A Labor Mobility Agenda for Development

Michael Clemens

Abstract

Rich countries have made efforts for half a century to help people in poor countries catch up to rich-country standards of living. Those efforts have included giving foreign aid, encouraging overseas investment, dismantling trade barriers, and spreading ideas and institutions. That is, their international development policy has been to encourage the globalization of almost all factors of production—except labor. So far, this policy has failed to cause the living standards of most people in most developing countries to converge with living standards in rich countries. But the globalization of labor—greater mobility for workers across borders—quickly and massively raises migrants' living standards toward those of rich countries. This paper argues that every rich country should consider its immigration policy to be part of its international development policy, and vice versa. A development policy that includes migration will be more effective; an immigration policy that includes development will better serve rich countries' ideals and interests. The paper also gives a non-technical review of new research on several common objections to unifying development policy and migration policy. One concrete way forward is for rich countries to greatly open up legal pathways for temporary labor movement.

A final version of this paper will appear in the book tentatively titled *New Ideas in Development after the Financial Crisis* edited by Francis Fukuyama and Nancy Birdsall (forthcoming, The Johns Hopkins University Press).

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1 The big hole in the traditional development agenda

Where you are born, not how hard you work, is today the principal determinant of your material well-being. A person born to a family living at the United States national poverty line enjoys ten times the living standard of the *average* person born in the Least Developed Countries defined by the United Nations.[1] The project of global development policy has been that of extending the prosperity of people born in countries where the industrial revolution has deeply taken root, to people born in countries where it has yet to arrive.

That is, the project of global development policy has been to encourage convergence between the living standards of people from rich countries and those of people from poor countries. Convergence is not the only possible criterion of global development; even if one country is being left behind by others, it could still be getting richer than it once was. But accepting a world without convergence is accepting a world where some countries are permanently poorer than others.

So far, the principal tool of this convergence project has been that of removing international barriers to the movement of things that affect workers' productivity and earnings. Removing those barriers is the traditional development agenda. It is a worthy goal; 45 countries in sub-Saharan Africa *collectively* have an economy that is smaller than the economy of the US city of Chicago (Birdsall 2006). Just as it is unclear how Chicago could remain prosperous if it were shattered into 45 isolated nations, so it is unclear how Africa might become rich without building greater international linkages.

Rich countries have therefore rightly sought to reduce international barriers to the movement of things that might raise the productivity and living standards of people born in poor countries. These include various forms of financial capital, goods, services, technologies, and institutions. Rich countries' traditional development agenda—give aid, encourage investment, extend trade preferences, transfer technologies—is roughly an effort to lower international barriers to the movement of various factors of production.

Many of those barriers are indeed tumbling. Private capital is far more mobile today than thirty years ago (Caselli and Feyrer 2007, Giannone and Lenza 2009), and foreign aid flows have reached an all-time high, topping US$100 billion per year (OECD 2009). Trade barriers remain, but have fallen enormously in the past few decades (Clemens and Williamson 2004, Bergin and Glick 2007). Access to schooling has spread massively: Net primary school enrolment in sub-Saharan Africa went from 50% to over 70% in the last 20 years, and net secondary school enrollment in Latin America doubled during the same period (World Bank 2009). Finally, institutions and technologies from rich countries have spread rapidly to poor countries. In 2008, the world had 50 more countries that were electoral democracies than in 1989 (Freedom House

[1] The US poverty line for a single adult is US$10,830 per year (Department of Health and Human Services. 2009. "Annual update of the HHS poverty guidelines." *Federal Register*. 74 (14): 4199-4201), thus US$29.67/day. GDP per capita at purchasing power parity (that is, measured as purchasing power at US prices) in the UN-defined Least Developed Countries was US$1,111/year in 2006, or US$3.04 per day.

2009). Access to technologies like vaccines and cell phones has skyrocketed, even in the poorest corners of the world.

If the traditional development agenda of removing these barriers has delivered global convergence of living standards, the global financial crisis of 2008 should raise special concern beyond the immediate downturn. Many have asked whether or not some of these barriers that have been falling might rise again. Certainly the global financial crisis of the late 1920s caused most countries to sharply restrict international trade and financial flows (James 2001, Eichengreen and Irwin 2009). So if the traditional development agenda has worked, development advocates should be gravely concerned about the resurgence of barriers. It would mean that gaps in living standards might be expected to stop converging and start diverging.

But if the traditional development agenda has *not* been causing global convergence of living standards, the crisis should inspire a different type of thinking. Without clear evidence that the traditional agenda has been delivering convergence, we should take the crisis not as an occasion to fear for the traditional agenda, but as an occasion to remake it. This chapter is a call to replace the old development agenda with a new agenda that includes the one form of international linkage that the old agenda has largely ignored: labor mobility.

2 How's that working out for you?

Dr. Phil McGraw, an American television show host and author of self-help books, poses a famous question to people who sustain unhelpful behavior: "How's that working out for you?" It is time to ask whether the traditional development agenda is sufficient to cause convergence in productivity and earnings. If it is not, we need fundamental changes in the traditional development agenda if we desire convergence.

The answer is, generally: no. Although the traditional agenda has succeeded in greatly increasing international linkages, the convergence of incomes is generally not occurring. It is true that for people born in certain developing countries, incomes have converged toward those typical of the richest places over the last few decades. This has happened in South Korea, Singapore, and China, and to a less dramatic degree in Botswana, Mauritius, Chile, and Tunisia. But living standards in many developing countries have risen little in decades, and even most of those growing the fastest are merely keeping pace with the richest countries rather than growing fast enough to someday meet them.

Figure 1 shows the course of average real incomes in several countries, highlighting the typical experience of non-convergence contrasted with exceptional convergence experiences. Average incomes conceal broad differences in income distribution, of course, so Figure 2 shows the trajectory of the earnings of a typical low-skill worker—a bus driver—in several countries in the latter years of the 20th century. Despite convergence on education, health, and other development indicators, the big story of income trajectories across the world has been one of divergence (Pritchett 1997, Kenny 2005).

This does not mean that the traditional development agenda has failed to mitigate the divergence that has occurred. Henry and Sasson (2009) show, for example, that freer movement of capital into developing countries rapidly causes increases in real wages there. McCaig (2009) shows that Vietnamese provinces with a one standard-deviation greater exposure to large bilateral US tariff cuts in the early 1990s experienced an 11%-14% greater decrease in poverty rate, and there is other evidence (Slaughter 1997) that trade opening has caused there to be less income divergence than there would have been without it. But as a whole the evidence does suggest that traditional efforts—given the extent to which they have been realized, and their effects on income convergence—have been overwhelmed in magnitude by forces leading to divergence.

And the mere fact that the traditional development agenda has so far failed to produce generalized convergence of incomes does not mean that it has no merit. The global spread of education, for example, has inherent value beyond its potential to make workers more productive. But it does mean that the old agenda of encouraging international movements of capital, education, technology, and institutions has not been adequate as a strategy for convergence of earnings. Why it has not is an old and major question in economics (e.g. Clark 1987). But the fact remains that it has not. The traditional development agenda is incomplete.

3 Why the new development agenda needs labor mobility

It is time to add labor mobility to the traditional development agenda. To understand why, we need to examine the silent assumption that the goal of development is for *places* to develop. Most mainstream definitions of "development" regard it as a change in the lives of people, without necessary regard to places.

