

The Case for *Immigration*

BY PHILIPPE LEGRAIN

The secret to economic vibrancy.

There is a contradiction at the heart of our globalizing world: while goods, services, and capital move across borders ever more freely, most people cannot. No government except perhaps North Korea's would dream of banning cross-border trade in goods and services, yet it is seen as perfectly normal and reasonable for governments to outlaw the movement across borders of most people who produce goods and services. No wonder illegal immigration is on the rise: most would-be migrants have no other option.

This is perverse. Immigrants are not an invading army; they are mostly people seeking a better life. Many are drawn to rich countries such as the United States by the huge demand for workers to fill the low-end jobs that their increasingly well-educated and comfortable citizens do not want. And just as it is beneficial for people to move from Alabama to California in response to market signals, so too from Mexico to the United States.

Where governments permit it, a global labor market is emerging: international financiers cluster in New York and London, information technology specialists in Silicon Valley, and actors in Hollywood, while multina-

tional companies scatter skilled professionals around the world. Yet rich-country governments endeavor to keep out Mexican construction workers, Filipino care workers, and Congolese cooks, even though they are simply service providers who ply their trade abroad, just as American investment bankers do. And just as it is often cheaper and mutually beneficial to import information technology services from Asia and insurance from Europeans, it often makes sense to import menial services that have to be delivered on the spot, such as cleaning. Policymakers who want products and providers of high-skilled services to move freely but people who provide less-skilled services to stay put are not just hypocrites, they are economically illiterate.

From a global perspective, the potential gains from freer migration are huge. When workers from poor countries move to rich ones, they too can make use of advanced economies' superior capital and technologies, making them much more productive. This makes them—and the world—much better off. Starting from that simple insight, economists calculate that removing immigration controls could more than double the size of the world economy. Even a small relaxation of immigration controls would yield disproportionately big gains.

Philippe Legrain is a British economist, journalist, and writer. Previously trade and economics correspondent for the Economist and special adviser to the director-general of the World Trade Organization, he is the author of Immigrants: Your Country Needs Them (Princeton University Press, August 2007).

Yet many people believe that while the world would gain, workers in rich countries would lose out. They fear that foreigners harm the job prospects of local workers, taking their jobs or depressing their wages. Others fret that immigrants will be a burden on the welfare state. Some seem to believe that immigrants somehow simultaneously “steal” jobs and live off welfare.

Governments increasingly accept the case for allowing in highly skilled immigrants. The immigration bill before the Senate would tilt U.S. policy in that direction, establishing a points system that gives preference to university graduates. Such skills-focused points systems are in vogue: Canada and Australia employ one; Britain is introducing one; and other European countries are considering them.

For sure, as the number of university graduates in China, India, and other emerging markets soars in coming decades, it will be increasingly important for the United States to be able to draw on the widest possible pool of talent—not just for foreigners’ individual skills and drive, but for their collective diversity.

It is astonishing how often the exceptional individuals who come up with brilliant new ideas happen to be immigrants. Twenty-one of Britain’s Nobel Prize winners arrived in the country as refugees. Perhaps this is because immigrants tend to see things differently rather than following the conventional wisdom, perhaps because as outsiders they are more determined to succeed.

Yet most innovation nowadays comes not from individuals, but from groups of talented people sparking off each other—and foreigners with different ideas, perspectives, and experiences add something extra to the mix. If there are ten people sitting around a table trying to come up with a solution to a problem and they all think alike, then they are no better than one. But if they all think differently, then by bouncing ideas off each other they can solve problems better and faster. Research shows that a diverse group of talented individuals can perform better than a like-minded group of geniuses.

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Determination to Succeed

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arrived as children. In fact, nearly half of America’s venture capital-backed start-ups have immigrant founders. An ever-increasing share of our prosperity comes from companies that solve problems, be they developing new drugs, video games, or pollution-reducing technologies, or providing management advice. That’s why, as China catches up, America and Europe need to open up further to foreigners in order to stay ahead.

Diversity also acts as a magnet for talent. Look at London: it is now a global city, with three in ten Londoners born abroad, from all over the world. People are drawn there because it is an exciting, cosmopolitan place. It’s not just the huge range of ethnic restaurants and cultural experiences on offer, it’s the opportunity to lead a richer life by meeting people from different backgrounds: friends, colleagues, and even a life partner.

Yet it is incorrect to believe that rich countries only need highly skilled immigrants, still less that bureaucrats can second-guess through a points system precisely which people the vast number of businesses in the economy need. America and Europe may increasingly be knowledge-based economies, but they still rely on low-skilled workers too. Every hotel requires not just managers and marketing people, but also receptionists, chambermaids, and waiters. Every hospital requires not just doctors and nurses, but also many more cleaners, cooks, laundry workers, and security staff. Everyone relies on road-sweepers, cabdrivers, and sewage workers.

Many low-skilled jobs cannot readily be mechanized or imported: old people cannot be cared for by a robot or from abroad. And as people get richer, they increasingly pay others to do arduous tasks, such as home improvements, that they once did themselves, freeing up time for more productive work or more enjoyable leisure. As advanced economies create high-skilled jobs, they inevitably create low-skilled ones too.

Critics argue that low-skilled immigration is harmful because the newcomers are poorer and less-educated than



Huntington Double-Speak?

In *Who Are We: The Challenges to America's National Identity*, Harvard academic **Samuel Huntington** warns that Latino immigrants are generally poor and therefore a drain on American society, except in Miami, where they are

rich and successful, at Americans' expense. Ironically, when he shot to fame by warning about a global "clash of civilizations," he lumped Mexicans and Americans together in a single civilization; now he claims that Latinos in the United States threaten a domestic clash of civilizations. He frets that Latinos have until recently clustered in certain cities and states, and then that they are starting to spread out. Immigrants can't win: they're damned if they do and damned if they don't.

