

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

It's a really great pleasure to be here and to be partnering with the Center for Global Development which, as you know, is chaired by Nancy Birdsall, who was my boss at the Inter-American Development Bank when I was chief economist. So that I feel like – I'm kind of like back home.

Also, I would to thank very much the Foundation for an Open America, which is chaired by Robert Hildreth. Now, Robert Hildreth is a really fantastic guy. I'm very proud to be his friend. And I'm very proud of the fact that he was nominated to be Bostonian of the Year for, among other things, having funded the bailout, not of AIG or Citibank, but actually of 200 – how many – 200 of the people that were jailed in New Bedford for having migration trespasses. So that's a – it didn't happen out of the blue. It's a long-term concern that Bob has. And funding this project is one of the ways in which he's expressing that concern.

My personal interest in migration is natural. You know, from – as you can tell from either my accent or my academic credentials, I'm an immigrant. I say by my economic credentials because 55 percent of Ph.D. graduates working in the U.S. are immigrants, 55 percent. So that means that you have a better than even chance of guessing that if somebody has a Ph.D., he must be an immigrant. (Laughter.)

I'm not only an immigrant. I'm a son of an immigrant who was himself a son of an immigrant. So we come from a family that has had trouble settling down. (Laughter.) I am surrounded by immigrants, and if you don't believe me, just look around you.

But I'm going to start this off with a personal story that involves several people around the room that brings to life some of the themes of this conference. In 2003, I led a team of mainly Harvard people to El Salvador. And since in El Salvador remittances were 18 percent of GDP and migration had an impact in the structure of the population, we thought that we couldn't do a study on El Salvador without talking about migration and remittances. So we got Dean Yang involved and he's here and he will be talking later on today.

And we got ourselves a household survey of remittances. And we decided that it would be interesting to kind of like see with our own eyes what the statistics were saying. So we had actually the household survey with us so we could look in the household survey for a family that had reported receiving remittances so we could knock on their door and find out what they were like.

And among the members of the team were, you know, other people who are not here like Dani Rodrik, Andres Velasco, and others, but Lant Pritchett here, he was also there, and he made the observation that he wanted to look at rural families. And his definition of rural families – he was coming from Indonesia – rural families were the families that were living at

least two hours away from San Salvador. So the people organizing our visit had to find a corner in El Salvador where you could actually drive two hours without leaving the country. (Laughter.)

So we visited actually a couple of households. The first household had an impressively nice building, impressively nice housing, new housing, in a very, very remote rural village next to the Honduras border.

And we found a woman there. She had three of her own kids. She was taking care of two kids of her sister who was living in the U.S. and five other kids of other women who were also living in the U.S. And her source of income was the fact that she was taking care of these seven kids other than her three kids.

And so we asked her, you know, what happens if a kid gets sick, do you call and they send more money and stuff like that, to understand the dynamics there of remittances.

But the important human interest story is that the oldest of the daughters of the sister that was living in the U.S. was turning 15. So the mother decided to go back and visit her daughter, because, you know, 15 in Latin America, quinceañera, it was an important event in the family. But obviously, it was an expensive trip because she had previously had to save \$4,000 to pay the coyote to get her back in. And \$4,000 is, you know, a humongous amount of money for a family at that income level which meant that she could only do that after 13 years of working in the U.S. She had not seen her daughter since she was two.

You know, if you think of the fact that people in the U.S. value her work and are willing to pay for it, there must be a better way. There must be a better way. And we're going to see papers in this conference that are going to try to explore other ways of doing this so that the human cost of this transaction is not that great. The second family we saw was much, much poorer. It was a father and a mother. The son had migrated and the daughter-in-law was at home with two kids.

They had saved \$4,000 for the coyote and the coyote guarantees you three attempts. At the first attempt, the husband was caught and he arrived back after two months very skinny, she said. Said she fed him back to good health. He was sent back again, caught again, and two months later, he returned home, again, very thin. And then, the third time, the guy was scared to hell. He didn't want to go back. So the woman said, either you go or I go, because we're not going to lose our \$4,000, so the guy eventually left.

