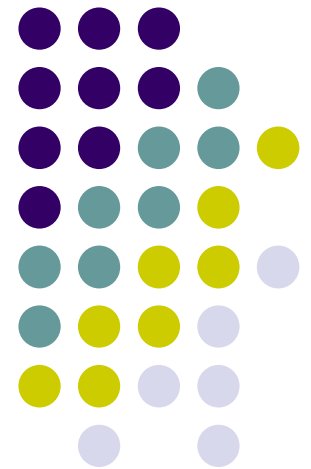


# Let Their People Come: The Five Forces Leading to Greater Migration

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KSG, Harvard  
October 8, 2007  
IOM Conference





# Future of Migration

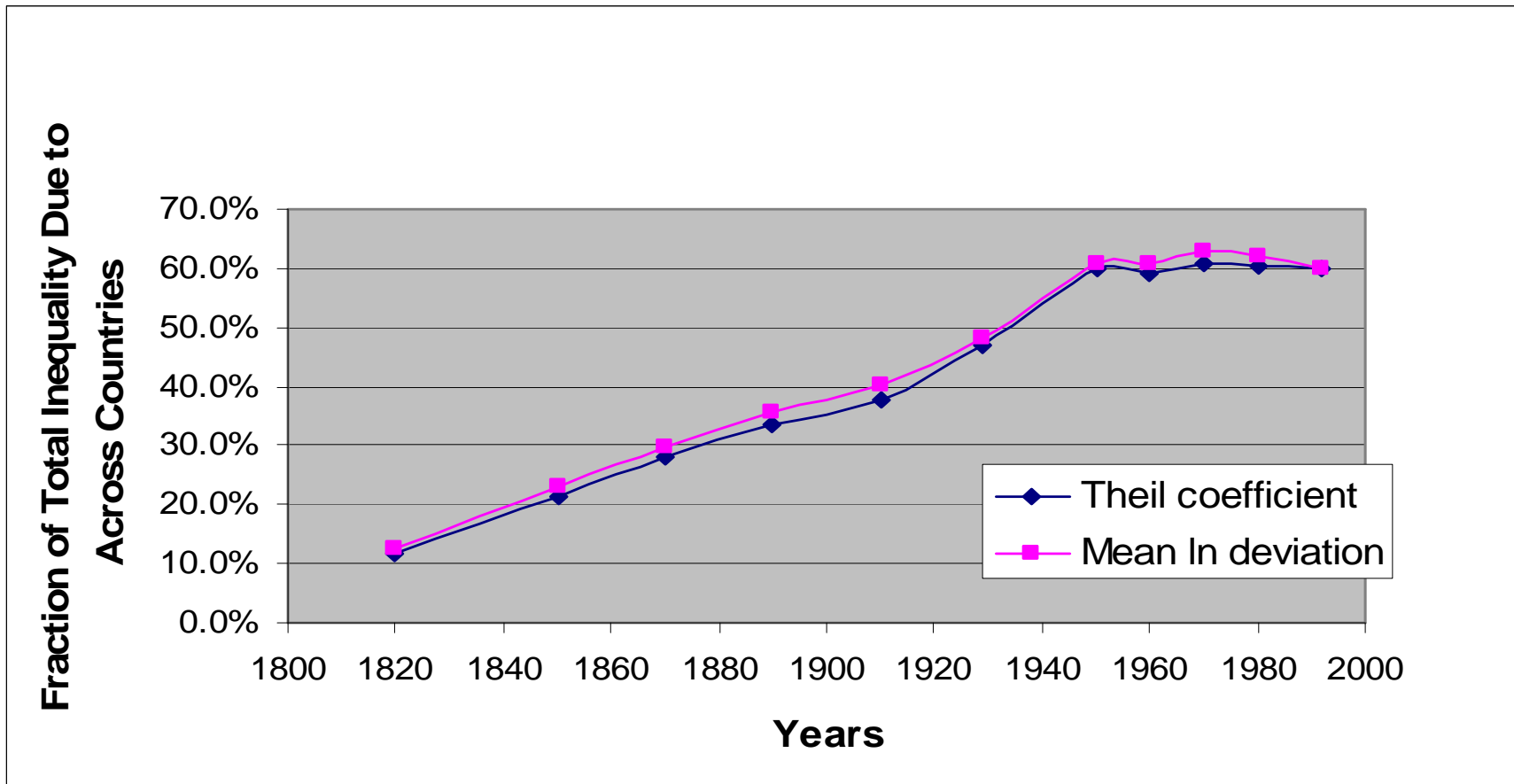
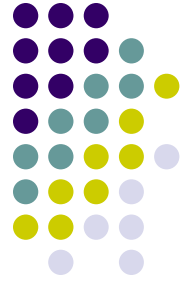
- Five irresistible forces in the global economy are producing increased pressures for labor mobility
- Immovable ideas of rich country voters are blocking these forces
- The goal is to accommodate forces and ideas to create “politically acceptable *and* development friendly” (which includes human rights respecting) policies for labor mobility



