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Abstract

This paper argues that *global games need global rules*. Times of globalisation call for an international framework to regulate efficiently international movements of people. More than ever before, migration is a global phenomenon. This paper discusses the *economic necessity* of a shift from national migration policies to an international regime. My suggestions go into the direction of a ***GAMP** - a **General Agreement on Movements of People***. This labour market analogy to the *GATT (WTO)* and *GATS* is intended to provide an international regime for the movement of people across national borders. It proceeds from the conviction that in general the free international movement of people - like the free movement of goods and capital - is beneficial to all parties involved (i.e. the migrants, the country of origin and the country of destination). Consequently, it aims first and foremost at a *liberalisation* of the movement of people and for general acceptance of the *free entry and exit* of migrants. However, it should also provide an instrument for internalising externalities provoked by international migration. To avoid brain drain effects in the sending areas and congestion effects in the receiving areas it might be wise to impose a migration fee that makes exit and entry more expensive.

Zusammenfassung

Während GATT und GATS und damit die WTO den Welthandel regulieren, und es für den internationalen Geld- und Kapitalverkehr Institutionen wie die BIZ, den IMF oder die Weltbank gibt, fehlt für den Bereich der internationalen Migration eine analoge internationale Behörde (diese Lücke vermögen auch die ILO und die IOM nicht zu füllen). Dieses Diskussionspapier deckt die ökonomische Notwendigkeit für ein GAMP (***General Agreement on Movements of People)*** auf und skizziert dessen Inhalte. GAMP wird von der Überzeugung geleitet, dass die internationale Freizügigkeit für Arbeitskräfte genauso vorteilhaft ist wie der internationale Freihandel für Güter. Andererseits entstehen mit der internationalen Migration externe Effekte in Form eines Brain Drains im Herkunftsland und in Form von Ballungs- und Verdrängungseffekten im Aufnahmeland. Um diese negativen Auswirkungen zu internalisieren, wird vorgeschlagen, eine zweckgebundene Migrationsabgabe zu erheben.

I. INTRODUCTION[1]

The 20th century has started world-wide with the (partly artificial) making of nation states. It is about to end in a slow, stepwise but ongoing erosion of nation states power. Nation states might have been very efficient and *transaction costs minimising institutions* in the area of industrialisation.[2] In a world of increasing globalisation for more and more business activities the politically defined territoriality of nation states comes under growing economic pressure. Several nation states have broken up into parts (like the *Soviet Union* or *Yugoslavia*). Others have started to congregate in regional integration blocs (like *NAFTA*, *EU*, *ASEAN*, *MERCOSUR*). Many national borders have gone and some integrated areas without national borders have arisen (like the *EU*).

In a globalising world, many ”national” problems lose their ”national” dimension. They spill over national borders and become ”international”. The same is true for *public goods*.[3] Some public goods get an ”international public goods” character.[4] Consequently, national laws have increasingly to be replaced by international laws or regulations. There is an augmenting body of international organisations which deal with

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1 Thanks are due to *Bimal Ghosh* for his valuable comments on earlier drafts and to the participants of the preparing meetings in Geneva in September 1997 and Arrabida in June 1999.

2 ”Transaction costs arise from the transfer of ownership or, more generally, of property rights. They are a concomitant of decentralized ownership rights, private property and exchange. ... Transaction costs, like production costs, are a catch-all term for a heterogeneous assortment of inputs. The parties to a contract have to find each other, they have to communicate and to exchange information. The goods must be described, inspected weighed an measured. Contracts are drawn up, lawyers may be consulted, title is transferred and records have to be kept. In some cases, compliance needs to be enforced through legal action and breach of contract may lead to litigation”(*Niehans 1987, 676*). In short: Transaction costs are all additional costs of market activities that are not included in the production costs.

3 Public goods are characterised by some degree of non-rivalry in consumption *and* the impossibility of excluding somebody from consuming them. They also include goods and services that private markets fail to supply efficiently because they are subject to strong scale economies (generating a ‘natural monopoly’) or subject to severe externalities (i.e. indirect effects of economic transactions on people not directly involved in this activity). Examples include code of law and regulation, telecommunication and transportation networks, technical infrastructure, educational affairs and much others.

4 The term ”international public goods” has been uses by *Charles Kindleberger* (1986) in his presidential address to the American Economic Association. It means that matters of national politics or market failures have now become topics of international concern with their repercussions easily crossing national territories. Popular examples for such ”international externalities” (i.e. individual behaviour (in-)directly affects the welfare of others in other countries) are peace keeping, environmental damages (ozone layer, air pollution, over fishing etc) or macroeconomic stability but they can also be found in migration issues as we shall see later.

”international public goods”. Popular examples are the *UN* (for security affairs), the *World Bank/IMF* (for financial affairs) or the *WTO* (for trade affairs). These international regimes are intended to optimise the interplay of (national) actors in a global game.

However, there is one issue that only slowly finds to an international framework. *Migration* has been and is seen as a (probably *the*) fundamental national topic. Nation states and their decision-making governments can hardly imagine to give up the right to decide autonomously who should belong to them and who has to stay outside. Questions of entry, stay and membership (i.e. nationality and citizenship) touch the soul of nations. Consequently nation states and their governments are only partly and slowly willing to delegate authority about these fundamental issues to international regimes. The *NIROMP* (New International Regime for Orderly Movements of People) project is one of the first attempts to provide a common framework to make international movements of persons more orderly, manageable and efficient for both sending and receiving countries. Complementary to other contributions, I focus on some *economic aspects* of an *international migration arrangement*.

My contribution argues, that *global games need global rules*. Times of globalisation urges for an international framework to regulate efficiently international movements of people. This is due to the fact that about 100 million people are living outside the country of their birth (*World Bank* 1995:53). Taken in absolute figures this is close to the population size of *Nigeria* what is the tenth biggest country world-wide. ”More than ever before, migration is a global phenomenon” (*Weiner* 1996:128). In the up-coming century of the cyberspace, migrants might even look like an incarnation of the ”*virtual citizen*” what means that they are almost perfectly adapted to a spaceless, borderless, territoryless world of the future.

Migration has become one of the most discussed *political* topic. The borderless nation of international migrants grows fast. Not surprisingly, citizens of old ”traditional” territory-bounded nation states in Europe and North America fear of being overflowed by herds of people from Africa or Latin America. ”An all-too-familiar chorus (namely those eager to exploit the issue for electoral gain), quickly took up the refrain of international migration as a security threat” that leads to unjustified and exaggerated dangerous elevation of ”myths and half-truth to the status of conventional wisdom” (*Papademetriou* 1997: Front page).

In line with the basic idea of the *NIROMP-project*, I discuss the *economic necessity* of a shift from national migration politics to an international regime. The basic idea is very simple: As an economist, I find many convincing theoretical arguments and empirical evidence that international movements of people is welfare increasing for the sending area and the receiving area as well. However, due to the relatively heterogeneity of the labour force (skilled/unskilled, employed/unemployed, old/young, male/female) a fully liberalised international labour market would not lead by itself to an optimal allocation of the workforce. The main reason for this assumption lies in the *asymmetric macroeconomic incentives* behind cross-border movements of people. Regions with a labour surplus prefer the emigration of low skilled unemployed or underemployed workers and are eager to keep their brightest minds. Regions with a demand for immigrants would prefer high skilled workers that are appreciated complements to the native labour force but they would dislike unskilled people that might crowd out native workers into unemployment or that might just consume (national) public goods (like streets, schools, hospitals) without paying a cost-covering fee. Consequently, an international framework should avoid brain drain effects in the emigration country and crowding out effects in the immigration area.

