CAGE
Competitive Advantage in the Global Economy

CHATHAM HOUSE

The CAGE-Chatham House Series, No. 2, October 2012

International Migration, Politics and Culture: the Case for Greater Labour Mobility

Sharun Mukand

Summary points

- A policy shift to liberalize global labour markets could be a key tool for development and poverty reduction. Given the significant benefits globally, economists and policy-makers should devote more attention than at present to the practicalities of relaxing barriers to international labour mobility.
- The potential gains from the globalization of labour could dwarf those from foreign aid or even the liberalization of trade and capital flows across borders. For example, a decision by developed countries to liberalize immigration restrictions by a mere 3% could result in an estimated output gain of more than $150 billion.
- Despite the potentially large benefits that would be generated from greater international labour mobility, neither development policy circles nor multilateral forums appear to view this as a viable option. Although immigration policy is always controversial, the absence of serious debate in international circles is not due entirely to the distributional impact of labour migration, but in large part to the perceived threat to national identity and culture in destination countries.
- While permanent migration would yield relatively larger economic gains, temporary labour migration programmes, targeted to specific sectors and more modest in scope, could be the answer and would be far more acceptable and politically sustainable in countries where citizens perceive migrants as a threat to culture and national identity.

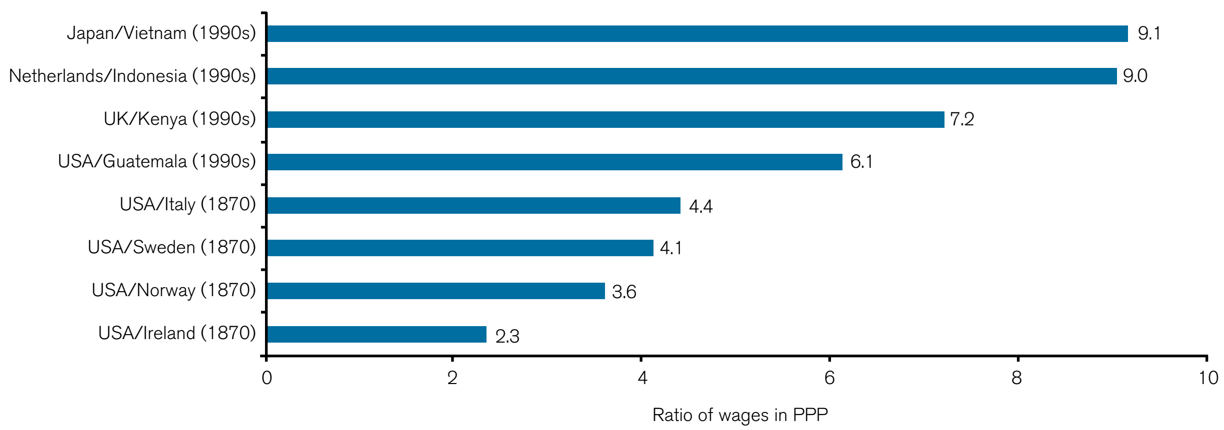
Introduction

Perhaps the single international policy reform that would yield the largest gains in world output would involve a shift to ease restrictions on international labour mobility. Such a policy would not only boost output, but also arguably do more to promote development and eliminate poverty than foreign aid or the liberalization of trade and capital flows. As Galbraith (1979) once observed, migration has been the 'oldest action against poverty' for most of human history. Yet not only do prohibitively high barriers to labour mobility remain firmly in place – despite potentially massive benefits – but there is surprisingly little public discussion on this subject. There are very few multilateral forums devoted to exploring the possible gains to be made from implementing such a policy, in stark contrast to the large number of international forums devoted to encouraging greater mobility in the flow of goods, services and capital.

While there is an enormous body of literature on immigration-related issues, there is remarkably little discussion of migration as a tool of development policy. There is nevertheless a nascent literature dealing with this topic that deserves mention.[1] Galbraith was the earliest advocate of the globalization of labour as a tool of development policy, but it is only very recently that the case for migration as a development policy tool has been made by a group of other economists (Pritchett, 2006; Anderson and Winters, 2008; Rodrik, 2011). Card, Dustmann and Preston (2005), meanwhile, have made a further contribution to the debate by emphasizing how cultural factors are key in the way they affect attitudes towards immigration. This paper seeks to go one step further by exploring the political sustainability implications of labour migration programmes while taking into account cultural concerns.[2]

Although the literature in this field is still relatively small, the globalization of international labour mobility is likely to become an increasingly important issue in the years to come. To put this in context, it is useful first to consider the rich–poor wage gaps for unskilled workers that drove the great nineteenth-century migrations. During this period, wages in the United States were between two and four times higher than in European countries such as Ireland, Norway and Sweden. By contrast, by the start of the twenty-first century wages in the developed world were six to nine times higher than in the developing world (see Figure 1).

