

# MIGRATION & DEVELOPMENT

Fredrik Segerfeldt



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# Executive summary

- Migration is among the most fiercely debated areas of policy, and the human cost of the status quo is vast. 20,000 people have drowned in the Mediterranean in the last two decades trying to cross borders to a better life. Yet, often ignored in the debate is the contribution migration can bring to development.
- The benefits the migrants themselves can derive from moving from a poor to a rich country cannot be understated. The average American has 200 times the lifetime income of the average person in the Congo, someone in Honduras is 229 times more likely to be murdered than someone in Japan. Poor migrants can potentially increase their income, adjusted for purchasing power, by 20 to 30 times by moving to a developed country. On average, Peruvian immigrants in the United States have 3.8 times the income of those with a similar level of education in Peru.
- Most differences in living standards are simply removed when someone moves from a poor country to a richer one. On the whole, development scholars agree that it is a country's institutions (particularly secure property rights and the rule of law) that determine a country's level of income, not its people. Because of this, if a Haitian and a German move to the United States (a country with strong institutions), despite the vast differences in

income between the countries, most of the difference in average income is removed.

- Migration benefits not only migrants but also those left behind, through the remittances they receive from family and friends abroad. Remittances significantly ameliorate poverty (reducing it in Uganda by 11 percent) and economic growth, provide security in economic and political crises, as well as improve health and education outcomes. Global remittances are now worth more than twice as much as foreign aid.
- The concept of a ‘brain drain’ leads many to assume that migration can only be detrimental to the home countries of migrants, as their best and brightest take their talents elsewhere. This story is not borne out in reality. In fact, data from 127 developing countries led researchers to conclude that the prospect of migration often encourages residents to invest in education, some of whom ultimately choose to stay, leading to a ‘brain gain’ for poorer countries.
- Development scholars and politicians should shift from a ‘transformative’ to a ‘marginal’ approach, and move accordingly from trying to save entire countries through foreign aid programmes to helping their inhabitants by letting them move to stronger institutional environments.
- In the fashion of the UN target of 0.7 percent of GNI for foreign aid, we should adopt a volume target for migration from developing to developed countries. Even a cautious target of increasing such immigration by three percent of the current workforce over a decade would, according to the World Bank, bring the global poor a welfare benefit of 257 billion dollars.

- A programme of temporary work permits and restrictions on access to welfare benefits for migrants might make such an increase in migration more politically palatable, while still delivering significant benefits to migrants and their home countries.





# 1. Why this book?

In 2012, Johan Norberg and I wrote the book *The Power of Migration* (Migrationens Kraft)<sup>1</sup>. It was published by Hydra in cooperation with Migro, a network that works for greater mobility of people across national borders. The book was Migro's first product, designed as a "migration for dummies", a short and simple summary of the issue and its various aspects.

Many readers felt that several of the book's themes were treated too briefly and clearly deserved to be developed in more detail. In the report *A Labour Market For All*, I developed one of these themes, namely how the Swedish model of a compressed wage structure, high taxes on labour and high benefits hamper the integration of foreign-born labour.<sup>2</sup>

The perspective on migration that is closest to my heart, however, is the development aspect - how human mobility across national boundaries interacts with the question of human development, with welfare, prosperity, safety, security and poverty reduction.

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<sup>1</sup> Norberg & Segerfeldt 2012.

<sup>2</sup> Segerfeldt 2013.

I have previously written a number of books on poor countries, poverty and development.<sup>3</sup> But none of these have, in the same manner and to the same extent as this book, been targeted directly to the people who are active in the development establishment which appears in the assistance industry. I've written a lot *about* you. Now I write *to* you: if you are really seriously passionate about fighting poverty, then it is very difficult not to work to increase opportunities for poor people to move from poverty to prosperity, from insecurity to security, from misfortune to fortune.

As British Africa researcher Douglas Rimmer has put it:

*An exacting test of how serious we are about reducing inequality in the world is whether we are prepared to allow migration into the advanced economies of people from Africa and other poor areas. By this test, few of the advocates of international aid are really serious.*<sup>4</sup>

The liberal philosopher John Rawls has formulated a popular theory of justice that assumes that we are behind a veil of ignorance. We do not know where in society we will end up, and should therefore design it so that those who are worst off have it as good as possible, in absolute terms. Rawls himself was opposed to applying the theory internationally because the reasoning requires that there is a social contract that makes the issue warranted.

Others disagree that Rawls's reasoning is applicable only at the national level. The American philosopher Martha Nussbaum sets the patriotic perspective against the cosmopolitan, and argues that the latter is superior to the former, because every human being has the same moral value. She cites the classical Greek philosopher

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<sup>3</sup> See Segerfeldt 2003, 2009, 2011, 2012 and 2014.

<sup>4</sup> Rimmer 2013.

Diogenes, who to the question of where he comes from is said to have replied that he is a “citizen of the world”. Nussbaum stresses that it is chance that determines where we are born. Each person could have been born in any other country, and we should recognize and respect humanity wherever it occurs.<sup>5</sup>

So, if you move Rawls’ reasoning from the national to the international level most people would probably see the following principle as unfair: you do not know if you will be born and grow up in Chad, for example, or in Germany, and you will not have the right or ability to move from Chad to Germany. Especially those who are passionate about international justice should have a hard time accepting this. The Canadian philosopher Joseph Carens has likened citizenship in a country like Germany to a feudal privilege:

*Citizenship in Western liberal democracies is the modern equivalent of feudal privilege - an inherited status that greatly enhances one’s life chances. Like feudal birth privileges, restrictive citizenship is hard to justify when one thinks about it closely.*<sup>6</sup>

This book will show that by far the best way for a person to get out of poverty is to leave a poor institutional environment and get to a good institutional environment. This often means changing country. From our - rich country’s - perspective, it’s about tearing down the barriers that currently prevent poor people from doing this movement. For we must remember that it is our walls, our barbed wire, our uniformed and armed personnel who forcibly prevent the poor from moving here.

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<sup>5</sup> Nussbaum 1994.

<sup>6</sup> Carens 1997.

Much of the debate about immigration revolves around the impact on the host country. As we showed in the *The Power of Migration*, most factors indicate that immigration is economically beneficial to the country of immigration. I ignore this aspect in the book. Instead, the focus is on the development aspect, the increased freedom and welfare for the poor person, the greater opportunity to gain a better life for those who need it most.

In some specialized circles the issue of migration and development has received some attention. The question has, however, not nearly been as centrally placed on the development agenda as it deserves. In Sweden's Policy for Global Development (PGD), migration is snubbed and in the post-2015 process - which will develop successors to the UN Millennium Development Goals - the issue has been given a backseat position. When migration and development are addressed in more detail - as in the parliamentary committee on circular migration - the perspective that is usually discussed is how to deal with (manage) the current or possible future migration.

Very rarely is there talk about increasing migration, about stopping preventing people from moving, about tearing down walls or letting in more people. The solution is almost always more government and more public involvement. Very rarely less government involvement is discussed as the solution.

This is misguided. The way in which the rich world can best "help create opportunities for poor people to improve their lives" - the official aim of Swedish development policy - is to stop preventing poor people to get to the rich world. It is also the best we in the rich world can do to help achieve the World Bank's goal of a world without poverty and the most effective way to contribute to the UN Millennium Development Goals and their successors being reached.

Therefore migration deserves to be at the centre of the debate on global development.

Because this book is a further development of parts from an earlier book, it is inevitable that there is some repetition – something I hope that those who have read *The Power of Migration* can overlook.

Finally, I want to thank everyone who has helped to make a reality of this book; Rola Brentlin who took the initiative to found Migro. Without her drive this book would never have happened. I would also like to thank the Foundation for Free Enterprise for its financial support and Hydra Förlag – Björn Elzén and Barbra Bohannan - because they once again want to publish a book that I wrote. And finally a thank you to the people who read and commented on the manuscript: Rola Brentlin, Patrick Strömer, Jonas Grafström and Niklas Elert. You have made the book better. Any errors are my own.



## 2. The forgotten tool

*“We are turning the sea into a cemetery.”* – Prime Minister of Malta, Joseph Muscat, about migrant deaths in the Mediterranean.

### **THE OTHER LAMPEDUSA**

*“Some people are clearly willing to risk their lives to reach Europe.”*

These were the words of Israel Diaz Aragon, who is the captain of one of the Spanish sea rescue boats. He regularly saves people from putting their lives at jeopardy as they try to cross the Mediterranean in rafts and dinghies: crafts that are hardly suited to such a crossing.<sup>7</sup>

It is not a long distance. From the northern tip of Morocco, the port city of Tangier, one can clearly see across to Europe. One glimpses the wind turbines covering the mountain sides, recognises

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<sup>7</sup> Minder & Yardley 2013.

the Spanish town of Tarifa, and can almost make out individual buildings.

The 15 kilometre wide strait over to Tarifa represents the most dangerous part of what the common European Borders Agency, Frontex, calls the Western Mediterranean route, one of the most common for migrants trying to reach Europe. On one shore, poor Africa, on the other, prosperous Europe, with fundamentally different destinies for people on either side of the abyss.

25 years ago we got the same feeling in Berlin. One still gets it at the border crossing between San Diego, California and Tijuana, Mexico. But the Cold War is long over, and America is on the other side of the Atlantic. The Strait of Gibraltar is here and now. The difference becomes absurd when the distance is so small, and life on the other side so evident and tangible. The ferry ride over takes 35 minutes and the water gives about the same feel as Öresund, with Malmö, Sweden on one side and Copenhagen, Denmark on the other. Whereas between Sweden and Denmark we have built an expensive bridge, between Morocco and Spain we are building ever more obstacles. We pull apart rather than bring together.

For a Swede Spain does not seem particularly attractive, at least not to work. It is a country with high unemployment, hard hit by the economic crisis and with an average income at about three quarters of the Swedish. But for many Africans, Europe, including countries such as Spain, has an almost magical attraction.<sup>8</sup>

The desire to get to Europe is so great that many are trying to cross the Mediterranean in rubber dinghies, which are built as toys for

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<sup>8</sup> As we shall see later, Spain is the all but a paradise of wealth and safety compared to many African countries.



children. Demand for dinghies in Morocco is so high that the price is six times higher than in Spain. Many cannot even afford to buy real oars. In Tarifa's port the red rescue boat is on the jetty, ever ready for an emergency.<sup>9</sup>

In October 2013, major parts of the world became aware of "the Death on the Mediterranean". A fishing boat crowded with African migrants capsized off the Italian island of Lampedusa and over 300 people drowned. Besides the fact that very many died, the tragedy was not unique. People drown all the time trying to get to Europe. This is particularly true in and outside of Tarifa, the other Lampedusa, where there is an ongoing humanitarian disaster, though in more extended form. In April 2013, 11 people were taken by the sea. On 25 May in the same year, at least five migrants drowned. In June, a man hiding on a ferry's propeller was arrested in Tarifa's port.<sup>10</sup> So it goes on, month after month, year after year. When I visited Tarifa in the fall of 2013 I was told that it is so common that drowning migrants wash up on beaches in the area that sunbathers barely react anymore.

The reason that people are ready to risk their lives to get to Europe is not only the substantial differences in quality of life that we will go through later. It is also that there are very few legal routes into Europe for those who just want a better life. As we build more and more impenetrable border barriers the risks people expose themselves to increase.

The Western Mediterranean route is just one of several that migrants use to get to Europe. According to Frontex, 2012 was the first year since 2008, when the authority began to collect and centralize data

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**9** Minder & Yardley 2013.

**10** AFP 2013 and the Telegraph 2013.

on the area, that European border authorities caught fewer than 100,000 people.<sup>11</sup> How many people slip through the net, no one knows. But experts estimate that 20,000 people have died in the attempt to get into southern Europe over the past two decades.<sup>12</sup>

We like to call these people refugees and treat them as people seeking political asylum. But the truth is that a good many people are just looking for a better life. Only seven percent of the world's migrants are refugees.<sup>13</sup> In a blog post at the Swedish Institute of International Affairs, Sarah Westerberg writes: "Many people who come to the EU have no grounds for asylum, but get to Europe in the hope of being able to live a decent life beyond extreme poverty or personal tragedies."<sup>14</sup>

Many simply flee poverty. But we don't allow them to. Therefore they die.

## COHERENCE IN GLOBAL DEVELOPMENT POLICY

In the film *Sällskapsresan*, which premiered in Sweden in the early 1980s, Spain was seen as a very exotic country, something different and far away. Nowadays we are in a political union and a common market with Spain. Flying to Barcelona for the weekend is commonplace for many. In the new and smaller world, we must go further afield to experience exoticism.

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**11** Frontex 2013.

**12** Shenker 2013. The information comes from the International Organisation for Migration (IOM).

**13** UNDP 2009.

**14** Westerberg 2013.

For those who travel to a country further away, two things are obvious. To begin with, the first thing we encounter is a uniformed representative of the state that maintains the barriers to human mobility. It is usually not a problem for tourists from rich countries. But for people from poor countries, it is often difficult, if not impossible, to legally get past the rich countries' border barriers. The second thing is that most countries are much poorer than Sweden and the people there have a significantly lower standard of living than what we are used to.

Together these two impressions summarise the main message of this book: borders between countries are a serious barrier to increased human welfare on a global scale. They stand in the way of poor people going to rich countries to work.

During the last 50 years or so the rich world has spent about \$5 trillion on stimulating development in poor countries.<sup>15</sup> Whether this has been successful or not is widely disputed. But that aid has not been, is not presently, and will not be, the solution to world poverty or other forms of human suffering.

Meanwhile, development policy has moved towards greater coherence, at least on paper and in rhetoric. The realisation has grown that in addition to aid there are other policies of rich countries that affect poor people's opportunity to gain a better life. These are for example trade, environmental issues, and debt forgiveness. But even though it probably is the rich country's policy that has the greatest possibility to reduce poverty and increase the overall human welfare on a global scale, the issue of migration receives only limited attention. This is a great shame, for the potential is huge.

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15 Deaton 2013.



# 3. The poor and the rich

*“No other circumstance of birth - not race, not gender, ethnicity or parental socio-economic status - so completely determine life chances as the nation of birth.”* – Nancy Birdsall, director of the Center for Global Development.

