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Population, Migration, and Globalization

by Herman E. Daly

The trend toward globalization (free trade, free capital mobility), is not usually associated with migration or demography. If globalization were to be accomplished by free mobility of people, then demographers would certainly be paying attention. However, since globalization is being driven primarily by “free migration” of goods and capital, with labor a distant third in terms of mobility, it has often escaped notice that the economic consequences of this free flow of goods and capital are equivalent to those that would obtain under a free flow of labor. They are also driven by the same demographic and economic forces that would determine labor migration, if labor were free to migrate.

The economic tendency resulting from competition is to equalize wages and social standards across countries. But instead of cheap labor moving to where the capital is, and bidding wages down, capital moves to where the cheap labor is, and bids wages up—or would do so if only there were not a nearly unlimited supply of cheap labor, a Malthusian situation that still prevails in much of the world. Yet wages in the capital-sending country are bid down as much as if the newly employed laborers in the low-wage country had actually immigrated to the high-wage country. The determinant of wages in the low-wage country is not labor “productivity,” nor anything else on the demand side of the labor market. It is entirely on the supply side—an excess and rapidly growing supply of labor at near-subsistence wages. This demographic condition—a very numerous and still rapidly growing underclass in the third world—is one for which demographers have many explanations, beginning with Malthus.

Globalization, considered by many to be the inevitable wave of the future, is frequently confused with internationalization, but is in fact something totally different. *Internationalization* refers to the increasing importance of international trade, international relations, treaties, alliances, etc. Inter-national, of course, means between or among nations. The basic unit remains the nation, even as relations among nations become increasingly necessary and important. *Globalization* refers to the global economic integration of many formerly national economies into one global economy, mainly by free trade and free capital mobility, but also by somewhat easier or uncontrolled migration. It is the effective erasure of national boundaries for economic purposes. What was international becomes interregional.

The word “integration” derives from “integer,” meaning one, complete, or whole. Integration is the act of combining into one whole. Since there can be only one whole, it follows that global economic integration logically implies national economic disintegration. As the saying goes, to make an omelette you have to break some eggs. The dis-integration of the national egg is necessary to integrate the global omelette. It is dishonest to celebrate the benefits of global integration without counting the consequent costs of national disintegration.

Forgotten Root

Those costs are significant. It is not for nothing that the population explosion in the third world has only recently affected wages in the industrial world. Populous colonial India was not allowed by the British to compete in global markets with its cheap labor, nor did the Chinese Communists seek to compete in world markets under the isolation policies of Chairman Mao. It is only in the last 30 years that the World Bank has become converted to the now "incontestible" orthodoxy of export-led development based on foreign investment as the key part of structural adjustment. But although "free trade" is the new mantra, it is critical to notice that free trade now means something very different from what it meant in the early nineteenth century, when English economist David Ricardo gave it the enduring blessing of his comparative advantage argument.[*]

In the classical nineteenth-century vision of Ricardo and Adam Smith, the national community embraced both national labor and national capital. These classes cooperated (albeit with conflict) to produce national goods, which then competed in international markets against the goods of other nations produced by their own national capital/labor teams. This was internationalization, as defined above.

However, in the globally integrated world of the twenty-first century, both capital and goods are free to move internationally—and capital, or at least money, can be shifted electronically with almost no effort at all. But free capital mobility totally undercuts Ricardo's comparative advantage argument for free trade in goods, because that argument is *explicitly and essentially* premised on capital (and other factors) being immobile between nations. Under the new globalization regime, capital tends simply to flow to wherever costs are lowest—that is, to pursue absolute advantage.

Nevertheless, the conventional wisdom seems to be that if free trade in goods is beneficial, then free trade in capital must be even more beneficial. However, you cannot use the conclusion of an argument to deny one of its premises! In any event, it no longer makes sense to think of national teams of labor and capital in the globalized economy. There are competing global capitalists, and national laborers thrown into global competition by mobile capital.

Back, finally, to the costs mentioned above. What are the consequences of globalization for national community? Here in the United States, we have seen the abrogation of a basic social agreement between labor and capital over how to divide up the value that they jointly add to raw materials (as well as the value of the raw materials themselves, i.e., nature's often-uncounted value added). That agreement has been reached nationally, not internationally, much less globally. It was not reached by economic theory, but

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[*] Because of differences in climate, natural resources, education levels, wealth (capital) endowments, and many other factors, countries differ in the efficiency with which they can make various goods. A country has an *absolute advantage* over its trading partners if it can produce a good at lower absolute cost than they can. It has a *comparative advantage* if it can produce the same good more cheaply *relative to other goods it produces* than its trading partners, regardless of absolute costs. To read more about this important economic principle, see References and Readings for this chapter.

through generations of national debate, elections, strikes, lockouts, court decisions, and violent conflicts. That agreement, on which national community and industrial peace depend, is being repudiated in the interests of global integration. That is a very poor trade, even if you call it "free trade."