Figure 1: Wage differentials between developed migrant destination and source countries



Ratio of wages adjusted for PPP of the US and its migration partners in 1870 and pairs of countries in the 1990s.
Source: Pritchett, 2006.

1 Hatton and Williamson (2006) provide an excellent overview of migration and its impact during the 'open borders' phase of globalization during the nineteenth and early twentieth centuries.

2 Indeed, it is a long-standing and controversial political debate with highly charged economic and social implications. In contributing to the debate, the goal of this Briefing Paper is to offer an economic assessment of the benefits of migration while acknowledging the sensitive nature of immigration policy. In no way does the paper seek to minimize the possible impact of immigration on both host-country communities and migrants from developing nations; rather, it aims to highlight the potential economic gains of relaxing global barriers to labour mobility.

If income matters, then such wage gaps are likely to be the key drivers of future global migration patterns. Furthermore, there is a historically unprecedented demographic challenge emerging in many parts of the developed world. The increase in people's life expectancy has been coupled with a decline in fertility, making it ever more difficult to sustain pension and social security systems. For instance, even in the United States, which enjoys a relatively high fertility rate among developed countries and has around five working-age individuals to support each senior citizen today, this number is expected to drop by half by 2030 (Kapur and McHale, 2005). The situation is even more worrying in much of Europe and in Japan, where the available working population that is able to support every person of retirement age is already much smaller. This points to a looming demographic crisis that will only increase the strain on fiscal resources still further.

In these circumstances, it is difficult to see how the developed world's social security systems can remain solvent in the longer term. Something will have to give, leading to either a drastic curtailment of benefits or a far-reaching, game-changing solution. One such solution could be to increase the influx of working-age migrants from developing to developed countries. In a world that is increasingly integrated at numerous informational, technological and cultural levels, and in which the globalization of trade in goods and capital will eventually reach its limits, it would be a missed opportunity for policymakers to continue ignoring the efficiency gains that can be achieved by easing international labour mobility.

What are the economic benefits of labour migration?

Arguably the strongest argument in favour of greater international labour mobility can be made by estimating the efficiency gains from it and comparing them with those generated from the liberalization of trade or capital flows. Depending on the set of assumptions used, the quantitative estimates do differ, but the case for increased worker mobility remains.[3] For instance, the efficiency gains from the elimination of all barriers to the mobility of trade in goods are estimated to be between 1.8% (Goldin, Knudsen and van der Mensbrugghe, 1993) and 2.8% (World Bank, 2001) of world GDP. Similarly, the corresponding estimates from removing all barriers to capital mobility are between 0.1% (Caselli and Feyrer, 2007) and 1.7% (Gourinichas and Jeanne, 2006) of global GDP. In sharp contrast, the corresponding gains from the removal of barriers to labour mobility are quite striking and of a dramatically larger order of magnitude. The efficiency gains to world welfare are massive and estimates range from 122% (Klein and Ventura, 2009) to 147% (Hamilton and Whalley, 1984) of world GDP.

These numbers are predicated on the complete liberalization of labour mobility, which of course is not on the cards today. Nevertheless, it is instructive to compare the efficiency gains from the full liberalization of trade or capital flows with those of labour as a way of highlighting the discrepancy between the two policy choices. This is particularly striking given the emphasis that is currently placed on the benefits of liberalizing trade and the modest attention given to the potential gains to be achieved from greater labour mobility.

It is a useful exercise to scrutinize these numbers more carefully to determine whether or not they are even plausible, starting out with a simple calculation using some conservative estimates of wage and productivity differences across countries. First, let us consider the hypothetical impact on the wage income of a migrant worker who moves from a developing country that has 80% of the world's population of more than seven billion to a developed country that has the remaining 20%. Let us further suppose that average annual wages are $35,000 in the developed country and $7,000 in the developing nation. These numbers are comparable to those used by Clemens, Montenegro and Pritchett (2008), who estimate that a worker earns approximately *five* times more in the United States than a worker of identical productivity in a developing country.

3 An excellent summary of the empirical literature on the efficiency gains from the globalization of labour is provided by Clemens (2011).