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*We thought the apartment was huge. Rafa and I had my own room and the kitchen, with its refrigerator and its stove, was about as big as our house on Summer Welles. We did not stop shivering until papi turned up the temperature to nearly thirty degrees. Water droplets flocked to the windows as insects and we had to wipe the glass to be able to look outside. Rafa and I were handsome in our new clothes and wanted to go out, but papi told us to take off our boots and parkas. He put us in front of the television, his arms were sinewy and surprisingly hairy up to the short-sleeved shirt. He had just shown how to flush the toilets, turn on the taps and start the shower.<sup>16</sup>*

That is how Junot Diaz describes his first day in the United States, in the short story *Invierno*. Diaz was born in 1968 in the Dominican Republic, but emigrated with his family at the age of six. Besides the cold, what struck him most was the prosperity. The difference in the standard of living was so high that even a six year old reacted on the first day.

In the Dominican Republic, they had been so poor that they couldn't afford beans or meat. Sometimes his mother had so little money that she sent Junot and his brother from their shacks in a township outside the capital city Santo Domingo to relatives in the country so that they would not starve. Or so Diaz tells it in another short story, *Aguantando*.<sup>17</sup>

Diaz is now a celebrated author with migration as a central theme in his writing. He does not whitewash migration, for example, writing about the difficulties of learning the new country's language and culture. But Diaz's stories also highlight the differences in living standards between the United States and the Dominican Republic.<sup>18</sup> Even for a poor immigrant from Latin America, material life in the new country is much better than the absolute misery he experienced in his country of origin, both in childhood and at different visits. In the United States money for food was no question at all.

In the last few decades or so, global income inequality has been reduced significantly: a number of countries that just a few decades ago were poor - such as Botswana, Chile and South Korea - are no longer so. Thanks to high economic growth and poverty reduction,

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<sup>17</sup> Diaz 2013.

<sup>18</sup> Díaz also writes about immigration to the Dominican Republic from Haiti, the other country on the Island Hispaniola, and the poorest country in the Western hemisphere. He is very critical of Dominican policy towards Haitians.

the two largest poor countries - China and India - are redrawing the entire map of the world, economically and ultimately politically and culturally. With them on their journey are a large number of countries. The world is moving towards convergence, where poor countries are catching up with the rich countries.<sup>19</sup>

That does not mean that the differences between rich and poor countries do not remain enormous. In Vietnam the salary is thirteen cents an hour, whereas in Japan it is thirteen dollars. The average Norwegian is 496 times richer than the average Burundian.<sup>20</sup> The US still has five times the average income of China.

It takes time to become as rich as today's rich countries. And a number of countries have not even begun the journey that the Western world began in the 1700s and 1800s, but are at a level that today's rich countries lived at 500 years ago. In Africa, 17 countries are estimated to have an average income lower than Sweden's at the time of Gustav Vasa (who ruled the country between 1523 and 1560).<sup>21</sup>

As shown in Graph 1 overleaf, the difference in living standards between Norway and the Democratic Republic of Congo is gigantic. These figures take into account price differences between the countries; the average Norwegian has 172 times the purchasing power of her Congolese counterpart.

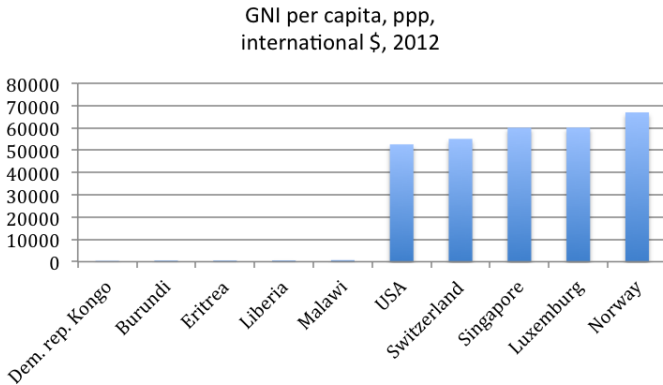
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**19** Sala-i-Martin 2006. See also Henry 2013, Mahbubani 2013 and Spence 2011 for books on global convergence.

**20** Pritchett 2006 and Diamond 2012. Not adjusted for price differences in either case.

**21** Bolt & van Zanden 2013.

### GRAPH 1: THE FIVE RICHEST AND POOREST COUNTRIES IN THE WORLD



Source: The World Bank

Another way to illustrate these differences is how long it takes for someone to earn enough money to buy a certain product. For an American construction worker it takes four minutes to earn one kilogram of flour. For his Mexican counterpart it takes one hour, and the Indian two hours.<sup>22</sup>

Economics Professor Angus Deaton has calculated the difference in lifetime earnings between the United States and the Congo, and concluded that the average American is 200 times higher than the Congolese. This is partly due to the revenue in the United States being much higher than in the Congo, but also the fact that in the United States people live much longer than in the Congo.<sup>23</sup>

Now both Norway and Congo are countries that stand out; so-called outliers. The former is a very well-run state with huge oil reserves,

<sup>22</sup> Pritchett 2006.

<sup>23</sup> Deaton 2013.



while the latter has experienced the worst kind of misrule and civil war for half a century.

Even if one looks at the more average countries in each region, the differences are large. The average income in Germany is 26 times higher than in Tanzania (which was once called German East Africa). In Canada, people have four times the income of those in Colombia and in Korea people are 14 times better off than in Cambodia.<sup>24</sup>

The difference in overall living standards between countries is much greater than the differences within countries. The lowest income decile in the United States are better off than the highest income decile in India.<sup>25</sup> The American underclass thus has a higher standard of living than the Indian upper classes, at least if measured in absolute terms.

## THE LIVING AND THE DEAD

Rose lives in Zeagbay in rural Liberia on Africa's west coast, one of the world's poorest countries. When her daughter, Blessing, suffered a fever that refused to give in, Rose became worried, because in Zeagbay there is no medical treatment around. The nearest health clinic is 22 hours away on foot, so Rose started walking with Blessing on her back. But she did not arrive in time, and her daughter died

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**24** The source for all the income levels mentioned in this section is the World Bank database World Development Indicators.

**25** Rampell 2011. This does not mean that everybody who lives in the United States is better off than everybody who lives in India. There are of course Indians who enjoy a higher living standard than quite a few Americans. For example, there are 150,000 dollar millionaires in India. They are better off than American fast food restaurant workers earning the US minimum wage.

after five hours of hiking. Rose describes her lost daughter as a “hole in the heart.”

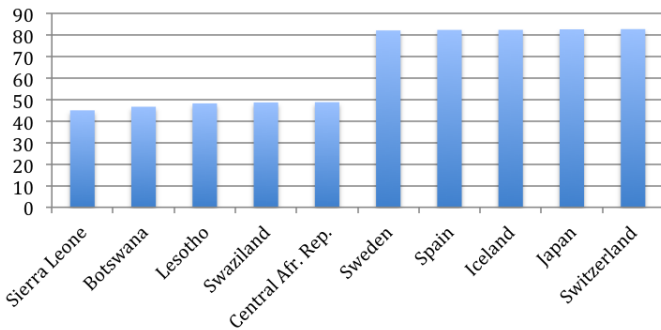
That is how vulnerable life is for millions of people. In Zeagbay only, with 250 inhabitants, ten children under five have died in the past two years. Life expectancy in the village is 29, on par with Europe during the Middle Ages plague epidemic.<sup>26</sup>

It is not just in terms of income that global inequality is high, but also in terms of health. Although the world is becoming more equal in this area - and here the leveling is happening even faster than in terms of income - differences in various welfare measures related to health remain very large.

In Graph 2 below, we see the five states with the lowest and highest life expectancies in the world.

**GRAPH 2: THE FIVE COUNTRIES WHERE PEOPLE LIVE THE SHORTEST AND LONGEST**

**Life expectancy, 2011, years**



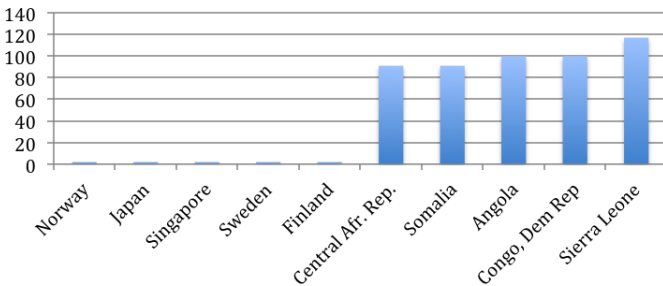
Source: World Development Indicators

In Sierra Leone, life expectancy is 45 years, compared to 83 years in Japan and Switzerland. Anyone lucky enough to be born in Western Europe rather than in sub-Saharan Africa can thus expect a life that is several decades longer.

The difference in terms of the risk that an infant will not survive their first year is even greater.

### GRAPH 3: THE FIVE COUNTRIES WITH THE LOWEST AND HIGHEST INFANT MORTALITY

Number of infants who don't survive their first year, per thousand born, 2012



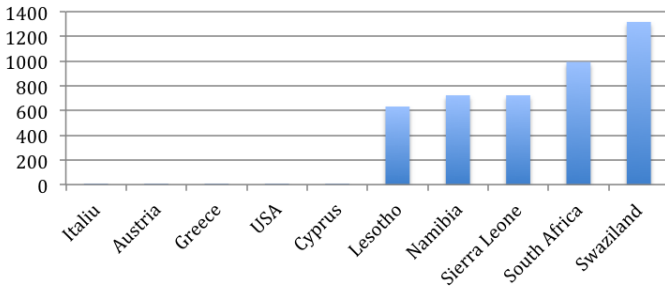
Source: World Development Indicators

In Sweden, on average, one in five hundred children die in their first year. In Angola, one out of ten dies. The risk of death for infants is thus fifty times higher in Angola than in Sweden.

One can also measure differences in health by looking at the incidence of various diseases. One such illness is tuberculosis. It is a painful and deadly disease that used to be common in the western world, including in Sweden. Nowadays there are very few people who are affected (in Sweden it is 7 out of 100,000 persons). In some poor countries, it is still a common disease.

**GRAPH 4: COUNTRIES WHERE TUBERCULOSIS IS MOST AND LEAST PREVALENT**

Incidence of tuberculosis,  
per 100 000 inhabitants, 2011



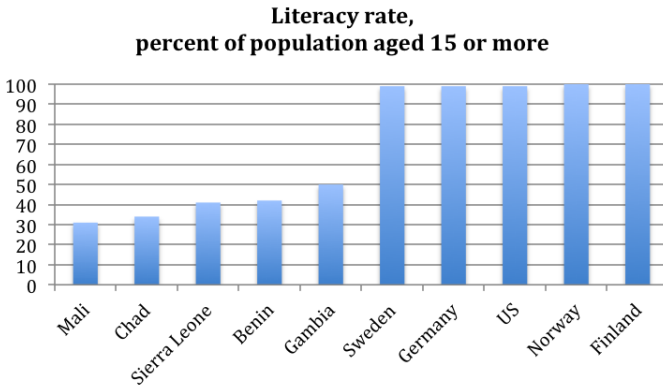
Source: World Development Indicators

An important factor in development is knowledge: everything from being able to work productively to having the ability to hold those in power to account and owning the tools that allow you to live a free and full life. The main way to acquire knowledge is to attend school. Again, the difference between rich and poor countries is large. In several African countries less than half of all children complete primary school.<sup>27</sup>

Education systems in many countries are notoriously bad and the kids do not learn much, something that is reflected in the statistics on literacy. In several African countries, the literacy rate among the adult population is less than fifty percent. In rich, well-functioning countries virtually all adults can read and write.

<sup>27</sup> The "worst" country is Chad, where only 38 percent attend school. The second to the worst is the Central African Republic (43 percent), followed by Djibouti and Niger (both at 46 percent.)

### GRAPH 5: THE HIGHEST AND LOWEST LITERACY RATES



Source: African countries: World Development Indicators (2010). Other countries: CIA World Factbook (various years in the 00's).

Another major welfare difference between countries is the security one experiences in everyday life. Security is a concept with many different dimensions, not least ideologically, but most would agree that the risk of being murdered is a major source of insecurity.

The risk of homicide correlates clearly with how well a country works. The lowest risk is in rich, well-functioning countries. Despite much prejudice, in the United States the homicide risk is lower than the global average. A person who lives in Honduras is 229 times more likely to be murdered than someone who lives in Japan.<sup>28</sup> Even worse than lawlessness is civil war. Liberia's 14-year-long conflict is estimated to have claimed the lives of 250,000 of the country's four million inhabitants.<sup>29</sup>

<sup>28</sup> UNODC 2011.

<sup>29</sup> In fact, there were two different wars, the first one between 1989 and 1996, and the second one between 1999 and 2003.

Another development indicator is freedom from oppression. It is difficult to measure, quantify and compare. But Freedom House (FH) has made an attempt. FH ranks countries according to the degree of political rights and civil liberties, and then provide ratings from 1 (maximum freedom) to 7 (maximum unfreedom). FH then divides countries into three categories: free, partly free or unfree. Countries like Sweden, Cape Verde and Costa Rica are completely free, while countries such as Uzbekistan, Sudan and North Korea are judged to be completely unfree. The differences between the two categories of countries are enormous, in terms of citizens' access to justice or the opportunity to express oneself freely and hold those in power accountable. A majority of the countries classified by FH are either non-free or partly free.<sup>30</sup> So there are many countries across the world where citizens might want to leave in order to escape oppression.

These statistics are not news. Anyone who is engaged in enhancing global welfare and human development is familiar with the large global differences in living standards. But this is exactly why more people should draw the obvious conclusion: the best way to raise one's income, to get a longer and healthier life, not to see one's newborn baby die and instead give it schooling so that it can learn to read and write; and also get to live safely without political oppression, is to move from the poor dysfunctional country to a rich well-functioning country. It's almost like a magic wand: abracadabra and life is suddenly much better.

Let us compare Chad with Germany as an example.

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30 Freedom House 2013.

**TABLE 1: LIVING CONDITIONS IN CHAD AND GERMANY**

	<b>CHAD</b>	<b>GERMANY</b>
GDP per capita (PPP)	\$1,493	\$40,901
Life expectancy	50 years	81 years
Infant mortality	8.9%	0.3%
Literacy rate	34%	99%
Political freedom	6.5 (unfree)	1 (free)

Source: World Development Indicators and Freedom House.

On average, a German has a 27-fold higher income and lives 31 years longer than a Chadian. It is 30 times more likely for the Chadian's children to die in his or her first year and almost three times more likely for him or her to be illiterate. Furthermore, the Chadian lives in political bondage.

Of course, a Chadian is not automatically transformed into the average German just by moving to Germany. How much of a person's standard of living that is determined by the country of residence is the topic of the next chapter.





# 4. Who or where: what determines your standard of living?

*“In the battle against global poverty, the best weapon is a welcome mat.”* – Robert Guest, Business Editor, The Economist.