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Americans. But that is precisely why they are willing to do low-paid, low-skilled jobs that Americans shun. In 1960, over half of American workers older than 25 were high school dropouts; now, only one in ten are. Understandably, high-school graduates aspire to better things, while even those with no qualifications don't want to do certain dirty, difficult, and dangerous jobs. The only way to reconcile aspirations to opportunity for all with the reality of drudgery for some is through immigration.

Fears that immigrants threaten American workers are based on two fallacies: that there is a fixed number of jobs to go around, and that foreign workers are direct substitutes for American ones. Just as women did not deprive men of jobs when they entered the labor force too, foreigners don't cost Americans their jobs—they don't just take jobs; they create them too. When they spend their wages, they boost demand for people who produce the goods and services that they consume; and as they work, they stimulate demand for Americans in complementary lines of work. An influx of Mexican construction workers, for instance, creates new jobs for people selling building materials, as well as for interior designers. Thus, while the number of immigrants has risen sharply over the past twenty years, America's unemployment rate has fallen.

But do some American workers lose out? Hardly any; most actually gain. Why? Because, as critics of immigration are the first to admit, immigrants are different to

Americans, so that they rarely compete directly with them in the labor market; often, they complement their efforts—a foreign child-minder may enable an American nurse to go back to work, where her productivity may be enhanced by hard-working foreign doctors and cleaners—while also stimulating extra capital investment.

Study after study fails to find evidence that immigrants harm American workers. Harvard's George Borjas claims otherwise, but his partial approach is flawed because it neglects the broader complementarities between immigrant labor, native labor, and capital. A recent National Bureau of Economic Research study by Gianmarco Ottaviano and Giovanni Peri finds that the influx of foreign workers between 1990 and 2004 raised the average wage of U.S.-born workers by 2 percent. Nine in ten American workers gained; only one in ten, high-school dropouts, lost slightly, by 1 percent.

Part of the opposition to immigration stems from the belief that it is an inexorable, once-and-for-all movement of permanent settlement. But now that travel is ever cheaper and economic opportunities do not stop at national borders, migration is increasingly temporary when people are allowed to move freely. That is true for globe-trotting businessmen and it is increasingly so for poorer migrants too: Filipino nurses as well as Polish plumbers.

Britain's experience since it opened its borders to the eight much poorer central and eastern European countries which joined the European Union in 2004 is instructive. All 75 million people there could conceivably have moved, but in fact only a small fraction have, and most of those have already left again. Many are, in effect, international commuters, splitting their time between Britain and Poland. Of course, some will end up settling, but most won't. Most migrants do not want to leave home forever: they want to go work abroad for a while to earn enough to buy a house or set up a business back home.

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Studies show that most Mexican migrants have similar aspirations. If they could come and go freely, most would move only temporarily. But perversely, U.S. border controls end up making many stay for good, because crossing the border is so risky and costly that once you have got across you tend to stay.

Governments ought to be encouraging such international mobility. It would benefit poor countries as well as rich ones. Already, migrants from poor countries working in rich ones send home much more—\$200 billion a year officially, perhaps twice that informally (according to the Global Commission on International Migration)—than the miserly \$100 billion that Western governments give in aid. These remittances are not wasted on weapons or siphoned off into Swiss bank accounts; they go straight into the pockets of local people. They pay for food, clean water, and medicines. They enable children to stay in school, fund small businesses, and benefit the local economy more broadly. What's more, when migrants return home, they bring new skills, new ideas, and capital to start new businesses. Africa's first internet cafés were started by migrants returning from Europe.

The World Bank calculates that in countries where remittances account for a large share of the economy (11 percent of GDP on average), they slash the poverty rate by a third. Even in countries which receive relatively little (2.2 percent of GDP on average), remittances can cut the poverty rate by nearly a fifth. Since the true level of remittances is much higher than official figures, their impact on poverty is likely to be even greater.

Remittances can also bring broader economic benefits. When countries are hit by a hurricane or earthquake, remittances tend to soar. During the Asian financial crisis a decade ago, Filipino migrants cushioned the blow on

the Philippines' economy by sending home extra cash—and their dollar remittances were worth more in devalued Filipino pesos. Developing country governments can even borrow using their country's expected future remittances as collateral. Even the poorest countries, which receive \$45 billion in remittances a year, could eventually tap this relatively cheap form of finance, giving them the opportunity of faster growth.

By keeping kids in school, paying for them to see a doctor, and funding new businesses, remittances can boost growth. A study by Paola Guiliano of Harvard and Marta Ruiz-Arranz of the International Monetary Fund finds that in countries with rudimentary financial systems, remittances allow people to invest more and better, and thus raise growth. When remittances increase by one percentage point of GDP, growth rises by 0.2 percentage points.

John Kenneth Galbraith said, "Migration is the oldest action against poverty. It selects those who most want help. It is good for the country to which they go; it helps break the equilibrium of poverty in the country from which they come. What is the perversity in the human soul that causes people to resist so obvious a good?"

Part of the answer is that people tend to focus their fears about economic change on foreigners. Other fears are cultural; more recently, these have got mixed up with worries about terrorism. Mostly, this is illogical: Christian Latinos are scarcely likely to be a fifth column of al Qaeda operatives, as Pat Buchanan has suggested. But logic scarcely comes into it. Psychological studies confirm that opposition to immigration tends to stem from an emotional dislike of foreigners. Intelligent critics then construct an elaborate set of seemingly rational arguments to justify their prejudice.

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Rich-country governments should not let such nonsense define their policies. Opening up our borders would spread freedom, widen opportunity and enrich the economy, society and culture. That may seem unrealistic, but so too, once, did abolishing slavery or giving women the vote. ♦