

# **The Ethics, Economics and Governance of Free Movement**

**Mehmet UGUR**

Jean Monnet Reader in Political Economy

University of Greenwich, London

[M.Ugur@gre.ac.uk](mailto:M.Ugur@gre.ac.uk)

NOTE: THIS IS A DRAFT VERSION OF A CHAPTER TO BE PUBLISHED IN  
A FORTHCOMING BOOK ON *MIGRATION WITHOUT BORDERS*

## **Introduction**

The debate on international migration is going through a new phase, following an essentially restrictive reaction in the early 1990s to perceived threats of mass migration.<sup>1</sup> The distinguishing aspect of the current debate is a search for the positive as well as negative implications of international migration and for an international framework that would facilitate its management. This paper aims to contribute to this debate by exploring the ethical and economic case for free movement, which includes only the movement of people for employment purposes. Asylum seekers or the movement of people associated with the liberalisation of trade in services are outside the remit of this paper for two reasons. First, and unlike the movement of people for employment purposes, there are already well-defined international regimes for the management of these movements. Secondly, it is practically impossible to examine all types of movement within a single paper.

The paper is organised in three sections. Section 1 examines the ethical case for and against free movement as defined above. In this section, I demonstrate that the level of analysis is a crucial issue 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, I demonstrate that an ethical case against free movement cannot be made. Then, in section 2, I 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. I conclude this section by arguing that an economic case against free movement cannot be made either. Finally, in section 3, I propose some principles that must be observed in the global governance of free movement. These include multilateralism, institutionalisation, non-discrimination, and return agreements. The conclusion highlights the main findings on the feasibility of the proposed governance framework.

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

I do not claim to be an expert on the ethics of international migration. All I am doing here is to draw on an ‘outsider advantage’, which involves focusing on essentials at the expense of potential injustice to the extensive literature. In doing this, I will evaluate the existing ethical propositions in the light of a utilitarian criterion: the common good. The common good is understood as ‘global welfare’, which reflects the sum of national welfares resulting from individual-government and government-government interaction. Based on this definition, I will try to establish whether it is ethical to: (i) object to free of people; and (ii) treat the movements of people and goods/capital asymmetrically.

---

<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).

I argue that the answer to these questions largely depends on the unit of analysis. Should our unit of analysis be the individual, the national community or the global community? If the unit of analysis is the national community, and if we assume that the legitimacy of the state is based on popular consent, then it is ethical to: (a) prioritise loyalty to and solidarity with fellow countrymen; (b) restrict international migration if the latter is perceived to be posing a threat to the national/community interests; and (c) treat movements people and goods/capital asymmetrically if this is required by national/community interests. This nation- or community-based focus is at the heart of the ‘realist’ approach to immigration, the starting point of which is the premise that the world consists of sovereign states.<sup>2</sup>

If we take the world as the unit of analysis, our loyalty and solidarity should be directed towards all human beings, who are ontologically prior to the formation of groups, communities, or nations. Then, proposition (a) above becomes devoid of an ethical basis by default. In addition, propositions (b) and (c) become inconsistent. Closing the borders against international migration [proposition (b)] would be inconsistent because it would boil down to upholding free movement within a region of the globe, but rejecting it between regions of the globe. Proposition (c), that migration and movements of goods/capital should be treated asymmetrically, also becomes inconsistent. This is because the differential treatment of people and capital cannot be justified by objective criteria. This global-level approach to migration is sometimes referred to as ‘idealism’ – a generic term that includes schools of thought such as natural law and egalitarian liberalism.<sup>3</sup>

In between these two approaches, one must include libertarianism, which begins with individual sovereignty and the associations individuals form as a result of their free will. Libertarian ethics implies that sovereign individuals are entitled to free movement, but they are under no obligation to share with non-members the ‘club benefits’ that they derive from associations they form with like-minded individuals. Therefore, in principle, free movement can be defended only if it follows an invitation from (or a contract between) sovereign individuals or their ‘associations’. Otherwise, it amounts to trespassing. In addition, movement of people and capital mobility should be treated asymmetrically because the former, unlike the latter, does not necessarily result from prior contracts governing mutually beneficial exchange.<sup>4</sup>

I would argue that none of the approaches crudely summarised above can serve as a basis for constructing ethical propositions on international migration. This is because such propositions fail to take into account the interaction between actors at three

---

<sup>2</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). For the communitarian version of political realism, see Sandel (1982) and Walzer (1988).