The last chapter ended with a comparison of the quality of life between Germany and Chad, and with the reservation that migration does not automatically blur these differences. A Chadian does not acquire a German standard of living as soon as he or she crosses the German border. But the question is to what degree the move makes life better for the migrant.

The answer depends on how much of the difference in living standards between Germany and Chad can be explained by the people and how much can be explained by the location. Does higher productivity

in Germany depend on inherent characteristics of the employees, or does it depend on the surroundings, the environment in which the employees work? If the difference is mainly to be found in the people, then the welfare gain from migration is low. If the difference is mostly in the place, then the welfare gain of moving is high. Is it who or where you are that determines your standard of living?

More concretely, one can put it this way: if it is the case that Germans are richer because of their higher education level or because German culture has formed them to behave more productively, then it would not make sense for Chadians to move to Germany, because they still will have the same level of education and be carriers of the same culture as in Chad (even though they eventually adapt to German culture). But if it is so that Germany is richer than Chad because its technological level is higher, and hence with the help of machines and computers the Germans can produce more, and because its institutions and policies are better, then the Chadian will have it much better in Germany than in Chad.

The question of who you are has at least two components: first your human capital, which consists of your education and your experience in the labour market, and second, your culture. The issue of where you also has at least two components: the country's investment in physical capital, i.e., infrastructure and equipment, and second, the country's institutions and policies. Let's look at each of these components.

## **WHO 1: CULTURE**

For a long time it was common to use culture as an explanation of differences in living standards between countries or continents. Theorists believed that different cultures—for example Catholicism,

Confucianism or African traditional culture—drove or held back economic development. However, these theories have been met with several problems.

First, they are often based on prejudice - if not pure racism - such as when North Americans suggest that Mexicans are lazy and just enjoy themselves. But the amount of work, whether in time or intensity, can hardly explain the enormous income differences we saw in the last chapter. Norwegians do not work 172 times more or harder than the Congolese. The crucial thing is how much you produce per hour worked, not how many hours you work.<sup>31</sup>

Second, the concept of culture tends to be vague and ill defined. Is it religion, ethnicity or other characteristics that are referred to?

Third, the theories do not chime well with reality. At one time, development and mass prosperity were considered rare luxuries reserved for predominantly white, Protestant countries around the North Atlantic. It is possible that Max Weber was right when it comes to the importance of the Protestant work ethic for the birth of industrialisation.<sup>32</sup> But now it is clear that also countries in other places and with other religions can develop.

A number of Catholic countries and regions are among the world's richest and most dynamic, including northern Italy, southern Germany, Ireland, and Belgium. Even in prosperous Switzerland Catholicism is the main religion. Catholic Chile has qualified as a member of the OECD.

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**31** In order for the difference in living standards to be explained by working hours, the average Norwegian must work 172 times more than their Congolese counterpart.

**32** Weber 1978.

Few people nowadays subscribe to the thesis that Asia's culture prevents development.<sup>33</sup> It is hardly any change to their culture that has made China and India begin to develop, not to mention Japan and the Asian tigers that are already developed. And in Africa, a country like Botswana has been able to achieve an impressive standard of living. Africa currently has the highest economic growth of all parts of the world.

One can also look at some natural experiments, i.e. observable changes that took place in real life. When a country is divided, especially for political reasons, one can follow the development of each part and draw conclusions about how each policy works. The cultures of East Germany and North Korea did not differ significantly from those in West Germany and South Korea. But the economic differences between the respective countries are/were obvious.<sup>34</sup>

Another example is the city of Nogales. Residents in the northern part are three times richer than those who live in the south. The people, religion, climate and culture are the same. But the northern part of the city is located in Arizona, USA, and the southern in Sonora, Mexico. The same people with the same culture produces completely different economic results, in two different countries.<sup>35</sup>

Culture does not seem to have any significant effect on the level of development, and is thus unlikely to explain the difference between Chad and Germany or between other rich and poor countries.

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**33** This was the thesis of Nobel laureate Gunnar Myrdal's book *Asian Drama: An Inquiry into the Poverty of Nations* from 1968.

**34** Acemoglu et al 2006.

**35** Acemoglu & Robinson 2012.

## WHO 2: HUMAN CAPITAL

The second “who question” is human capital. Is Germany richer than Chad because the Germans know more than the Chadians? Human capital is built up primarily by education and work experience.

In general, education affects a country’s income level positively. But a number of papers have questioned whether human capital really is what determines whether a country develops or not. Economics professor Lant Pritchett examines whether there is any correlation between a country’s investment in education and its productivity per employee. He finds that on average there is no correlation.<sup>36</sup>

Economist Lutz Hendricks compares a number of countries with the United States. If one looks only at the investment in capital (human and physical), incomes in the poor countries included in the sample ought to be around half the American level. In reality, they are at one fifth. So it is much more than just training and equipment that determines the income level of a country.<sup>37</sup>

Furthermore, three Harvard economists demonstrate that the level of education is hardly crucial for a person’s income level. They examine differences in living standards between people who have almost exactly the same conditions in terms of skills, but who live in different countries. How much more money does someone make who has moved to the United States, compared with those who have remained in their home country?

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**36** Pritchett 2001.

**37** Hendricks 2002.

A 35-year-old man who was born in Peru, who has nine years of primary schooling from Peru, and who now lives in the United States earns an average of \$1,714. A person with the same characteristics, but who remains in Peru, earns an average of just the equivalent of \$452, the salaries being adjusted for the fact that goods and services are more expensive in the US than in Peru. This means that the same person has almost four (3.8) times the standard of living in the United States than in Peru. The researchers call this the “place premium”, which in this case is 3.8.<sup>38</sup>

It is not *who* you are that primarily determines your income. It is *where* you are. What country you live in is a more important factor than what you know and what experience you have, when it comes to deciding what standard of living you have.

## WHERE 1: PHYSICAL CAPITAL

If you ask a man or woman in the street why some countries are rich and others poor, some of the answers you will get are probably the availability of raw materials and the technological level. And of course, it is intuitively obvious that someone who works in a high-tech factory usually works more effectively than someone who performs a major part of the work by hand. It is therefore not surprising that the former earn more than the latter.

But at the same time, we saw above that Lutz Hendricks shows that investment in physical capital is not critical for a country’s development level. Stanford economists Robert Hall and Charles Jones show

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38 Clemens et al 2009.

that neither human capital nor physical capital can explain most of the differences in income between countries.<sup>39</sup>

This is in line with the results of a large project from the World Bank, in which researchers measure how much various kinds of capital contribute to economic development. This applies to natural capital like oil and agricultural land. And it also applies to produced or constructed capital, that is, things like machinery and infrastructure. Even when taking into account the differences in access to these kinds of capital, the bulk of the income gap between the world's countries remains. So there is something else other than machinery and natural resources that determines the standard of living of the people of a country.<sup>40</sup>

## WHERE 2: INSTITUTIONS (AND POLITICS)

In contrast to the other results mentioned above, the researchers in the aforementioned World Bank project found that the level of education plays a role in a country's development. But the most important factor for a country's prosperity, according to this study, is the rule of law, i.e., one of the institutional foundation pillars.

Nowadays, most development scholars agree that the main factor determining a country's level of income - welfare - is precisely its institutions.<sup>41</sup> Institutions are the rules that shape human behaviour, mainly the rule of law and secure property rights. The two

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**39** Hall & Jones 1999.

**40** World Bank 2006.

**41** Hall & Jones 1999, see also North 1991, Rodrik et al 2004 and Acemoglu et al 2006.

economists Daron Acemoglu and James Robinson call the development-driving institutions *inclusive* and the development-inhibiting ones *extractive*.<sup>42</sup>

Above, I compared the rich country Germany with the impoverished country of Chad. In a classic paper from the mid-1990s, American economist Mancur Olson made a similar comparison, between Germany and Haiti, another very poor country. The welfare gap between Germany and Haiti is very large. In 1980 the average German had an eleven times higher income than the average Haitian. But if you move Haitians and Germans to the United States, most of these income differences vanish. US immigrants from Haiti had about two-thirds the income levels of US immigrants from Germany.

The differences in income between Germany and Haiti can hardly be explained by differences in human capital. We're talking about the same people, but in different places. The differences cannot be explained by unequal access to physical capital. It is agile and available for most countries and companies around the world at a small cost. Instead, it is the institutional environment in which they operate that is the main cause of differences in living standards.<sup>43</sup>

In summary: more than anything else, a person's standard of living is determined by where she is, not who she is. This suggests that the benefits of moving from a poor to a rich country are great. The exact magnitude of these gains is the theme of the next chapter.

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<sup>42</sup> Acemoglu & Robinson 2012.

<sup>43</sup> Olson 1996.







# 5. How much greener is the grass?

*“Most migrants, internal and international, reap gains in the form of higher incomes, better access to education and health, and improved prospects for their children.”* – United Nations Development Programme, Human Development Report 2009

Odilia Chavez grew up in a poor village in southern Mexico. She attended school for only three years and often her family did not have enough to eat. So, at the age of twelve, she moved to Mexico City to work as a maid.

During visits back home, she saw how various persons who had managed to cross the north border to the United States to work came home in swanky cars and built large houses, while her mother was still sleeping on a mat in the hut she grew up in.

In 1999 Odilia also managed to cross the border. Since then she has been an “illegal” immigrant working as an agricultural labourer, mostly picking fruit and vegetables. Two of her children were born in the United States and are therefore American citizens. The eldest son, who she had brought with her from Mexico, is studying political science at university.

Although Odilia thinks that her pay is too low, she is very pleased to have been able to pay off the loans on her house in California. When she picks tomatoes she earns just \$62 a day. Cherries, however, bring in as much as \$210 a day, so she works less and less with tomatoes.<sup>44</sup>

The differences in living standards between Mexico and the United States are large. When Odilia picks cherries in the United States, she makes a monthly salary of a Mexican fruit picker in just over three days. Taking into account the higher prices in the United States, it takes about a week. Although she only works seven hours a day, Odilia is thus about four times better off than she would have been if she had the same job south of the border.<sup>45</sup>

Now, let’s remember that Mexico is not one of the world’s poorest countries - and far from it. It is a member of the OECD - the group of rich countries - and is classified by the World Bank as an upper middle-income country. But compared to the United States, Mexico is poor. Also, since income inequality is higher in Mexico than in the United States, the gain of migration for low-skilled workers such as Odilia is very large.

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<sup>44</sup> Smiley 2013.

<sup>45</sup> According to [www.misalarario.org](http://www.misalarario.org), a Mexican fruit picker with 15 years of experience makes about 9,000 pesos a month, or about \$685. But since prices are higher in the US, we must use a PPP converter to get a comparable living standard. Mexico’s PPP conversion rate is 0.6, which makes the salary around \$1,100 per month ( $\$685/0.6=\$1142$ ).

In the debate about the consequences of migration, two groups of people are usually at the centre: the people who remain in the sending country and those who already reside in the host country. For some reason, the gains for the migrants themselves are downplayed, although they are the ones who are the big winners. That Odilia improved her life by moving to the United States is obvious. But that's just an example, and it does not tell us much about migrants' welfare improvements in general. How much do you really gain by moving from a poor to a rich country?

## INCOME

Marie moved to Sweden in 2003 from the Gambia as the wife of a Gambian man. At the time she was 24 years old. The marriage did not last, but Marie remained in Sweden and is now engaged to a Swede. When asked what separates Sweden from the Gambia, she replies: everything. In the Gambia, people live with their parents until they get married. In Sweden, she says, the entire society is better: democracy, schools, and health services. Marie has studied to become a nurse and now she works as one. She says she earns at least ten times more than she would in the Gambia.

Marie is an example of how much the life of a migrant can improve. But what does the research say about the issue in general? In *The Power of Migration*, we cited four studies that examine the potential benefits of free global movement of labour. They pointed to an approximate doubling of world GDP, with an increase of 67 percent as the lowest result and 147 percent as the highest.<sup>46</sup>

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**46** The four studies presented in *The Power of Migration* were Hamilton & Whalley 1984, Moses & Letnes 2004, Iregui 2005, and Klein & Ventura 2007.

John Kennan, economics professor at the University of Wisconsin, estimates that the gains are higher than the equivalent of a doubling of incomes in developing countries, around ten thousand dollars per worker. Harvard economist Michael Clemens has described the situation as being as if there are “trillion-dollar bills on the sidewalk.”<sup>47</sup>

These gains are primarily due to people of the same productive capacity moving from a poor institutional environment to a good one, gains that primarily but not exclusively end up with the migrants themselves.

Exactly how much the standard of living of a migrant increases when moving from a poor to a rich country is difficult to determine. It varies from case to case, depending on a variety of factors. But there are a few different general estimates.

The annual purchasing power-adjusted average earnings in what are known as the Least Developed Countries (LDCs) is \$1,544. In the rich OECD countries, the figure is \$39,834. This means that residents of rich countries on average have a 27 times higher income.

It is on the basis of this simple observation that the Global Commission on International Migration notes that migrants who move from poor countries often receive an income that is twenty or thirty times as high as in their country of origin.<sup>48</sup> Their statement, however, is based only on a simple comparison of average incomes between countries, which it is not the whole truth.

There are at least two factors to take into account. We have already been through them, but I will still, for the sake of clarity, repeat them.

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<sup>47</sup> Kennan 2013 and Clemens 2011.

<sup>48</sup> Global Commission on International Migration 2005.

Not least because these factors are objections that often occur in the debate.

The first objection is usually that everything is so much more expensive in rich countries; prices are so much higher that the migrants' increased incomes are eaten up. But the figures above are adjusted for purchasing power, that is, already adapted to the different price levels, using "purchasing power parity", commonly abbreviated as PPP. There is criticism of the PPP system. Some argue that it overstates poor people's standard of living, while others claim the opposite. But despite its problems, it is an accepted way of comparing income levels between countries.

Thus the data above indicating that average income levels in OECD countries are 27 times higher than in the least developed countries, mean that the former have 27 times the consumption power of the latter. These kinds of numbers are often difficult to grasp. How can you live on 1.000 kronor a month in a country where everything costs the same as in Sweden, people usually ask. The answer is that they just do: about half the world's population has a standard of living equivalent to 1,000 kronor, with Swedish prices.<sup>49</sup>

The second objection is usually that the reason why people in poor countries are so poor is that they have such low levels of human capital, so limited skills, so little training and so little work experience from a rich, advanced country. But as we saw in chapter three, it is

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**49** The web site [www.givingwhatwecan.org](http://www.givingwhatwecan.org) has a calculator based on the research of Branko Milanovic, where can see how one's incomes compares to the earnings of the rest of the world. A yearly income of 12,000 kronor places a person among the 51.4 percent of the world's better off population. The data is from 2002 and since then world poverty has declined which most likely means that today there are fewer people at that income level today. [www.givingwhatwecan.org/why-give/how-rich-am-i](http://www.givingwhatwecan.org/why-give/how-rich-am-i)

not the level of education or human capital that is the main cause of differences in living standards, but the institutions. It is where, not who you are that primarily determines your income.

