The Biggest Idea in Development
That No One Really Tried

Michael Clemens*1

1. Introduction

Few realize that Hernando de Soto’s (1989, 7, 9) influential policy proposal, to fuel development by formalizing property rights in land and enterprise, begins as a story of migration. Exploring the roots of de Soto’s ideas in Peru will quickly lead us to a proposal that could extend global prosperity in this still-young century.

In the years following World War II, internal migrants turned Peru from a predominantly rural country to a predominantly urban one. They typically tripled or quadrupled their earnings by moving. From the beginning, migrants got “a hostile reception” and were “barred from legally established social and economic activities.” This was not an accident, de Soto (1989, 10–11) writes:

Assistant and development programs for rural areas were designed to ensure that the peasants improved their lot where they were, well away from the cities. Civilization was expected to go to the countryside; the peasants were not expected to come looking for it. ... Peru’s legal institutions had been developed over the years to meet the needs and bolster the privileges of certain dominant groups in the cities and to isolate the peasants geographically in rural areas. ... Thus it was, that in order to survive, the migrants became informals.

De Soto (1989, 201) names the set of policies that created mass informality in Peru: mercantilism, “the belief that the economic welfare of the State can only be

* Michael Clemens is a senior fellow at the Center for Global Development, where he directs the Migration and Development Initiative.

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secured by government regulation of a nationalist character.” The essence of de Soto’s work, facilitating access to land titles and formal enterprise in Peru, is to overcome mercantilist barriers to the participation of migrants in the market. Those barriers, he argues, not only impoverished people from rural areas; they ultimately harmed the interests of those they sought to protect, impoverishing the whole country and seeding violence.

This pattern continues to the present day, far beyond Peru. Cities across the developing world are ringed by massive informal economies packed with rural-urban migrants. But national strategies to assist them continue to focus on limiting such migration by “developing” rural areas, rather than facilitating their participation in market activities at urban centers. Black and Sward (2009) show that the Poverty Reduction Strategy Papers for fifty-nine developing countries typically describe internal migration as a problem to be prevented with rural development initiatives. Almost none describe internal migration as an opportunity to be leveraged by dismantling barriers to movement and encouraging full economic participation in urban areas. De Soto’s ideas are as necessary today as they were twenty years ago.

But de Soto’s vision compels us to ask even bigger questions, questions about the core of policies to foster economic development at the global level. Efforts to stop internal migration in many settings across the developing world, through a combination of assisting rural areas and impeding movement, have proven ineffective at best and impoverishing at worst. What, then, should we expect from a paradigm of global development policy likewise focused on assisting the places that international migrants come from, while imposing much stricter barriers to international movement? Is that paradigm delivering what it seeks, the convergence of living standards between poor countries and rich countries? If not, what alternative development policy might deliver convergence? Here de Soto’s ideas have much more to teach than meets the eye.

2. Everything-but-labor Globalization has Failed to Cause Generalized Convergence

Global development policy is a new kind of government action, born after World War II in the world’s richest countries. It comprises direct measures to extend the prosperity of people born in places where modern economic growth has taken root to people born in places where it has yet to begin. In the broadest terms, it seeks convergence between the living standards of people from rich countries and those of people from poor countries by assisting poor countries.2

2 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 a world without convergence is a world in which some countries are permanently poorer than others, which would suggest failure of the global development policy project in the eyes of many of its leaders and practitioners.
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. 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 other than labor. Labor mobility remains strictly curtailed, with temporary and permanent work visas to all rich countries vastly oversubscribed. Pritchett (2006, 13) calls this “everything but labor globalization.” It is the international analog of the domestic policies described by de Soto to transfer resources to rural areas as an alternative to—and in order to prevent—internal migration.

Barriers to the international movement of factors other than labor have indeed crumbled. Private capital is far more mobile today than it was a generation ago (Caselli and Feyrer 2007; Giannone and Lenza 2009). Foreign aid flows have topped US$100 billion per year (OECD 2009), an all-time high. Trade barriers remain but have collapsed in the past few decades (Clemens and Williamson 2004; Bergin and Glick 2007). Access to schooling has spread massively: Net primary school enrollment in sub-Saharan Africa went from 50 percent to over 70 percent in the last twenty 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 fifty more countries that were electoral democracies than in 1989 (Freedom House 2009). Access to technologies like vaccines and cell phones has skyrocketed, even in the poorest corners of the world.