The leading undergraduate textbooks on development economics define "development" clearly around people. Ray (1998: 7) defines development as an increase in "the income, well-being, and economic capabilities of peoples". Perkins, Radelet, and Lindauer (2006: 12, 40) define it as a rise in "per capita income and product" along with "improvements in health, education, and other aspects of human welfare" affecting people's "freedom to live the lives they desire." For Todaro (2000: 16), economic development occurs when three aspects of people's lives improve: "sustenance" or basic needs of food, shelter, health, and protection; "self-esteem" or a sense of not being used by others as a tool for their own ends, stressed by Denis Goulet; and "freedom" or the ability to choose freely without constriction by material conditions or servitude, emphasized by Sir Arthur Lewis.

Likewise, Nobel laureate Amartya Sen (1999: 36) has influentially argued that the "expansion of freedom" is "the primary end and the principal means" of development. This means, first, that increases in substantial freedoms are valuable to the extent that they cause generalized increases in income per capita or decreases in child mortality. But they are also, simultaneously, valuable *unconditionally* as they constitute a *form* of development.

Nothing in these definitions suggests that improvements by people in one place inherently constitute development to a greater degree than those made by people in another place. If we reflect for a moment, a free choice to move from one place to another in order to secure better living conditions—comprising the large majority of all migration from poor to rich countries—fits every aspect of these definitions. Such migration *constitutes* development.

But this simple fact remains far outside mainstream development thinking. For most people, the clearest indicators of "development" in a country might be the average per capita income of people who reside in that country, and the number of people residing in that country who live in poverty. The problem is that indicators like these, fashioned exclusively according to place, define international movement to constitute something other than development, except to the extent that it affects the incomes of those who do not move. A construction worker who experiences a 50% higher living standard by moving from rural Kenya to Nairobi has contributed to Kenyan's development, but if the same worker achieves a 300% higher living standard by moving to London, this is considered irrelevant to Kenyans' development unless that person happens to send money to people who did not leave. If one were to ask this Kenyan which one of these options contributed more to his or her well-being and freedom, the answer might well be the move to London.

But standard development statistics define international movement per se to have no effect at all on development. Clemens and Pritchett (2008) construct a concise development measure focused on people rather than places, "income per natural." This is the average per capita income of people born in each country on earth, regardless of where they reside. This statistic, unlike traditional income per resident, captures income gains from all sources, both those realized domestically and those realized through international movement. There is a big difference between income per natural and income per resident. The average income per Guyanese person, for example, is 50% higher than the average income of people residing in Guyana. About 1.1 billion people live in a group of countries whose income per natural collectively is 10 percent higher than GDP per resident.

It gets worse: Standard, place-based poverty statistics can actually define an increase in one person's income to constitute a *rise* in poverty if that increase arises from international movement. Suppose a Ghanaian earning US$7/day at US prices triples his real income by moving to the US and earning US$21/day. He came from far above Ghana's poverty line of roughly US$3/day (measured as purchasing power at US prices), but he ended up below the US poverty line of about $30/day for a single adult (Clemens 2009). Thus there is one less person in Ghana who is "not poor", and one more person in the United States who is "poor". The result of his move is that the fraction of people in poverty in *both* countries *rises*, even though all that has happened to anyone's income is that one person's income tripled.

Many people are suspicious of viewing migration unambiguously as a form of development. Migration sometimes imposes severe costs on migrants and their families, so how can we know that those costs do not outweigh the benefits? We can know that because for the vast majority of international migrants, migration is a free choice. It is implausible that the armed guards who actively block migration at rich countries' borders know more about what is good for the welfare of migrants and their families than migrants do. It is reasonable to believe that small shares of migrants have no idea what they are getting into—despite the vast proliferation of communications technologies through the developing world—and it is reasonable to believe that small shares of migrants do not grasp the harm that their absence does to their loved ones. But it is not reasonable to presume, without overwhelming evidence, that most migrants take actions that on balance harm themselves and their families.

Paternalist thinking about migrants echoes disgraceful, paternalist thinking about other groups of workers from our own past. Many in the 1950s held the notion that American women who chose to work outside the home did terrible damage to their unattended husbands and "latchkey" children, rendering it unclear whether society benefited from allowing women to work. This has since been replaced with the more enlightened conventional wisdom that women make decisions about labor force participation based on a better understanding of the tradeoffs involved for their families' welfare than anyone else has, or can have. It is high time that we respected migrants enough to believe that the vast majority of them take important decisions with the best interests of themselves and their families at heart—like most people everywhere.

These ideas are dangerous to traditional thinking. Once one begins thinking of international movement as an unambiguous form of development and poverty reduction, there is an immediate and unsettling consequence: If migration is a form of development, then blocking migration reverses development, by definition. "Repatriating" Guatemalans out of Tijuana or Nigerians out of the Canary Islands actively suppresses *development* for the people who have chosen to move. While difficult to ponder, it is nonetheless true by any mainstream definition of development—just as surely as blocking developing countries' trade or technology adoption hinders development.

This per se is not a sufficient reason to refrain from blocking movement. The regulation of movement has a range of other costs and benefits beyond the specific cost of interrupting development for migrants. But a good starting point would be to appreciate this cost for what it is: development in reverse.

Place-based development made sense back in the 1950s when relatively few people moved internationally, and when the traditional development policy agenda was fashioned. Today, well over 200 million people live outside their countries of birth. A vision of development that defines this movement to be irrelevant or pernicious to development is anachronistic and should be scrapped. The economic crisis that began in 2008 may yet inspire resurgence of isolationist—and thus place-based—thinking about development, but as of this writing there are few major trends in that direction.

4 Obstacles to a labor mobility agenda for development

In every rich country, development is nearly absent from the mainstream migration policy debate. And migration is largely off the development agenda.

Migration policy is seen as a strictly domestic issue: People in rich countries often ask, *Do they take our jobs? How can our industry get the labor it needs? Will they become like us or stay like themselves?* Politicians, researchers, and journalists very rarely ask how rich countries' migration policy can contribute to global development. And the development policy debate in rich countries is about how people born in poor countries can have more money, trade opportunities, political freedoms, stability, health, and other amenities enjoyed by the vast majority of people born in rich countries, but only if those needs are realized somewhere outside rich countries. Every aspect of globalization *for development* is on the table except labor mobility. It is the unexplored continent of globalization for development.

I propose three big reasons that labor mobility has been off the development agenda. First, few believe that enough migration can occur to be an important part of the solution for so many millions of poor people. Second, many believe that if many migrants greatly raise their living standards, living standards must fall in the places they arrive. Third, many believe that higher levels of migration would destroy societies and therefore can never be politically feasible. New research gives insight into each of these questions.

4.1 *Can migration do much to help development?*

Migrants can gain enormously from the act of migrating. Clemens, Montenegro, and Pritchett (2008) estimate the income gains to moving from a developing country to the United States. They compare data on 1.5 million workers in 42 developing countries to data on people from the same countries working in the United States, using a variety of methods to adjust for observable and unobservable differences between migrants and non-migrants. They conservatively estimate that the average annual wage gain to a 35 year-old male with 9-12 years of education moving from a developing country to the United States is $10,000 to $15,000 in additional annual income—that is, double or triple the annual income per capita of the developing world as a whole. Guatemalan immigrants raise their real earning power by 200% just by stepping into the US; Filipinos experience a 250% wage increase; Haitian immigrants reap a 680% increase.

