

POLS 280:
Politics of Development
and Foreign Aid

Class 24:
Trade and migration

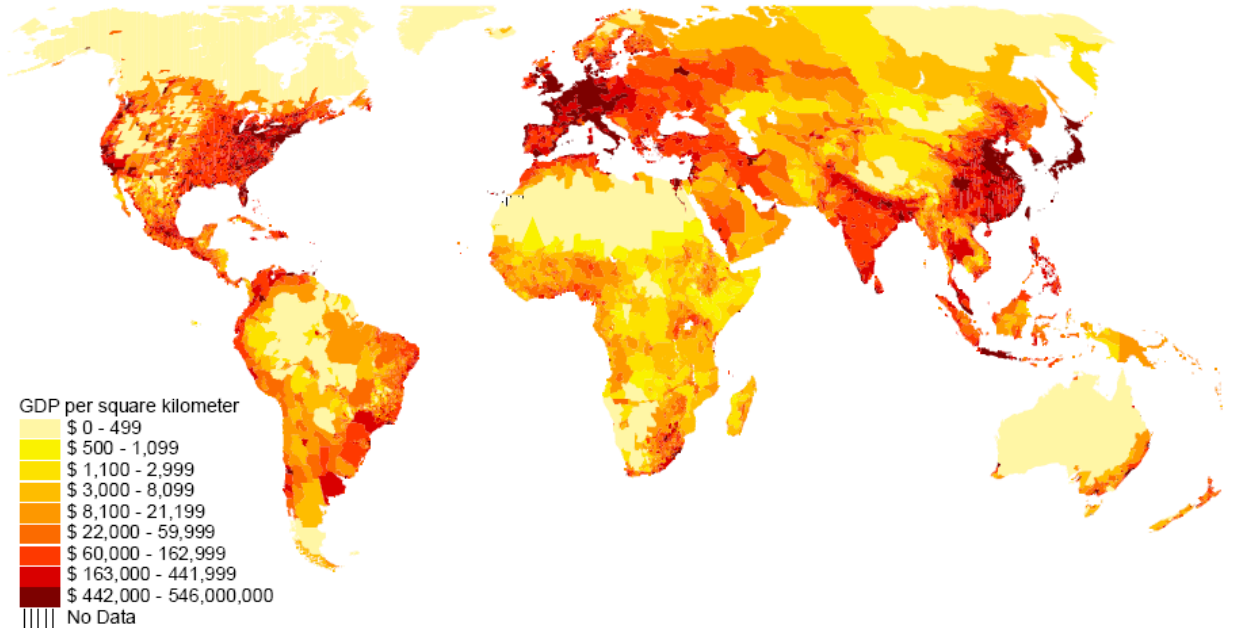
Plan for today

- Trade and globalization
- Migration

Benefits of trade

- “As by means of water-carriage a more extensive market is opened to every sort of industry than what land-carriage alone can afford it, so it is upon the sea-coast, and along the banks of navigable rivers, that industry of every kind naturally begins to subdivide and improve itself.” →
- Economies of scale and specialization
 - Smith, Adam. 1776. *Wealth of Nations*.

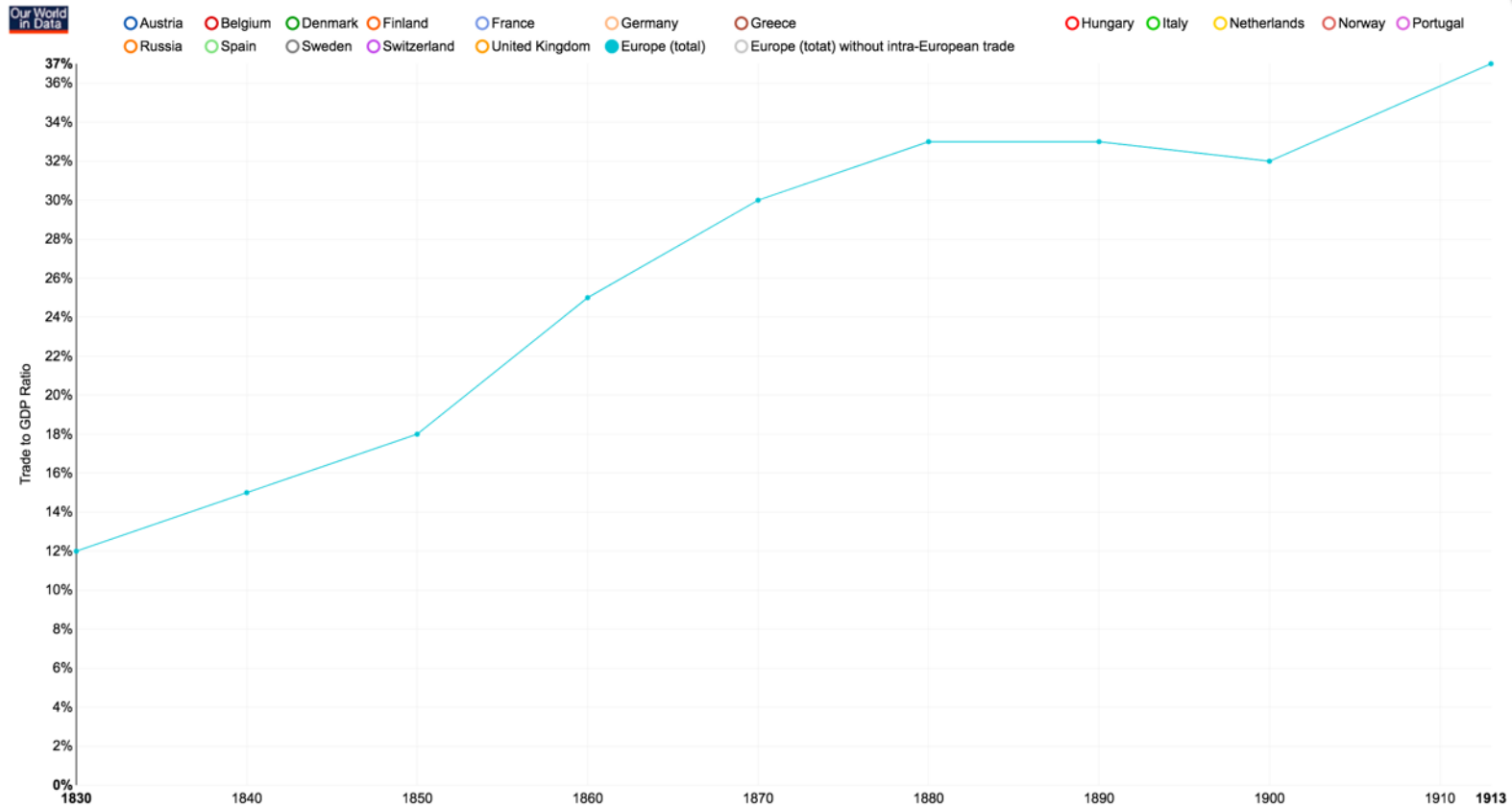
GDP Density



Benefits of trade

- Basic economics insight:
 - Poverty →
 - Specialization and trade →
 - Prosperity
- Implication:
 - More trade → more prosperity
- Trade in the course so far:
 - ISI vs. developmental states

Globalization



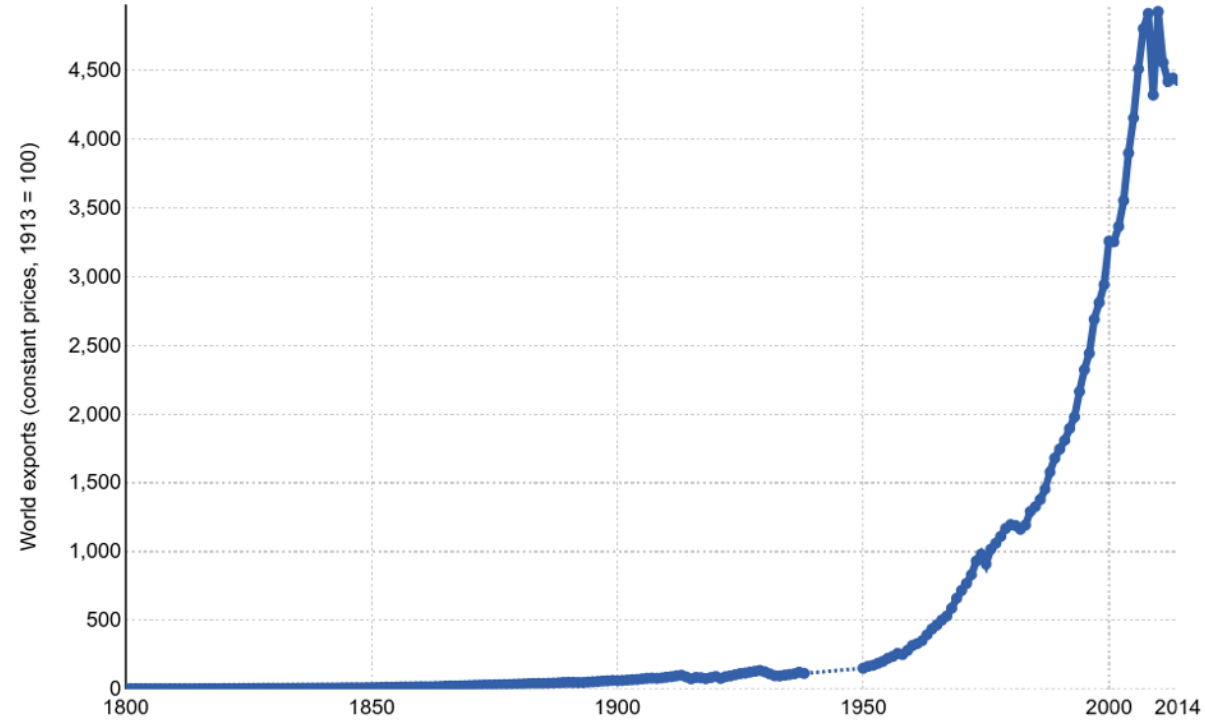
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Data Sources: Cambridge Economic History

