Immigration in the new economy

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THE populations of the world are on the move, propelled by oppression and poverty in some countries; attracted by job opportunities or by the relatively generous welfare benefits available in the world's richer countries; and facilitated by the declining cost of transportation, now organized by highly efficient "people-smuggling" gangs that control train, truck, bus, and shipping assets. The magnet countries are eager to welcome some immigrants, equally eager to bar others, and ambivalent about still others. So we are seeing a worldwide debate on immigration policy.

Debates about immigration policy are, of course, nothing new, either in America or in other industrialized countries. But the recent rise of organized people-smuggling rings—some 50 large ones, known as "Snakehead gangs," reportedly dominate the trade—has added a tragic dimension to the arguments. Fifty-eight Chinese attempting to enter Britain illegally from Belgium died when the ventilation system in the container truck in which they were secreted malfunctioned.
Mexicans slipping across the American border frequently die attempting to walk across the deserts of Arizona. Very often, those who succeed in entering a country illegally are so indebted to the smuggling ring that they are forced to work at virtual starvation wages or in illegal trades such as drug running and prostitution. The smugglers charge as much as $24,000 to transport a person from China to Britain. Indeed, the fees are so high that the United Nations Office for Drug Control and Crime Prevention reckons that people-smuggling is now a more lucrative racket than drug-smuggling.

Estimates of the number of people seeking better lives in foreign countries vary. The most often cited is that of Britain’s Home Office, which estimates that about 30 million people are smuggled across international borders every year in a trade worth between $12 billion and $30 billion annually. Even if we allow for the tendency of bureaucrats to inflate numbers in order to request increased budgets, we must still conclude that bringing desperate workers to where the jobs are is a very big business indeed.

**Policy confusion**

As with the drug trade, so with the people trade, the first reaction of policy makers is to interdict the traffic—step up border patrols, set up mechanisms for international cooperation, and increase the penalties levied on those caught aiding immigrants to enter a country illegally. In America, there are calls for more border guards and longer and higher fences along the Mexican border. In Europe, the 15 leaders of the member nations of the European Union met in Portugal and pledged to “intensify cooperation to beat such cross-border crime.” In Britain, lorry drivers are now fined £2,000 for each illegal found hidden in their vehicles.

To no avail. The number of illegal immigrants swarming across the borders of all industrialized—i.e., “rich”—countries is increasing. In America, we are in the midst of what Harvard economist George Borjas calls the “Second Great Migration [which] has altered the ‘look’ of the United States in ways that were unimaginable in the 1970s.” In Britain, the special police unit set up to staunch the flow of immigrants concedes that the number sneaking in through the port of Dover has
increased by 500 percent in the past six years. Germany, France, and Italy all report a similar rising tide of men—it is mostly men—migrating to where the jobs are.

What to do? The policy of stepping up enforcement procedures is clearly not working. Which does not mean that such measures should be abandoned. After all, no geographic area can legitimately claim nationhood if it cannot control its borders or determine who may enter its territory.

Nor is the policy of attempting to distinguish among types of immigrants proving very successful. In America, Britain, and other countries, for example, efforts are made to distinguish between those immigrants seeking “asylum” and those “merely” seeking economic advantage. But separating real from bogus asylum seekers is often difficult, and not only because the immigrant has every incentive to concoct tales of persecution that officials in the host country have no way of challenging or verifying in many cases. Besides, the very definition of “persecution” is not always clear cut.

Must the asylum seeker’s life be threatened? Or her genitals threatened with mutilation? Or should he be granted asylum merely if his ability to earn a living is circumscribed in his home country? Those who generally oppose immigration contend that asylum status should be reserved for those threatened with, say, ethnic cleansing, and should be denied to those merely suffering economic persecution. Sounds sensible, until one remembers the early days of Germany’s assault on its Jewish population, when a tightening of the economic noose preceded the Final Solution.

So confusion reigns: The American government has returned to Fidel Castro’s tender mercies those Cubans unlucky enough to be caught by our Coast Guard before they make it to our beaches; women’s groups argue that asylum should be granted to females threatened with genital mutilation or forced marriages in their native country; and the British wonder whether Gypsies are sufficiently at risk of harm in their native Romania to warrant granting them the right to stay in Great Britain, where their aggressive begging and widespread dependence on the country’s welfare system are causing a storm of protest from the middle class.

So let’s clear away some underbrush. No serious policy
maker can defend false asylum-seeking or illegal immigration. Nor can any serious policy maker argue that a nation does not have the right to control who should be let in and how many.