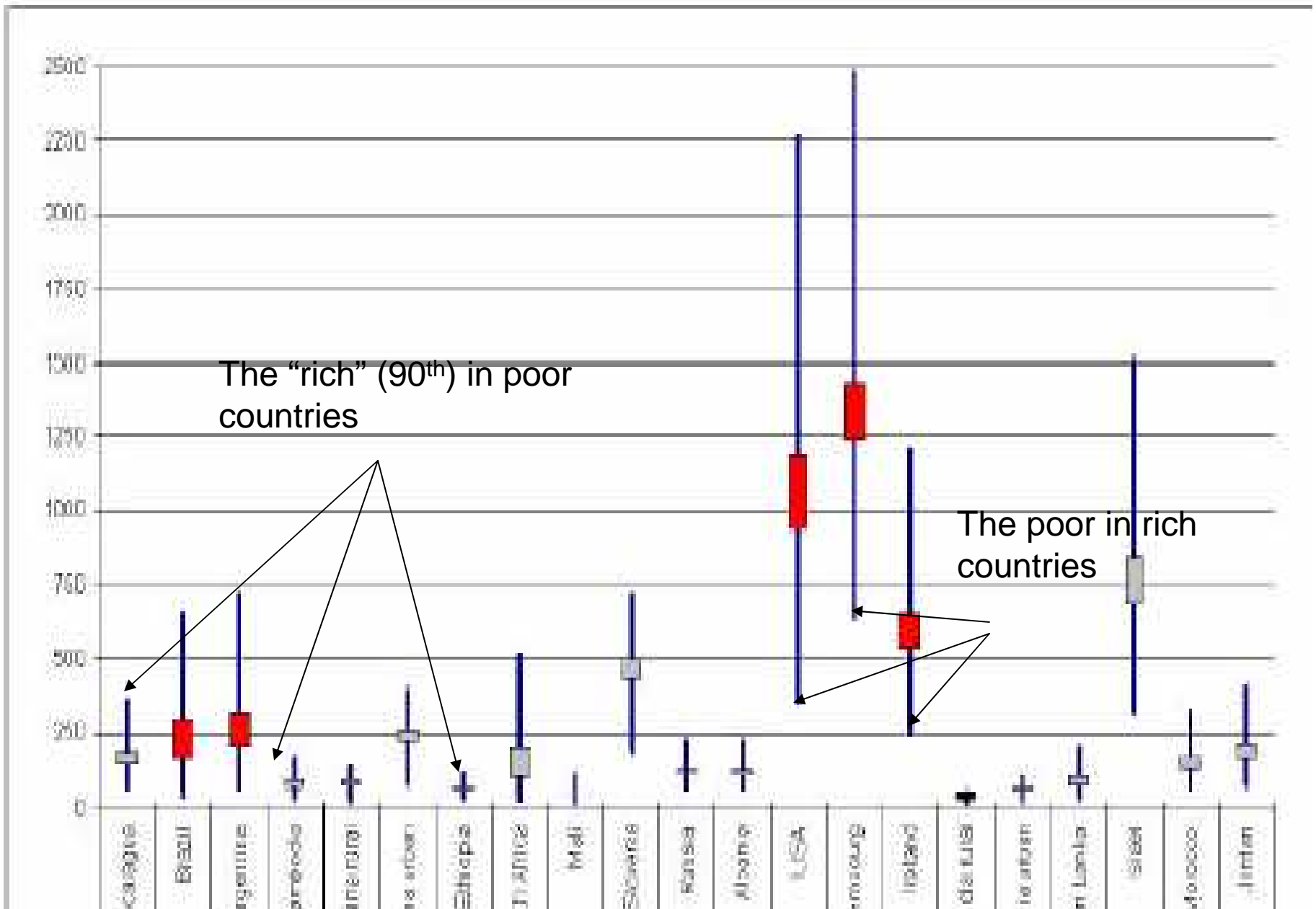
# Five Forces

- Increased global inequality—gaps in earnings of *equivalent* workers across national borders are huge
- Demographic changes—gains from trade depend on differences—and boy are there differences
- Globalization of everything but labor goods, capital, ideas and “beachhead” effects
- Limits of capital/labor substitution and labor saving innovation—hard core non-tradables are the future of employment
- Large changes in “optimal” populations

# Force 1: Location, location, location

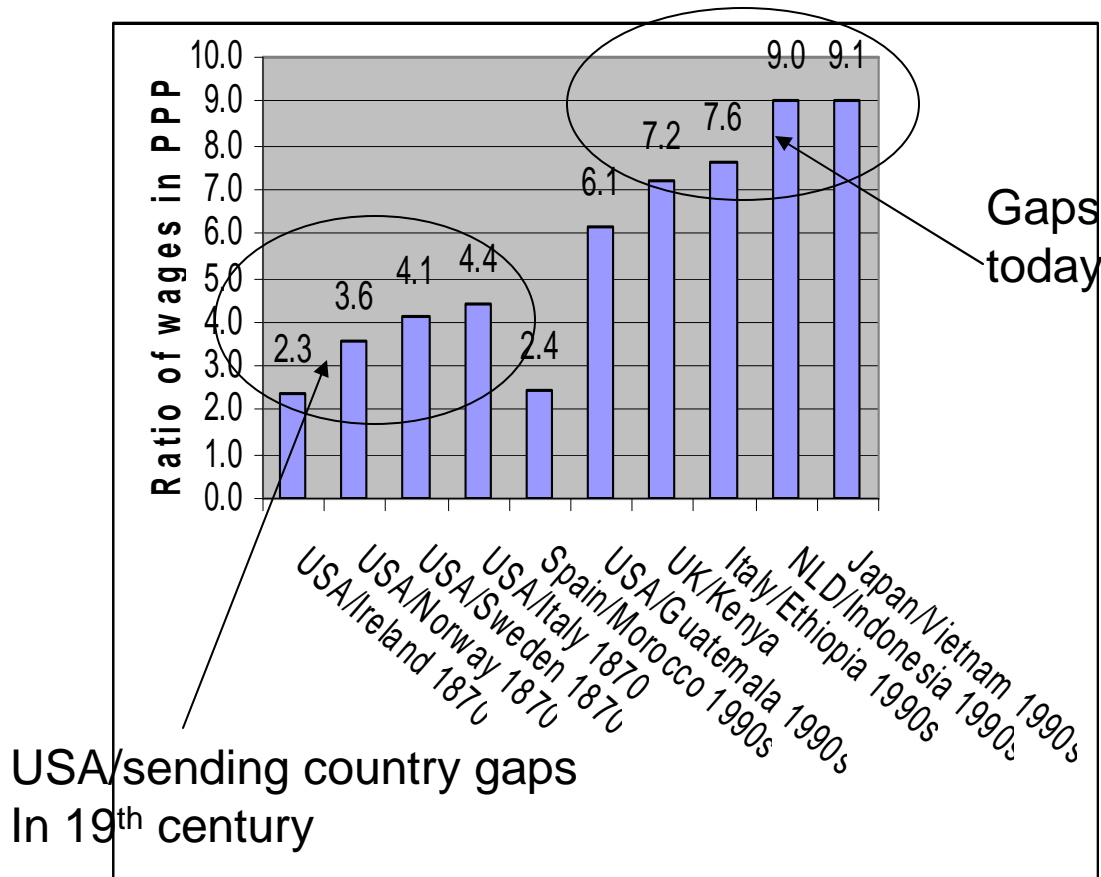


**Figure 9.9** Between country comparison of income/consumption box-whisker plots for the 10<sup>th</sup> and 90<sup>th</sup> percentiles, mean and median