Globalization

The value of global exports

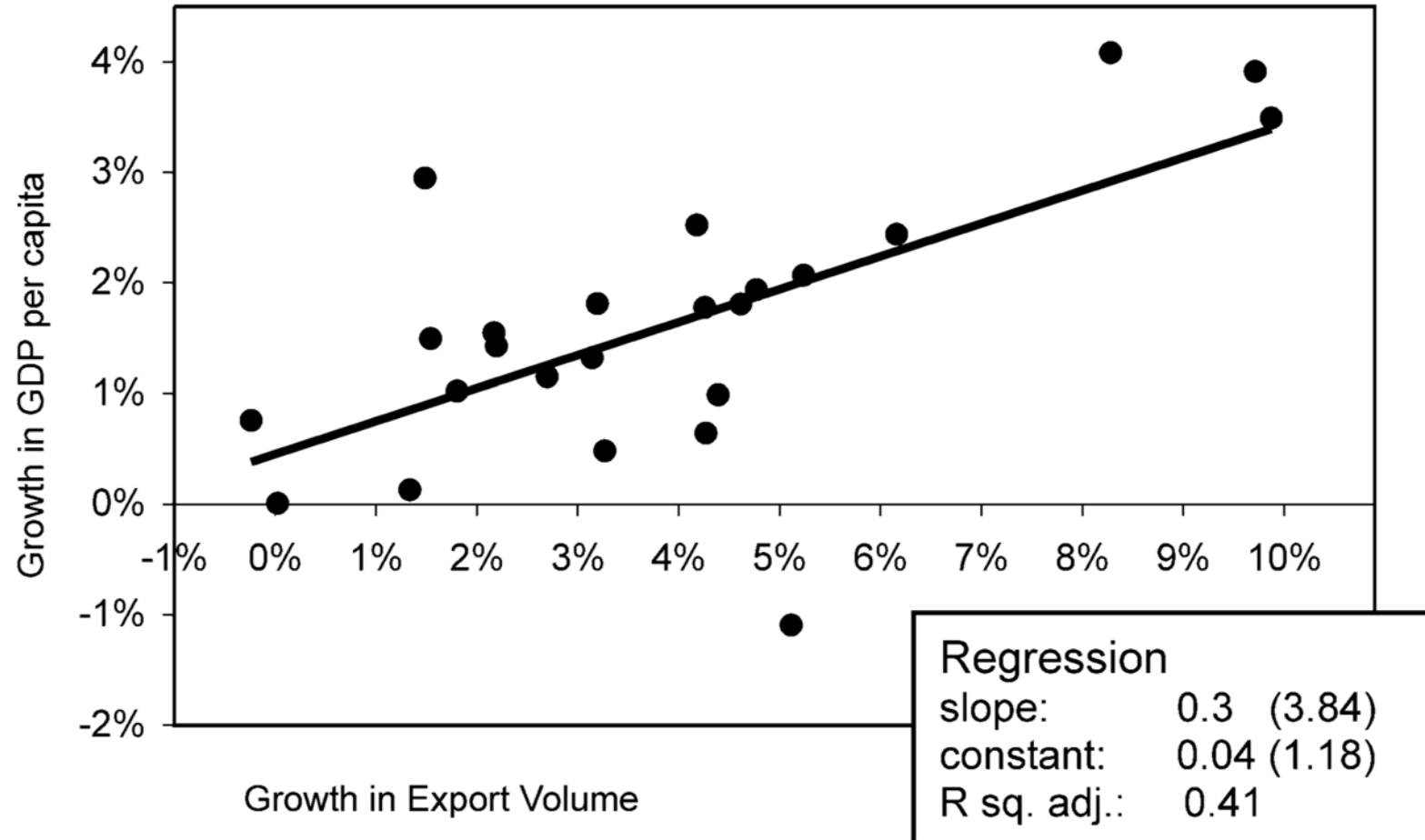
Time series of value of world exports relative to 1913 = 100.



Source: Federico and Tena-Junguito (2016)

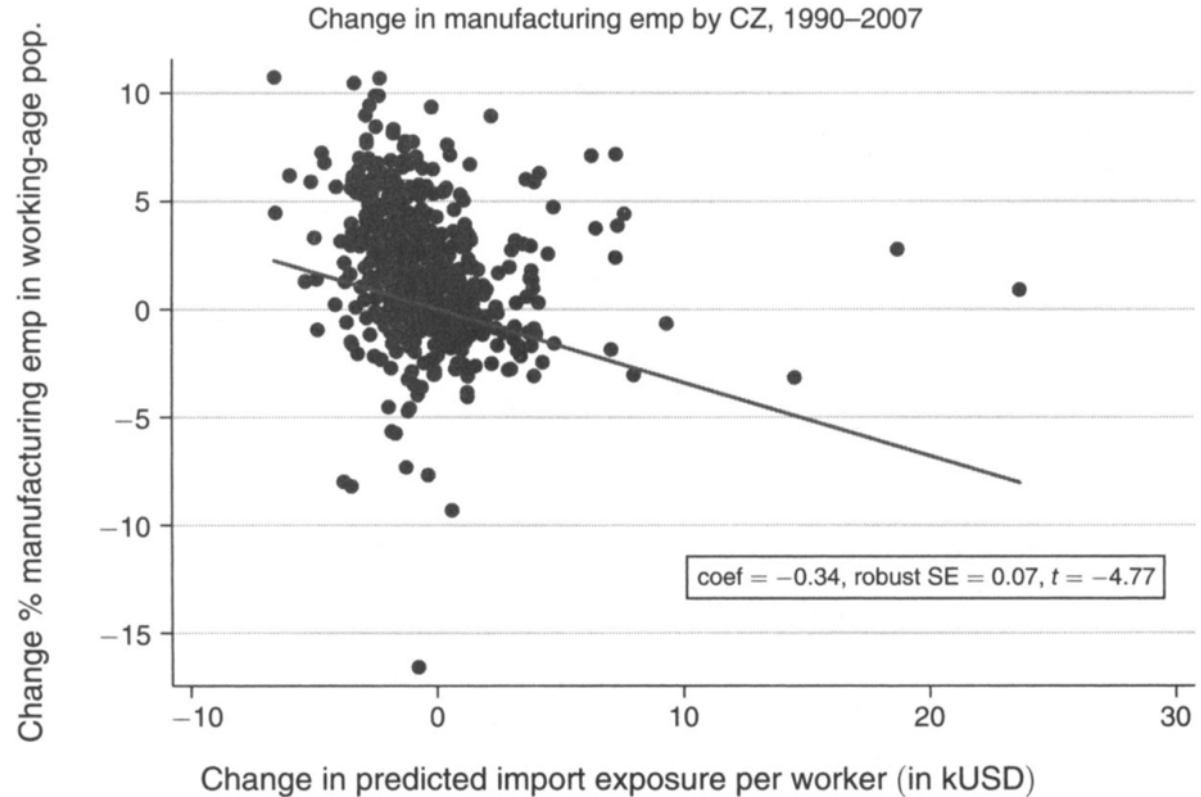
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Globalization and development