But this tells us very little about just what immigration policy should try to do, for it is the policy itself that determines what is legal and what is not. It is possible to oppose illegal immigration (and illegal anything, for that matter) while at the same time wanting to change the law that casts some, but not others, into the "illegal" category. So, too, with asylum seekers. It is policy—policy that can be changed—that defines the standards that distinguish legitimate from bogus asylum-seeking.

**Three immigration principles**

Broadly speaking, there are three possibilities. Immigration policy can be built on humanitarian principles: Accept all those whose lives can be improved by taking up residence in the country they seek to adopt. This group of immigrants might be classified as

... your tired, your poor,
Your huddled masses yearning to breathe free,
The wretched refuse of your teeming shore,
... the homeless, tempest-tossed...

At the other extreme, immigration policy might be based on ethno-cultural notions: A nation, it is argued, cannot allow any significant immigration without diluting its values, customs, and mores, and becoming a multicultural hodgepodge of peoples with such varied approaches to life as to become ungovernable. Advocates in America of what might be called a slammed-door policy would like to have a national review of current policy, with the object of declaring a moratorium on immigration until ... well, until some policy can be devised that permits only a very few to come to America. (And of course, the slammed-door camp will insist that the few let in be of a sort that does not threaten to dilute the "native stock" by adding to what it contends is the already unacceptable cultural, religious, and racial diversity of the American population.)
Alternatively, and somewhere between the extremes of an open-door and a slammed-door immigration policy, is one based on the economic self-interest of the receiving country, designed to receive those immigrants likely to maximize the wealth of the native population.

**Hip humanitarianism**

In earlier times, it was possible to argue that an open-door policy served not only humanitarian purposes but the economic interests of the receiving country as well. After all, the tempest-tossed immigrants who were seeking better lives were willing to work hard at menial tasks and did not seek aid from the state, relying instead on their own efforts and a bit of help from voluntary agencies and their families. They and their offspring were destined in the end to enrich the nation that received them. So a nation could benefit economically from its humanitarianism.

But then came the welfare state, creating the possibility that the immigrant might be seeking a handout rather than a hand-up. The emergence of the welfare state in industrialized countries made it impossible to continue to argue that a nation could do well by doing good—that by adopting a relatively open immigration policy for humanitarian purposes it also served its economic interests by attracting a valuable stream of eager new workers. Thus closing the doors to all who might be a burden on the state came to be regarded by pragmatists as the unambiguously correct policy.

Yet it is arguably no easier to distinguish immigrants who might add to national wealth from those who will be a drain on it than it is to distinguish legitimate from bogus asylum seekers. As the *Economist* recently pointed out, for a city to be attractive to the young, internationally mobile, entrepreneurial types who are creating the new businesses and most of the new jobs in the economies of all of the developed nations, it must be trendy, culturally diverse—in short, “cool.” That requires the presence of “young, trend-setting bohemians.” And “for real bohemia you ... need immigrants ... to create cultural diversity and to challenge the complacent mono-culture.”

Needless to say, these immigrants, who the new rich feel
make a place "cool," are often poor—fledgling artists, fashion designers, musicians, even street vendors. Think of New York City, where the ambience created by the lower-income inhabitants of SoHo proved an attraction to those hip, high-tech, high-income types who developed Silicon Alley, even though they could as well have operated from California's Silicon Valley or Scotland's Silicon Glen. (That the invasion of SoHo by the new technocracy might be driving out the ambience-creating artists is a story for another article.)

So what might seem a purely humanitarian policy of accepting penurious immigrants might not, after all, be devoid of economic advantages to the receiving nation. Indeed, even an informal policy of benign neglect toward poor, illegal immigrants—and such a policy has a certain appeal to those who think that immigration policy should be based on humanitarian considerations—has clear economic advantages. In America, for example, there is no question that without the six million illegal immigrants estimated to be in the overstretched labor market, upward pressure on wages and hence on inflation would be greater, interest rates would have to be higher, and economic growth slower. If you doubt it, just ask Federal Reserve Board chairman Alan Greenspan, who credits immigration with enabling the economy to grow more rapidly, without inflation, than it would have done had America closed its borders to immigrants.

**New wrinkles**

The difficulty of separating humanitarian from economic considerations is not the only thing that is bedeviling policy makers. Various interest groups push for different immigration policies. Employers of high-tech workers are everywhere pressing for a relaxation of restrictions on workers with programming and other skills. Employers of workers at the other end of the labor market—gardeners, bedpan emptiers, unskilled construction workers, hotel workers—are everywhere urging their governments to open their doors to applicants, and to relax efforts to hunt down and deport illegals.