In what follows, *Section II* gives a short idea what globalisation means and offers a short survey about some recent migration trends. *Section III* asks why and *Section IV* asks how we should regulate international migration. *Section V* develops some basic elements of a General Agreement on Movements of People (GAMP). *Section VI* concludes.

II. MIGRATION PATTERNS AT THE DAWN OF THE 21st CENTURY

The 20th century has been the century of *globalisation*. Fundamental technological innovations in the after Second World War period have effectively changed the ”One Earth” into ”One World”. The basic trigger of this process has been the tremendous technological innovations in microelectronics in the last decades. On the whole, they have considerably narrowed ”space” and shortened ”time”. Transaction and communication costs of world-wide business and long distance travelling have decreased substantially.[5] International economic activities become even cheaper because the costly impediments of artificial barriers to trade have been removed (like tariffs in the WTO-framework) or severe political conflicts have been weakened or they have even gone (like the cold war iron curtains or the apartheid system in South Africa).

International *trade* has increased fast over the last decades. About one quarter of all produced goods and services are exported at the end of the 1990ies, up from one eighth in 1970 (Data from *World Bank* 1999:229 and *World Bank* 1995:51). However, much more important is that the degree of spatial mobility has become much higher for many *factors of production* (i.e. labour and capital). The fall in transaction and transportation costs has made international migration to be a cheaper and consequently more attractive option for much more people around the globe than ever before in human history.

Goods and factor markets have become much closer and faster inter-linked. Previously segmented, national factor markets have opened up to ”global” capital and labour markets with all forms of country crossing co-operation. Workers and money have the technical opportunities to move over longer distances more easily and more rapid than in former periods. It takes a few hours only to travel from every place on the globe to every other village in the world. Consequently, a global labour market emerges. It is to say that this *”globalisation” takes different forms*. According to their individual characteristics, workers are inter-linked *directly* over international migration flows or *indirectly* over world-wide trade in goods and services.

a) Relatively *unskilled ”blue-collar” workers* are affected by the ”globalisation” phenomenon over two different independent channels:
   - They are *indirectly* challenged in form of ”cheap” imports of (standardised) goods; this might happen especially in the traded rather industrialised sectors (i.e. toys or textiles) or,
   - they are *directly* competed in form of ”cheap” labour immigration; this might happen especially in the non-traded rather service-oriented sectors (i.e. construction, restaurants, tourism).

   ”Globalisation” in this unskilled segment of the labour markets means an almost unlimited supply of workers and a relative scarcity of complementary production

5 The *World Development Report* 1995 (*World Bank* 1995:51) shows for example that the costs of a three-minute New York-to-London telephone call has dropped from an index of 100 in 1940 to an index of 1 in 2000. Similar cost reductions appear for long distance transports of people or freights.

factors (i.e. (human) capital). The consequence is a tough competition and a pressure or tendency towards a world-wide equalisation of real wages (i.e. purchasing power corrected incomes per hour) for the unskilled labour force.

b) For the relatively *higher skilled "white-collar" specialists* "globalisation" means the opportunity to search *world-wide* for the most attractive *complementary* production factors. They can communicate, co-operate and sell their know-how around the globe - sometimes within the "cyberspace" or within the "virtual company" and this means even without leaving their home town. Consequently, they will choose their main place of living according to the expectations of return to their human capital investments. This might also important mean that the quality of life with regard to *consumption* could be more for this choice than the local possibilities of *production.*

It is remarkable enough that by far not all workers have to move internationally to get a world-wide inter-linked labour market. The indirect competition over world-wide trade in goods and services (and over electronic commerce and virtual service-exchange) without cross-border mobility of workers explains why already a small proportion of internationally mobile people nevertheless has such a tremendous effect on the earnings of lower skilled workers.

It is to say, however, that despite the up-growing globalisation of economic activities, and despite the much lower transportation and travelling costs, international movements of people is still *the exception and not the rule*.[6] Only 2% of the world's population live outside their home countries. This empirical fact contradicts with popular judgements and prejudice. It can be claimed that for most people "staying" is a preferred option compared to "going". Thus, people are mostly bound to their places of origin. This has something to do with non-transferable *location specific advantages.* They are not only economic, but also, and perhaps first of all, cultural, linguistic, social and political. During periods of immobility at a particular location, individuals invest in the accumulation of location-specific skills, abilities and assets (this also includes the learning of local habits, values and customs). Some of these abilities and assets cannot

6 Consequently, we have to look more carefully to the economics of *immobility*. Why prefer people to stay even if the average standard of living is much higher in other countries? In *Fischer/Holm/Malmberg/Straubhaar* (1998) we develop an "*insider advantage approach*" to explain the economic rationality behind the preference for immobility.

be transferred easily to different locations. A rather extreme example of non-transferable abilities is the skills of an Australian aborigine who is an expert at surviving in the desert. He will find it difficult, however, to employ these skills in westernised and urbanised parts of the world where they are to the largest extent devalued.[7]

There are also less spectacular examples, even with respect to groups of individuals who are usually assumed to have a high propensity to migrate. High-school graduates for example, when trying to find a job in their home town, are likely to have location-specific assets simply by knowing many of their fellow citizens and by being accustomed to the peculiarities of their home town. Like the aborigine, they are unable to transfer these assets, which in turn is likely to reduce their willingness to take up residence in a different macro-level unit. This applies to an even higher degree to people in a later stage of their life. Not only are they likely to have a stronger personal attachment to a particular place. Over time they have usually also collected a much larger amount of information and abilities than the graduates mentioned above. This increases the costs arising from the devaluation of these assets when moving to a different place of residence.

All in all, *location-specific insider advantages* contribute to an understanding of *why most people stay immobile* even under conditions of important national and regional disparities. It implies that people do not move because the loss of location-specific assets and abilities induced by migration would be too severe and because it is immobility which allows for the accumulation of insider advantages. With regard to recent migration patterns the interesting point is that ”globalisation” allows people to ”stay” geographically but to ”go” functionally. This means that workers can do their (mostly service-related) business world-wide over *internet* or in the *cyberspace* without leaving their home.

It is also remarkable that still most international movements of people are *not yet global but local*. Most of the world’s migration flows occur within culturally relatively homogeneous areas and within geographically nearby regions, for example within South- and East-Asia, Africa or Latin America. Furthermore, international migration is often not due to a movement of people but due to consequences of a new setting of national borders out of political reasons. *”Borders crossing people”* takes place almost

7 For a related case study see *Hoagan, P.* (1985), *Crocodile Dundee*, Alice Springs/Hollywood.

as often as ”People crossing Borders”. Very recent examples are the collapse of the *Soviet Union* or *Yugoslavia* and the building up of new countries in Eastern Europe. But in many cases the construction of new nation states in Asia, Africa or Latin America has also followed arbitrary and artificial borderlines. Thus, people are suddenly ”non-citizens” even though they have not even moved an inch.