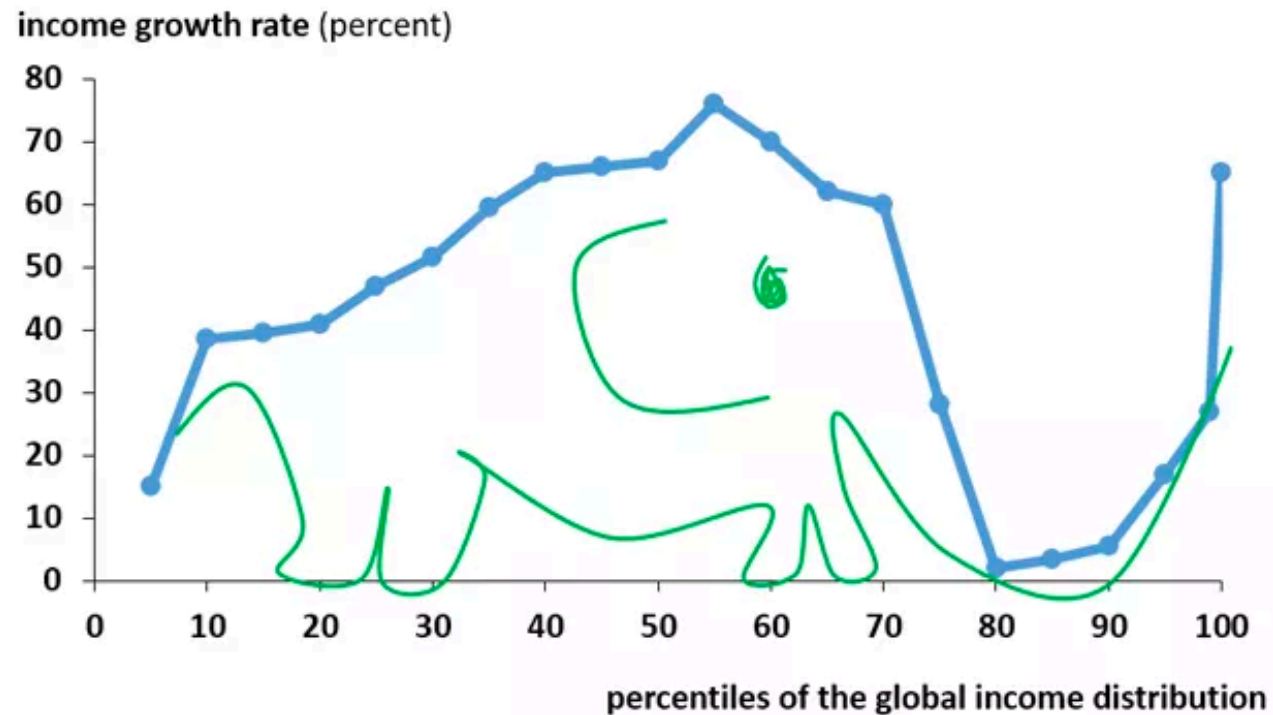
Globalization and employment

- Rising Chinese imports to the US from 1990-2007 →
 - Higher unemployment
 - Lower labor force participation
 - Reduced wages in local labor markets dependent on manufacturing
 - David, H., Dorn, D., & Hanson, G. H. 2013. "The China syndrome: Local labor market effects of import competition in the United States." *The American Economic Review*, 103(6), 2121-2168.



Globalization and income inequality

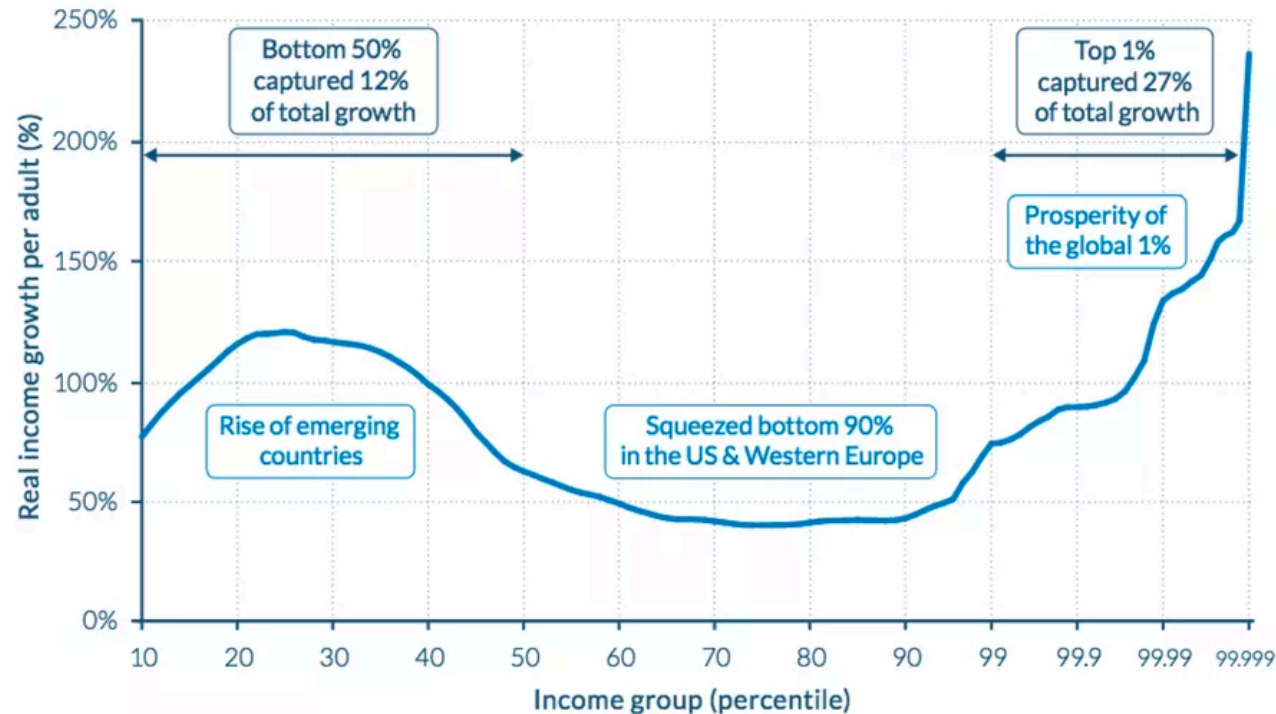
Global inequality has declined: Growth incidence curve, 1988-2008



Globalization and income inequality

Figure 2.1.4

Total income growth by percentile across all world regions, 1980–2016

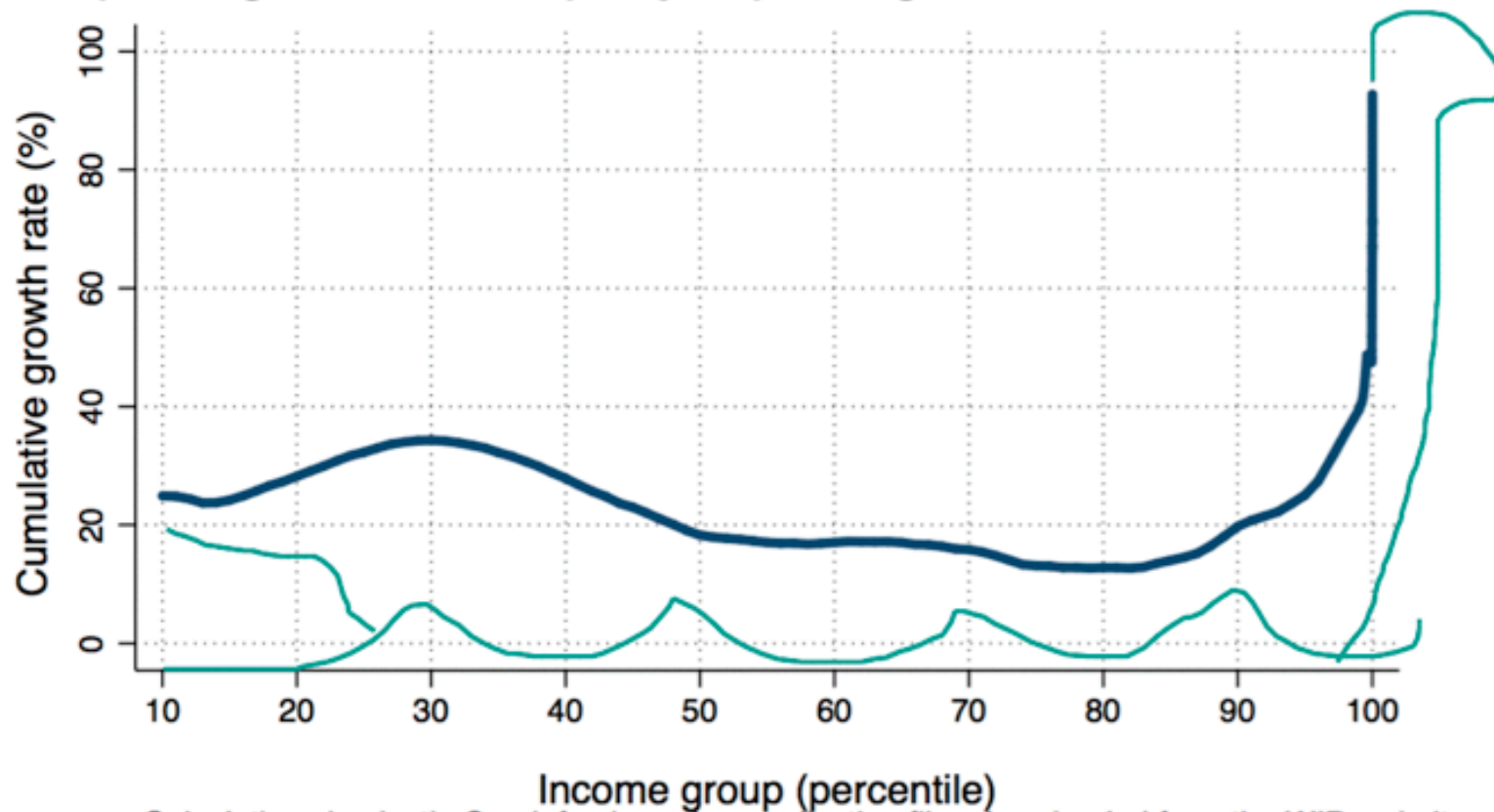


Source: WID.world (2017). See wir2018.wid.world for more details.

