

**Remarks of Lant Pritchett on May 26, 2009 in Washington, DC at the conference
*Beyond the Fence: Research Lessons on How Immigration and Remittances Shape Global
Development***

Well, thanks very much. So I get asked as a development type a lot the question: is immigration good for development? What's the relationship between immigration and development? I've been asked that sufficiently that I've now decided to just completely deny that the question has any meaningful – that the question itself is meaningful. And I was just thinking about how to express this.

I was thinking – I went to graduate school at MIT, and in my first year at MIT, I did two things that it turns out have been intellectual very influential on me. One, I took econometrics from Jerry Hausman, not Ricardo Hausmann, Jerry Hausman, which is a very influential experience for anyone who's done it. And the second, as I walked back and forth between where I lived in school, there happened to one of MIT's libraries in between my classes and where I lived, and it happened to be the humanities library so I would actually, as a break from economics, stop into the humanities library.

So during most of my first year studying economics, I actually walking back and forth I would read Foucault which worked really well because it definitely cleared your head of any economics. It definitely also cleared your head of anything because I probably shouldn't say I read Foucault. I would walk along and look at words on a page that was in a book by Foucault. I didn't really, I think at the time, really understand much of what I was reading.

It turns out in the long run I think I've been much more deeply – I've been almost equally influenced by both. So I'm I think rare in that I'm an econometric deconstructionist. (Laughter.) And that I like to use econometric techniques in the goal of deconstructing sort of socially-constructed ideas. Now, I went from MIT and immediately joined a social movement. And the social movement that I was a member of turns out to be one of the most influential social movements of my time and of our time, and it was this social movement called free trade.

And it was a social movement in the sense that it had all the trappings of a social movement: it had committed believers, it had agents of action, it had reform champions, it had a sustaining sort of set of normal science, people churning out papers that really had almost no conceivable purpose other than paradigm maintenance meaning most of the papers I wrote as a member of this social movement – I would call it a – not quite a cult but it was a social movement – but most of the papers I wrote had no real purpose.

No one was really interested in what was in the paper. But it was the point of the production of the paper that gave legitimacy to the overall endeavor of the social movement. Well, we are producing research, therefore we were scientific. So we were legitimizing the social movement that we were a part of through this branch of the social movement called academic research.

But as anyone who's ever read any significant fraction of the academic research, you must realize that the production of what's in those papers can't possibly be the point of them. (Laughter.) Which doesn't mean they're worthless, see? The naïve conclusion is, oh, well, most of these graduate dissertations are therefore worthless. That's not the right conclusion. The right conclusion is they're serving a very important social function. It's a legitimization function.

Now, which leads to – and by the way, speaking to the back of the room which is a little younger than the front of the room – we were like phenomenally successful because we had a clear mission and mandate. We had a simple motto: “What do we want? Free trade. When do we want it? Now.” (Laughter.) We used every conceivable instrument at our disposal. You know we sort of propagandized here. We used power when we had it. We used leverage financially when we had.

And free trade became not just the policy de jour. It became unthinkable to think otherwise. It became unthinkable. Eventually, if you weren't in favor of free trade, you were just kind of goofy. You were sort of like the Amish. (Laughter.) It's like, what is that about? You know, it wasn't like there was any debate left. We swept the field. We essentially, as a social movement, swept the field of opponents.

Now, and all of this is precursor to these PowerPoint slides because – but I want you to understand what I'm doing which is whenever we think we're doing normal science, like asking a specific empirical econometrically answerable question, we're really participating in a much larger intellectual and social exercise.

And part of sort of is migration good for development has to be part of, well, wait a second. How would we set about even imagining what empirical answers to that question look like depend on how development has been framed. And if we frame development in some ways, it's going to be very hard to get an answer that yes, migration is good for development. And if we frame development in other ways, it's going to be very horrid to get an answer that migration isn't obviously supremely good for development.

And it's the econometrics of the Hausmann part; the framing part of Foucault because all framings are completely socially contingent facts that are enormously malleable over time. Things that are unthinkable today were the conventional wisdom 30 years ago. And things that – again, speaking to the back of the room – you guys think are absolutely understandable obvious truths now, by the time you're my age, you will realize, what were we thinking? They'll be like Afros and bell-bottom pants, the intellectual equivalent. You'll think, oh, dear I wish we hadn't taken quite so many pictures of what I was thinking. (Laughter.) So let me just now quickly move through the PowerPoint because I want to sort of get us on schedule.