Both empirical facts - the relative strong preference of immobility and the rather local dimension of international labour migration - should make nation states in the Northern hemisphere well aware of the extremely exaggerated fears of mass migration from the South. To bring it to the point: Many (if not most) fears of globalisation do not rely primarily on direct cross-border movements of people. They are provoked much more by the indirect consequences of international (increasingly electronic) trade in goods and services that sometimes comes together with the suppliers of specific services. Much more than the traditional permanent migration flows, some other new cross-border mobility patterns challenge the relatively higher developed immigration countries in Europe and North America. Of course, they have something to do with ”globalisation” and the lower transportation and transaction costs for international movements of people:

a) An increasing number of cross border migration is *temporary* which means seasonally or even weekly or daily. More people from further geographical areas can afford to commute over longer distances back and forth across borders for shorter periods of time. These migration flows are not recorded in official statistics because they do not fulfil the duration criteria of at least six permanent months. Some of these daily commuting cross-border movements cannot even be recorded at all for practical reasons. Just to give an example: The Tijuana-San Diego border in San Ysidro is crossed by much more than 100'000 people daily and it would be simply too costly to record them all in detail.

b) Temporary migration has become more important in *service-related activities*. In many cases ”trade in services” is embodied in ”movements of persons”. Popular examples of such cross-border activities of men-bounded service activities are managers, scientists, consultants, computer specialists but also artists, sportsmen, hair dressers, street cleaners, dress makers or cashiers. Remarkably enough, these service-related international movements appear also within the group of high skilled workers. Besides participants in business meetings or people negotiating contracts, this also includes intra-company transferees, corporate trainees, service sellers or individual service providers and specialists on specific assignments (see *Ghosh* 1997 for more details).

c) The *international intra-firm movements* are of special and growing economic interest. Multinational companies send their employees abroad. They take advantage of this *internal labour market* to transfer internationally firm-specific skills and knowledge.[8] Internal labour markets allow to lower transaction costs related to hiring processes over external labour markets (screening costs to learn about the motivation and skills of new employees or turnover costs to provide new employees with firm-specific rules and division of activities). They are of special interest for the relatively higher skilled workers (managers, specialists, technicians) The cross-border intra-firm mobility of highly skilled technical and managerial experts might be a very efficient strategy to transfer firm-specific know-how from the headquarter to the subsidiaries and vice versa.

d) *Network- or chain-migration* has increased (see *Bauer/Zimmermann* 1997). This means that the flow of immigrants into a certain country depends on the stock of immigrants from the same country of origin who already live there. It sounds quite logical that it is much easier for a foreigner to get a job from an earlier arrived fellow-countryman. Economically this has something to do with the *international transferability* of *country-specific skills or knowledge* that allows people to move physically but to keep their location specific insider advantages. Just to give an example: Normally an Anatolian cook cannot transfer its knowledge of cooking special Turkish food to a traditional German ”Bierstube”. Rather he would have to start as a dish washer in Bayern and has to learn how to cook German ”Knödel”. However, if he goes to an Anatolian restaurant in Berlin, he can do almost the same job as back home in Turkey.

e) In many cases, especially in Europe, migratory flows are increasingly dominated by *rights* acquired by former legal immigrants (i.e. family reunification) and by *humanitarian reasons* (refugees and asylum seekers). These two channels function largely as a substitute for directly demand-determined labour-market

8 The principle of internal labour markets goes back to the work by *Doeringer/Piore* (1971). It describes the reasons why firms cover job openings by workers already employed within the company. Besides the transferability and protection of firm-specific skills and knowledge these reasons include the information about the workers abilities and motivation (i.e. the screening has already been done before) and the savings of search and turnover costs. Internal labour markets are characterised by the fact that they do not follow the supply-demand mechanisms of external labour markets. They are planned and administered by firm-specific rules and procedures and the outcome (i.e. the individual wages) might deviate substantially from market equilibria (see *Williamson* 1975 for more details).

oriented immigration, which has been made considerably more difficult since the beginning of the 1980s. Asylums seekers might stay even after the fundamentals in their home countries have changed and a safe going back would be possible. They might build up networks and act as channels for further immigration flows.

f) Another supply-driven channel that acts as a substitute for demand-determined labour migration is *illegal migration*. Illegal immigration has become a heated public debate in Europe and even North America and it is politicised by right-wing parties such as the ”Front National” in France, the "Freiheitlichen" in Austria, the ”Republicans” in Germany or the ”Save our State”-movements in California. Illegal migrants break laws and rules and clearly provoke the credibility of judicial systems and the confidence in the power and authority of constitutional settings. They also challenge the public transfer system. Illegal foreign workers do not pay direct income taxes, but use on the other hand public goods or publicly subsidised services like schooling or medical treatments for their children. Illegals compete with legals for job opportunities but have the possibility to avoid certain obligation, costs, taxes and fees compulsory for the legal workers. These legal, economic and social provocations make it easy understandable why politicians and their voters are not willing to accept the phenomenon of illegal migration.[9]

The fundamental challenge of these contemporary international migration patterns is that they follow a rather *self-feeding self-enforced dynamics*. Network migration, rights-driven humanitarian migration (like family reunification, asylum seekers or refugees) and also illegal immigration is supply-driven. Contrary to the labour market driven demand-determined economic migration the supply-driven migration cannot be controlled and regulated by (traditional) national laws and rules of the immigration country. In a very simple minded view ”it just happens” (of course very much driven also by some vested interest groups in the destination area!). How should and how could

9 But regardless of these negative impacts on the host society, illegal migration exists and it is growing all over the world. And this is not only due to the vehement and irreversible will of hopeless and desperate people from poor regions to enter the holy land of wealth and glory. There is also a need and demand for illegal immigrants. Some people (like house owners needing some help in cleaning and maintenance) and economic groups (like restaurant owners or farmers) benefit from illegal migrants. They try to avoid direct labour costs, indirect social payments and costly regulations. The supply of and demand for illegal foreign workers create an economic market for illegal migration and a political market for the supply and demand of border controls and labour market regulations. Consequently, the phenomenon of illegal migration has to be analysed within an economic framework but also with an understanding of the political economy behind the setting of laws and rules. For a further analysis of the (politico-)economics of illegal migration see *Jahn/Straubhaar* (1998).

nation states react to this growing complexity of contemporary migration patterns? The next sections will provide some guidelines.

III. WHY SHOULD WE REGULATE INTERNATIONAL MIGRATION AT ALL?

The *history of mankind is a history of migration*. However, it has always been a hotly debated controversy whether migration is a good or bad phenomenon and whether and how it should be regulated to improve its benefits and lower its potential negative impacts. Questions like the following ones may arise in such a context: What costs and benefits do we exactly focus on? Is unrestricted international migration good or bad for the sending or the host society and what is about the migrants themselves? Did the Red Indians for example make a big mistake by not preventing the ”Palefaces” from immigrating? Obviously, answers to such questions differ according to subjective, individual evaluations. What even makes it all the more difficult is the fact that all impacts of international migration are *not time invariant*. They depend on the stage of economic development, changing economic business cycles, the intensity of social changes and other non-economic factors.

Openness increases the efficiency of international production, it promotes economic wealth in all locations and it stimulates economic convergence between the economic areas involved. This is one of the few iron laws of economics. It has led national economies to lower their protective restrictions on international trade in goods by joining the *GATT* (now WTO). Lately, the GATT has enlarged to include also measurements to facilitate the international trade in services within the newly established *GATS* (see *Gosh* 1997 for details). With regard to international cross-border movements of people, national governments are much less positive in their evaluations. It turns out, that ”man in his elemental state is a peasant with a possessive love of his own turf; a mercantilist who favors exports over imports; a Populist who distrusts banks, especially foreign banks; a monopolist who abhors competition; a xenophobe who feels threatened by strangers and foreigners” (*Kindleberger* 1984, 39). Of course, this negative evaluations of international movements of persons has something to do with their (supposed) impacts to the host society.

