

Immigration Policy for an Age of Mass Movement

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I believe it is the custom in your country to declare an interest at the start of any policy presentation. I would like to declare two.

First, although my accent may have fooled you, I am an American. Which means that I come to the question of immigration policy with a bias in favour of welcoming newcomers to the country of their choice. America has benefited from successive waves of immigrants, ranging from the Chinese who built our railroads, to the Eastern Europeans whose sweat clothed generations of Americans and whose imaginations created the film industry that still dominates world entertainment, to the Irish who long policed our streets and the Italians who undertook the manual Labour that effete natives found distasteful, and to the present-day Mexicans who tend our gardens and clean our pools, and Indians who drive our software industry.¹ America is a country that believes in “starting over”, pulling up stakes and moving in pursuit of economic advantage² if that proves necessary. Being highly mobile themselves, Americans have a predisposition to welcome those gritty enough to come to a distant and alien land in pursuit of freedom and a better life. Although many Americans have doubts about the ability of the latest wave of immigrants to contribute to society, the majority seem to agree that “The most successful immigrants have made stunning contributions to our economy and culture. Even less successful ones have worked

¹ In defence of these generalisations let me cite Thomas Sowell's Migration and Cultures: A World View. New York: Basic Books, 1996). “One of the clearest facts to emerge from these worldwide histories of various racial and ethnic groups is that gross statistical disparities in the “representation” of groups in different occupations, industries, income levels, and educational institutions have been the rule – not the exception – all across the planet.” (p.372).

² In this connection see James M. Jasper, Restless Nation: Starting Over in America. Chicago: University of Chicago Press, 2000.

hard and contributed to economic growth.... Most native-born Americans are better off because of them.”³ This comes as no surprise to students of immigration policy, who have long pointed out that “Most migrants come from a self-selected group of unusually motivated and organised individuals.”⁴

Second, I am a Jew. As with many of my co-religionists, I come from a father who emigrated from Poland at an early age with nothing but the clothes on his back, and found a country so replete with opportunity that his children have been educated and have prospered in his chosen land. I therefore have a deep emotional attachment to people so desperate for survival that they flee their own countries, only to be turned back at the borders of countries that will not accept them, preferring to return them to certain doom or, at minimum, harassment, or to accept them only grudgingly.

These are the prejudices I bring to the subject.

The Role of Economics*

But I like to think that I bring, too, the tools of economic analysis which, leavened with a bit of humanity, might just help us to dispel some of the cant that surrounds immigration policy, and begin to see the outlines of some steps that might be taken that satisfy the self-interest of countries that are the targets of millions of immigrants. Not that I suffer from the illusion that economic considerations are the ultimate determinants of immigration policy. Nor do I believe they

³ Ibid., p. 251.

⁴ Tom Steinberg, “Reforming British Immigration Policy,” IEA Working Paper 2. London: Institute of Economic Affairs, October 2000, p. 13 (mimeo).

* Portions of this talk had their origins in work done for The Hudson Institute, The Public Interest, and Commentary.

should be. In the case of immigration policy, economic considerations will remain subordinate to a reconciliation of each society's conflict between what one author calls "the desire that one's society not become less homogeneous"⁵, and its sense of decency and generosity to those huddled masses yearning to breath free.

Start where most economic textbooks start: there are three factors of production – land, labour and capital. Land is by definition immobile; capital, as we have seen in recent years, is highly mobile, a restless creature forever seeking out places where it can be put to its highest and best use, as measured by the potential rewards on offer; labour (in which is embedded what some consider a fourth factor of production, entrepreneurship) is somewhere in between these two in mobility.

Continue to the next chapter of any elementary economics text. The free flow of the factors of production to their highest and best use maximises prosperity. National income rises when farm lands are converted to residential communities and industrial parks; it rises, too, when capital is left free to move from dying to growing industries; and it rises when labourers are free to move from manufacturing industries that are in decline to service industries that are on the rise.

This is as true on an international as on a national scale. Which may be why attempts to attract capital by creating non-sustainable and artificial incentives to woo it end in tears, as do attempts to prevent its "flight" to greener pastures. And why only truly coercive

⁵ Julian L. Simon, The Economic Consequences of Immigration. Oxford: Basil Blackwell, Inc, 1989, p. 11. Simon cites Margaret Thatcher's statement that because the British people fear

states can build walls high enough to prevent brain- and brawn-drains when economic opportunities in other lands far exceed those at home, and why attempts by democratic target countries to stem the intake of “illegals” and “asylum seekers” are likely to be as successful as the failed attempts to staunch the importation of illegal drugs. It takes draconian measures to offset the lure of improved living standards, for, “like trade, migration is likely to enhance economic growth and the welfare of both natives and migrants; and restrictions on immigration are likely to have economic costs.”⁶ The incentives of immigrants to pursue jobs is overwhelming, and the incentives of employers to welcome them is strong. It is very difficult for any state to intervene successfully when demand and supply are attempting to converge at a price that both parties to a transaction find attractive.

