

## Chapter IV. The Paradoxes.

This study finds two paradoxes that confront migration under the liberal economic model. The first is respecting the liberal economic model and the restriction of migration; and the second, the convergence between the rights based in liberal precepts and the market.

Regarding the first paradox, the division in the discussion between migration of people, goods, services and capital is rather artificial “[w]ithin a capitalist world economy founded on free-market principle, the persistence of barriers to population movement between countries constitutes an anomaly”<sup>1</sup> For the thesis, in the long term, more than an anomaly will constitute a paradox, a contradiction because those practices shift far away from liberalism, where the economic model finds its basis, as Bhagwati says

[t]here is practically universal agreement, among modern states, that free *flows of human beings*, no matter how efficacious for world efficiency, should not be permitted. Today, immigration restrictions are virtually everywhere, making immigration the most compelling exception to liberalism in the operation of the world economy. [...] There is virtually no international code of conduct in regards to the question of how immigration restriction ought to be operated.<sup>2</sup>

That means that in contrast with other trade and finance, human migration is unregulated by any supranational norm, organization or institution, all are only national governments who impute restrictions based on their own will. Capital and human resources need to be transferable to where they may best be utilized. Capital move across global markets within a seconds; however, the movement human resources remains highly regulated.

To show that the restriction confronts the liberal position we can support a model proposed by Gerhard Schmitt-Rink in which he arrived at the conclusion:

Here it is demonstrated that, [...] , international migration tends to equalize national factor price and factor shares even in the absence of international trade. Constant rates of net migration tend to equalize national population growth rates, and this in turn tends to equalize national factor price and factor shares.<sup>3</sup>

In this model, it is proved that migration helps to equalize factor price and factor shares, which implies that the liberal model does not work well under any restriction and

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<sup>1</sup> Ibid, 315.

<sup>2</sup> J. N Bhagwati, “Incentives and Disincentives: International Migration”, *Review of World Economics*, 120(4): 678-701.

<sup>3</sup> Gerhard Schmitt-Rink, “Migration and International Factor Price Equalization” in Klaus Zimmermann, *Migration and Economic Development* (Germany: Heidelberg, 1992), 41.

there is no paradox in the theory, but in the real world it converges. Another writer who won the Nobel Prize, Robert Mundell, who supported the trade theory

demonstrated, analytically, that under a set of special conditions (constant returns to scale, perfect competition, no distortions) international trade (movement of commodities) is a *substitute* for factor movements, including the movements of people. The main reason driving this result was that the equalization of factor prices through international trade would create no incentive for capital or labor (people) to move across national boundaries.<sup>4</sup>

This can be interpreted in the way that if we see the trade as a substitute for migration, each time that there is liberalization in trade it must be in reaction to a reduction in the pressures for migration.<sup>5</sup> However, it is illogical that trade alone absorbs the large income differentials between countries, but it is what many countries try to argue. It is indispensable to say that

[a] World Bank [study](#) estimated that in 1879 the per capita income of the richest country (the United States) was nine times greater than that of the poorest countries like Ethiopia. But by 1960 US income was 50 times greater. The United Nations Development Programme has arrived at similar [conclusions](#). Even in the brief period 1988-93, global inequality continued to [increase](#). This divergence is very different from that predicted by classical economic [theory](#), which says that the movement of capital, goods, and people across national borders should eventually bring prices and wages everywhere [into line](#), equalizing wages. Workers should move from low-wage countries to high-wage countries to meet labour shortages. Theoretically this should help balance incomes – restraining them in the rich countries, and boosting them in the poor countries. Meanwhile capital should be moving in the other direction – seeking out places where investment funds are scarcer and the rates of profit higher. The poorer countries should then be able to send goods instead of people. Clearly this is not happening. [Globalization](#) is taking place in a very distorted fashion. As a result, neither people, nor goods, nor capital are flowing in the free and beneficial fashion that this simple model predicts.<sup>6</sup>

In this way, migration is conforming the liberalism paradox.

Sidney Weintraub and Chander Stolp are partly in concordance with the hypothesis, which is that the labour restriction is in contradiction to the liberal economic model as we can see:

The generally free flow of factors, particularly labour, can be a powerful equilibrating device, so that when international migration was relatively free (that is, when there were many immigrant-receiving countries), the normal expectation was that human movements would play a large role in reducing difference in income levels among countries: people would move from places of lower opportunity (for them) to places of greater opportunity. This ability of labour to move is still the norm within countries, and is usually part of regional development policies, although it is becoming increasingly less so across countries. The international tendency seems inexorable that, with a few exceptions, fewer and fewer

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<sup>4</sup> Andres Solimano, "International Migration and the Global Economic Order: An Overview" in *Macroeconomics and Growth Development Economic Research Group. Policy Research Working Paper*. The World Bank, 2720, 2001, 10.