So first of all, immigration is a development tool, but if we start with development as people in that place, then the answer to the question is migration good for development is just completely trivial. Of course it's good for human wellbeing because by being a voluntary choice

of human beings, people do it when they're made better off. So how could you construe people's choices to move in a way that was bad for them? We'll get back to that.

Then, if we construe it as place not just people, then we start talking about the impact on the non-movers. But the interest in the non-movers is only the key question to development if we have construed development to exclude from our concern the people that just most benefited from migration. And then, finally, what we really get back to is what – and this is again, what you learn from reading Foucault – is what's the hugely most important part of the development on migration debate is the part that no one is talking about, because what you learn is that anything that's sufficiently powerful isn't being talked about because you're powerful enough to construe the available agenda such that what's really powerful in driving the agenda is itself never on the agenda.

So let's get back to that. Okay. So first of all, we have common but crazy measures of government. They're like dirt based, place based. So take a Haitian, average wage is \$1 an hour, probably earns \$10 a day. That person moves from Haiti to the United States. Suppose there's no impact on anybody else and suppose we construe it such that family size is such that he's poor in Haiti and he and her – he and their family move together and they're not poor in Haiti and they are poor in the USA – certain combinations of assumptions about wages and poverty rates give you.

So what you could have is, like all of the existing measures of development, is this person quadrupling their wage and every conceivable measure of development going down in both countries. So, average wages fall in Haiti because an above-average person left. The poverty rate rises in Haiti because someone who wasn't poor leaves so the headcount proportion rises. Poverty rises in the United States because someone who is now poor in the United States is there. And wages, average wages fall in the United States. So both the sending country and the receiving country are by all the conventional dirt-based measures of development worse off.

And then you think, well, this is just crazy. This is just – because basically what happened to this person or family just completely disappears from the notion of development. Development only happens to places. So one thing I've done with Michael Clemens is we've written a paper called development as if people mattered or maybe – is that the subtitle? Anyway. The title is "Income per Natural" in which we just calculate sort of what really is the income of naturals, people who were born in a certain place.

So all of the development statistics that you will find in every World Bank table about Jamaica are about a piece of an island. It's about a piece of dirt. It's about the people that happen to be living in Jamaica. If you ask, what about Jamaicans, actually we don't know hardly anything about Jamaicans. And it turns out the Guyanese are actually as rich as Brazilians. So in terms of income of people who were born in Guyana, they're as rich as Brazilians. It's just none of them are doing it in Guyana. Guyana has almost – a little bit more than half the dirt-

based GDP of Brazil but in terms of the wellbeing of the Guyanese who have moved out of Guyana, the Guyanese are actually doing quite well, thank you very much.

So if you just – and the point of this exercise is not the sort of – that these percentages are big. It's that this is a correct people-based measure of development that at least gets the direction of what's happened to an inclusive measure of development that includes people, right. So if someone moves from Peru to the United States and makes more money, we don't lose them in the sort of overall development accounting. That income gain still accrues to Peruvians.

And again, the important thing about this is not so much that these numbers are huge. It really is an exercise in deconstructing the notion of why are we so interested in the statistic that is the average income of people that happen to be living on a given piece of dirt at a given point in time? Why aren't we sort of interested in the wellbeing of people kind of no matter where they are, but even we might say, we care about a certain people that were born in a certain place and have an affiliation of a certain place or have some cultural notion of continuity irrespective of where they are? So we'll get back to this.

Now, moreover, this cuts across like these other sort of debates about what is development. If you think, well, you're still assuming development it's about income – no, no, no. I am not. Take any other measure of individual wellbeing: infant mortality, schooling, anything, moreover, take like freedom. Well, what could be more integral to the notion of freedom than the freedom to move? After all, the residual-based sort of evils that we got rid of in the move to capitalism were getting rid of restrictions on personal mobility like serfdom, like slavery, like apartheid, in which people were inextricably tied to a given sort of piece of dirt in order that – and their freedom was therefore infringed on.

