CHAPTER 10. THE GOALS OF IMMIGRATION POLICY

Up to this point, I have attempted to document the economic impact of immigration on the United States. It is now time to change gears and simply ask: what should the United States do about it?

As I have emphasized many times, facts alone do not have any implications for immigration policy. The country must first decide what it is that the policy should accomplish. Depending on the objectives, the same set of facts can have very different policy implications. For example, if the goal were to relieve the tax burden on native-born taxpayers, it would be fiscally irresponsible to admit millions of less skilled immigrants who have a high propensity for participating in public assistance programs. In contrast, if the goal were to help the poor of the world by giving many of them an opportunity to live and work in the United States, the increased cost of maintaining the welfare state is the price that Americans will have to pay for their generosity.

Unfortunately, much of the debate over immigration policy is conducted in a vacuum—there is seldom any mention of the policy goals. In this chapter, I provide a framework for thinking about what the goals should be. I will argue that rather than worrying about the symptoms of current immigration—that the United States admits too many unskilled workers or that too many immigrants receive welfare—the immigration debate should have a very different question at its core: *whom should the United States care about*? Immigration policies designed to improve the well being of the native-born population will often favor the entry of different numbers and different types of persons than policies that emphasize the well being of the immigrants.

So why do participants in the immigration debate keep dodging the question of "Who matters?" Because any particular objective that the country chooses—or, more precisely, any particular group of persons that the country chooses to favor when setting immigration policy—raises difficult ethical questions about the type of country that the United States is and the type of country that the United States wishes to be.

The Components of an Immigration Policy

The initial symbolism behind the Statue of Liberty had nothing to do with immigration—the French gave it to the American people as a representation of "Liberty Enlightening the World." The symbolism of the monument, however, changed permanently once a plaque engraved with Emma Lazarus' poem, "The New Colossus," was attached to the wall inside the pedestal of the Statue.[1] Her call to other countries for "the huddled masses" and "the wretched refuse" made the Statue of Liberty a shining beacon to potential migrants from across the world.

The United States does indeed offer unequaled social, political, and economic opportunities to anyone lucky enough to enter its borders—regardless of that person's social and economic standing in the source countries. In an important sense, the American Dream promises a "memory-less" opportunity. The limits imposed by the social and economic status of immigrants in their home countries matter little in the United States. After migration, life starts anew and anything seems possible.

Because of these opportunities, many more people want to come to the United States than the country has been willing to admit. In November 1998, for example, the State Department was processing the visa applications filed twenty years earlier, on July 15, 1978, by Filipino-born U.S. citizens who wanted to sponsor the entry of their siblings. These long queues, moreover, probably underestimate the demand for entry visas. There are probably millions more who do not bother to apply because they know that they cannot qualify under current regulations—or might have to wait decades for a chance to enter the country. Consider, for example, the "diversity" lottery that the United States held annually in the 1990s. Each year, some visas were made available to persons originating in "countries with low rates of immigration to the United States." Persons living in the eligible countries could apply for a random chance at winning one of the coveted green cards. Potential migrants applied for the 1997 drawing by submitting an application between October 24, 1997 and November 24, 1997. This lottery drew 3.4 million qualified applications for the 50 thousand available visas.[2]

Few serious participants in the immigration debate advocate completely open borders to solve this imbalance between the supply of entry visas and the demand for those visas. An important—and influential—exception is the editorial page of *The Wall Street Journal*, which has run a Fourth of July editorial proposing a new constitutional amendment: "There shall be open borders".[3]

Of course, the editorial stand of *The Wall Street Journal* partly reflects the economic interests of that paper's constituency, the business community that would obviously gain from paying lower wages to workers. Almost everyone else in the immigration debate, however, recognizes that immigration policy must *discriminate*—where I use this charged word in the old-fashioned sense of "using good judgment" to allocate the limited number of entry visas among the many applicants.

Because many more people want to live in the United States than the country is willing to admit, immigration policy has to specify a set of rules that can help selectively pick and choose from the many applicants. These rules may stress family ties (as is currently done), or national origin (as used to be done), or socioeconomic characteristics (as is done in other countries). In the end, these rules will inevitably stress a combination of characteristics that Americans deem culturally, economically, and politically desirable, and that are consistent with the country's values and beliefs. Because there are only a limited number of visas, the policy has to restrict or prohibit the entry of many classes of persons. Inevitably, difficult choices have to be made.

Ultimately, every immigration policy must answer two distinct questions:

- How many immigrants should the United States admit?
- Which types of persons should be awarded the scarce entry visas?