The Wave of Immigrants, Legal and Otherwise

So the populations of the world are on the move, propelled by oppression and poverty in some countries; attracted by job opportunities in the growing economies of the industrialized countries, or by the relatively generous welfare benefits available in the world's richer countries; and facilitated by the rapid communication of the availability of opportunities and the declining cost of transportation. The United Kingdom accepted 97,120 persons for settlement in 1999, up some 39% from the previous year, and

“being swamped by people of a different culture”, the country of which she was then Prime Minister “must hold out the clear prospect of an end to immigration.”

⁶ Stephen Glover et.al., “Migration: An Economic and Social Analysis,” p.vii. Published in 2001 by The Research, Development and Statistics Directorate of the Home Office. The authors are quick to add that there are significant social and economic externalities associate with migration.

almost double the number granted such a privilege ten years ago.⁷ The United States welcomes some 800,000 legal immigrants annually. Indeed, in America we are in the midst of what Harvard Professor George Borjas calls the "Second Great Migration [which] has altered the 'look' of the United States in ways that were unimaginable in the 1970s."⁸ To put the figures for our two countries in perspective: America, with about five times the population of Great Britain, welcomes about eight times as many immigrants every year. When I cite these figures many in Britain take them to suggest that they are less generous and welcoming than Americans, and quickly respond that theirs is a smaller country, and therefore has less room for immigrants. Perhaps. But it should be noted that space is not the constraint on the ability to accept immigrants – it is the decision as to how the available space should be used, in the case of Britain, to preserve a green and pleasant land, rather than to house and employ immigrants. I have no quarrel with that policy choice, and seek only to point out that it is just that – a policy choice.

But data for legal immigration tell only part of the story. A huge trade in illegal immigrants is now organized by highly efficient people-smuggling gangs that control train, truck, bus, shipping and hotel assets. Estimates of the number of people risking the perils that face illegal migrants in order to seek better lives in foreign countries vary. The most often cited is that of Britain's Home Office, which estimates

⁷ Home Office, Control of Immigration: Statistics, United Kingdom 1999, published October 2000, Table 1.1, p. 27. An additional 10,300 were either granted asylum or exceptional leave to remain (p. 11).

⁸ Heaven's Door: Immigration Policy and the American Economy. Princeton: Princeton University Press, 1999.

that about 30 million people are smuggled across international borders every year in a trade worth between \$12 billion and \$30 billion annually, with 500,000 illegals entering the EU annually.⁹ European authorities estimate that trafficking has increased by some 50% in the past five years, that the most vulnerable to exploitation – “slavery”, in the words of Thomas Bodström, Sweden’s justice minister – are the estimated 700,000 women and children that are smuggled worldwide every year, about 120,000 of whom are among the 500,000 illegal immigrants entering the EU annually.¹⁰

Europe is not the only destination of choice for the world’s immigrants. Just as illegal immigrants from China and eastern Europe pour through the Balkans into the EU¹¹, so Mexicans and Central Americans pour across the Rio Grande into America. The U.S. Immigration and Nationalization Service estimates that there are between five and six million illegal immigrants living in America, about half having come from Mexico. That number excludes the three million illegal aliens who were granted amnesty in the 1980s, and is swelled each year by around 300,000 immigrants arriving without necessary documents or simply remaining in America after their student or visitors visas expire.¹²

Even if we allow for the tendency of bureaucrats to inflate numbers such as these as a predicate to requesting increased budgets, we must still concede that bringing desperate workers to

⁹ *The Economist*, February 10, 2001.

¹⁰ *Financial Times*, March 16 and 17-18, 2001.

¹¹ British authorities estimate that about half of its illegal immigrants arrive via the Balkans. *Financial Times*, March 16, 2001.

¹² Borjas, *op. cit.*, pp.203-204.

where the jobs are is a very big business indeed. It is this illegal traffic, combined with rising fears that the identities and cultures of target countries are about to be obliterated, that has triggered a worldwide debate on immigration policy.

The Policy Debate

Debates about immigration policy are, of course, nothing new, either in America or in other industrialized countries. But two forces are operating to bring the debate to centre stage.

First, the sheer number of people on the move has increased enormously. The bringing down of the Iron Curtain and subsequent problems in the Balkans have opened a new pathway to Western Europe, and increased the number of people with good reason to pack their bags and seek safer and more economically attractive homes. The problems in Africa have increased the disparity between living standards on that continent and in Europe, making the dangerous trip to Spain more worth the risk. And America's booming economy, with its almost insatiable demand for workers, combines with the porous borders characteristic of a democracy to provide an attractive target for immigrants from Mexico and points further south.