On the horizontal axis, the world population is divided into a hundred groups of equal population size and sorted in ascending order from left to right, according to each group's income level. The Top 1% group is divided into ten groups, the richest of these groups is also divided into ten groups, and the very top group is again divided into ten groups of equal population size. The vertical axis shows the total income growth of an average individual in each group between 1980 and 2016. For percentile group p99p99.1 (the poorest 10% among the world's richest 1%), growth was 74% between 1980 and 2016. The Top 1% captured 27% of total growth over this period. Income estimates account for differences in the cost of living between countries. Values are net of inflation.

Globalization and income inequality

Replicating the World Inequality Report, Figure E4, limited to 1988-2008



Calculations by Justin Sandefur, based on replication files downloaded from the WID website (2a - world-gic.do), with an alternative date range.

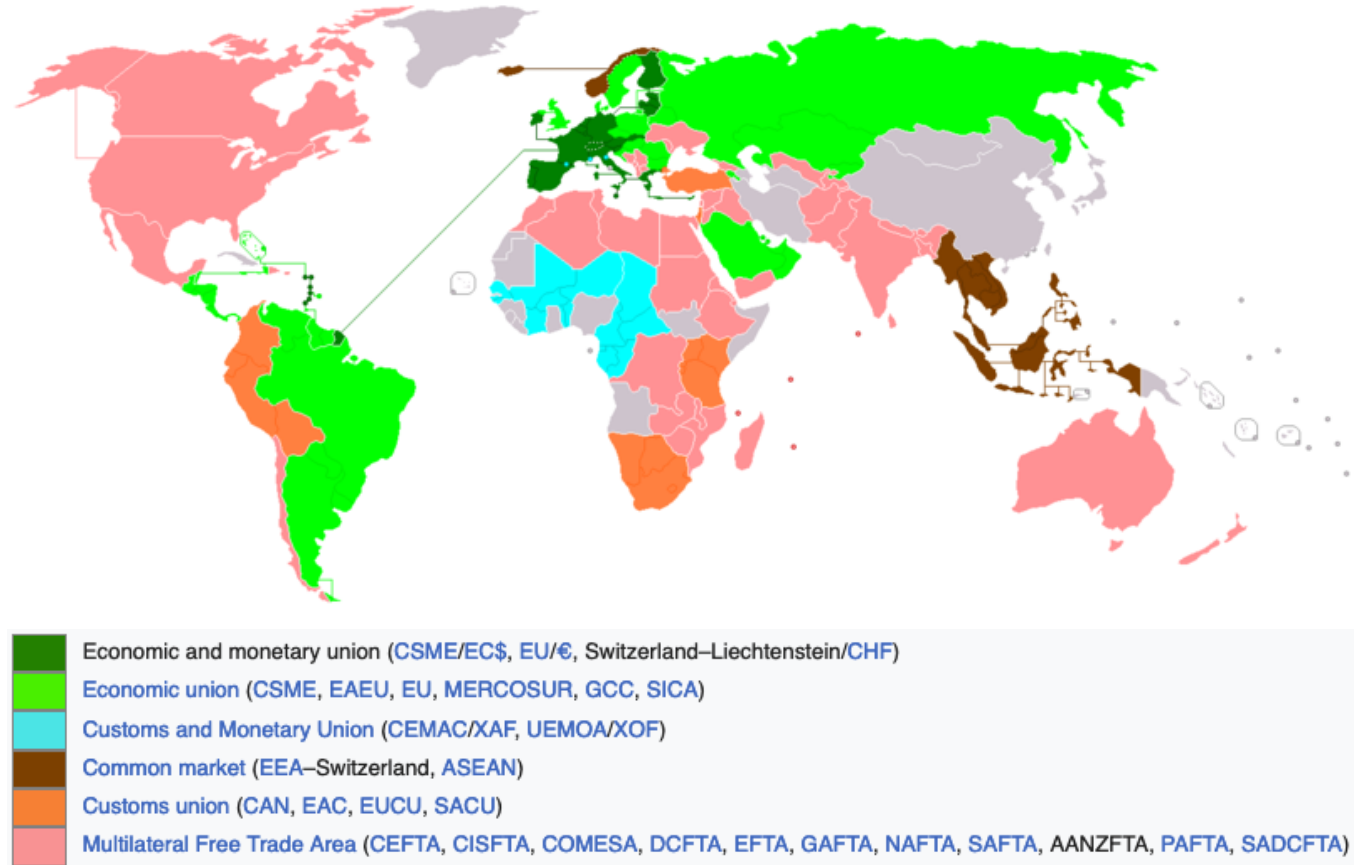
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What causes globalization?

Drivers of globalization

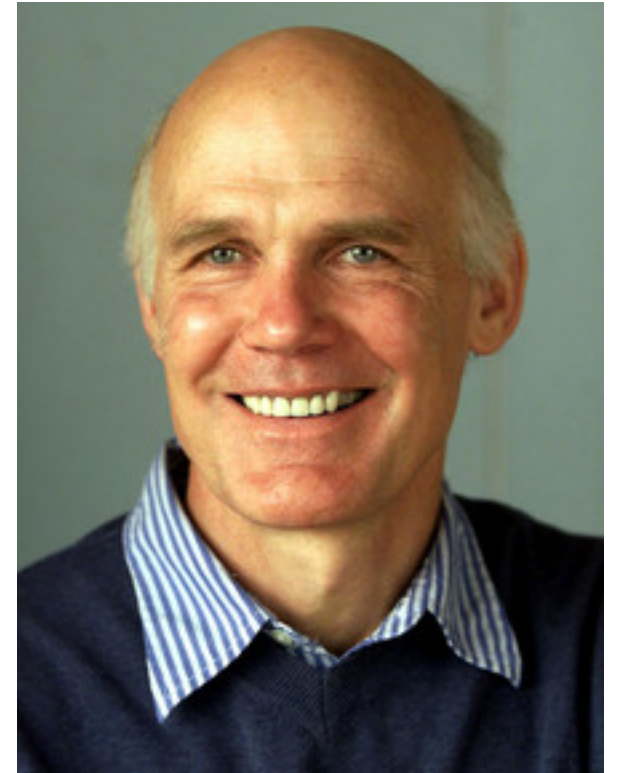
- Bilateral and multilateral trade agreements:
 - Preferential trade arrangements
 - Free trade agreements, esp.:
 - General Agreement on Tariffs and Trade (GATT; 1947-1994) →
 - World Trade Organization (WTO; 1995-)
 - Common markets
 - Currency unions
 - Customs unions



Globalization and political power

- Creation of the WTO as the result of the Uruguay Round (1986-1994)
- Wade (2003):
 - “[T]he main international agreements from the Uruguay Round [...] systematically tip the playing field against developing countries”
 - Expansion of “the options of developed country firms to enter and exit markets more easily, with fewer restrictions and obligations, and to lock-in their appropriation of technological rents”

- Wade, Robert. 2003. “What Strategies Are Viable for Developing Countries Today? The World Trade Organization and the Shrinking of ‘development Space.’” *Review of International Political Economy* 10 (4): 621–44.



Globalization and political power

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Many Politicians Lie. But Trump Has Elevated the Art of Fabrication. Trump's Stalled Trade Agenda Leaves Industries in the Lurch. TRUMP RULES Under Trump, Coal Mining Gets New Life on U.S. Lands. Trump Breaks From Vacation to Tweet Criticism of Media and Rally His Base. Obama Weighs In on Kenyan Election, Urging Calm.

