

INTERNATIONAL LABOR MIGRATION: BETWEEN HUMAN RIGHTS AND POLITICAL OBJECTIVES

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Abstract

This paper deals with the relation between the human right to migrate and the objectives of immigration policies. We argue that the temporary work migration is the clearest sign of the failure of political governance in both the host and native states, even if we may argue, to a different degree. The only way to reduce the pressure of immigration in developed countries would be to allow a freer global environment, in trade, industrial and taxation policies.

1. The present situation

Among the core trends that define the contemporary process of globalization is the significant increase in cross border flows of workforce. While in 1990 there were 154 millions of foreign residents on the Globe, in 2000 their number reached 175 millions (that is, approximately 3% of the world population)¹. The rate of growth in foreign residency surpasses the rate of growth of the world population and the foreign residents are sometimes called, due to their number, “the fifth largest country in the world”. 60% of them live and work in the developed countries, where 5% of the workforce has a foreign passport. United States of America absorbs 80% of the annual flow of individuals who leave developing countries in order to go to work in developed countries while Canada and Australia another 11%.

The amplitude of the process cannot be fully revealed unless we take into consideration the so-called “irregulars”. They are individuals who breach somehow the regime for international movement of persons as they may be illegal immigrants (who illegally cross the borders), legal tourists who take a job (so they are not really tourists), persons with forged documents and so on, comprising another 10-15% of the entire number of foreign residents. In United States of America, their number is conservatively assessed at around 10 millions, in a population of 300 millions² while in Western Europe the number of persons with an irregular status is appreciated – also conservatively – at around 4 millions.

As a consequence, we witness a significant trend in the international economy by which an increasing number of individuals choose to work (legally or illegally) in a

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¹ ILO (2004, p. 8); of course, the main motivation of a foreign resident is not always a higher wage but can be also political, security and other factors;

² GCIM (2005); other less official sources advance figures between 25-50 millions (maybe in order to determine a more radical political reaction).

foreign country. Such a development may seem to be a true paradox as the contemporary process of globalization also comprises freer global flows of commodities or foreign direct investments. Why aren't the latter sufficient to level the international differences in the price of factors of production and consumer products? Labor, together with land, has been traditionally considered less mobile than capital, information as well as final products and even production activities.

2. The right to migrate and immigration policies

Individuals always attempt to maximize their personal welfare (which others call “*psychic profit*”). Personal welfare can be either material (an individual will always attempt, *ceteris paribus*, to maximize his monetary income) or psychic (an individual will always attempt to satisfy his subjective preferences). As Hoppe points out, „what constitutes welfare and wealth is subjective and one might prefer lower material living standards and a greater distance from certain other people over higher material living standards and a smaller distance”¹.

A person who is born in a mountain village and loves living in such an environment, will not immediately go to work in a big city as soon as he is offered a larger wage. There are subjective considerations, like culture, religion, family, social bonding but also language or the uncertainty of living in a foreign environment that, as a norm, may prevent individuals from attempting to “always” choose the highest monetary income. We do not exclude the real possibility that working and living in a different community may represent by themselves personal preferences and certain individuals are even ready to incur different types of costs (monetary as well as psychic) in order to reach that goal. As a consequence, an individual may be willing to leave his large hometown and go to live and work in a small mountain village, where he may earn a smaller monetary income, just because he values more the fresh air, quietness and social bonding of such a community.

Human beings seem to prefer, as a norm, to accomplish their lives in a community they feel they belong, with similar cultural, ethical (including political) and consumer values². There may also be significant exceptions. An European may discover that he feels closer to the values and customs of an Indian-Hindu community. In a world without frontiers, such an individual will leave his native community in order to live in a new environment. The fundamental issue is that any person who changes his location must observe the property rights of the others. As long as he does not become an aggressor, his liberty of movement is natural and is the purest manifestation of his own property rights. In a contemporary international context, „as long as the immigrant moves to a piece of

¹ Hoppe (1998, p. 224).