These income gains vastly exceed the gains feasibly wrought by any known development policy intervention *in situ*, that is, without movement. No known schooling intervention, road project, anti-sweatshop campaign, microcredit program, investment facility, export promotion agency, or any other *in situ* development program can surely and immediately raise the earning power of a large group of very poor people to anywhere near this degree.

It is nevertheless common to believe that the power of human movement to increase living standards across the developing world is weak, an entertaining sideshow to 'real' development work. This common feeling might arise from any of three objections.

First, there is the objection that "not everyone can come here". It is certainly true that moving to the United States is not a feasible poverty reduction strategy for every poor person in Mexico: some of those people would not choose to migrate even if they could, and the gains to migration might decrease markedly if everyone who wished to migrate could do so. Both of these issues are hard to measure quantitatively with existing evidence.

But even if 100% of poor people cannot benefit from a policy, this alone is not a reason to dismiss that policy. The fact that it is impossible for every black American to be the CEO of a corporation does not justify actively preventing even one black American from a becoming a CEO. The fact that it would be impossible for the entire unemployed population of the United States to find a job in Manhattan does not justify actively blocking even one jobseeker from entering Manhattan. Instead we have open institutions that punish anyone who regulates access to jobs or neighborhoods based on traits irrelevant to a person's contribution to society, such as being born black or being born outside Manhattan.

Asking whether a policy can benefit every last poor person is the wrong question. Suppose I want to know if a school built in the inner city was effective. The last question I would ask would be whether every last child in all the inner cities of America could hypothetically attend *that* school. The first question I would ask would be how children who attended that school fared relative to those who did not. For example, if a large fraction of the inner-city children from that metropolitan area who continued to college went through the school in question, that would start to suggest that that the school was effective. To assess the value of the school to children, it is much more important to know whether that school has been an important part of advancement for children in the real world than to know whether that school could hypothetically advance every last child.

We can ask a closely related question about migration. Rather than asking how many Mexicans who are poor would not be poor in a hypothetical world where everyone left Mexico, we could ask what role migration has played in the poverty reduction that has actually happened for Mexicans. It turns out that migration has been at the heart of real poverty reduction for real Mexicans.

Suppose we set a conservative poverty line of US$10/day of purchasing power at US prices (about one third of the true poverty line in the US). How many Mexicans who ever rose above this poverty line did so by migrating? Clemens and Pritchett (2008) show that, out of the 23% of all the Mexicans living either in Mexico or the US who have emerged from poverty and live on more than US$10/day, a very large share did so by leaving Mexico. 43% of those people live in the United States. If we were to add in the Mexicans who live in Spain and other rich countries, we would find that roughly half of all Mexicans who have ever emerged from poverty—by this poverty measure—did so by leaving Mexico. Thus, even if it is the case that migration cannot lift every Mexican out of poverty, it is nevertheless the case that migration has been *the principal escape* from poverty for Mexicans who have done so.

And this estimate is conservative, because it doesn't account for the fact that emigration from Mexico has caused earnings to rise in Mexico for those who did not leave. This happened both because emigrants pushed up wages in Mexico by reducing the labor supply (Mishra 2007) and because many emigrants helped people in Mexico to emerge from poverty by sending remittances. The estimate is also conservative because there is no evidence of "positive selection" of migrants out of Mexico; that is, there is no evidence that people who emigrated would have made systematically more in Mexico if they had not migrated than people who did not migrate (Clemens, Montenegro, and Pritchett 2008).

Clemens and Pritchett (2008) also show that by the same measure, 27% of all Indians who have escaped poverty, and live either in the US or in India, did so living in the US. For Haitians, the same figure is 82%. Migration has gone hand in hand, on a massive scale, with poverty reduction—the real poverty reduction that has occurred, not the hypothetical poverty reduction we wish for *in situ* but cannot find a way to accomplish. While it might be nice to imagine other things that could happen in Haiti that would hypothetically bring people out of poverty without necessitating departure, the fact is that those things have not happened.[2]

This does not mean that migration, if added to the traditional development agenda, will magically cause the incomes of people in Haiti to converge with those of people in the United States. But it does mean that migration has been a principal cause of convergence, to date, between the incomes of *Haitians* and *Americans*. No one should doubt the power of migration to achieve income convergence. Migration thus deserves a sizeable seat at the table of development policy.

Second, there is a common objection that migration must not be worth the costs, because so many migrants from developing countries face conditions at the destination that rich-country observers view as deplorable. Many migrants live in the shadows as undocumented workers,

[2] These statistics represent a *correlation* between movement and poverty reduction, not strictly and entirely the *effect* of movement on poverty reduction. It is possible, for example, that a number of the Haitians living above $10/day in the United States would be living above that line if they had been forced to stay in Haiti. That said, it is implausible that a large fraction of Haitians living in the United States would be earning $10/day ($3,650/year) in Haiti. First, only 1.4% of the Haitian population lives on greater than $10/day (Clemens and Pritchett 2008). Second, that 1.4% mostly comprises the most educated people in Haiti, but the large majority of Haitians who go to the United States are not those with the highest levels of education. Only 27.5% of Haitian-born adults in the United States have a bachelor's degree or higher, and some substantial fraction of those would not have attained higher education if they had remained in Haiti. That is, it is likely that just roughly a fifth or less of the Haitians who are in the US would have had a bachelor's degree or higher if they had not left Haiti. 40% of Haitians working in the US work in basic service occupations (US Census Bureau, 2007 American Community Survey 1-Year Estimates). The evidence is very weak that, controlling for education level, Haitians who leave Haiti earn more than 50% more than Haitians who do not leave Haiti (Clemens, Montenegro, and Pritchett 2008). In short, the most plausible conclusion is that migration itself was the cause of leaving poverty for some very large share of the 82% of Haitians above $10/day who live in the US, even if it was not the cause for all of them.

many work very long hours in difficult conditions for low wages, many spend long periods separated from their families. Observers in rich countries often find it difficult to believe that migration of this sort could bring substantial benefits to developing country workers, and attribute migration choices to murky, irrational forces like a "migration mentality".

The evidence is enormously against ideas of this sort. The opportunity to migrate from poor to rich countries is vastly oversubscribed. In 2007, for every one visa the United States granted through its annual Diversity Visa Lottery, there were 200 applicants. For each of the last several years, the US Department of Homeland Security has reported roughly 400-500 deaths occurring in the process of crossing the US border with Mexico. In 2008, the waiting list for naturalization applications to the United States stood at 2.5 million people.

This tremendous unmet demand for migration means that whatever conditions migrants face at the destination, either they are far better than the migrants' best available alternative, or migrants either generally are irrational or generally are completely misinformed about what they are getting into. No serious research suggests that migrants are systematically less rational than non-migrants. And the only highly rigorous study comparing migrants earning expectations to actual earnings—taking advantage of New Zealand's randomized visa lottery, so that each person's *ex post* increase in earnings is uncorrelated with his or her *ex ante* expectation of the increase—shows that poor migrants from Tonga expect to earn about 50% *less* than they actually do earn, not more (McKenzie, Gibson, and Stillman 2007).