Stresses and Strains

At a deeper level, what if globalization began to entail the overt encouragement of free migration? Even some free trade advocates might recoil from the radical cosmopolitanism of such a policy. Perhaps they can see that it would lead to massive relocation of people between world regions of vastly differing wealth, creating a tragedy of the open access commons. The strain on local communities, both the sending and the receiving, would be enormous. In the face of unlimited migration, how could any national community maintain a minimum wage, a welfare program, subsidized medical care, or a public school system? How could a nation punish its criminals and tax evaders if citizens were totally free to emigrate? Indeed, one wonders, would it not be much cheaper to encourage emigration of a country's poor, sick, or criminals, rather than run welfare programs, charity hospitals, and prisons? (Fidel Castro took precisely this course of action in opening Cuba's jails in 1980. His policy encouraged migration of prisoners and others that became part of the wave of "marielito" immigrants to the United States.)

Further, one might reasonably wonder how a country could reap the benefit of educational investments made in its own citizens if those citizens are totally free to emigrate. Would nations continue to make such investments in the face of free migration and a continuing "brain drain"? Would a country make investments in education if it experienced massive immigration pressures, which would dilute the educational resources of the nation? Would any country any longer try to limit its birth rate, since youths who migrate abroad and send back remittances can be a good investment, a fact that might *increase* the birth rate? (With unfettered migration, a country could never control its numbers anyway, so why even talk about the controversial issue of birth control?)

To some this skepticism will sound like a nationalistic negation of world community. It is not. It is the view that world community should be viewed as a "community of communities," a federation of national communities rather than a cosmopolitan world government lacking any historical roots in real communities. A "world with no boundaries" makes a sentimental song lyric, but community and policy cannot exist without boundaries. For mainstream—neoclassical—economists, only the individual is real; community is just a misleading name for an aggregate of individuals. From that perspective, national communities impose "distorting" interferences upon the individualistic free market, and their disintegration is not a cost but something to be welcomed. To the contrary, I would argue, this aspect of globalization is just another way in which capitalism undermines the the very conditions it requires in order to function.

Few would deny that some migration is a very good thing—but this discussion concerns *free* migration, where "free" means *deregulated, uncontrolled, unlimited*, as in "free" trade, or "free" capital mobility, or "free" reproduction. One must also be intensely mindful that immigrants are people, frequently disadvantaged people. It is a terrible thing to be "anti-immigrant." Immigration, however, is a policy, not a person, and one can be "*anti-immigration,*" or more accurately *"pro-immigration limits"* without in the least being *anti-immigrant*. The global cosmopolitans think that it is immoral to make any policy distinction between citizen and noncitizen, and therefore favor free migration. They also suggest that free migration is the shortest route to their vision of the *summum bonum*, equality of wages worldwide. Their point is fair enough; there is some logic in their position—so long as they are willing to see wages equalized at a *low* level. But those who support free migration as the shortest route to equality of wages worldwide could only with great difficulty try to contend with problems of an open-access commons, the destruction of local community, and other issues raised above.

A more workable moral guide is the recognition that, as a member of a national community, one's obligation to non-citizens is to do them no harm, while one's obligation to fellow citizens is first to do no harm and then try to do positive good. The many dire consequences of globalization (besides those mentioned above)—over-specialization in a few volatile export commodities (petroleum, timber, minerals, and other extractive goods with little value added locally, for instance), crushing debt burdens, exchange rate risks and speculative currency destabilization, foreign corporate control of national markets, unnecessary monopolization of "trade-related intellectual property rights" (typically patents on prescription drugs), and not least, easy immigration in the interests of lower wages and cheaper exports—amply show that the "do no harm" criterion is still far from being met.

Some feel that U.S. economic policies have harmed third-world citizens, and that easy immigration to the U.S. is a justified form of restitution. I have considerable sympathy with the view that U.S. policies (precisely those of globalization) have harmed third-world citizens, but for reasons already stated, no sympathy with the idea that easy immigration is a fair or reasonable restitution. For restitution I would prefer a series of small grants (not large interest-bearing loans), accompanied by free transfer of knowledge and technology.