In a very *simplified world* scenario with assumption such as economically identical people who act individually and independently from each other and with perfectly and fully competitive markets with no common or public goods and no redistribution of income by some taxes or social benefits, *migration would be a positive mechanism*. In such a framework, migration is an arbitrage phenomenon that overcomes local surpluses or scarcities in factor endowments. In a world with no national borders and no limits to the internationally free movement of labour, migration is welfare improving for the world as a whole. This is one of the clear results of the positive theory of international trade.

However, this is a very aggregated *cosmopolitan* view. The problem with such a perception is that it does not really care about the distribution of the gains on free migration. Additionally, the positive evaluation of migration effects is much more complex if we leave the (neoclassical) framework from above. If we allow for unequal distribution of capital (wealthy and poor people), segmented labour markets (skilled and unskilled workers) and unemployment or if we consider the existence of public goods, free migration of labour could also lead to negative effects - at least for some specific factors or groups. Just to give an example, imagine a blue-collar worker in the German 'Ruhrpot' area. Unlike the well trained neoclassical economist bound to express concern about immigration-induced unemployment, wage reductions and a general deterioration of national welfare. The opposing attitudes result primarily from differences in perspectives. While the economist's enthusiasm is based on a certain long-term, allocation efficiency school of thinking, the blue-collar worker's fears are based on a short-term, distribution-oriented perspective.[10]

An evaluation of the migration impacts becomes even more complex, if we include *externalities* of migration. In standard textbooks, economists differentiate between pecuniary and non-pecuniary (called ”technological”) externalities.[11]

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10 Economists differentiate between *allocation* and *distribution* effects of migration. *Allocation* has something to do with the geographical organisation of the production. It goes about the macroeconomic efficient mix and use of input-factors. *Distribution* refers to the different payments to the different factors of production (capital, skilled or unskilled labour). It goes primarily about microeconomic benefits and personal damages that are subject to more or less individual evaluations.

11 Positive externalities are the effects of subjects' actions that positively influence other subjects' actions without them having to do (or pay) anything for it. *Pecuniary* externalities are well taken by price-quantity market mechanisms. They occur by the competition of different individuals for the some good or factor. If a customer asks for some bread another customer is affected just by this demand because prices of bread might go up if customers compete with each others. *Non-pecuniary* or

The *pecuniary* externalities of migration should lead the attention to the fact that macroeconomic allocation efficiency almost always has some negatively evaluated consequences on an individual microeconomic level. While the (re)allocation effects of migration are clearly positive on the whole, there will be winners and losers in the immigration and emigration countries. To the degree that labour markets are segmented, competition between natives and immigrants for employment opportunities leads to distribution effects within the host country. Those who have invested capital in the immigration economy gain, because labour becomes less scarce and therefore the average wage level will fall and the capital rent will increase. The part of the native labour force that can be regarded as being complementary to the immigrating labour force might reach a higher productivity and could be better off with rather than without migration. However, the other part of the native labour force which is substitutive to the immigrating workers will become more abundant and their average wage level will fall. Finally, it is also possible that an immigrant will push a native out of the labour market and thus make him unemployed.[12]

Of course, we could show theoretically that the winners from migration (i.e. the capitalists and the complementary domestic labour force) could more than fully compensate the losers (i.e. the unskilled). We could also argue that in most cases unemployment is the consequence of labour market inflexibilities, wage rigidities and structural inefficiencies. We could convincingly demonstrate that all these deficiencies have not much to do with immigration and that immigrants actually contribute to *cure* these deficits. We could even repeat that most of the labour market pressure of ”globalisation” stems from the import of foreign goods and services and only partly from cross-border movements of persons. But all these valid arguments in favour of immigration do not outweigh the individual evaluation of those citizens who are directly concerned (the unemployed or the ones crowded out from well protected jobs into strongly competed jobs or even into unemployment). Their *perception* is that a world with no immigrants would be a better world! [13]

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technological externalities are not internalised by the market. They occur in form of (indirect) spill-over effects to people not directly involved in specific market activities.

12 Most of these *pecuniary* externalities of immigration tend to be the other way around if we flip the coin and look at the impacts of *emigration* for the sending countries. Emigration also has (pecuniary) external effects on those left behind, because labour becomes more scarce and capital becomes relatively more abundant. Therefore the capital-labour-ratio increases in the emigration country.

13 Following ”the logic of collective action” by *Mancur Olson* (1965, 1987) the fight against immigration led by vested interest groups of people negatively concerned should not really surprise. The losers are a more homogeneous, smaller group with a lot to lose for the single member while the

In contrast to pecuniary externalities, *technological externalities* of migration arise if some neoclassical assumptions do not hold. For the sake of simplicity, I summarise all types of market failure under the category technological externality and therefore, I do not differentiate between institutionally induced kinds of market failure. It is a common feature of technological externalities that migration under such conditions does not only have distribution but also allocation implications. Within the context of migration the special focus is on indivisibilities, positive externalities from skilled labour, unemployment and publicly provided education.

a) *Indivisibilities* violate the (neoclassical) assumption of *constant* returns to scale.[14] *Markusen* (1988) models a two country world in which both countries produce a modern human capital intensive good under increasing returns to scale and a traditional good under constant returns in autarky. If free trade is allowed the greater country will specialise in the production of the modern good and thereby cause the wages of skilled labour to diverge which in turn creates strong migration incentives. Allowing for factor mobility skilled labour thus leaves the country making the small country smaller and leading it to specialise in the production of the traditional good. The emigration of skilled labour exerts a negative effect on per capita income. The same line of argumentation is pursued by *Krugman* (1991a,b) who models the emergence of a diverging centre-periphery pattern through migration: Since the production function exhibits increasing returns to scale in the input of labour large scale emigration is likely to occur. This mass

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potential winners are a much more heterogeneous, larger group with a relatively small gain for a single member.

14 "*Constant economies of scale*" means that it needs the double amount of all production factor inputs (i.e. labour *and* capital) to exactly double the output produced. Each single input, however, yields decreasing partial returns to scale, i.e. the more one increases the input of one single factor while leaving the other inputs constant, the less is this factor's marginal return. "*Increasing returns to scale* (IRS)" implies that the larger the total amount of inputs, the higher their productivity. What does that mean for migration? Imagine two originally separated regions South and North which are identical in everything but the size of their economy. Due to the simple difference in economic output produced and the existence of IRS, the compensation of input factors in the bigger region (North) will be higher than in the smaller one (i.e. the South). If we now allow people to migrate from the South to the North where they get better compensation for their work, migration will no longer even out differences in factor payments but increase the scope for economies of scale in the 'Northern' economy even further. The process of widening wage and interest-rate gaps between area of emigration and area of immigration does not stop until scarce location-specific factors in the area of immigration and corresponding redistribution effects eventually level out South to North differences in mobile factor's return to an extent that mobile factors no longer consider it worthwhile to move. Note that migration by IRS widens the development gap between the economically more important area and the less important area. Who benefits from economies of scale depends on what area is economically more important initially. Immigration into the initially bigger area strengthens its position as core economy, while the smaller economy loses competitiveness.

emigration clearly benefits the immigration area (i.e. the centre) but leaves the remaining immobile factors of production worse off (in the periphery) and thereby contributes to income divergence.