There are scholars who have made estimates of exactly how large the gains are of migration from a poor to a rich country. Gordon Hanson, an economics professor at the University of California in San Diego and a specialist on migration, compares wages in Mexico with wages for Mexican immigrants in the United States. In 2000, the average hourly wage for a Mexican man with nine years of education was \$2.40. For a newly arrived Mexican in the United States the figure is \$8.70, that is, between three and four times as much. These figures are adjusted for purchasing power. If you work 35 hours per week, this means an annual gain of \$12,000.<sup>50</sup>

According to two other economists, Michael Clemens and Justin Sandefur, the median earnings of immigrants to the United States is four times higher than in the country of origin. A Salvadoran male worker with a high school education living in the United States earns on average exactly the same as the US-born worker, but eight and a half times more than the Salvadorian still living in El Salvador (not adjusted for purchasing power). Indians living in the United States are not only many times better off than their fellow countrymen who are still in India, they also earn more than the average American.<sup>51</sup>

Along with development economist Lant Pritchett, Clemens has tried to systematize these numbers globally. When we look at the income levels of the world, we usually start at the country-level and ask the question: what is the GDP or the GNP per capita in, for example, El Salvador and Albania? Pritchett and Clemens suggest a new

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<sup>50</sup> Hanson 2006.

<sup>51</sup> Clemens & Sandefur 2013 and Pritchett 2006.



approach by turning things around and ask what the average income is for all Albanians and Salvadorians, that is, not just those who live there now, but all those born in the country, including those who have emigrated. Pritchett and Clemens call the new measure “income per natural”. El Salvador’s per natural-income, thus, is the average income among all who live in El Salvador today and those who have left the country.

If a large proportion of all those born in El Salvador and Albania have emigrated to countries where incomes are significantly higher than in the country of origin, then the difference may be great. The traditional measure covers only Salvadorians living in El Salvador and Albanians living in Albania (and immigrants to their respective countries). The new measure also includes Salvadorians who have moved to e.g. the United States and Albanians who have moved to e.g. France. Salvadorians living in the United States have much higher incomes than Salvadorians living in El Salvador. The same is true of Albanians living in France compared to Albanians who remain in their home country.

If you then compare income per natural with income per capita you get interesting numbers. If the per-natural income is much higher than the per-capita income, this means that many people have moved to countries where incomes are much higher.

This is the case for Albania. The Albanian per natural income is 60 percent higher than the per capita income. Many Albanians have thus left the country and earn much more than in Albania.

At the global level the numbers are staggering. Already, 42.8 million people live in countries with an income per natural that is 50 percent higher than the income per capita. 235 million live in countries where the difference is 20 percent, and as many as 1.1 billion live in

countries where the difference is 10 percent. Migration has already greatly contributed to reducing global poverty. 40% of the Mexicans who have ever taken themselves out of poverty, defined as a daily income of \$10 or less a day, have done so by moving to the United States. For Haitians, the corresponding figure is four out of five.<sup>52</sup>

The United Nations Development Programme (UNDP) has also made an attempt at estimating the economic benefits of moving from a poor to a rich country. Each year, the UN agency releases a major report on “human development”, a concept that combines income with education and health. The reports also have a particular theme that varies from year to year. In 2009, the topic was migration.<sup>53</sup>

The UNDP divides countries in four groups according to their level of human development: low, medium-low, high and very high human development. To estimate the economic benefits of migration, economist Francesco Ortega, in a background report, compares the incomes of those who move to an OECD country with those who remain. For persons from countries with low human development the gain of moving is nearly \$14,000, which is more than ten times more than the average earnings of people in really poor countries.<sup>54</sup> (We saw above that in LDCs the average annual income is \$1,544.) Migration is a highly effective poverty fighter.

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**52** Clemens & Pritchett 2008.

**53** UNDP 2009.

**54** Ortega 2009.

## HEALTH AND EDUCATION

As noted in chapter two, the economic dimension of development is not the only one, even if it is very important. Things such as health and education are also vital for human welfare. Also here the differences between rich and poor countries are significant and the benefits of migration between such countries are great also in these dimensions.

For example, coming from a poor country in Africa and establishing oneself in Sweden or any other advanced OECD country may suddenly give access to world-class healthcare.

In the aforementioned 2009 report, the UNDP reviewed the issue, finding that the numbers are striking. When people move from countries with low human development to rich countries infant mortality is on average 16 times lower. For newborns who remain in the impoverished country, the risk of dying during the first year is 11.2 percent. For children of parents who have moved, the risk is only 0.7 percent. Clemens and Pritchett, mentioned above, estimate that tens of thousands of babies' lives are saved each year because their parents migrate from a poor to a rich country.<sup>55</sup>

Also in the case of education, a move from a poor to a rich country entails great improvements. For a person from a country with low human development, such a migration doubles the number of years of schooling.<sup>56</sup>

The UNDP report shows that over three quarters of all migrants move to a country with higher human development than the country

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<sup>55</sup> Clemens & Pritchett 2008.

<sup>56</sup> Ortega 2009.

of origin. Increased human development, or welfare, seems to be a major driver of migration. It is rational, since the welfare improvements may be very large. On average, migration leads to substantial increases in human wellbeing. The grass on the other side of the fence is much greener.

The migrants also send home a portion of their increased prosperity, which is the theme of the next chapter.





# 6. Money home to Mom

*“The most immediate and tangible benefit of international migration.”* – Kofi Annan, on remittances.

Imagine that you emigrate to a country where they earn 20 times more than your home country, while the prices are about the same as at home. And you have a sister at home who studies at university and who finds it hard to make the student loan cover her expenses, and a brother who is about to buy his first apartment.

What would you do? Help them with some money? Most of us would probably do so. Half of what you make a month would solve your siblings' problems.

That is what life is like for millions of migrants who have made their way to richer countries to work. Collectively, they send hundreds of billions of dollars each year to their loved ones at home. These remittances are estimated in 2013 to have amounted to over 414 billion dollars.

The total remittances are estimated at 550 billion dollars. But this figure also includes flows to wealthy countries, a Spanish engineer who works in Germany or a Canadian who is a broker on Wall Street. If we remove these transfers, 414 billion dollars are left, going to poor countries.

This chapter is longer than the others, for several reasons. First, remittances are a phenomenon that is relatively new. Although the issue has received some attention, it is less well illustrated in the aid and development literature. This is particularly true in relation to the scope and increase in the flows in recent years. Second, the impact of remittances is widely discussed in development research, in a way that seems to be unfamiliar to parts of the establishment and the aid industry. And third, there is criticism of remittances that needs to be addressed.

Is it not strange that someone like me, who has written several books about the negative effects of foreign aid on development in poor countries, now suddenly speaks warmly of financial transfers, though in a different form? No, because it is in a different form. Most of the negative side effects of foreign aid are due to the money going to or through the government of the recipient country, to the fact that those in power have a lot of control of where this money goes and that incentives and behaviour of those in power are adversely affected by this money. Foreign aid is primarily about a state's relationship with another state.<sup>57</sup> Remittances, however, go from one individual in one country to an individual in another country. Thus, most of the negative impacts of foreign aid are avoided.

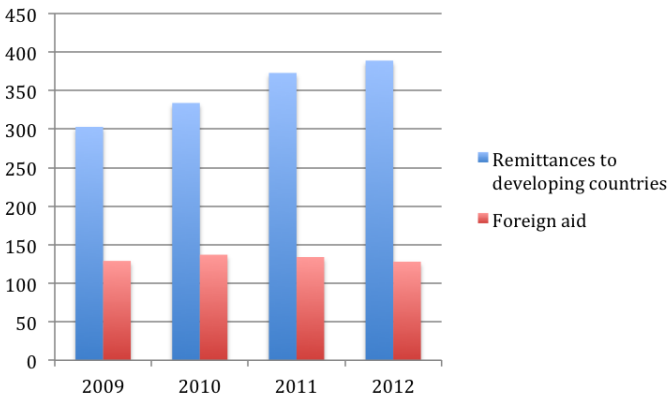
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<sup>57</sup> Also multilateral aid has such characteristics, since it is run by organizations made up of states.



Remittances play an ever-increasing role in the total flow of financial resources to poor countries. Their volume is now more than three times greater than total foreign aid, and they are expected to grow in coming years, probably by much more than foreign aid.

### GRAPH 6: REMITTANCES AND AID (BILLIONS OF DOLLARS)



Source: World Bank and OECD. The remittance data for 2012 is preliminary.

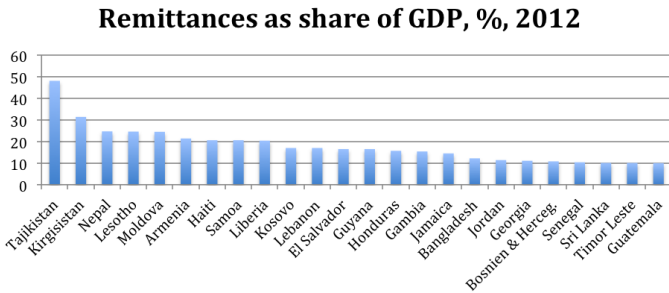
These figures probably underestimate the total flow of remittances. Firstly, there is money that will never be registered because neither the sender nor the recipient wants it to be, like when you send a few notes in an envelope. And secondly, many poor countries, especially in Africa, are notoriously bad at collecting statistics on the issue. For lack of better information, we must therefore content ourselves with the statistics available, but keep in mind that the numbers in practice are probably significantly greater.<sup>58</sup>

Remittances go to all parts of the world. As shown in graph 7 overleaf, there are countries in Latin America, Africa and Eastern Europe, the

<sup>58</sup> Ratha et al 2011.

Middle East, Central Asia and East Asia, where remittances represent at least ten percent of GDP.

### GRAPH 7: RECEIVED REMITTANCES



Source: World Bank

Even for some poor countries that are doing well financially and experiencing improved welfare, remittances can play a big role. For example, inflows of remittances to India are greater than the revenues from the country's vaunted IT exports.<sup>59</sup>

In the previous chapter, I briefly spoke about Marie from the Gambia who works as a nurse. Every month she sends home 1,500 kronor to her parents. This corresponds to between two and three months of salaries in the Gambia.<sup>60</sup> Before Marie moved, they had no electricity or running water in their home. Now they do.

"They have everything that I have, almost", says Marie, laughing, when I interview her. "And this Christmas they will get a little extra, maybe two or three thousand", she adds.<sup>61</sup>

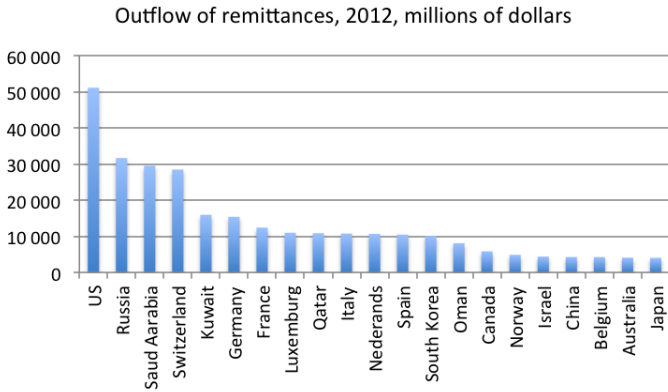
<sup>59</sup> World Bank 2013.

<sup>60</sup> The average hourly wage in Gambia is \$0.57. If a person works 40 hours a week, their wage is then around \$100 dollars a month.

<sup>61</sup> Interview with the author.

It is also interesting to see which countries are the largest senders of remittances. From where do migrants send money home?

### GRAPH 8: THE LARGEST SENDER COUNTRIES OF REMITTANCES



Source: World Bank

The largest sender country of remittances is the United States, followed by Russia and Saudi Arabia. Switzerland is fourth, followed by Kuwait, Germany and France. These figures obviously reflect global migration patterns. People move from Latin America to the United States, from the former Soviet republics to Russia, from the Middle East and South and Southeast Asia to the Gulf States and from the Middle East and Africa to Europe.

One cannot spend long in Kerala in southwest India before meeting someone who “has been to the Gulf and worked.” Remittances from the Gulf and other areas make up nearly a third of the state’s economy and contribute significantly to the welfare of the residents. In 2008, an average Keralite household received nearly 13,000 rupees

(\$260) in remittances. Without this money, the region's average income would be reduced by a quarter.<sup>62</sup>

The figures from Western Europe can be misleading from a development perspective, because they partly depend on intra-European migration. But not entirely. In Morocco, remittances account for 6.3 percent of GDP, with France as the largest sender (closely followed by Spain and Italy). In Senegal, where remittances represent more than ten percent of GDP, France, Italy and Spain together account for more than half. Increased migration to Europe, especially from sub-Saharan Africa, has great potential to increase remittances.

## **THE EFFECTS OF REMITTANCES**

In order for it to make sense to argue for increased migration with the purpose of increasing remittances, these money flows need to have positive effects on poverty reduction and development in poor countries. Let's see if that is the case.

From a remittances perspective, migration can be seen as primarily a livelihood strategy, where households are the most relevant unit. To send one or more members abroad is a way for the family to spread risks and gather enough money to pay for the children's education, to be able to go see a doctor or to start a business.<sup>63</sup>

### **POVERTY**

Mrs. Welday lives in a small village outside the historic city of Axum in northern Ethiopia. Her house cost the equivalent of \$1,000, which

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**62** Rajan & Zachariah 2013.

**63** de Haas 2007.

is an insurmountable sum for her. But Mrs. Welday did not pay for the house herself. Instead her son, Haddish, did. Since he lives in the US working as an accountant, it was pennies for him. Haddish has not only paid for his mother's house, he also sends her a monthly sum of money, which is an important part of her livelihood.<sup>64</sup>

The most immediate – and for that matter, obvious – consequence of remittances is that poor households get more money and can consume more. With a slight touch of contempt, it is sometimes suggested that remittances are not that important, at least not from a development perspective, because the transfers “only” lead to increased consumption and are not invested productively. This aspect, the direct poverty reduction of remittances, also tends to be downplayed in rhetoric and policy.

That is partly true. Often recipients use the money to build a house. And sometimes, in a way that to an outsider may seem irrational, it is used for purposes more related to status and vanity than to development, such as large parties, especially weddings and funerals, which may be a significant item in poor families' economies.