Meanwhile, trade unions, traditionally opposed to immigration, suddenly find themselves conflicted. They know that immigration puts downward pressure on the wages of native-
born Americans without a high-school diploma, and fear that job-hungry immigrants make handy strikebreakers. And they argue that even high-tech employers are pressing for more immigrants so that they will not have to bear the cost of training American citizens for the jobs opening up in the industries of the future.

But some unions also know that immigrants constitute the best pool from which to draw future members. The recent successful strike of janitors and office cleaners in Los Angeles provides a case in point. Los Angeles has long been hostile territory for union organizers. But Local 1877 of the Service Employees International Union was able to organize some 8,500 office cleaners—98 percent of whom are immigrants from Mexico and Central America with a tradition of street marches and labor activism—into an effective economic and political force. Such situations are forcing unions in the hospitality, office, hospital, and other industries to reexamine their traditional opposition to immigration. They have even begun to call for amnesty for illegal (the more polite term is "undocumented") workers and for an end to prosecution of employers who hire them. These unions can count on support from the public-sector unions, which see low-wage immigrants as potential new "clients" for the services rendered by their members.

The unions' once-solid opposition to immigration thus no longer is quite so solid. The AFL-CIO is in the process of reexamining its policy, in the hope of finding one that will satisfy both those unions that see immigrants as their members of the future and those that see immigrants as threats to the wages and jobs of their members. And America's politicians, eager for both the votes of increasingly politically active Hispanics, and those native-born voters who are most affected by the social and fiscal problems associated with the current wave of immigration, are tiptoeing around the issue. The hard-line Republican opposition to immigration has melted as the proportion of Hispanics in the key states of California, New York, and Florida has risen. And the Democrats no longer face a trade-union movement united against further immigration.

But both parties know that many in the middle class object
to changes in the "look" of America. They also know that America's unskilled workers—the very ones most threatened by what has come to be called "globalization"—are well aware that they are the ones who will pay the price for a continued influx of workers willing to work harder for less. So our politicians vacillate and worry just what to do. No satisfactory policy being available, they temporize by raising the quota for this or that group.

The view from abroad

American politicians are not alone in their dilemma. European policy makers also find themselves caught between a rock and a hard place. Increased longevity combined with decreasing birth rates is creating the prospect of a larger and larger number of retirees receiving pensions paid for by ever-rising taxes on fewer and fewer workers. By one estimate, Europe would have to take in 100 million immigrants by 2050, rather than the 23 million it plans to allow, to keep its population from falling. Nevertheless, and despite Europe's need for a large number of young, taxpaying immigrants, no mass influx is likely to be politically acceptable.

And yet the European Union has announced its intention to overtake the United States in the high-tech industries. To achieve that objective, the EU needs more skilled workers. So a drive is on in some European countries to attract immigrants with the skills needed to convert Europe's old, high-unemployment economies into new, job-creating ones. German chancellor Gerhard Schröder has announced that "German education with its focus on heavy philosophical concepts does not turn out the people we want." As a result, he is proposing that some 20,000 green cards (conveying the right to work in Germany) be issued to foreign computer specialists, primarily from India and Eastern Europe.

He will face some tough competition for those workers, and not only from America. Executives of Israeli high-technology companies have asked the government to issue two-year visas to 10,000 foreign high-tech workers. Canada continues to attract foreign workers with its hassle-free immigration policy for those who meet its skill- and education-related standards. Ireland, with an economy that is overheating (annual growth
rate close to 9 percent) is planning job fairs in the United States, Europe, and Canada in the hope of attracting 200,000 skilled workers. In Italy, the government has announced that immigrants who arrived before March 1998 and have a job and an address—between 200,000 and 300,000 in number—can apply for a "no questions asked" residence permit, even if they entered the country illegally.

But there is by no means a worldwide consensus in favor of a looser immigration policy. Israel’s labor and social affairs minister opposes visas for the skilled, fearing that an influx would discourage growth of homegrown high-tech workers. Canadians, the most liberal of all, are upset by scandals involving the illegal importation of Chinese workers, and the subsequent need to support the intercepted illegals while they avail themselves of the years-long appeals process. In Germany, Schröder’s opponents are rallying support behind the slogan, “More education instead of more immigration.” France, a country in which one-third of the companies cannot expand for lack of skilled workers, according to the Bank of France, is adhering to the Gaullist “zero quota” policy: Last year, the government issued only 4,300 work permits to foreigners. In Italy, Silvio Berlusconi’s center-right opposition party is attacking the government for granting residence status to immigrants with forged documents. The views of Austria’s government are too well known to need repeating here.