However, for the purpose of this exercise it is necessary to allow for the likelihood that a worker from a developing country will have lower productivity. Since a lower-productivity migrant will probably generate smaller efficiency gains, a conservative assumption can be made that migrant workers have half the productivity of workers in developed countries.[4] This gives rise to an annual gain of $14,000 from migration of the marginal worker. However, as more workers migrate, these annual gains are likely to decline all the way to zero when world wages are equalized, thereby generating average gains of approximately $7,000 per annum. Therefore, as a benchmark calculation, it is assumed that if half the workforce were to relocate from the developing to the developed world in order to equalize wages, this would generate overall income gains of about $21 trillion.[5] A conservative estimate of the overall gains from the complete globalization of labour would be around 30% of world GDP.

> 'The question is whether, at least in principle, the negative effect on developed-world wages more than offsets other gains… closer inspection suggests the answer is "no"'

Of course, there are other costs (and benefits) of migration that need to be taken into account. For example, migration adversely affects wages in the developed world, while simultaneously having a positive impact on returns to owners of land, capital and other complementary factors of production. The question is whether, at least in principle, the negative effect on developed-world wages more than offsets other gains. In the absence of a fully articulated general equilibrium model the answer is not clear cut, but closer inspection suggests it is 'no'. Despite the possible negative effects of migration on wages in developed countries, greater international labour mobility always boosts overall output.

This point is perhaps most convincingly illustrated by making an analogy with trade in goods. Although opening up a national economy to greater trade in manufactured goods may hurt workers in the domestic manufacturing sector, this is more than offset by the benefits to consumers from the lower price of goods resulting from increased competition. Similarly, even though immigration may lower domestic wages in developed countries, it benefits businesses and shareholders who enjoy higher profits. In other words, while there are inevitably winners and losers from migration, there is an overall net benefit, called the 'immigration surplus'. Depending on the assumptions used, a strong argument can be made that the gains to world GDP would be anywhere between 20% and 50%, but no matter how the data are sliced, the potential gains would be massive.

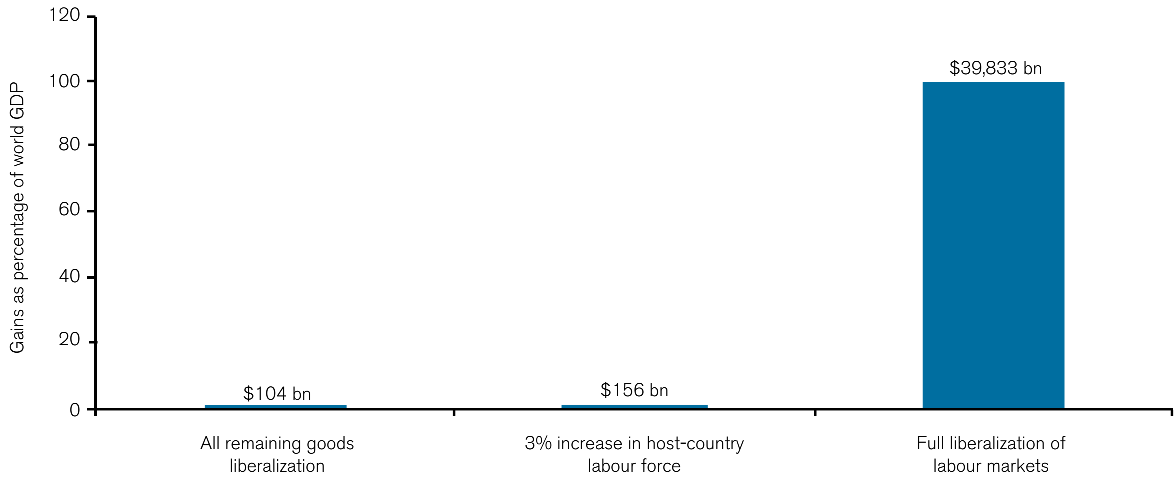
There is another way to cross-check such numbers. Barriers to international mobility of any kind – be it of goods, capital or labour – are likely to drive a wedge in the corresponding prices across countries. So how do the prices of goods (or capital) across countries compare with wage differences? Anderson and Van Wincoop (2004) suggest that price differences of identical goods across countries are modest and are equivalent to a 70% ad valorem tariff. The corresponding differences in the price of identical financial instruments are much smaller, around 15%. Similarly, barriers to labour mobility would be expected to drive a wedge in the wages of workers across countries. However, what is striking is the magnitude of the price wedge. The median wage gap in earnings of similar workers across countries is more than 500%,[6] which is consistent with the numbers mentioned above.