<sup>3</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>4</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).

levels and the consequences of such interaction for global welfare. For example, interactions between the individual and the national community may generate sub-optimal outcomes at the community level as some individuals emerge as ‘veto players’ who maximise parochial interests at the expense of community and global welfare<sup>5</sup>. Similarly, interaction between national communities (or nation-states) can also lead to sub-optimal outcomes because each community would be inclined not to internalise the negative externalities that its actions impose on others.<sup>6</sup> Unless such interactions and their consequences for global welfare are taken into account, a policy proposition would be unethical because it would be either deficient or self-serving.

## ***1.1 The debate***

### *1.1.1 The libertarian perspective*

As indicated above, libertarians take the individual and his/her rights and entitlements as the focus of their analysis. Therefore, the libertarian ethics is highly likely to reject all claims on behalf of national or global communities. A pure libertarian ethics would also reject any restrictions on international migration, except those justified by the defence of existing property rights (see Steiner, 1992). Property rights emerge as an essential factor in the libertarian approach because those rights not only confirm the individual’s existing entitlements but also make the unrestricted exercise of individual sovereignty possible and meaningful.

Yet, and as O’Neill (1992) demonstrates, the devil is in the detail. The nature of the property rights and the way in which the original appropriation takes place determine the extent to which libertarian ethics can uphold the principle of free movement. It is possible to derive at least five libertarian propositions on this issue - depending on whether or not the original property rights are encumbered and on the availability of public (i.e., un-appropriated) space. If the original rights are unencumbered and public space exists, the principle of ‘first come, first served’ can be invoked. In this case, no restriction on international migration should be imposed until the public space becomes congested as a result of new entrants. However, if a national or local community has already appropriated the public space as a common good, then either the state or the communal authority should restrict immigration in order to avoid congestion or to defend the existing benefits from the common property.

Now suppose that the original property rights are encumbered. The encumbered nature of the property rights may arise, for example, from forced ‘closure’, which may involve either uncompensated expropriation or unjust compensation. Under such conditions, current holders are under obligation either to compensate those excluded from the original appropriation or to allow them share in the benefits of the appropriated property. Then, three further libertarian propositions follow.

First, the current holders should continue to compensate those excluded - without temporal or generational limits. This would be the case when compensation is understood to account for exclusion not only from the original appropriation but also

---

<sup>5</sup> On collective action problems of this nature, see Olson (1965).

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

from the ongoing benefits that the current owners derive from the property. The second proposition would be to limit the compensation to a single payment, which would settle the issue of exclusion from original appropriation. In the context of international migration, these propositions imply that citizens of developed countries should either provide development aid to or allow the entry of potential immigrants from less developed countries. Aid or immigration can be considered as compensation for any historical 'closures', which may be underpinning current income and wealth inequalities. Finally, it would be possible to argue that there is no case for compensation because the current endowment of the excluded (i.e., potential immigrants) is a result of an infinite number of choices that they have made rather than the original expropriation itself. In this case, individuals in developed countries are under no obligation either to provide development aid or to allow entry.

In the light of the analysis above, we can detect two major shortcomings in the libertarian ethics. First, there may be no scope for international migration once the public space is exhausted. This implies practically zero migration in the current historical context as all property across the globe is either appropriated by private individuals (or associations) or it is designated as 'common property' guarded by nation states. Then, the libertarian argument in favour of international migration becomes morally obnoxious because it boils down to granting a right that cannot be exercised. In fact, the libertarian ethics could generate propositions that are more exclusionary than political realism 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 libertarian ethics would allow for in the determination of compensation payments. For example, let us consider development aid as a specific method of compensation. The libertarian ethics does not provide any guideline about how to tackle the donor countries' tendency to minimise the level of aid. Also, it does not offer any yardstick against which the appropriateness of the compensation claims can be verified.

### *1.1.2 The realist perspective*

Moving to the national-level of analysis, we can see that 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 any 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 could 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.'