Especially in today's world of very cheap international calling cards and voice-over-internet calls, it is fantastic to think that migrants generally receive little information about the conditions that await them at the destination. Rather, a principal reason why many rich-country observers find it difficult to imagine that migrants are made enormously better off by arriving at difficult working conditions in the destination might be related to difficulties they face in imagining what it is like to live on $2, $5, or $10 per day at US prices, which is the best available alternative for many migrants from developing countries.

Third, there is the objection that the positive effects of emigration on migrants from developing countries might be counteracted by negative effects on people who do not migrate. Two common forms of this idea are the concern that migration causes poor political institutions by providing an escape valve for those who would otherwise exert pressure for reform at home (e.g. Li and McHale 2009), and the concern that skilled emigrants erode the human capital base required for development at home (e.g. Bhagwati and Dellalfar 1973). A profound difficulty with arguments of this type is that stopping migration, by itself, does little to address the complex underlying causes of poor institutions and poor incentives for human capital accumulation in developing countries. If emigration *per se* greatly damages institutions and public services, then stopping emigration *per se*—removing the emigration choice, forcing people to live in a place they prefer not to live, *per se*—must greatly raise the quality of institutions and public services. If movement substantially causes the problem, stopping movement *by itself* must substantially solve the problem.

But that is not credible. Why is it that no one would contemplate raising the incentive for better public policies in inner-city neighborhoods of the United States by forcing people to live there and pressure for reform? Why is it that no one would consider improving conditions in those neighborhoods by forcing the smartest inner-city children to remain there? Such policies are off the table because it is intuitive to many people that inner-city neighborhoods have complex underlying problems, of which the desire of many people to leave those neighborhoods is a symptom, not the fundamental cause. And if the problems of the inner city are complex, the problems of the world's poorest countries are far more complex.

Migration is a choice, a choice of where to live. And if migration greatly harms development, free choice must harm development, so that the removal of choice—forcing people to live where they would rather not—must greatly help development. The burden of proof should lie on anyone making this very strong claim (Clemens 2009). For example, even the African countries that have lost vastly more health professionals relative to their populations than others have no worse health indicators—in fact, they have more health professionals at home, and *better* health indicators (Clemens 2007). The burden of proof should lie on anyone making the strong claim that highly-trained, tertiary-care health professional emigration affects Africans' health to any significant degree relative to the numerous other large influences on Africans' health unrelated to emigration. These include the skewed geographic distribution of health professionals within countries, poor efforts at disease prevention, lack of proper pharmaceuticals, warfare, corruption, inadequate or absent performance incentives, and a long list of other factors of which health professional emigration is a symptom.

Up to this point this discussion has not even touched on remittances, an aspect of migration that really does bring tremendous benefits to poor *places*. This omission is deliberate; one goal of this text is to try to refocus the discussion on people rather than places. But there is little doubt that remittances greatly benefit people who do not migrate. Globally, remittances are now several times larger than global flows of foreign aid. Remittances are much maligned as simply contributing to useless consumerism and reduce labor force participation by the recipient household. Yang (2008) uses a careful research design, using sudden currency devaluations during the Asian Financial Crisis to separate the true effect of changes in remittances from the problematic correlations analyzed by many studies. He shows that increases in remittances cause households in the Philippines not to engage in wanton consumption but to invest in children's education and entrepreneurial activity.

And while many studies show a correlation (a relationship that may not be causal) between increased remittance receipts and decreased labor force participation (e.g. Görlich et al. 2007), there is no reason to criticize this phenomenon from a development perspective. The ability to consume leisure and time at home is something that expands people's freedoms and therefore constitutes development if it does not greatly harm others. Why is it that when a spouse in a rich country no longer feels compelled to work because their partner earns enough to support the household, this is seen as a sign of success, but when migration allows the same thing to happen in a developing country it is a disturbing sign of failure? If development includes an expansion in people's ability to do what they wish with their time, as by any reasonable definition it must, then decreased labor force participation by remittance-receiving households is nothing more than a further sign of the development benefits of migration.

4.2 *Must people at the destinations suffer?*

Large numbers of people in migrant destination countries believe that migrants from poor countries must do great economic and social harm to voters at the destination who set migration policy (GMFUS 2009). There is research to support this view: Borjas (2003) finds that all immigration to the United States between 1980 and 2000, both authorized and unauthorized, cumulatively caused the wages of the average American worker to decrease by 3.2 percent. Borjas (2007) also calls proposals to use migration policy as a development tool "hopelessly naïve", warning of "very ugly political consequences". Should development advocates ignore migration and promote development for places rather than people, because it is in the very act of keeping poor people out of prosperous places that they have been made prosperous?

Start with Borjas's estimate of the wage impact wrought by immigrants. Suppose that the many millions of immigrant arrivals in the United States at the end of the 20th century caused, over twenty years, wages of the average American-born worker to end up about three percent lower than they otherwise would have been. This means that blocking immigration would have an effect equivalent to granting the average American-born worker a 3% raise at the end of twenty years. This is the same as an annual raise of 0.15% over what he or she otherwise would have earned—a tiny fraction of one percent, each year. By comparison, as discussed above, the average wages of a Haitian man arriving in the United States *immediately* increase by about six hundred and eighty percent. It is ethically difficult to forcibly prevent immense gains for the extremely poor from fear of miniscule losses to people who are far wealthier.

Apart from this, Borjas's estimate is controversial and is the most pessimistic figure that has emerged from careful economic research. Ottaviano and Peri (2008) find that the *cumulative* effect of all immigration to the United States between 1990 and 2006 was to lower average native-born workers' wages by just 0.4%. This suggests that blocking all immigration during that entire period would have given the average native-born worker an annual salary raise of 0.025%. The difference between their result and Borjas's arises from recognizing that native-born high-school dropouts (who compete most directly with low-skill immigrants) turn out to be close substitutes in the labor market for those with only a high school degree, and from recognizing that immigrants are not quite perfect substitutes for native-born workers with the same skills: immigrants tend to take different jobs and do them differently than native-born workers, decreasing the competition between them.

And this effect is all but washed away by price changes. Cortes (2008) shows that two decades of immigration lowered prices for things like child care, cleaning services, and construction in the US to such a degree that the typical consumption basked got 0.3% to 0.4% cheaper. If immigration reduced Americans' earnings, it also raised the purchasing power of those earnings to a degree that balances Ottaviano and Peri's estimate of the earnings effect.

Ottaviano and Peri also note that both their figure and Borjas's are short-run effects; the long-run effect they show is a *gain* in average wages of 0.6%, as native-born owners of capital and labor adjust their investments to the presence of immigrants. This means that those same workers that in Ottaviano and Peri's work had lower wages than they would have otherwise due to immigration between 1990 and 2006, also had *higher* wages than they otherwise would have due to immigration that occurred in years *prior* to that period.

