledge on the labour impact of migration, the projected flows and stocks of migrants will affect neither wages nor employment in the host countries strongly. ... One should recall that an increase of the foreigner share in one branch by one percentage point reduced wages by 0.25 per cent in Austria and 0.65 per cent in Germany. The risk of unemployment is increased by 0.8 per cent in Austria and 0.2 per cent in Germany.'

Brücker (2002) reports that manual wages would fall by 1.05% and non-manual wages would increase by 0.18% if the share of immigrants in the labour force increases by 1% and if we assume clearing labour markets. If the labour market does not clear (and assuming a semi-elasticity of wages of -0.4 for manual and -1.0 for non-manual workers) manual wages would fall by 0.48%, non-manual wages would fall by 0.19%, manual unemployment would increase by 0.85% and non-manual unemployment would increase by 0.05%. Brücker also finds that wages of the native work force fall slightly more as the replacement ratio (the ratio of unemployment

benefits to post-tax wage) increases. Wages fall by 0.6% when the replacement ratio is 20%, by 0.67 when the replacement ratio is 40% and by 0.73% when it is 60%.

Finally, ten empirical studies cited by Brücker (2002: 20) reflect similar results. Nine out of the ten studies show that ‘... a 1% increase in the labour force through migration yields a change in native wages in a range ... between -0.3% and +0.3%.’ These empirical studies also report that individual unemployment risks increase in a range between zero and 0.2%.

The empirical findings cited above enables us to derive a number of conclusions about the impact of migration on the labour markets of receiving countries. First, the negative effects of immigration on wages and employment of the low-skill labour are small – i.e., less than 1%. In addition, the impact of immigration may be significantly less than that of other factors such as technological change. Secondly, the negative effects of migration tend to increase as labour market rigidity increases. In other words, labour market institutions may be a more significant determinant of the negative effect compared to the characteristics (e.g., skill composition) of the immigrant labour. A study by Angrist and Kugler (2003) also confirms this conclusion and highlights product market imperfections as another source of adverse effects on wages and employment. Thirdly, the most severe distributional consequences of immigration would affect only a small minority of the native work force. Nevertheless, we should not ignore the fact that the earning capacity of this minority is already low. Therefore, the case in favour of free movement must be accompanied with an incentive-compatible compensation scheme that would compensate the low-skill labour and induce it to invest in skill enhancement at the same time.

### *2.2.3 Migration and fiscal balances*

Another impact of immigration concerns fiscal balances. Quoting Bonin (2001) and Bonin et al (1999) on Germany, Brücker (2002: 27) reports that the effect of migrants on public finance is positive. Net tax payments (i.e., the balance between tax payments and social security transfers plus government expenditures) are positive over the remaining life cycle of immigrants who immigrate at ages 11-48 years. At



present, around 78 per cent of the immigrants belong to cohorts that contribute to a budget surplus. Taken all together, the net contribution of a representative immigrant over the life cycle is around Euros 50,000. These findings are parallel to those of Storeslette (2003), who finds that the net present value of the positive contribution of a young working immigrant to Swedish public finances is US\$23,500. This is larger than the loss incurred as a result of admitting a new immigrant, which is US\$20,500. The break-even participation rate (i.e., the employment rate at which the gain to public finances is zero) is 60%, which is well below the empirical rate for this group. One should bear in mind the migrant's positive contribution to the Swedish public finances is realised despite the fact that Sweden has one of the most comprehensive welfare states. These findings demonstrate the lack of a credible basis for perceptions that portray immigrants as a drain on public finances.

As can be seen from the account above, the findings of the empirical research on the welfare implications of migration are in line with the predictions of theoretical models of free movement. In addition, these findings suggest that policy-makers in receiving countries do not actually have an economically justifiable reason to take a stance against free movement. From the perspective of policy making in destination countries, the only qualification that can be advanced against free movement is the following: there is need for a compensation scheme that would reduce the cost of immigration for a minority section of the labour force and induce this section to invest in skill enhancement.