There are three shortcomings in the realist approach to free movement. The first is the very problem that realism detects in the individual-based ethics. Political realists are justified in arguing against basing national public policy on personal ethics. However, they commit a similar mistake by taking national-communal ethics as a basis for policy choices that would have global consequences. Just as Weiner indicates above with respect to individual ethics, the national/communitarian ethics ignores the costs that national policy choices might impose on other nations. 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 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 argument 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 international migration try to overcome the shortcomings indicated above by focusing on global society or humanity as the level of analysis. For example, the natural law approach assumes that one's rights

arise from one's being human – as opposed to being a citizen or an association member. Similarly, the egalitarian approach focuses on global society and seeks a just distribution of wealth within that society. As a result, the natural law approach considers 'any legal or political arrangement in which citizens have rights which aliens do not have' as 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 interaction between the individual, national and global levels and the consequences of such interaction for global welfare. 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 free movement cannot be established on the basis of whether or not it constitutes a basic right.

The analysis above enables us to argue that neither libertarianism nor political realism can provide an ethical basis for closed borders. Both approaches ignore the globally and nationally sub-optimal outcomes that restrictive policies might generate. Also, both approaches are conducive to a high level of discretion and uncertainty either in the internalisation of externalities (e.g., through compensation) or in the management of international migration. Therefore, the conclusion here is that neither libertarian nor realist approaches can provide an ethical case *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.

### *1.2 The ethics of asymmetric treatment*

The confusion about whether free movement is a basic right leads to further confusion about and disagreement on whether free movement of people and that of goods/capital should be treated symmetrically. 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 the former can take place with or without prior contracts. The problem here is that the classification of the types of free movement is based on non-objective criteria. For example, the existence or lack of prior contracts may well be related to whether or not governments have permitted a market in which agents can engage in exchange governed by such contracts. 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. If this is the case, then the libertarian approach cannot justify asymmetric treatment as an ethical policy choice.

Another problem with the libertarian asymmetric treatment is that it has a shifting basis. In addition to the classification criterion mentioned above, libertarians refer to a number of other criteria such as efficiency or practical feasibility. For example Lal (1992) 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 free movement of people too could impair efficiency.

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 time-consistent measure of how such change is going to harm the national interest. True, 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 speculations 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 global welfare, understood as the sum of individual and national welfare under strategic interaction between individual, national and global actors. If this specification is accepted, free movement of people can be considered as a *policy choice* rather than a *basic right*; and its ethical desirability can be derived from its positive impact on global welfare.

As a policy choice, free movement will increase individual and national welfare in receiving countries for two 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, factors that increase exclusion costs are also conducive to reduced 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, and by the far the more significant, reason why free movement would be ethical relates to *indirect costs of exclusion*. A restrictive policy changes the incentive

structure faced by 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 minimise productivity-increasing capital investment. Taken together, these perverse incentives will have a negative effect on individual, national and global 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.

Free movement would be an ethical proposition also because of its effects on the countries of emigration. One of these effects is the *challenge to the monopoly power* of states/governments that fail to provide a legal and institutional framework compatible with economic growth, democratic principles or human rights standards. Free movement, in fact, can complement and make more effective the existing instruments of international law aimed at encouraging democratisation and respect for human rights. To the extent this is the case, and to the extent that democratic regimes and respect for human rights are conducive to less global instability, the challenge to the monopoly of the state posed by free movement will have positive effects on global welfare.

Another effect of the free movement on sending countries is *incentives for economic policy reform*. Just as it is the case in the area of democratisation and human rights, the international community is devoting a significant amount of resources aimed at inducing economic policy reforms in many countries. Yet, the effectiveness of these resources has been limited at best and questionable in general. Free movement will increase the effectiveness of the existing mechanisms and provide additional incentives for economic policy reform. That is because migration may be beneficial for migrants themselves, but it is costly for sending country governments, who find themselves subsidising developed countries through 'skill leakage' or 'brain drain'. . In addition, migration reduces the supply of labour in general and imposes added constraints on economic growth. Therefore, it would be in the interests of the sending countries to engage in economic policy reform that would reduce emigration and skill leakage. Not only would these reforms increase their (and global) welfare, but also they would make migratory flows more manageable by reducing migratory pressure and encouraging the returns of existing migrants.