POLITICS

Trump Abandons Trans-Pacific Partnership, Obama's Signature Trade Deal

By PETER BAKER JAN. 23, 2017 1740



DONALD TRUMP | By THE ASSOCIATED PRESS | 1:21
Trump Cuts Business Regulations

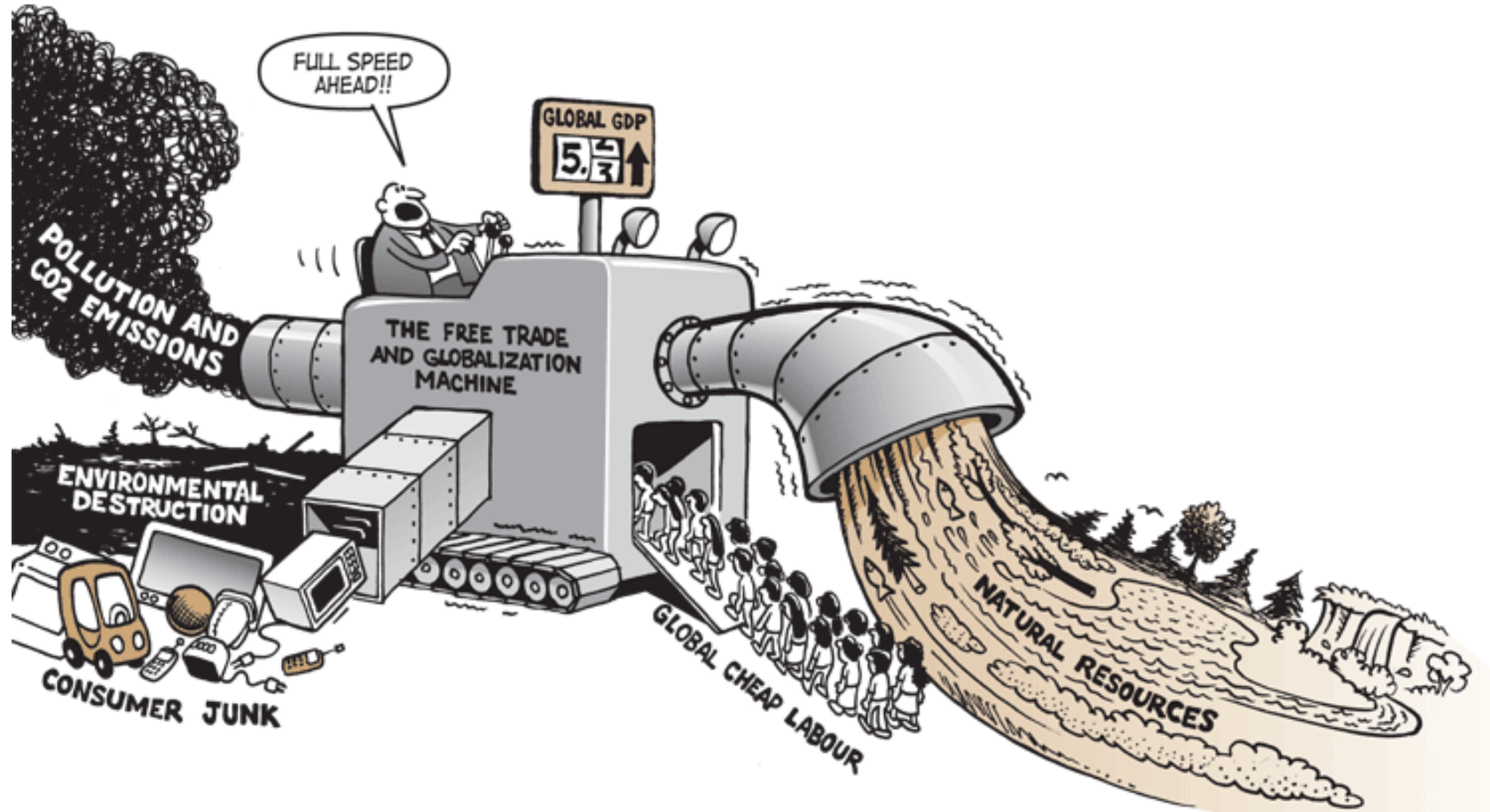
President Trump pulled out of the Trans-Pacific Partnership on Monday and proposed massive cuts in taxes and regulations for businesses. By THE ASSOCIATED PRESS. Photo by Doug Mills/The New York Times. [Watch in Times Video »](#)

The Trump White House
The historic moments, head-spinning developments and inside-the-White House intrigue.

- Trump Breaks From Vacation to Tweet Criticism of Media and Rally His Base AUG 7
- Many Politicians Lie. But Trump Has Elevated the Art of Fabrication. AUG 7
- Reporters Not Being Pursued in Leak Investigations, Justice Dept. Says AUG 6
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Globalization and environment



Cross-border movement in development

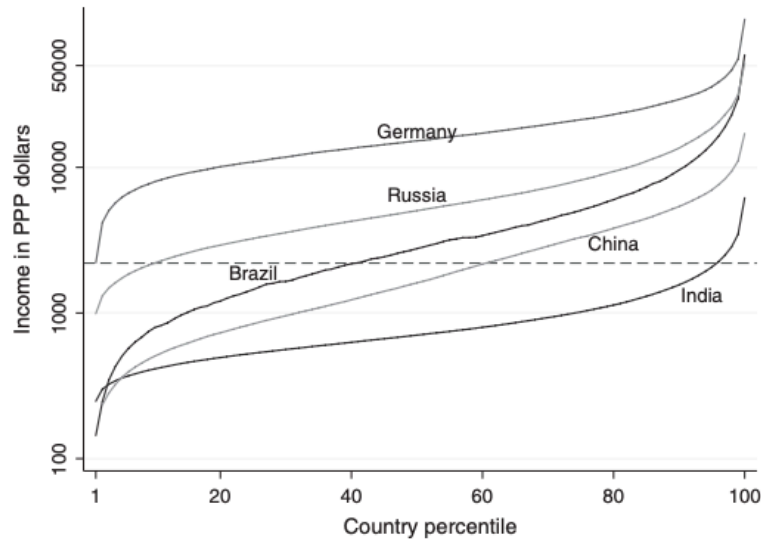
- Movement of:
 - Capital
 - Goods
 - Services
 - *People* → *migration*

What are the developmental effects of the assignment of people to their countries of birth according to Milanović?

Global inequality of opportunity according to Milanović

- Country of residence and income distribution within that country account for 50% of global income variability
 - Milanović, Branko. 2015. "Global Inequality of Opportunity: How Much of Our Income Is Determined by Where We Live?" *The Review of Economics and Statistics* 97 (2): 452–460.

FIGURE 1.—INCOME LEVELS IN THE WORLD BY COUNTRY AND INCOME CLASS, 2008



Global inequality of opportunity according to Milanović

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If you want to be rich, you'd better be born in, or emigrate to a rich country: Economist Branko Milanovic

A leading global economist explains the current state of global inequality

BY KAREN CHRISTENSEN
11 min read
PUBLISHED: Mar 19, 2018 12:33:38 PM IST
UPDATED: Mar 19, 2018 03:13:22 PM IST

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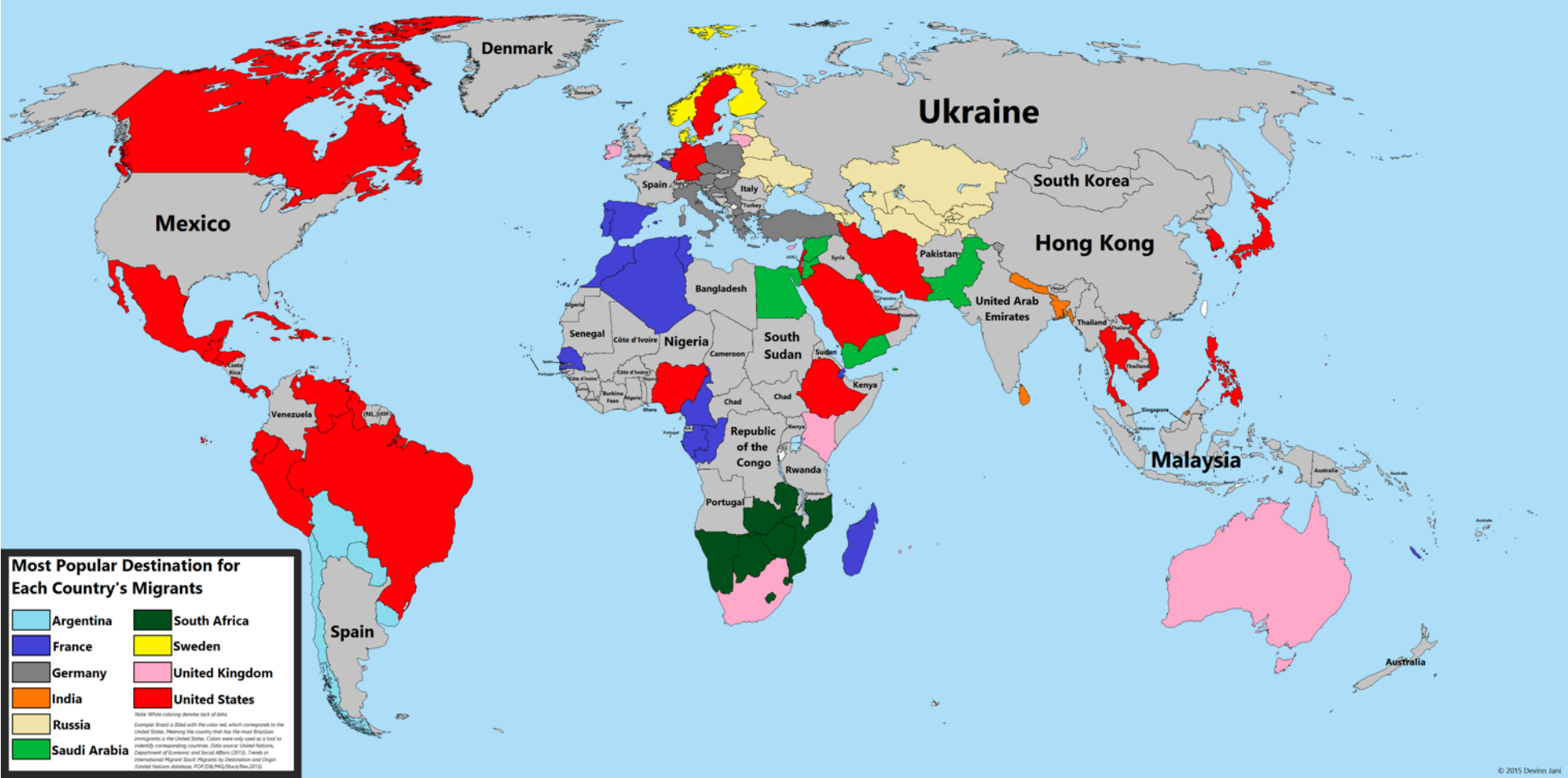
Migration