The second factor that has brought new urgency to the debate about immigration policy is the corporatisation of illegal immigration. No longer is the illegal a single brave soul, or family, that has trekked or sailed miles to find a more congenial home. With the exception of those trying to escape Fidel Castro's tyranny, the lone entrepreneur

has been replaced with well capitalised, internationally organised people-smuggling rings -- some 50 large ones, known as "Snakehead gangs", reportedly dominate the trade.

This has added a tragic urgency to the arguments about immigration. In Great Britain, 58 Chinese attempting to enter Britain illegally from Belgium died when the ventilation system in the container truck in which they were secreted malfunctioned. In America, Mexicans being led across the border by smugglers are frequently left to die attempting to walk across the deserts of Arizona, prompting Mexican president Vicente Fox to declare at his inauguration, "The violent deaths of my countrymen on the border are simply intolerable."¹³ Africans attempting to reach Spain often drown in the attempt, a matter of little concern to the smugglers who provide transport for them.

Very often, those who succeed in entering the target country illegally are so indebted to the ring that smuggled them in that they are forced to work at virtual starvation wages, or in illegal trades such as drug running and prostitution, to pay off their debts to the smugglers, who routinely charge £2,700 for passage from Bosnia to the EU,¹⁴ £2,500 for a "genuine Italian passport"¹⁵, and as much as \$24,000 to transport a person from China to Britain.¹⁶ The fees are

¹³ Widely quoted, most recently in The Guardian, March 17, 2001.

¹⁴ Financial Times, February 5, 2001.

¹⁵ James Clark, "There Isn't A Wall That Can Stop Them," The Sunday Times, February 11, 2001

¹⁶ One source told Suzanne Daley of The New York Times that some immigrants, among them Kurds, Afghans and Iranians, "have paid \$25,000 to \$40,000 to get to Sangatte, France, at the entry to the Channel Tunnel, and will pay an additional \$300 to \$500 to get across the Channel via the tunnel, following in the footsteps of the "tens of thousands [who] are believed to have made it through the tunnel, while only one death has been reported." International Herald Tribune, March 16, 2001.

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.

Coping With Illegals

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, 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 fifteen leaders of the member nations of the European Union met in Portugal and pledged to intensify cooperation to beat such cross-border crime by increasing jail terms for smugglers, and by sending immigration officers from Britain (10), Italy (5), Germany (3 or 4), Austria (4), Denmark, the Netherlands and Greece (1 each) to Bosnia and Croatia to train local police.¹⁷

In France, the problem of illegal immigration is solved in a typically French way – it is passed on to other, kindlier countries by a policy known as “*allez vous promener*”, and a refusal to adhere to the Dublin asylum convention, pursuant to which the country where a refugee first enters the EU has the responsibility for processing an asylum application.¹⁸ “We cannot expel them from France, there is no

¹⁷ Financial Times, March 16, 2001. The British and Italians want to increase maximum sentences to 14 years; Sweden prefers a Eurowide standard of six years. Financial Times, February 5, 2001.

¹⁸ For a report on Britain's frustration with failures to adhere to the Dublin convention, see The Financial Times, February 8, 2001.

point in detaining them and so we just let them go,” one police officer said,¹⁹ presumably with a Gallic shrug.

In Britain, lorry drivers are now fined £2,000 for each illegal found hidden in their vehicles, and the Prime Minister and his Italian counterpart are calling for 14-year prison terms for persons profiting from the trade in people, while at the same time promising to protect those “fleeing persecution.”²⁰ Whether traffickers who willy-nilly save people from persecution by trafficking in them should be driven from business is a question the Prime Minister chooses not to answer. And he is not alone in his ambivalence. In America, the very groups that are calling for stricter border controls are so appalled by the number of deaths of illegal immigrants in the Sonoran desert that they are leaving bottles of water for the use of those Mexicans who do succeed in evading U.S. border guards.

Although we will never know just how many immigrants would arrive in richer countries if all efforts to limit their numbers were suspended, we do know that those efforts cannot by any stretch be called successful. The number of illegal immigrants swarming across the borders of all industrialized -- read, “rich” -- countries is increasing. In Britain, the special police unit set up to staunch the flow of immigrants concedes that the number sneaking in to Britain through the port of Dover has increased by 500% in the past six years. Germany, France, Spain, and Italy all report a similar rise in the tide of hopefuls migrating to where the jobs are.

¹⁹ The Times, September 30, 2000.

²⁰ Financial Times, February 5, 2001.

What to do? The policy of stepping up enforcement procedures clearly is not working. In America and in Britain, as well as in some European countries, periodic recourse to amnesties for illegal immigrants is the politicians' way of accepting the fact that past restrictions have not barred entry to the degree intended, and that deportation is either impossible, inhumane, uneconomic – or all three. 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 and who may enter its territory. Or at least try.²¹

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, 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, but because the definition of persecution is not always clear cut.