However, this is not the whole truth. In Ghana, for example, remittances are not treated differently from other types of income. Instead, the money is used the same way as other money. In Nigeria, 40 percent of the non-African remittances went to land or housing, 22 percent was invested in companies, 22 percent went to education and five percent to health care. Weddings and funerals accounted for only 0.4 percent.<sup>65</sup> But let us still discuss the waste or consumption track for a while.

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**64** Guest 2011.

**65** Ghana: Adams et al 2009, Nigeria: Ratha et al 2011.

Material deprivation is – by definition – low consumption capacity. If you get more money, you can consume more and are therefore less poor than before. Mrs. Welday is less poor than she would have been if her son had not been able to help her with some of his high American salary.

Consumption is not just about vanity. What can be seen as unproductive - or even pointless - can lead to important welfare improvements. If you live in a shed, it can improve your quality of life significantly if you manage to build a house. And buying “menial” goods may be about meeting basic needs. Remittances can mean that the recipient is able to afford a soap or that the family can eat meat twice a week instead of once. It may sound trivial to us who live in rich countries, where the vast majority can buy (almost) as much soap and meat as we want, but it can play an important role for a poor person. Furthermore, both house building and parties generate employment and income for others in the community, making remittances reach also members of families who do not receive any money from abroad.<sup>66</sup>

In fact, the hundreds of billions that migrants send home to developing countries every year reduce poverty in a direct and tangible way. In the Todgha Valley of southern Morocco, where almost half of all households receive remittances, these account for a third of all income. For families in south-eastern Nigeria with relatives outside Africa the money sent home represents up to half of the household income. In Uganda, remittances have reduced poverty by 11 percent.<sup>67</sup>

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<sup>66</sup> de Haas 2007.

<sup>67</sup> de Haas 2006, Nwajiuba 2005 and Ratha 2007.

When remittances to a household in Ghana increase by one percent, its welfare increases by 0.23 percent. This study also indicates that remittances make it easier for the poorest of the poor in Ghana to withstand economic downturns. In Latin America remittances' share of recipient households' income vary from 18 percent in Ecuador to 43 percent in Brazil. Remittances are estimated to account for up to half of the extensive reduction of poverty that has occurred in recent years in Nepal. In some parts of Bangladesh, remittances may constitute at least half of household incomes.<sup>68</sup>

According to one estimate 1.17 million Moroccans would fall back into poverty without remittances. Another study showed that remittances reduce poverty in Egypt as well as in Ghana.<sup>69</sup>

And if you go from the micro to the macro perspective, two researchers at the World Bank, in a survey of 71 countries, found that remittances reduce poverty both in terms of how many people are poor and how poor they are. A ten percent increase in remittances received per capita leads to poverty, defined as the proportion of people living on less than a dollar a day, decreasing by 3.5 percent.<sup>70</sup>

## **INSURANCE AND RISK DIVERSIFICATION**

Another aspect of remittances is diversification. Remittances constitute a form of insurance against political unrest or collapse, economic downturns or natural disasters. This aspect is particularly important because remittances tend to be more stable than other financial flows to poor countries.<sup>71</sup>

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**68** Quartey 2006, Agunias 2006 and Seddon 2004.

**69** Teto 2001 and Sabates-Wheeler et al 2008.

**70** Adams & Page 2005.

**71** Ratha 2003.

When countries stop functioning (become failed states) remittances can play a crucial role in basic livelihood, something which was the case in both Haiti and Somalia in the 1990s. Although there are no reliable statistics on the issue, experts have estimated that after the collapse of Somalia in the early 1990s remittances from Somalis who worked in the West and in the Gulf accounted for between 25 and 40 percent of GDP. This money was a critical survival factor for many families. There are scholars who argue that remittances have played a much larger role than emergency and development aid together, in terms of livelihood and survival in Somalia.<sup>72</sup>

Another risk is economic crises, which affect poor countries more than rich ones, because the former tend to have more volatile economies than the latter. In poor countries, periods of upturn are typically replaced by times of deep downturns, often independent of the international economy. In particular, sub-Saharan Africa has long suffered from a particularly vicious boom and bust cycle. In downturns, poor people are particularly vulnerable and may find it difficult to provide a living. Having a family member or relative who works in another country that does not follow the same cyclical pattern makes it easier to ride out the storm. This was the case for many during the Mexican crisis in 1995 and the crisis in Southeast Asia from 1997 to 1998.<sup>73</sup>

There is similar evidence from other parts of the world. Households in a poor rural region of Pakistan that regularly receive remittances cope more easily with economic downturns than other households. In Somalia, remittances increase when families are experiencing

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**72** Kapur 2004 and Gundel 2002.

**73** De la Garza 2013.



financial difficulties, suggesting that households are protected by relatives abroad.<sup>74</sup>

## ECONOMIC DEVELOPMENT

Aside from the plain provision of livelihood and security during crises, remittances can also play a positive long-term role in an impoverished country's economic development. It's important to remember, though, that when it comes to long-term economic growth, domestic policies and domestic institutions are crucial. No amount of remittances, just like aid or foreign direct investment, can initiate positive economic development in a decidedly negative institutional environment.

As we saw above, remittances often also affect people who do not receive any, that have no relatives abroad who send money home. Transfers may have what economists call a multiplier effect, that is, they lead to more economic development than just the actual cash contribution. In Mexico, each new "migra dollar" - remittances from the United States to Latin America - increase GDP by between \$2.69 and \$3.17.<sup>75</sup> According to the UN, these multiplier effects of remittances reduced poverty in Central America by between seven and fourteen percent. There were also similar effects in Greece in the 1970s and in Central and Eastern Europe after the fall of the Iron Curtain.<sup>76</sup>

Another economic aspect is about balance of payments deficits. These are a common macroeconomic problem for poor countries

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**74** For Pakistan, see Kurosaki 2006. For Somalia, see Lindley 2006.

**75** Adelman & Taylor 1990. The higher number is for urban households and the lower for rural households.

**76** United Nations 2004, Glytsos 1993, and Léon-Ledesma & Piracha 2001.

and can be an important obstacle to development. Here, remittances help because they reduce the shortage of foreign currency and hence improve the current account. This facilitates the import of foreign goods that can be important for future production. Furthermore, remittances improve a country's creditworthiness for external borrowing and lower borrowing costs.<sup>77</sup>

Often, a portion of remittances is saved. In Pakistan, households save international remittances to a greater extent than domestic ones. Savings usually lead to investments. Egyptian households with remittances invest more than households without, and in Mexico migration and remittances increase investment in micro-enterprises.<sup>78</sup>

Not surprisingly, there is also a positive correlation between remittances and entrepreneurship. In urban Mexico, remittances account for more than a quarter of all investments in micro-enterprises. Even in countries as varied as Egypt, the Philippines and Somaliland, there is a positive correlation between remittances and entrepreneurship.<sup>79</sup>

The scholarly literature on whether remittances lead to long-term economic growth is equally unclear as it is on foreign aid and growth. There are plenty of results pointing in each direction. It is therefore difficult to draw any conclusion as to whether remittances lead to increased economic growth in the long term.<sup>80</sup>

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**77** Buch et al 2002. Buch & Kuckulenz 2004, Nayyar 1994, Straubhaar 1988, and The World Bank 2006.

**78** Taylor 1999. Pakistan: Adams 1998; Egypt: Adams 1991; and Mexico: Woodruff & Zenteno 2007.

**79** For Mexico, see Woodruff & Zenteno 2005. For Egypt, see McCormick & Wahba 2001, for the Philippines, see Yang 2008, and for Somaliland, see Gundel 2002. For yet another study that finds a correlation between remittances and entrepreneurship, see Massey & Parado 1999.

**80** Pradhan et al 2008 and Ziesemer 2012.

## HEALTH AND EDUCATION

Although remittances are about money, their effects are not limited to the economic sphere. Quite the opposite. They may also have important consequences on the recipients' welfare in a broader sense. Several studies and surveys show that households receiving remittances invest part of those in health and education.

In Nepal, remittances contributed to maternal mortality declining by 43 percent between 1996 and 2006.<sup>81</sup> In Mexico, as much as ten percent of remittances are spent on health care. Such expenditures make a difference. In Mexican communities where many residents have moved to the United States, infant mortality is dramatically lower than in comparable municipalities. Children in households that receive remittances from the United States run a lower risk of being born with low weight, and are more likely to survive their first year.<sup>82</sup>

Remittances can also have a positive effect on the educational level in the home country. In Mali, for example, this money is used to build both health clinics and schools. Guatemalan households receiving international remittances spend on average 81 percent more on education than they would if they did not receive money from abroad. In rural Pakistan, it is more common for children of migrants to be in school than children of non-migrants. The former also spend more years in school than the latter. The difference is greatest for girls. Mexican children (10-15 years) in households that receive remittances attend school longer than children in families that do not

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**81** Engel 2013.

**82** Valero-Gil 2008, Kanaiaupuni & Donato 1999, Hummer & Frank 2002, and Hildebrandt & McKenzie 2006.

receive remittances. There are similar results from El Salvador and Sri Lanka.<sup>83</sup>

Also from the macro perspective, remittances seem to have positive effects on educational attainment. According to a recent study that examined 89 developing countries between 1970 and 2010, a one-percent increase in the inflow of remittances to a country lead to a two-percent increase in the number of years of education.<sup>84</sup>

## SOCIAL REMITTANCES

Carmen Cardenas is a 27-year-old woman who lives with her mother and sister in Miraflores, a small village in the Dominican Republic. She is unmarried, never went to primary school and has no fixed job. About once a year she goes to Santo Domingo, the Dominican capital, but she has never been outside the country.

Yet Carmen has a clear picture of Boston, and especially the district of Jamaica Plain. Like so many other Dominicans, she has siblings, namely two brothers and a sister, who live there and provide for her livelihood. They send not only money home to the Dominican Republic, but also information about how life in general is in the United States. That's why Carmen can so vividly describe Boston's parks and streets, and engage in discussions about the differences between Dominican and American life.

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**83** Mali: Martin et al 2002; Guatemala: Adams & Cuecuecha 2010; Pakistan: Mansuri 2006, Mexico: Hanson & Woodruff 2002; El Salvador: Cox & Ureta 2003 and Acosta 2006; Sri Lanka: De & Ratha 2012

**84** Ngoma & Ismail 2013.

This phenomenon is usually called social remittances, a term coined by the American sociologist Peggy Levitt. She defines these as “ideas, behaviours, identities and social capital that flow from host to sending country communities”, through various contacts like visits, letters and telephone calls. Levitt could, among others, show that things like gender relations and politics in the Dominican Republic were affected by the influence of the large Dominican diaspora in Boston.<sup>85</sup>

Since Levitt wrote her paper, the ability to communicate with people in other countries has increased, in particular through various social media, which makes it possible for social remittances play an even more important role now.

Social remittances can be about how to behave towards other people, especially between the sexes, how actively you participate in civil society organizations and aspirations in terms of social mobility. The will and the courage to challenge political and religious authorities are changing. Using the terminology of development economist and Nobel laureate Amartya Sen, social remittances can be a powerful tool when it comes to increasing peoples’ control over their lives and giving people real choices.

There is a long list of examples of social remittances improving people’s lives, not least from a gender perspective. When women go to other countries to work, they often become breadwinners to a greater degree than before and therefore gain a stronger position in the family. In the case of Dominicans in Boston, there were many women who had never worked professionally before. One woman spoke about how difficult it was for her to make phone calls in order to apply for jobs and travel to downtown Boston on her own. But she learned it all,

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85 Levitt 1999.

got herself a job, became more independent and then proudly told her loved ones left in the Dominican Republic about her experiences.

It also makes it easier for women who are still in the Dominican Republic to make demands on their men. A woman who has not left the country but who clearly has been influenced by friends and relatives who have moved put it this way: “If there is no machismo in the United States, why should there be here?”<sup>86</sup>

There are more examples of how emigration had a similar impact in other countries. In Guatemala, migration to the cities as well as to other countries increased knowledge of contraception.<sup>87</sup>

Much of international migration occurs from poor countries with high birth rates to countries with low birth rates, which means that the values, habits and behaviours that reduce the birth rate spread. That is, migrants are potential agents of “demographic modernity,” as it is called. A group of scholars compared Morocco and Turkey, whose migrants mostly move to the West, with Egypt, whose migrants move mainly to countries in the Gulf. For migrants from Turkey and Morocco, emigration leads to lower birth rates, while emigration from Egypt leading to more births. This study was about migrants. But another article on the same topic found that the habits and values spread to the home country, so that the birth rate decreases there too.<sup>88</sup>

Another aspect of social remittances touches upon the issue of increased or improved democracy in the sending country. It is not only for improved demographics that migrants can be agents, but

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**86** *Ibid.*

**87** Lindstrom & Munos-Franco 2005.

**88** Fargues 2007 and Beine et al 2011, respectively.

also for improved democracy. When communicating home about how things work in the new country, and thus showing how the political system and life could function also in the country of origin, emigrants influence the attitudes and behaviours for the better. Friends and relatives of Mexican immigrants in Canada and the United States are much more politically engaged than others; they protest more and are more involved in voluntary organisations. They are less contented with Mexican politics, and place greater demands on those in power than others. The difference is also to be found at a higher level: in cities with high levels of emigration, residents are more involved in civic organisations than in localities with less emigration. In Cape Verde, households with a member who has emigrated to a democratic country are tougher than others when it comes to holding politicians accountable.<sup>89</sup>

Mexican migrants play an important role in shaping political attitudes in the country, both through social remittances and after returning home. Political participation increases, democratic competition intensifies, it becomes more difficult for leading members of the party in power to enrich themselves and the chance that the ruling coalition will retain power decreases. In short, Mexico's exodus makes it more democratic.<sup>90</sup>

Although much of the research above deals with Mexico, there are other results indicating that emigration can strengthen democracy. In a macro study of a large number of poor countries, economists find that emigration increases both democracy and economic freedom in the sending country.<sup>91</sup>

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**89** Pérez-Armendáriz & Crow 2010 and Batista & Vincente 2011, respectively.