We must keep these figures in perspective: The grand academic debate is whether massive immigration causes a *cumulative, short-run* decrease in average native-born wages of three percent or half a percent, after decades of many millions of arrivals. The entire range of careful estimates is therefore approximately zero. On the other hand, the gains to immigrants from developing countries, as discussed above, are on the order of 200% to 300% of average incomes in the developing world. Immigration is very, very far from being a zero-sum game of "their poverty or ours". Within ranges that even slightly resemble current migration levels, it is rather simply "their poverty or their prosperity", while we remain prosperous.

Both of the above studies find that immigration reduces the wages of the least-educated Americans by more than it reduces the wages of the average American. About twenty years of immigration cumulatively reduced the wages of high-school dropouts by 9% according to Borjas, and about 2% according to Ottaviano and Peri. This fact is often cited by immigration opponents who seek support among Americans concerned with US inequality.

For several reasons, this is an illegitimate reason to block the movement of low-income people. First, exactly the same argument could have justified trapping black Americans in the South during the Great Depression. Movement of blacks out of the South and into urban formal sector jobs traditionally held by whites—the post-World War I phenomenon known as the "Great Migration"—was a major cause of convergence between black and white earnings (Bailey and Collins 2006). There can be little doubt that this movement exerted downward pressure on wages of urban white Americans, particularly the least educated urban white Americans, compared to what would have happened if that movement had been stopped. Yet few today would consider this a legitimate basis for forcibly preventing blacks from leaving rural Mississippi or from taking formal employment alongside urban whites.

Second, if indeed blocking immigration would raise the wage returns to dropping out of high school relative to completing high school, such a policy is directly contradictory to other policy efforts to encourage disadvantaged kids to stay in school. A range of national government, local government, and community efforts are dedicated to raising the incentives for US high school completion (Smink and Reimer 2005). Many people concerned about US inequality would support such efforts; it would be odd for them to simultaneously support immigration limits that undo those efforts by *lowering* the relative rewards of staying in school. High school dropout rates have steadily declined in the US over the past 20 years, at all income levels and for all ethnic groups (Cataldi et al. 2009). If immigration sped that process by decreasing the rewards to dropping out of school, this is an added benefit of immigration.

Third, the rise in inequality in the US over the past thirty years has happened mostly at the top of the wage distribution, far from the earnings of low-skill migrants. It owes much more to an increase in the wage premium for college graduates relative to high school graduates, than it owes to changes in the wage premium for high school graduates relative to high school dropouts (Goldin and Katz 2007). This type of inequality is exacerbated not by allowing immigration but by *limiting* immigration of a particular kind: high-skill workers. In 2007, temporary "specialized occupation" (H-1B) US visas were so tightly rationed that the whole year's quota was exhausted on the first day applications were accepted. Most users of H-1B visas are from developing countries. Limits of this type tend to prop up the earnings of the most educated and highest-earning workers already here, tending to raise US inequality.

Fourth, even after all that immigration may have modestly depressed their earnings, high-school dropouts in today's America enjoy living standards vastly better than high-school dropouts in large parts of the world. The median high-school dropout in the US earns $24,000 per year (Cataldi et al. 2009). This is roughly five times the average living standard enjoyed by people in developing countries, after adjusting for differences in the cost of living. A high school dropout moving to the US from Ghana, Cambodia, India, or Ecuador immediately raises his living standard by well over 300% (Clemens, Montenegro, and Pritchett 2008).

This means that the economic suffering alleviated by migration is vastly greater than the economic suffering caused by it. Suppose Borjas's estimate is correct, and high-school dropouts in the US saw their wages reduced by 9% cumulatively over 20 years due to immigration—thus less than half of one percent per year. Why is it that a high-school dropout born in the United States, who is immensely richer than one born in Ghana, has a right to be protected from a losing 0.5% of his earnings next year, by a policy that directly prevents another high school dropout from increasing hers by 300%?

Not one person on earth chose where he or she was born. Blocking migration, thereby doing enormous harm to some in the name of tiny assistance to others, is very far from enlightened social policy. It rests on the arbitrary decision that certain people born in certain places have an inborn right to high living standards, while those born elsewhere have a right only to stay in poverty, regardless of their effort, talent, or character. This idea is an ugly sibling of the idea that people born white or born male have an inborn right to high living standards, regardless of *their* effort, talent, or character. Few consider these ideas compatible with American values of equal opportunity.

4.3 *Is it politically impossible for destination countries to allow more migration?*

Many people share Borjas' concern with the "very ugly political consequences" of increased immigration. Immigrants are often accused of causing social disintegration, cultural corruption, increased welfare spending, and crime. There is extensive evidence on each of these, showing for example that immigrants typically contribute as much to public coffers as they take out (e.g. Auerbach and Oreolpoulos 1999, Lee and Miller 2000) and that they obey the law at least as much—apart from immigration-related infractions—as the native born (e.g. Riley 2008: 193-197, Clemens and Bazzi 2008). Simply put, even recent increases in labor mobility have not managed to change the fact that today the major migrant destination countries remain the world's wealthiest countries, the world's strongest democracies, and the world's most comprehensive welfare states with the firmest rule of law.

But even if past levels of labor mobility have not wrecked the destinations' societies, might greater mobility in the future wreck those societies yet? Current rates of immigration to the US, relative to its size, are at or below decades-long rates of pre-1914 immigration that the country absorbed with great success—despite religious and linguistic differences between those immigrants and natives (Table 1). The critical national social conflict of that period, the Civil War plus Reconstruction, was unrelated to these immigration flows. The US economy is enormously bigger, stronger, more diverse, and vastly less dependent on agriculture now than it was then, meaning that its ability to absorb new workers without conflict over scarce resources is greater now than it was when there was an agricultural frontier. Britain's total removal of all barriers to labor mobility from Poland, Lithuania, and six other transition countries in 2004 has neither wrecked Britain's economy and social services, nor led to major social conflict (e.g. Blanchflower and Shadforth 2009).

Many fear that large-scale immigration must lead to levels of social diversity that undermine the social contract (such as Goodhart 2004), eroding support for redistributive programs such as Medicaid or unemployment insurance. This requires the simplistic view that the social contract depends on an altruistic willingness to redistribute income to people "like ourselves", one that can be broken if too many people unlike ourselves show up. But support for redistributive social programs can be based on many desires other than altruism: a desire to reduce crime, prevent insurrection, and create a safety net if we ever need one ourselves—all desires that could increase with greater immigration. Australia and Canada sustain robust social programs despite having roughly double the foreign-born population share of the United States. About half the population of Toronto is foreign-born, and 43% of its population from racial minorities, while Toronto remains a society under law and offers some of the world's finest social services. Today Sweden has the same foreign-born share as the US, about half of which come from outside the EU, and it would be difficult to claim that Swedes' support for the welfare state is nearing collapse (Legrain 2006).

But there is an even greater example of free movement without social catastrophe, an example on a much larger scale and involving utterly different populations. It is little discussed. Today in downtown Johannesburg, South Africa, black African faces fill the sidewalks. How did they get there? Not by accident: The white population of South Africa made the policy decision to allow them free access. Until the early 1990s, a complex system of laws strictly limited the ability of black South Africans to enter, live in, and work in rich areas such as downtown Johannesburg. A 1970 law stripped most black South Africans of their citizenship and made them citizens of other, very poor countries known as "homelands" (an act not recognized by the international community, but locally enforced). An elaborate and difficult procedure was necessary for black to work in high-income areas, particularly in certain professions, a procedure closely analogous to limited work visas.