The problem is that these changes have decisively failed to bring about generalized convergence. Certainly, people in a handful of developing countries have seen their living standards converge with those of people in the richest countries. This has happened in South Korea, Singapore, and China, and to a less dramatic degree, in Botswana, Mauritius, Chile, and Tunisia. But for most people in most poor countries, divergence of living standards is the big story (Pritchett 1997). Figure 1 shows the course of average real incomes in selected countries, highlighting the typical experience of nonconvergence contrasted with exceptional convergence experiences. 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 twentieth century. Although levels of health and education have converged (Kenny 2005), incomes generally have not.

This is not at all to say that the traditional development agenda has no merit. Health and education have inherent value, regardless of their effects on income convergence. And there is evidence that somewhat more income divergence would have occurred if barriers to trade and capital flows had not fallen (Slaughter 1997; McCaig 2009; Henry and Sasson 2009).
Figure 1: Long-run divergence of GDP per capita, with a few exceptions


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 U.S. 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).
What is clear is that everything-but-labor globalization has been entirely insufficient to cause generalized convergence between the living standards of people born in poor countries and those of people born in rich countries. If such convergence remains an important policy goal, the traditional development agenda is incomplete. In contrast to the international movements of other factors of production, the international movement of labor itself does cause the earnings of people born in poor countries to converge with those of people born in rich countries. This convergence is nearly complete, nearly certain, and very fast.

Migrants who arrive in the United States, even those from the very poorest countries, typically earn close to what observably identical nonmigrants earn (Hendricks 2002). There is no evidence that migrants to rich countries typically come from the extreme top of the distribution of unobserved determinants of earnings. This means that migrants from developing countries to the United States typically raise their real living standards by hundreds of percent, and by over 1,000 percent for the poorest people from the poorest countries. No other development policy realized within developing countries is able to generate anything close to this degree of convergence (Clemens, Montenegro, and Pritchett 2008).

Haiti is a case in point. Prior to that country’s catastrophic earthquake in January of 2010, real living standards for the average person in Haiti fell by 50 percent over three decades (World Bank 2009). This means that the end result of almost a billion dollars in annual aid flows, hundreds of millions in private investment, and hundreds of millions in annual exports under special trade preferences, was sharp divergence between living standards for people in Haiti and people outside of Haiti. During the same period, a thirty-five-year-old male Haitian with less than high-school education typically raised his real earnings by well over 500 percent if he somehow managed to get to the United States. Hundreds of thousands of Haitians departed and reaped similar gains. This means that for generations, migration was the only major force producing substantial convergence between Haitians’ living standards and the living standards in rich countries. Everything-but-labor globalization failed Haitians; migration succeeded. The same is true for people from poor countries around the globe.

And this discussion has not yet even mentioned remittances, an aspect of migration that really does bring tremendous benefits to poor places. Globally, remittances to developing countries are now well over $300 billion per year—several times larger than foreign aid (Ratha et al. 2009). Remittances are much maligned as simply contributing to useless consumerism and for reducing 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.

3. A New Development Agenda: Labor Mobility
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 his or her 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.

By neglecting migration, the old development policy agenda has omitted the most powerful tool available to spread prosperity to people from many countries. Everything-but-labor globalization has failed as a tool for generalized convergence. This compels anyone with a genuine interest in global convergence to reconsider migration policy as a development tool. Several obstacles immediately arise.

4. Obstacles to a Development Agenda That Includes Labor Mobility

A proponent of international labor mobility for development faces the same general obstacles that Hernando de Soto faced in Peru. Adjusting laws to accommodate migration in the name of development rather than defeat migration—whether at the national or international level—meets fierce resistance for several reasons.

First, many people think of development as something that happens to places rather than to people. Second, it is common to believe that the high levels of emigration must cause harm to individuals or societies. Third, few believe that enough migration can occur to be an important part of the solution for so many millions of poor people. Fourth, many believe that living standards must fall in the places that migrants arrive. Fifth, many believe that higher levels of migration would destroy societies and therefore can never be politically feasible. New research offers insight about each of these beliefs.