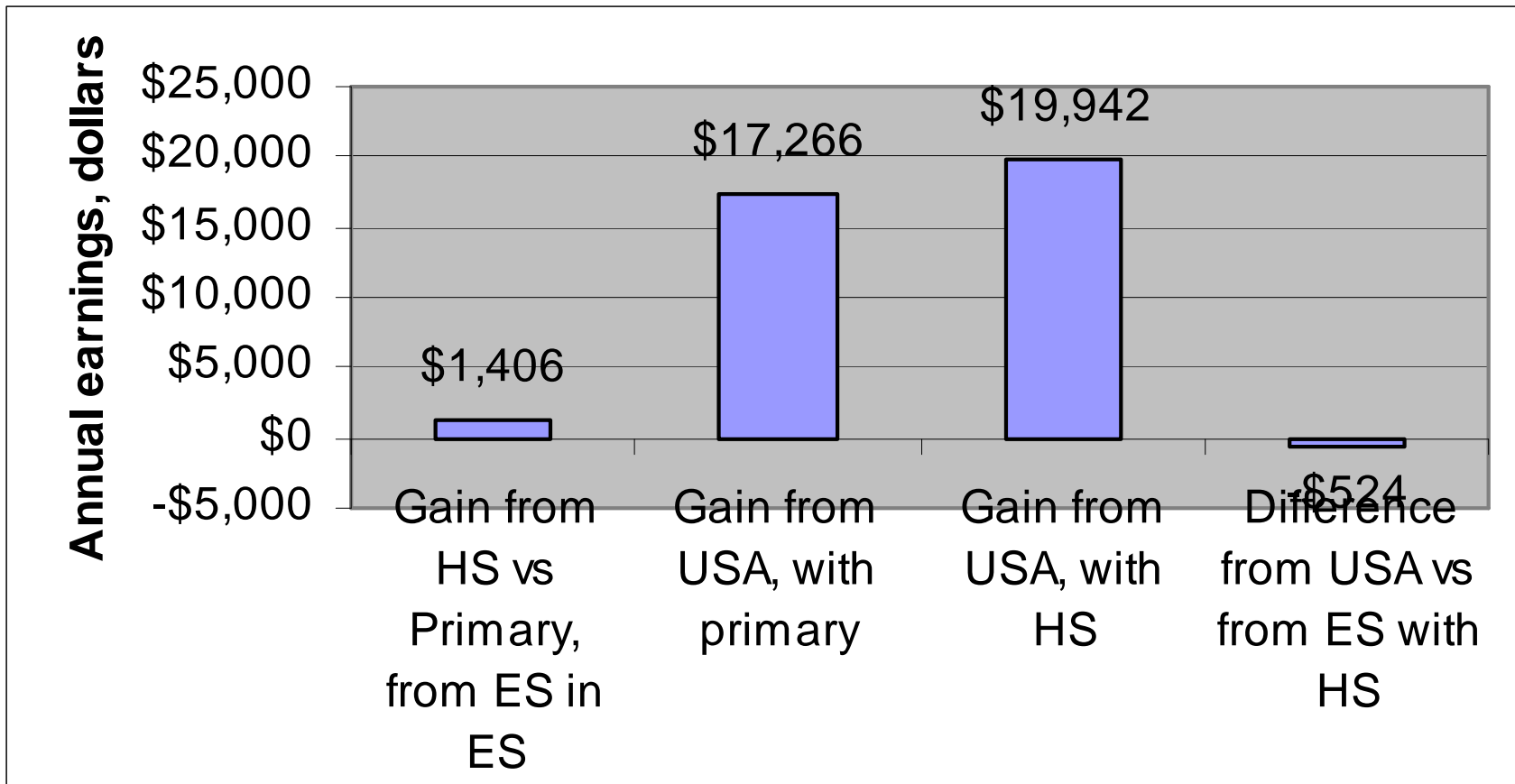
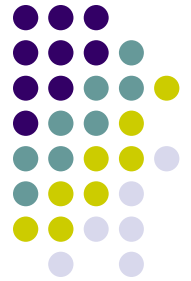


# Force 1: Wage gaps among industrial workers are larger than ever

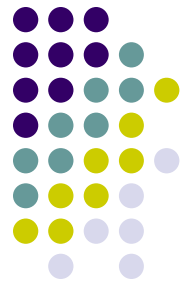


In the first globalization era the world was set in motion by wage gaps of between 2 to 1 and 4 to 1 between host and receiving countries—those are tiny by comparison today

# Force 1: Most of the gap appears to be *where* not *who*...

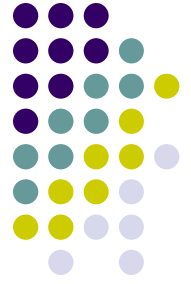


# Force 1: Over foreseeable horizon reductions in wage gaps make migration pressures higher, not lower



- Pretty good evidence of “threshold” effects so that migration flows first *rise* and then fall as laggards gain on leaders.
- My guess is that most large countries are on the rising part so that wage gains increase migration pressure (even if they reduce gaps)
- This is bad news for the “aid to prevent migration” sell—“development” is not a way to stop migration

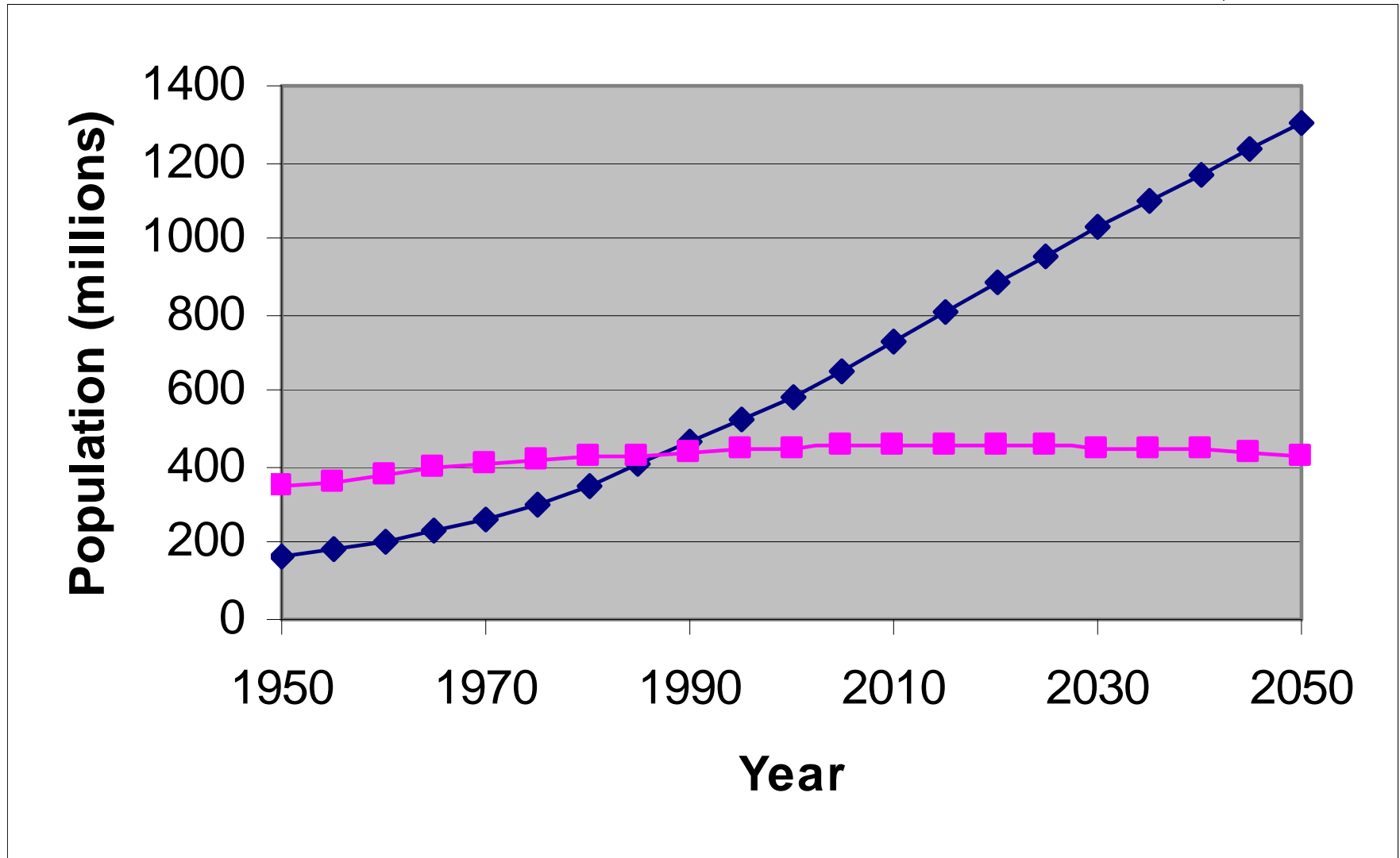
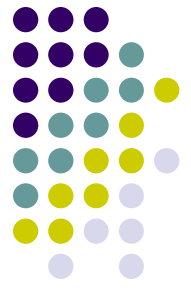