It is useful to think of immigration policy as setting out a formula that gives “points” to visa applicants on the basis of various characteristics, and then sets a passing grade. The variables in the formula determine *which* types of persons will be let into the country, while the passing grade determines *how many* persons will be let in. The policy advocated by *The Wall Street Journal*, for example, sets a passing grade of zero and essentially grants points to any live body that can somehow reach the U.S. borders.

For the most part, the policy that has regulated entry into the United States since 1965 uses a formula that has only one variable, indicating whether the visa applicant has a family member already residing in the United States. In rough terms, an applicant who has a relative in the country gets one hundred points, passes the test, and is admitted. An applicant who does not gets zero points, fails the test, and cannot migrate legally. In addition, the post-1965 policy does not set strict restrictions on the number of immigrants. In the typical language of late twentieth-century bureaucratese, there are “pierceable caps”—or, put differently, numerical caps that are not really caps because they do not set out any numerical limits. These caps allow the number of visas allocated to particular groups (such as the ones granted to close relatives of U.S. citizens) to expand with demand.

Admittedly, this description is a very simplistic summary of current policy. There are a lot of bells and whistles that feed an entire industry of immigration lawyers, and that make the immigration statutes almost as complicated and as long as the federal tax code. Current policy, for instance, awards different numbers of points to applicants depending on whether the sponsor is a U.S. citizen or a permanent resident; on whether the family connection is a close one (such as a parent, spouse, or child) or a more distant one (a sibling). Generally, these nuances help determine the speed with which the visa is granted, with closer family connections leading to speedier entry. In addition, a limited number of visas are distributed on the basis of skill characteristics, but these select workers made up only seven percent of the immigrant flow in the early 1990s.[4]

Although the United States does not admit officially to using a "point system" in awarding entry visas, other countries proudly advertise their formulas through the web sites of their respective immigration agencies. The comparison of point systems across countries reveals that the United States—relative to other countries—emphasizes family ties between persons currently in the country and potential migrants in awarding entry visas.

Canada, Australia, and New Zealand use more complex formulas, which include the applicant's educational background, occupation, English language proficiency, age, as well as family connections. In the late 1990s, New Zealand's immigration policy seemed to be the most creative, setting up financial incentives designed to speed along the process of assimilation. New Zealand requires that the "principal" immigrant in the household be proficient in the English language, but allows this principal immigrant to bring in family members who are not English proficient. However, a family member who cannot pass the "English standard" at the time of entry must post a bond of $20,000 in the local currency (U.S. $11,000). If this family member passes an English test within three months after arrival, the entire bond is refunded. If the family member fails this test at the three-month point but passes it within a year after arrival, the government refunds 80 percent of the bond. If the family member fails to meet the English standard within a year after arrival, the family forfeits the entire bond. New Zealand's immigration policy gives a whole new meaning to the old cliché that "it pays to learn."

Sometimes a host country chooses to "sell" visas. For instance, a private consulting recently placed an ad in the *Times* of Oman offering "U.S. Green Cards for Anyone Who Can Show U.S. $500,000."[5] The United States allocates 10 thousand entry visas annually for wealthy foreign investors (and their families) who create at least ten full-time jobs in the United States by investing $1 million. The "purchase price" is reduced to $500,000 if the investment is made in a high unemployment area. The investor visa scheme can be interpreted as a particular type of point system: a person can buy the requisite number of points needed for entry for $500,000. It seems, however, that the United States has set its admission price far too high. In 1996, only 936 such visas were sold. Canada sells the entry visa at a much lower price: the investor must be willing to invest only $250,000 in Canadian currency (U.S. $160,000).

Many people, particularly economists, would probably support the idea of an open market for most visas—not just those that are traded under the investor program.[6] After all, if bread, butter, and the proverbial widget can be bought and sold in the open market—and this solution seems to work pretty well in allocating these goods among the many consumers who want them—why not also sell the limited number of entry visas that the United States makes available every year? The United States, for example, could announce at the beginning of each year that it is willing to sell visas at say $50,000 per visa. Those who want to migrate to the United States at that price would then enter the marketplace.

The market for widgets "works" because it allocates the available supply of widgets to those consumers who most value them and are willing to pay the going price. Even though all consumers would presumably love to own more widgets, some consumers simply cannot afford to buy a lot of them. The going price for widgets rations the scarce supply among the many potential buyers. It turns out that this market solution is "efficient," in the sense that no other allocation of widgets to consumers would generate a larger economic pie. In other words, the *total* gains accruing to the consumers and produces of widgets are largest when widgets are exchanged in the open market. This fact, however, does not imply that the allocation of widgets to consumers is "fair." Buyers with a lot of money end up with a lot of widgets; buyers with little money end up with few, if any, widgets.