4.1 Do places develop, or people?

Oddly, traditional “development” metrics simply define everything-but-labor globalization to be the only kind of globalization that can affect development. They do this by defining even massive gains in income from migration to be irrelevant to development. The most common omnibus measure of economic development for a country’s people is the average income of people who live in that country.

By this measure, a construction worker who experiences a 50 percent higher living standard by moving from rural Kenya to Nairobi has contributed to Kenya’s development. But if the same worker achieves a 300 percent higher living standard
by moving to London, this is irrelevant to Kenya’s development—unless that person happens to send money to people who did not leave. Clemens and Prichett (2008) show that about 1.1 billion people live in a group of countries whose income per natural—per person born in those countries, wherever they are—collectively is 10 percent higher than GDP per resident of those countries.

It gets worse. As Lant Pritchett has pointed out, standard poverty statistics can actually define an increase in one person’s income to constitute an increase in poverty—if that increase arises from international movement. Suppose a Ghanaian earning US$7/day at U.S. prices triples her real income by moving to the United States and earning US$21/day. She came from far above Ghana’s poverty line of roughly US$3/day (measured as purchasing power at U.S. prices), but she ended up below the U.S. 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 her 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.

Such measures of development conflict with mainstream definitions of economic development, which make no reference to places. The leading 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. Nobel laureate Amartya Sen (1999, 36) has influentially argued that the “expansion of freedom” is “the primary end and the principal means” 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. Definitions of development that define away the effects of labor mobility apart from remittances, though such definitions are common, have little theoretical justification.

### 4.2 Does migration generally harm migrants or nonmigrants?

Another common view is that migration imposes such large private costs on migrants that the net private benefits of migration are broadly uncertain. A variant of this view posits that migration generally imposes such large costs on nonmigrants in
the origin country that the net social benefits of migration are broadly uncertain.

Many migrants live in the shadows as undocumented workers, many work very long hours in difficult conditions for low wages, and many spend long periods in unfamiliar environments 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 they attribute migration choices to murky, irrational forces such as a “migration mentality.”

The evidence falls decisively against these ideas. 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 two hundred applicants. For each of the last several years, the U.S. Department of Homeland Security has reported roughly 400–500 deaths occurring in the process of crossing the U.S. border from 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 migrants are generally irrational, migrants are generally misinformed about what they are getting into, or migrants are far better off at the destination than they would be if forced to choose their best alternative at the origin. No serious research suggests that migrants are systematically less rational than nonmigrants. And the only 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 percent less than they actually do earn, not more (McKenzie, Gibson, and Stillman 2007).

Especially in today’s world of voice-over-Internet calls and massive penetration of mobile phones in migrant-origin countries, 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 per day at U.S. prices. This standard of living is the best available alternative for roughly 40 percent of the world’s population (Collins, Morduch, Rutherford, and Ruthven 2009), but lies far outside the experience of essentially all observers born in rich countries.

More common is the objection that the act of migration harms nonmigrants, counteracting at the social level the individual benefits of migration. 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—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 and apply their brains exclusively to ghetto problems? 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.

If mass migration wrecked societies, it would be nowhere more obvious than in Sweden. Sweden was not always among the most highly developed countries on earth. In the early nineteenth century, it was a poor backwater of the European periphery, where real living standards for an unskilled worker were roughly one-fourth of those for the same worker in the United States (Williamson 1995, 1997), comparable to today’s gap between Mexico and the United States (Clemens, Montenegro, and Pritchett 2008). In the subsequent half-century, opportunities abroad—coupled with falling transportation costs and a lack of policy barriers to migration—fueled extremely high migration rates out of Sweden. Roughly one-third of the population simply left, never to return (Hatton and Williamson 2005). Yet today Sweden stands near the top of the United Nations Human Development Index. There is no evidence whatsoever that Sweden could have been made even more socially developed by restrictions on migration, whether engineered at home or abroad.

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 lies 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). There is little evidence 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 that are unrelated to emigration. These other influences 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.
4.3 With so many poor people in the world, can migration be large enough to make a difference?

