The Migration Crisis in Europe, Africa and Asia

Keith Rankin, 3 September 2015

The flood of immigrants into Europe this year represents something quite separate from traditional refugee settlements that spring up near to borders of conflict zones. This is globalisation in action, not simply refuge from conflict, and it reminds us of the migration waves of the nineteenth century.

'Globalisation' is a loaded word. To some it's a project, a kind of conspiracy of kindred capitalists the world over to exploit 90% of the world's population in order to facilitate the aggrandisement of the richest percentile. It is in fact a reality facilitated by increased connectedness through cheaper transport and telecommunications, and by higher per capita incomes. Globalisation may also represent a philosophical commitment to cosmopolitan over nationalist living spaces.

In capitalist terms, it's the extent to which global markets replace national markets, in goods and services, in finance, and in labour. It is exemplified by the 'law of one price'. In truly global markets there is one price for milk powder, one price for pork bellies, one price for cappuccinos, one price for gold, one interest rate for low-risk inter-temporal trade, and one global wage for unskilled (commodity) labour.

Economists are attracted to the Wilsonian post-WW1 division of the world (referring to Woodrow Wilson) into 200 nation states; states defined by the literal and metaphoric fences their governments erect. In an economists' ideal Wilsonian world, an unskilled worker would be paid the same in any of these 200 countries. Likewise a doctor or nurse would earn the same wherever she or he lived. Richer countries would be richer because they have more skilled workers and employ more skilled workers, not because they pay unskilled workers more.

In a first-best economists' world, trade and finance would be the main equalising ingredients; people would stay in their countries of origin. Freely-flowing finance – unspent income from the richest countries – would be invested in other countries, raising their productivity levels. Large-scale migration would not take place simply because there would be no benefit; the benefits of global capitalism would come to the people in their own countries, rather than people migrating to the centres of capital. Capital migrating to labour.

In a second-best (and more realistic) globalised world, labour migrates to capital. Indeed capital may be invested in that migration. This is the globalised real-world, and it sits uneasily with fenced nation states. Such globalisation is far from new. Migration of labour to land or capital has always occurred, especially but not only within polities such as empires or confederations.

Where polities were small – usually because of geographical constraints – migration created new polities; tribes or island settlements. Thus New Zealand was settled 800 years ago as a migration process where incomes elsewhere (New Zealand was a classic 'elsewhere') were likely to be significantly enhanced, and it was worth a high-risk venture to achieve such higher living standards. And there was undoubtedly an 'expulsion' element; those remaining in emigrant societies gained also from reduced population pressure.

By the early nineteenth century, the European capitalist world was going to hell in a handcart of inequality and (especially in Britain) deforestation. Evangelical movements signalled that Revelation was imminent. It didn't happen, thanks to both the seemingly empty 'new world', and to those fossil fuels that we had learnt to exploit. It was an unparalleled century of global relocation. Labour moved to wherever capital gave it opportunity, within polities and between them. Six hours in a leaky boat in the Mediterranean is tough and risky. So was six months in slightly-less-leaky boats, for the most part in the roaring forties of the Southern Ocean. Even fear of being eaten by carnivores or cannibals could not keep aspirant labour away.

James Belich showed in *Replenishing the Earth* (2009) that the first explosive migration west in America took place mainly after war, not during war (especially in the decade after 1815). This was driven by intensified economic competition and the deployment of new technology that significantly lowered the financial cost of travel. Capitalists needed other activities (other than war) to finance. Migration became an industry in itself. Capital would not simply come to the people and make them prosperous where they were. Capital came to the people, enabling the people to move. In those migrations labour moved to land, which is another form of capital.

We know that economic growth has been strong in Africa this century (see my chart African Economy). Growth has also been strong in Bangladesh, Pakistan and Sri Lanka, countries with emigrant pressure. Likewise in Britain and Europe in the nineteenth century, growth was as much a feature of the emigrant counties as it was of the immigrant destinations. But growth during industrialisation (eg the British industrial revolution) was a disruptive growth, as I think we can assume that African and south Asian growth is today. Even in Iraq and Syria, for the parts unaffected by IS, the conflicts this year are not as devastating as in previous years. The people coming into Europe clearly have greater financial means than traditional refugees. These countries are fertile territory for the growth of a credit-driven emigration industry. Investors in emigrants and emigration networks get their returns when enough of the emigrants earn enough in places like Germany to service their debts.

Of note are the huge financial surpluses in the north of Europe. Last decade, these surpluses fuelled growth in consumption and government spending in the south of Europe. Now, the south of Europe is not running these deficits – the north will not allow them to. So clearly the northern European surpluses are now going elsewhere. Africa, for sure, is one of those elsewheres. My chart of African growth and balance of payments shows that some parties are lending Africans lots of money. Those same financial channels will be operating in southwest Asia.

Markets, taken together, are ecosystems. What goes around comes around. I'm guessing that the flood of immigration into Europe this year is largely facilitated by European investment (much of it indirect, through multiple intermediaries) into the growing emigration industries of Africa and Asia.

Migration can be good business, on the fringes of legality. Can the rich-country governments stop it through fences and the like? I don't think so. They would be better off facilitating investments in social services, income security and opportunities to lead fulfilling and interesting lives in Africa. Rich-country savings will be invested somewhere and somehow. There are alternatives to the emigration industry as outlets for European investment.