- Gallup World Poll (cited in Clemens 2011):
 - 40% of adults in the poorest quartile of countries “would like to move permanently to another country”

Economics and Emigration: Trillion-Dollar Bills on the Sidewalk?

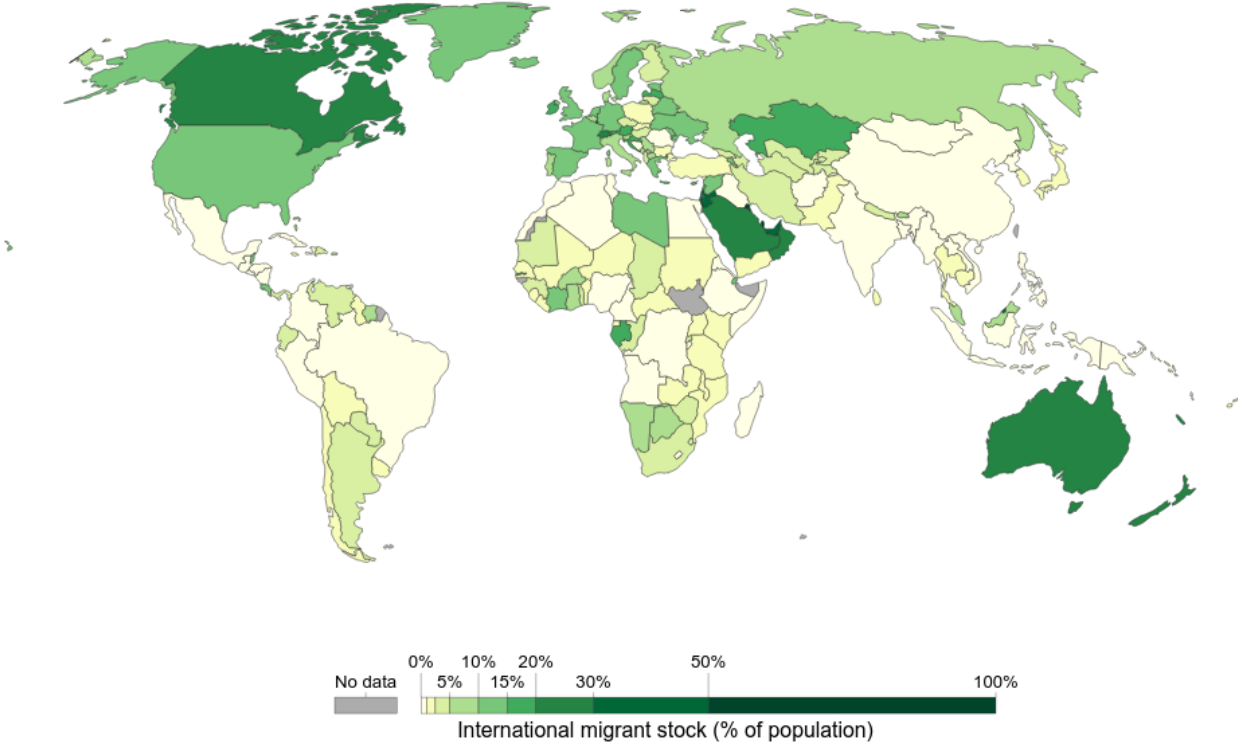
Michael A. Clemens

Migration



Migration

Share of a country's population that is not born within the country, 2010
International migrant stock (% of population)



Source: World Bank – World Development Indicators (International migrant stock (share of population))

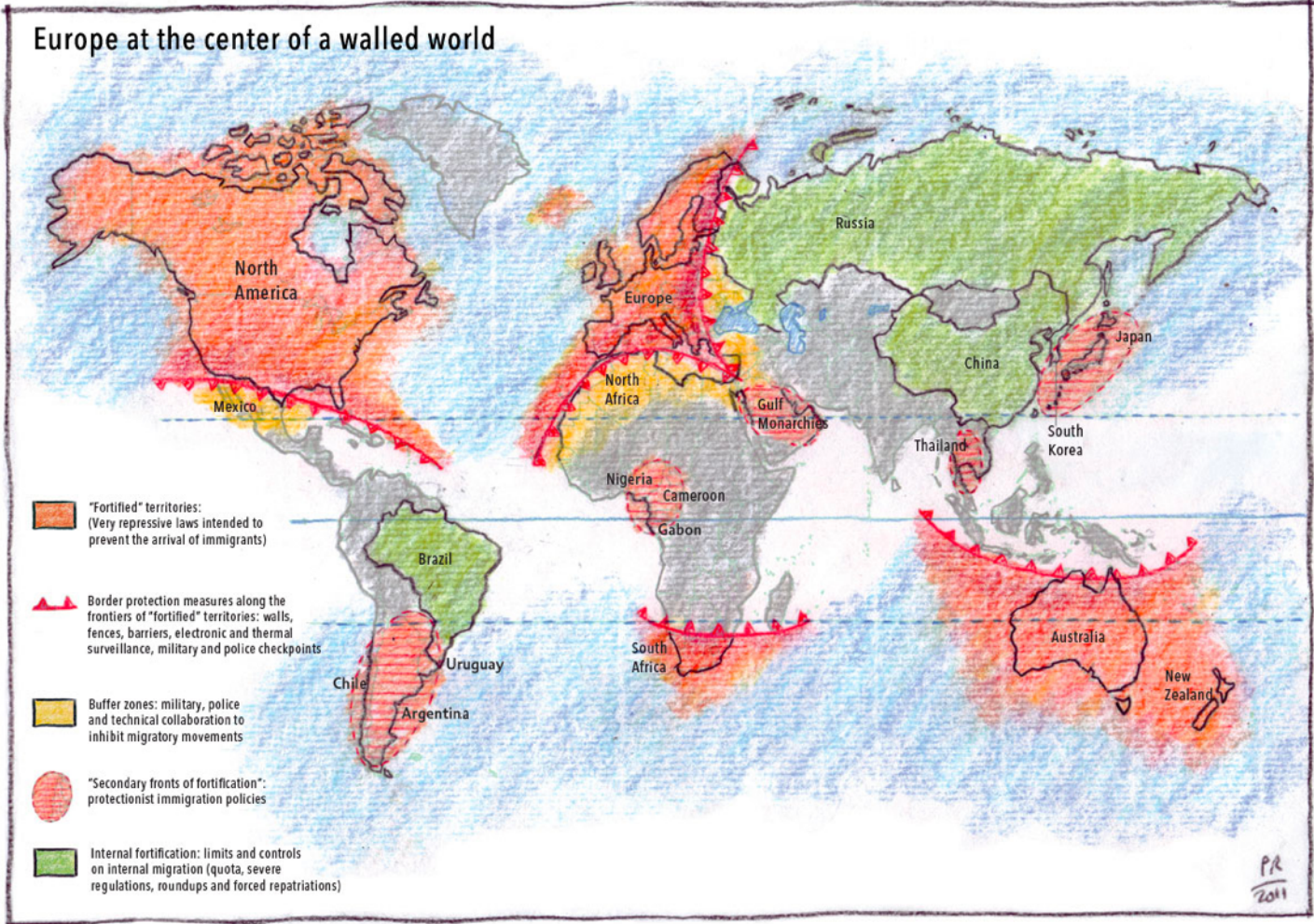
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Migration