4 It is worth pointing out that the overwhelming proportion of the gap in productivity between workers across countries is not due to mere differences in human capital, but rather to differences in the quality of institutions, the rule of law and the contractual environment (Acemoglu and Dell, 2010). This would suggest that productivity differences between migrant and native workers are likely to be much smaller than those between source and destination country.

5 A conservative calculation envisages complete equalization of wages with open borders across countries. This implies that, if worker productivity is half, there are gains of ½ ($35,000–$7,000) = $14,000 per annum for the marginal worker and average annual gains of $7,000. As this affects three billion workers, this amounts to 3 x $7,000 = $21 trillion.

6 See Table 11.1 in Pritchett (2009).

Figure 2: The impact of globalization on world output



Source: Pritchett (2006).

Although a full liberalization of labour mobility is unrealistic, the important point is that the estimated efficiency gains are far larger than those achieved from the liberalization of trade or capital. Indeed, as shown in Figure 2 (drawn from Pritchett, 2006), even a partial (3%) liberalization of the labour market will be larger than the gains generated from the full liberalization of trade or capital. These numbers are particularly astonishing given that most of the debate and policy effort of the multilateral and development community has been devoted to encouraging a further liberalization of goods and capital flows.

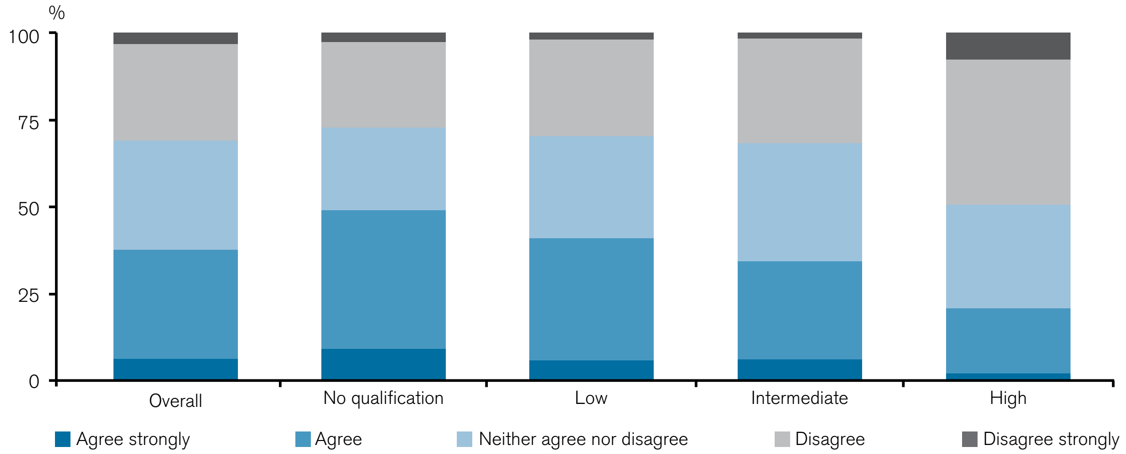
Of course, it is worth emphasizing that goods and capital markets are already quite integrated globally, so it is perhaps not as surprising that far more efficiency gains could be generated from the liberalization of the labour market. In other words, the price of goods (even after accounting for tariff levels) does not differ very much across countries, at least when compared with the 5:1 or even 10:1 wage differentials across countries. As pointed out by Pritchett (2006), an increase in migration of even 0.5% of the international labour force from developing to developed countries would result in larger annual income gains for the world's poor than from all overseas development assistance in a year. Therefore, the broader message is unequivocal: the efficiency gains from enhancing labour mobility between developed and developing countries are significant indeed and remain largely unrealized.

Why are potential gains from labour mobility ignored?

The reason why the potentially huge economic gains from greater international labour mobility are ignored or little discussed is politics. Lowering the barriers to international migration inevitably results in 'winners and losers' and these distributional effects feed into the political arena and often spark a political and social backlash.

The biggest winner from migration to a developed country is usually the migrant worker who pockets a large proportion of the resulting economic gains. However, the reason this becomes politically potent is that the gains usually come at the expense of an existing worker in the destination country. The distributional effects of migration often depend on whether the worker is skilled or unskilled. For instance, a greater number of young, low-skilled migrants from Eastern Europe is likely to reduce the wages that native UK workers would be able to earn in coffee shops. However, while low-skilled worker migration is likely to hurt those at the lower end of the economic spectrum, it usually will benefit owners

Figure 3: Impact of Immigration: do immigrants lower wages?