In a similar vein, an open market for visas would ensure that only those persons who most value the visas would be willing to pay the entry price. In other words, only those immigrants who feel that their entering the United States is worth more than $50,000 will buy the visa. And just like the widget market leads to an efficient allocation of the widgets available in the economy, the market for visas would also lead to an efficient allocation of the available visas. In fact, the visa market would maximize the *total* gains accruing to those who immigrate to the United States and to the U.S. Treasury.[7]

From a purely economic perspective, this market approach would solve a lot of the problems created by immigration. It would provide an "impartial" judge to distribute the scarce entry visas among the many potential buyers; it would generate additional revenues for the federal government; and it would filter out the applicant pool to ensure that only those who most valued entry into the United States actually get into the country.

Selling visas in the open market, however, also raises a number of problems. For instance, there are obviously many persons in the source countries who probably would never have the chance to accumulate enough money to bid successfully in this marketplace. In fact, it is likely that most of the ancestors of the current American population would have been unable to buy such visas. Per-capita income in many of the less-developed countries are so low that most visa applicants in those countries would literally have to work several lifetimes to be able to afford a visa selling for what most Americans would consider a modest price.

Although this concern is serious, it is not insurmountable. The price for a visa could be set as a percent of the source country's per-capita income. Suppose, for instance, that the United States set the price at twice the level of per-capita GDP. In the mid-1990s, this pricing scheme would have the typical French immigrant paying $53,000 for a visa, and the typical Filipino immigrant paying only $2,000.

A potentially more serious problem with an open market for visas is that, despite its superficial appearance, this policy need not increase the skill level of the immigrant population. The immigrants who would buy the visas are the ones who gain the most by migrating. Suppose that economic conditions in the United States—relative to the rest of the world—are such that the country attracts less-skilled workers from the source countries. Those American employers who have much to gain from an increase in the number of less-skilled workers would quickly learn that they could influence outcomes in the visa market. Although these types of workers will typically lack the funds to buy a visa, their future American employers could help finance the purchase. These loans, of course, would eventually have to be repaid by the immigrants.

An open market for visas, therefore, may have an unfortunate by-product: it could potentially re-introduce a form of "indentured servitude" into the history of immigration in the United States.[8] But such types of contracts *already* exist between many immigrants and the persons who paved the way for their entry into the country. By bringing these contracts to the open, and subjecting them to strict government regulation, an open market for visas could actually improve the living conditions of the immigrants as they attempt to pay off the loan.[9]

Because an open market for visas may not increase the skill level of the immigrant flow, there are still reasons to be concerned about the adverse impact of immigration on less-skilled native workers and on expenditures in social services. These concerns, however, can again be easily handled by the market approach. Before announcing the going price for a visa, the government agency in charge could calculate the "net" cost of admitting immigrants into the United States. This calculation would contrast all of the costs and benefits that can be attributed to immigration, including expenditures on public assistance programs and education, the tax revenues collected from immigrants, the wage reduction suffered by native workers, and so on. The government agency would then set a price that reflects the net cost of admitting an immigrant. And the revenues from selling visas could be redistributed to the workers who are adversely affected by immigration and to the taxpayers who bear the burden of funding a more expensive welfare state.[10]

In short, many of the potential objections that one could raise to an open market for visas can be easily disposed of. And yet, 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.

The problem is that an open market for visas brings into the open a number of moral questions that cannot be easily dismissed in the policy discussion. Difficult moral issues sometimes surface when one attempts to extend the paradigm of market economics away from the traditional issues of selling bread, butter, and widgets, to the sale of such things as human organs and visas. Although the sale of kidneys, livers, and visas may be the economist's favorite solution to the very difficult problem of how to allocate these scarce resources in a democratic society, the proposals tend to share a moral blind spot. Many persons—myself included—feel that there are some things that *should not be* for sale. Put simply, life and liberty should not be for sale in nations that value the sanctity of individuals. Similarly, the hard-fought rights granted by American citizenship should not be sold in the open market. As a result, policy proposals that push the idea of an open market for visas are often not taken very seriously in the immigration debate, precisely because many people have a strong moral repugnance to what may be perceived as an implicit market for human beings and for what it means to be an American.

So What Do Americans Want?

