

# Economics focus On the move

Economic analysis sheds light on the history of migration and on its future

**D**URING successive waves of globalisation in the three centuries leading up to the first world war, migration of labour was consistently one of the biggest drivers of economic change. Since 1945 the world has experienced a new era of accelerating globalisation, and the international movement of labour is proving once again to be of the greatest economic and social significance. That is so despite, this time, the efforts of rich-country governments to constrain migration, and despite some fundamental changes in its economic nature. As a new study\* by Barry Chiswick of the University of Illinois at Chicago and Timothy Hatton of the University of Essex makes plain, it is economic factors that have been uppermost throughout the history of migration.

For many years after the discovery of America, the flow of free migrants from Europe was steady but quite small: transport costs were high, conditions harsh and the perils of migration great. In 1650 a free migrant's passage to North America cost nearly half a year's wages for a farm labourer in southern England. Indentured servitude developed as a way around this. Nonetheless, outright slavery predominated until the slave trade was stopped in the first half of the 19th century. By around 1800, North America and the Caribbean islands had received some 8m immigrants. Of these, about 7m were African slaves.

The first era of mass voluntary migration was between 1850 and 1913. Over 1m people a year were drawn to the new world by the turn of the 20th century. Growing prosperity, falling transport costs relative to wages and lower risk all pushed in the same direction.

Between 1914 and 1945, war, global depression and government policy served sharply to curb migration. During some years in the 1930s, people returning to Europe from the United States, even though comparatively few, actually outnumbered immigrants going the other way—a rare case for America of net emigration.

After the second world war the economics of migration reasserted itself. The cost of travel fell steeply. But now the pattern changed. Before long Europe declined as a source of immigration and grew as a destination. Emigration from

developing countries expanded rapidly: incomes there rose enough to make emigration feasible, but not enough to make it pointless. Many governments began trying to control immigration. Numbers, legal and illegal, surged nonetheless, as economics had its way.

## Winners and losers

Migration, it is safe to assume, is in the interests of (voluntary) migrants: they would not move otherwise. The evidence suggests that it is also very much in the overall interests of the receiving countries. But, as Mr Chiswick and Mr Hatton point out, there are losers in those countries. The increase in the supply of labour presses down on the wages of competing workers, at least in the first instance. (Later, as the stock of capital grows in response, that effect may be partially reversed.)

The economic conditions now seem propitious for an enormous further expansion of migration. On the face of it, this will be much like that of a century ago. As before, the main expansionary pressures are rising incomes in the rich countries and rising incomes in the poor ones. (This second point is often neglected: as poor countries get a little less poor, emigration tends to increase, because people acquire the means to move.) The study emphasises, however, two crucial differences between then and now.

One is that, in the first decade of the 20th century, the receiving countries needed lots of unskilled workers in industry and farming. In the first decade of the 21st century, in contrast, opportunities for unskilled workers are dwindling. In the United States, wages of unskilled workers are falling, in absolute as well as relative terms. The fall is enough to hurt the workers concerned, but not to deter new immigrants. Several studies suggest that immigration has made a perceptible contribution to this decline.

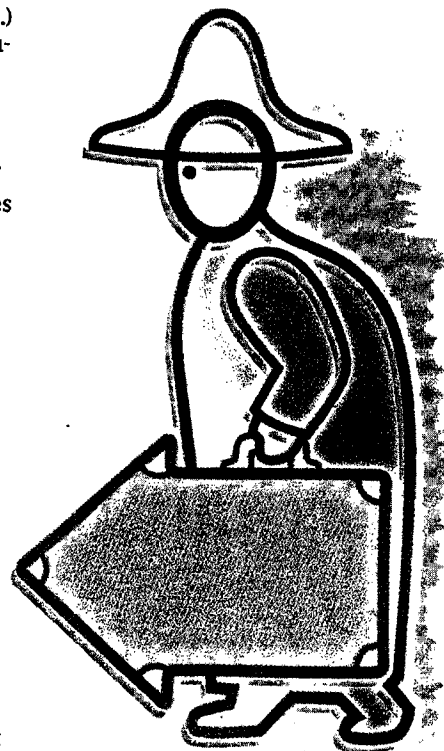
And the other big difference between now and a century ago? It is that the affected rich-country workers are in a stronger position to complain, and get something done. The most likely result is that a trend that is already well established (either as explicit policy or customary practice) will continue: countries will try to restrict the immigration of unskilled workers, giving preference to workers with skills.

This does help, in one way, quite apart

from narrowing the rich countries' skills deficit: it eases the downward pressure on wages at the bottom. However, the idea has drawbacks too. It turns away many of the poorest would-be migrants, which is hard to justify in humanitarian terms. Also, it pushes others from this group into illegal immigration, which exposes them to dangers, makes assimilation more difficult and may even cause a stronger downward pull on the wages of some receiving-country low-skilled workers than would legal entry of the same migrants.

On top of all this is the skills drain from the sending countries. Already some of the world's poorest nations lose almost all the doctors they train to jobs in Europe or North America. Remittances offset some of that loss, but not all.

Today's migration, much more than the migration of old, poses some insoluble dilemmas. Regard for individual liberty—usually the best compass—argues for a more liberal immigration regime in the rich countries, and for unskilled migrants as well as skilled ones. With or without such a regime, more migrants are coming. And in either case, the question of compensation for the losers, in rich countries and poor countries alike, will demand some attention. ■



\* "International Migration and the Integration of Labour Markets". Forthcoming in an NBER conference volume, "Globalisation in Historical Perspective".