A very common reaction to the idea of migration policy as development policy is some form of the statement, “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 or any other developing country. 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 percent of poor people cannot benefit from a policy, this fact alone contains little information about the desirability of 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 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 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 poverty reduction for Mexicans.

Suppose we set a conservative poverty line of US$10/day of purchasing power at U.S. prices (about one-third of the true poverty line in the United States). How many Mexicans who ever rose above this poverty line did so by migrating? Clemens and Pritchett (2008) show that, out of the 23 percent of all the Mexicans living either in Mexico or the United States who have emerged from poverty and live on more than US$10/day, a very large share did so by leaving Mexico; 43 percent 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 outside of 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 does not 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 percent of all Indians who have escaped poverty, and live either in the United States or in India, did so living in the United States. For Haitians, the same figure is 82 percent. 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.\(^3\)

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. After Haiti’s devastating earthquake, they are less likely than ever before. Migration has been, and is likely to remain, the 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 deserves a sizeable seat at the table of development policy.

4.4 Do migrants harm nonmigrants at the destination?

Large numbers of people in migrant destination countries believe that migrants from poor countries must do great harm to people at the destination (GMFUS 2009). One common view is that migrants are responsible for unemployment at the destination country. In fact, Figure 3 shows that unemployment and levels of immigration in the United States have little discernable relationship over the past 120 years—except perhaps an inverse relationship in some periods (when jobs are

\(^3\) 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 some 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. Only 1.4 percent of the Haitian population lives on greater than $10/day (Clemens and Pritchett 2008), and there is no evidence at all that Haitian emigrants typically come from the top 1 percent of the income distribution (Clemens, Montenegro, and Pritchett 2008).
scarce, fewer migrants come). Though each generation has feared that the next wave of immigrants would take away jobs, Figure 3 shows that the U.S. economy has generated enough jobs for every immigrant for over a century. It also shows that a policy of stopping immigration until no Americans are unemployed would have been equivalent to the policy of stopping all immigration permanently since 1890, since unemployment has never been zero.

Figure 3: Immigration versus unemployment, 1880–present


Another common view is that immigrants to rich destination countries bid down wages, lowering living standards for workers at the destination. Economic research on this subject finds either zero effect or a tiny negative effect of large-scale immigration on the wages of the average worker, with a slightly larger effect for workers who have acquired the lowest levels of skill.

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. 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 percent—they find that immigrants are less perfect substitutes for the native born than Borjas. Both of these studies include all immigration, authorized and unauthorized. Orrenius and Zavodny (2007) study the impacts of new legal permanent residents (LPRs) from 1994 to 2000, finding that new arrivals (the majority of LPRs) had no statistically significant impact on any workers’ wages, apart from a positive effect on professional workers’ wages. They also find that new LPRs who were already in the United States with another immigration status had no statistically significant effect on professional or service workers’ wages, but they caused a decrease of about 0.8 percent in manual labor wages. Barcellos (2009) finds that immigrants had negligible impacts on natives’ wages in thirty-eight U.S. cities over twenty-six years.

These estimates have several things in common. First, their estimates of statistically significant impacts on wages fall in the range of 0 percent to 3 percent cumulatively over roughly two decades—between 0 percent and 0.15 percent per year. This figure is tiny, especially considering that the period under study includes some of the highest numbers of annual immigrants in U.S. history. Second, they are all short-run effects; Ottaviano and Peri calculate that the average long-run effect of the same immigrants on the same U.S. workers’ wages is to increase their wages by 0.6 percent, as native-born owners of capital and labor adjust their investments to the presence of immigrants. Third, these effects are measured in nominal dollars and do not account for the fact that the same immigrants made many goods and services cheaper for native-born workers than they would have been without immigration, tending to raise those workers’ real wages. Cortes (2008) shows that two decades of immigration lowered prices for things like child care, cleaning services, and construction in the United States to such a degree that the typical consumption basket became 0.3 percent to 0.4 percent cheaper.

Two 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 percent according to Borjas, and about 2 percent according to Ottaviano and Peri. This fact is often cited by immigration opponents who seek support among Americans concerned with U.S. inequality.