Immigration policy can be viewed as a formula that awards points to various characteristics of visa applicants, and that sets a passing grade to help a country select from the many applicants. The formula implied by what is known about the economic impact of immigration will depend entirely on what determines the "social welfare," the well being of the United States. In other words, what kind of country does the United States want to be? And what kind of country do Americans wish to live in?[11]

The social welfare of the United States obviously depends on much more than dollars and cents. It turns out, however, that it is quite difficult to figure out what type of immigration policy is in the national interest—*even when one focuses only on economic issues*.[12] To see why, divide the world into three distinct constituencies: persons now living in the United States (who, in the context of the current discussion, I will call the "natives"), the immigrants to be admitted; and those who remain in the source countries. One could easily imagine that the social welfare of the United States depends, to some extent, on the economic well being of each of these groups.[13] The country would presumably be happier if all three groups were living in relative comfort.

Any attempt to design an immigration policy quickly encounters a difficult obstacle: what is the nature of the tradeoff between the well being of natives, the well being of immigrants, and the well being of the population in the rest of the world? Consider, for instance, a policy that admits highly skilled engineers. Such a policy would probably be in the interest of the bulk of the native population—although American engineers would surely disagree. At the same time, many of the foreign engineers who are lucky enough to get one of the entry visas would probably jump at the opportunity to move to the United States. But many of the persons who remain in the source countries would probably be worse off; they now have to do without some of the infrastructure (and economic benefits) that the engineers could have created. To determine if this policy is worth pursuing, one needs to know exactly *whose* economic welfare the United States should take most into account when setting policy. In other words, the construction of an immigration policy requires assigning weights to the well being of the three constituencies, with these weights deciding the relative importance of each group in determining the social welfare of the United States.

Different political, economic, and moral arguments can obviously be used to derive definitions of the national interest that would attach different weights to the groups. In some scenarios, the well being of natives would dominate the calculation; in other scenarios, the well being of the immigrants or of the persons left behind in very poor countries might dominate.

I think that most participants in the immigration debate have historically attached the largest—and perhaps the only—weight to the economic well being of natives. This is not surprising. After all, the goals and aspirations of the native population drive American politics. It is probably the case that many native voters have "parochial" interests, in the sense that they care most about their own economic status. The competition for the political support of natives ensures that U.S. immigration policy will inevitably reflect the self-interest and concerns of these voters.

As long as immigration is motivated by the search for better economic opportunities, it is reasonable to suspect that immigration also improves the economic well being of the immigrants. The United States, perhaps alone among the world's developed countries, is perceived as the "last frontier" by the many foreigners who, through an unlucky circumstance at birth, were born in countries with oppressive political systems or in countries that fail to provide the social and economic opportunities that those persons sought. If the immigrants are not better off after they enter the United States, they are always free to go back or try their luck elsewhere—and indeed many do.

It is easy to see how the well being of immigrants might enhance the social welfare of the United States, a country that has had a two-century old love-hate affair with immigration. Immigrants could increase the *country's* well being because their presence helps nourish some great American traditions and values: the tradition of providing shelter to those most in need and the values underlying the American dream, that "only in America" can someone arrive penniless from a poor country and rise to become the CEO of a multi-national corporation in a few years.

Finally, there are the billions of persons who remain in the source countries. They have little hope (or desire) of migrating either to the United States or to any place else. Nevertheless, U.S. immigration policy affects them in many ways. The United States might choose to drain their labor markets from particular types of skills and abilities. Such a drain would probably have a detrimental effect on economic growth in those countries. Similarly, the principles of free trade first enunciated by David Ricardo almost two centuries ago suggest that the world would be much richer if there were no national borders to interfere with the free movement of goods and people. By prohibiting the immigration of many persons, the United States inevitably shrinks the size of the world "economic pie," reducing the economic opportunities that could be available to many persons in the source countries.

In short, even if the United States were a "caring" nation—in the sense that all of the groups count in the calculation of the country's social welfare or well being—there are still difficult choices to make. Pursuing a particular immigration policy might help one or two of the three groups, but might hurt the other. As a result, the adoption and implementation of any specific immigration policy will likely leave winners and losers in its wake. This simple fact forces the American people to make an uncomfortable calculation. The gains that accrue to the winners have to be compared with the losses suffered by the losers, and the country then has to decide whose well being counts more.

A Particular Weighting Scheme

Most discussions of immigration policy "run" with one of the facts about the economic impact of immigration—that immigrants reduce the wage of native workers or that more recent immigrants tend to be relatively less skilled—to propose some type of reform in immigration policy. Such a hasty approach, however, is fundamentally dishonest because it leaves out of the discussion some of the key assumptions made by those who propose particular policy reforms.

To design an immigration policy based on what is known about the economic impact of immigration, one must first explicitly decide how to weigh the well being of the three groups that potentially determine the social welfare of the United States. Different weighting schemes will spin the same facts in different ways and result in different immigration policies!