On the basis of this analysis, we can argue that free movement of people is an ethical policy choice because it can increase global welfare by: (i) challenging the existing privileges that cannot be justified on the basis of objective criteria such as productivity or performance; (ii) encouraging welfare-improving reforms in both receiving and sending 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, I will examine the findings of the economic literature on international migration. The aim here is to provide an empirical underpinning to the ethical conclusions derived above. To achieve this goal, I will first examine the theoretical findings in section 2.1 and then I will examine the empirical results 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 skill 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 lower variance relative to the country of origin. That is because the low-variance (i.e., 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 global welfare. All they suggest is that self-selection may dampen the positive impact of international migration on global 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 implies that free movement 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 findings 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 been associated with increased mobility of 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 assumed to be 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 level of employment in the destination country.

The only qualification that can be made here concerns the distributional effects of migration – an eventuality that is dealt with explicitly in the model. 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 a distribution effect between the latter and capital. If the distribution of migrant skills is biased towards low-skills, there will be a distribution 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 if negative selection proves to be dominant. Therefore, there is no economic case against free movement of people. Yet, the review also suggests that international migration is likely to have inter-country and inter-class distributional effects. Given the overall improvement in global 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 should 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 its implications for global welfare and the labour market.

### ***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 clears, 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 sensitivity of the demand for labour to wages 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

---

<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).

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.

These findings suggest that free movement is highly likely to increase welfare in the receiving countries, even though the magnitude of the welfare gains should not be exaggerated. These gains are very likely to be 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. Smolny (1991) reports that migration into West Germany had positive employment and output effects, 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, Starubhaar and Weber (1994) found that this is the case for Switzerland. Withers and Pope (1983) and Pope and Withers (1993) report that immigration did not contribute to unemployment in Australia.

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 accounts for less than 10% of the increased 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 low-skill labour force wages and employment 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 enables us to include product market imperfections as another source of negative 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 receiving 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 market and induce this section to invest in skill enhancement.

If this is the case, what is the relevance of these findings for the ethical propositions we derived in section 1? On the one hand, they provide some empirical support to the proposition that free movement of people is an ethical policy choice. This empirical support, however, is incomplete as it does not include the impact migration on national welfare of the sending countries. Yet, the findings above do not challenge the empirical relevance of the ethical proposition in favour of free movement. Given the small but positive impact of migration on national welfare, our proposition in section 1 will cease to be ethical (given our definition of what is ethical) only if the loss incurred by sending countries outweigh the benefits to receiving countries. Although we do not have enough space to examine the literature on this issue, we can cite a couple of reasons as to why this is not likely to be the case.

First, the small but positive impact of migration on the GDP of receiving countries translates into significant sums because of the large magnitude of national output in those countries. In contrast, the sending countries' national output is small in magnitude terms as these countries are less developed. So, in terms of simple arithmetic, the welfare losses to sending countries are not likely to exceed the welfare

gains to receiving countries. Secondly, the sending countries' welfare losses must be set against migrant workers' remittances to their countries of origin. In a report published by the World Bank, Ratha (2003) provides a detailed account of the size and significance of these remittances. For example, total remittances received by developing countries are equal to 1.3% of GDP, can finance 3.9% of total imports, and are much larger than total official aid. In addition, remittances amount to more than 42% of total foreign direct investment flows that, unlike remittances, have a pro-cyclical pattern.

Therefore, incorporating the migration's impact on national welfare in developing countries is not likely to generate evidence against the proposition that free movement is an ethical – i.e., a global welfare-improving – policy choice.

### **3. Governance of free movement**

Free movement is often equated with massive influx of 'foreigners' into developed countries. Even when a more relaxed approach is adopted, the attention remains focused on the long-term consequences of free movement – especially its impact on ethnic composition of the population in receiving countries. Yet, the European Union's (EU's) experience in free movement of people since 1968 suggests that such perceptions are not warranted. 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. One can argue that low rates of increase in intra-EU migration have been due to relatively small per capita income differentials between these countries and other EU members. In fact, it is on this basis that some policy makers and the media in developed EU members have been drumming the danger of a flood of migrants from Central and Eastern Europe (CEE) 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 a '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 interests of at least some nationals 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 argument that the state has failed in the very area where it is accepted as the sole authority to act and 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 defining who the trespassers are and trying to keep them away, 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

---

<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.

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 stem 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 also 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 Bratsch, 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

---

<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.