² Internet and the proliferation of new communications technologies, which also define the contemporary globalization, may also change the identity of the people and their feeling of belonging. Other factors than ethnicity, language or local community may define these new dimension of identity, like ethical values, political values, entertainment and (neo)cultural value, and so on. These change of identity may become, even in a world without differences in income, a strong incentive of migration.

private property whose owner is willing to take him in (maybe for a fee), there can be nothing untoward towards such a transaction ... there is no freedom of movement of the person per se. This is always subject to the willingness of property owners in the host nation to accept the immigrant onto their land”¹.

In fact, the right to migrate is only, on a free market, a right to transact as long as any “immigrant” must rent or buy property (generally speaking, land) from the owners in the community of destination. There is not such a right as the right to have a car unless the individual who desires a car has the money to pay for that product². The real right to migrate is nothing but the right to freely exercise the property rights. As Rothbard points out, “the current immigration barriers restrict, not so much a „human right” to immigrate, but the right of property owners to rent or sell property to immigrants”³.

We reach a vivid debate in the contemporary social sciences and public policy regarding the correct immigration policy a state should adopt. On the one hand, there are free immigration policies where the state allows anyone to enter the country. On the other hand, there are restricted immigration policies where the state forbids any foreign individual to enter the country. The most cited example of free immigration policy is the XIXth century USA while the best example of restricted immigration policy is present day Switzerland. We should however realize that two forms have never existed in their purest forms (or just for very short periods of time). In the case of XIXth century USA, there existed barriers in the path of Chinese immigration⁴, for example.

The correct answer to this debate, from the perspective of private property rights, is offered by Hoppe: „immigration, to be free in the same sense as trade is free, must be invited immigration”⁵. Suppose that an American entrepreneur decides to invite on his property (in USA) and hire 1000 Mexican workers. The guest workers will live and work on his property and will in no way aggress against the property rights of other Americans. A political system that protects the property rights and the free exercise of these rights cannot oppose such a “migration” without infringing the rights of the American entrepreneur.

Moreover, „if the government excludes a person while there exist a domestic resident who wants to admit this very person onto his property, the result is forced exclusion; if the government admits a person while there exists no domestic resident who wants to have this person on his property, the result is forced integration”⁶. As a consequence, restrictive immigration policies not only aggress against the property rights of the immigrants (who are prevented from buying or renting land in destination countries) but

¹ Block (1998, p. 173).

² Rothbard concludes that, in fact, the human rights are property rights. A human right should not impose a burden on others who are forced to pay for *my* right.

³ Rothbard (1962, p. 550).

⁴ West (1982, p. 38). Because of the fear that the Chinese would become a majority, the political elite banned from 1882 the immigration of Chinese (for 60 years). The same political debate was centered around the immigration of Italian Catholics at the beginning of the XXth century. The principle behind such an approach was to not let a particular ethnicity to dominate in the immigration flows.

⁵ Hoppe (1998).

⁶ Hoppe (1998, p. 230).

also of some of the citizens of the host countries (who are prevented from selling and leasing their property).

3. Public goods and immigration

In a society where all the resources (more specifically, land) are in private hands (private property), migration cannot occur unless the immigrants have the consent of the owners of the land. Otherwise, it is an outright invasion and aggression of property rights and the owners have the right to defend the integrity of their property.

In the case of contemporary societies, a large part of the resources (and especially land – infrastructure, government facilities like asylums) are however public property of the state. They are both “private” property of the state (as an economic actor), public goods and so on. Public goods are those goods that the state qualifies them as not being scarce so it prevents the act of homesteading¹. In such a situation, no individual who uses the resource can become the owner so he has the same rights on the good as any other individual in the society. „Hand in hand with the institution of a government comes the institution of public property and goods, that is, of property and goods owned collectively by all domestic residents and controlled and administered by the government”².

Such a situation creates a huge challenge when the government adopts, for example, a totally free immigration policy. Any individual on this world will have the same right to walk the street as the owners of nearby houses who walk it every day. These owners do not have the right to prevent a foreigner from walking, sleeping or working on that street. As long as in a society there are public goods and public property, the immigrants can cross the border uninvited by the citizens of the communities of destination.