Must the asylum seekers' life be threatened? Or his or her genitals threatened with mutilation? Or should he be granted asylum

²¹ Clearly, a sufficiently repressive regime can control immigration (should there be any other than spies who want to enter such a place) and emigration, as the East German and Soviet regimes proved. Whether it is possible for a democratic country to do so is the subject of debate. At least one student of the subject believes that the "illegal influx" of Mexicans into the United States can be controlled, "especially by the country that put a man on the moon. What is missing is not the way. It is the will." Border patrols can be increased and fences built along the 200-250 miles of U.S.-Mexican border that "are thought to be passable at all." Peter Brimelow, Alien Nation: Common Sense About America's Immigration Disaster. New York: Random House, 1995, p. 236-237.

merely if his ability to earn a living is circumscribed in his home country for reasons of race, religion or what is now called “sexual orientation”? 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 progressive tightening of the economic noose was taken by many Jews as a warning to get out, but who found no nation willing to accept them, leaving them to become victims of the German people's Final Solution.

So confusion reigns: the American government has the bizarre policy of returning to Fidel Castro's tender mercies those Cubans unlucky enough to be caught by our Coast Guard while still in their rafts and boats, but offering sanctuary to those who 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 calls upon the country's welfare system are causing a storm of protest from the middle class.

Towards a Coherent Policy

So let's clear away some underbrush. No serious policy maker can defend "bogus" asylum seeking or "illegal" immigration. Nor can any serious policy maker argue that a nation does not have the right

to control the amount and character of those it chooses to welcome as temporary workers or as permanent residents en route to citizenship.

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 both 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.

Broadly speaking, there are three possibilities.

Immigration policy can be built on humanitarian principles: offer an "open door" to 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....

A purely humanitarian, open-door policy does have its difficulties. Professor Borjas opens his book with a vignette: the 1979 meeting at the White House between then-president Jimmy Carter and China's Vice-Premier, Deng Xiaoping. When Carter urged Deng to respect human rights, among them the right of the Chinese regime's subjects to emigrate, Deng responded, "Well, Mr. President,

how many Chinese nationals do you want? Ten million? Twenty million? Thirty million?"²² Had Carter picked a number -- which he wisely did not -- Deng might then have asked him which of the billions of Chinese he would like to welcome to American citizenship. So much for the wide open door.

At the other extreme, immigration policy might be based on the notion that a nation cannot allow any significant immigration without diluting its values, customs and mores, and becoming a multicultural hodge-podge of groups with such varied approaches to life and public policy as to become ungovernable. This "slammed-door" policy has its advocates in all countries, from historically liberal America to historically, well, less liberal Austria and France. These advocates would like to have a national review of their nation's current policy, with the object of declaring a moratorium on immigration until..., well, until some policy can be devised that permits only a few to immigrate, that few being of a sort that does not threaten to dilute the native stock by adding to what those in this camp contend is the already unacceptable cultural, religious, and racial diversity of the existing population. It is too easy to dismiss this view as racist, or nativist. Although some opponents of immigration may indeed have such ignoble views, many who would ring-fence their countries are patriots who are devoted to the historic values of their nation, and who want to see those values preserved for the indefinite future.

A Policy Based on Self-Interest

²² Ibid., p.3.

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. Such a policy would be designed to admit only, or primarily, those immigrants likely to maximize the wealth of the native population.

In earlier times, it was possible to argue that this goal of enriching the host nation was served by an open-door policy, one that also served humanitarian purposes. 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 hand-out 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 only a valuable stream of eager new workers. So closing the doors to all who might be a burden on the state came to be regarded by pragmatists as the unambiguously correct policy.

But 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. For one thing,

nations with declining populations need younger workers – workers whose prospective contributions to society over their working lives it is difficult to estimate at the time they seek to immigrate -- to carry the burden of the welfare benefits that have been promised to retirees. Germany, to cite just one example, faces a situation in which even a doubling of its immigration rate will not prevent its population from declining to 74 million from 82 million by 2040.²³

There is still another, although somewhat vaguer reason why it is difficult to determine just which immigrants will enrich, and which will burden, a nation. The Economist recently²⁴ argued that, 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, a group that the young rich feel gives a place the "cool" that makes them want to live there, 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

²³ Richard G. Miles, "Without Immigrants Germany Will Shrink," The Wall Street Journal (Europe), August 29, 2000.

²⁴ April 15, 2000.

Valley or Scotland's Silicon Glen. That the invasion of Soho by the new technocracy drove out the ambience-creating artists is a story for another day.

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 turning a blind eye towards poor, illegal immigrants, which 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 some five or six million illegal immigrants estimated to be in the over-stretched labour 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 that, just ask Federal Reserve Board chairman Alan Greenspan, who credits immigration -- immigrants now account for almost 12 per cent of the civilian workforce, and 17 per cent of skilled technical professionals²⁵ -- with enabling the economy to grow more rapidly, without inflation, than it would have done had America somehow managed to close its borders to immigrants. Add to that New York City Mayor Rudy Giuiliani's view that immigrants have contributed to his city's "renaissance",²⁶ and you have at least a plausible argument that it is not so easy, after all, to separate potential wealth-creators from those who at the time of immigrating have dimmer economic prospects, but

²⁵ Estimate by the National Research Council, reported in Business Week, November 20, 200, p.129.