So again, take any wellbeing-based measure of development and think about it as people-based, and migration is fantastically good for it. So, then let's think – we're going to divide up development in the sort of individual – economic or individual wellbeing and development of nation states. And then let's sort of divide it up into human beings and nation states. So we could ask the question, okay, okay, okay. Fine, fine, fine. We all know that when someone moves from making a very low wage to making a very high wage, they're better off. But we're still interested in the people that stayed behind because it's only a small number of people that move.

So then we might ask the question, what is the impact on the movers – of the movers on the non-movers? Do the people that stay behind in Jamaica or in Orissa, are they worse off because people moved? And I want to break this up into various sort of types, the point being, which you couldn't possibly infer from this table – (laughter) – again, like I started with Foucault – (laughter) – is that when we get into the debates about is migration good or bad for development, we're actually in a tiny little part of the overall space.

So if we think of here's growing booming countries like India, here's fixable stagnating countries like Brazil, and here is hardcore ghost countries like Zambia. So Zambia just almost certainly has 10 times as many people as it should in any equilibrium. And it's really, really stuck. There's nothing – there's no reforms that are going to fix Zambia. Brazil probably should be four times richer than it is today and we think it's fixable. Countries that are on their way to fixing themselves are booming towards prosperity.

Now, let's think about the type of immigrants: we've got low-skill immigrants and high-skill immigrants. So the first thing is low-skilled immigrants are kind of win-win and the main benefit to the people who stay behind is remittances. So why do we hear so much about remittances? We hear so much about remittances because it's the avenue backend to dirt-based thinking. If we want to say, well, okay. We don't want to make the case for migration just on the basis of people because the world system is still structured along the lines of sovereign nation states so the people in power actually control pieces of dirt so they care about pieces of dirt so we've got to talk to people who care about pieces of dirt, how we talk to people who care about dirt is through remittances.

We say, oh, by the way, your little piece of dirt that you control also kind of benefits from this mobility because you get some money back from the people who moved to the people who didn't move. So low-skill migration is sort of win-win and that's why R, which is remittances, is green because it's good and it shows up through here and it shows up as – again, remember, we're only really interested in this as the primary phenomenon on a secondary level in which we're talking about the impact of the left behind. So, secondly, sort of low-medium scale it's sort of all win-win from the sending countries' point of view.

Then we get into high skill. Now, at high skill we still have remittances and then there's two issues about high-skill migration. One is – okay. So I'm trying to promote the term "cortex vortex." The reason for this is that the only reason brain drain gets used as a phrase is that it rhymes. (Laughter.) It has zero intellectual content. And moreover, it presumes a normative stance so people ask questions like: I'm doing research as to whether brain drain is good or bad. Well, wait a second. You just called it drain. (Laughter.) No one calls anything "drain" and then asks is that good? If your bank account is being drained, it's a bad thing.

So cortex vortex; it rhymes. And it has brain and movement. Now, Michael and I have spent embarrassingly large amounts of time trying to think of two rhyming words that are like brain drain but have no normative implications. He doesn't like cortex vortex yet but we'll stick with it for now. I'll stick with it for now. Okay. Cortex vortex. There are two things about cortex vortex. One is that – well, there're sort of three things. The first is that – and this is a really important distinction that almost never gets made in this discussion about migration – which is there's a big distinction between whether or not people leaving has negative productive externalities and whether or not people leaving has net pecuniary externalities.

So, those of you that weren't steeped in the social movement of economics, let me sort of explain those. So let's say I run a laundry service and I hang the sheets outside to dry. And

you move into town and you open up a sort of kiln to make a living for you, and you burn wood, and that put smoke into the air, and that makes my laundry businesses – it lowers the profitability of my laundry business by increasing my costs, by putting smoke into the air. This is a productive externality. You have done something and your behavior is having negative effects on me.

The typical kind of economical economist intuition about externalities is polluter pays. It would be a perfectly reasonable policy to charge a tax on the person who is producing smoke to compensate the people who are negatively affected by the behavior of the person producing smoke. That's a direct production or consumption externality.

Now, there's another kind of externality. Let's say I run a laundry service and then you come into town and you start a laundry service. Well, you're starting a laundry service might actually lower my profits. And it might lower my profits not by increasing my cost but by decreasing the prices I'm able to charge. Now, this is definitely a negative pecuniary externality. Your behavior has actually made me worse off. So it's not a question of have you made me worse off or not. That's not the distinction. Both of those things are externalities.