<sup>5</sup> Ibid, 10.

<sup>6</sup> International Migration available from <http://pstalker.com/migration/>

countries are willing to accept even fewer permanent immigrants. If migration is restricted, economic foreign policies must seek other equilibrating mechanisms in trade and capital flows.<sup>7</sup>

They say that a partial, but *only* partial, substitute for labour movement in approaching some equalization in income levels among countries, can be found in free trade. The post-war international trading and financial systems, such as GATT, were constructed to this basis.<sup>8</sup> The relationship between trade and migration is more than a *substitute*; it must be seen as a *complement*, as a flow of factors that in theory works together so that the economic liberal model works well. Moreover, where the market modulates those but not the national governments thought protectionist measures.

In the Ethier Wilfred study “The Complementarity of Trade and Migration”, we found support as we can see:

The substitutability of trade and factor movements is due to the fact that relative endowment differences constitute the sole basis for trade in the Heckscher-Ohlin-Samuel model. Reduce those differences via migration and you reduce the basis for trade. But if we depart from this model by introducing a distinct basis for trade, this substitutability may well disappear. For if free trade is taking place and some factors are made internationally mobile, they will tend to migrate to the countries with a comparative advantage in the goods which make relative intensive use of the now-mobile factors. This international reallocation of factors will therefore increase degrees of comparative advantage and so stimulate trade. Trade and migration will be complements.

A simple example is instructive. Consider the 2 x 2 x 2 [countries, factors, goods] Heckscher-Ohlin-Samuel model in which all consumers have identical homothetic taste, and suppose that endowments are identical at home and abroad. There is no need for trade in this model. If endowment differences were introduced, trade would be induced in substitution, as discussed earlier. But suppose that instead we introduce technological differences by making the domestic wine industry and the foreign cloth industry uniformly less productive than before. If trade is allowed, the home country will now export cloth for wine; suppose for simplicity that each country specialize completely in the new free-trade equilibrium. Let cloth production be relatively labor intensive. Then the home economy has a higher wage-rental ratio than the foreign. Now suppose that we allow labor to move internationally, and that some migrates from the foreign country to the home one. Domestic cloth production will rise and exports of it will increase. Migration is complementary to trade, measured in terms of cloth.<sup>9</sup>

This is a good economic perspective of how migration flows can be complementary to trade flows, in this way they have the same functions and can work together to equalize income in both countries. Those authors are not the only ones that say that we can find echoes as follows “[i]n reality, trade and international migration may be complements of, instead of substitutes for, one another (Schiff, 1996).”<sup>10</sup> In this way, this study found

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<sup>7</sup> OECD, *The Future of Migration*. (Paris: OECD, 1987), 138-139.

<sup>8</sup> *Ibid*, 139.

<sup>9</sup> Ethier, Wilfred. “International Trade Theory and International Migration.” Migration and Development Program, Harvard University, Discussion Paper Number 5, January 1984, 11-12.

<sup>10</sup> UN, *International Migration and Development*. (New York: UN Population Division, 1997), 52

support to the idea that the economic model will work better where migration and trade flows works as complements. Obviously it can work if migration alone is seen as follow:

The World Bank and others have also included international migration as a mean of maximizing labor market efficiencies, moving skills where they could be most productively utilized, distributing low wage labor to reduce production and social costs, and adding flexibility to the rigid labor markets of advanced economies.[...] More recently, another World Bank study argued even more forcefully that negative consequences of trade adjustment and liberalization could be offset if there was simply more mobility in the world economy to equalize market distortions. As a result, states are encouraged to align their policies to promote emigration as part of regional integration and maximum aggregate growth.<sup>11</sup>

However the ideal will be that trade and migration works together as a complements.

Regarding the second paradox, that is the convergence between the rights based in liberal precepts and the market in the study research, I have surprisingly found that the author, James Hollifield, has the same hypothesis of this thesis, 'the liberal paradox' as a chapter of his book. He has divided this paradox into two branches. The first is the regulating immigration in the liberal polity, and the second, the political economy of international migration.<sup>12</sup> Based in the first part of the paradox that is the regulating immigration in liberal polity, the contradiction comes when "the free, rational individual not tightly bound by authority is a principal tenet of liberalism. Freedom of movement, some would argue, is a fundamental "human" right"<sup>13</sup>, which confronts the restriction policies. He proposes that this restriction is based more in the political aspect that in the economic, as we can see:

[t]he growing interdependence of national economies, a trend which has helped to change the nature of international relations by weakening the sovereignty and autonomy states and sweeping technological changes that facilitate transportation and communication, the industrial democracies have been committed to slowing the international mobility of people. The reason for this "restrictionism",[...], are political and to certain extend symbolic. Even though immigration has proved to be economically beneficial, there is a strong desire among the public and politicians in the industrial democracies to control migration for what seems to be a simple reason. To control borders is the essence of state sovereignty.<sup>14</sup>

The paradox, becomes more clear because it is precisely the anti-immigration policies and their "restriction" character that prove their anti-liberal nature and their incoherence with "political liberalism as the ongoing extension of civil, political, and social

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<sup>11</sup> Robert L. Bach, "Global Mobility, Inequality and Security," *Journal of Human Development*, Vol. 4, No.2, (July 2003): 232.

<sup>12</sup> F. James Hollifield, *Immigrants, Markets, and States*. (USA: Harvard University Press, 1992), 3-44.

<sup>13</sup> *Ibid*, 3.

<sup>14</sup> *Ibid*, 5.

rights to every member of the society, whereas economic liberalism can be defined in terms of the creation and protection of relatively free markets.”<sup>15</sup> In other words, that means an older problem that exists for liberalism, a problem between the market and rights, and that in addition the international migration converged with those and conformed to a contradiction.

Therefore, from the point of view of this author the first and most obvious problem that the states confront is that of sovereignty. In order to continue that sovereignty the state searches to legitimise their control border rights under their legal restriction to entry and exit. Hollifield made a reformulation of the liberal argument in which he tied international migration with the changes in the international system, based in relatively free markets, rights in political sphere, and takes individuals and states as primary units of analysis. What he call a *right-based regime*, which places an emphasis on human rights and social justice. In this way the author explains that in the national level, rights are expressed in legal and procedural terms.<sup>16</sup> The difference is that

[a]t international level, rights are expressed in terms of embedded liberalism.[...] Rights are specially influential in international and domestic labor markets, where the interaction of supply and demand can determine the fate of individuals in society, that is, their life-chance and personal development.<sup>17</sup>

Consequently, in the national level only citizens who enjoy those rights can protect themselves from injustices. It is in those liberal states where we can find a contradiction when there are illegal immigrants inside their borders, and their human rights are not respected, the paradox exist. Under the liberal model,

[i]n the post war period, international migration has developed a stronger political and humanitarian as well as economic dynamic, making difficult for states with liberal pretensions to regulate migration purely in terms of national security and be coherent with their principles.<sup>18</sup>

In this way, John Ruggie’s theory of liberalism proposes the extension of the market relation result into self-protective reaction, and that with relation to international migration this can take two forms: liberalism or nationalism. It is hard for states to maintain a balance between both, obviously because the extremes are always more easy to consolidate. The liberal government regulates the flow of people in a manner in which the human rights are

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<sup>15</sup> Ibid, 6.

<sup>16</sup> Ibid, 27.

<sup>17</sup> Ibid, 27.

<sup>18</sup> Ibid, 28-29.

respected and maintain relative open borders.<sup>19</sup> Opposite to that, the nationalist government will maintain their borders as the most closed possible, and based in their own national interest they can reject all the immigrants and do not respect their rights.

The contradiction continues so long as “[p]olicy makers in liberal polity cannot assume that foreign workers are simple commodities rather than individuals to whom civil, social, and even political rights accrue.”<sup>20</sup> There has been a relative progress by the new rights-based politics in the liberal democracies, and this is a contradiction of liberalism. Another contradiction is that the assertion of civil aliens and political rights in Europe and the United States, have come together with the development of largely unregulated markets for foreign labour.<sup>21</sup> This contradiction is one of the principal reasons of failure for all restrictionist laws that the states try to impose to refuse immigration, as we can see, “[o]ne of the fundamental problems of regulating immigration in the liberal polity is how to deal with foreign workers who, as commodities, are subject to the full force of market relations, but as individuals are entitled to certain protections by virtue of their humanity.”<sup>22</sup> In this way emerge the paradox, the labour market create the demand for migrants but do not protect those with the elemental rights that the workers need to have in liberal societies. For the author, the American polity has resolved the incongruity more than the European has. In the way that the civil rights movement and the struggle to extend full citizenship to African Americans have born an adversarial legal and political culture, which places an special importance in the procedural rights and social justice that the author tries to justify along the chapter.<sup>23</sup>

It is important to say that, in the end of his book, Hollifield poses the question of whether immigration is a political or an economic phenomenon. The polity answer has been to divide migrants into political and economic refugees. Such categorization does not pay attention to the fundamental basis of liberalism, the intrinsic worth of a free, rational individual. This is important in the liberal political system by the relationship that the individual has with the state or society, and in this way, this individual occupies a sacrosanct position. In addition, no matter whether the motivation of migration is

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<sup>19</sup> Ibid, 31.