²⁶ International Herald Tribune, March 17-18, 2001.

who may contribute to a stronger macroeconomy and eventually become quite productive citizens.

Britain is a case in point, a place where humanitarian instincts have had tangible economic rewards for the nation. It doesn't take a very keen observer of the social and economic scene to notice that London's hotels would be hard hit were unskilled immigrants not present to make the beds and empty the trash cans, that many construction projects would screech to a halt if every eastern European were deported, and that the availability of groceries and newspapers would be sharply reduced if all the Patels were sent packing. With the unemployment rate at a historic low, and the existence of an estimated 200,000 more job vacancies than there are unemployed people to fill them,²⁷ the need for immigrants to supplement the indigenous work force is likely to increase. The humanitarian instinct that led Britain to welcome, or at least tolerate, increased immigration has not gone unrewarded.

The difficulty of separating humanitarian from economic considerations is not the only thing that is bedeviling policy makers. There is, too, a conflict between various interest groups. With lawful immigration restricted, employers are vying with each other to have the workers they need obtain the valued green cards that grant immigrants permission to work. Employers of high-tech workers are everywhere pressing for a relaxation of restrictions on workers with programming and other skills. This includes the UK government, eager to import, among other skills, more skilled hospital workers.

²⁷ Estimate by David Smith in The Sunday Times, March 18, 2001.

Employers of workers at the other end of the labour market -- gardeners, bed-pan emptiers, unskilled construction workers, hotel workers²⁸ -- are everywhere urging their governments to open their doors to applicants, and to relax efforts to hunt down and deport illegals.

Meanwhile, America's 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,²⁹ and fear that job-hungry immigrants make handy strike-breakers. 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, a claim very similar to that being made by German trade unions as they oppose the granting of green cards to computer programmers and the like.

But some unions also know that immigrants constitute the pool from which they will be drawing future members.³⁰ 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 their tradition of street marches and labour activism,

²⁸ The posh Broadmoor Hotel in Colorado Springs employs college students from Croatia and Poland as waiters, desk clerks and spa assistants, and Jamaican housekeepers and stewards. In all, immigrants make up more than one-fifth of the hotel's 1,600-person workforce. Business Week, November 20, 2000, p129.

²⁹ In this connection, see Borjas, op.cit., pp. 82-85.

³⁰ See Business Week, November 20, 2000, pp. 129-133.

into an effective economic and political force. Situations such as this are forcing unions in the hospitality, office, hospital and other industries to reexamine their traditional opposition to immigration, and to call for amnesties for illegal (the more polite term is "undocumented") workers and 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 social services rendered by their members.

So the unions' once-solid opposition to immigration no longer is quite so solid. The AFL-CIO is in the process of re-examining its policy, in the hope of finding one that will satisfy both those unions that see immigrants as their members of the future, and "cases" to be processed, 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 tip-toeing 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 as Hispanics have come to outnumber blacks as the largest minority in the United States.³¹ And the Democrats no longer find the trade union movement united in urging them to shut our gates to further immigration. In the recent presidential campaign, George W. Bush

³¹ "Hispanics" is a term invented by government head-counters to encompass people from a wide variety of countries and cultures. Within that classification, Mexicans are by far the largest group.

showed off his fluency in Spanish, and the ever-wooden Al Gore peppered speeches with numerous “muchas gracias”.

Politicians' Dilemma

But both political parties know that out there in the middle class there lurks a serious objection to the rapid changes in the "look" of America. They know, too, 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.³² 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, promising to crack down on illegals, and then granting them amnesty.

American politicians are not alone in their dilemma. European policy makers, too, 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 the ever-rising taxes of fewer and fewer workers. And not only in Germany, a country whose demographic arithmetic I have already mentioned. One estimate has it that Europe would have to take in 100 million immigrants by 2050, rather than the 23 million it plans to allow, merely to keep its

³² The National Academy of Sciences' National Research Council (NRC) estimates that immigration was responsible for 44 percent of the decline in wages that high-school drop-outs experienced from 1980 to 1994. This “means that 13 million workers, ...the poorest 11 percent of the labour force, are experiencing an immigration-induced reduction in wages of approximately 5 percent or \$13 billion a year.” Steven A. Camarota, “Does Immigration Harm the Poor?”, The Public Interest, Number 133, Fall 1998, p. 25. Camarota estimates that the gains to skilled workers and to capital exceeded this loss to the unskilled by roughly \$5 billion.

population from falling. Nevertheless, and despite Europe's need for a large number of young, tax-paying immigrants, no mass influx is likely to be politically acceptable.