### **3. The governance of free movement**

Free movement is often equated with massive influx of 'foreigners' into developed countries. Even those who are relatively less concerned about such an influx express concern about the long-term effects of continuing migration on the ethnic composition of the population in host countries. Yet, the European Union's (EU's) experience in free movement of people since 1968 suggests that such concerns may not be warranted. As indicated above, neither the number of Greeks nor that of the Portuguese has increased at alarming rates after the gradual introduction of free movement in the EU. It can be argued that low rates of increase in intra-EU migration

have been due to relatively small per capita income differentials between the developed and less developed members of the EU. Equipped with this argument, some policy-makers and the media in developed EU members have drawn our attention to the flood of migrants from Central and Eastern Europe (CEE) that would occur after accession.

Yet, these alarmist predictions are not supported by estimates that are open to verification. For example, the European Integration Consortium (2000: 121-126) reports that the rate of increase in the number of CEE migrants is likely to be (and remain) modest after the introduction of free movement. Focusing on Germany, the report estimates that the number of migrants from CEE will grow at around 220,000 persons initially. Then the number will fall to 96,000 by 2010. The stock of migrants from CEE is estimated to reach 1.9 million in 2010, 2.4 million in 2020 and 2.5 million in 2030. This implies that the share of CEE migrants in German population will increase from 0.6% in 1998 to 3.5% in 2030. This baseline scenario is based on the assumption that per capita GDP in CEE will converge towards the EU average at a rate of 2% per year.

These results are then extrapolated to EU-15, based on the baseline scenario indicated above and the distribution of CEE migrants within the EU. The Report indicates that the number of migrants from CEE will increase by 335,000 initially. The increase will slow down to less than 150,000 by 2010. The stock of CEE migrants will increase to 2.9 million in 2010 and 3.7 million in 2020. The peak number will be reached at around 3.9 million by 2032. These figures imply that the share of CEE migrants in current EU-15 will increase from 0.2% in 1998 to 1.1 % in 2030.

These findings suggest that there might be an 'ideological' rather than a 'real' barrier to embracing free movement as a feasible and ethical policy choice. However, given the futility of the efforts to restrict migration since the collapse of the Soviet bloc, there is now an increasing awareness of the need to 'manage' rather than 'control' international migration. In fact, policy makers in developed countries are now increasingly inclined to accept that international migration 'cannot be managed effectively ... through national measures alone, and that collective efforts ... are required to strengthen national capacities.' (Solomon and Bartsch, 2003. See also,

Salt, 2002). The following paragraphs will try to articulate some general principles that could enhance the chance of success in the quest for managing international migration.

### ***3.1 Rethinking the role of the state***

The first principle is that there should be a paradigmatic shift in our approach to the role of the state in the regulation of international migration. As is well known, the conventional approach is based on a strictly realist view of the state, which is considered as the sole owner of the authority to determine who may enter and remain in its territory. Although it is not necessary to abandon the concept of the state as the ultimate regulatory authority in this area, there are compelling reasons as to why this authority should be re-defined.

First of all, positioning the state as the sole authority that determines who enter and remains in its territory may weaken rather than strengthen the state's policy autonomy. This is especially the case in the area of immigration because policy decisions in this area always involve trade-offs between the some 'national' interests that the state must prioritise and the interest of foreigners whom the nationals perceive as outsiders. As indicated in Ugur (1995), this type of 'insider'-'outsider' divide enables even a very small minority of the nationals to emerge as veto groups. Such veto groups can block immigration policies that might be beneficial to other sections of the society. The irony is that the more the state is portrayed as a medieval gate keeper, the more likely it is that such veto groups would be able to impose their will both on the policy-maker and on the rest of the society.<sup>8</sup>

The other reason why a strictly realist view of the state reduces policy autonomy is that the failure of restrictive immigration policies generates an exponential increase in the demand for further restrictions. As restrictive policies fail to stem immigration, veto groups become more vocal and critical. Their criticism will be based on the

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<sup>8</sup> Examples of veto groups in the area of immigration policy may include trade unions in migrant-intensive segments of the labour market, regional authorities in migrant-intensive regions, xenophobic campaign groups in migrant-intensive neighbourhoods or schools, etc. Although opposing groups or voices can emerge against such veto groups, the influence of the former is likely to be less than that of the latter when the state (hence the public policy-maker) is expected to act as a gate-keeper keeping the 'trespassers' out.

argument that the state has failed in the very area where it is accepted as the sole authority to act and where it is equipped with the necessary powers to defend the interests of its citizens.