As Rothbard concludes, „the private ownership of all streets (that is, public goods) would resolve the problem of the „human right” of freedom of immigration”³. Moreover, Hoppe notices that one of the reasons to immigrate is, from a broader perspective, the social welfare policies of the host nations (social security being qualified as a public good by authorities). Due to the redistributionism in the developed countries, certain individuals from less developed areas are motivated to immigrate only to benefit at least from a part of such redistributionism. Foreigners who illegally entered Germany at the beginning of the nineties were receiving more money as asylum seekers from the German government than the average wage in their home countries.

Edwin G. West⁴ makes an interesting parallel between a human society and a joint stock company. That is, “suppose that five Scotsmen buy an island and incorporate it in a joint company in which each of them is allocated an equal share ... these five shareholders will have the power to exclude any outsiders from entering their island and from participating in the jointly owned property ... the terms of the agreement can

¹ Homesteading is the act through which individuals who first use an un-owned resource (that is, a general condition of the environment or an abandoned resource) are recognized as their owners.

² Hoppe (1998, p. 230).

³ Rothbard (1962, p. 550).

⁴ West (1982, p. 40 and following);

include provisions to allow others to purchase entry into the corporation. Among these provisions would be the stipulation of the required majority to approve transferability of shares”. Even if this scholar agrees that the parallel between public governments and private companies are forced, he misses the real difference. While joint ownership allows the liberty to exclude because it is still private property, the government does not allow such liberty as the public property is something different. First of all, public goods do not allow the citizens to directly exclude foreigners as such exclusion would mean embordering and homesteading of the public goods. The exclusion may be made only by the government itself which is elected (let’s simplify) by the majority of citizens of a country. But why should the citizens in a different town have a saying in issues that matter for a particular town? The majority rule is usually in conflict with the private property as the owner of a resource is always in minority with those interested in the use of his resources. The scenario in which the majority of the members of a community vote to allow an individual member of the community to invite foreigners (to work, live or marry) is as aggressive as the scenario of total restriction.

In consequence, the problem of non-invited migration will endure as long as there is any public property. While the state may have the ability to defend “its” property and prevent the foreigners from entering it, it also does have different political objectives. In fact, the contradicting political objectives of the states prevent them from adopting a coherent approach in the immigration policies.

4. Geographically differences in labor prices

Differences in monetary incomes among geographically distinct labor markets are always natural. They reveal the local balance between supply and demand for a specific type of labor service as labor markets – like any other type of market – also know the core market mechanism. When differences in geographical prices for labor services become significant, we may witness the start of a flow of workforce.

To be sure, not any small difference between two geographic labor markets is in fact sufficient to determine individuals to leave their native community in order to work in the better rewarding community. The labor is among the stickiest factors of production – as compared with capital (in its monetary and even capital goods forms) so the arbitrage among geographic labor markets is not the norm on a free market. Ludwig von Mises calls this subjective (non-monetary) factors the “attachment component”: “We may call the maximum difference between the market rate and the standard rate which does not yet result in the migration of workers from the places of lower market wage rates to those of higher market wage rates the attachment component”¹.

Political institutions play however the essential role on the international labor markets. They are the main factors that explain why there are huge differences between geographic labor markets in the contemporary international economy, both as a source of origin but also as a barrier against arbitrage.

On a free market, significant differences in geographically distinct labor markets are not however the norm. The market process is continuously and incrementally adjusting to the natural dynamic of the economy. Exceptional events may disrupt even this natural

¹ Mises (<http://www.mises.org/humanaction/chap21sec9.asp>).

adjustment. The discovery of gold in the mountain village and the opportunity of earning significantly higher incomes may disrupt the labor markets both in the village and in the big city in the proximity. Entrepreneurs who discovered the gold will bid the price of the workforce until they succeed in getting the gold on the market.