But, alas, the views of Austria’s Herr Haider are more representative of European and other host-country opinion than those who remember that country’s historic receptivity to anti-alien doctrines would wish. Responding to a recent poll by the European Commission, 66 percent of the citizens of EU member states said they are “a little racist,” while the balance said they are either “very racist” or “quite racist.” These Europeans blame immigrants for rising crime rates, unemployment, and high welfare spending. In Canada, where the government is aiming to increase immigration by 50 percent to attract young taxpayers to support its overstretched welfare system, almost 30 percent of Canadians believe too many visible minorities are being admitted, and 50 percent think immigration rules are too lax. Even liberal Britain is in a stir about the rising number of asylum seekers, many of them
counterfeit and many of them Gypsies, who aggressively beg on the streets of London and other towns.

**Immigrants without immigration?**

The difficulties confronted by European policy makers are demonstrated by recent events in El Ejido, the richest town in Andalucía. Moroccans make up a huge portion of the work force. When a deranged Moroccan killed a Spanish woman, townsfolk rioted in the streets. In response, Moroccan workers went on strike, paralyzing the town’s economy. The town’s Spanish inhabitants blame the Moroccans, most of them illegals, for the rise in rapes; the immigrants complain of low pay and inadequate housing. The mayor’s solution is to import workers, temporarily, and then have them “go back to their own countries.” It’s a popular but not very practical position, given the difficulty of controlling the movement of immigrants and the high demand for agricultural and other manual laborers throughout Europe’s recovering economies, as Germany’s experience shows. Most of the so-called “guest workers” that Germany admitted from Turkey on a temporary basis not only stayed but have been joined by their families, so that over two million people of Turkish origin now reside in Germany.

Andalucía represents the future, one in which nations and regions will want the work immigrants do without having immigration. In the end, the need for workers of all sorts will dominate policy, de facto if not de jure. The demand for unskilled workers who take the jobs rejected by richer Europeans and Americans will overwhelm worries about the social problems associated with these workers. And since the high-tech economies of most of the industrialized countries are scheduled to grow rapidly in the next several years, the need for skilled workers will mount, and with it the willingness of all nations to welcome skilled immigrants. Every country will try to attract only the highly skilled, and then on a temporary basis, but like it or not, every country will need the unskilled, whether they be Moroccans in Spain, Turks in Germany, or Mexicans in America. That’s the demand side.

On the supply side, ambitious job-seekers and malingering welfare-seekers will find ways to get into the countries that offer them opportunities to earn paychecks or qualify for wel-
fare checks. Improved and cheaper transportation, plus better organization of human smuggling by Mafia-style gangs, will facilitate the matching of the supply of, and the demand for, immigrants. This will be welcomed by some employers and even some trade unions, as well as central bankers, who prefer to see the work force in their countries expand rather than institute repeated growth-stifling and politically unpopular increases in interest rates. (Witness Greenspan’s support for immigration on the grounds that “all of the evidence I’ve seen suggests that people seeking to come to the U.S. are coming for jobs.”) In contrast, the middle classes, and organizations of the lowest paid workers, the latter often ethnic minorities represented by vocal and effective politicians, will oppose increases in immigration.

Toward a new immigration policy

Formulating immigration policy that is both sensible and politically acceptable is no mean trick in these circumstances. Perhaps a place to start is with the proposition that the free movement of labor resources, like that of goods and of capital resources, enhances efficiency. This creates a bias in favor of an open immigration policy that does not distinguish real from bogus asylum-seekers. For example, take those who want to work and who can find work, and don’t offer them government handouts. This policy would make economic sense, but it would not overcome the opposition of those who fear the social consequences of an open door policy.

Such opposition can be lessened by linking a generous immigration policy to three other measures. First, assimilation must once again be required of newcomers. English is essential to citizenship—period. Second, since the economic goal of open immigration is to increase the supply of labor—of people willing and able to work—in order to permit a noninflationary growth rate closer to 5 percent than to 2 percent, we should deny welfare benefits to new immigrants. This would discourage the lazy and the incompetent from seeking entry, and should moot some of the political opposition to immigration. Finally, a firm policy of the immediate deportation of law-breakers, from rapists to beggars, should ease middle-class fears about the police’s inability to maintain the zero-toler-
ance policy that has again made America's cities inhabitable.

These are the broad outlines of an immigration policy that will enrich the nation while reducing some of the opposition to the social consequences of immigration. But there is more to a nation than its GDP. So we should, for humanitarian reasons, live with the difficulties of a policy that allows entry to the demonstrably persecuted and to those genuinely seeking to be reunited with their immediate families. Only then will the countries of the world have a set of immigration rules that makes economic sense, avoids increasing crime and tax rates, and permits policy makers in host countries to feel that they have done the right thing, both by immigrants and their own citizens.
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