Notes: The figure shows the distribution of answers of UK residents to the question whether immigrants lower wages. The first column reports answers for the whole population, while columns 2–5 report distribution of answers by education group. High education: university degree or equivalent or postgraduate qualification. Intermediate education: A-level, national vocational qualifications level 3/5, or equivalent. Low education: GCSE, O-level, CSE, national vocational qualification level 1/2, or equivalent.
Source: Dustmann et al., 2008.

of capital and increase the benefits to consumers of goods that rely on less skilled labour. As a result, policies that encourage the migration of low-skilled workers are likely to meet with political resistance, if not outright hostility, from many workers in the destination country.[7]

Hanson (2009) reports on the results of an analysis using US data suggesting that such hostility to immigration is greater in those US states where there is a higher proportion of unskilled workers in the labour market. Indeed, Dustmann et al. (2008) report similar findings using data from the European Social Survey. While almost 40% of the population in the United Kingdom say that immigration undermines wages, it is low-skilled workers who share this belief most strongly (see Figure 3). Compounding these distributional effects is the perception that migrants typically are a drain on public finances by taking out more from the welfare system than they contribute through taxation. These fears have been exacerbated since the onset of the economic crisis in Europe and the United States, and have helped harden anti-immigration attitudes.

However, while there is certainly a distributional impact, it should not be exaggerated. And such an impact is not unique to international labour mobility: the globalization of trade in goods and in capital flows also gives rise to distributional effects. If attitudes in developed countries are far more hostile to the globalization of worker mobility than they are to that of capital or trade in goods, then other factors must be at work.

Does culture play a role in triggering a social backlash?

While economists have focused on the economic impact of immigration, the role of culture is rarely considered. An exception is Pritchett (2006), who argues that 'of all the ideas that limit migration perhaps the most important is the idea that there is a national "culture" and that increased labor mobility threatens that culture'. This view is echoed by Freeman (2006), who points out that 'public opinion and national policies towards immigration seem to rest on issues well beyond gains and losses in the labor

7 According to a recent British Social Attitudes survey, three out of four Britons support a reduction in levels of immigration, with many saying they are worried by its economic and cultural impact. More than half say migrants are generally bad for the British economy, compared with 43% in 2002, while nearly 50% say immigration undermines Britain's cultural life, up from 33% a decade ago. S. Neville, *Financial Times*, 17 September 2012.

market. Some natives worry that immigrants will present a cultural threat to their way of life and reduce social cohesion.'[8]

The primary argument is that migration affects a country's culture and its sense of national identity. So it should not be surprising that the hostility towards labour migration is much greater in relatively homogeneous Japan than in an ethnically diverse immigrant country such as the United States (Mayda, 2006). However, recent analysis by Card, Dustmann and Preston (2005) demonstrates that natives are far more reluctant to welcome the immigration of individuals from a different ethnicity. Indeed, their analysis suggests that cultural factors are considerably more important than economic ones in driving popular attitudes towards migration. They point to data from a European survey suggesting that only 59% of respondents who say they are comfortable with high levels of immigration by individuals of their own ethnicity are equally content with similar levels when it comes to other ethnic groups, while 25% of them are willing to allow some into the country and 16% are prepared to allow only a few or none.

Once cultural and national identity issues are added to the mix of migration policy, an impasse seems inevitable. Indeed, many people in destination countries would seemingly prefer to reject the economic benefits of migration than to envisage a fundamental and permanent dilution of national culture and identity. Given the strength of feeling that migration policy engenders, it is not surprising that a variation of this argument is often advanced by international policy-makers. Despite the potentially very large gains to be realized from greater labour mobility, the perceived threat to national culture and identity means the issue remains firmly off the agenda in international forums and multilateral negotiations.

Could temporary migration be the solution?

The economic logic in favour of an international programme of migration is quite straightforward. As previously noted, international labour markets are notoriously segmented. The income of an Indian worker moving to the United States to perform an identical job would increase at least threefold, that of a Nigerian worker eightfold, and so on. Indeed the bulk of this wage gap arises from differences in infrastructure, institutions and overall economic environment.

> 'While the mix of migrants will differ from country to country, the fact remains that a substantial increase in migration will only be politically feasible today if it is of a temporary nature'

Greater international labour mobility can come in two guises – permanent or temporary. Most labour migration is permanent and characterizes the overwhelming proportion of immigration to countries such as Canada, the United States and Australia. Temporary migration is less widespread though it is extensive in Singapore, Hong Kong and much of the Middle East. It is also typically dominant in specific sectors such as agriculture, software engineering or domestic household help and au pair arrangements.