It is not difficult to imagine the fear that many white South Africans in the 1980s felt as they pondered eliminating these restrictions. Most black South Africans were very poor and unskilled, were profoundly different culturally and linguistically from their white counterparts, and were enormously more numerous. In terms of the relative numbers, incomes, and cultural differences, the opening of the rich portions of South Africa to unfettered movement and work by black South Africans is analogous to the opening of the United States to the entirety of Latin America, or the opening of the United Kingdom to free immigration from all of Nigeria. Many American or British people would contemplate these scenarios with horror, and surely many white South Africans pondered with equal horror the unthinkable elimination of restrictions on black's movement and economic activity.

But the astonishing thing—and it is one of the most notable events of the twentieth century—is that precisely this happened. South Africa didn't just ease restrictions on blacks' movement and economic participation, it went all the way and eliminated all of the barriers, dropped them completely, and added in full permanent citizenship and voting rights for good measure.

How did this grand experiment come out? Was there civil war, cultural disintegration, economic catastrophe? Nothing resembling any of these, nothing that is even a shadow of many people's fears, took place. Crime has certainly increased somewhat. But the principal consequence of this opening has been that goal that has eluded achievement by the traditional development policy agenda: convergence. Bhorat, van der Westhuizen, and Goga (2007) show that poverty headcounts among black households decreased from 55% to 27% between 1993 and 2005, while the same welfare measure showed no decrease at all for whites, but rather a slight improvement.[3] They show, in fact, that whites' economic welfare has risen since 1993 at all levels of the distribution, from the poorest 10% of whites to the richest 10%.

In other words, the opening of South Africa's white areas to free movement and labor market participation by a vastly poorer and less educated population *six times greater in size* has been insufficient to reduce white South African's living standards by even a tiny amount after over a decade. Meanwhile, it allowed living standards of the poor to sharply converge towards those of the rich. The elusive goal of moving toward income convergence has been achieved, and none of the worst fears of those favoring continued restrictions on movement has been realized.

Is it outlandish to draw analogies between the world at large and South Africa? The left side of Figure 3 shows the relative populations and per-capita income of the poor black areas and the rich white areas of South Africa at the end of Apartheid. The right side of the figure shows the same numbers for the developed countries of the world and the developing countries today, as

[3] The poverty line they use is the 40^{th} percentile in 1993 of the government's Comprehensive Welfare Index, an aggregate of income, education level, assets, and access to government services.

defined by the World Bank. The people to whom South Africa granted not just free movement and labor-force participation, but full citizenship, were relatively neither no less poor nor less numerous than today's entire population of the developing world relative to the developed world. Why is it, then, that out natural presumption is that the consequences to rich countries of even a total opening with full citizenship for all, as South Africa did, must be worse than what has occurred in South Africa? We must not take this analogy too far, but these questions are legitimate.

This said, no serious policy proposal for using increased facilitation of international movement as a development tool contemplates anything remotely close to a total opening—with full citizenship—as the rich areas of South Africa did. Even a tripling of work visas allowing greater labor mobility between poor and rich countries, certainly not requiring anything like immediate full citizenship in rich countries for the entire developing world, would not approach the magnitude of what South Africa did. To the extent that there have been any negative impacts in the white areas of South Africa, then, the impacts of any global easing of labor mobility that is seriously being contemplated should be far smaller.

5 Conclusion

The idea that labor mobility is sufficient for income convergence is an old one. Over decades of research, Hatton and Williamson (2005) have shown that labor mobility in the long 19^{th} century was crucial to income convergence among the rich countries of the Atlantic Economy and then-poor countries like Ireland, Sweden, and Greece. In the late 20^{th} century we have tested whether labor mobility is *necessary* for income convergence, by building an international system of development policy that has attempted to foster global linkages of all kinds *except* labor in the name of development.

And we have come up short. Incomes are not converging towards those in rich countries, for most people in most developing countries. It is possible that the lesson of this failure is that labor mobility is, in fact, necessary to convergence. Development is about people, not places; the development benefits of labor mobility are enormous; and the costs of greater labor mobility, sorely feared, are often exaggerated. The next step for global development policy might be to take labor mobility seriously as a powerful weapon in the fight to give all people on earth the same opportunities that most readers of this chapter now enjoy.

Are Americans capable of considering migration policy a tool for development policy? Yes, absolutely, because they already do and they have for centuries. If we conceive of development as improving the living standards of people rather than places, then development has stood at the center of America's immigration policy from the beginning. Generations have admired the Statue of Liberty as a symbol of America's tradition of using migration policy to help people born all over the world to better their lives through movement. In the common at Cambridge, Massachusetts stands a proud monument to the role of US immigration in fighting the poverty resulting from the Great Irish Famine. At least one in five Americans has known an immigrant in their own family—that is, about 22% of the US population is either an immigrant, or has an immigrant parent, or has an immigrant grandparent.[4] Today the US hosts over 365,000 refugees and asylum seekers from across the globe (UNHCR 2007), more than the entire population of Pittsburgh. This policy would be inexplicable if Americans did not deeply feel that migration policy can transform the well-being of people thrown into unfortunate circumstances through no fault of their own.

In fact, migration could be a more politically palatable development tool than other tools, such as foreign aid. Foreign aid is costly, and requires government to actively coerce taxpayers to fund payments abroad. Allowing immigration saves money because it is much cheaper to allow than to prevent. Blocking migration can be much more costly than aid: The US spends $15 billion per year on border enforcement (Hanson 2009), but spends just $6 billion on year on aid to the least developed countries (OECD 2009: 217). And unlike taxing to fund foreign aid, allowing immigration requires no active coercion by the government; on the contrary, allowing immigration requires reducing active coercion by the government.

The clearest step toward a migration policy that includes development, and a development policy that includes migration, is for rich countries to greatly raise the number of temporary work visas available to people from developing countries. Even working for limited periods in rich countries can offer spectacular earning opportunities to developing-country workers (Clemens, Montenegro, and Pritchett 2008). And all of the alternative policies are bad. Setting aside the ethical problems of forcibly limiting movement, trying to stop migration in a mobile world helps create hundreds of thousands of clandestine migrants per year, and deters people from leaving who fear the risks of returning (Clemens and Bazzi 2008). Allowing permanent migration while blocking temporary migration might greatly limit the number of people born in a poor country who ever get the chance to work in a rich country, if voters fear those who come to stay more than those who come for a while and go (Pritchett 2006). A focus on permanent migration also ignores the reality, revealed as the European Union slowly opens to migration from its poorest new member nations, that many people seeking work in richer areas seek it as a temporary opportunity before soon returning home (Clemens and Bazzi 2008).

The economic crisis that began in 2008 will not end migration. US unemployment was as high in 1981 as it was in 2009, and the increases in US immigration that came before 1981 simply continued thereafter towards today's record immigration levels. The global nature of this latest crisis means that times are hard everywhere, raising the pressure to migrate. And as international wage divergence continues, the incentive to migrate only grows, regardless of temporary slowdowns at the destinations. Migration is here to stay.

