

The Future of International Migration

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Introduction

- The stock of cross-border migrants in 2015 was 244 million (Global Migration Trends, 2015). This is 3.3% of the world's population. In the year 2000 this number was 174 million, meaning that in the first 15 years of the new millennium, international migrant flow was around 5 million per year. On the face of it, these are surprisingly low numbers given the reaction to migration from some sections of the receiving populations.
- But migrants are concentrated in particular destination countries and form a much larger proportion of the major receiving countries—15% in the US, 15% in Germany, 17% in Sweden, etc. Further, migrants concentrate in large cities, and data show that in many of these migrants form between 20% to 40% of the population.
- Finally, these are official figures on registered migrants. Illegal migration can increase these numbers significantly.

Introduction

- In what follows my focus is on cross-border economic migration. I do not have anything to say on internal migration (which is huge), or on refugee flows (which have dominated recent discussion in Europe).
- Net migrant flow is from poorer countries to richer countries. Migration from South to North accounted for 37% of the total stock in 2015; migration from North to South accounted for 5%. South-South migration was significant (37%), but here again the flow is towards countries like South Africa from neighboring poorer African countries, or to Malaysia and Singapore from neighboring poorer Asian countries.
- Clearly, borders are open to some extent. Should they be much more open? Indeed, should they be completely open?

Introduction

- The normative core of the argument for open borders is driven by the huge differences in per capita incomes across countries, and the importance of this for income variation between all individuals in the world.
- About 75% of the variation of incomes between all individuals in the world is accounted for by difference in per capita income across countries. The remaining 25% is due to variation within countries around each country's average (Milanovic, 2016).

Introduction

- “When income differences among countries are large, then a person’s income depends significantly on where they live, or indeed where they are born, since 97 percent of the world’s population live in the countries where they were born. The citizenship premium that one gets from being born in a richer country is in essence a rent, or if we use the terminology introduced by John Roemer in his *Equality of Opportunity*, it is an “exogenous circumstance” (as is the citizenship penalty) that is independent of a person’s individual effort and their episodic (that is, not birth related) luck.” (Milanovic, 2016)
- Roemer’s formulation of equality of opportunity is now dominant in the economics literature, but some form of the global equality of opportunity argument underpins the normative discussion in other disciplines as well.

Introduction

- Are completely open international borders, which would end the arbitrariness of the nationality into which a person is born, Utopian?
- **By Utopian I mean a big change which is highly desirable but not feasible in the near future.**
- Completely open borders is clearly a “big” change. An assessment would then have to establish both desirability and infeasibility.
- The assessment of desirability would have to set out the consequentialist and non-consequentialist implications of such an opening, and of course the normative criteria underpinning the assessment.
- The assessment of infeasibility would cover technical and political dimensions of the proposed change.

The Economic Approach

- The standard economist approach to borders is to view them as a distortion to the free movement of a factor of production, in this case labor. It is analogous to other impediments to free markets such as tariffs.
- The consequences of opening borders are then set out in terms of the short term and long term economic consequences of opening borders, in the framework of a standard (idealized) supply-demand model of the labor market (and other markets).
- Furthermore, the evaluation criteria are consequentialist, some variation of global Utilitarianism.

The Economic Approach

- In the basic economic set up, removal of the closed border distortion will (under certain conditions) increase global efficiency; it will increase the overall size of the global pie although it will of course have distributional consequences as well.
- What sorts of distributional consequences?
 - The migrants themselves will be better off (on average).
 - But migration to the labor market of a receiving country will put downward pressure on the wages in that country in some sectors.
 - And outmigration may have negative consequences for the sending country—brain drain of skilled workers, etc.

The Economic Approach

- When there are distributional consequences of a policy which leads to an overall gain, the standard economist answer is compensation to the losers from taxing the gainers. Since the gainers gain more than the losers lose (which is the definition of an “efficiency gain”), there is “room” for such a supplementary policy.
- But, of course, such compensation and taxation may itself have implications for efficiency, unless they are assumed away by fiat in an idealized world (in the economist’s jargon, these are “lump sum tax and transfer instruments”).
- In practice we do not have lump sum instruments, and redistribution is in any case not part of the package. So the distributional consequences of the policy, in this case open borders, have to be an integral part of the normative assessment.