Consider, for instance, the fact that immigrant participation in welfare programs has risen greatly over time. As I argued earlier, this fact has different policy implications depending on whether the weighting scheme emphasizes the economic well being of the native population or the economic well being of the immigrants. Those who put a greater weight on the economic well being of natives would find the welfare use of immigrants distressing, and would recommend that fewer poor immigrants be admitted. Those who put a greater weight on the economic well being of immigrants would welcome the use of the welfare state to help poor people from across the world, and might encourage the entry of even more poor immigrants.

Inevitably, different participants in the immigration debate will inevitably assign different weights to the three groups. So that it is fruitless to devote much time and effort to intellectual exercises that want to uncover the "true" weighting scheme—the scheme that actually determines social welfare in the United States. Perhaps the only thing that *all* of the participants might agree on is that the well being of the native population should matter in any calculation of the nation's social welfare. But the participants would then quickly begin to quarrel over how much it should matter.

In my view, many participants in the immigration debate—although seldom saying so explicitly—have a particular weighting scheme in mind: the United States should only be concerned with the economic well being of the native population.

My perception that the economic interests of the native population are all that matter in setting immigration policy is certainly debatable. Moreover, this particular vision of the country's national interest (like *any* other vision of the national interest) inevitably raises a difficult moral question: Is it "just" for the United States to act selfishly and ignore the well being of everyone else in the world when setting immigration policy? Nevertheless, this approach provides a good starting point for organizing one's thoughts about the type of immigration policy that the United States should pursue.

Before moving on, let me clarify some issues. As I noted earlier, the "natives" that influence the social welfare of the country include all persons present in the United States at a particular point in time, regardless of where they were born. This native population must decide what type of immigration policy to pursue in the future.

Second, saying that the United States should design an immigration policy that benefits natives does *not* necessarily imply that natives are oblivious to what happens to the economic status of persons in other countries. For instance, the well being of natives in the United States depends critically on having friendly neighbors—neighbors living in countries that are politically stable and economically vibrant. If Mexico were to suddenly become an unfriendly neighbor, the cost of controlling the southern border would probably be far greater than the cost of admitting millions of less skilled Mexican immigrants. By admitting these immigrants, the United States effectively gives Mexico a "safety valve" that relieves many of the social and economic pressures on that country. The United States might bear some short-term losses from this type of migration, but it also has much to gain by having a more stable neighbor. In the end, the United States would be willing to admit millions of Mexican immigrants not because the Mexican immigrants benefit greatly or because Mexico itself benefits (both of which are probably true), but because it is in the selfish interests of American natives to do so.

Finally, by proposing that the country's social welfare depends only on the well being of the native population, it might seem that I am ignoring a basic lesson of American history. As is often said, America is a nation of immigrants. And one interpretation of American history might be that the United States admitted millions of immigrants because it is a generous country that wanted to share its wealth and good fortune with the huddled masses from around the world. In other words, the social welfare of the United States depends on more than making the native population rich and happy, it also depends on sharing the wealth with some of the less fortunate persons from around the world.

That might be a correct interpretation of American history. But it is also possible that throughout much of the past two centuries, the persons who inhabited the United States at the time found it beneficial to open up the borders. The land had to be tamed; the frontier had to be conquered; and the railroads had to be built. All of these activities required a lot of manpower and brute force—far more than the small population of the young country could conceivably provide. Admitting millions of the tired and the poor, though a noble and generous gesture, also coincided quite well with the selfish interests of natives *at that time*. As a result, one can interpret the symbolism of the Statue of Liberty in a different and more cynical way: "Give me your tired and your poor. The country *needs* them."

It is an intriguing historical coincidence that once the need for millions of less skilled workers began to subside by the beginning of the twentieth century, the United States also became much less tolerant of immigration. And soon thereafter, the country imposed severe limits on the numbers and types of persons who would be admitted.

Both versions of American history probably contain a kernel of truth. The United States is a very tolerant nation when it comes to immigration—far more than tolerant than most other countries. And as the country perceives itself, more than its social welfare—its very sense of *being*—depends on providing shelter and opportunity to many persons from abroad, and on granting admission tickets to the American dream. *But* the country also happens to become much more tolerant about immigration when the immigrants serve a particular economic purpose.

There is little need to take sides in this historical debate. I would argue that it is still worthwhile to investigate the type of immigration policy that the country *would* pursue if all it cared about were the economic well being of the native population. If the American people eventually wanted to include other factors in the definition of the country's social welfare, the United States could then adjust the proposed immigration policy accordingly. One can, in effect, use the immigration policy that maximizes the economic well being of natives as a "yardstick"—a standard that can be used to measure the economic consequences of pursuing other goals.