<sup>20</sup> Ibid, 169.

<sup>21</sup> Ibid, 169.

<sup>22</sup> Ibid, 204.

<sup>23</sup> Ibid, 204-5.

economical or political the way in which the individual is treated needs to be equal and dignified. Once the migrant from economic migration enters into one liberal state it takes the political character.<sup>24</sup> In consequence the paradox between the rights and the market suffer a convergence, “[t]he convergence is a result of the gradual resolution of the liberal paradox, a process which involves the expansion of civil rights for aliens and other minorities in Europe and North America and the growth of an international market for labor.”<sup>25</sup>

With this, the author is optimistic about the future integration of migrants into western societies with respect to the civil rights. Discrimination like equality is indivisible, it means if some rights are granted to migrants but others refused, discrimination subsists, and there is not equality. As Carter A Wilson says, there are economic basis of racism where the economic factors play a major role in producing and sustaining racism. And as he says

[t]he state (government, law, and public policies) and politics play the most indeterminate and paradoxical role in maintaining racially oppressive arrangements. On the one hand, there is general tendency for the state to protect and legitimize oppressive relation. On the other hand, under special circumstances, it mobilizes resources to ameliorate oppression and to protect the interests of oppressed people.<sup>26</sup>

Thus, the state has a hypocritical attitude towards the immigrants. Carter explains this paradoxical role of the state in traditional theories of the state divided into four categories: elitist, pluralist, systemic, and political party theories. Elitism proposes that

economic elites who benefit from racially oppressive arrangements dominate both politics and state. They dominate politics because they tend to be well-endowed with resources, well-organized, clear about their goals and articulate in expressing their interests.<sup>27</sup>

Pluralist theory supports that there are group pressures, as white working-class organizations support racial exclusion and others pressure the state to make anti-immigration policies.<sup>28</sup> Systematic theory says that

the state, for economic and political reasons, is predisposed to support upper stratum interest in society because this stratum generates the recourses necessary for the maintenance of the state and because the

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<sup>24</sup> Ibid, 230-231.

<sup>25</sup> Ibid, 1992, 232.

<sup>26</sup> Carter A. Wilson, *Racism. From Slavery to Advanced Capitalism*. (USA: Sage Publication, 1996), 20.

<sup>27</sup> Ibid, 21.

<sup>28</sup> Ibid, 22.

state anticipates the political consequences of not supporting this stratum: formidable political opposition.<sup>29</sup>

Lastly, political party theories explain that racial ideology is working as a glue holding diverse and sometimes contradictory political interest for party coalitions, as Carter also says “the state support for racially oppressive arrangements results in part from the role of party coalitions held together by racial ideologies.”<sup>30</sup> This is important to point out because it shows us how the state attitude can be paradoxical toward the immigrants, on one side it can improve the laws and civil rights of migrants, as Hollifield tells us, and at the same time the state can act to support racism versus the immigrant, that is in opposition to liberal precepts. We need to remember the liberal and Western ideas of individualism, liberty, equality and rule of law can not involve racism.

The situation is that when the paradox between the rights and the market is not resolved by an extension of the civil rights of the migrants, the most common occurrence is that in the different states there is an increasing antagonism against migrants. As follows:

Responses to increased antagonism toward immigration in Canada, Western Europe, Australia, and Japan, have been no less virulent focusing on placing greater restriction on immigration of all types. Actions taken have fallen into four main categories: (1) streamlines and enhanced enforcement measures, most particularly in the handling of asylum applications and the immediate deportation of those denied asylum; (2) lowered quotas on legal immigration; (3) denied of some public benefits to immigrants; and (4) development of unilateral and multilateral means to prevent emigration in the first place, including forced repatriation of some migrants.<sup>31</sup>

The nationalist poses migration as a threat that Vernez categorized along three themes: “as a threat to a county’s territorial integrity; as a threat to economic prosperity and/or the preservation of core nation values; and as threat to a well functioning international order.”<sup>32</sup> The threat to a country’s territorial integrity is related with the loss of control by the government over their national borders that means the inability to protect the well-being of their nationals who are ‘in the suppose situation’ aggrieved by the presence of these immigrants and in particular by the illegal migrants.<sup>33</sup> This threat along with the others threats seem not to be in concordance when we make a review over the assimilation

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<sup>29</sup> Ibid, 22.