Despite the possibility of such exceptional events, huge differences in prices between close geographic markets are not lasting as the cultural, language or other types of “soft” barriers will be overcome by the desire of individuals to increase their monetary income. Today world is anything but a free market. Political institutions – through positive law and aggressive action – have always interfered with the natural mechanisms of the market and created and maintained huge differences which couldn’t be arbitrated because of state barriers.

5. International trade, foreign direct investments and capital intensive technologies: alternatives to arbitrate between international differences in labor prices

A huge difference of prosperity like the one between northern Mexico and southern United States (across Rio Grande) cannot be the outcome of a free market. Centuries of separate and antithetic political evolution and development of local institutions have given birth and widened huge price differentials, both in product markets but also on the labour market.

Such price differentials can generate different types of entrepreneurial action:

1. Mexican entrepreneurs will start exporting labour-intensive products across the frontier in USA (arbitrage through the product market);
2. American entrepreneurs will start businesses in Mexico in order to export back into USA such labour intensive products (arbitrage through the location of the production assets);
3. American entrepreneurs will research and develop capital intensive technologies that can balance the more expensive workforce (arbitrage through the technology ideas);
4. Mexican workforce will start to migrate into USA in order to offer its cheaper services to the American entrepreneurs (arbitrage through the labour market).

All of these scenarios were confirmed. Through the creation of NAFTA (entered into force on 1st January 1994), products can freely cross the border between the two states. Meanwhile, American investments (especially in northern part of Mexico – the so-called *maquiladoras*) have attempted to access directly in Mexico the cheap workforce. As Hoppe points, „the relationship between trade and migration is one of elastic substitutability (rather than rigid exclusivity): the more (or less) you have of one, the less (or more) you need of the other. Other things being equal, businesses move to low wage areas, and labor moves to high wage areas, thus effecting a tendency towards equalization of wage rates (for the same kind of labor) as well as the optimal localization of capital”¹.

The dilemma is why the first three types of actions have not resulted in a strong trend towards equalization in the price of the workforce. As the market process is free to operate, the prices (goods but also workforce) will also tend to equalize. That is, more

¹ Hoppe (1998, p. 224)

Mexican and American entrepreneurs will start businesses in Mexico in order to export on the US market, higher their demand for workforce and the price they pay for its services. As American entrepreneurs go into Mexico in order to produce for the American market, less demand for American workforce in USA and lower its price on the labour market.

The present day situation is however characterized by an amazingly strong flow of workforce from Mexico into USA which seems not to be disturbed by the existence of the free trade zone or the *maquiladoras* system. The inability of the products or capital goods market to generate a more significant equalization in prices means that other types of profound barriers prevent such a dynamic. The inner political institutions of the two states seem to operate in such a manner that they determine on a permanent basis the effect of income inequality. The core differences cannot be but in the field of private property enforcement: the market incentives can operate only in the case that the basis of exchange, which are property rights, can be exercised. The fact that, despite strong incentives to move into a direction, the prices refuse to move is a consequence of a wrong regime of property rights.

Besides this factor, other elements may operate:

- taxation: a higher taxation in Mexico means that the increase in income of Mexican entrepreneurs and workforce will be wiped out by fiscal authorities;
- redistributionist policies: a large chunk of the increase in income of the Mexican entrepreneurs and workforce will be redistributed through different mechanisms – mainly the same taxation but also other ways – to the population not involved in such productive activities) and so on;
- the two mechanisms couldn't exhaust the supply of labour on the Mexican market and the additional supply pressures the wages downwards.

Several sociologists have noticed the challenges that such a workforce flow determines in the American society, especially in the South Western states. Samuel Huntington was widely criticized for his article “The Hispanic Challenge”¹ in which he noticed that the south west of United States is no longer similar with the rest of the country. He does not hesitate to cite Mexican writers who call it “Amexica” or “Mexifornia”. According to Huntington, such a flow of population will change the fabric of the American society as the traditional “melting pot”² seems to no longer function.