**90** Jimenez 2008.

**91** Docquier et al 2011.

Another link between emigration and democracy is not about remittances, but is still relevant. In the period before the First World War, the risk that people would leave the country created pressure for democratic reforms in many European countries. If rulers wanted to keep their citizens, they simply had to give them more influence. There are data to suggest that this mechanism is at work in smaller developing countries also today.<sup>92</sup>

Emigration can also help to break up or at least weaken governance based on patronage. In such countries voters tend to vote for the ruling party, because otherwise they risk losing the benefits that the power distributes. Entire communities will be dependent on the ruling party, which impairs democracy. But when people in a community receive income that is not from the state or the ruling party, citizens become more independent and can therefore vote for the opposition if they want to. In Mexico, remittances reduce the support for the PRI, the party which, with the help of patron-client methods, managed to retain control of the country during most of the 20th century (between 1929 and 2000).<sup>93</sup>

Migration and remittances may also be a way to break up old hierarchies based on class and ethnicity. In San Pedro Pinula in Guatemala, for example, residents of the Mayan people, with the help of both returning migrants and remittances, have slowly but surely been able to challenge the ethnic underclass role they had for five centuries. In the oases of southern Morocco, the Haratin, poor black, landless workers, have enhanced their status thanks to remittances from abroad.<sup>94</sup>

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**92** Moses 2012.

**93** Diaz-Cayero et al 2003.

**94** de Haas 2006.



There is also research indicating that remittances to the Ethiopian countryside increase the receiving family members' perceived subjective wellbeing.<sup>95</sup>

## CRITICISM

In addition to the criticism above that remittances are wasted, one of the most common objections is that they do not reach the poorest and therefore are not efficient when it comes to fighting poverty.

That is partially true. Migrants tend to come from middle-income countries rather than from the poorest countries. Additionally, there are a large number of very poor countries that do not get many remittances. However, these are not good arguments against migration and remittances as development tools, for several reasons.

First, development is about people, not countries. If a reform leads to poor people becoming less poor, then it is a good reform, even if everyone whose life is improved is not poor according to the global definition and even if remittances help individuals and households more than entire communities.<sup>96</sup>

Second, there are many poor people in countries that are about to get rich but that have not yet fully benefited from the growth in these countries. According to the British report *The New Bottom Billion*,

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**95** Andersson 2014.

**96** As we shall see in chapter eight, there are good reasons to leave the transformative approach to development cooperation behind and take the marginal approach instead. We should focus on what we know we are able to achieve, that is to help individual people rather than trying to transform entire countries, not to mention entire continents. Migration and remittances fit well with the marginal approach.

the majority of the world's poor now live in middle income countries (admittedly, this is primarily India and China, but poor Indians and Chinese also should be allowed to work in wealthy countries).<sup>97</sup>

Third, and this is a central point that is relevant in several parts of this book, the statistics on remittances and their impact reflect today's migration and the conditions that apply today. The fact that Armenians work in Russia, Salvadorians have made their way to the United States, and Bosnians live in Western European countries is not surprising. (Neither Armenia, El Salvador nor Bosnia belongs to the group of the world's poorest countries.) It is due to which countries' citizens have access to rich countries, which brings about issues such as geographical proximity, networks, and not least the opportunity to get into prosperous states.

The problem from a human development perspective is that so few people from these countries have been able to move, and even fewer from other poor countries have been able to do so. The whole point of this book is to argue for changes in the rules and regulations governing global migration so that more people from poor countries move to rich countries. It would most likely change those numbers and increase remittances to very poor countries.

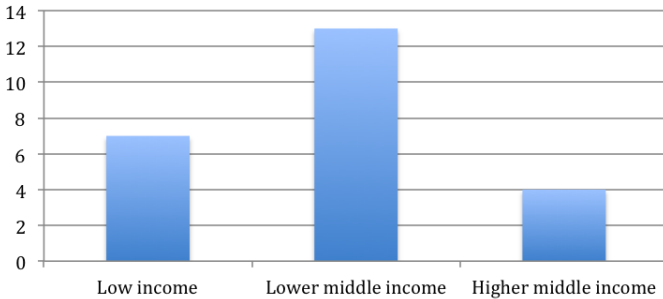
Fourth, it is not the whole truth that remittances do not reach the poorest. In all cases, there are poor countries where remittances are a significant addition to welfare. If you look at the countries where remittances comprise at least 10 percent of GDP (as presented in graph 7 earlier in this chapter) and divide them into different income groups, the following picture emerges.

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<sup>97</sup> It should be noted that from a rich country's perspective, many of the global middle-income countries are still very poor. To qualify for the lower category, a country needs an average income of just over \$1000 (purchasing-power-adjusted) a year.

## GRAPH 9: HOW POOR ARE THE BENEFICIARIES OF REMITTANCES?<sup>98</sup>

### Number of large recipient countries of remittances, according to income level



Source: World Bank

It is also important to think about what these categories mean. The countries in the poorest category have an average annual income of \$1,035, maximum, adjusted for purchasing power, while the range for belonging to the group “lower middle income” is between \$1,036 and \$4,085. From our advanced-country perspective, also people in the latter group are thus very poor.

Both Tajikistan and East Timor, Haiti and Moldova - all major remittance recipients - are among the poorest countries in their regions. Moreover, it is in low-income countries that remittances are expected to grow most in future.<sup>99</sup>

<sup>98</sup> The low-income countries are Bangladesh, Gambia, Haiti, Kyrgyzstan, Liberia, Nepal and Tajikistan. The countries with lower middle incomes are Armenia, El Salvador, Georgia, Guatemala, Guyana, Honduras, Kosovo, Lesotho, Moldova, Samoa, Senegal, Sri Lanka and Timor Leste. The higher middle-income countries are Bosnia & Herzegovina, Jamaica, Jordan and Lebanon. For classification of countries according to their income levels, see the World Bank (undated).

<sup>99</sup> World Bank 2013.

Fifth, it is wrong to assume that remittances effects are limited to the host family. Remember that I mentioned the so-called multiplier effects that apply when, for example, construction workers get jobs at a remittance-financed house construction. These effects reach also the poorest in society.<sup>100</sup>

Sixth, there is ample scientific evidence that remittances help people who are very poor. We have already seen how Somalis, Nepalese, Ghanaians and Nigerians become less poor thanks to remittances. In Guatemala, remittances (domestic and international) play a greater role for the household income the poorer it is. Among the poorest of the poor, remittances account for between 50 and 60 percent of total revenue. In Sri Lanka, remittances primarily go to the poorest fifth of the population.<sup>101</sup>

Although the main winner of the increased migration from poor to rich countries is the migrant him- or herself, there are benefits other than remittances to reap for those who remain, as we will see in the next chapter.

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**100** Taylor et al 1996.

**101** Guatemala: Adams 2004; Sri Lanka: De & Ratha 2012.





# 7. Back and forth

*“Return migration is the great unwritten chapter in the history of migration.”* – Russell King, professor of geography and director of the School of European Studies at the University of Sussex.

The fact that it has become easier to go back and forth between countries has introduced the phenomenon of circular migration. People just do not go back and forth between countries once, but repeatedly. Kathleen Newland of the think tank Migration Policy Institute (MPI) in Washington DC, says that she stopped talking about migration and now instead uses the concept of mobility, because it better captures the phenomenon.<sup>102</sup>

Santa Maria in Central Mexico was long a sleepy village consisting of shacks and rickety cabins. Nowadays it is a vibrant city with sidewalks and shops. A little out of the centre, in the meadow where cows used to graze, stately two-story houses now rise along neat streets. The development is based on migration. Making their way to the United States to wash swimming pools and butcher meat and then going back home again, people from Santa Maria have created

dynamics. Remittances play a role, but circular migration also has a big hand in it.<sup>103</sup>

The Figueroas' are one example. Ten years ago the family was so poor they had to sell their last cow. Then, the eldest son moved to Chicago to work in a meatpacking factory. Five years later he came home with \$8,000 in his pocket, which the family invested in a cattle farm, a slaughterhouse, and, after a number of years, a restaurant. Altogether, they now have 50 employees.

## RETURNING MIGRANTS

There is nothing new about people returning home who once emigrated. Many of the Swedes who emigrated to America did so. During the last decade of the 1800s, re-immigration was one-fourth as large as the exodus.<sup>104</sup> Since then, it has become much easier both to go back and forth between countries and to keep in touch with loved ones. In lieu of the rare letter per year, people can see each other every day on Facebook.

The short story about Santa Maria is therefore an example of a type of migration that is becoming more common, when people for a shorter period go to a rich country to work. That should at least partially make us rethink how we look at human mobility across borders, especially as regards from poor to rich countries. To spend a few years in a rich country to work and save up money, can have major consequences for poor people's welfare, and for their family and neighbourhood in the country of origin.

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**103** Booth & Miroff 2012.

**104** The Committee for Circular Migration and Development 2010.



When people return home, it is common that they use saved funds to start a business. As many as 50 percent of the Turks who moved home from Germany started a company within four years of their return. There are similar results from Ghana. One of the drivers for the Pakistanis to go abroad and work is to raise enough money to then be able to return home and start a business.<sup>105</sup>

Further, returning migrants enhance human capital in the country of origin and thus contribute to economic development there. Either they have acquired an education or they have gained valuable experience in the labour market. The 60,000 IT specialists who in recent years have returned to India have undoubtedly contributed to the success of the Indian IT industry.<sup>106</sup>

In her book *Det Nya Afrika* (“The New Africa”), Swedish television correspondent Erica Bjerström tells of a number of migrants who have returned to their countries to find opportunities and to contribute to the development there. We get to meet Liberian Barkua Tubman, who after many years in the entertainment industry in New York City moved back home and started a conference business. Bjerström also tells about Theo who has moved home from London and now imports information technology to Ghana.

Another example is the Nigerian Jeremy Omojor, a journalist and civil rights activist who was punished for his courage. His son was killed and his wife disappeared with the newborn. Jeremy fled, came after many hardships to Gothenburg and moved to Vara in western Sweden. Now he has returned to Nigeria, as an employee of the Swedish wind power company Flexenclosure. Jeremy’s knowledge of

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**105** Dustmann & Kirchkamp 2002, Black et al 2003, and Ammassari 2003.

**106** Domingues Dos Santos & Postel-Vinay 2003 and Guest 2011.

the country and the local market makes him invaluable to the company's efforts in Nigeria.

Returning migrants are so prevalent in Africa that they have a name: cheetahs. This is because they are fast and at the forefront when it comes to ideas, capital and leadership. There are even employment agencies that specialize in matching Africans abroad with jobs in Africa.<sup>107</sup>

As in the case of remittances, returning migrants not only bring money home, but also ideas, thoughts and attitudes from the host country. This can have positive economic, political and social effects.

It is well documented that immigrants, through media and contacts with natives, embrace the new country's political attitudes and values. This also means that they can bring them back when they return. Most often richer countries have better functioning institutions, which people realise. This means that returning migrants spread new values, engage in politics and civil society, and place greater demands on those in power to improve institutions in the country of origin.<sup>108</sup>

Mexican emigrants who returned from the United States and Canada are more critical of the Mexican government than compatriots who have never lived in another country. They are also more tolerant of other religions, political views, and sexual orientations. In Mali, returning migrants increase voter turnout and enhance competition in elections. Interestingly, this behaviour is not just confined to the migrants, but spreads to the community at large.<sup>109</sup>

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**107** Bjerström 2013.

**108** Mahmoud et al 2012 cite a number of studies with such results.

**109** Pérez-Armendáriz & Crow 2009 and Chauvet & Mercier 2014.

Students who obtained a higher education in democratic countries contribute to the democratisation process in their home countries. This can happen in several ways. People from poor countries trained in rich, well-functioning countries are attractive in the labour market of their home country, also for the public sector. Their more democratic preferences may therefore have an impact. Secondly, leaders trained in other countries seem to be motivated to catch up with the more developed country and pursue more development-friendly policies. Thirdly, they spread their new ideas and can thus make it more difficult for a regime to maintain repression. Fourth, foreign-educated people make repression more costly for the government, because they have networks in other countries and greater access to international media. Fifthly, an international education fosters a sense of community with international democratic society.<sup>110</sup>

## DIASPORAS AND DEVELOPMENT

Dr. Chike Obidigbo owns a soap factory in Eunugu in south-western Nigeria. The building is worn and filled with humming and throbbing machines that transform palm oil and chemicals into soap. The machines are made in China and are not as good as the European ones, but much cheaper and do not require as much advanced maintenance.

Obidigbo goes to China now and then, but he does not speak the language and has neither the money nor the time to constantly travel halfway around the world. So when he is about to buy new machines, he relies on Nigerians in China who put him in contact with suppliers. When he sees a machine on the Internet, he asks a Nigerian agent to check it out.

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110 Spilimbergo 2009.

Most Nigerians in China are from Obidigbo's ethnic group, the Igbo, which has a tradition of international trade that goes back several centuries. The ethnic kinship facilitates communication and trust between them, but Obidigbo also knows that an Igbo businessman in China depends on his (or her) reputation. If he does a bad job, it spreads rapidly in networks.

The first thing that comes to mind when one thinks of China's economic relations with the rest of the world is consumer products being shipped to rich countries. But Chinese relations with Africa are growing. And the fact is that in one part of the Guangzhou (Canton), there are so many Africans engaged in trade and manufacturing that the Chinese call the area "Chocolate City". Many of these Africans belong to the Nigerian diaspora, which is essential for the commercial contacts between the two countries.<sup>111</sup>

The term "diaspora" sounds negative in many people's ears. You think of a group of people who were forced to flee and spread over the earth. The word, which comes from the Greek words for "sow" and "over", brings to mind events that spread to the wind, that disintegrate. Not least, the concept has been used to describe the Jews' tragic history of vulnerability as a minority for centuries.

But the fact is that diasporas can be an important development and a phenomenon that may play a large role in many poor people's lives. The main contribution is the remittances we discussed in the previous chapter. But there's more.<sup>112</sup>

Diasporas can facilitate and stimulate international trade, in at least two ways. Firstly, they act as bridges between countries, provide

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**111** Guest 2011.

**112** Ratha et al 2011.

contacts and are a source of knowledge about markets and regulation. Uncertainty is often a barrier for international financial transactions, which is reduced by members of diasporas who understand and trust each other.

Secondly, diasporas contribute to “nostalgia trade”. Swedes living abroad often go to the local IKEA store to get *kalles kaviar* or salty liquorice, things they miss from home. Most immigrants from poor countries, however, have no multinational enterprise that so clearly carries a national identity to turn to. Instead they are forced to rely on international trade to get their favourites. The average Honduran, Ethiopian or Filipino in the United States spends more than \$1000 a year on goods he or she misses from home.<sup>113</sup>

These trade effects are by no means negligible. When immigration to Canada from a country increases by ten percent, imports from the country in question increases by three percent. The corresponding figure for Sweden is nine percent.<sup>114</sup> If one looks at the issue from the perspective of the sending country, every new African emigrant increases the exports from their home country by \$2,100 per year.<sup>115</sup>

Diasporas have similar effects on investments. Contacts, knowledge, and language community reduce uncertainty. Between 1985 and 2000, for example, 70 percent of all foreign direct investment to China came from ethnic Chinese living in other countries. In 2009, China received \$90 billion in foreign direct investment. More than two thirds of them came from ethnic Chinese in Hong Kong, Taiwan and Singapore. A one percent increase in the number of immigrants

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**113** Newland 2010.