The question is not whether more migration will occur after this crisis, but whether we will take the opportunity offered by the crisis to remake development policy to include migration. We

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[4] The US Census Bureau *Statistical Abstract of the United States 2009*, Table 39, estimates the foreign-born fraction of the population as 12.5%. Lee and Miller (1998: 187) estimate that for every foreign-born person there in an additional 0.77 person who has either at least one foreign-born parent, or at least one foreign-born grandparent, or both. Thus 12.5% $\times$ (1.77) = 22.2% of the US population is two generations or fewer from an immigrant. This estimate is conservatively low because it does not count US-born children who have a foreign-born sibling.

can do this now, or wait another fifty years to see if the traditional development agenda will deliver the generalized wage convergence it has so far denied us. If you are in a position to influence development policy, talk about development as improvements in the welfare of people, and the role of migration will emerge naturally. If you are in a position to influence migration policy, talk about its tremendous influence on opportunity. Americans will intuitively understand you, because greater opportunity through migration is at the very heart of the nation's identity.

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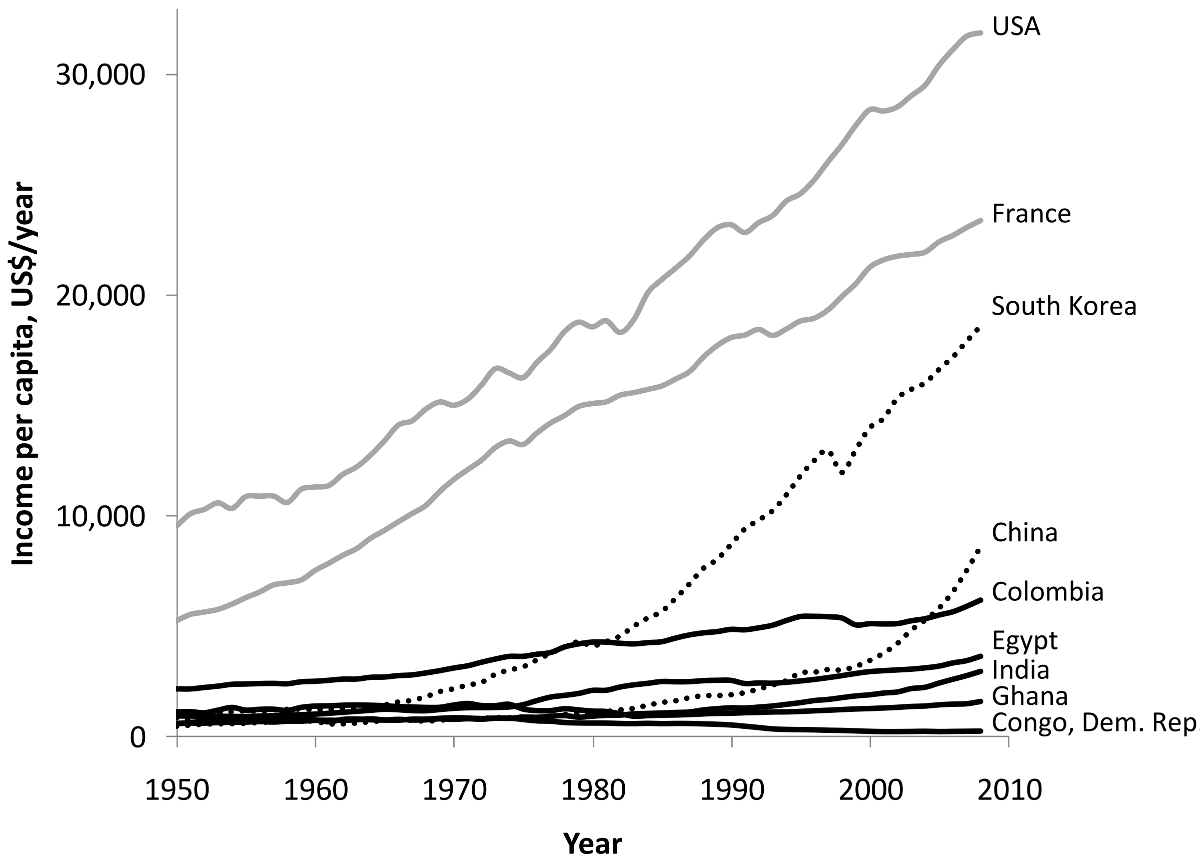
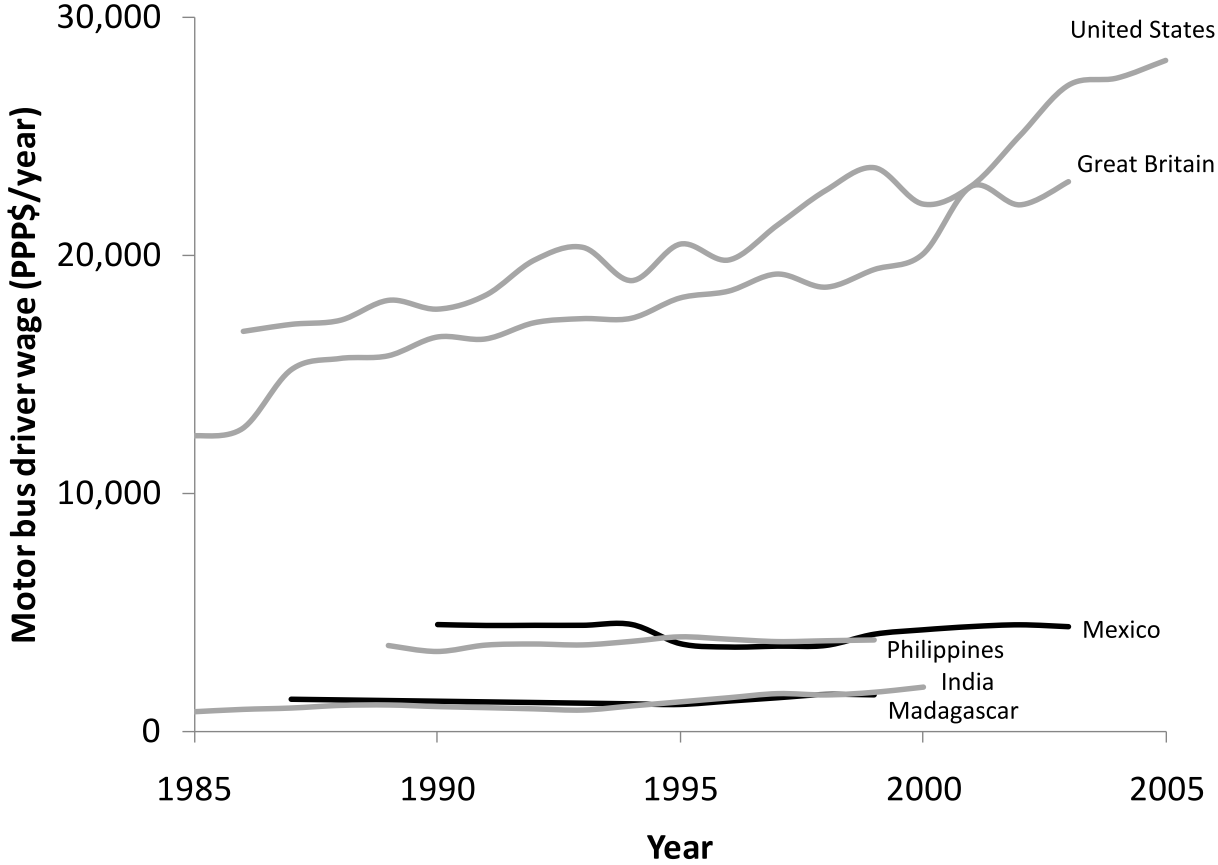
Figure 1: Long-run divergence of GDP per capita, with a few exceptions



Incomes measured at 1990 purchasing power parity-adjusted US dollars. Sources: 1950-2003 numbers from Angus Maddison. 2003. *The World Economy: Historical Statistics*. Paris: OECD. 2004-2008 numbers take growth rates from the Penn World Table 6.3 and apply them to the Maddison 2003 figure.

