

NOTE: This is the Unabbreviated Original Letter to The Economist. A much shorter version was published in the Magazine on July 10, 2010. Some of the ideas in my piece titled “Why Borjas Failed to Persuade”, in Alan Deardorff and Robert Stern (eds), Social Dimensions of U.S. Trade Policy (Ann Arbor: University of Michigan Press, 2000); reprinted as Chapter 37 in my collected essays, The Wind of the Hundred Days: How Washington Mismanaged Globalization (Cambridge: MIT Press, 2000).

To: The Economist
Letters to the Editor

July 2, 2010

From; Professor Jagdish Bhagwati
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Dear Sir:

The Economics Focus (June 26th -July 2nd) column “The Price of Entry: A new proposal from Gary Becker to make a market in immigration” is surprising since the proposal to auction immigration rights is not a new proposal at all and has been around for over a quarter of a century. Becker proposed it, among other places, in an op ed in the Wall Street Journal in October 1992. Julian Simon, the iconoclastic economist, proposed it in his influential 1989 book The Economic Consequences of Immigration into the United States (Chapter 16) and earlier in a New York Times op.ed. in January 1986.

The reason why it has made practically no progress among immigration experts, including Becker admirers such as myself, has little to do with the critiques in the Column. Rather, the proposal fails the test of comprehensiveness, conflicts of interests between source and destination countries, and ethics.

At the outset, it cannot be applied to refugees: no Parliament or Congress will admit refugees on the basis of who makes a higher bid. Nor can it be applied to illegal inflows, which are today’s major problem which reflects simply the fact that, as long as there are immigration restrictions, there will be illegals in our midst.

When it comes to legal inflows, the fact that there is a premium on successful immigration means that the destination country can extract that premium through an auction. But this runs into the problem that the source country also is likely to make a claim on these premia: rationales can include arguments such as that emigration may harm those left behind or that the emigrants have been invested in at subsidised institutions like the Indian Institutes of Technology and their higher rewards abroad should be used towards repayment of these costs.

But even if the focus is simply on the destination country, what about the ethical objections from those who believe that limited immigration quotas should go to famished Haitians and Mexicans rather than to rich Russian and Indian doctors: the former “need” and “therefore “deserve” the rationed immigration opportunity more.

Yours sincerely,

Jagdish Bhagwati