He got to Boston and got some work gardening and that lasted until the fall, and when winter came, payments stopped. The guy was depressed and it was a very tough time in the family. So again, we're thinking of essentially transaction in social services, that gardening, daycare, that are having to cope with enormous barriers that have a human side and a human impact on development.

We had a focus group in East Boston. That is a community populated by Central Americans and Colombians. And the themes that emerged from that focus group was the fact that since these people had no rights and their employer knew they had no rights, employers could exploit them and they had no recourse.

And since they could not leave the country and come back without paying the \$4,000, fear that parents will die in their absence was top of mind, this idea that the cost of migrating is the fact that, you know, if my parents go away, I won't be there, and so on.

So there's a huge economic benefit from migration from a micro point of view. Lant Pritchett here calls it the place premium, right, that where you are determines how much you make. And whenever we find price differences for homogenous commodity, we think that that's a distortion and we have all the economic theorems that justify free trade until we put to the argument that there's an inefficiency that could be win-win where people could be improved. So there is an enormous opportunity to make things better for people on both sides of the border, but it has not – we have yet to find those mechanisms and adopt them.

I would like to comment on the fact that on this side of the border, the debate has been framed as to finding people a road to citizenship. I must say that in all these conversations, citizenship was never top of mind. It was just basic human rights. People are not necessarily thinking of migrating for life. They were thinking of migrating as part of a life cycle, a period in which they might go, sacrifice something in terms of social connections, family connections, and do some savings and then go back and live with the people that they love and the people that they know in a culture where they understand all the jokes. (Laughter.)

But, you know, in some sense, the U.S. policy has become a mousetrap because if you go in, it's very costly to go back out. And if you leave before the 10 years, all the money you've contributed to Social Security is lost. And if you leave even after the 10 years, Medicare is lost. So there're many aspects of the policy that trap people in the U.S. maybe inefficiently. Maybe you'll see much more in terms of flows and remittances and tourism back if restrictions were less severe.

So I just would like to ponder what would be the impact on many of the sending countries if suddenly people who were currently without rights in the U.S. had the right to fly in and out? Would there suddenly be a flow of people going back out and just visiting and reestablishing links and so on?

But the other side of the coin is that migration and remittances represent a huge potential development tool. If you think of people as individuals, obviously migration implies the possibility of enormous increases in income per capita, increases that at the personal level could not be achieved through a sustained period of growth of many, many years.

So it allows for potential increases at the personal level and it allows for potential development impacts at the aggregate level in the sending countries. And still, migration has

not been considered as one of the policy tools of development. And policies around migration are not on the forefront of discussions on policies that might help promote development.

So that's what this conference is mainly about. Our hope is that by the end of the day, we may have shifted a little bit some of our priors relative to the link between migration and potential development impacts in developing countries and consider ways in which this can be made win-win. So without further ado, let me present our first panel.

First, to my right is Dilip Ratha. He's the lead economist on the World Bank's Migrant and Remittance Team. Dilip's research reflects his interest in financing for development and he has a beautiful new book called "Innovative Financing for Development" where he deals with issues other than migration and remittances but also considers those laws, in particular, how to use remittances in innovative ways. He also writes a seminal blog on migration and development called "People Move." So write it down and you might check him out afterwards. And if not, you can also – you might know him from the fact that The New York Times ran a cover story on him last year which made him the envy of all development economists. (Laughter.)

So the second panelist is going to be my good old friend Lant Pritchett who's a professor of practice of economic development at the Kennedy School and he's the author of another book called "Let Their People Come: Breaking the Gridlock on Global Labor Mobility." Lant has been my thought partner and friend for many years and I also benefit from the fact that I look well next to him. (Laughter.) So Lant is well-known for the fact that he can look at an old problem and find completely new angles and very provocative ways of thinking about it. So without further ado, Dilip, the floor is yours.