International Migration and Institutional Competition: An Application of Hayek’s Evolutionary Theory*

Patrick Welter

However, in assessing the economic effects of the migration of a factor of production, the relevant criterion is not marginal *private* productivity, but marginal *social* productivity.

Brinley Thomas (1968, p. 298)

Competition between local authorities or between larger units within an area where there is freedom of movement provides in a large measure that opportunity for experimentation with alternative methods which will secure most of the advantages of free growth.

Friedrich A. von Hayek (1960, p. 263)

INTRODUCTION

In the last decade, the number of migrants on the international level, especially migrants to western welfare states, has increased to unforeseen heights. The United States has experienced a level of legal immigration unseen since the beginning of the century, and the number of illegal immigrants to the US is supposed to have increased as well. Due to liberal asylum laws, asylum-seekers have flooded Western Europe, which has been exacerbated by an influx of immigrants from post-communist countries. As legal immigration is restricted, unregulated immigration takes place, to a large part, under the guise of asylum-seeking, especially in the

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European states. There are worries that these huge migration flows will be detrimental to western wealth, and that they will prove inefficient worldwide. Therefore, governments are trying to tighten immigration laws, especially in the field of asylum policy. They find support from economists, who propose an international migration order to control migration and to co-ordinate migration policies. Analogous to the GATT, this proposal is named GAMP, the General Agreement on Migration Policies.

It should provide rules of entry permission, rules of exit permission, rules of taxing migration, treatment of foreign labour, and other migration aspects which have to be fixed within this multilateral agreement (remittances, transfers, social rights, pension transfers etc.).

The assumption behind the proposal is that unregulated migration is inherently inefficient. Pareto-efficiency, it is argued, would dictate a co-ordinated regulation of migration. However, policy co-ordination always includes the danger of governmental policy cartelization in order to escape from institutional competition. This must be considered when analyzing the GAMP proposal.

The assumed inefficiency of migration between states is based on an idea of external effects that migrants impose on ‘those left behind’ (Bhagwati, 1979, p. 18) as well as ‘those already there’. Migrants, it is argued, impose negative or positive effects on the (broadly defined) wealth of non-migrants. Since migrants do not take into account these externalities, it is usually argued in the Pigou tradition that the migration decision is individually efficient, but socially inefficient. Thus, a control of migration flows would be necessary in order to correct externalities. It is important to note the implicit underlying assumptions: a certain definition of a state, and a certain idea of property rights as far as migration is concerned.

If proponents of regulation suggest that the migrant has to take into account the externalities he imposes on the immigration country, they acknowledge, to a certain degree, a right of ‘those already there’ to be economically undisturbed through immigration. In an extreme interpretation, the immigrant is not allowed to influence their level of wealth. In the same way, a property right of ‘those left behind’ to the immigrant’s social contribution – for example tax payments – is recognized. This expresses nothing else than a right to co-operate and to exclude others if one’s own interests are harmed. Therefore, a common interest of citizens is acknowledged; the theoretical discussion of international migration is based on the idea that a state is a club.