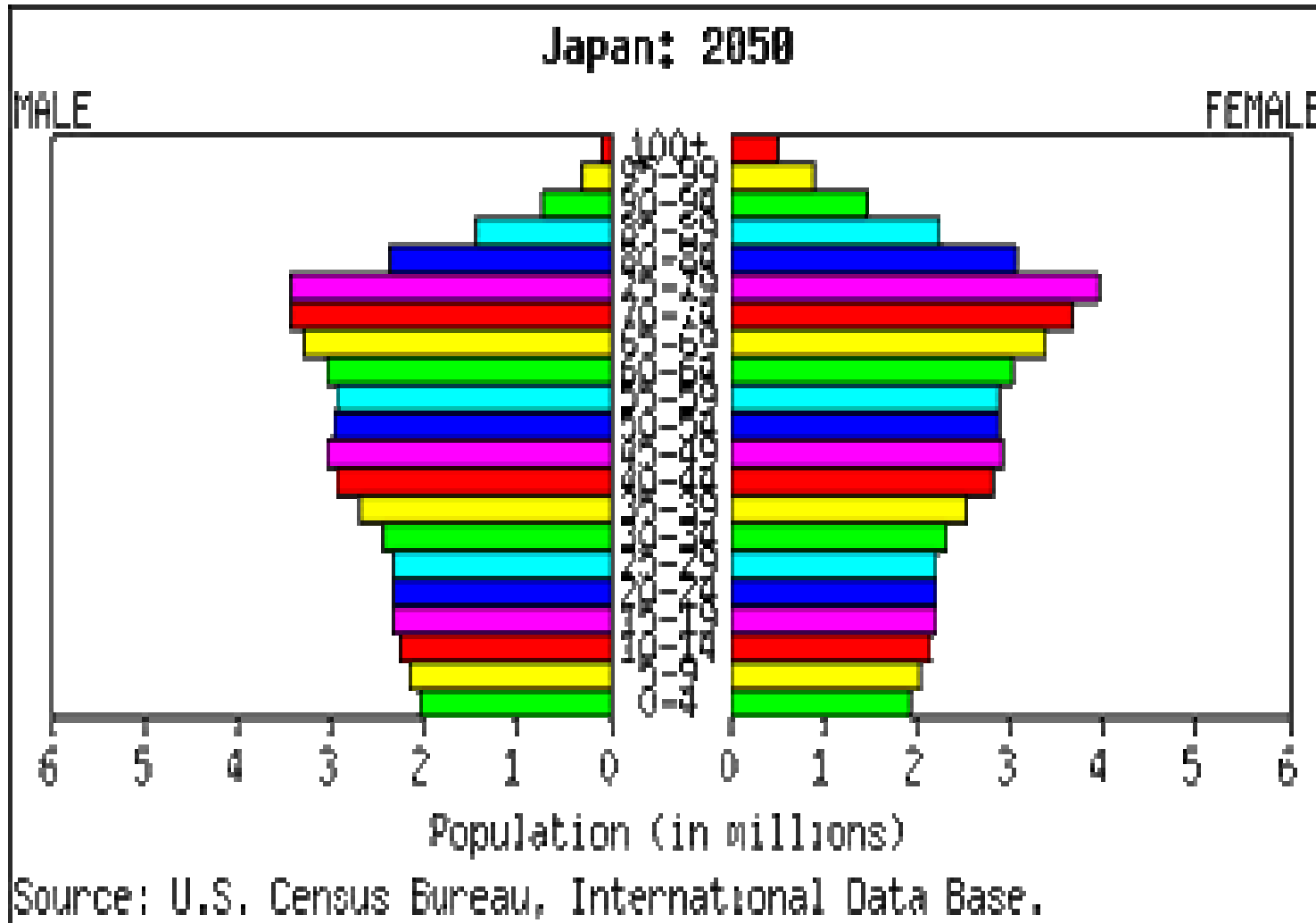
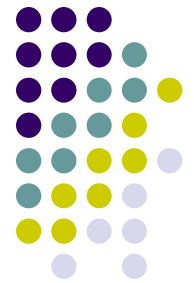
## Force 2: Demography

- Fertility has collapsed in Europe—slowly in some parts (e.g. Germany), rapidly in others (e.g. Italy)
- Projections are the “support ratio” in Europe (25) will fall from 4.25 to 1.82 (Demeny)
- Population of North Africa/West Asia increases to 3 times Europe