The Economic Approach

- By and large the empirical estimates done by economists indicate significant global gains to opening borders, meaning by this that the aggregated gains of the gainers outweigh the aggregated losses of the losers.
- “In the case of a complete liberalization, the world average level of GDP per worker increases by 20 percent in the short-run, and by more than 55 percent after 50 years.” (Delogu, Docquier and Machado, 2013).
- The debates among economists center on the relative magnitudes of the distributional consequences in the sending countries and receiving countries.

Sending Countries

- For the sending countries, till quite recently the major focus was on the “brain drain”; the assumption being that starting with a fixed stock of human capital (educated workforce) more open borders in the rich countries would mean a denuding of this human capital stock in the poor countries.

Sending Countries

- But more recently the “brain gain” hypothesis has found some favor among theorist and empiricists. The idea is that the stock of human capital is not fixed. It is determined by individual decisions to acquire human capital, and more investment will be made the greater the expected return, and this will be higher the more open the borders of rich countries.
- In this scenario increasing the probability of getting a higher return by migrating to a rich country could increase domestic accumulation of human capital by so much that even allowing for the greater leakage the poor country would be left with a higher human capital stock. There appears to be some evidence for this mechanism. (Boeri, Brucker, Docquier, Rapoport, 2012)

Sending Countries

- To this should be added the old fashioned remittances argument. Sending countries benefit through remittances, which are now huge in relation to the economies of some countries, so much so that these countries (eg the Philippines) have an entire government department devoted to overseas workers.
- So the arguments cut both ways for sending countries, and empirical estimates depend on specific assumptions and specific circumstances of particular sending countries. (Docquier and co-authors generally find benefits to sending countries).

Sending Countries

- Of course if there are negative distributional consequences, in particular losses for sending countries, we could envisage of package of redistribution measures.
- Varieties of the “brain drain tax” have been put forward as the answer to this.
- An appropriate combination of open borders plus taxation and compensation could in principle be designed to eliminate distributional consequences and leave only the efficiency gains:
 - “redistributive policies could be used to compensate the potential losers such that all individuals would be better off in origin and destination countries.” (Machado, 2016)

- But recall the issues with redistributive instruments. The combination of open borders plus redistribution is “even more” Utopian than just open borders. It is even more desirable, and even less feasible.
- It is interesting to contemplate that this is also in effect the perspective in some of the philosophical literature where the objectives go beyond simple consequentialism. For example, Eszter Kollar (2016) writes:

Sending Countries

- “A liberal political theory of labour migration faces a serious dilemma. It takes the inequality generating effects of international brain drain to be morally objectionable, but cannot (directly) restrict the movement or occupational choice of labour migrants as a solution...”
- “I propose an extension of the liberal thesis and argue that rightful ownership of our *cultivated skills* themselves also depends on fair social conditions of human development for all. Insofar as the cultivation of our skills is conditional on the contribution and cooperation of others, we rightfully own them against background conditions where everyone has a fair chance to develop their talents. I call this the *radical liberal egalitarian view* about the ownership of talents.”

Sending Countries

- “I conclude that a well-designed international brain drain tax and other types of in-kind (knowledge and skills) transfer and service schemes constitute fair terms of labour migration. The function of these normative constraints on the cross-border movement of human capital is to render the benefits obtained morally justified advantages.”

Receiving Countries

- Let us now focus on distributional effects in receiving countries of open borders.
- Against the standard argument that an influx of labor will depress local wages is put the argument that it will also in the long run increase the demand for labor through increasing the return to capital and hence investment *and growth*.
- But the empirical estimates are finely balanced and things seem to come out more or less even in the wash.
- However, the interpretation and focus differs depending on which side of the immigration debate you are on.

Receiving Countries

- “From 1960 to 2011, the number of immigrants in the United States rose from less than ten million to more than 40 million, doubling the foreign-born share of the population. The question of whether this enormous influx of labor has raised or lowered wages and employment has spawned much debate among economists. But the distance between the two sides is quite small; estimates of the cumulative effect of decades of immigration on natives’ wages range from around negative three percent to positive one percent.” (Clemens and Sandfeur, 2013).