But in economics, we make a big distinction between sort of direct productive externalities and pecuniary externalities. And we don't typically like action based on pecuniary externalities because not allowing action on pecuniary externalities is the foundation of capitalism. You can't have free markets and have policies based on pecuniary externalities. The difference between a free market and a not-free market was whether or not the guild that occupied the European town maintained a property right over the production of the thing and could sue you at law to stop you from entering their market because of the negative effects it had on you. Okay.

So the point is don't get caught up in the debate do people leaving have negative effects on other people without making this key distinction because it may well be that doctors leaving raises the price of healthcare for those that stay behind. But it's also the case that exporting oil raises the price of oil in the country that has exported oil. It's also the case that exporting anything, if it reduces the net domestic supply, he's increased the price for the people in the economy and nowhere does anyone think that's a legitimate basis for public policy action with respect to the people selling that good or service, in a way that they might, about a purely productive or consumption externality.

So basically, let's just – okay. So basically, to sum up low-skill is great for the stairs. Then you want to think about high skill. There's two things: is there a productive externality or a pecuniary externality? Pecuniary externalities are just dangerous. They're dangerous to freedom. They're dangerous to thought. They're dangerous to everything. Relying on actions against other people because of the pecuniary externalities they have on other people is just the road to hell. We cannot go there.

Now, then, let's get back to the productive externalities. Well, the evidence about the productive externalities of human capital is mixed, which is, if you go back to the table and think, are high-skilled people leaving bad for booming economy? Probably not. Are high-skill people bad for a hardcore ghost economy? Probably not, because there's probably not – you keep three doctors in and you let one of those doctors leave, if you still only have three, you have two, it's so small, it's so irrelevant to the net outcome. So there's probably some borderline cases where it might be the difference between your growth accelerating and not growth accelerating, but then, we've reduced the sort of cases in which we're worried about cortex vortex to a tiny little fraction of all countries, not a big development agenda issue at all.

So finally, let me just take two minutes and talk about one more thing, which is now let's go back and say, what was development all about? Development was a theory about nation-states. And it was about a transition nation-states are going to go through in four different areas from pre-modern to modern: economic, political, administrative, and social. And people look back at the sort of the history of the West and maybe a little bit Japan, and maybe a little Russia, the people that sort of fought in World War II – that was the definition of who was developed. If you were a major combatant in World War II, you were a developed country. That's kind of our definition of development. And we say, okay. How did they get there? What was their transition?

And we detected certain patterns in common economic political, administrative, and social transitions in those countries that at the intellectual formation of development were considered developed. And then we said, the process of development is basically accelerated modernization. Let's just speed up this process. We know what the end-state looks like. It looks like Denmark. Everybody wants to be Denmark. Everybody wants to have sort of be prosperous, have a democracy, have civil rights, have a capable state, be socially – everyone wants to be Denmark.

Now, the thing is that so far, development often gets talked about as if this is development and is migration good for development on this cone? And we can do people on this cone or we can do nation states on this cone. But the real issue about development is all over here. What is the impact of migration on the other components of other nation state development? In particular, it's always been considered that one of the key aspects of development was the development of nationalism as an ideology, that there had to be a cohesive sense of national purpose among the people that were ruled by a given sovereign state. Well, migration might well very be kind of really bad for that. And nationalism – so I'm skipping. Okay.

But if – I'm going to skip to – if in fact migration is bad for development construed as the evolution of nation states in certain directions, then it's not so obvious that I should be for development and against migration because most of the true spectacular evils of the 20th century have been the consequences of directed attempts at accelerated modernization. Okay? So if Stalin were to say, in order to develop nationalism I'm going to move people around this country in order to form a cohesive Soviet identity, that both is a legitimate

expression of a certain kind of development and deeply inherently evil because it's infringing on people's freedom to live where they want to live.

So the key question is going to be we're not really talking much about this on the development agenda or on the migration agenda. And the real issue is that these two collide. So this actually over here – this over here is the no-brainer. This over here is pretty much a no-brainer. And we're only talking about this because we don't want to talk about this. And this is where the power is. And we have – I think, in the end, we're sort of devoting econometrics to answering a bunch of pre-construed questions to which the answers aren't really important. The answers that are really important is how do we feel about this versus this? Thank you very much.