The alarmist signals of American political scientists however may point in the wrong direction. The initial factor that generated the huge Hispanic workforce inflow into USA was in fact the decision of American authorities to invite between 1942 and 1966, through a guest-workers program called Bracero, a large number of Mexicans (estimated around 4 millions) as agricultural workers. Such an initiative cannot be clearly qualified as a step in the right or in the wrong direction. It clearly allows certain individuals to have a choice and obtain higher incomes in USA but because it is a controlled workflow, the equalization in the labour market cannot be accomplished. In fact, such a political project

¹ Huntington (2004, p. 30).

² The concept of „melting pot” signifies the fact that when immigrants join a foreign community, they will abandon their former identity and totally adhere to the culture, values and customs of the new community they belong to.

cannot reveal but failure of governance of the two countries.

From the part of Mexico, the core reason is easily to detect: the need to reduce the social pressures on the internal labour market. High unemployment and slow growth may be the fundamental factors that pressured the Mexican government in this direction. In a certain sense, we may also speculate that Ciudad de Mexico anticipated the later developments and the demographic expansion of Mexicans into South Western USA.

From the part of United States, the main motivation is also easy to understand. Such a program cannot be but the result of the desire to artificially maintain certain sectors competitive by supplying them cheap labour. That is, this above mentioned program allowed the southern-western states an improvement – albeit artificial – in the cost structure of agricultural production. That is, such a program allowed the American agricultural producers from the south to be competitive towards Third World competitors on the national – and maybe international markets. The interesting thing is that the program may have dramatically reduced even Mexican agricultural exports into USA because they lost their labour cost advantage and maybe even the quality of the labour services (as some argue that the best agricultural workforce used the opportunity of the Bracero program). We may also imagine the motivation that all these guest workers spread a positive image about the prosperity in USA and fight the left wing policies in Latin America.

The case of Mexico and USA is just the most manifest discrepancy of development and income in close geographic markets. However, the situation is by all means the same all over the world. Western Europe and Eastern Europe know the same income differentials, similar borders with the Mexican – American one being, from this point of view, the Greek – Bulgarian or the German - Polish. The European Union knows a similar situation than United States of America. Its Mexicans are the Eastern Europeans and North Africans.

All these situations around the world reveal the same failures in political governances of both the home countries and the visited countries. Even if the term slave isn't, for sure, the proper one (the individual who make the choice has the liberty not to go to work abroad), it is purely and simply a political bargain that offers political benefits to both states. Such a bargain allows both governances to continue with the status quo and avoid troubling political and economic reforms. As ILO reports argue, “there would appear to be an emerging convergence of interests between richer and poorer countries. In simple terms, the former are running short of working-age people, while the latter have such people to spare”¹. The normal consequence of such a demographic development would be a change in the nature of technology used in these societies. In a developed country where the natality is reducing and labor become scarce, businesses should adopt more capital intensive technologies and less labor intensive technologies. They should allow, finally, the free relocation of labor intensive production in low income countries. However, such a change is more difficult and more expensive than importing cheap labor.

¹ GCIM (2005, p. 24).

Conclusions

In today world economy, we may state that when products and investments do not freely cross the border, the workforce will. The temporary work migration is the clearest sign of the failure of political governance in both the host and native states, even if we may argue, to a different degree. Such a trend however determines strong challenges that may alter demographic and political communities and have long-term effects. Today world may witness, in a larger extent than in the past, the emergence of “societies inside societies”. The traditional “melting pot” seems to no longer operate. Because of communication technology or maybe deeper political factors, today immigrants are no longer integrating into the host societies.

As Hoppe concludes, „insofar as the US engaged in protectionist policies against the products of low-wage area and in welfare policies at home, immigration pressure would be kept high or even raised”¹. Such a conclusion confirms that the only way to reduce the pressure of immigration in developed countries would be to allow a freer global environment, in trade, industrial and taxation policies. In a world with increasing differences in incomes, such a prospect is not very close. And the fabric of Occidental societies will change as a result of the amplitude of foreign migration as well as the failure to integrate these individuals into the societies. Labor migration penalizes failures in governance in all the countries in the world.

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¹ Hoppe (1998, p. 224).