**114** Gould 1994, Head & Ries 1998, and Hatzigeorgiou 2009.

**115** Erhart et al 2014.

from a particular country to the United States increases the amount of American investment in this country by 0.3 percent.<sup>116</sup>

Diasporas also help with the transfer of knowledge and technology to poor countries. The large number of Indians working in the IT sector in the United States and particularly in Silicon Valley have helped with contacts and capital, and the transfer of knowledge and technology to India's successful IT industry. People work in networks between California and Mumbai and Bangalore. As many as 19 out of 20 of India's leading IT companies are founded by diaspora members.<sup>117</sup>

Diasporas may also help people who remain in their countries of origin by migrants forming associations which aim to raise funds or otherwise support the home country, be it providing financial support for the construction of a roads or help with money for a new hospital. In Mexico, the government has realised the potential of these collective remittances and initiated the so-called three-to-one program, which means that the government contributes three dollars for every dollar that organisations of emigrated Mexicans invest in their home country.

Diasporas can hardly be expected to suddenly give life to dysfunctional economies. But they can reinforce positive trends and give a much-needed boost to the countries that have begun to move in the right direction.

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**116** The World Bank 2006b, Guest 2011 and Javorcik et al 2006.

**117** Saxenian 2005 and Ionescu 2006.







# 8. Brain drain or brain gain?

*“Being able to decide where to live is a key element of human freedom.”* – United Nations Development Program, Human Development Report 2009.

The Swedish soccer league *Allsvenskan* is ranked twenty-third in Europe. In other words, in international terms it is lousy. The main reason for that is that the best players have left Sweden to play in more prestigious and better paying clubs in better leagues. With our small market and our internationally limited interest in soccer, we cannot afford to retain our talent. We are soccer-poor and suffer from a skills drain.

Such a loss of talent, usually called brain drain, is probably the most common development-oriented argument against migration from poor to rich countries. Emigration is said to drain poor countries of human capital and is often claimed to be devastating for the opportunities to develop.

True, brain drain can be a problem, especially in small countries. More than 70 percent of university graduates have left Guyana and Jamaica. In Morocco, the figure is 65 percent, in Tunisia 64 percent, and in Gambia 60 percent. And so on.<sup>118</sup>

In 2000, 20 million immigrants with post-secondary education lived in OECD countries. Between 1990 and 2000, the number of highly educated immigrants increased by 63.7 percent, while low-skilled immigrants increased by only 14.4 percent. The vast majority of these are from developing countries.<sup>119</sup>

With fewer highly educated people, it might for obvious reasons be harder to launch any sustained economic growth. In this way, emigration may therefore inhibit poor countries' development. For a while, scholars were concerned about this phenomenon. There have also been campaigns to prevent migration from poor to rich countries. But the argument has now met with serious opposition.

Back to soccer. World Bank economist Branko Milanovic shows that soccer-poor countries' national teams actually gain from the globalisation of the sport, as players from such countries improve their skills when they get the opportunity to play for the clubs in the top leagues, skills they then use when representing their countries.

The difference in quality between national teams has been reduced and there is greater diversity of teams in the quarterfinals of the World Cup now than before the international mobility of soccer players started. Although Sweden did not qualify for the World Cup

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**118** Goldin et al 2011.

**119** Docquier & Marfouk 2006.

in Brazil in 2014, Sweden's national team (in seventeenth place in Europe) is better ranked than *Allsvenskan*.<sup>120</sup>

In the Dominican Republic, the opportunity to come to America as baseball players has led to more people than otherwise would being engaged in this sport. Exports of baseball players to the United States have thus benefited the baseball in the Dominican Republic.

These are phenomena not limited to sports. In the late 1990s several scholars theorised that when emigration to rich countries becomes possible, the expected profit of human capital investment increases. In straighter language: when opportunities to emigrate and make a lot of money on an academic education are created, many more than previously acquire such a degree. After graduation, not all of these people choose to emigrate but remain in the home country, which means that the possibility of emigration may actually lead to a brain gain for the country. In theory, the result of emigration could therefore be contrary to what is often claimed.<sup>121</sup>

A number of empirical studies have proven the theory to be true. This effect is real and can be large enough to offset emigration. There are positive net result in terms of emigration and training from many different countries, including Cape Verde, the country with the highest rate of brain drain in the whole of Africa. According to a report with data from 127 developing countries, the net effect will be positive for countries where fewer than one-fifth of the highly educated migrate, but then it becomes negative. Except for small countries, such an extensive emigration is unusual. In two thirds of the 33 largest exporters of labour, less than ten percent of the population with

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**120** Milanovic 2005.

**121** Mountford 1997, Stark et al 1997, Vidal 1998 and Stark 2004.

post-secondary education has emigrated. The report also shows that as a whole, poor countries' skills gain from emigration.<sup>122</sup>

A common argument is that the brain drain contributes to Africa's lag in relation to the rest of the world, by reducing the relative human capital. It is not an argument that holds, for two reasons. First, other continents have experienced more brain drain than Africa. As a proportion of the total population, educated African emigrants constitute 0.4 percent. The corresponding figure for Mexico and Central America is 2.3 percent and for Western Europe 1.7 percent. Instead, brain drain has contributed to reducing Africa's deficit in human capital relative to other continents. Second, brain drain has a net positive impact on Africa's human capital, in accordance with the discussion above about the possibility to migrate making many people get an education without moving abroad. It is therefore not surprising that the scholars did not find any negative effects on growth of the African exodus.<sup>123</sup>

Health workers, in particular, have been in focus of the discussion on brain drain. A small number of countries, mostly in Africa, have really been drained for expertise in this area. A few years back, eight out of ten nurses in war-torn Liberia had fled the country and in Burundi the proportion was nearly as high. Malawi lost more than half of all its nurses in four years.<sup>124</sup>

On the other hand, the country in the world that exports most nurses, the Philippines, has more of them per capita than rich

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**122** Adams 2003, Chand & Clemens 2008, Batista et al 2012, and Beine et al 2008.

**123** Easterly & Nyarko 2009.

**124** McAllester 2012, Ratha et al 2011 and Goldin et al 2011.

countries like Austria and the UK. There, the possibility of emigration contributes to a brain gain.<sup>125</sup>

In addition, African countries that export large amounts of health-care professionals have better health outcomes than African countries that do not export health professionals. If emigration was a general, serious problem, then exporting countries would systematically produce worse health outcomes than others. But that is not the case, on the contrary. It is not emigration, but the substandard health care systems in those countries that are the problem. Emigration is thus a symptom, not a cause.<sup>126</sup>

Nor is it at all certain that these people, if the emigration of health professionals were more limited, would have provided health care to the poor who need it most. It can be difficult to get health professionals, who often come from parts of the community with a higher status, to settle and work in the areas of the country where the most needy live.<sup>127</sup>

Furthermore, many skilled migrants leave countries where unemployment is also high for people with higher education. Some researchers argue that many poor countries actually suffer from over-education.<sup>128</sup>

Moreover, it is not certain that it is so easy to maintain one's skills when working in difficult environments. A leading development and migration scholar, Jagdish Bhagwati of Columbia University,

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**125** Clemens 2009 and Clemens & Pritchett 2008.

**126** Clemens 2007.

**127** Development Research Center on Globalisation, Migration and Poverty 2006.

**128** de Haas 2007.

has noted that “‘brain’ is not a static concept. Trapped in Kinshasa, under appalling conditions, the brain will drain away in less time than it takes to get to New York.”<sup>129</sup>

There is a strange underlying assumption in parts of the discussion about brain drain. In the British journal *Lancet*, some doctors claimed that rich countries’ recruitment of medical professionals from poor countries implied theft and should be considered as a very important human rights violation.<sup>130</sup> But doctors, whether they are from African or other countries, are people. For them to be stolen, they must be regarded as someone else’s property. People are thus regarded as the property of their home countries, which must be considered a remarkable perspective.

## **RICH COUNTRIES DESELECT THE LOW-SKILLED**

As previously indicated, low-income people in poor countries have the strongest reasons to migrate. Since poor countries have greater income inequality than rich countries, the economic benefit of moving to a rich country is greater for someone with little expertise than for someone with a lot of skills. Therefore, the low-skilled should be over-represented in the migration from poor to rich countries. But that is not the case.

Instead, it is the opposite. Only 0.94 percent of the world’s low-skilled population of working age live in a country other than their home country. For the medium-skilled, the figure 1.64 percent and for the highly educated, it is as high as 5.47 percent. So there is a big

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**129** Bhagwati 2012.

**130** Mills et al 2008.

difference in the other direction. In 2000, 11.3 percent of the global population had some form of post-secondary education. But among immigrants in OECD countries, the figure was 34.6 percent.

This over-representation of the highly educated may be because it is difficult and expensive to migrate from, for example, an African country to Europe, or from Central America to the United States. But that's not the whole story, far from it. Instead, it is likely that the rich countries' policies are the main reason. We recruit the highly educated, while rejecting the poorly educated.<sup>131</sup>

Both Australia and Canada pursue an active policy aimed at attracting highly skilled labour from other countries. In other Western countries, it is easier to gain access to the labour market if you have higher education. In Sweden, for example, you need to be productive enough to reach up to the demands of the collective agreements in order to have the right to come here and work. That is probably why so few people from sub-Saharan Africa have received a residence permit in Sweden under the new rules for labour immigration. In 2009-2011 only 2,104 people came to Sweden from that region on a work visa, despite the opportunity to multiply their income.<sup>132</sup> The fact is that there is a global fight for talent, in which rich countries and their companies are competing for the same qualified staff.<sup>133</sup> The over-representation of the highly educated among the migrants from poor to rich countries is thus a result of deliberate policies in rich countries.

This is what much of the brain-drain argument focuses on. It is argued that the rich countries, in a cynical and selfish way, grab the

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**131** Lundborg 2010.

**132** Segerfeldt 2012.

**133** Wallen & Sanandaji 2012.

“best” people. Although it is not at all certain that this migration is to the detriment of the residents “left behind” in poor countries, it is obvious that this policy is primarily formulated with the rich countries’ interests in mind. There is no policy for global development, it is not in line with all the talk about coherence.

For many people, the instinctive reaction to this fact is to prevent qualified workers from leaving their country, in various ways. An equally logical reaction would instead be to do the opposite, i.e. to let more unskilled workers into rich countries. Much of the criticism regarding the brain drain is about the relative competence change in poor countries. When educated people leave the country, the average skill level lowers. If we in the rich countries instead allowed more immigration of low-skilled workers, the net result of the average skill level in the country of origin would be smoothed.

This is one of the key messages of this book: we in the rich countries should allow more immigration of unskilled people from poor countries. The desire to migrate is there. We only need to let them do it.

## **BRAIN DRAIN IN PERSPECTIVE**

The issue of brain drain should not be isolated from the issue of migration in general, but should be viewed in conjunction with other aspects of human mobility, i.e., the gain for the migrant and the benefits for those who remain, in the form of remittances, increased trade, and investment.

In the brain drain debate, we should also bear in mind what was discussed in the previous chapter, namely that people increasingly move back and forth between countries. This means that many people who have an education go to another country and acquire experience



there and then go home again, which is a process that can weigh up the initial reduction of human capital that emigration can lead to.

Furthermore, it does not have to be bad for a country that large groups of highly qualified people move. Political scientist Davish Kapur has found that the Indian elite's emigration to the West has had a far greater impact on India than just the brain drain issue. Among other things, he shows that the Indian elite's exit has created political space for previously excluded groups. In this way, therefore, the brain drain from India strengthened democracy there.<sup>134</sup>

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134 Kapur 2010.



# 9. Migration is development

*“International migration is not an alternative to poverty reduction; it is today among the principal sources of poverty reduction.”*

– Economists Michael A. Clemens and Lant Pritchett.

Today, it counts as development when a Nigerian man who works as a dishwasher in London sends home £100 a month to his poor wife in Lagos, but not when the wife moves to the UK and gets a lifestyle with an income of £1,000 a month. This is incomprehensible. There really is only one reason for this: politics. Politicians in rich countries do not seem to believe that they have anything to gain by increasing immigration from poor countries.

If you ask the above Nigerians themselves if migration has meant improved welfare for them, the answer would probably be a resounding yes. From poverty, political instability, corruption, and lack of democracy to prosperity, a well-functioning state and physical security.

In her novel *Americanah*, Nigerian writer Chimamanda Ngozi Adichie describes the zeal with which Nigerians try to get to the United States or Western Europe and especially Britain, to improve their living conditions. They take great risks and make use of fake marriages and forged identity documents to gain access to what we in developed countries would see as lousy jobs for “slave wages”.<sup>135</sup>

Yet, this perspective tends to be absent in the debate on migration and development, both in Sweden and internationally. Migration is seen primarily as a failure, rather than as a development tool. Oliver Bakewell, development scholar at Oxford University, says that “from its earliest roots, development practice has commonly seen a reduction in migration as either an (implicit or explicit) aim of the intervention or an indicator of a program’s success.”<sup>136</sup> There has never been a UN summit on migration, and even less one on migration and development.<sup>137</sup>

In recent years, admittedly, migration and development have come somewhat higher up the agenda. But the focus has been on managing migration, rather than on increasing it. One example is the Swedish Policy for Global Development (PGD). In that document, the Government argues that all policies together have a shared responsibility for the overall objective to contribute to equitable and sustainable global development. It takes note of migration as one of the greatest challenges, and thus exposes the links between migration and development. Further, the Swedish government argues that Sweden should be better at promoting the development potential of

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**135** Adichie 2013a.

**136** Bakewell 2008.

**137** Easterly 2014.

migration. But it says nothing about increasing immigration to promote human development.<sup>138</sup>

Another example is the Global Commission on International Migration, which was set up in 2003 with the initiative of the then UN Secretary General Kofi Annan. Jan O. Karlsson, who at the time was Swedish Social Democratic aid and migration Minister, as one of the members of the Commission, said that migration was a major global phenomenon and that the issue was generally overlooked on the international development agenda. Furthermore, the Commission identified a number of measures to maximise the positive results. But it did not formulate any messages about increased migration, or suggest that rich countries should tear down the barriers for migrants from poor countries.<sup>139</sup>

The same pattern recurs in a number of public inquiries and reports. It applies to the Swedish Parliamentary Report on Circular Migration, the report of the UN High-Level Panel on the successors to the Millennium Development Goals, the priorities for the Swedish Presidency of the Global Forum on Migration and Development 2013-2014, and to Ban Ki-moon's own report on migration and development. Not even in the most prestigious policy forums that have migration and development as central themes, the question of increased migration is on the agenda.<sup>140</sup>

Instead, the issue of migration and development is treated primarily from two limited and limiting perspectives. The first is to look at the current migration as a constant, taking the current flows for

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**138** The Swedish government 2003.

