MICROECONOMICS AT WORK EXERCISE

THE PRICE MECHANISM AND THE MIGRATION OF PEOPLE

REFERENCE: **'The Wise Way to Stem Illegal Immigration'** (by Gary Becker)**,** *Business Week,* 26 April 2004, p. 14.

CHAPTERS RELEVANT TO THIS EXERCISE: 3 and 5

OVERVIEW

The price mechanism works by transmitting 'signals' to consumers and owners of resources which determine how resources, including an individual's own labour-power, will be used. Inherent in the decision about how to 'sell' one's labour is the larger question of *where* to sell it — and thus where to live. The price mechanism will thus influence decisions about moving between labour markets, which may mean moving between nations (i.e. migration). In a free-market situation, decisions by people to move, for example, to the United States would be influenced only by economic considerations. However, these decisions (as with all decisions based purely on economic considerations) may be altered, or over-ridden, by government policy.

This article (by a winner of the Nobel Prize in Economics) is about the way in which the US government can, and should, seek to influence market forces determining the movement of people into the United States (i.e. immigration).

QUESTIONS

1. For what purely economic reasons would an individual seek to migrate to another country?

2. Why is it the case that 'rich' countries, such as the US, do not want a large number of immigrants?

3. What actions do they currently take to prevent high levels of immigration? Are these successful?

4. What is the essence of the argument that immigration should be permitted more liberally, while at the same time 'giving priority' (however that principle may be put into effect) to immigrants from nations with which the US has a free-trade agreement?

5. Why is the author dismissive of President Bush's policy (which he refers to as a 'compromise') of allowing people to come to the US for a limited period of six years (rather than permanently)?