Even if the country's social welfare depends only on the economic well being of the native population, however, there is still one additional question to address. *Which* dimension of economic well being matters most in determining social welfare: the per-capita income of natives or the distribution of income in the native population? As I have shown, immigration may raise the per-capita income of natives, but this does not mean that all natives gain equally. Admitting less-skilled immigrants, for example, reduces the income accruing to less-skilled natives, but increases the income accruing to capitalists or skilled natives by even more. Any evaluation of the impact of immigration policy, therefore, has to be conducted on two very economic dimensions: the size of the economic pie and the splitting of the pie.

The evidence on the economic impact of immigration suggests that the net gains from immigration tend to be small, so that it is doubtful that these gains could determine the direction of immigration policy. The truly important economic impact of immigration is that it changes how the pie is split. The immigration of less skilled workers redistributes wealth from unskilled to skilled natives; from workers to the owners of firms; and from taxpayers who bear the burden of paying for the social services used by immigrants to consumers who use the goods and services produced by immigrants.

These distributional effects often drive the political debate over many social policies, and immigration policy is no exception. Let me make the point even clearer: the debate over immigration policy is *not* a debate over whether the entire country is made better off by immigration. The gains from immigration seem much too small, and could even be outweighed by the cost of providing increased social services. The debate over how many and which types of immigrants to admit is best viewed as a tug-of-war between those who gain from immigration and those who lose from it. And this fact goes a long way towards explaining why some Americans favor the continued entry of large numbers of immigrants, while others favor cutting off the flow.

Despite the importance of these distributional issues, it is fair to say that most economists typically ignore these concerns when evaluating alternative social policies. Alternative policies are typically ranked solely in terms of their effect on per-capita incomes, with policies that lead to larger increases in incomes being considered better policies (that is, "more efficient"), regardless of their impact on the distribution of wealth. In other words, the typical approach favored by economists would suggest an even narrower definition of the social welfare of the United States: Social welfare depends only on the level of per-capita income in the native population. As a result, the "best" immigration policy is the one that generates the highest per-capita income for natives. One could easily justify this approach because a larger economic pie makes it possible to redistribute income from the winners to the losers so as to make every native in the United States better off. It is worth noting, however, that such redistribution seldom takes place; those who gain from immigration typically keep the bulk of the gains, while those who lose from immigration simply have to make do in the new, and less beneficial, economic environment.

The long-running debate over international trade is instructive and illustrates how, in the words of John Maynard Keynes, "practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slave of some defunct economist."[14] The economic case for free trade is clear and has been part of the political culture for almost two centuries.[15] When the United States began to import large numbers of Japanese cars, many workers in the American auto industry probably lost their jobs, and eventually ended up in lower-paying positions. The losses suffered by these unlucky workers, however, were more than offset by the benefits accruing to consumers, who could now buy better and cheaper cars.[16]

Because most economists tend to view the world through a somewhat peculiar prism—a definition of the nation's social welfare that emphasizes the size of the economic pie—the economic argument in favor of free trade is crystal clear. Free trade is "efficient"—it is a good policy because it increases per-capita income.

At the same time, however, this narrow focus on economic efficiency misses the point of the political debate over free trade. A long line of political figures—from Alexander Hamilton in the eighteenth century, to Andrew Jackson in the nineteenth, to Theodore Roosevelt at the beginning and Dick Gephardt and Pat Buchanan at the end of the twentieth century—have raised serious questions about the wisdom of free trade. In recent years, these doubts often stress the distributional impact of trade, the potential for some workers to be left behind by the rush to a global economy.[17]

Both sides of the modern debate over free trade are right. There *are* efficiency gains from trade. *And* some workers do lose substantially. The two sides, however, differ in their perception of what determines the country's social welfare. The proponents of free trade attach a greater weight to efficiency; the opponents attach a greater weight to distributional issues.

Obviously, there is no simple way of determining what is most important in determining the nation's social welfare: efficiency or distribution. Each American would probably assign different weights to these two dimensions of economic well being. Some will value the rapid growth in per-capita incomes that free trade promises—perhaps in the hope that the rising tide lifts all boats. Others will be more concerned about the workers who lose their job and are left behind. One thing is clear, however. Distributional issues play a crucial role in the political arena. And one misses the entire point of the political debate, in either trade or immigration, by ignoring the fact that these policies often make some persons better off at the same time that they make other persons worse off.