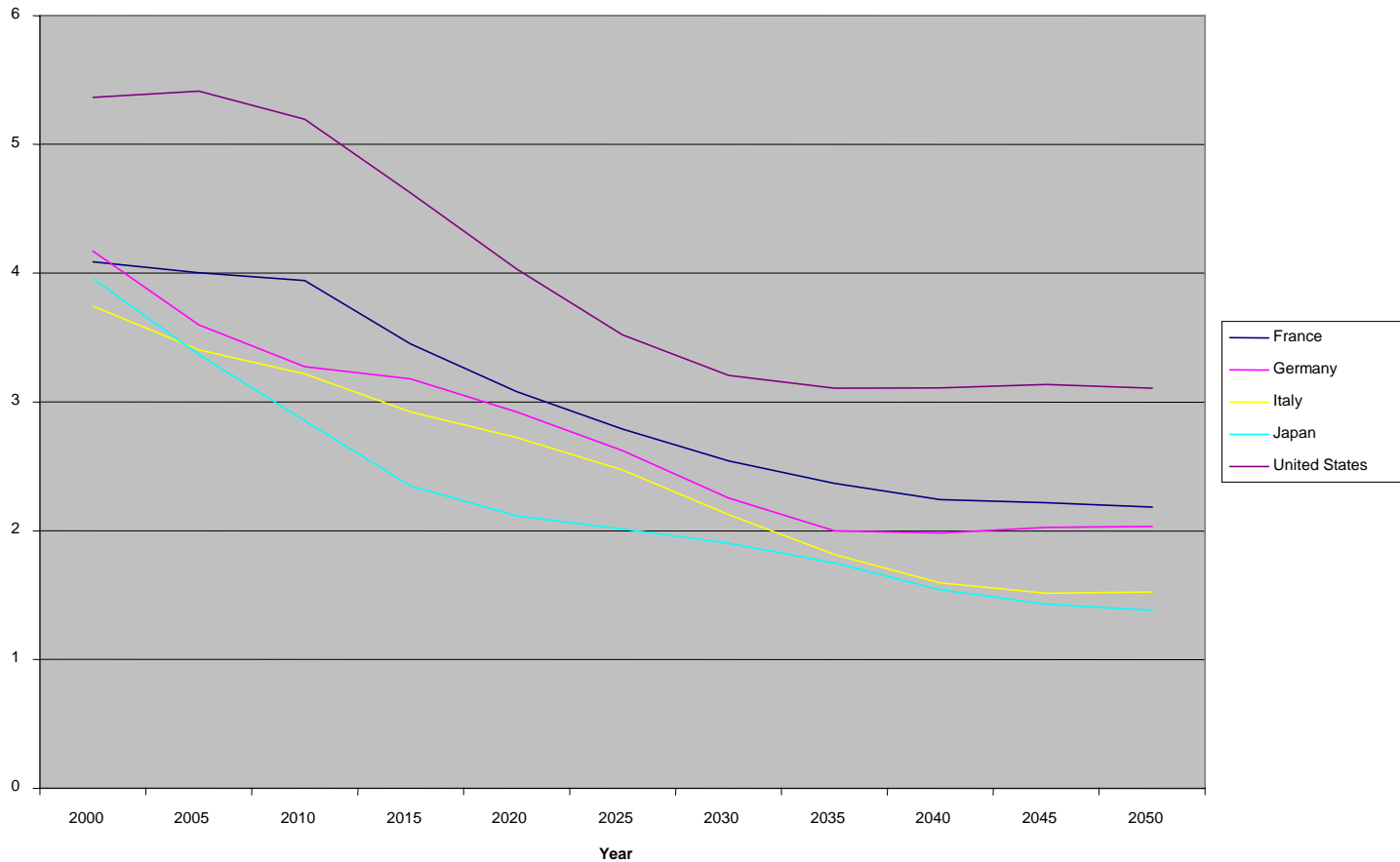
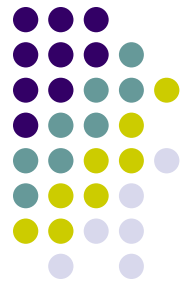
# Force 2: Europe's disappearing act— compared to the “Muslim tier” that surrounds it



