



Immigration

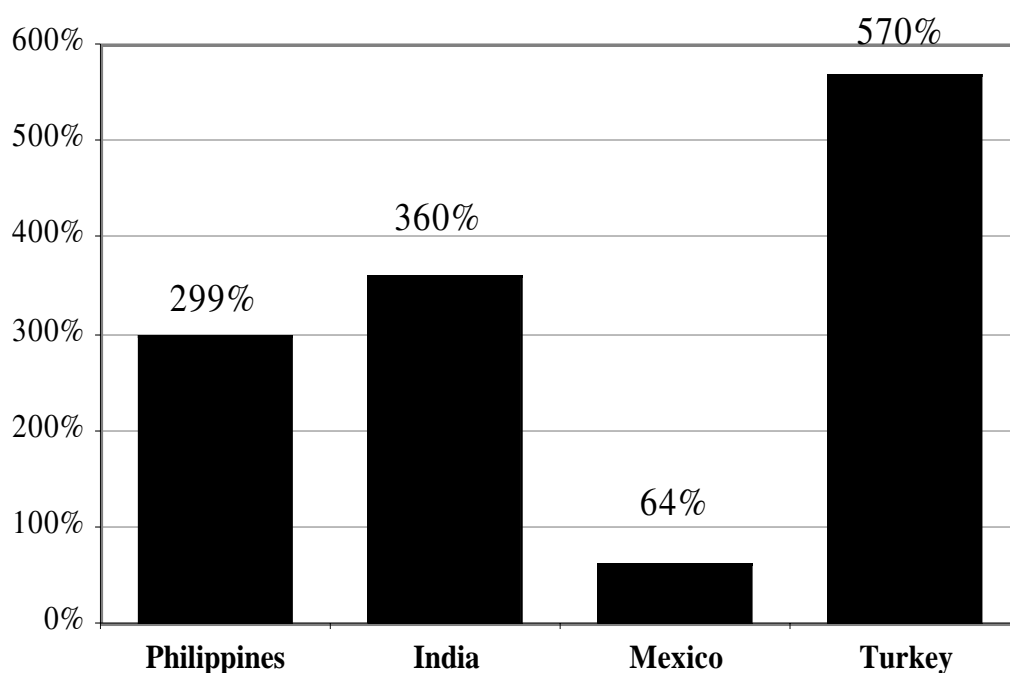
Roughly 100 million people, about 1.6% of the world's population, live outside of their country of citizenship, although most are involuntary refugees from political strife in one developing country living in another. As a comparison, around 18% of the world's production is traded, and the sales of [foreign affiliates](#) account for about 10% of global [GDP](#). Based on these simple numbers, it is clear that trade and investment are much more globalized than labor. And the tide has indeed slowed down even more in recent years. Among the three major destinations of immigrants in recent years – Western Europe, the Persian Gulf oil-producing states, and the U.S. – countries in Western Europe and the Persian Gulf have taken measures to severely limit the flow of immigrants, while the U.S. has passed new restrictive legislation.

From the perspective of economic theory, there are inconsistencies among both mainstream and progressive economists. One would expect that the [neoliberal](#) mainstream, in its confidence in free market solutions to just about everything, would also support the unfettered movement of labor around the world. But, with few exceptions, there is a little support for such a view among neoliberal economists. Explanations of this seemingly contradictory perspective range from the nationalist (free immigra-

tion would level down the living standards of all citizens as citizens of developing countries entered (and bankrupted) those countries with more generous social welfare programs), to arguments that immigrants are bad for the least-privileged who would face more competition for low-skill jobs, thereby depressing wages and worsening earnings inequality. The latter argument is often used to explain how African-Americans in particular would suffer from free immigration, because it is they who most often restricted to the lower-skill job market. Progressives and the left are no less inconsistent. There is generally a negative attitude towards free immigration, based largely on the sense that it is driven by global capitalism and just another way for capital to divide workers and drive down wages.

In terms of the evidence in the U.S. and Europe, recent research does not support the claim that immigration has harmed domestic wages or employment. And immigrants contribute more in federal, state, and local taxes than they use in public assistance and services. Others have argued that immigration should not be evaluated relative to economics at all, and should instead be assessed from the perspective of human rights. They argue that the right to move should be granted to all citizens, regardless of their countries of origin.

Immigrant Remittances as a Proportion of Foreign Direct Investment, 1998



Source: Authors' calculations based on the International Monetary Fund's *Balance of Payments Statistics Yearbook 1999*. Remittances include: worker remittances, or the value of monetary transfers sent home from workers abroad more than one year; compensation of employees, or the earnings of foreigners residing abroad for less than twelve months; and migrant transfers, or the net worth of migrants who move from one country to another.

From the perspective of development, the impact of out-migration is also a debated one. Perhaps the most familiar argument is the “brain-drain” argument where more educated workers take their skills outside of their home countries in search of higher wages. But there is evidence that migration benefits Third World economies, with the strongest coming from the impact of remittances back to the migrant’s home country, the size of which can sometimes far outstrip the flow of foreign direct investment, as indicated in the chart below.

Sources:

Gregory DeFreitas. 1996. “Immigration, inequality, and policy alternatives,” in Dean Baker, Gerald Epstein and Robert Pollin (eds.) *Globalization and Progressive Economic Policy*. Cambridge, U.K.: Cambridge University Press.

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