This, despite the fact that the European Union has now 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." So 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. Indeed, as of the first week of January only 4,441 of the 20,000 green cards on offer had been claimed.³³ 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 nine percent; the price of some Dublin houses has doubled in the past year) is planning job fairs in the United States, Europe and Canada in the hope of attracting 200,000 skilled workers. In Italy, which has one of the lowest birth rates in the industrialized world and

³³ Wall Street Journal (Europe), January 11, 2001.

one of the largest retirement-age populations, 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.

Immigration's Foes

But there is by no means a worldwide consensus in favor of a looser immigration policy. In Britain the leader of the Conservative party says he fears that Britain is becoming a foreign country. In America, some right-wing intellectuals would close our borders because "the United States can no longer be an 'immigrant country'."³⁴ Canadians, among the more liberal of all peoples, 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, likely to take power in the May elections, is attacking the government for granting residence status to immigrants with forged documents, and the mayor of Treviso says that "people

³⁴ Peter Brimelow, Alien Nation: Some Common Sense About America's Immigration Disaster. New York: Random House, 1995, p. 258. One author reports that "since 1993, an increasingly

here ... don't want more immigrants and crime";³⁵. The views of Austria's government are too well known to need repeating here.

And, alas, the views of Austria's Herr Haider are more representative of European opinion than those who remember the consequences of that country's historic receptivity to anti-alien doctrines would wish. Responding to a recent poll by the European Commission, 66% 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. Even traditionally liberal Britain is in a stir about the rising number of asylum seekers, many of them bogus and many of them Gypsies who aggressively beg on the streets of London and other towns, child in arms and a curse on their lips for those who pass them by without making a suitable contribution to supplement the housing and other benefits they receive from the government.

In response to these difficulties, European policy makers are groping for some way to keep out those immigrants most likely to upset their voters. Britain's Home Secretary periodically seeks "photo ops" depicting him nabbing those trying to sneak into the country.³⁶ With Home Office projections showing that Britain is likely to receive some 150,000 non-EU immigrants per year for the foreseeable

noisy chorus of complaints about immigrants and immigration has dominated the public discourse...". Peter Salins, *Assimilation American Style*. New York BasicBooks, 1997, p. 200.

³⁵ *The Times*, November 28, 2000.

³⁶ Simon Jenkins put it in characteristically telling prose in his column in *The Times* of February 7, 2001: "No politician dares hang out the welcome sign. No Home Secretary goes to Waterloo or Dover with a band playing *Hail, the conquering hero comes*. Mr. Hague and Michael Portillo disregard their Huguenot and Spanish ancestors as they pull up the ladder behind them."

future, and the Association of Chief Police Officers reporting that violence between asylum-seekers and local communities is on the rise,³⁷ the need for a sensible and broadly acceptable immigration policy is becoming increasingly urgent.

In Spain, new legislation gives the government the right to deport illegal aliens within 48 hours of their being apprehended, and to fine employers who violate the law €60,100,³⁸ supposedly putting at risk of deportation some 80,000 migrants, most of them from Africa.³⁹ This crackdown is partly in response to 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. Worse still, there seems to be a lively possibility that the unrest in El Ejido will spread to towns such as Almeria, where the largely Moroccan and Algerian agricultural workforce have engaged in hunger strikes to protest their £9-per-day wage (half Spain's average rural wage).⁴⁰

Such incidents have revealed the deeply ambivalent attitudes that many countries have towards immigrants. In Spain the legislation to speed deportation of illegal workers stands side-by-side with legislation to grant partial amnesty to such aliens, 250,000 of whom

³⁷ The Times, January 23, 2001.

³⁸ Wall Street Journal (Europe), January 30, 2001.

³⁹ The Economist, August 12, 2000.

have applied.⁴¹ And the rising tide of anti-immigrant feeling in Catalonia, where the grand old man of Catalan politics, Heribert Barrera, roused his followers by stating that the influx of immigrants threatens the “collective identity” of Catalonia, was condemned by José María Aznar’s government as “racist and deplorable.”⁴² The ambivalence is understandable: Spain, with an official unemployment rate of close to 14% can’t find workers to put food on its tables, and so relies on immigrants; but it fears the submergence of its national identity by the very workers its employers so assiduously woo. And it has come to realize that the solution proposed by the mayor of El Ejido -- to import workers, temporarily, and then have them "go back to their own countries", is not a very practical position, given the difficulty of controlling the movement of immigrants and the high demand for agricultural and other manual labourers 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 stayed on, and have been joined by their families, so that 2.5 million people of Turkish origin now reside in Germany, alongside some five million other immigrants.⁴³

The Rising Need For Workers

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*

⁴⁰ The Independent, September 30, 2000

⁴¹ The Wall Street Journal, January 30, 2001.

