

Competing for Citizens

Competition, including for citizens, is one of the most positive forces in the world today.

OVER THE YEARS, some have expressed concern that openness toward educated foreign nationals results in a “brain drain” from developing countries. Such concern has led some to believe it would be more moral to restrict the freedom of such foreign nationals to emigrate to the United States and other Western countries. But are such restrictions moral and would they actually make developing countries better off?

Under some past traditional thinking about “brain drain,” the theory goes that a country is “drained” of talent when engineers, doctors, and others become educated and work in other nations. However, such thinking ignores several realities, the most important of which is that competition, including for citizens, is one of the most positive forces in the world today.

Imagine an Economy with Two Companies

To understand the shortcomings of the traditional “brain drain” argument, it would be helpful to imagine an economy where there are just two companies. In Company A, people are born and raised to work in only one company—the same company their parents worked—and have no choice of working elsewhere. In other words, no matter how poor the wages, working conditions, or opportunity for advancement, the young worker has no choice but to work in Company A.

In contrast, Company B can only retain employees that choose to work there. And workers will only stay in that company if they receive desirable wages, good working conditions, and the opportunity to improve their lot in the coming years. Company A has far more control over the lives of workers than Company B, so in theory, some might think that power would make Company A more efficient.





TABLE 1
Increase of International Students From India: 1949 to 2010

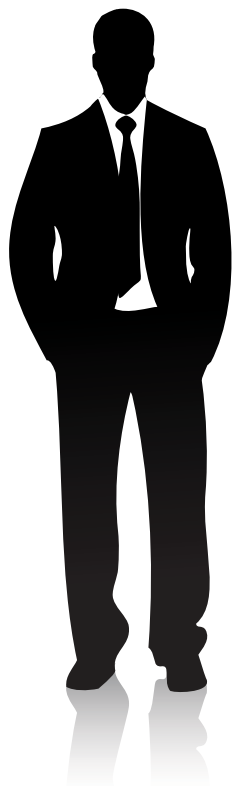
Year	Indian Students in the United States
1949-1950	1,359
1959-1960	3,780
1969-1970	11,329
1979-1980	8,760
1989-1990	26,240
1999-2000	42,337
2005-2006	76,503
2010-2011	103,895

Institute of International Education. "All Places of Origin of International Students," 1949-50 to 2010-11, *Open Doors Report on International Educational Exchange*.

TABLE 2
International Students From India and North Korea

Country	International Students in U.S. in 2010-11
North Korea	16
India	103,895

Institute of International Education. "All Places of Origin of International Students," 1949-50 to 2010-11, *Open Doors Report on International Educational Exchange*.



In fact, Company B will be the better company. Company B is going to work to continue to improve and to treat employees well to avoid losing people. When competing internationally, Company B is most likely to succeed in the global marketplace, even if talented people sometimes will leave to work elsewhere. On the other hand, with no need to compete for workers, Company A will stagnate. It has a guaranteed stream of workers whose wages it can dictate, so it doesn't need to get better. With little incentive to improve, the performance of Company A is likely to grow worse over time. Any rational person with talent and ambition would prefer to work in Company B.

In the real world, think about countries instead of companies. And think of Company A as North Korea and Company B as India. In North Korea, people can't vote, not even with their feet. One of the first actions of North Korea's new leader was to assign 20,000 additional troops to the Chinese

border and increase punishments to prevent people from leaving. "The crackdown, they say, coincides with the rise of new leader Kim Jong-eun, and suggests that his authoritarian police state is not only worried about people leaving the country, but also strong enough to stop them," reports the *Washington Post*.¹ A good rule of thumb to follow for governments is to do the opposite of whatever North Korea does.

Contrast North Korea's policy with India's. As Indian families gained more resources, much of that money went into educating their children, including paying to school their children abroad. As Table 1 shows, in the 1949-50 academic year only 1,359 Indians studied at U.S. universities. That number rose to 3,780 a decade later. As recently as 1979-80 the figure was only as high as 8,760. By the 1989-90 academic year, 26,240 Indians were studying in the United States, a figure that rose to 42,337 by 1999-2000 and reached 103,895 in 2010-2011.² Only 16 students from North

Korea studied in the United States in the 2010-2011 academic year (see Table 2).