The Moral Consequences of Immigration Policy

The discussion has tried hard to straddle the very thin line between the setting of immigration policy based solely on the economic impact of immigration and the fact that the adoption of such a policy raises a number of ethical issues. But it would be foolish to ignore that any assignment of weights among the three groups that could potentially affect the social welfare of the United States—the natives, the immigrants, and the rest of the world—evokes difficult questions of morality and justice. Who should have first claim over the product of the American economy? Is it "just" to favor some persons over others? Is it "fair" to deny some persons the opportunity to partake in the American dream? Is it "right" to build barriers between countries? Although economics often frames the discussion of immigration issues, these moral questions also play an important role in the debate.

Most people take it for granted that there is no such thing as a universal right to migrate to other places. My ability to move across places *within* the United States is restricted. I have no right to pack my belongings and set up shop in my neighbor's back yard. Political philosophers have long speculated about these thorny issues.[18] Inevitably, there is quite a bit of disagreement over what makes a "just" and "right" immigration policy, and about the limits that distributive justice places on a sovereign state's authority to determine who can and cannot become a member of the "club," the group of natives who inhabit that country."[19]

The source of the disagreement can be described in terms of a simple parable.[20] Suppose there is a world with two distinct geographic areas. At the beginning of time, these areas are identical in every way—size, physical endowments, weather, population, human capital, and so on. At the starting line, therefore, there are two parallel and identical economies about to embark into history.

The race is on. Through random luck and the infinite possibilities introduced by different types of social interactions, the two countries inevitably develop slightly different social, economic, and political systems. Over time, these differences are amplified as each country's population invests in the types of skills and activities that are rewarded in their particular environments. After many years, the two hypothetical countries look quite different. One country has high per-capita income and a rapidly growing economy; the other has low per-capita income and a stagnant economy.

Do the persons residing in the rich country then have an obligation to admit immigrants from the poor country?

The "correct" answer depends greatly on how one feels about the right of persons to have *equal opportunities* versus the right to have *equal outcomes*. Those Americans who believe in equal opportunity might argue that the persons in the rich country are not obligated to accept any of the immigrants who want to come from the poor country. Everyone had the same chances at the outset, and some groups just happened to make more efficient use of the resources at their disposal. In contrast, those Americans who believe in equal outcomes would assert that all persons in this hypothetical universe have identical claims on the economic resources available. An open-border immigration policy (or free trade) would tend to equalize the resources available to the populations of the two countries.

Many participants in the immigration debate would probably argue that the relation between these two hypothetical economies should be guided by the principle of "mutual aid," best illustrated by the parable of the Good Samaritan. A Samaritan walking along a road meets a man who has been robbed, beaten, and left half-dead by a band of thieves. The principle of mutual aid states that the Samaritan has a moral responsibility to help. But how far does this responsibility extend? Must the Samaritan welcome the man into his home, feed and clothe the man, and then set the man on his way? Or must the Samaritan welcome the man into his home and then proceed to split his entire wealth with the man?

It is well beyond the scope of this book to address the deep philosophical and moral concerns raised by these questions. So I will leave it to others to determine if the immigration policies implied by the country's desire to make its native population better off are morally defensible.

But I would argue that although these moral issues may influence the direction and tone of the immigration debate, as well as determine the likelihood that some policies are adopted or rejected, it is still valuable to describe the type of immigration policy that the United States would pursue if it wanted to maximize the economic well being of its native population. As I noted earlier, that policy sets the standard by which one can measure the cost borne by the American people if the country deviates from that goal. Such deviations might well be the just and right thing to do—and their cost may be easy to justify by appealing to a higher cause than dollars and cents. But the American people should be fully informed about the price that they will have to pay.

ENDNOTES TO CHAPTER 10

[1] Leslie Allen, *Liberty: The Statue and The American Dream* (New York: Simon & Schuster, 1985), pp. 37-38. The Statue of Liberty was unveiled on October 28, 1886. The plaque bearing Emma Lazarus' poem did not become a permanent fixture of the monument until 1903.

[2] An additional 2.4 million visa applications were disqualified for various reasons. See "Results of the Diversity Immigrant Visa Program (DV-99)" (Statement of James B. Foley, Deputy Spokesman, U.S. Department of State, May 6, 1998).

[3] "The Rekindled Flame," *Wall Street Journal*, 3 July 1990, p. A10.

[4] And some of the visas handed out under the employment preference category are actually reserved for unskilled workers. In 1996, for example, 11,849 of the 117,499 visas awarded under the employment preferences were awarded to "needed unskilled workers" and their families.

[5] William Branigin, "U.S. Issuing More Visas to Investors," *Washington Post*, 29 December 1997, p. A1.