# Force 2: Who takes care of granny?—twice as many over 85 (!) than under 5



# Force 2: Rule of thumb: what cannot happen won't happen—but what will happen?

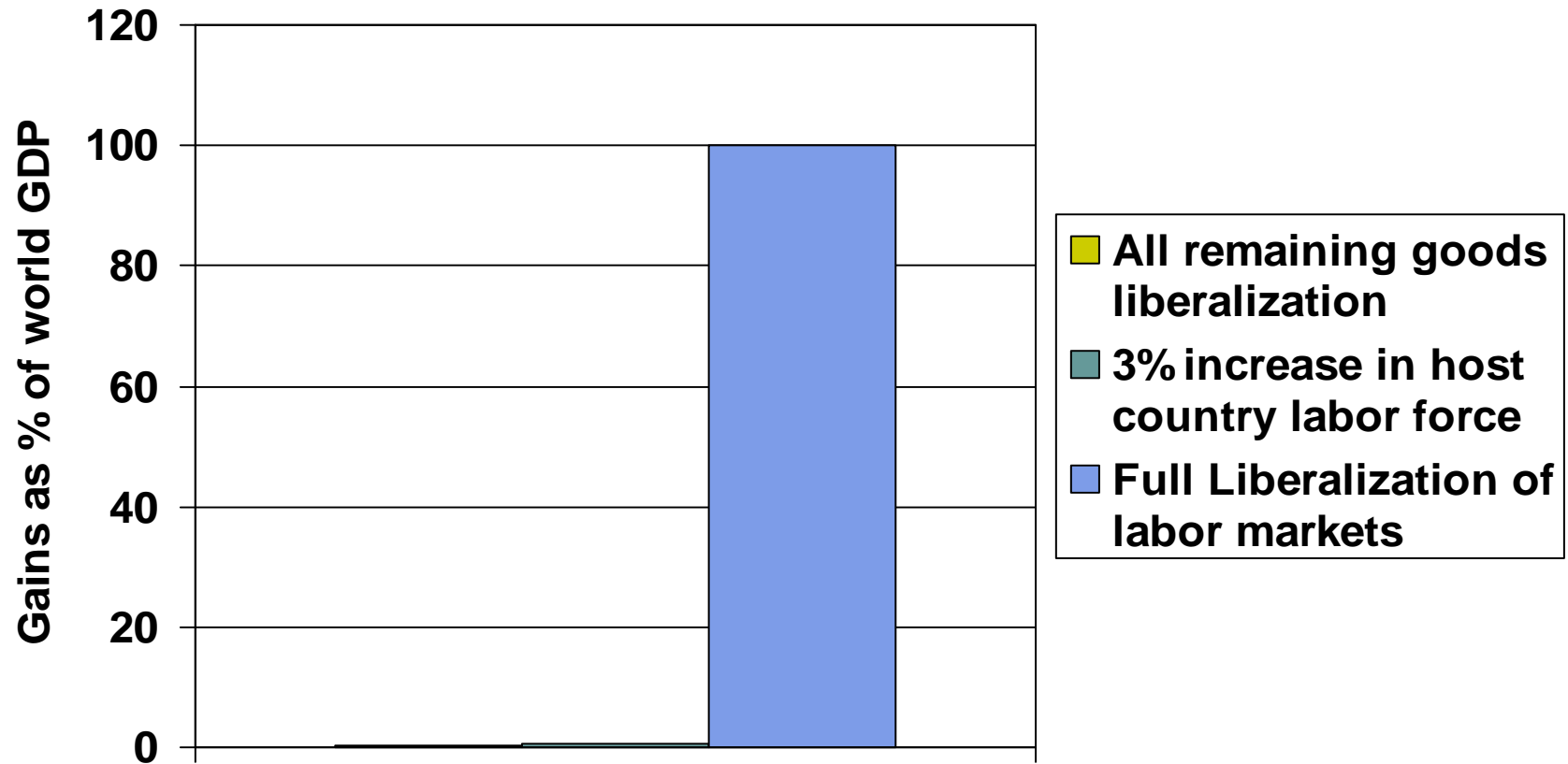


# Force 3: “Everything but labor” globalization

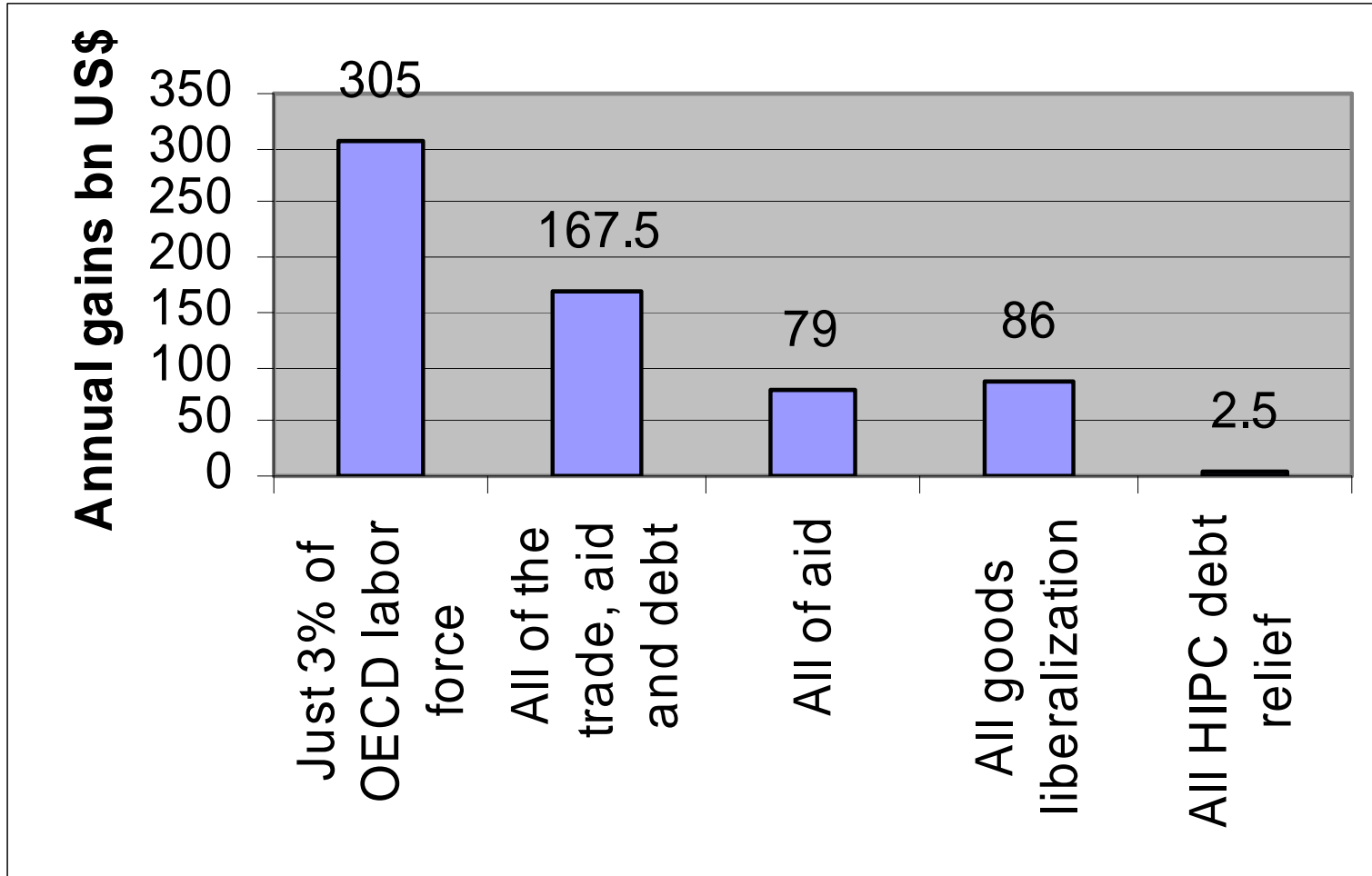
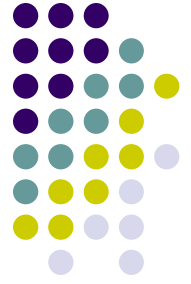


- Trade is substantially liberalized
- Movement of capital has been substantially liberalized
- Movement of ideas is more rapid (instantaneous)
- Movement of people is cheaper and cheaper
- “Beachhead” and network effects mean more migration makes more migration easier

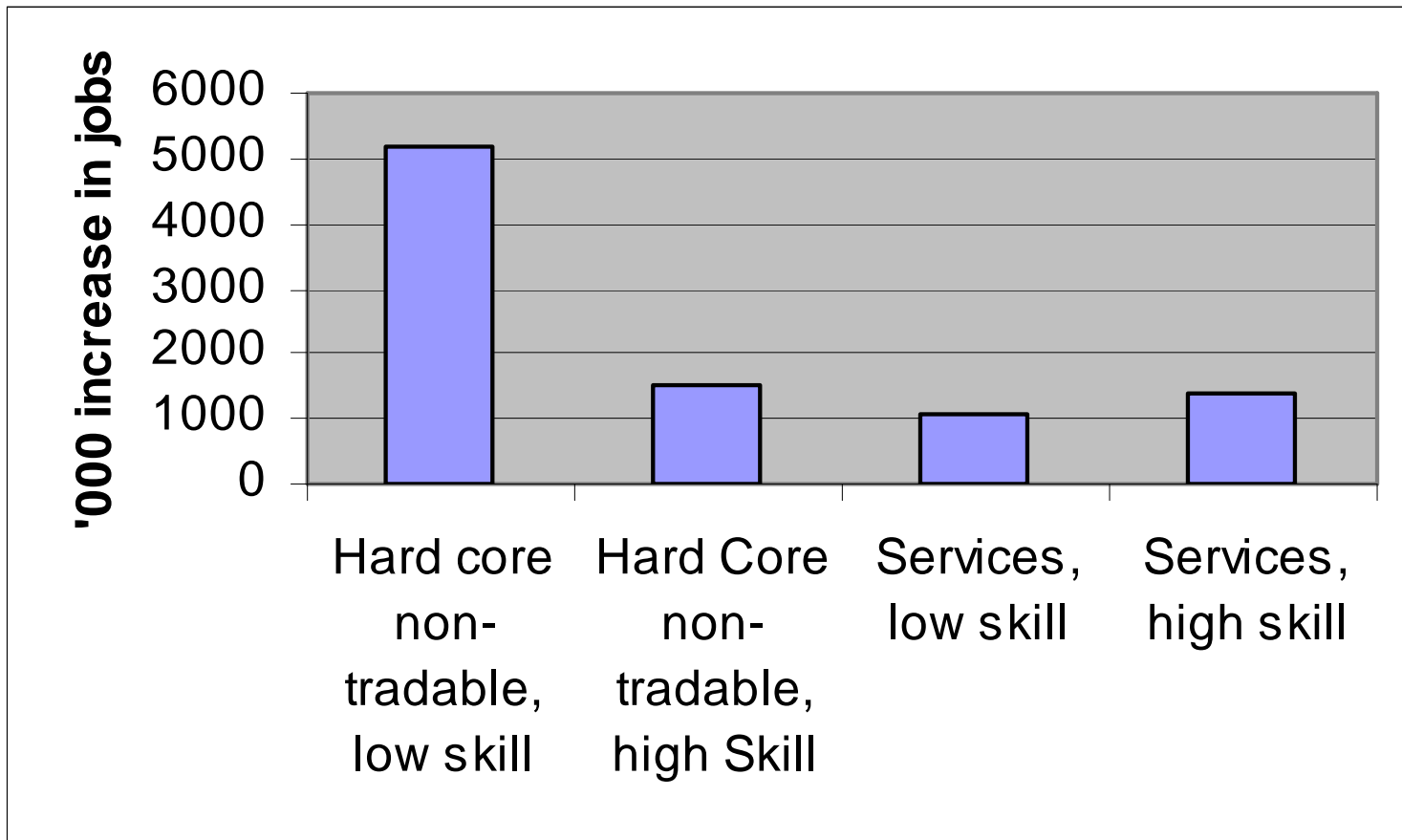
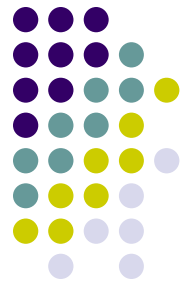
# Force 3: Why is this graph so facetious?