Each mode of migration brings with it a number of advantages and disadvantages, so it is instructive to examine these more closely in order to determine whether there is a way out of the political impasse over international labour mobility. The big advantage of permanent labour mobility is that it yields significant economic gains. The longer migrant workers spend time in the destination country, the more opportunity they have to improve their skills set and get accustomed to work-related norms. Labour productivity thus is likely to be much higher the longer a worker lives in the given country.

8 The most forceful critic of the impact of immigration for cultural reasons is Samuel Huntingon (2004), who focuses on Mexican immigration to the United States. He argues that 'the persistent inflow of Hispanic immigrants threatens to divide the United States into two peoples, two cultures, and two languages.'

The advantage of temporary migration is that it is unlikely to affect the host country's culture and sense of national identity in the same way that permanent migration might. For example, lacking voting rights, temporary migrants are less able to influence the provision of local public services, thereby muting potential conflict over how resources should be allocated. It is on this cultural and national-identity dimension that temporary migration holds a clear advantage. Therefore, the trade-off between permanent and temporary migration is stark – greater cultural cohesion versus greater labour productivity.

Depending on their history, political institutions, culture and ethnic composition, countries are likely to arrive at very different views regarding the optimal trade-off between temporary and permanent migration. Ethnically heterogeneous countries with a strong tradition of cultural assimilation such as the United States and Canada are much more likely to prefer permanent migration. If a country attracts mostly low-skilled workers, then the increase in productivity gains is likely to be much more modest; this favours temporary migration. However, while the mix of migrants will differ from country to country, the fact remains that a substantial increase in migration will only be politically feasible today if it is of a temporary nature.

Is politically sustainable temporary migration achievable?

Filipino maids in Singapore, South Asian migrants in the Middle East, seasonal guest-workers engaged in fruit-picking in the United Kingdom, and Chinese and South Korean construction workers building skyscrapers across Asia are all prime examples of temporary migration (although such arrangements are often criticized for their exploitative nature). For decades countries such as Singapore, Hong Kong and many in the Middle East have had temporary migration programmes – especially in the domestic household sector. For instance, foreign domestic workers constitute close to 20% of the Kuwaiti labour force and more than 7% of the workforce in Hong Kong, Singapore, Bahrain and Saudi Arabia (Kremer and Watt, 2009). A large proportion of India's £5 billion software export earnings come from cheap on-site services provided by Indian engineers who are 'loaned' to companies across the globe. Such examples offer some clear lessons and suggest it should be possible to sidestep the thorny issues of migration (including the protection of migrants' basic rights) discussed earlier and make it feasible to promote a policy of greater international worker mobility.

> 'Although permanent migration would no doubt yield larger economic gains, a programme of temporary migration would be politically more acceptable in host countries where citizens perceive an inflow of migrants as a threat to their culture and national identity'

To get such a policy off the ground, designing a modest programme in the first instance would probably have the greatest chance of succeeding. A small move towards greater liberalization of global labour markets through more temporary labour migration schemes would achieve two goals at once. First, it would give a boost to overall world output as workers from developing countries become much more productive when they migrate to the higher-productivity host countries. And, second, this migration would boost the income of migrants as well as that of owners of capital in the developed world.

While the economic gains from temporary migrant programmes might not be as significant as those from permanent migration, they would have several political advantages. First, they would allow for experimentation with policies by host countries and give them flexibility. If the promised benefits from migration do not materialize or if there is a recession or a bout of high unemployment, then host countries can always choose not to renew the visas of temporary migrants or scale down their programmes. This *option value* of temporary migration would have a distinct political advantage over permanent migration when policy-makers are facing resistance to such policies by their citizens. Second, temporary migration does not require giving voting or other political rights to migrants and is thus much less likely to be seen as a threat to national culture and identity. As a result, political opposition to modest programmes of temporary migration would probably be relatively subdued.

The introduction of such programmes is likely to have to be part of an overall 'package', where some allowance is made for the possibility that it may hurt workers in the host country. One way of addressing this dilemma would be to ensure that part of the gains generated by the temporary migrant worker are specifically taxed and the proceeds put into a compensation fund, which would be used to support skills-upgrading, temporary unemployment insurance or even a strengthening of the overall safety net for host-country workers. This would also increase the political feasibility of such a programme.