b) The second kind of market failure is associated with the migration of skilled workers and has something to do with the *positive externalities* stemming from human capital.[15] Depending on the extent of how much the production and training of human capital (i.e. schooling and professional or academic education) has been financed by public subsidies, the emigration country looses human capital as soon as skilled or educated people leave their country of origin. This is the so-called *brain drain* as it was discussed by *Jagdish Bhagwati* (1976a,b, 1985a,b) and his scholars (*Bhagwati/Dellalfar* 1973, *Bhagwati/Hamada* 1974, *Bhagwati/Wilson* 1989).[16] This implies that (according to the theory of public goods) the production of human capital in the emigration countries might be too low relatively to a world without migration.

c) Following more recent theoretical approaches, in particular the *New Growth Theory* and the *New Economic Geography*, free movement of labour might increase the tendency towards *polarisation* in economic development, with fast-growing centres and a slow-growing periphery.[17] This is the *dynamic* analysis of the brain drain phenomenon (actually, this is the polarisation effect or *vicious*

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15 In more technical terms, the basic argument goes that the technology which determines the productivity of input factors is dependent on the available amount of 'human capital'. The higher the human capital stock, i.e. the total amount of (educated) knowledge, the higher the input factors' output production (given an efficient distribution of inputs). Input factors are assumed to exhibit constant private returns to scale and decreasing partial marginal productivities. They may substitute each other and are paid according to their marginal productivity. Given this set-up, however, markets fail, because they compensate people who invest in skills only for the partial marginal productivity of their human capital, not for the collective external effect of their skills on the technology. This is an important problem because in such a situation, the accumulation of human capital may become an 'engine of growth' that explains persistent differences in growth paths.

16 The so-called ‘brain-drain’ discussion about the potentially deteriorating effects of migration on the development of emigration countries has been triggered by the observation that migrants from ‘Southern’ countries frequently belong to the most highly skilled of their societies.

17 '*New Growth Theory*' and '*New Economic Geography*' means – in a nutshell – that at least one of the standard neo-classical assumptions is relaxed (i.e. identical production technologies, constant economies of scale in production, efficient markets and the absence of positive or negative externalities of production. Probably the most important change of the *New Growth Theory* is that it attempts to *endogenously* determine the rate of technological progress, whereas the rate of technological progress has traditionally been regarded as exogenously given in the neoclassical models. This gives rise to interesting links between the flow of *skilled* migrants and long-run *growth*. For review articles on *New Growth Theory* see e.g. *Romer* (1994), *Grossman* and *Helpman* (1994) and *Pack* (1994); on *New Trade Theory* see Krugman's introduction in *Krugman and Smith* (1994). *The* pioneering work in *'New Economic Geography'* is *Krugman* (1991a). This is a very valuable collection of fundamental ideas which is also accessible to non-economists.

circle effect of migration already well known by *Gunnar Myrdal* 1956, 1957, or *Albert Hirschman*, 1958). Centres may acquire absolute economic advantages because geographically concentrated, qualified labour may accumulate knowledge more efficiently and benefit from more learning-by-doing opportunities. Provided such absolute advantages exist, the more favourable conditions within the economic centres allows highly-qualified labour to be more efficient and productive than in the periphery. As a result, skilled workers may experience large wage increases by migrating to such centres. Because the centres' advantageous economic position is due to endowments of human-capital intensive labour and location of knowledge-intensive production, immigration of highly qualified labour may increase wage differentials. A dynamic process would then lead to more and more emigration from the lower developed regions to the higher developed core.

Summing up, on theoretical grounds there is a strong conjecture that the emigration of skilled labour will harm those left behind whereas the emigration of unskilled labour will in contrast be beneficial for the sending country. The migration of highly skilled labour might lead to a divergence between the centre and the periphery ('the Mezzogiorno Problem'). Unless policy measures are introduced to offset the effects of migration of skilled workers, polarisation effects may become self sustaining and peripheral regions may find it very difficult to recover economically.

Finally, there are some hardly correctable prejudices and myths about *non-economic externalities* of migration. Some natives dislike more or less arbitrarily and subjectively the presence of foreigners. They (emotionally) feel negatively touched by some so-called social externalities of foreigners in their utility function.[18] Consequently they lobby against foreigners even if immigrants would create positive economic benefits to the economy as a whole.

Negative perceptions of immigration are also combined with regard to the impacts of immigrants on *public coffers*. Whether immigration is a financial relief or a burden for

18 Social externalities of migration are a more or less completely arbitrarily individual evaluation of some personal feelings about immigrants. Consequently, they are hardly (if at all) measurable or comparable. "'Social externalities' is the term some economists use to dress up anything from urban crowding to xenophobia. It might be argued that the profession would be better served if, rather than providing technical cover for essentially political arguments, economists devoted their time to systematically measuring any negative externalities and, if they fail to turn up, arguing strongly against basing policy advice upon their existence" (*Eichengreen* 1994, 19).

the social distribution system of the host country is not clear at all. Central to this point are the contributions of immigrants to social security and distribution systems and the amount of social security and welfare benefits migrants receive. The issue of ”who is financing or subsidising whom” can therefore only be estimated *empirically*. But, the empirical results are not clear-cut at all (see *Straubhaar/Weber* 1994). Again economic business cycles, changes in politics and other non-economic factors make the impacts of immigration on public coffers extremely time variant. Furthermore, whether tax and social security payments of immigrants (government revenue) are set off against monetary and real transfer receipts (government expenditure) is very sensitive to the migration policy and to the process of selecting immigrants. It is obvious that the contribution of immigrants to the public coffer is the higher the younger and better educated they are.

To summarise we see that within a theoretical world of *neoclassical* models migration is a *positive* arbitrage phenomenon. However, the more we relax the neoclassical assumptions (either by good theoretical reasons or by empirical evidence) we might see that migration does not lead to economic convergence but rather divergence between sending and receiving areas. Without political corrections free movement of persons might lead to a polarised development process with rich centres and poor peripheries. Consequently, it is wise to think about interventions that could avoid such an outcome of international migration.

IV. HOW SHOULD WE REGULATE INTERNATIONAL MIGRATION?

The 20th century has been the century of (national) migration *policies*. Nation states all over the globe have initiated rules and regulations to discriminate between members (citizens, nationals) and non-members (aliens, foreigners). It has become and is an undisputed basic principle of international law that national governments have the sovereignty to decide whom and how many non-nationals or non-citizens they allow to enter, to stay and to work within their territory. Nation states would lose one of their most fundamental constitutive rights if they resigned to set rules about what aliens are allowed to do (rights), what they are required to do (duties) or what they should do (orders). Consequently politicians all over the world are very anxious to keep control on entrance, residence and economic behaviour of non-nationals. They know exactly that their voters would just not like the idea of a migration policy that opens widely the doors to entry (see the reasons mentioned in section III above).

”Nation”, ”Citizenship” and ”Community” are extremely *sensitive values* of human life. *Michael Walzer* (1983:31) has expressed it very adequate: ”The primary good that we distribute to one another is membership in some human community. Men and women without membership anywhere are stateless persons”. Being a member of a nation state is something very valuable. This is one reason why people are not willing to share their community with everybody and why they do not stand for open door migration policies.

However, in today’s globalised world the concept of ”nation” and ”citizenship” becomes much more blurred than ever before. Societies are confronted with tendencies towards *individualisation*. More and more the frontiers of economic relationships and emotional ”community” do not correspond with national territories. Solidarity and social responsibility can hardly be enforced anymore by institutions like (national) governments. People would just *leave* territories when and where they feel being exploited by excessive governmental power. And the new dimension of globalisation is that mobile factors of production can fulfil their wishes. They are enabled to search world-wide for locations which promise a maximum of life quality and a high standard of living.