Receiving Countries

- “When measured over a period of 10 years or more, the impact of immigration on the *wages* of natives overall is very small. However, estimates for subgroups span a comparatively wider range, indicating a revised and somewhat more detailed understanding of the wage impact of immigration since the 1990s.”

(NAS Panel Report, 22 Sept, 2016)

- “Immigration has a harmful effect on the earnings of low-skill workers”

(George Borjas, Member of NAS Panel, Blog on Report, 22 Sept, 2016)

Receiving Countries

- There are similar sharp debates on the pressure on public goods. On the one hand there are obvious extra needs on the existing stock of public schools, housing, etc. On the other hand since immigrants are younger they lower the dependency ratio and help the fisc in that way.
- “In a 2013 study of 27 countries, the Organization for Economic Cooperation and Development (OECD) found that immigrants contribute an average of \$4,400 more per household to the government than they receive in benefits each year. For 20 of these countries, immigrants’ net fiscal contribution was positive; in the United States, that figure was around \$11,000 per immigrant household.” (Clemens and Sandfeur, 2013).

Receiving Countries

- “On average, individuals in the first generation are more costly to governments, mainly at the state and local levels, than are the native-born generations...For 2013, the total fiscal shortfall (i.e., the excess of government expenditures over taxes) was \$279 billion for the first generation group...Viewed over a long time horizon (75 years in our estimates), the fiscal impacts of immigrants are generally positive at the federal level and negative at the state and local levels.” “Assumptions play a central role in analyses of the fiscal impacts of immigration.”

(NAS Panel Report, 22 Sept, 2016)

- “Immigrants and their dependent children create a fiscal burden.”
(George Borjas, Member of NAS Panel, Blog on Report, 22 Sept, 2016)

Receiving Countries

- “The economic impact of immigration is, at best, a net wash for the average native-born person. The gains accruing from the immigrants’ productive contributions are probably offset by the fiscal burden. But even though the mythical average person is unaffected, some groups gain a lot and some groups lose a lot.”

(George Borjas, Member of NAS Panel, Blog on Report, 22 Sept, 2016)

Receiving Countries

- “In sum, we demonstrate that the long-run gain from liberalizing cross-border migration exceeds by far the short-run effect, and its magnitude is in line with what was found in previous studies....The main winners are future generations of people originating from poor countries. This makes it difficult to find redistributive policies to compensate the losers, i.e. the current generations of low-skilled nationals residing in high-income countries.” (Delogu, Docquier and Machado, 2013)

Receiving Countries

- The key thus turns out to be redistributive instruments within receiving countries.
- The open border discourse thus intersects with another Utopian discourse—finding and developing automatic redistributive instruments which allow benefits from trade and technology to be shared across the population (Kanbur, 2014).
- “Trade Adjustment Assistance” is an example of a weak and ineffective attempt at setting up such an instrument in the US.
- The Basic Income movement has many normative antecedents, but (if it needs it), the Utopian search for automatic redistributive instruments can be another line of support.

Diversity

- There is, however, one disturbing line of thought which is independent of the narrow economic distributional consequences of immigration, but which is argued to possibly have long term economic consequences.
- Paul Collier (2013) is the most prominent economist associated with this argument, and it turns on the consequences of diversity broadly construed. Collier starts with an econometric literature on African growth, which argues for a correlation and even a causation from ethno-linguistic fractionalization to economic growth (controlling for other factors, of course).
- The econometric literature echoes the writings of the distinguished historian of Africa Basil Davidson, whose book *The Black Man's Burden: Africa and the Curse of the Nation-State*, traces the consequences of arbitrary colonial borders which left a legacy of multi-ethnic nation states in Africa.