However, one of the biggest practical drawbacks of temporary migration programmes is their enforceability. It is often argued, notably in the case of Turkish migrants settling in Germany in the 1960s, that 'temporary migration is permanent'. The concern of many is that, once admitted into a country, temporary migrant workers are hard to repatriate because employers often lobby the government to retain them.[9] However, what is striking about the countries that have temporary migration programmes is that they are usually small and relatively authoritarian. This underscores the importance of the likely enforceability of such programmes in order to ensure their political sustainability.

One reason why temporary migration programmes have not been effective in many Western countries is that few incentives have been put in place to ensure that workers return to their home country after their contracts run out. To ensure enforceability, therefore, any programme of temporary migration should offer clear incentives and penalties for all parties concerned – not just for workers and employers but (importantly) also for both sender and host country governments. For example, if Mexico is unable to ensure that temporary migrant workers in the US fruit-picking sector do not return home, then future quotas from Mexico could be reduced in proportion to the numbers who fail to do so and compensated for by increasing quotas for other countries.

Competition for quotas across countries would be a way of delegating some of the enforcement costs to the source countries. Indeed, if the Mexican government were given a financial stake in the success of a scheme, it would have a further reason to put in place adequate incentives aimed at returning workers. Depending on a host country's experience, a temporary migration programme could also target different sectors, be restricted to certain source countries, scaled up or down, or even eliminated. Finally, workers could be required by law to put a substantial proportion of any income they earn into an escrow account. This money would then become available only once they had honoured the terms of their contract and returned to the source country.

Conclusion

A policy shift to globalize labour markets could be a key tool for development and poverty reduction. Indeed, the potential gains from the globalization of labour could well dwarf those from foreign aid as well as from the liberalization of trade and capital flows across borders. Given the significant benefits, economists and policy-makers should devote far more attention to the practicalities of lowering barriers to international labour mobility.

Despite the significant benefits that could be generated from a policy promoting greater international labour mobility, it is striking that development policy circles and multilateral forums do not appear to view this as a viable option. Although immigration policy is always controversial, the puzzling absence of serious debate in international circles cannot be entirely attributed to the distributional impact of labour migration – a feature it shares with the

9 The full political economy argument is articulated in Jain, Majumdar and Mukand (2011).

globalization of trade and capital. Indeed, a key factor explaining why there is so much political resistance to such a policy is the perceived threat to national identity and culture in host countries.

Designing a politically feasible policy promoting the liberalization of international labour mobility would have to take into account both economic and cultural factors. Although permanent migration would no doubt yield larger economic gains, a programme of temporary migration would be politically more acceptable in host countries where citizens perceive an inflow of migrants as a threat to their culture and national identity. A policy that encourages international labour migration of a temporary nature, targeted to specific sectors and more modest in scope, could thus be the answer. While this would no doubt have its critics too, the prize is sufficiently large that it would be a missed opportunity if policy-makers fail to give it serious consideration.

References

Acemoglu, D. and Dell, M. (2010), 'Productivity Differences between and within Countries', *American Economic Journal: Macroeconomics*, American Economic Association, 2(1): 169–88, January.

Anderson, J. E. and Van Wincoop, E. (2004), 'Trade Costs', *Journal of Economic Literature*, 42(3): 691–751.

Anderson, K. and Winters, A. (2008), 'The Challenge of Reducing International Trade and Migration Barriers', Policy Research Working Paper Series 4598 (Washington, DC: World Bank).

Card, D., Dustmann, C. and Preston I. (2005), 'Understanding Attitudes to Immigration: The Migration and Minority Module of the First European Social Survey', CREAM Working Paper.

Caselli, F. and Feyrer, J. (2007), 'The Marginal Product of Capital', *Quarterly Journal of Economics*, 122(2).

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

Clemens, M., Montenegro, C. and Pritchett, L. (2008), 'The Place Premium: Wage Differences for Identical Workers across the U.S. Border', Center for Global Development, Working Paper 148.

Dustmann, C., Glitz, A. and Frattini, T. (2008), 'The Labour Market Impact of Immigration', *Oxford Review of Economic Policy*, 24(3).

Freeman, R. (2006), 'People Flows in Globalization', *Journal of Economic Perspectives,* 20(2): 145–70.

Galbraith, J. K. (1979), *The Economics of Mass Poverty* (Cambridge, MA: Harvard University Press).

Goldin, I., Knudsen, O. and van der Mensbrugghe, O. (1993), 'Trade Liberalization: Global Economic Implications' (Paris: OECD).

Gourinchas, P-O. and Jeanne, O. (2006), 'The Elusive Gains from International Financial Integration', *Review of Economic Studies*, 73(3): 715–41.