”Globalisation” might be the (macro)economic counterpart of (micro)sociological ”individualisation”. It looses traditional social obligations and provides people with a much higher degree of independence. It weakens the power of institutions and strengthens the position of the individual. The power of a *”voting by foot”* raises and it protects increasingly individuals from governmental arbitrariness and discrimination. The possibility to leave generates a sort of *permanent direct international democracy*.

In the view of mobile people ”nation states” can be seen as ”*clubs*”.[19] Like clubs, nation states compete for high potential members. They have to offer attractive *”club*

19 The club theory originally developed by *Buchanan* (1965) and *Samuelson* (1954, 1969) provides an evident framework to sharpen thoughts about the target of economic policy making in a globalising environment. The club theory complements the theory of ‘pure’ public goods. *Club goods* are distinguished from private goods by their general non-rivalry in consumption within a specific capacity (in this regard they are similar to public goods). However after the capacity has been reached, they might be subject to congestion costs. But contrary to public goods (and similar to private goods), individuals (non-members) may be excluded from the consumption of club goods. Nations might be seen as territory-bounded clubs of people who share a certain homogeneity in their preferences. Using

facilities" to catch and keep mobile people. They have to produce a bundle of common "club" goods and offer them to their citizens for taxes, fees and direct payments. National governments have to provide efficiently (i.e. with minimal costs) those club goods which are being demanded by the majority of the club members (i.e. voters of national governments). The use of such goods is tied to certain conditions which are again set by the majority of the club members (i.e. citizens) and might be formalised in club rules (called constitutions, national laws or regulations).

The analogy of "nation" as "clubs" gains special interest by looking at the admission procedure for new members. The access to (national) citizenship follows administrative rules as the *jus sanguinis* or the *jus solis* principle or specific bureaucratic selections. Citizenship gives more or less free and guaranteed access to all sorts of monetary and real transfers provided by nation states. These include all kinds of social networks but also the use of so called public goods. The financing of public services goes over direct and indirect taxes, fees and other contributions.

In my club analogy *citizenship* becomes equivalent to a *"club"-membership*. However, access rule to a "club" follow less emotions but more economic rationality than access to a "nation"! The "golden rule" goes that new members should be allowed to enter and stay if their marginal contribution to the financing of the club goods (fees, positive external effects) is larger than their marginal (congestion) costs for the old members.

Now it might become more obvious why voters do just not appreciate an unrestricted immigration policy: Immigrants and citizens basically *compete* for common national club goods and for pieces of the national redistribution cake. The effects of immigration on common national club goods turns out to be even more explosive if natives are *crowded out* from the use of the common club good - what might be the case in social housing, basic medical treatment, recreation areas or public places (these effects might be called congestion or negative agglomeration effects). The situation is quite comparable to normal clubs, like sporting clubs etc. These would also not give *free* access to their facilities to new members.

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an available geographical endowment with fixed local attributes immobile club members have to offer complementary goods and services to attract and keep mobile parts of the value added chain (especially skilled workers and capital). A successful club will try to maximise the per capita value of club members.

A large increase in the costs for common (national) club goods is mostly caused by the more intensive use and a corresponding rise in maintenance costs or by additional, necessary capital investment due to a newly immigrating population (demographic capital-widening). In such a case the old members will significantly increase the admittance fee to the ”club”. New members are accepted as far as *marginal benefits of immigration* (positive external spill-over effects, taxes, fees or other contributions to the financing of the common club goods) are evaluated to be higher than the *marginal costs of new members* (measured in negative external or congestion effects on old members). If potential new members' characteristics are very profitable and dwarf the additional costs from migration, a monetary incentive to join the club and to improve its welfare should even be given. Actually, we see such financial incentives to attract mobile factors in the case of foreign direct investments by multinational companies already. Such capital inflows are subsidised by cheap complementary immobile factors like real estate or by a waive of taxation.

Of course most of the club good effects described for the immigration country are mirrored in the *sending* country. Emigration countries lose some of their club members. This is economically harmless or even positive as far as emigrants have been unemployed. Than an old question remains still valid: ”What is the most effective use to make of existing labor, to employ it abroad or leave it unemployed at home?” (*Kindleberger*, 1967). The emigration of unemployed, underemployed or easily replaced workers, who consume more than they produce frees a part of the national income for alternative use. It saves the sending country the current and future social support of people not contributing to the national product. Therefore, it leaves the national product unchanged, while the average product per capita of the remaining will rise.

A great controversy exists about the appropriateness of these expectations on the positive labour market effects of emigration. Briefly, it can be shown by most *empirical* evidence that emigrants are typically younger, better educated, less risk-averse and more achievement-oriented than the average population in the sending areas (see *Straubhaar* 1988). Therefore, the assumption has a high probability that emigrants had been employed and that their marginal product was *higher* than the average product (that means that emigration lowers the average income per capita of those left behind). To the extent that (formerly employed) emigrants cannot be fully replaced by unemployed persons, emigration has a negative impact. This loss is even higher when the emigrants have generated positive externalities (this means that their private earnings have been lower than their social value added). Just to give an example: If a medical doctor leaves the hospital in India to go to the United States the whole hospital might be in danger and the nurses, assistants, and even the bed-makers might loose their jobs because the key factor (i.e. the surgeon) is missing.

Clubs loosing their (best) members cannot survive economically in the long run. Especially if the emigrants are the *net payers* (i.e. the rather younger, better qualified, skilled specialists and managers). So, emigration countries are challenged to keep their brightest minds. They have to avoid a *brain drain* and to offer attractive local club goods (low taxes, cheap complementary factors of production like infrastructure, construction sites, good business opportunities).

The club analogy of nation states might look a bit unrealistic. However, all over the world nation states regulate international migration according to their interests. Emigration countries have tried to keep their skilled citizens back home, immigration countries have tried to avoid *front door* immigration of lower qualified people i.e. the legal entrance and residence of new members with a high probability of being net receiver of common club goods.

In a world with national migration regimes, the different strategies differ significantly. We find immigration barriers for some people (i.e. the unskilled workers) and emigration restrictions to other people (i.e. the skilled workers) and end up far from an unrestricted internationally free movement of people. But these nationally divided club policies lead to a polarised development and a *suboptimal* human capital production. The countries of immigration might not invest as many public means in education and human capital production because they are afraid of the loss by a brain drain. The countries of immigration might have incentives for relatively low(er) human capital investments because they could profit from the brain drain and import human capital that has been publicly subsidised elsewhere.

Especially with regard to the lower skilled international movements of persons, immigration policies in the higher developed countries are largely (too) reactive and (too) defensive. It is a common phenomenon that the restrictive attitude against blue-collar immigration is not very successful. In almost all major industrialised democracies a wide and growing gap between the *goals* of national immigration policy and the actual *outcomes* emerges This ”gap hypothesis” of declining efficacy of immigration policies has been supported empirically for nine industrialised democracies (*Cornelius/ Martin/Hollifield 1994*).[20] Very often national migration policies act according to a short-term "muddling through” behaviour. They can be seen as ”a matter of waiting to see what will happen next while issuing ad hoc regulations” (*Kubat 1993*). Of course this is mainly due to the fact that politicians for tactical reasons have to protect first the interests of their voters (i.e. the citizens). This often makes it necessary (from their view) to act immediately in favour of some vested interest groups.[21]

National politics has become more and more ineffective for a rising number of political and economic topics. The main reason for the *failure* of national migration policies is the loss of effective competence to control today’s migration flows on a national level. Once national governments close the *front door* of legal immigration more or less strictly, most of the entrances happened through the *side*- (asylum seekers, refugees, family reunion) or *back door* (illegals). In many cases the petition for asylum constitutes a substitute for the stopping of legal, economically motivated immigration. Similarly, illegal immigration has been a response of the demand of the labour markets for cheap unqualified occupations that are not met by the domestic labour force for several reasons (regulations, minimum wages, not sufficient qualifications).