Therefore, the paradigmatic shift in our understanding of the state must involve a move away from the concept of the state as a medieval gate-keeper towards a more modern concept. In this concept, the state is still the ultimate authority in the regulation of migration, but the legitimacy of its regulatory power should be based not on its ability to control immigration. Just as it is the case in the area of free movement of goods and capital, the legitimacy of its regulatory policies should be determined by whether its actions are welfare-improving. In other words, and with the exception of security risks, the state's responsibility to its population should no longer be equated with erecting border barriers. The state's responsibility should involve regulation of the *free entry* of migrants with legitimate purposes (e.g., employment, service provision, holiday, etc.) with a view to increase welfare.

### ***3.2 Multilateralism***

The second principle should be to embrace multilateralism - just as it is the case with respect to movement of goods and capital. This is because unilateral policies are not likely to be either effective or efficient in managing migration. That unilateralism is ineffective is proven by the failure of the restrictive policies to prevent immigration. For example, at the end of the 1990s, it was estimated that each year around 400,000 people enter the EU as a result of human trafficking and smuggling only (EU Commission, 2000: 13). This figure represents four- to eight-fold increase compared to estimates at the beginning of the 1990s and does not include overstays or other types of irregular migrants. Strikingly, it is much higher than the peak number of migrants estimated to move from CEE to current EU-15 as a result of free movement.

Unilateralism would not be efficient either because, in a world characterised by interdependence, it is conducive to sub-optimal policy choices determined by strategic interaction. In addition, unilateralism involves a high degree of discretion and, thereby, reduces the coherence as well as the credibility of unilateral policies. The implication here is that either potential migrants or emigration country governments

will always question the legitimacy of the unilateral action and, therefore, they will refrain from co-operation or compliance.

Bilateralism should also be rejected because, in addition to the coherence and credibility problems associated with unilateralism, it involves discrimination. As a result of discrimination, bilateral agreements are bound to remain non-transparent and will always be more costly to implement. Some policy analysts or practitioners (for example, Solomon and Bartsch, 2003; Lagenbacher, 2004; International Organisation for Migration, etc.) tend to think that regional co-operation may be conducive to an effective management of international migration. These expectations, however, are over-optimistic because regionalism may be conducive to effective global governance only if there is already a multilateral framework within which regional actors must act.<sup>9</sup>

In the absence of a multilateral framework that sets the parameters for collective action, regional arrangements may increase the risk of restrictive policies. This risk is likely to emerge for two reasons.

First, from the theory of international trade policy, we know that the larger the country is, the higher is its ability to improve its terms of trade by erecting trade barriers. Because a regional bloc is larger than any of its members, it enables a group of countries to improve their terms of trade at the expense of their trading partners. In the case of trade, the improvement in the terms of trade is due to the protectionist bloc's falling demand for imports that, in turn, depresses the export prices of trading partners. Therefore, in the absence of a multilateral framework, a regional bloc may well be motivated to be more restrictive than any of its members individually.<sup>10</sup>

In the case of international migration, welfare improvement is not necessarily the motive for excessive restrictions. The restrictive drive stems from the possibility of 'migration deflection' within a regional bloc. Migration deflection refers to a situation

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<sup>9</sup> Ugur (2000) discusses why this is the case in the area of trade policy. The main finding there is that regionalism may in fact undermine global governance of trade flows unless there is a superior authority that would impose sanctions on regional blocs.

<sup>10</sup> It must be noted, however, that trade restrictions are conducive to decline in global welfare. This is because the gains for countries restricting imports are always smaller than the losses incurred by exporting countries.

where migrants enter the most restrictive member of the bloc via other member(s) that may have less restrictive policies. It is because of this deflection risk that the consolidation of intra-EU free movement after the single market has been accompanied by fortification of external borders. Put differently, regional arrangements for migration may become essentially hostage to the preferences of most restrictive bloc members. The irony is that protectionist members will also be able to secure more effective exclusion, which may not be feasible when each country acts alone.<sup>11</sup>

The second reason as to why regional regimes may be conducive to restrictive migration policies relates to the limited leverage capacity of sending countries. In the absence of a multilateral framework, countries of emigration will be in a weak position to negotiate with destination countries that form a regional bloc. This will be the case irrespective of whether or not sending countries form a regional bloc of their own. The latter, faced with a common stance of the destination countries, can either comply with or reject the proposals on the table. If the first option is chosen, the agreements between the two blocs will reflect the lowest common denominator determined by the preferences of the most restrictive member of the destination-country bloc. If the second option is chosen, the destination-country bloc will react by erecting new restrictions in response to the non-cooperation of sending countries.