For several reasons, this fails to provide a legitimate rationale for blocking the movement of low-income people. First, similar effects accompany labor market changes that are almost universally seen as desirable. Acemoglu and Autor (2004) show that the entry of women into the U.S. labor force during the twenty years following World War II caused a decline of similar magnitude in low-skill male workers’ wages. The post-World War I movement of blacks out of the South and into urban formal sector jobs traditionally held by whites was a major cause of convergence between black and white earnings (Bailey and Collins 2006), and there is little doubt that this movement exerted downward pressure on wages of urban white Americans, particularly the least educated. Yet few today would use either of these facts to block access to any part of the U.S. labor market for any woman or any black person.

Second, if indeed blocking immigration would raise the wage returns to dropping
out of highschool relative to completing highschool, 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 U.S. high school completion (Smink and Reimer 2005). Many people concerned about U.S. 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 United States over the past twenty 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 United States 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.

Fourth, the median high school dropout in the United States earns $24,000 per year (Cataldi et al. 2009), even after decades of massive immigration. 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 United States from Ghana, Cambodia, India, or Ecuador immediately raises his living standard by well over 300 percent (Clemens, Montenegro, and Pritchett 2008). If blocking all immigration were to be considered a legitimate antipoverty policy for the United States, it would be a meager one with enormous costs; after decades it would have raised incomes of a few of the least educated by a few percentage points, while denying opportunity to many millions of people born into vastly poorer circumstances.

4.5 Is it politically impossible for destination countries to permit more migration?

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 Oreopoulos 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, 193–97, Clemens and Bazzi 2008). Simply put, even recent increases in labor mobility have not managed to change the fact that 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 United States, 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 U.S. 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).

Table 1: Comparing recent immigration rates to historical rates

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<tr>
<th>Country of origin</th>
<th>Period</th>
<th>Total over period</th>
<th>Average U.S. population during period</th>
<th>Annual arrivals per 1000 population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>1840-1859</td>
<td>1,695,626</td>
<td>23,751,163</td>
<td>3.6</td>
</tr>
<tr>
<td>Germany</td>
<td>1840-1889</td>
<td>4,282,190</td>
<td>36,819,922</td>
<td>2.3</td>
</tr>
<tr>
<td>Italy</td>
<td>1895-1914</td>
<td>3,335,263</td>
<td>83,825,250</td>
<td>2.0</td>
</tr>
<tr>
<td>Russian Empire</td>
<td>1895-1914</td>
<td>2,760,987</td>
<td>83,825,250</td>
<td>1.6</td>
</tr>
<tr>
<td>Mexico (includes unauthorized)</td>
<td>1990-2008</td>
<td>9,265,517</td>
<td>278,226,682</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Sources: Permanent arrivals from Ireland, Germany, Italy, and Russian Empire are from Bureau of the Census (1975: Series C89–119, pages 105–06). Estimated authorized arrivals from Mexico, 1990–2008, are from DHS (2009, Table 2, page 6). Estimated unauthorized arrivals from Mexico, 1990–99 are from DHS (2003, Table B), and for 2000–08 from Passel and Cohn (2008, Table 3). Annual estimates of population of the United States from Maddison (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 suddenly appear. 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 percent of its population is 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 United States, 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 populations utterly different from one another. It is little discussed.

Today in downtown Johannesburg, South Africa, black African faces fill the sidewalks. They did not get there 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 blacks to work in high-income areas, particularly in certain professions, a procedure closely analogous to applying for restricted 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.

Astonishingly, precisely this happened. South Africa not only eased restrictions on blacks’ movement and economic participation, it eliminated all of the barriers and added in full permanent citizenship and voting rights for good measure. The result: no civil war, no collapse of public services, no cultural disintegration, no economic depression. Crime did rise 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 percent to 27 percent between 1993 and 2005, while the same welfare measure showed no decrease at all for whites, but rather a slight improvement. They show, in fact, that whites’ economic welfare has risen since 1993 at all levels of the distribution, from the poorest 10 percent of whites to the richest 10 percent.