Indian Economic Growth Aided by International Students

Indian young people studying in other countries had a profoundly positive impact on economic reform inside India. A country saddled with largely socialist policies that produced little economic growth, India introduced market-oriented reforms—the most important ones starting in 1991—that have lifted millions out of poverty, created middle class consumers, and spawned numerous high technology companies.

Palaniappan Chidambaram, a former Indian finance minister, credits the free movement of Indians with the positive changes seen in India in recent decades. Chidambaram, who was a socialist before attending Harvard Business School and experiencing the United States, said, "First, the phenomenal success achieved by Indians abroad by practicing free enterprise meant

that if Indians were allowed to function in an open market, they could replicate some of that success here [in India]. Secondly, by 1991 sons and daughters of political leaders and senior civil servants were all going abroad and studying abroad and living and working abroad. I think they played a great part in influencing the thinking of their parents.”³

Indian immigration to the United States increased as a result of two primary factors—Indian international students arriving in greater numbers in America and the 1965 immigration act, which lifted immigration restrictions against Asians and others. Between 1950 and 1959, only 1,850 Indians received permanent residence in the United States. But from 2000 to 2009, more than 590,000 Indians immigrated to the United States, an astonishing rise.⁴ This “loss” of educated Indians has coincided with increased prosperity in India.

The relationship between Indians abroad and those in India has remained strong, particularly among successful immigrants.

A Ewing Marion Kauffman Foundation study found “[R]eturning Indian entrepreneurs maintain at least monthly contact with family and friends in America, and 66 percent are in contact at least that often with former colleagues.” The subjects most discussed are customers, markets, technical information, and financing.⁵ Venture capitalist Vish Mishra explains that personal connections remain important in business. “If you cold-call, you start from nowhere, it’s laborious and tedious,” said Mishra. “If you know someone, you can move faster. The advantage of any network is you get to see things you might not otherwise see.”⁶

Robert Guest, business editor for *The Economist*, believes the “brain drain” argument is a myth. “Nonresident Indians bring ideas and investment back,” writes Guest. “But arguably the biggest favor the diaspora has done for India was to persuade it to open up to the world in the first place. They were not the only force—four decades of stagnation alerted India’s leaders to the

possibility that something was wrong with their economic model. But the diaspora was highly influential.”⁷

In his book *Borderless Economics*, Guest describes how the manufacturing of an inexpensive refrigerator (\$69) to benefit the rural poor in India only came about because of the interaction between Indians abroad working with those in India. “The engineering miracle was conceived through a marriage of ideas generated by Indians in India and by Indians overseas,” notes Guest.⁸

Difficult to Stop the Ambitious

The desire to make a better life for yourself and your family has been a driving force throughout human history. Efforts by governments to derail such desires through new restrictions are usually futile and counterproductive. If the United States blocks educated foreign-born young people from working here after graduation in a misguided effort to compel professionals to return home, then such educated professionals will find work in other countries. History shows ambitious people will seek opportunities to study and work abroad. It is not wise, moral, or practical to block such ambition. **IE**

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ENDNOTES

- ¹ Chico Harlan, “With Crackdown, North Korea Puts a Hold on Defections,” *The Washington Post*, July 20, 2012.
- ² Institute of International Education. “All Places of Origin of International Students,” 1949/50 to 2010/11, *Open Doors Report on International Educational Exchange*. Retrieved from <http://www.iie.org/opendoors>.
- ³ Robert Guest, *Borderless Economics*, Palgrave Macmillan, New York, 2011, pp. 33–34.
- ⁴ *2010 Yearbook of Immigration Statistics*, Office of Immigration Statistics, Department of Homeland Security, Table 2.
- ⁵ Guest, p. 22.
- ⁶ *Ibid.*, p. 21.
- ⁷ *Ibid.*, p. 33.
- ⁸ *Ibid.*, pp. 98–99.

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