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 that constrains a regional bloc, the latter 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 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 receiving 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 receiving 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 receiving-country bloc. If the second option is chosen, the receiving-country bloc will react by erecting new restrictions in order to prevent new entries likely to result from 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.

### ***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

---

<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.

<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.

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, I will summarise these conclusions very briefly. Following that, I will elaborate on the tension between the desirability and feasibility of free movement.

The first general conclusion is that the existing debate does not enable us to develop an ethical case *against* free movement of people for two reasons. First, the existing ethical arguments against free movement are based on non-objective and non-quantifiable criteria. Secondly, the analysis underpinning a particular argument against free movement tends to have a narrow focus that fails to capture the global implications of the policy stance inspired by the argument itself. If we define what is ethical as all actions that lead to an increase in global welfare, (that is, if we minimise the linkage between ethics on the one hand and sectional interests on the other) then free movement can be defended as an ethical policy choice. Once this is established, it is no longer ethical to treat the movement of people and goods/capital asymmetrically either. All three types of movement are conducive to improvement in global welfare. In addition, they are all driven by potential benefits for the parties to the transaction

(exporters and importers in the case of goods and capital; migrant labour and employees in the receiving country in the case of migration).

True, all types of movement tend to generate some externalities. In the case of migration, these externalities emerge as increased risk of unemployment for or relative decline in wages of low-skilled labour in migrant-receiving countries.<sup>12</sup> However, externalities of this nature 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 externality, 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 externality argument 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 second general conclusion is that free movement is likely to increase global welfare and that it does increase the national welfare of the receiving countries as far as quantifiable economic impacts of migration are concerned. Therefore, there is no sound economic case against free movement of people. Economic analysis and empirical findings suggest only that there is a case for dealing with the distributional effects of free movement, which, in any case, is found to be less significant than the distributional effects of technological change in particular and globalisation in general. Obviously, one can argue that non-quantifiable impacts of migration may outweigh the quantifiable impacts and that the economic case alone cannot imply a general case in favour of free movement. Such arguments may be relevant only to the extent that they call for appropriate governance structures that would reduce the risks associated with free movement. They cannot be presented as a basis for rejecting free movement in principle.

That is why the analysis above tackles the governance issue and enables us to identify 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

---

<sup>12</sup> Similar externalities are associated with international trade too. In fact, as indicated above, international trade may be a more significant cause of income re-distribution in importing countries. A different set of externalities is associated with capital movements, which lead to destruction of traditional methods or production as well as communities built around them.

and communications, converging educational levels, 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 control 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, one should not be carried away with the optimism that these developments may justify. 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 national 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 are still 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, a policy proposal that seems practically unfeasible in the current political climate may be the only way to avoid the pitfalls of political convenience.

