Hans-Werner Sinn's Origin Principle for Migration and the Welfare State

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Redistributive social policies can remedy a lack of market insurance against labour income and health risks. Participation in such social schemes needs to be mandatory, but cannot be if they are funded locally within an integrated economy, because lucky individuals can walk away from high taxes, while unlucky individuals migrate towards generous subsidies. Migration choices are efficient if they respond to productivity differences. If they respond to taxes and subsidies, conversely, they trigger a race-to-the-bottom of both taxes and subsidies, and draw competing socio-economic systems towards the same inefficient lack of insurance as in *laissez faire*.

If choice is a problem, then choice should be prevented. One might assign to each individual an immutable set of rights and obligations, like those that stem from family ties, and stipulate an 'origin principle': needy persons should be assisted not by the community where they live, but by that from which they originated. This was the case before the industrial revolution (and until 2012 at least formally in Switzerland, which still records each individual's 18th century 'commune of origin').

In the past, economic integration was severely limited by tolls and duties levied at every bridge and city gate. Labour mobility was hindered not only by explicit rules, like those that tied serfs to a lord's lands, but also by the origin principle: migration is always risky, and less attractive if migrants may only count on the dubious support of faraway relatives. For this reason, modern economies' industrialisation processes were crucially supported by the development of national welfare states. Social policy frameworks make it possible for urbanised workers to relinquish the family and village ties that protect them from labour and old-age risks in agricultural societies. Such frameworks are still being developed in China and other emerging economies, but have been in place for a long time in all European countries.

Hans-Werner Sinn contributed early and lucid analyses of the problems entailed by the EU's attempt to integrate markets beyond the boundaries of national welfare states. Unless social contributions and benefits are suitably harmonised (through development of a political union and an integrated welfare state, or at least through explicit negotiations of binding supra-national rules), mobility out of taxes and towards subsidies triggers a race to the bottom, and spells 'the death of the insurance state': an unbearable prospect not only for the competent public economists who see the advantages of the *Soziale Marktwirtschaft*, but also for all European citizens, who cannot accept economic integration if it leads to the demise of their welfare states.

To address this problem, Hans-Werner Sinn proposed origin-based social transfer programs. Of course, men and women do meet and procreate across natural and political boundaries. So his vision is not a nation-based version of pre-industrial birthright arrangements, whereby individuals would be endowed with a set of tax obligations and benefit entitlements determined by national ancestry. Initially, he pointed out that it might, in theory, be appropriate to enforce a young person's choice of a specific welfare scheme throughout his or her lifetime. Later he more practically and forcefully argued for 'delayed integration' rules, whereby migrants would remain attached to their national welfare scheme for a few years before accessing the destination country's welfare subsidies.

This is a clever and debatable solution to a crucial and difficult problem. It can be appealingly justified by simple public finance reasoning: in principle, just as taxation of investment income does not distort investment choices if tax rates are investor-specific, so migration choices are not distorted by taxes and subsi-

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dies that remain unchanged when a person moves across borders. In practice, however, perfect implementation of the origin principle would be very costly, and would entail thorny administrative problems. Needy migrants would have to either travel back to their country of origin, or rely on the willingness of the country of destination's administrative authorities to disburse benefits that should be reimbursed by the country of origin, but might not be in the absence of verifiable and enforceable criteria.

Han-Werner Sinn's nuanced origin principle aims to strike a balance between the costs and benefits of migration in the EU's imperfect policy framework. This can usefully prevent actual or perceived benefit-seeking migration from eroding either the viability of the destination country's welfare state, or the popularity of economic integration. Critics may point out that for individuals seeking employment, rather than subsidies, delayed integration partly deprives risky migration decisions of a useful safety net. Most migrants are indeed more than willing to contribute with their work and contributions to the country of destination's economy and welfare schemes. An excessive focus on benefit-seeking motives may distract the public and policymakers from duly considering the deeper advantages of economic integration, and from developing a suitably integrated and harmonised set of redistribution policies.