Overall, in the absence of a multilateral framework, a regional approach to the management of international migration is highly likely to perpetuate the existing levels of restrictions or to generate a drive towards further restrictions. A multilateral framework based on non-discrimination can enable both sending and receiving countries to avoid the prisoners' dilemma involved in non-cooperative interaction.

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<sup>11</sup> The dynamic involved here is the same as veto groups within the national context of public policy making. A single bloc member (i.e., a definite minority) can bloc the relaxation of the bloc's migration policy.

### ***3.3 Non-discrimination***

The third principle in the governance of free movement is that of non-discrimination. This should be similar to the non-discrimination principle of the World Trade Organisation, which consists of two provisions: most favoured nation (MFN) and national treatment. The MFN provision ensures that discrimination between trading partners is ruled out – i.e., countries or regional blocs are constrained to extend liberalisation to all trading partners. More significantly, however, the MFN provision will reduce the probability of resorting to restrictive measures as such measures will affect not only some targeted countries but other partners towards whom a more liberal policy is deemed appropriate.

The national treatment provision prevents another type of discrimination: that between nationals and immigrants. This provision will ensure equality in the area of employment-related entitlements such as wages, working conditions, social insurance, health insurance, and hiring and firing conditions. National treatment will reduce any employer bias in favour of migrant labour and, thereby, moderate the wage dampening effect of immigration. Put differently, national treatment is necessary not only to prevent discrimination and possible ‘social dumping’, but also to limit the distributional effects of immigration. Finally, national treatment will increase the probability that immigration is determined by the demand for labour in the receiving country rather than the supply of labour in sending countries.

### ***3.4 A multilateral organisation***

The fourth principle should involve agreement on the necessity of a new multilateral organisation for the regulation of international migration. This can be labeled as World Migration Organization (WMO) and should exist in parallel to but independently of the World Trade Organization (WTO) and the United Nations High Commission for Refugees (UNHCR). That is because neither the WTO nor UNHCR is appropriate for managing employment-seeking migration. The UNHCR is inappropriate because its main concern is the protection of the basic rights of refugees as a specific type of migrants. Of course, the UN still has an important role to play in

terms of setting standards that the new multilateral organisation for migration will have to internalise. An example of such contributions is the *1990 International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families*, which came into effect in 2003 after having been ratified by a number of sending countries.

Recently, there have been suggestions that some principles of the General Agreement of Trade in Services (GATS) can be drawn upon in the global governance of migration. (See, for example, Niessen, 2004). Although the MFN and national treatment principles of the GATS are relevant for the proposed WMO, the GATS regime is essentially a recipe for discretion rather than binding and transparent rules. In the GATS, governments choose the sectors on which they will make commitments guaranteeing the right of foreign suppliers to provide services. Even for those services that are committed, governments may set limitations to market access and to the degree of national treatment they are prepared to guarantee. In addition, governments can also withdraw and renegotiate commitments. Given these high levels of discretion, the GATS is very far way from being a model for free movement.

### ***3.5 Return agreements***

The fifth principle in the governance of free movement is that the proposed WMO should include a model return agreement that must be finalised and accepted by all WMO members at the same time as they join the WMO. This is necessary in order to ensure that free movement is not a one-way flow and that migrants are aware of the risks involved in free movement. A free movement regime without return agreements would be compromised by an asymmetry that is a mirror image of the current asymmetry between emigration (which is free) and immigration (which is restricted). The current asymmetry is sometimes (and rightly) criticised as an indicator of inconsistency and even hypocrisy because, in a world of sovereign states, the freedom to emigrate cannot be exercised unless there is a state willing to accept the potential émigré.



To avoid the reverse asymmetry that may arise under free movement, sending country governments must accept the return of their citizens who may fail to secure employment in the receiving country or who may be expelled for reasons clearly laid out in the domestic law of the host country. Return agreements are also necessary to signal to potential migrants that they must balance the potential advantages of migration with relevant risks, including the risk of unemployment and return. In addition, return agreements will also put an end to the criminal stigma associated with deportation and make return a natural part of the migratory movements. As a result, return agreements will increase the probability that the migration decision is not a one-way bet. They will signal to potential immigrants that return to own country in periods of unemployment is not likely to prevent re-entry into the destination country in the future. Consequently, migrants will be less inclined to ‘go underground’ when their entitlement to remain in the destination country comes to an end because of failure to find jobs at a certain stage of their stay in the destination country.