Figure 2: Divergence of low-skill wages



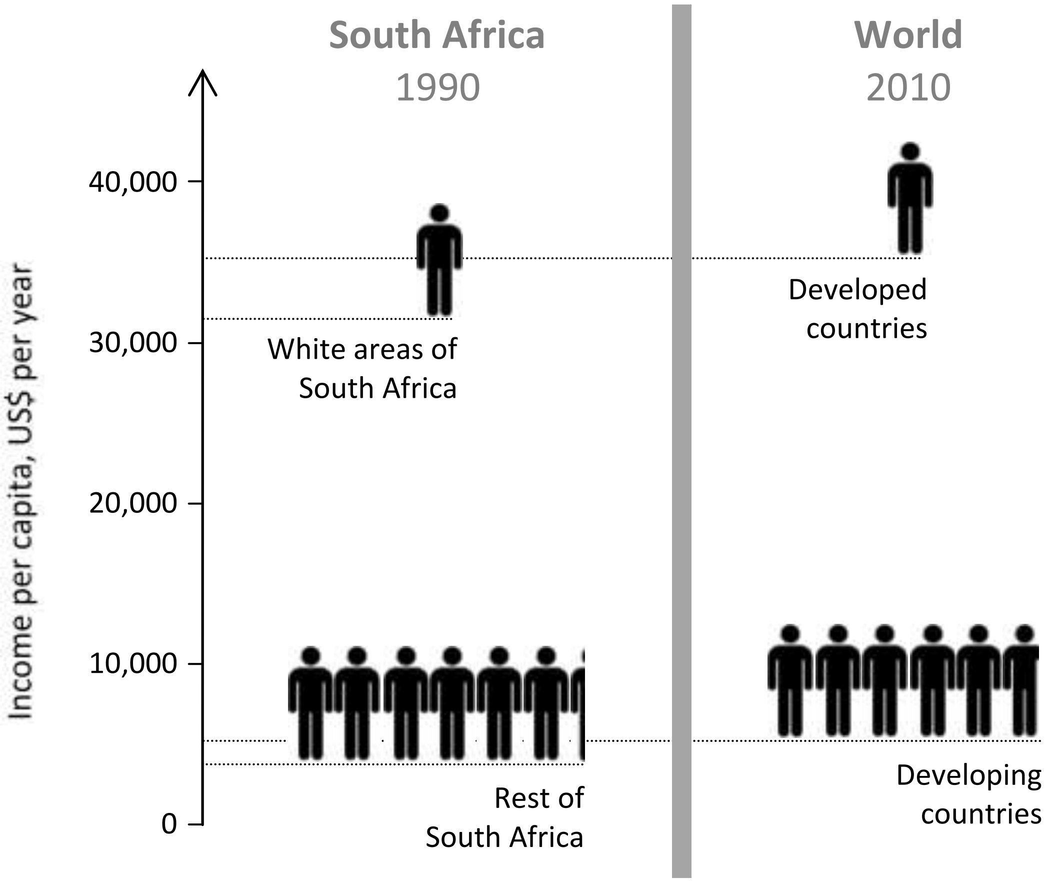
Source: Occupational Wages around the World (OWW) database. Wages shown are average monthly wages for a “motor bus driver” (occupation code 111, wage “x4wuus”), converted to current US dollars at purchasing power parity using the PPP conversion factor (GDP) to market exchange rate ratio (PA.NUS.PPPC.RF) from the World Bank’s *World Development Indicators 2008*. For a description of the underlying wage data see Freeman and Oostendorp (2001).

Table 1: Comparing recent immigration rates to historical rates

Country of origin	Period	Permanent resident arrivals: *Total over period*	Permanent resident arrivals: *per year*	Average US population during period	Annual arrivals per 1000 population
Ireland	1840-1859	1,695,626	84,781	23,751,163	3.6
Germany	1840-1889	4,282,190	85,644	36,819,922	2.3
Italy	1895-1914	3,335,263	166,763	83,825,250	2.0
Russian Empire	1895-1914	2,760,987	138,049	83,825,250	1.6
Mexico (*includes unauthorized*)	1990-2008	9,265,517	487,659	278,226,682	1.8

Sources: Permanent arrivals from Ireland, Germany, Italy, and Russian Empire are from Bureau of the Census (1975: Series C89-119, pages 105-106). Estimated authorized arrivals from Mexico, 1990-2008, are from DHS (2009: Table 2, page 6). Estimated unauthorized arrivals from Mexico, 1990-1999 are from DHS (2003: Table B), and for 2000-2008 from Passel and Cohn (2008: Table 3). Annual estimates of population of the United States from Maddison (2009).

Figure 3: Relative incomes and relative populations: Today's world looks much like South Africa just before Apartheid ended



Sources: Income: Income figures are all in 2005 US$ at Purchasing Power Parity or PPP (reflecting the amount that would be necessary in the US to purchase the same standard of living). White areas of South Africa 1990: PPP$31,502, rest of South Africa: PPP$3,977. High-income OECD: PPP$35,650, developing countries: PPP$5,319. Per-capita income figures for South Africa in 1990, measured in 2000 rand, are from van der Berg and Louw (2004), Table 1. The ratios of these figures for "black" (6,008 rand), "colored" (11,404 rand), and "white" (51,951 rand) to the national "total" (12,903 rand) are then applied to the national figure for GDP per capita in 1990, measured in 2005 US$ at PPP, from the *World Development Indicators 2009* (PPP$7,824), to estimate GDP per capita by racial group. The "white areas" figure is estimated as the "white" estimate of GDP per capita, and the "rest of South Africa" figure is estimated as a population-weighted average of the estimates of GDP per capita for "black" and "colored". "Indians" are excluded for simplicity. Per-capita income figures for High-Income OECD countries and Low & Middle Income ("developing") countries for 2008 come from the World Bank's *World Development Indicators 2009*, and estimates for 2010 are created by applying to the 2008 figures the estimated growth rates in 2009 and 2010 for "advanced economies" and "emerging and developing economies" found in the International Monetary Fund's *World Economic Outlook* for September 2009, Table 1.1. Population: There were 31.6 million "black" and "colored" South Africans in 1990, and 5.0 million "whites", thus 6.3 blacks and coloreds for each white (van der Berg and Louw 2004). There were 5.62 billion residents of Low and Middle Income countries, and 0.97 billion residents of High-Income OECD countries, in 2008, thus 5.8 developing-country residents for each High-Income OECD resident (from the World Bank's *World Development Indicators 2009*), a ratio that would not substantially change between 2008 and 2010.