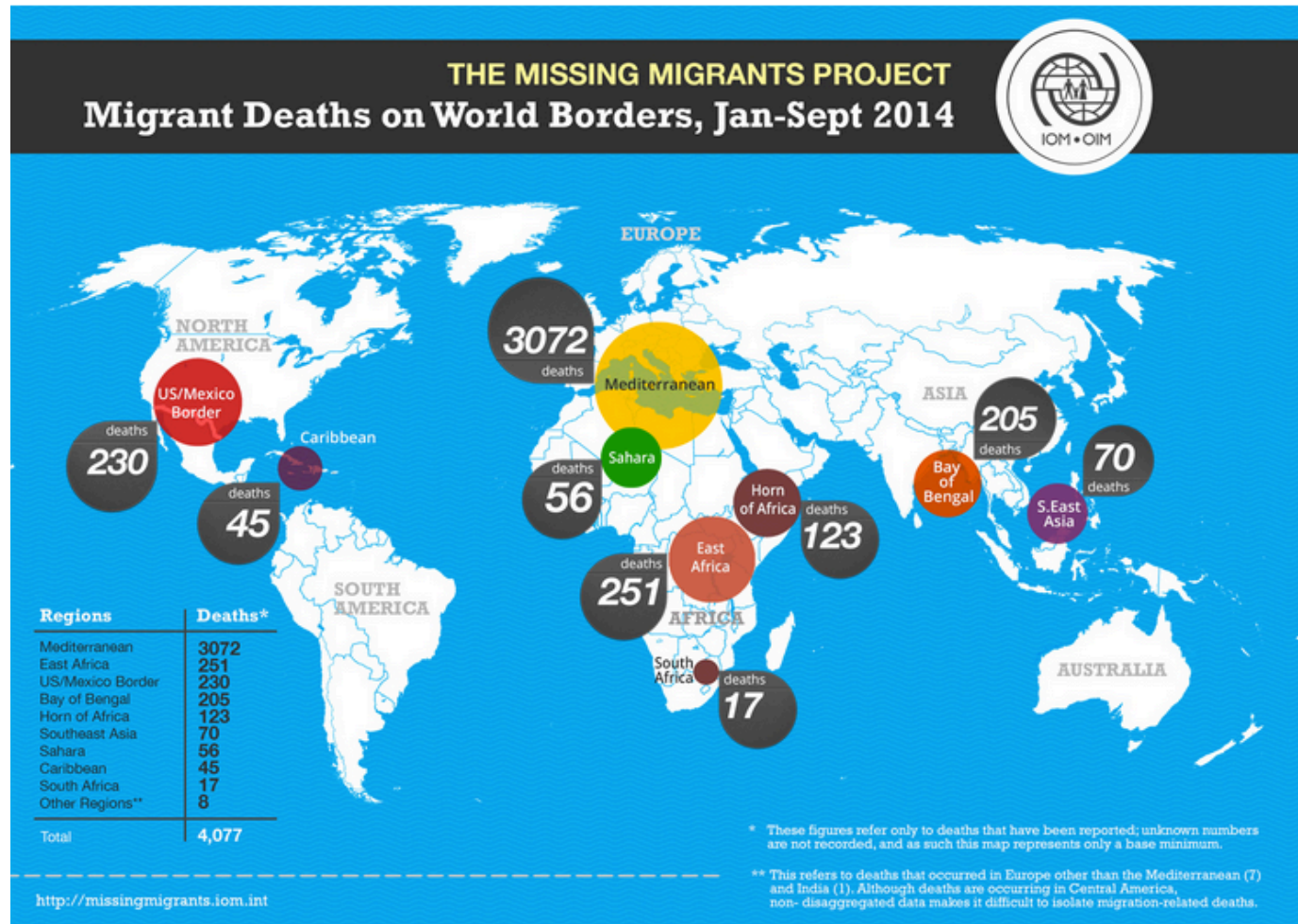
- The share of international migrants in proportion to the world's population relatively stable:
 - 2.2% in 1970
 - 3.5% in 2019

Why don't more people
migrate?

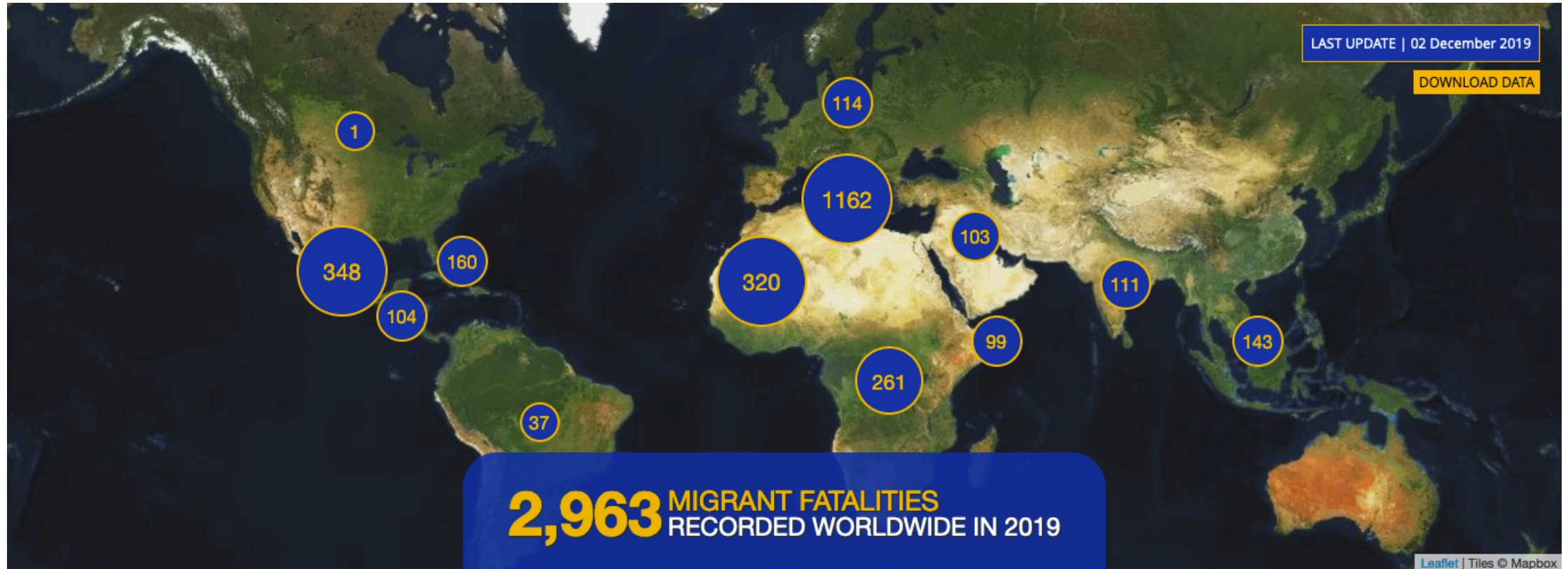
Migration regimes



Cost of existing migration regimes



Cost of existing migration regimes



Source: <https://missingmigrants.iom.int>

What are the potential economic benefits of changing the existing migration regime according to Clemens?

Potential economic benefits of changing the existing migration regimes

Table 1
Efficiency Gain from Elimination of International Barriers
(percent of world GDP)

All policy barriers to merchandise trade

1.8	Goldin, Knudsen, and van der Mensbrugghe (1993)
4.1	Dessus, Fukasaku, and Safadi (1999) ^a
0.9	Anderson, Francois, Hertel, Hoekman, and Martin (2000)
1.2	World Bank (2001)
2.8	World Bank (2001) ^a
0.7	Anderson and Martin (2005)
0.3	Hertel and Keeney (2006, table 2.9)

All barriers to capital flows

1.7	Gourinchas and Jeanne (2006) ^b
0.1	Caselli and Feyrer (2007)

All barriers to labor mobility

147.3	Hamilton and Whalley (1984, table 4, row 2) ^c
96.5	Moses and Letnes (2004, table 5, row 4) ^c
67	Iregui (2005, table 10.3) ^{c,d}
122	Klein and Ventura (2007, table 3) ^c



Economic effects of migration

- Individual-level
- Society-level:
 - Origin
 - Destination

Individual-level economic effects of migration

- Glaeser and Maré (2011): productivity increases
 - Glaeser, Edward L., and David C. Maré. 2001. "Cities and Skills." *Journal of Labor Economics*, 19(2): 316–42.

