

Comments on “Managing Migration in the European Welfare State”

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Some General Observations

1. Europe is a tribal mosaic.

- Cradle of the Western nation-state
- Traditional *source* of migration
- Culture of immobility
- Strengthened by selection
- Social safety net as expression of national *solidarity*

Some General Observations

2. Europe is now a *sink* for immigration.

- rich**
- democratic, governed by rule of law**
- shortage of unskilled labor**
- borders like Swiss cheese**

Some General Observations

3. Europe is not the United States.

- **Xenophobic tendencies appear to be higher**
- **Why? This study looks at the obvious candidates:**
 - Labor markets
 - Racism
 - Social safety net

Migration is an Investment

An old idea. What are the returns? For whom?

An investment for the migrant (Sjastaad 1962)

An investment for the receiving country

What about the natives?

What about the sending country?

A good investment for the migrant?

Yes, almost by definition. Determinants:

- Rate of return (wage differential)
- Relative unemployment
- (effective) discount rate (age, risk aversion)
- Fixed money and nonpecuniary costs of migration
- Uncertainty and option value
- Relative variance of returns and/or income streams

A good investment for the receiving economy?

Maybe, but likely. Depends on:

- clearing or non clearing labor markets?
- skilled or unskilled? Complements or substitutes?
- are they bringing other factors (capital)
- are they bringing unobserved attributes? Which ones?
(authors say no)
- what is the net burden on the social safety net?
- external effects

A good investment for natives?

Let's be clear:

- there are winners and losers
- very unlikely that *per capita* (including the migrants) GDP increases as an immediate result (also alters the national economic image)
- will require an increase in savings or borrowing from abroad to recover old growth path, add infrastructure, forgo consumption

A good investment for the sending economy?

Loss of tax base, productive factor

Even if there is return migration a loss is likely

- of people while young, mobile, innovative
- of best talents (brain drain)
- via external effects

Population of Selected German States since Unification

<i>Age 25-40</i>	<i>1990</i>	<i>1995</i>	<i>1998</i>	<i>% Change</i>
Bavaria	2745.2	3052.9	2963	7.9
Hessia	1388.6	1535	1487.6	7.1
Mecklenburg	479.7	444.6	411.5	-14.2
Saxony	1053.8	1013.7	971.2	-7.8

<i>Age >65</i>	<i>1990</i>	<i>1995</i>	<i>1998</i>	<i>% Change</i>
Bavaria	1723.1	1854.2	1894.8	10.0
Hessia	892	949	965.2	8.2
Mecklenburg	209.1	226.6	248.1	18.7
Saxony	749	768.9	783.9	4.7

Source: Federal German Statistical Office

Xenophobic attitudes may not be all that difficult to explain

- **not just the labor market, but an issue of public finance and social policy**
- **may need to think about the product market and competition for rents and international trade**
- **may need to understand better the tribal aspects of the social safety net**
- **receiving countries with less public goods at stake (US, Canada, Australia? UK?) seem to have fewer (but still some) difficulties**

Can the report be used to assist policy EU policy?

- **econometric evidence is problematic**
 - **Estimation and specification issues**
 - **Lucas critique (regime change)**
- **more case/event studies?**
- **more work on dependence**
- **more explicit valuation of the value of migration in terms of GDP gains and social costs (infrastructure)**
- **the cost born by the sending country is ignored (imperialistic EU?)**
- **Practical aspects for policies to work**