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 toward 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 4 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 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, then, is it so unquestionable that comparatively modest increases in labor mobility at the global level must usher in social, political, or economic collapse? Even a tripling of work visas 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. Each such visa would be a step toward the elusive goal of convergence.
Figure 4: 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 United States 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.
5. Conclusion

Hernando de Soto’s vision of formalizing informal economies is ultimately a vision of facilitating rural migrants’ access to market participation in urban areas. His life’s work has been to show that the alternative, blocking such access while meagerly aiding rural areas, is bankrupt as a national development strategy. This is the biggest idea in development that no one has really tried at the global level.

Hatton and Williamson (2005) have shown that labor mobility in the long nineteenth century was crucial to income convergence among people in rich countries of the Atlantic economy and people born in then-poor countries like Ireland, Sweden, and Greece. In the late twentieth century we have tested whether labor mobility is necessary for income convergence by building an international system of development policy based on assisting poor areas while doing everything possible to limit labor mobility.

And we have come up short. Incomes of most people born in most poor countries are not converging toward those of people born in rich countries. The next step for global development policy is to take labor mobility seriously as a powerful weapon in the long fight to give all people on earth the same opportunities that many readers of this article now enjoy.

Are Americans capable of considering migration policy a tool for development policy? Yes: 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. In the common at Cambridge, Massachusetts, stands a proud monument to the role of U.S. 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 percent of the U.S. population is either an immigrant, has an immigrant parent, or has an immigrant grandparent.4 Today the United States 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

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4 The U.S. Census Bureau Statistical Abstract of the United States 2009, Table 39, estimates the foreign-born fraction of the population as 12.5 percent. Lee and Miller (1998, 187) estimate that for every foreign-born person, there is 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 U.S. population is two generations or fewer from an immigrant. This estimate is conservatively low because it does not count U.S.-born children who have a foreign-born sibling.
be much more costly than aid: The United States spends $15 billion per year on border enforcement (Hanson 2009), but spends just $6 billion a 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 poor countries. Even working for limited periods in rich countries can offer spectacular earning opportunities to developing-country workers (Clemens, Montenegro, and Pritchett 2008) while raising economic growth in the destination country (Hinojosa-Ojeda 2010).

Currently very few temporary work visas are accessed by people from the poorest countries. Just 0.7 percent of U.S. temporary work visas now go to people from low-income countries, even though those countries comprise 14 percent of the world’s population. But the remarkable fact is that those people, once in the United States, are almost as productive as people with the same observable skills who are from richer countries. Hendricks (2002, Table 1) shows that while immigrants in general typically earn 98 percent of the earnings of U.S. natives with identical observable skill, this number is 90 percent for immigrants from low-income countries. Given that immigrants from low-income countries concentrate in occupations with lower returns to observed skill, this small difference is not surprising.

The big story is that once a person of a given education level is in the United States doing a given job, it matters little to that person’s productivity whether he or she is from a low-income country or from a more developed country. This creates an opportunity: By creating a mechanism to weight visas to some limited degree toward low-income countries, a developed destination country can do more for development without giving up any of the economic benefits of immigration.

One clear way to leverage migration policy for development would be to create a new class of immigration policy, which might be called a Golden Door Visa (Clemens 2010). It takes its name from an 1883 poem by Emma Lazarus about the Statue of Liberty in New York. Its purpose would be to reserve a certain number of work visas for people from the poorest countries, a number that could change annually and respond flexibly to economic conditions in the destination country. Reserving a limited number of visas for this purpose could be done in the context of an increase or decrease in the number of overall entry visas. It could be done for either permanent or temporary visas, though a focus on temporary visas would maximize the development benefit.

It would fill a role not served by existing visas. The U.S. “Diversity Visa” requires secondary education and hundreds of dollars in fees, putting it out of reach of the extremely poor; refugee visas are only available to those facing warfare or group-based

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5 The United States gave 1.9 million temporary work visas in 2008, of which 12,602 went to people from countries defined as “low-income” by the World Bank—those with Gross National Income per capita below US$905 (DHS 2009, World Bank 2009).
persecution at home. A Golden Door Visa would simply create a legal mechanism for the United States and other destination countries to directly leverage one of their most powerful tools for poverty reduction to promote global prosperity.

References


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