⁴² Financial Times, March 8, 2001.

facto if not *de jure*. The demand for unskilled workers willing to do the jobs that richer Europeans and Americans will not do will overwhelm worries about the social problems associated with those workers. And with the high-tech economies of most of the industrialized countries scheduled to grow, and 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.

That means that the demand for immigrant labour will grow, at both the high and the low end of the labour markets. Every country will try to attract only the highly skilled, and then on a temporary basis. And every country, like it or not, will need the unskilled, whether they be Moroccans in Spain or 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 welfare checks. Improved and cheaper transportation, plus better organization of human smuggling by the Mafia-style gangs to which I referred earlier, will facilitate the matching of the supply of and the demand for immigrants. To the satisfaction of some employers and even some trade unions. And of central bankers, who would prefer to see the work force in their countries expand, rather than institute repeated growth-stifling and politically unpopular increases in interest rates (witness Federal Reserve Board Chairman Alan Greenspan's support for immigration on the grounds that "All of the evidence I've seen

⁴³ Financial Times, November 29, 2000.

suggests that people seeking to come to the US are coming for jobs.").

But the great middle classes, and organizations of the lowest paid workers or those who find themselves outside of the labour market, can be expected to oppose any substantial and noticeable increases in immigration.

A Policy Proposal

Formulating immigration policy that is both sensible and politically acceptable is no mean trick in these circumstances. But we can start by returning to the proposition that I laid out at the start of this talk: the free movement of labour resources, like that of goods and of capital resources, enhances efficiency. This creates a bias in favor of a more accommodating immigration policy. No need for British authorities to engage in the feckless enterprise of distinguishing real from bogus asylum seekers, or for their American counterparts to determine which refugees have what the laws calls "a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion". Simply take in those who want to work and who can find work, supported until they do by private relief agencies or family members. Legalizing these workers would provide them with greater legal protection against exploitation by employers seeking to pay less than the statutory minimum wage, and thereby reduced the downward pressure on wages at the lower end of the labour market.

This policy would make economic sense, but it would not overcome the opposition of those who fear the social consequences

of maintaining an open door policy. And, of course, it provides no answer to the vexing question of just how many immigrants to accept – a question to which I shall return in a moment.

The opposition to abandoning failed humanitarian criteria in favour of one biased in favour of accepting more immigrants -- for that is what any policy that recognises the efficiency of allowing the free movement of peoples really is -- can be lessened by linking a generous immigration policy to three other measures.

Reducing Opposition To Immigration

First, assimilation must once again be the path down which receiving nations insist newcomers travel. English is essential to citizenship in the English-speaking nations, and fluency in the language of any host country is essential to citizenship in those countries. Period. Respect for ethnic origins and traditions must not be allowed to destroy the cultures of the countries that receive immigrants fleeing from less attractive places. The tendency of immigrants to concentrate geographically in “barrios, ghettos, and enclaves”⁴⁴, and to adhere to many of the customs and mannerisms of their country of origin, frighten the native population into believing that theirs is becoming a strange and alien land. Social and legal pressures to require assimilation and, eventually, citizenship, might – just might – ease these fears.

It will not be easy to persuade the dominant cosmopolitan elites in most countries to abandon their infatuation with multiculturalism in favor of more assimilationist policies. Borjas quotes Martha

Farnsworth Riche, director of the Bureau of the Census in the Clinton administration, as saying, "Without fully realizing it, we have left the time when the nonwhite, non-Western part of our population could be expected to assimilate to the dominant majority. In the future, the white Western majority will have to do some assimilation of its own."⁴⁵ In short, according to this multicultural enthusiast, native-born Americans will have to abandon the values that Arthur M. Schlesinger, Jr. notes are "not matters of whim and happenstance", but "are anchored in our national experience", and which "we believe ... are better for us", in favor of nonwhite, non-Western values.⁴⁶ To put that proposition to Americans, or to the citizens of any country proud of its history and culture, is to invite those citizens to adopt highly restrictive immigration policies.

Second, since the economic goal of open immigration is to increase the supply of labour -- of people willing and able to work -- so as to permit the host nation to maintain a non-inflationary growth rate closer to, say 5% than to 2%, and to have a sufficiently young workforce to support its retirees without enormous increases in taxes, it seems sensible to permit new entrants to work, but to deny them welfare benefits, on the general theory that the latter should be made available only to citizens. This would discourage the lazy and the incompetent from seeking entry, and should moot some of the

⁴⁴ Borjas, *op. cit.*, p. 161. See also Alejandro Portes and Alex Stepick, City on the Edge: The Transformation of Miami. Berkeley: University of California Press, 1993.

⁴⁵ *Ibid.*, p. 31.