Individual-level economic effects of migration vs. development aid

- Pritchett (2018):
 - Strongest long-term positive effects of a development intervention: BRAC's Targeting the Ultra Poor (TUP)
 - Income gain from allowing beneficiaries of TUP to work in high productivity countries — 40 times larger
 - Implication: "Simply allowing more labor mobility holds vastly more promise for reducing poverty than anything else on the development agenda."
 - Pritchett, Lant. 2018. "Alleviating Global Poverty: Labor Mobility, Direct Assistance, and Economic Growth." Washington, D.C.: Center for Global Development.



Economic effects of migration on countries of origin

- Effects on countries of origin:
 - Lower productivity, or 'brain drain'?
 - Remittances
 - Wage increases:
 - Mishra (2007): emigration of Mexicans to the United States between 1970 and 2000 may have caused an 8 percent increase in Mexicans' nominal wages in Mexico
 - Mishra, Prachi. 2007. "Emigration and Wages in Source Countries: Evidence from Mexico." *Journal of Development Economics*, 82(1): 180–99.

Economic effects of migration on destination countries

- No documented case of declines in GDP or massive declines in public-service provision at the destination caused by immigration
- Glaeser and Maré (2011): productivity increases
 - Glaeser, Edward L., and David C. Maré. 2001. "Cities and Skills." *Journal of Labor Economics*, 19(2): 316–42.
- Building Markets (2017): since 2011, Syrians in Turkey have invested nearly \$334 million into 6,033 new companies
 - Building Markets. 2017. *Another Side to the Story: A Market Assessment of Syrian SMEs in Turkey*.
http://buildingmarkets.org/sites/default/files/pdm_reports/another_side_to_the_story_a_market_assessment_of_syrian_smes_in_turkey.pdf/

Economic effects of migration on destination countries

- High-skill labor:
 - Khanna and Morales (2017): the H-1B scheme led to a tech boom in both India and the United States, inducing substantial gains in firm productivity and consumer welfare
 - Khanna, Gaurav, and Nicolas Morales. "The IT Boom and Other Unintended Consequences of Chasing the American Dream." <https://www.cgdev.org/publication/it-boom-and-other-unintended-consequences-chasing-american-dream/>
- Low-skill labor:
 - Kremer and Watt (2009): positive effects of low-skill labor availability on the productivity of high-skill labor, particularly women's labor
 - Kremer, Michael, and Stanley Watt. 2009. "The Globalization of Household Production." http://www.cgdev.org/doc/events/Migration%20Conference,%205.26.09/Michael_Kremer_Paper.pdf/
 - Borjas (2017): influx of Cuban refugees to Miami reduced the wages of low-skill American workers
 - Borjas, George J. 2017. "The Wage Impact of the Marielitos." *ILR Review*.
 - But: Clemens—finding is spurious
 - <https://www.cgdev.org/blog/what-mariel-boatlift-cuban-refugees-can-teach-us-about-economics-immigration>

Economic effects of migration



William Easterly ✓

@bill_easterly

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Economists' consensus is that immigration is a boon to economy, doesn't harm native workers



Fewer Immigrants Mean More Jobs? Not So, Economists Say

Highly educated immigrants are good for the economy, but so are less skilled workers, economists say.

[nytimes.com](https://www.nytimes.com)

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Why do migration regimes
detrimental to (economic)
development exist?

Politics of migration

- Number of people who believe that there are currently too many immigrants in their country:

- Canada: 17%
- France: 33%
- Germany: 27%
- Italy: 53%
- The Netherlands: 27%
- United Kingdom: 59%
- United States: 37%

- Clemens, Michael A. 2011. "Economics and Emigration: Trillion-Dollar Bills on the Sidewalk?" *Journal of Economic Perspectives* 25 (3): 83–106.

- Mayda (2006): wealthier, better-educated, and less-nationalist individuals in rich destination countries have more favorable attitudes toward immigration

- Mayda, Anna Maria. 2006. "Who Is Against Immigration? A Cross-Country Investigation of Individual Attitudes toward Immigrants." *Review of Economics and Statistics*, 88(3): 510–30.

Politics of migration

- Theresa May: “if you believe you’re a citizen of the world, you’re a citizen of nowhere”

News > UK > UK Politics

Theresa May speech 'could have been taken out of Mein Kampf', Vince Cable says

Prime Minister's attack on global elite as 'citizens of nowhere' condemned as 'quite evil' - 'It could've been taken out of *Mein Kampf*'

Rob Merrick Deputy Political Editor | @Rob_Merrick | Wednesday 5 July 2017 15:15 BST | 

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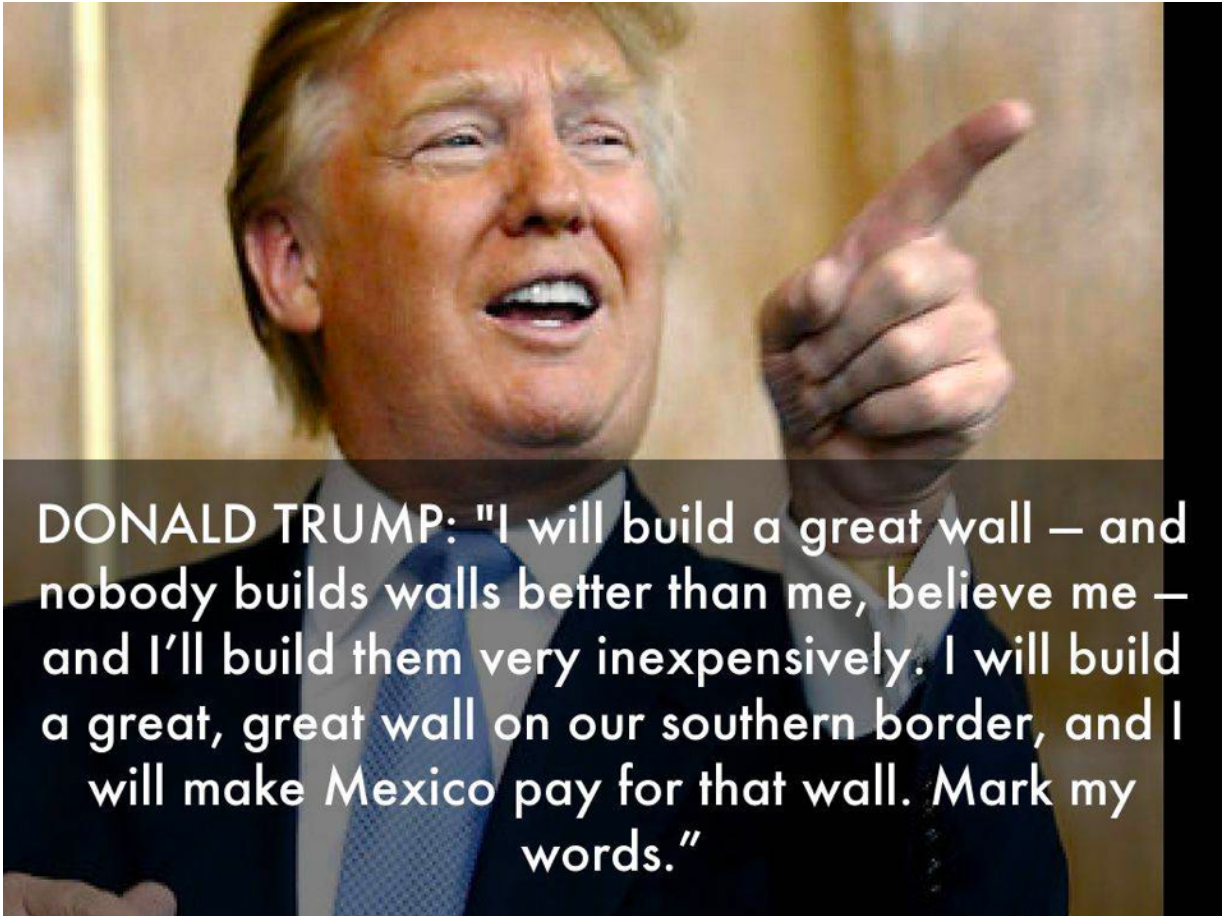
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Politics of migration



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U.S. HATE CRIMES MUSLIMS TRUMP

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Immigration arrests rise in first months of Trump administration
By Tal Kopan, CNN
Updated 8:23 PM ET, Mon April 17, 2017



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Politics of migration

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Coronavirus outbreak

'Coughing while Asian': living in fear as racism feeds off coronavirus panic

Racist incidents are increasing while Trump promotes racism by calling coronavirus 'the Chinese virus'



▲ Members of the Massachusetts's Asian American Commission protest racism aimed at Asian communities amid the coronavirus pandemic at the statehouse in Boston. Photograph: Steven Senne/AP

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Next week

- Review class
- Last day to submit written work on Wednesday, April 29
- Final exam:
 - Two parts:
 - Essay, due at 10 am on Friday, May 1
 - Short answers, 9-10 am on Friday, May 1