## References

- Angrist, J. D. and A. D. Kugler (2003), 'Protective or counter-productive? Labour market institutions and the effect of immigration on EU natives', *Economic Journal*, vol. 113, no. 488, pp. 302-331.
- Barry, B. (1992), 'The quest for consistency: a sceptical view' in Barry, B. and R. E. Goodin (eds) (1992), pp. 279-287.
- Barry, B. and R. E. Goodin (eds) (1992), *Free Movement: Ethical Issues in the Transnational Migration of People and Money*, New York and London, Harvester Wheatsheaf.
- Bonin, H. (2001), 'Fiskalische Effekte der Zuwanderung nach Deutschland: Eine Generationenbilanz', Bonn, IZA Discussion Paper no. 305.
- Bonin, H., B. Raffelhuschen and J. Walliser (2000), 'Can immigration alleviate the demographic burden?', *FinanzArchiv*, vol. 57, pp. 1-21.
- Borjas, G. J. (1987a), 'Immigrants, minorities and labour market competition', *Industrial and Labor Relations Review*, vol. 40, no. 3, pp. 382-392.
- Borjas, G. J. (1987b), 'Self-selection and the earnings of immigrants', *American Economic Review*, vol. 77, no. 4, pp. 531-553.
- Borjas, G. J. (1993), 'The impact of immigrants on employment opportunities of natives' in OECD, *The Changing Course of International Migration*, Paris, OECD.
- Borjas, G. J. and Richard B. Freeman and Lawrence Katz (1997), 'How much do immigration and trade affect labour market outcomes?', *Brookings Papers on Economic Activity*, 1997, no. 1. (Downloaded from <http://web22.epnet.com/citation.asp>)
- Brücker, H. (2002), 'The impact of international migration on welfare and the welfare state in an enlarged Europe', Paper presented to Oesterrische Nationalbank East-West Conference, 3-5 November 2002.
- Carens, J. H. (1987), 'Aliens and citizens: the case for open borders', *Review of Politics*, vol. 49, no. 2.
- Carens, J. H. (1992), 'Migration and morality: a liberal egalitarian perspective' in Barry, B. and R. E. Goodin (eds) (1992), pp. 25-47.
- Chiquiar, D. and G. H. Hanson (2002), 'International migration, self selection, and the distribution of wages: evidence from Mexico and the United States', *NBER Working Papers*, no. 9242.
- Chiswick, B. R. (1986), 'Human capital and the labour market adjustment of immigrants: Testing alternative hypotheses', *Research in Human Capital and Development*, no. 4, pp. 1-26.
- Chiswick, C. U., B. R. Chiswick and G. Karras (1992), 'The impact of immigrants on the macroeconomy' *Carnegie-Rochester Conference Series on Public Policy*, vol. 37, pp. 279-316.
- Dummett, A. (1992), 'The transnational migration of people seen from within a natural law tradition' in Barry, B. and R. E. Goodin (eds) (1992), pp. 169-180.
- EU Commission (2000), *Communication on a Community Immigration Policy*, COM (2000) 757 / final, Brussels.
- European Integration Consortium (2000), *The Impact of Eastern Enlargement on Employment and Wages in the EU Member States - Analysis* (A report commissioned by the Employment and Social Affairs DG of the European Commission), Milano and Berlin.
- Finnis, J. (1992), 'Commentary on Dummett and Weithman' in Barry, B. and R. E. Goodin (eds) (1992), pp. 203-210.
- Franz, W. (1991), 'International migratory movements: The German experience', mimeo, University of Konstanz, Germany.
- Ghatak, S., P. Levine and S. W. Price (1996), 'Migration theories and evidence: an assessment', *Journal of Economic Surveys*, vol. 10, no. 2, pp. 159-198.