## **Conclusions**

The analysis above enables us to derive a number of conclusions on the ethics, economics and governance of free movement of people. To avoid repetition, we will summarise these conclusions very briefly. Following that, we will elaborate on the tension between the desirability and feasibility of free movement.

The first general conclusion is that an ethical case *against* free movement of people cannot be made if we define what is ethical as all actions that lead to an increase in social welfare. In addition, it is difficult to make an ethical case for treating the free movement of workers asymmetrically compared to free movement of goods and capital. All three types of movement are associated with positive impact on social welfare even though the benefits may be distributed asymmetrically between different social groups within a community – which is the unit of analysis in anti-free-movement arguments.

Asymmetric distribution of the benefits from free movement cannot be presented as a basis for an ethical argument against free movement. This is especially the case when

there is evidence suggesting that the distributional effects, in the form of unemployment or wage risks for the low-skilled labour force, tends to increase as labour and product market rigidities tend to increase. The redistributive effect can only imply taxing the beneficiaries of the free movement in order to compensate those affected adversely. Such taxation will be already part of the tax paid by employed migrants, who pay taxes to finance not only current welfare services that migrants enjoy in the host country, but also infrastructure investments that the migrant may or may not benefit from as long as the natives of the host country will. In addition, it is possible to impose an access charge (or an entrance permit fee) that will supplement normal taxation. Such compensation payments will serve the long-term interests of the compensated better if they can be made compatible with incentives for the latter to invest in skill enhancement.

The analysis above also tackles the governance issue and identifies a number of principles that would reduce the risks associated with free movement. These principles include a welfare-based redefinition of the state's legitimacy, the principle of effective international co-operation, the principle of institutionalised governance, the principle of non-discrimination, and the principle of symmetry in the treatment of migration and return.

If an ethical or economic case cannot be made against free movement, to what extent is free movement a feasible policy option given the current political climate? The answer to this question is coloured with both optimism and pessimism. On the one hand, there are strong indications that developed countries are aware of the structural factors that would be conducive to higher levels of migration irrespective of the extent of restriction. These include persistent and increasing per capita income inequality between countries, different demographic structures, ease of international transport and communications, increase in the educational levels of people in less developed countries, and globalisation of the production process (OECD, 2003: 1).

On the other hand, there are also indications of an emerging trend towards accepting the need for an international framework that would 'manage' rather than 'restrict' international migration. This trend is reflected in both OECD and Council of Europe reports and in the emergence of intergovernmental platforms such as the Berne

Initiative. (See, for example, Salt, 2002; and Solomon and Bartsch, 2003). According to Salt (2002), in the European context, the emerging trend reflects a degree of consensus on a number of principles that are compatible with the principles we identified in section 3. These include: (i) management rather than control of migration – a necessity recognised by governments as well as intergovernmental organisations; (ii) recognition of the positive impact of immigration; (iii) a comprehensive approach that avoids unintended consequences of piecemeal approach; and (iv) co-operation with third countries.

Yet, the debate on migration is still coloured with an essentially ‘realist’ logic that tends to overlook objective criteria in favour of conventional concepts such as nationality and national interests as a basis for policy formulation. That is why even in the EU (which is the most developed regional regime of free movement) movement of third country nationals is still considered as a prerogative of member states, which would adopt common measures within a loose framework of co-operation and harmonisation. In addition, the proposed framework reflects explicit preferences in favour of selectivity, monitoring, and limiting migration as a basis for successful integration of existing migrants (EU Commission, 2000). These preferences are likely to clash with the principles we propose in section 3.

Therefore, free movement and a truly global governance regime still seem beyond what is acceptable in the current political climate. Nevertheless, that something is not practically feasible in the current context does not imply either irrelevance or inferiority in terms of its outcomes. On the contrary, reiterating policy proposal that causes political discomfort in the current political climate may be the only way to minimise the risk of inefficiencies and injustice that result from political convenience.

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