Free Trade's Hidden Shackles

Free trade, specialization, and global integration mean that nations are no longer free *not* to trade. Yet freedom not to trade is surely necessary if trade is to remain voluntary, a precondition of its mutual benefit. To avoid war, nations must both consume less and become more self-sufficient. But free traders say we should become less self-sufficient and more globally integrated as part of the overriding quest to consume ever more. We must lift the laboring masses (which now include the formerly high-wage workers) up from their subsistence wages. This can only be done by massive growth, we are told. But can the environment sustain so much growth? It cannot. And how will whatever growth dividend there is ever get to the poor, i.e., how can wages increase given the nearly unlimited supply of labor? If wages do not increase then what reason is there to expect a fall in the birth rate of the laboring class via the "demographic transition"? How could we ever expect to have high wages in any country that becomes globally integrated with a globe having a vast oversupply of labor? Why, in a globally integrated world, would any nation have an incentive to reduce its birth rate?

Global economic integration and growth, far from bringing a halt to population growth, will be the means by which the consequences of overpopulation in the third world are generalized to the world as a whole. They will be the means whereby the practice of constraining births in some countries will be eliminated by a demographic version of the "race to the bottom," rather than spread by demonstration of its benefits. In the scramble to attract capital and jobs, there will be a standards-lowering competition to keep wages low and to reduce any social, safety, and environmental standards that raise costs.

Some are seduced by the idea of "solving" the South's population problem and the North's labor shortage problem simultaneously—by migration. However, the North's labor shortage is entirely a function of below-equilibrium wages. The shortage could be instantly removed by an increase in wages that equated domestic supply and demand—simply by allowing the market to work. But the cheap-labor lobby, in the United States at least, thinks we must import workers in order to keep wages from rising and thereby reducing profits and export competitiveness. Of course this also keeps 80 percent of our citizens from sharing in the increased prosperity through higher wages. But never mind! They will still benefit, because importing workers is the key to saving Social Security—which, we are told, will collapse without growth in the cohort of working-age people provided by immigration. And when the large cohort of worker-immigrants retires? Well, we will just repeat the process.

The real solution to the Social Security imbalance is to raise the age of retirement and lower the benefits. The real solution to the South's problem is for those countries to lower their birth rates and to put their working age population to use at home producing necessities for the home market. And the reply to the half-truth that the United States is really more overpopulated than India because each American consumes so much more than each Indian, is that the United States needs mainly to lower its per capita consumption (and secondarily its population growth), while India and China need primarily to lower their population growth, and are in no position to lower per capita consumption, except for the elite. Serious efforts to reduce birth rates in these countries are sometimes condemned, because, with the advent of ultrasound technology that can discern the gender of the fetus, the cultural preference for males has led to selective abortion of females. The problem here, however, is not birth control per se, nor ultrasound technology, but rather the immoral preference for males and indifference to the social costs of a gender imbalance a generation hence.

Demographers and economists have understandably become reluctant to prescribe birth control to other countries. If a country historically "chooses" many people, low wages, and high inequality over fewer people, higher wages, and less inequality, who is to say that is wrong? Let all make their own choices, since it is they who will have to live with the consequences.

But while that may be a defensible position under internationalization, it is not defensible under globalization. The whole point of an integrated world is that these consequences, both costs of overpopulation and benefits of population control, are externalized to all nations. The costs and benefits of overpopulation under globalization are distributed by *class* more than by *nation*. Labor bears the cost of reduced wage income; capital enjoys the benefit of reduced wage costs. Malthusian and Marxian considerations both seem to foster inequality. The old conflict between Marx and Malthus, always more ideological than logical, has now for practical purposes been further diminished. After all, both always held that wages tend toward subsistence under capitalism. Marx would probably see globalization as one more capitalist strategy to lower wages. Malthus might agree, while arguing that it is the fact of overpopulation that allows the capitalist's strategy to work in the first place. Presumably Marx would accept that, but insist that the overpopulation is only relative to capitalist institutions, not to any limits of nature's bounty, and would not exist under socialism. Malthus would disagree, along with the post-Mao Chinese communists. I confess that my sympathies lean more toward Malthus, and that I lament the recent tendency of the environmental movement to court "political correctness" by soft pedaling issues of population, migration, and globalization.

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