**139** Global Commission on International Migration 2005.

**140** Committee for Circular Migration and Development 2011, High-level panel 2013, Swedish government 2013 and United Nations 2013b.

granted not intending to influence them. Instead of trying to increase migration, the focus is on getting as much development out of any given migrant. There is talk, for example, of increasing the impact of remittances by making it easier and cheaper to send money between countries.

The other common approach is to look at migration as a threat, a worry particularly directed towards migrants. Things like taking measures to prevent trafficking, combatting discrimination or preventing the exploitation of undocumented migrants in the labour market are at the centre of the debate.

Of course it is a good thing to facilitate remittances and to take steps to prevent discrimination and trafficking. But it is like straining at gnats and swallowing camels. For the big problem when it comes to migration and human development at the global level are the rich world's cross-border barriers. It is not possible for the vast majority of people from poor countries to legally move to a wealthy country and work. The main message of this book is that migration is development in itself, and that more immigration would mean more human development.

Article 23 of the UN Universal Declaration of Human Rights states that everyone has the right to freely choose employment while Article 25 says that everyone has the right to an adequate standard of living. In a world of economic globalization and the huge differences in living standards between countries, these "rights" are very difficult to guarantee without the ability to move between countries.

## FROM A TRANSFORMATIVE TO A MARGINAL APPROACH

In international development discourse, it is common to use powerful words. We “must” eradicate and control one or the other negative phenomena, such as poverty, hunger, or whatever it may be. And this at a global level. Most often such statements are based on wishful thinking. There is nothing that supports the idea of the World Bank being able to achieve “a world free of poverty” or that the UN would be able to halve extreme poverty in 15 years. That fact that this still happened, and a few years before the deadline in 2015, had little to do with the UN.<sup>141</sup>

The objective of Swedish foreign aid, “to contribute to creating the conditions for poor people to improve their living conditions”, is from this perspective both more realistic and meaningful, despite the vague and somewhat airy formulation.

In this context, development economist William Easterly has made an interesting distinction between on the one hand the transformative approach, “The West saves the whole of Africa”, and on the other hand, the marginal approach, “The West helps individual Africans.”<sup>142</sup>

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**141** The motto of the World Bank is “A world free of poverty”, while one of the UN Millennium Development Goals is to, between 2000 and 2015, halve the share of the world’s population that lives in extreme poverty. Global economic development, together with institutional reforms in poor countries, may very well lead to the UN target being met anyway, which was the case with the poverty target. This is something that happens beyond the control of the UN. Howard Steven Friedman (2013) has shown that the improvements in the Millennium indicators did not pick up speed after 2000, when they were established.

**142** Easterly 2009.

We in the rich world cannot transform entire communities, save whole continents or eradicate poverty and hunger worldwide. We have neither the power nor the tools to do it. However, there is good reason to believe that we can help individual people in poor countries. Then we should say that is what we do.

We must therefore give up the transformative approach and embrace the marginal one. And by far the best way for us to “help create opportunities for poor people to improve their living conditions” is to let more people from poor countries into Sweden and other rich countries.

More than 40 years ago, economist Albert Hirschmann wrote the book *Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations, and States*.<sup>143</sup> He described the two main strategies available people who are in a unit that does not work: to stay and try to make it work better (voice) or to leave the unit (exit).

Poor countries are poor precisely because they do not work. But to choose exit, the poor person must have another country to go to. For it to be a fruitful strategy, the new country needs to be better functioning. People from, for example, Somalia, Haiti or Afghanistan are often prevented from doing exit, because rich countries’ governments prevent them from moving. William Easterly writes that migration is a safety valve or an emergency exit that makes it possible for people to leave an intolerably oppressive situation.<sup>144</sup>

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143 Hirschmann 1970.

144 Easterly 2014.



## DEVELOPMENT IS ABOUT PEOPLE, NOT STATES

In a blog post on the website of the Swedish Foreign Ministry website, Jens Orback, head of the Social Democratic donor agency The Olof Palme International Center, writes that it is not countries but people who starve.<sup>145</sup> He is completely right.

Tanzania's development is about the welfare of Tanzanians, not about the state of Tanzania. Without the people, the state would be empty of human content and irrelevant from a human development perspective. Therefore, it is incorrect to focus blindly on the well-being of states, rather than on people. If the sum of the welfare of Tanzanians increases if a certain percentage of them can leave Tanzania and move to a country that, from a human development perspective, is superior, this means a welfare gain for the Tanzanians.

In Amartya Sen's and Mahbub ul Haq's concept "human development", there is a key aspect: Development is about people. In *Development as Freedom* Sen speaks about man's capacity or ability - in terms of capability - to live his life as a he (or she) wants.<sup>146</sup> Expanding the real choices of humans is key. To move from a poor, dysfunctional country to a rich, well-functioning country is most probably the single action that increases this capability the most. A shift of focus in the development discourse, away from the state and towards people will make it easier to get an understanding of migration as a development tool.

In an article in Swedish tabloid Expressen, aforementioned Nigerian novelist Adichie tells about a pregnant African woman that took a

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**145** Orback 2012.

**146** Sen 1999.

plane to the United States with the aim of giving birth there, so that the child would become an American citizen, allowing for a completely different life. Unfortunately they did not arrive on time. Instead the plane was forced to land in Senegal, for the woman had already given birth to the baby on board. “For many, the lack of choice is the norm”, writes Adichie.<sup>147</sup> If development, in accordance with Sen’s argument, is about expanding people’s real choices, migration should then be regarded as a key development tool.

One of the reasons why it has been so difficult to get migration onto the development agenda may be that some people think doing so would be to give up. It usually goes along the following line: “Is that really the only way? Should not it be the last, perhaps desperate action, when all other possible ways to solve the problem have been exhausted?”

The obvious answer is: why not let the poor choose for themselves? According to Sweden’s Policy for Global Development (PGD), the poor person should be in focus of the policy, not as a victim but as an agent with capacity.

There are two ways to fight poverty: either by raising incomes in poor countries, or by people moving from poor to rich countries. It cannot be that the former method is development whereas the latter is not. At least not if we agree that it is people, not countries that count.

## THE ACTIVIST’S FALLACY

With a little humour, economics professor Bryan Caplan has formulated what he calls “activist’s fallacy”:

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**147** Adichie 2013b.

*Something must be done;  
this is something;  
therefore, this must be done.*<sup>148</sup>

Although Caplan is joking, there is a grain of truth in the description. Many activists reason that way when it comes to global development challenges, no matter whether the action is good or bad as regards the desired objective.

It may also be the case that it is better to do nothing, or at least to stop what we are doing. In this case, it means stopping preventing poor people from moving to rich countries, or at least letting in more.

In the Swedish debate, migration is often about helping vulnerable people. But the vast majority of the world's migrants are not in urgent need of help, but are simply people in search of a better life. As noted earlier, only seven percent of the world's migrants are refugees. In order for Sweden as a state to be able to help people in need, it must take an active action. But people who just want a better life demand no such proactive behaviour. They just want us to stop hindering them at the border. Sometimes the best solution is to do nothing.

## **CAN ENOUGH PEOPLE MOVE?**

So, what about the big numbers? Are enough people willing and able to move, for increased migration from poor to rich countries to have an impact on global development, except for at the margin? Or does the marginal approach imply migration cannot have any bearing on human development at the global level?

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**148** Caplan 2010.

There is no doubt that many people want to move from poor to rich countries. According to a Gallup poll in 2009, 700 million people would move to another country if they could. Given the huge welfare disparities that exist, it is not surprising. The largest desire to migrate, not surprisingly, is to be found in sub-Saharan Africa. The most popular destinations are North America, Western Europe, Saudi Arabia and Australia.<sup>149</sup>

There are also natural experiments, as the Dutch Antilles and Puerto Rico, where residents have the right to move to the Netherlands and the United States, respectively. 37 percent of each population have made that choice.<sup>150</sup>

Today there are 232 million migrants, which is about three percent of the world's population. More than half of them are found in thirteen rich countries. It is obvious that many want to move to rich countries.<sup>151</sup>

Such mass migrations of several hundred million people would undoubtedly have significant positive implications for global human development. But is it possible?

On the Internet, there is a movie clip going around that seems to be popular in “immigration-critical” circuits. The film features an American immigration opponent named Roy Beck, who uses gum-balls to try to illustrate that you cannot do anything about global poverty with migration. This is because the rich world consists of so few people, and the poor world of so many. Beck shows that there are three billion people living on less than \$2 a day and then compares

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**149** Esipova & Ray 2009.

**150** Pritchett 2006.

**151** United Nations 2013a.

this number with the one million people per year moving to the USA from poor countries. It's effective political communication. But it is not honest. For several reasons.<sup>152</sup>

First, Beck compares flows with stocks. That is, he takes a ball to represent the one million people who every year move to the United States from poor countries – the flow – and compares this with the three billion living in poverty – the stock. The fair comparison would instead be between the number of poor people in the world and the stock of people from poor countries who have moved to the United States over the years and live there now.

Second, Beck discusses only the United States, instead of all the rich OECD countries and the rich immigrant Middle Eastern countries. If you include all the rich countries, both the flow and the stock of migrants become much bigger, just as the potential of migration does. In what the United Nations calls the more developed countries, today there are nearly 1.3 billion people and nearly 136 million migrants.<sup>153</sup>

Thirdly, Beck ignores the possibility of using temporary work permits to provide the opportunity for many more to share in the prosperity that is to be found in rich countries' labour markets. One could for example imagine a work permit that is limited to two years. During a ten-year period, then, five times more people would be able to migrate temporarily.

Fourth, Beck ignores the positive effects of emigration on those who remain in the poor countries in the form of remittances, democratisation, and other investments.

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**152** Beck 2010.

**153** United Nations 2013a.

And fifth: Beck ignores, along with many others for that matter, the difference between the marginal and the transformative approach. Yes, it is probably impossible for all people throughout the world who live in countries that are significantly poorer than today's rich countries to move there, both in the short and medium term. But it is not at all impossible to increase immigration from poor to rich countries and thus achieve a significant improvement in human development at the global level.

Another common counter argument against migration as a development tool is that it is not the poorest who migrate anyway, which means that migration is not an effective weapon in the fight against global poverty. In addition to the counter-arguments I have already given – that this is due to the fact that it is easier for someone with a higher education and thus higher income to get permission to move to a wealthy country – there are other explanations.

There are few really rich countries that share a border with really poor countries. Mexico, which of course is south of the United States, is one of the richest countries in Latin America. And between really poor parts of Africa and rich Europe, is semi-poor North Africa. It is thus easier for people from semi-poor countries to get to the United States and Europe than it is for people from really poor countries.

There is also another parallel aspect to this question, namely where you need to move to improve your life. It obviously depends on how rich one's homeland is. A Moroccan who wants to emigrate to increase his or her income does not have many other choices other than to get to Europe (if he or she does not want to get to the more remote United States). There are no countries in northern Africa where the standard of living is several times higher than in Morocco. But anyone who lives in an impoverished West African country can

experience important welfare improvements by moving to Morocco and therefore does not need to get all the way to Europe - with all the costs and risks such a journey involves - to raise their income. That could be one reason why there are so few people from really poor countries who move to rich countries.

Another explanation for why the very poorest do not migrate to rich countries is that many of the really poor migrants have fled humanitarian disasters such as famine or war. Then migration is often not the result of any well thought-out strategy for long-term improvement, but a quick decision that they made to survive. People flee from Sudan across the border to Chad, from the Central African Republic to countries like Congo and Cameroon, and from Afghanistan into Iran or Pakistan. Such migrants often end up in camps in neighbouring countries which tend to be poorer than the rich countries.

Historically, it has not always been the case that the poor have stayed and that the less poor have moved. Quite the opposite. New research shows that during the last major migration period, until the First World War, it was not primarily the rich and medium-rich that moved, but the poorest, suggesting that migration among today's poor could increase, if it was allowed.<sup>154</sup>

## **A VOLUME TARGET FOR MIGRATION**

In foreign aid, there is an international goal for rich countries to spend 0.7 percent of GNI on “Official Development Assistance”. Sweden has a self-imposed target of one percent.

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154 Abramitzky et al 2013.

This target is often criticised for its symbolism and for measuring effort rather than results, and that it creates a disbursement pressure ensuring that money is spent on projects or other things that are not well designed and therefore do not produce results.

A volume target for migration from poor to rich countries would not suffer the same problem. We also know that an increase in such migration would have a positive impact on human development at the global level. Therefore I propose that we set a goal of increasing migration from poor to rich countries. It would be a great achievement to get into such a goal in the post-2015 process, i.e., the work to carve out the successors to the UN Millennium Development Goals.

A cautious person may pursue the aim of three percent. That is to say that rich countries, within a decade, should increase their immigration from poor countries by the equivalent of three percent of the current workforce, which represents 14 million people. According to a study by the World Bank, this would provide a global welfare gain of 308 billion dollars, of which 257 billion would accrue to poor people.<sup>155</sup>

Someone more radical may pursue the aim of 100 percent, meaning that the current rich countries should redouble their immigrant stock with people from poor countries. It would have a very large effect on global human welfare and would be an important contribution to the fight against global poverty. Today, nearly eleven percent of the population in rich countries are immigrants, most of them from poor countries. A doubling of that figure would mean 136 million people.<sup>156</sup>

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**155** World Bank 2006(b).

**156** United Nations 2013.



This book has been deliberately placed outside the debate about the consequences of migration for recipient countries. The focus is instead on the development aspect. But one option that could increase migration without too much provocation for those who oppose such a movement, is to allow migrants to benefit from the labour markets in rich countries without the benefits of the welfare state. One can also consider granting temporary work permits, without the opportunity to become citizens. Although it is ideologically offensive to many, such solutions would also have a major positive impact on the global human development.

Finally: It would be a service to the world's poor if only a part of all the power, the resources and the commitment that exist in the aid and development establishment could be used to push for more immigration from poor to rich countries. It is neither fair nor logical that Zambia, Haiti and Laos are so much higher on the development agenda than Zambians, Haitians and Laotians.

In order to bring a change to this matter, those who are involved in global development should speak and write more on migration and development. My hope is that this book will lead to that. The potential for increased human welfare is unimaginably large.



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