# Force 3: Slight less facetious? Migration is now on the “development” agenda

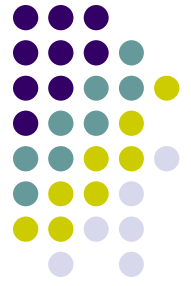


# Force 4: Future labor creation—top 25 occupations, non-tradables, mostly low skills





# Force 4: Capital/labor substitution and home for marketed



- Huge induced innovation to displace low to medium skill labor—automated check-out at Home Depot
- Home production displacing marketed production—you at Home Depot
- Home appliances/value added in preparation versus labor

# Force 4: Massive reductions in the price of capital—how far can capital (with IT) replace labor

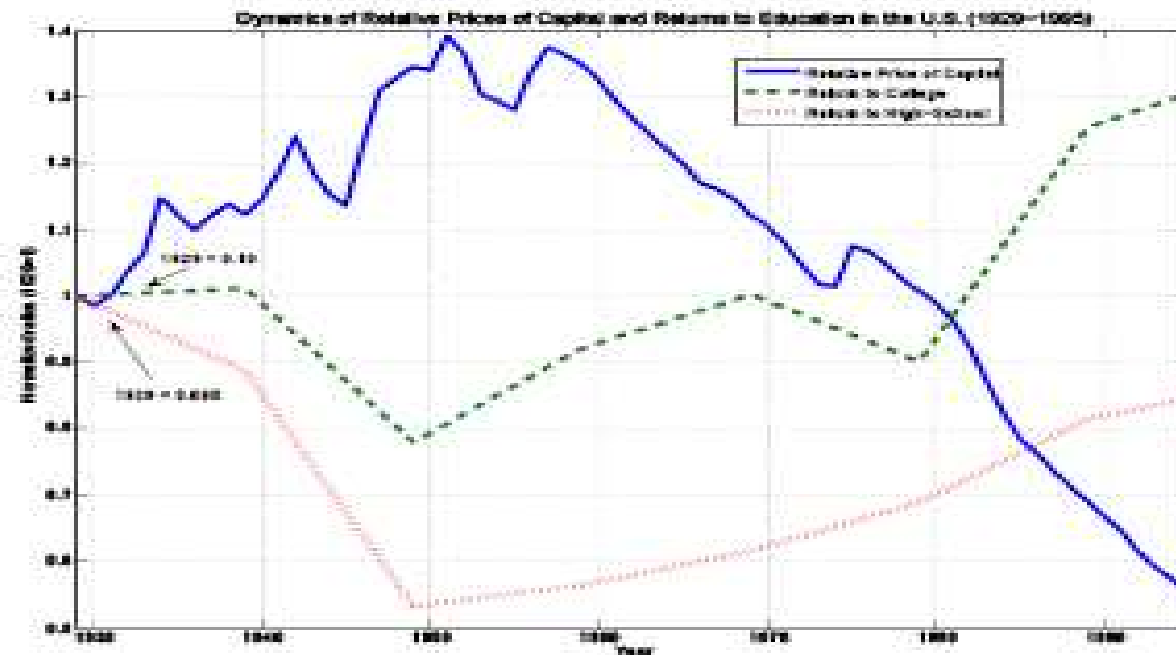


Figure 4: The figure depicts the dynamics of the relative price of capital and the returns to education from 1929-1995 in the U.S. economy. Source: Cummins and Violante (2002) and Goldin and Katz (1999).

# Are the nurses of the future Robots or Rosalie?

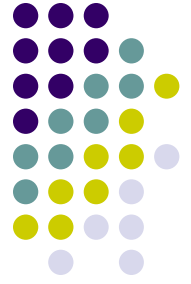




## Force 5: Ghosts and Zombies

- Post WW II world has run a huge natural experiment—(a) expand dramatically number of sovereign states (borders, flags, currencies), (b) encourage mobility of capital and labor but freeze labor in place (POSEBL globalization)
- How will this turn out? Hinges on views of the role of region specific labor demand:
  - Small shocks—all good
  - Big shocks, flows accommodate—all good in long run
  - Big shocks, policy and ‘institutional’—not so good, can be fixed
  - Big shocks, really geographic: lets not think about it