[6] The visa market has been a frequent recommendation of Gary Becker in his *Business Week* columns. These columns are collected in Gary S. Becker and Guity Nashat Becker, *The Economics of Life* (New York: McGraw-Hill, 1997).

[7] An alternative interpretation of what "efficiency" implies in the visa market may be instructive. Suppose that 1 million persons are willing to buy visas at a price of $50,000. Consider now an alternative market structure. In particular, suppose the United States decides to sell 1 million visas and that instead of charging a flat price of $50,000, it can set a price that differed among buyers. The United States, in effect, would be a perfectly discriminating

monopolist. Each of the million visa buyers would then be charged exactly the maximum amount that he or she was willing to pay to enter the country. All of the gains would then accrue to the U.S. Treasury, and it would be impossible to design an immigration policy that would let in 1 million persons and that would generate any additional gains for the United States.

[8] Abbot Emerson Smith, *Colonists in Bondage: White Servitude and Convict Labor in America, 1607-1776* (Gloucester, MA: Peter Smith, 1965).

[9] It is not uncommon to find many immigrants working under brutal conditions to pay off the cost of moving to the United States. See, for example, Deborah Sontag, "Captive in Queens: Dozens of Deaf Immigrants Discovered in Forced Labor," *New York Times*, 20 July 1997, p. A1; Frank Davies, "Feds Bust State Sex Slavery Ring," *Miami Herald*, 24 April 1998, p. A1; and William Branigin, "Sweatshop Instead of Paradise: Thais Lived in Fear as Slaves at L.A. Garment Factories," *Washington Post*, 10 September 1995, p. A1.

[10] This type of calculation would probably indicate that the net cost of admitting one more immigrant depends on the immigrant's socioeconomic characteristics. Some immigrants might be quite beneficial for the United States, and the country might want to subsidize their entry. Other immigrants might be quite costly, and the country would like to discourage their entry. The United States could take advantage of these differences by price-discriminating: selling visas at different prices, depending on the characteristics of the visa buyer.

[11] In the jargon of modern economics, what is the country's "social welfare function"?

[12] The discussion in this section is based on George J. Borjas, "The New Economics of Immigration," *Atlantic Monthly*, November 1996, pp. 72-80.

[13] I want to emphasize that the country's social welfare obviously depends on many non-economic factors. These objectives are shaped by values, humanitarian concerns, and geo-political considerations. A different mix of these objectives would obviously lead to a different immigration policy. As I show here, however, even a discussion that is very narrowly restricted to economic factors requires a number of important assumptions before one can make the "leap of faith" from research findings on the economic impact of immigration to the design of an immigration policy.

[14] John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (New York: Harcourt, Brace & World, 1964), p. 383.

[15] Douglas A. Irwin, *Against the Tide: An Intellectual History of Free Trade* (Princeton, N.J.: Princeton University Press, 1996).

[16] Although the discussion captures the flavor of the simplest models of international trade, more complex models suggest that, under some conditions, *all* workers gain from trade. These models often stress externalities or the importation of goods that are not currently produced in the domestic economy.

[17] Patrick J. Buchanan, *The Great Betrayal: How American Sovereignty and Social Justice are Sacrificed to the Gods of the Global Economy* (Boston: Little, Brown, 1998). Dani Rodrik, *Has Globalization Gone Too Far?* (Washington, D.C.: Institute for International Economics, 1997), provides a rare discussion—within the mainstream of economic thought—that stresses these distributional impacts.

[18] A good introduction is given by Joseph H. Carens, "Realistic and Idealistic Approaches to the Ethics of Migration," *International Migration Review* 30 (Spring 1996): 156-170. For a

selection of different approaches to the moral issues involved, see Michael Walzer, *Spheres of Justice: A Defense of Pluralism and Equality* (New York: Basic Books, 1983); Will Kymlicka, *Multicultural Citizenship: A Liberal Theory of Minority Rights* (New York: Oxford University Press, 1993); and Jean Hampton, *Political Philosophy* (Boulder, Colorado: Westview Press, 1997).

[19] A justification for various "rights" that might accrue to sovereign countries—particularly the right to select and reject certain types of potential migrants—is given by Joseph Raz and Avishai Margalit, "National Self-Determination," *Journal of Philosophy* 88 (September 1990): 439-461.

[20] The parable is due to James M. Buchanan, "A Two-Country Parable," in *Justice in Immigration*, ed. Warren F. Schwartz (New York, Cambridge University Press, 1995), pp. 63-66. The issues involved become even harder to address when one allows for the fact that countries differ dramatically in their endowments of physical and human capital, and that these differences in "initial conditions" often generate great disparities in economic opportunities.