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Migration, Growth and the Human Future

Migration has helped develop and enrich human society through history. But will lower mobility let advanced economies decay? And, will the species survive once earth dies?

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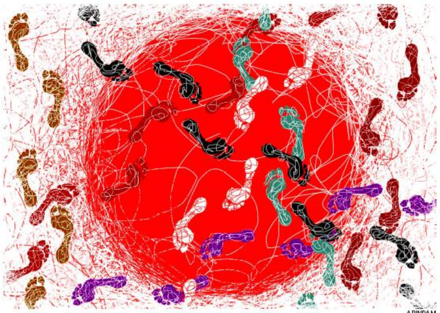

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Migration is as old as the human species. The urge to migrate is possibly embedded in the human genome itself as it appears to give Homo sapiens some evolutionary advantage. Anthropologists believe that early man originated in the East African rift valley and then migrated from there to colonise all parts of the world. Ever since, migration has been closely associated with growth, development and productivity improvement. The growth impact has tended to be positive on both immigrant and emigrant societies. While the narrative has changed over time, it is astonishing how little the big picture has altered.

Right through history, rulers encouraged migration as new settlements enhanced their revenue streams and military might. This was because till the Industrial Revolution, technological and productivity improvements were few and far between. Aggregate production mostly increased by addition to the workforce through new settlements deriving from migration and natural propagation.

The latter was, however, constrained on account of high death rates, and periodic famines and epidemics that wiped out surplus population. Nature did periodic demographic audit in red pencil.

From a historical perspective, it is useful to divide migration into two basic types, long term and short term, while recognising that there were several intermediate forms. However, what is common to both types of migration is that they contributed to enhanced human growth, productivity and welfare.

From the migrant's perspective, long-term migration was impelled by the desire to increase current levels of consumption, or to make it more secure by exploiting differences in productivity over space. Short-term migration was impelled by the desire to smoothen the consumption cycle by exploiting differences over space and time, such as during the agricultural off-season.

Low levels of productivity and technology limited both the size of the surplus generated by human labour, as well as its use for future consumption. In the absence of sophisticated instruments of modern finance, it was difficult to convert labour surpluses into financial savings that could be exchanged for future consumption as is the case today.

The period of rapid growth in both continental Europe and the US in the wake of the Industrial Revolution was associated with rapid, systematic and sustained immigration (US) and emigration (Europe) on an epic scale unparalleled in human history.

While short-term and long-term migration continue to be distinct, their distinctive outcomes have been blurred because of vast differences and rapid shifts in productivity in the aftermath of the Industrial Revolution, and also with greater sophistication in financial intermediation that enables migrants to use current savings for future consumption. As a result, even short-term migration can also now result in higher levels of consumption through 'remittances'.

Following the rise of modern nation states, the primary migration divide gradually shifted from being between long term and short term, to between internal and cross-border.

Internal migration stimulated by productivity differences continues to be robust as it exploits productivity differentials across regions and sectors, as observed by Simon Kuznets and Arthur Lewis several decades ago.

However, with vast differences in per-capita incomes and living standards opening up between advanced and developing countries in the wake of industrialisation, and with the rise of nationalist sentiments, barriers to international migration have become rigid, spawning a visa and passport culture. Cross-border migration rules now have a strong racial and country bias that discriminates against movement of labour from low productivity areas to high productivity areas. History indicates that it is such radical shifts that maximise the welfare gains from migration.

Thus, even as trade and capital have become more integrated and mobile across borders, labour mobility has become relatively limited. This is a relatively recent phenomenon. Roman emperors, for instance, came from all parts of the Roman Empire. Closer home, the ethnic origins of Indian rulers were also very diverse. The 18th and 19th centuries witnessed huge cross-border migrations.

Capital mobility has reduced the pressure on cross-border migration to sustain aggregate global growth. Capital has migrated to areas where labour is abundant and cheap, and the consequential potential for productivity gains and profitability are higher. This has also facilitated outsourcing of production to low-income developing countries, the emergence of 'global imbalances' and rising structural employment in advanced countries.

However, with demographic decline and ageing populations, international migration is now necessary to prevent growth rates from declining in advanced countries. It is essential to get growth back on track to generate the savings and revenue streams necessary to support ageing societies. Unless this is done, their fiscal positions may deteriorate to the point that they could lose market access to finance rapidly-growing deficits. There is an imminent threat they would not be able to sustain current levels of living standards. Consider the explosion of public debt in Japan, and similar projections made for other advanced countries, and the consequential turbulence this has generated in international financial markets.

Cross-border migration has a racial and country bias that prevents movement from low productivity areas to high growth ones

From the developing-country perspective, it may be recalled that out-migration at a critical stage of the demographic cycle in Europe was a major factor in the latter's successful industrialisation since it relieved some of the excess pressure on land. Such pressure on land, which acts as a drag on productivity growth, persists in countries like China and India because of limited out-migration possibilities. This could well result in a middle-income trap.

Initial concerns over the negative welfare effects of out-migration on account of brain drain have proved to be short-lived. Over the longer term, the network effect of this brain-drain also laid the foundations of India's homegrown IT/services revolution that subsequently became its engine of growth.

While the economic imperative seems clear, cross-border migration needs a conducive social and cultural environment. Social and cultural changes, however, tend to lag behind economic development, and moreover take place in an apparently non-linear manner over the short to medium term.

Thus, migration from young African and Asian societies had been occurring on a large-scale before the emergence of concerns relating to rising unemployment and international terror that applied brakes on this process. Even as nationalism and the nation state are losing their economic rationale in a fast integrating world, they continue to be binding constraints on civil society and policymaking not only in respect of migration but on other areas of macroeconomic policy coordination as well.

The million-dollar question is whether ageing, declining growth and fiscal problems will be the game changers that will moderate restrictions on cross-border labour mobility that has contributed to rapid growth and development in the past? Will the emergence of a global civil society through the world wide web facilitate this process by moderating cultural constraints on cross-border migration? Also, as young societies age, will there be competition to attract young migrants in future?

The trillion-dollar question for future generations may well be whether human survival itself is ultimately contingent on our ability to develop technologically fast enough to migrate to other parts of the universe before planet earth becomes uninhabitable, as forcefully argued by Stephen Hawking?

(The author is a civil servant. Views are personal)