Diversity

- There is also a microeconomics literature, including in experimental economics, arguing that cooperation, variously measured, is more difficult when the group in question is heterogeneous in nature, heterogeneity also being variously measured, including by ethnicity. For example, there is an argument that more homogeneous microfinance groups are more successful (default rates etc).
- Putting these together, and transferring the setting to rich migrant receiving countries, Collier argues for a cap on migration because in his view under present conditions heterogeneity is increasing too fast and could reach a level where it could undermine cooperation:

Diversity

- “Migrants increase social diversity. Diversity enriches economies.....[b]ut diversity also undermines mutual regard and its invaluable benefits of cooperation and generosity....[B]eyond some level greater diversity might begin to jeopardize cooperation games and undermine the willingness to redistribute income.” (Collier, 2013)
- Collier thus seems to hypothesize that causality runs from immigration, through diversity and thus less redistribution, to greater inequality. However, as he notes, “Unfortunately, social research is currently nowhere near the level of sophistication needed to estimate at what point diversity would become costly.”
- Nevertheless, for managing diversity and for other reasons, Collier argues for migration caps.

Diversity

- In political philosophy, the work of David Miller is perhaps the closest analog to the Collier argument in economics. Miller argues, to quote Eszter Kollar, “the democratic community’s prima facie right to determine the shape of its future.”
- In particular, if “too much” diversity is not desired by a democratic nation state because it would undermine solidarity, it has the moral right to exclude those who would increase diversity. An open borders prescription stemming from an ethical stance of global equality of opportunity or the moral arbitrariness of citizenship at birth, does not cut much ice in the Miller view.

Diversity

- I see Marten Loopman's argument, from the little I have read of it, to be a questioning of the empirical foundations of the "diversity undermines solidarity" argument.
- First, encounters between different cultures and ethnicity do indeed lead to acts of solidarity in a wide range of ways.
- Second, a global sensibility and perspective questions the very idea of diversity in a conventional sense.

Diversity

- “Migration and superdiversity challenge this territorial mode of governing. Migrations adds an extra layer to the global network infrastructure; a mesh of human relations. This infrastructure is what feeds the rise of a global political subject that escapes container politics. The human network connects, in a direct manner, people across the globe. Global connectivity is now shaped in proximity, in everyday life, without territorial mediation of (inter)national mass media. In a superdiverse city network, neighbors, friends and family members are connectors to faraway places in the world, making political issues ‘from elsewhere’ tangible in our everyday reality.”

Conclusion

- To conclude, then, I believe that open borders is indeed a Utopian prescription, because in my view it is both desirable and infeasible in the “near” future.
- A narrow economic perspective, such as that put forward by Joel Machado, shows significant efficiency gains with open borders, but the negative distributional consequences can only be addressed by instruments which are technically difficult to implement, and certainly politically problematic. If these instruments were to hand, the prescription would not be Utopian, since it would be desirable (on efficiency and distribution grounds) and it would be feasible.
- It is the lack of appropriate redistributive instruments—globally and within countries, which makes the open borders proposal Utopian, and guides us it where the focus of attention should be in the discourse.

- I think of Eszter Kollar's proposal based on her philosophical "radical liberal egalitarian view" to have a family resemblance to the narrowly economic analysis of open borders with redistribution. For this reason, in particular the technical and political infeasibility of cross-border compensation in the near future, I view her proposal as being Utopian as well.

Conclusion

- I see Maarten Loopmans argument as an empirical argument counteracting the academic and popular views on the diversity costs of open borders. If this argument held true empirically then the standard counterargument to the narrowly economic analysis (that it ignores the costs and dislocations of diversity induced by large in-migrations in receiving countries) would also fall and the desirability of open borders would be strengthened.
- But perhaps Loopmans' argument can also be interpreted to argue that political resistance to open borders based on diversity fears is also over exaggerated, and can be addressed by purposeful interventions. This, together with having sufficient economic compensation instruments, would remove the infeasibility constraint on open borders.

Conclusion

- Unfortunately, I doubt that all of these conditions will be met in the near future.
- So open borders remain, in my view, a Utopian prospect for the future of international migration—highly desirable but infeasible in the near future.
- Of course it is the very “Utopian-ness” of the proposal(s) in the idealized sense--openness of borders plus automatic redistributive instruments plus measures to address fears of diversity—which should spark the imagination and inspire us to work towards concrete measures and “real Utopias”.

Thank You!