Hamilton, B. and Whalley, J. (1984), 'Efficiency and Distributional Implications of Global Restrictions on Labour Mobility', *Journal of Development Economics,* 14(1): 61–75.

Hanson, G. (2009), 'The Economic Consequences of International Migration', *Annual Review of Economics,* 1 (2009): 179–208.

Hatton, T. J. and Williamson, J. G. (2006), 'What Drove European Mass Emigration?' in Hatton, T. J. and Williamson, J. G., eds, *Global Migration and the World Economy* (Cambridge, MA: MIT Press), pp. 51–76.

Huntington, S. P. (2004), *Who Are We? The Challenges to America's National Identity* (New York: Simon & Schuster).

Jain, S., Majumdar, S. and Mukand, S. (2011), 'Workers Without Borders? Culture and Politics of Immigration Policy', CAGE Working Paper.

Kapur, D. and McHale, J. (2005), *Give Us Your Best and Brightest: The Global Hunt for Talent and its Impact on the Developing World*, Center for Global Development, Washington, DC.

Klein, P. and Ventura, G. (2009), 'Productivity Differences and the Dynamic Effects of Labor Movements', *Journal of Monetary Economics,* 56(8): 1059–73.

Kremer, M. and Watt, S. (2009), 'The Globalization of Household Production', Harvard University Working Paper.

Mayda, A.-M. (2006), ‘Who Is against Immigration? A Cross-country Investigation of Individual Attitudes toward Immigrants’, *Review of Economics and Statistics*, August, 88(3), 510–30.

Pritchett, L. (2006), ‘Let Their People Come: Breaking the Gridlock on Labor Mobility’, Center for Global Development, Washington, DC.

Pritchett, L. (2009), ‘The Cliff at the Border’, in Kanbur, R. and Spence, M. (eds), *Equity and Governance in a Globalizing World* (Washington, DC: World Bank/IBRD).

Rodrik, D. (2011), *The Globalization Paradox*, Oxford University Press.

World Bank (2001), *Global Economic Prospects and the Developing Countries 2002* (Washington, DC: World Bank).

The CAGE–Chatham House Series

This is the second in a series of policy papers published by Chatham House in partnership with the Centre for Competitive Advantage in the Global Economy (CAGE) at the University of Warwick. Forming an important part of Chatham House's International Economics agenda and CAGE's five-year programme of innovative research, this series aims to advance key policy debates on issues of global significance.

Also available:
Saving the Eurozone: Is a 'Real' Marshall Plan the Answer?, Nicholas Crafts (June 2012)

Financial support for this project from the Economic and Social Research Council (ESRC) is gratefully acknowledged.

E·S·R·C ECONOMIC & SOCIAL RESEARCH COUNCIL

About CAGE

Established in January 2010, CAGE is a research centre in the Department of Economics at the University of Warwick. Funded by the Economic and Social Research Council (ESRC), CAGE is carrying out a five-year programme of innovative research.

The Centre's research programme is focused on how countries succeed in achieving key economic objectives, such as improving living standards, raising productivity and maintaining international competitiveness, which are central to the economic well-being of their citizens.

CAGE's research analyses the reasons for economic outcomes both in developed economies such as the UK and emerging economies such as China and India. The Centre aims to develop a better understanding of how to promote institutions and policies that are conducive to successful economic performance and endeavours to draw lessons for policy-makers from economic history as well as the contemporary world.

Chatham House has been the home of the Royal Institute of International Affairs for ninety years. Our mission is to be a world-leading source of independent analysis, informed debate and influential ideas on how to build a prosperous and secure world for all.

Sharun Mukand is a Professor of Economics at the University of Warwick and Research Theme Leader at CAGE.

His main areas of expertise are the political economy of globalization and development – with a focus on the political economy of policy-making. His work is distinguished by its interdisciplinary nature – drawing on fields as diverse as history, economics, political science and (more recently) psychology.

He has been a Visiting Assistant Professor of Public Policy at the Kennedy School of Government at Harvard University and a Research Associate at the Center for International Development at Harvard University as well as Research Associate at STICERD at the London School of Economics. His recent work includes 'In Search of the Holy Grail: Policy Convergence, Experimentation and Economic Performance' (with Dani Rodrik), 'The Persistence of Political Partisanship: Evidence from 9/11' (with Ethan Kaplan) and 'Globalization and the Confidence Game'.

Chatham House
10 St James's Square
London SW1Y 4LE
www.chathamhouse.org

Registered charity no: 208223

Cover image: Getty Images
Designed and typeset by Soapbox, www.soapbox.co.uk