The inefficiency and inefficacy of national migration policies has made it more than obvious that an independent procedure by single nation states is no longer adequate. In a world with declining costs for international movements, ”national” clubs come under increasing pressure. Independently designed and performed national migration policies become more and more unfeasible. The fundamental challenge is that territory-bounded ”national” clubs are not transaction costs minimising institutional solutions anymore. They are replaced by *”functional”* clubs. These new and sometimes spontaneous arrangements beyond nation states occur in many dimensions. In politics *supranational organisations* (like the European Union) or *international organisations* (like the UN) take over national competence. The GATT (now WTO), the IMF and the World Bank

20 The most illustrative example is *Germany*. The official German position denies that Germany is a country of immigration. Still, immigration to Germany in the last decades has reached an enormous size. ”Germany emerges as the principal immigration country in Europe with inflows of about 800’000 foreigners in both 1994 and 1995” (*OECD, SOPEMI Report* 1997, page 14).

21 National migration policies are the result of a complex political-economic powerplay. The players belong to the governments, the national bureaucracies and the political parties and all of them try to maximise their vested group-specific or individual interests. Without going into detail about the theory of the rent-seeking process of politicians, bureaucrats and lobbyist groups within the political process, we could take it as a rule of thumb that restrictions on immigration find the more political support, the worse the current economic situation is.

and other international agreements replace national laws and regulations. In the microeconomic perspective, *multinational firms* try to internalise efficiently the advantages of globalisation. In the close neighbourhood to national borders ”functional” local cross-border arrangements rule the daily life problems of commuting, environmental protection waste dumping or medical treatment. What is labelled as ”globalisation” - i.e. the increasing openness of goods and factor markets and the higher mobility of people - urges the political circles to react properly. Policies bound to their national territories are not sufficiently able to regulate activities with external effects that overlap several countries. What is needed is a supranational framework to balance the basic allocation benefits of free international migration with the controversial distribution and external effects of cross-border movements. How such an international regime might look like is shown in the next section.

V. HOW SHOULD A GAMP LOOK LIKE?

Free international movements of people is economically efficient in most but not in any cases. As far and as long it is a reallocation of labour – lowering a surplus here and bridging a gap there – it increases the average per capita income in the sending and in the receiving country. However, under certain conditions – indicated above - it can impose serious repercussions for the countries of origin and for the country of destination as well. Immigration of rather low skilled people might provoke further *unemployment* and *crowding out* effects in the consumption of common club goods. Emigration of rather higher skilled workers might lead to a *brain drain* that is negative for those left behind. So, some countries would prefer the entrance of high skilled people but restrict all other immigration. Other countries would restrict the emigration of their brightest minds but would favour the exit of lower qualified and unemployed workers. Consequently, we can recognise good reasons which justify an international framework for cross-border movements of people. It should intend to bring at least some convergence in the otherwise diametrically opposed diverging national migration policies of sending and receiving countries. Otherwise, if we stay with national policies, we might end up with economically inefficient national interventions that restrict much too strongly a free entry and free exit of people.

My suggestions go into the direction of a ***GAMP** - a **General Agreement on Movements of People***. Of course the GAMP is the labour market analogy of the *GATT*

(General Agreement on Tariffs and Trade, now *WTO*, World Trade Organisation) for goods and the *GATS* (General Agreement on Trade in Services) for services. It enlarges the idea of open markets to the issue of free movement for workers. It should deal with all international externalities and market failures of cross-border movements of people. It has to be seen as a complement to the ”*GATT for International Direct Investment*” as it has been claimed for by *Charles Kindleberger* (1984) many years ago (but has not been realised yet).

The *GAMP* is intended to provide an international regime for the movement of people across countries. It is led from the conviction that in general the free international movement of people - like the free movement of goods and capital - is beneficial for all parties involved (i.e. the migrants, the country of origin and the country of destination). Consequently, it strives first and mainly for a *liberalisation* of the movement for people and towards a general acceptance of a *free entry and exit* of migrants.

However, I have shown that good economic reasons indicate that fully liberalised cross border movements of workers would finally lead to some inefficiency. To avoid *brain drain* in the emigration countries and *congestion effects* in the immigrating areas the *GAMP* should consist of two separate but interdependent parts, i.e. a political part and an economic part (for an overview see *outline 1*):

a) The *political section* aims at avoiding politically induced (mass) migration. It is part of the international law system including international political relations, human rights and international security systems. It is led by two principles: firstly, all people have the right to stay in their home countries and secondly, governments remain responsible for the consequences of ”bad” governance provoking mass migration of their citizens. It also includes the obligation for a country to stay open for people willing to return home. The international asylum and refugee law is part of this section and would make sure that everybody affected by political persecution or endangered by wars could find shelter in another country.

b) The *economic section* intends to internalise external effects of migration and to secure an internationally optimal allocation of public goods. Both intentions could be reached with one single instrument, that might be labelled ”migration tax”. A ”migration tax” follows the standard economic suggestion to deal with (non-pecuniary) externalities of cross-border movements. An *exit* tax is intended to counterbalance brain drain damages and an *entry* fee is supposed to compensate

> non-migrants in the destination area for the congestion or crowding out losses they might have to bear. The migration tax would be *a fee rather than a tax*. This means that it has *no direct fiscal motivation*. Its only purpose would be to internalise the non-pecuniary externalities of international migration flows.

The *first* pillar (i.e. the political section) is intended to lower the not directly economically determined rather *short-term* migration potential. It goes about long term expectations and the avoidance of mass migration. Instead of more or less inefficient and ineffective legal regulations to discourage emigration, the *GAMP* should be directed towards an economic policy that stabilises economic development and promotes general growth prospects in (potential) migrant sending countries. Already if *expectations* about the future development at home improve, the potential for short-term mass- migration will decrease. A growth promoting *GAMP*-policy could include improved *market access* for export goods, assistance to improve the working and international *integration of financial markets*, encouragement of *technology diffusion* and last but not least the promotion of *'good governance'* in migrant sending countries. The *GAMP* could be used to co-ordinate multilateral bargaining power to prevent governments in potential sending countries from creating politically motivated emigration and escape. It could promote the development of democratic tools and the installation of minority rights to prevent and handle internal conflicts. Another important contribution could be the strict control and abolition of trade in arms and weapons in unstable world regions.

The *second* pillar (i.e. the economic section) lays on the migration tax idea, proposed and elaborated by *Jagdish Bhagwati* (1976a,b, *Bhagwati/Dallalfar* 1973) years ago (for a good summary of the pros and cons of a migration tax see *Bhagwati/Wilson* 1989). The main focus – but also the most important problem - has been (and still is) that some artificial transaction costs are added to the process of migration. Migration would become more expensive. While this increase of mobility costs is intended for all those movements which create negative (non-pecuniary) externalities, it would also lower the incentives for migration flows with positive external effects (e.g. movements from surplus labour areas to region with scarcities). But in general, there is practically no feasible way to separate migration ex ante into ”good” and ”bad” flows.