⁴⁶ The Disuniting of America: Reflections on a Multicultural Society. New York: W.W. Norton & Company, 1992, p. 137. For a contrary view and a critique of Salins, see Desmond King, Making Americans: Immigration, Race, and the Origins of the Diverse Democracy. Cambridge: Harvard University Press, 2000, especially pp. 281-283.

political opposition to immigration.⁴⁷ After all, the fact that some come in search of welfare rather than work is an understandably troubling phenomenon for the average worker who sees his taxes going to support foreign spongers, and whom it is difficult to convince that in the case of Britain, to use this country as an example, the foreign-born population pays 10 percent more in tax revenues than it takes out in benefits, according to Barbara Roche, immigration minister.⁴⁸ Indeed, it is the reputation of Britain as a “soft touch” that is doing much to make it the destination of choice of many immigrants, informed of this fact by what is known as “the CNN effect”, by which fact and fiction spreads quickly to potential immigrants by word-of-cellphone.

Finally, a firm policy of the immediate deportation of law breakers, from rapists to beggars, should ease middle class fears about the inability to maintain the zero tolerance policy that has made America's cities once again habitable, and that has been abandoned in Britain in the face of charges of rampant police racism.

How many and Which Ones?

None of this, of course, goes to the question of just how many immigrants a nation should allow. There is no good answer to that question, except that we know that “uncontrolled immigration is an impossibility.”⁴⁹ The Australians and Canadians assign points to visa applicants based on various characteristics, but the number of

⁴⁷ Steinberg suggests that benefits for asylum seekers be limited to a few months and made conditional on seeking work, and that asylum seekers who prove to be bogus and who refuse to work “be struck off welfare and deported.” *Loc.cit.*, p. 18.

⁴⁸ Reported in *Financial Times*, January 23, 2001.

⁴⁹ *Op. cit.*, p. 121.

applicants deemed to have accumulated sufficient points to have “passed” is more or less arbitrarily chosen. Borjas would vary the intake with the unemployment rate, lowering it when labour markets soften, raising it when they tighten.⁵⁰ That may combine political realism with maximization of economic benefits to the host country, since newcomers are most valuable in times of labour shortages.

As for who should come in, the point system seems to me less appealing than some form of bidding for visas. In America some 10,000 visas are available to rich foreigners who create at least ten jobs by investing at least \$1 million, or \$500,000 in an area of high unemployment. Britain, Canada and, I suspect, other countries have similar policies. This could be extended by placing still greater reliance on market principles to allocate visas, with available visas being auctioned to those who most value and can afford them, or to those who can persuade prospective employers to invest in their entry into the native labour force. Such a policy would maximise the total gains accruing to the host country’s treasury, and most likely add the most to national wealth. But, as Borjas notes, “despite the logical appeal and apparent benefits of the market approach, this type of proposal does not seem to go far in the political debate.” And not only because “it is likely that most of the ancestors of the current American population would have been unable to buy such

⁵⁰ “The number of immigrants that maximizes the social welfare of the country is probably smaller when the economy is weak and larger when the economy is strong.... If the unemployment rate is high, ...fewer immigrants should be admitted.” *Op. cit.*, p. 203.

visas....Many persons - myself included - feel that there are some things that *should not be* for sale.”⁵¹

My disinclination to agree with that conclusion, and to favour market-based solutions, stems largely from my inability to conceive of a better way to allocate scarce resources such as visas. Certainly the present use of favouritism-cum-corruption is inferior; reliance on humanitarian considerations has been proven seriously flawed in practice; and the selection by bureaucrats of certain occupations for favoured treatment – a sort of “give me your nurses, your teachers and your programmers” policy -- is likely to prove once again that markets change too quickly for bureaucrats to keep pace. Consider that in America we had no sooner concluded a bitter fight to increase visas for computer programmers than the dot-com and high-tech bubbles burst, throwing thousands of resident workers with those skills out of work. And in Britain work acceptances cover specific groups that bureaucrats for some reason think the economy desperately needs, among them clergymen and journalists.⁵²

So this economist, after reviewing the alternatives, finds himself favouring an immigration policy aimed at the rather selfish goal of enriching the host nation (and only incidentally its new arrivals), doing what is necessary along the way to reduce some of the opposition to the social consequences of immigration. But there is more to a nation

⁵¹ *Ibid.*, p. 179.

⁵² Steinberg, *loc.cit.*, p.7.

than its GDP.⁵³ And here I may be the victim of the prejudices to which I referred at the start of this talk.

I would be inclined to leaven the auction system that would increase the wealth of nations with a bit of humanitarianism to allow entry, and a bit of succor to the demonstrably persecuted and to those genuinely seeking to be reunited with their immediate families. Include as part of such a humanised economic policy an insistence on assimilation, bar welfare payments to newcomers, deport undesirables promptly, and the countries of the world might just 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 nations.

END

⁵³ Salins objects what he calls the “tortured short-term microeconomic analysis” of the type I have described, preferring to rely on a comparison of economic performance in cities in which immigrants have congregated with those less well endowed with such newcomers. Op.cit., p. 201.