- Goodin, R. E. (1988), 'What is so special about our fellow countrymen?', *Ethics*, vol. 98, pp. 663-686.
- Goodin, R. E. (1992a), 'If people were money ...' in Barry, B. and R. E. Goodin (eds) (1992), pp. 6-22.
- Goodin, R. E. (1992b), 'Coментарy: the political realism of free movement' in Barry, B. and R. E. Goodin (eds) (1992), pp. 248-264.
- Harris, J. R. and M. P. Todaro (1970), 'Migration, unemployment and development: A two-sector analysis', *American Economic Review*, vol. 60, pp. 126-142.
- Heisler, M. O. and Z. Layton-Henry (1993), 'Migration and the link between social and societal security' in O. Waever et al, *Identity, Migration and the New Security Agenda in Europe*, London: Pinter Publishers, pp. 148-166.
- Hendrickson, D. C. (1992), 'Migration in law and ethics: a realist perspective' in Barry, B. and R. E. Goodin (eds) (1992), pp. 213-231.
- Ichino, A. (1993), 'The economic impact of migration on the host country' in G. Luciani (ed.), *Migration Policies in Europe and the United States*, Dordrecht: Kluwer Academic.
- Keohane, R. O. (1986), *Neo-realism and its Critics*, New York, Columbia University Press.
- Keohane, R. O. and J. Nye (1977), *Power and Interdependence: World Politics in Transition*, Boston, Little Brown.
- Kymlicka, W. (1988), *Liberalism, Community and Culture*, Oxford: Oxford University Press.
- Lagenbacher, D. (2004), 'International migration management – Switzerland's approach', speech delivered at European Population Forum, Geneva, 14 January 2004.
- Lal, Deepak (1992), 'The migration of money – from a libertarian viewpoint' in Barry, B. and R. E. Goodin (eds) (1992), pp. 95-114.
- Layard, R., S. Nickell and R. Jackman (1991), *Unemployment*, Oxford: Oxford University Press.
- Linklater, A. (1993), 'Men and citizens in international relations' in H. Williams et al., *A Reader in International Relations and Political Theory*, Buckingham, Open University Press.
- Martin, P. (1993), 'The migration issue' in R. King (ed.), *The New Geography of European Migrations*, London: Belhaven Press, pp. 1-16.
- Matheson, J. H. E. (1991), 'The immigration issue in the Community: An ACP view', *Courier: ACP/EC*, no. 1298 (September-October).
- Morgenthau, H. J. (1960), *Politics among Nations: The Struggle for Power and Peace*, (3<sup>rd</sup> ed.), New York, Alfred A. Knopf.
- Niessen, J. (2004), 'The global governance of migration and the application of the GATS regime: what perspectives?'. Downloaded from [http://www.kbs-frb.be/code/page.cfm?id\\_page=89&id=172](http://www.kbs-frb.be/code/page.cfm?id_page=89&id=172).
- OECD (2003), *Report of Trade and Migration Seminar*, Geneva, 12-13 November 2003.
- Olson, M. (1965), *The Logic of Collective Action*, Cambridge, Mass., Harvard University Press.
- O'Neil, O. (1992), 'Commentary: magic associations and imperfect people' in Barry, B. and R. E. Goodin (eds) (1992), pp. 115-124.
- Pope, D. and G. Withers (1993), 'Do migrants rob jobs from locals? Lessons from Australian history', *Journal of Economic History*, vol. 53, no. 4, pp. 719-742.
- Ratha, D. (2003), 'Workers' remittances: an important and stable source of external development finance' in World Bank, *Global Development Finance 2003 – Striving for Stability in Development Finance*, Washington, D.C., World Bank.
- Salt, J. (2002), *Current Trends in International Migration*, Council of Europe, Document no. CDMG (2002) 26.
- Sandel, M. J. (1982), *Liberalism and the Limits of Justice*, Cambridge, Cambridge University Press.
- Solomon, M. K. and K. Bartsch (2003), 'The Berne initiative: toward the development of an international policy framework on migration', Migration Policy Institute, Washington D.C. Downloaded from [www.iom.int](http://www.iom.int).

- Stark, O. (1991), *The Migration of Labour*, Cambridge, Mass., Basil Blackwell.
- Steiner, H. (1992), 'Libertarianism and the transnational migration of people' in Barry, B. and R. E. Goodin (eds) (1992), pp. 87-94.
- Storesletten, K. (2003), 'Fiscal implications of immigration – a net present value calculation', *Scandinavian Journal of Economics*, vol. 105, no. 3, pp. 487-506.
- Straubhaar, T. (1992), 'Allocational and distributional aspects of future migration to Western Europe', *International Migration Review*, vol. 26, no. 2, pp. 462-483.
- Straubhaar, T. and R. Webber (1994), 'On the economics of immigration: some empirical evidence from Switzerland', *International Review of Applied Economics*, vol. 8, no. 2, pp. 107-129.
- Ugur, M. (1995), 'Freedom of movement vs exclusion: a re-interpretation of the 'insider' - 'outsider' divide in the European Union immigration policy' *International Migration Review*, vol. 29, no. 4 (1995), pp. 964-999.
- Ugur, M. (2000), 'Second-order reciprocity in the age of regionalism: The EU's market access strategy and EU-APEC relations', *Current Politics and Economics of Europe*, vol. 10, no. pp. 73-92.
- Walzer, M. (1983), *Spheres of Justice*, New York, Basic Books.
- Waltz, K. N. (1979), *The Theory of International Politics*, Reading, Mass., Addison Wesley.
- Weiner, M. (1985), 'International migration and international relations', *Population and Development Review*, vol. 11, pp. 441-455.
- Weiner, M. (1996), 'Ethics, national sovereignty and the control of immigration', *International Migration Review*, vol. 30, no. 1, pp. 171-197.
- Weithman, P. J. (1992), 'Natural law, solidarity and international justice' in Barry, B. and R. E. Goodin (eds) (1992), pp. 181-202.
- Withers, G. and D. Pope (1985), 'Immigration and unemployment', *The Economic Record*, 61, 173, pp. 554-563.
- Woodward, J. (1992), 'Commentary: liberalism and migration' in Barry, B. and R. E. Goodin (eds) (1992), pp. 59-84.