A migration tax would be like ”gumming up the works” of international migration. This is economically as questionable as all the suggestions to tax international *capital* movements. The main difference however are the *asymmetries*. Capital is rather homogenous while labour is extremely heterogeneous. To bring it to the point: Immigration countries prefers the entrance of highly skilled workers but dislikes the entry of low skilled people. According to the ”club strategy” of immigration countries they should roll out the red carpet and open their golden doors wider - but of course, only to newcomers with know-how. All unwanted others would be taxed or even closed out. In emigration countries there would exist an incentive to ship over all those people to higher developed countries who are unskilled, unemployed, or people with strong demands for social support, or even politically disliked people. In contrast to this, highly qualified workers would be tried to be kept back home. In some way this scenario may remind us of the time during the iron curtain in Europe.

An international tax regime for migration could be one way to tackle this problem. An efficient solution which would still be corresponding to the principle of free migration could be a change in the international (taxation) law. Today, with the exception of the United States, most countries view *citizenship* as irrelevant for tax purposes, only *residency* is the relevant jurisdictional nexus. That is to say: Residents are taxable on their world-wide income, but non-residents are not taxable. People leaving their home country are not subject to the taxation law of the country they are citizens of. A migration tax could now bring in a new principle: The country of origin could levy taxes on its citizens even if they live outside the country. That is to say: Citizens would become *taxable world-wide* by their home country as long as they would like to keep their old citizenship. To make this point clear: Migrants would first be regulary taxed by the destination country (like all the other residents living there) and secondly, they would additionally be taxed by their home country (from which they keep the nationality). That means that they pay an extra fee as compared to the citziens of the destination country.

Such a migration tax enforces some kind of emigrants’ loyalty with those left behind. This is justified by the fact that (with a very few exceptions) citizens are entitled to return to their home country at any time. Emigrants normally keep their old passport together with a bunch of individual rights. The option to return home at any time can be compared to an *insurance* against the inclemency of life abroad. Just like in every other risk-insurance, it is obvious that for this particular *”citizenship-insurance”* a financial contribution has to be paid as well. Thus, the migration tax could also be seen as an insurance fee to be paid to those left behind offering a last shelter to their more risky compatriots.

The lower the costs of international mobility become due to declining information and transportation costs, the more urgent it is to question the principle of territoriality that guides international tax law today. What is standard practice with regard to *capital* - for example the taxation of the gains from foreign direct investment according to certain internationally co-ordinated principles - is also necessary with respect to *labour*. The higher the mobility of labour becomes, the more important will be an international regime that allows

a) a country of emigration to tax their citizens abroad (to compensate those left behind in the sending country for the brain drain effects) and
b) to levy a fee for entry (to compensate the ”old members” in the country of immigration for sharing their club goods with new members).

Seen from a first glance, the migration tax might look *futuristic*. If we go to everyday life, however, we already find similar taxes. As a *Swiss living in Germany*, I had to pay for years a fee to keep my Swiss passport. Or take for example *visa fees*, *naturalisation fees*, *visitor taxes* and *user fees* for recreation areas, national parks etc. These charges basically represent the idea of selling a ”club” good to entering non-members.

Of course many ways are open to design more precisely the migration tax. However, to become really feasible politically the *GAMP* should remain as *simple as possible*. A fixed lump-sum entrance fee to be paid by every person willing to immigrate, collected at the place of residence and shared in equal proportions by sending and destination countries could be a first idea to follow. To keep the GAMP slim it should not address explicitly the question of changes of citizenship, dual or multiple citizenship. As long as migrants are not discriminated economically this question is not of highest priority to be regulated on a supranational level. A competition between different national regulations might be more efficient for these questions.

The GAMP should start with a *stepwise procedure* and it might be a good idea to begin with *bilateral agreements* within a regional approach – with all the pros and cons discussed widely in some other contributions to this NIROMP-study. This would allow to take into account the empirical fact that most cross-border movements of people are still very local and bounded to geographically nearby areas. It could also mean that on a bilateral level sending and destination countries might agree to waive the right to levy a migration fee (like it already happened within the European Union or other Common

Markets with a granted freedom of movement within the integrated area). From such a bilateral beginning it could go to a *regional level* and finally with a *global agreement*.

VI. SOME CONCLUDING REMARKS

The daily migration picture is blurred. We see desperate and hopeless people escaping from regions of (civil) war, political struggle and crude repression against minorities. Other people take boats to cross the sea, they swim in rivers, climb over border fences or give their lives into the hands of ”coyotes” just to enter the ”Holy Land” in their search of a better economic life. These emotionally impressive images let us forget the simple fact that most of the people *stay immobile* (despite many of them are also desperate and others are politically persecuted or economically exploited). And furthermore it is to say that most of the international movements of people have still very *local dimensions* and happens within culturally rather similar areas – mostly within regions of similar economic development. Consequently in the Northern hemisphere, many fears of mass migration flows from the South are really exaggerated. However, the relative immobility of people does not mean that we should not care about the impacts of international movements of people.

As I have shown, there are good reasons to see *international migration* as an economically *positive phenomenon*. It helps to smooth business cycles. Emigration might decrease a labour market surplus in one region and immigration might fill a need in some other areas. So, in most of the cases international migration is an arbitrage process. As such it is welfare improving and helps to reach an optimal allocation of production. In this regard international migration generates the same such positive results like trade in goods and services or like a free flow of capital.

Under certain conditions, international migration might not produce the expected positive outcome. If relatively high skilled people emigrate, those left behind will suffer from a *brain drain*. On the other side, areas that are already confronted with a surplus labour are not keen to get some additional workers that might increase further the problem of unemployment. Here lays the fundamental difference between migration, trade in goods or services or capital flows. *Migration involves people* and not only goods or anonymous factors of production. Furthermore, migration provokes diametrically opposed interests in sending and receiving areas:

a) Emigration countries prefer to export unskilled, unemployed workers to get ride of some labour market pressure. But they are keen to keep their brightest minds back home to get at least some social returns from former public investments in human capital.
b) Immigration countries prefer to import skilled, human capital rich workers to let profit their immobile local workforce from some spill-overs and positive externalities. But they are very restrictive to the entrance, stay and work of lower qualified foreigners that would substitute local workers.

As a consequence of these *diverging national interests*, an international framework is needed. In my contribution I have suggested a labour market analogy to the *GATT (WTO)* and *GATS*. A *GAMP* should be directed towards a liberalisation of international cross-border movements but should provide an instrument to internalise externalities provoked by international migration. To avoid brain drain effects in the sending areas and congestion effects in the receiving areas it might be wise to think of a migration fee that makes exit and entry more expensive.

I am fully aware of several (also severe) problems related to a migration fee. Probably the most heavy objection is that it is also sand in the wheels of economically positive migration (as far it is an arbitrage process). On the other hand, it could be one of the basic goals of a *GAMP* to provide a consensus-building platform for firstly bilateral, afterwards multilateral (regional) and finally global agreements between sending and destination countries just with the strategic intention to continuously lower the migration fees and to let them disappear at the end.

As far as ”nations” are or will become ”clubs” a migration fee will gain ground and could become more realistic in the future. In sports, transfer fees from the selling to the buying clubs are standard. These transfer fees are transaction costs. They bind players to clubs and prevent a free exit and entry. This gives clubs an incentive to invest in players and to train them. Transfer rules make a free riding for other clubs more difficult. Why should we not think about a system of regulations and fees for transfers of people between nations?

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Outline 1:

Elements of a General Agreement for Movements of People