<sup>30</sup> Ibid, 22.

<sup>31</sup> George Vernez, *National Security and Migration: How Strong the Link?* (Santa Monica, CA: RAND, 1996), 4.

<sup>32</sup> Ibid, 7.

<sup>33</sup> Ibid, 7.

theories or the push-pull theories, where the receiving country also benefits from migration.

In this way Vernez concludes, “[g]enerally migration **alone** does not constitute a threat to national security interest unless it is combined with and reinforced other social, economic or international trends.”<sup>34</sup> The problem is, however, that a different social, economic or international trend cannot be seen separately from migration it must be seen as a cause of the emigration, for example, a civil war or a drop in the wages or income that can come from an economic crisis. Immigration, definitely, does not represent a national threat. Indeed Bhagwati and Sapir suggest a different response from national governments to import competition, which

consider how, in traditional, technological stagnant industries, import competition may result from newly industrializing countries gaining comparative advantage due to lower wage (in the manner of the HOS [Heckscher-Ohlin-Samuel] theory). In this case, a possible response may well be to import more labor by relaxing immigration barriers. Bhagwati, using the HOS model, the sector-specific-factor model, and the fixed-wage Haberler-Brecher model successively, analyzes the differential advantage that capitalists, wage earners, and governments could gain.<sup>35</sup>

From this viewpoint, governments and other economic sectors benefit from immigration that can come from the relaxing of barriers, and that can imply more illegal immigrants or transient migrants that can be legal. It depends if the relaxing is legal, or only the government become more tolerant to illegal immigrants. There are opposite positions towards immigration as in the cases of

[t]he Australian government believed in immigration as a national objective and there was much evidence to suggest that in this regard it is “ahead” of the Australian people [...or...] Canadian delegate argue that permanent migration has contributed to development [...is clear that] the Australian and the Canadian programmes as differing from those of many European countries in that they reflected the expectation that migrants are presumed to become permanent residents, although not at price of forsaking their cultural identity.<sup>36</sup>

This is what happens at the end of the paradox. There are some states that give civil rights to migrants as they are in concordance with their liberal precepts, but there are others that do not recognize the economic benefits that those migrants represent (hypocritically)

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<sup>34</sup> Ibid, 14.

<sup>35</sup> Jagdish Bhagwati and T. N. Srinivasan, *Lectures on International Trade*. (Cambridge: The MIT Press, 1984), 308.

<sup>36</sup> OECD, *The Future of Migration*. (Paris: OECD, 1987), 13.

and try to justify as them as a threat, supporting their vulnerability and exploitation of immigrants. In a general view:

This leads to a paradox of globalization. While stimulating reduced barriers to circulation of services, consumer goods and information, official liberalization has not extended to human mobility, especially of people from poor countries. In contrast to authorized opportunities for migration, irregular or clandestine migration is increasing. The phenomenon is both a response to this limitation and a symptom of the international community's inability to come to grips with the demands and disparities of today's global economy.<sup>37</sup>

To resolve these paradoxes, it is usefully to study "The Migratory Chain" where the "migration chain" is a concept proposed by the OECD can be an alternative, which

comprises the various stages of the physical process of migration itself[...], the links which joint all these, and the accumulative social and economic effects of the process. To "organize" the migration chain means to try to arrange these various stages and the total process, so as to increase the range of choice open to workers involved, and this in turn implies adequate co-operation between the immigration and the emigration countries. Moreover, in the context of a properly organized migratory chain, labour movement and capital transfer (in which is included workers' remittances) would no longer be considered- as they are now- as separate and indeed unrelated phenomena. The overriding principle is that henceforward migration should be conceived as co-operation between partners rather than as an exchange between unequal parties. [...] Whether it is a question of making emigration more useful as development tool (by vocational training, counseling, or use of savings) or of offering valid alternatives to those emigrants who have returned to the country, or who liable to do so (through job creation and adjustment measures), it is important that the countries of emigration should elaborate, with the aid of the immigration countries concerned, adequate institutional mechanisms and means of intervention.<sup>38</sup>

In this study, they conclude that the future co-operation between countries of emigration and immigration should aim at creating an institutional framework for a new strategy for international and economic adjustment, based on a harmonization of objectives, rather than the traditional patterns of developments.<sup>39</sup> These objectives are too ideal but can work as able alternatives.

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<sup>37</sup> IOM, *World Migration 2003* (Switzerland: IOM, International Organization for Migration, 2003), 5. 18.

<sup>38</sup> OECD, *The Migration Chain*. (Paris: OECD, 1978), 5-6.

<sup>39</sup> *Ibid*, 50.