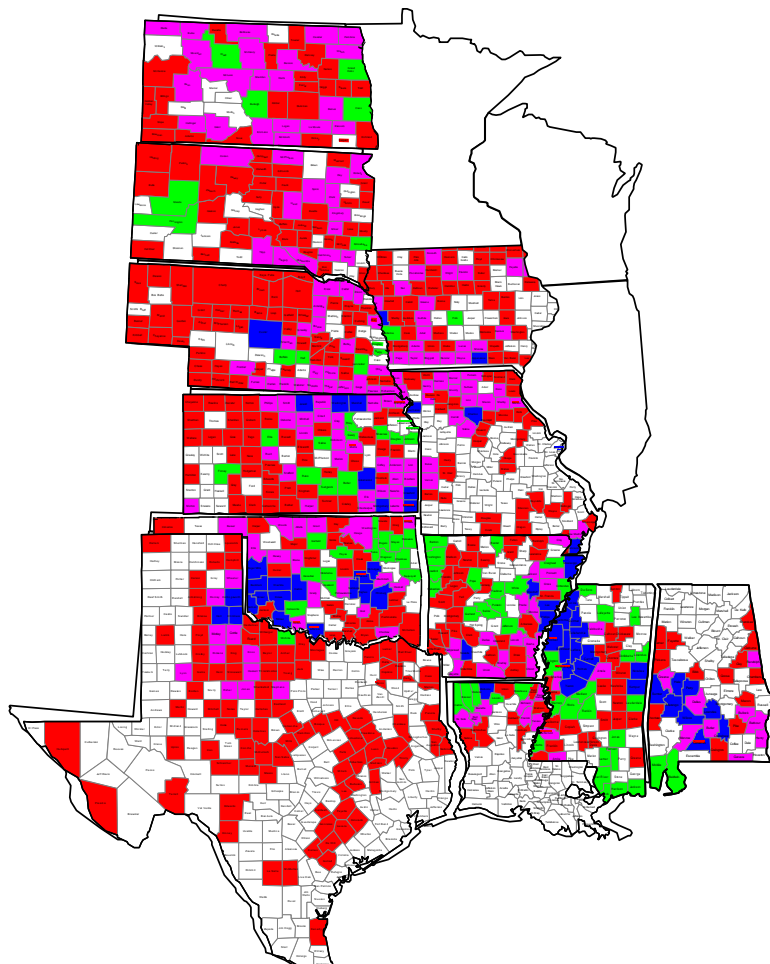
**Force 5: Evidence that, even with optimal policies and even with globalization of all else labor demand shocks are huge**



- Regions within countries vs. across countries
- Regions within US (contiguous counties)
- Countries in first era of globalization (e.g. Ireland)

# The emptying of the heartland and the Delta (only green shaded counties had substantial population increase over a 60 year period)

Red=County Declined; Net Decline between 0 and 5,000  
Purple=County Declined; Net Decline between 5,000 and 10,000  
Blue=County Declined; Net Decline greater than 10,000  
Green=County Increased by more than 10,000

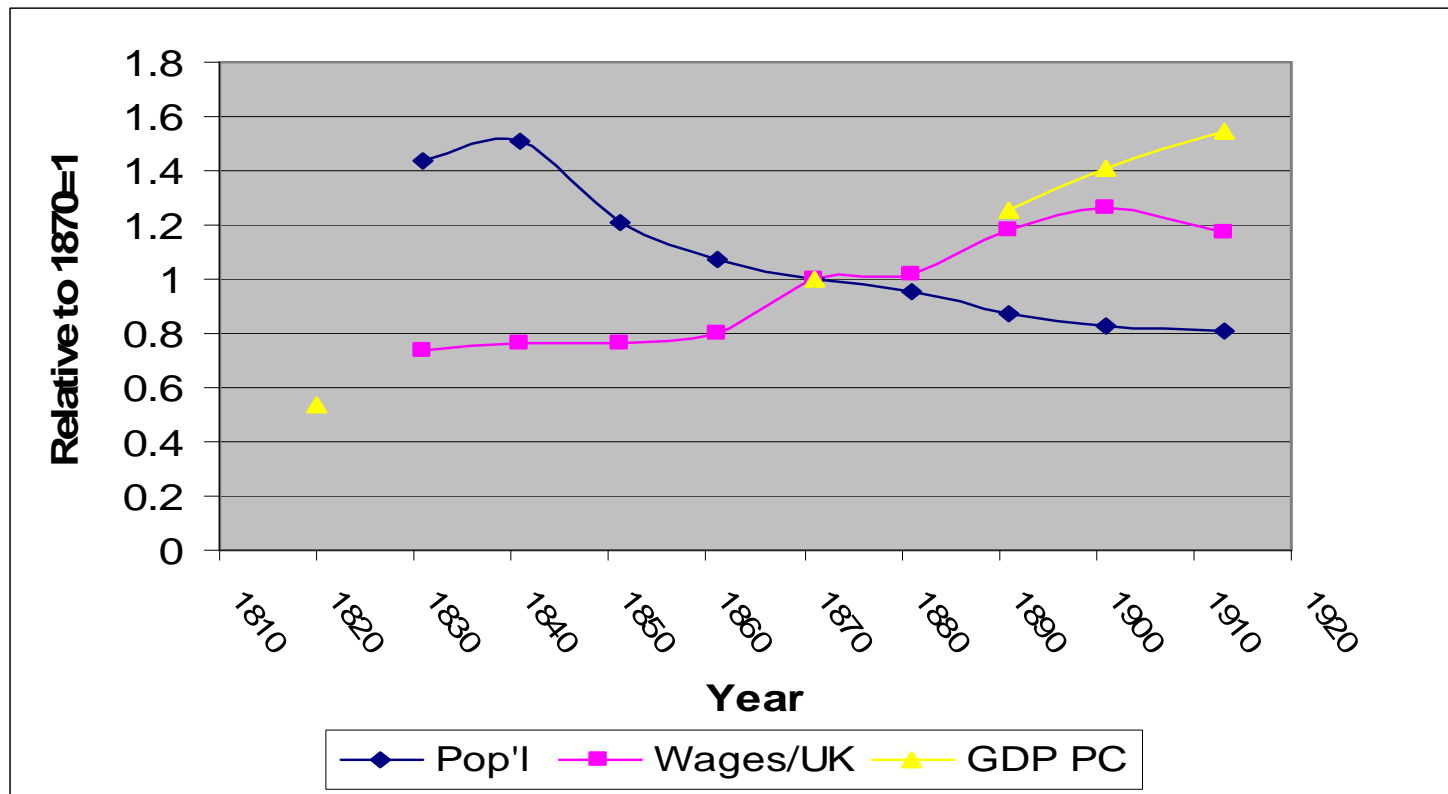


# Force 5: Contiguous regions of the USA are a third their counter-factual size



Region of the United States (contiguous counties)	% change in population 1930-1990	Ratio of current population to counter-factual at rate of natural increase	Number of countries (of 192) with smaller area (with examples)	Ratio of area per capita income to national average
Texlahoma	-36.8%	0.31	117/192 (Nicaragua, Bangladesh)	92.2%
Heartland	-34.0%	0.33	117/192	85.2%
Deep South	-27.9%	0.36	96/192 (Jordan, Austria, Sri Lanka)	62.6%

# Force 5: Ireland's wages relative to UK rose over entire crisis period— population fell





# Force 5: Bolivia's population rose—wages fell

