

Trade Goods, Not People

Conservatives must confront the economics of immigration.

By William W. Chip

WHEN CONSERVATIVE icon Paul Weyrich died in December 2008, the Democrats had just won the White House and increased their majorities in the House and Senate. Virtually from his deathbed, Weyrich judged that conservatism had become a movement “without a serious agenda or a means of explaining such an agenda to the public.”

What would Weyrich have made of the Republican Party’s 2010 comeback? In the contest for power, does having a “serious agenda” really matter? The GOP’s “Pledge to America,” with almost as many photographs as paragraphs, was a pale imitation of New Gingrich’s 1994 “Contract With America,” and it dropped from sight almost as soon as it was released.

Does having a “means of explaining” the conservative agenda really matter? Time and again we watched painfully sincere Tea Party candidates wander into incoherence when asked even the simplest questions about how they would go about “taking back” their country.

For Republicans and the Tea Party, promising to extend the Bush tax cuts, repeal Obamacare, and restrain deficit spending proved to be a winning agenda. But it was hardly a serious one. Obamacare was hated mainly because seniors and others perceived that spending on their own healthcare would be curtailed. What is the conservative plan to reduce the federal deficit without touching Medicare? “Stimulus spending,” a cornucopia of Democratic earmarks, may have produced monster deficits and few jobs, but what other

means does Congress have to counter a recession? Republicans might prefer tax cuts to spending increases, but equivalent tax cuts would have produced equivalent deficits. Moreover, given the determination of American households and businesses to “deleverage,” tax cuts were no more likely than government spending to pump up aggregate demand.

Inscribed on a stone arch over an entry to the Yale Medical School is a Latin phrase that translates roughly as “most of your patients get better no matter what you do to them.” Republican leaders may be betting that, no matter what Congress does in the next two years, the economy will improve, and grateful voters will reward the GOP for sound economic stewardship.

If the Great Recession were only a more severe version of a typical business downturn, these Republican leaders might be proven right. Unfortunately, for them and for the rest of us, when the financial dislocations stemming from the subprime mortgage debacle come to an end, it will become evident that the economic anxieties of ordinary Americans have more intractable causes than improvident home equity loans.

Those causes are mostly rooted in globalization of the economy and the ability and willingness of billions of foreign workers to do the same work that most Americans do, as well as they do it, and for much less compensation. Cutting taxes and government spending may be good things in themselves, but they do not constitute a “serious agenda” for dealing with the threats to

our standard of living posed by the changing balance of global economic power.

In order to pass the Weyrich test, a conservative agenda for addressing the challenge of economic globalization must be both “serious,” in the sense of addressing rather than avoiding the toughest issues, and explicable to the public, even by a politician. I would add an additional test: it must be easy to distinguish from its liberal alternatives.

Globalization is a complex phenomenon, but its origins are not hard to understand. Twentieth-century advances in medical care and food production engendered population explosions in Asia, Africa, and Latin America, while comparable advances in transportation and communications, coupled with the decline of socialist ideology, put these billions of otherwise isolated Third World peoples into economic contact with much wealthier First World producers and consumers.

For the United States, globalization commenced in the 1960s and 1970s with a flood of imported manufactures from low-wage Mexican *maquiladoras*. As assembly work migrated to even lower-wage Asian sweatshops in the 1980s and 1990s, the flood of imported manufactures became a tsunami and was accompanied by a deluge of unemployed Mexican immigrants (doing the jobs “Americans won’t do”) and H-1B workers (doing the jobs “Americans can’t do”).

The response of conservative intellectuals to all of this has been divided. Indeed, conflicting attitudes towards

globalization, and particularly immigration, are an important element of the “conservative crack-up” that gave 1960s liberalism a new lease on life. The lack of intellectual consistency within conservative circles on the merits of mass immigration has made it easier for the *New York Times*, the *Washington Post*, and even the *Wall Street Journal* to charge that Republican restrictionism, when it occasionally surfaces, is not a policy at all, but instead an opportunistic concession to redneck nativism.

At the theoretical level, the chief division over the right conservative response to globalization is between the libertarian and paleoconservative tendencies, each of which advocates a seemingly coherent approach to the related issues of trade and migration. Because the entry of foreign goods and foreign workers can be controlled only by government regulation, libertarians are instinctively and consistently inclined to favor both free trade and unrestricted immigration. On the whole, this “open-borders” inclination coincides neatly with the agenda of the GOP’s big business supporters.

Paleocons, in contrast, are instinctively and consistently inclined to bar Chinese manufactures and Mexican workers alike. They are proud to be called “protectionists,” believing that their country and its culture need and deserve to be protected. This inclination resonates with the GOP rank and file, who are dismayed by lawless borders.

As it happens, each side is half-right. Libertarians make a compelling case for free trade in goods, while paleoconservatives make an equally compelling case for minimizing immigration. While true believers of either tendency will never accept that, I believe that most conservatives can be persuaded that the case for opening the borders to trade in goods is entirely consistent with the case for closing them to migrant workers.

For conservatives, the appeal of the libertarian case is its apparent consistency with free-market economics. In a free market, a foreign worker, or the product that he makes, is imported only because there is no more valuable use for the consumer’s money or for the foreign worker’s labor. Erecting an artificial barrier to the entry of a foreign product or a foreign worker means that both the consumer’s money and the worker’s labor will be put to a less valuable use, reducing the efficiency of the economy and its power to satisfy human wants. This is the classic defense of free trade in goods and labor.

In the real world, the classic defense of free trade is mostly right in the case of products, but mostly wrong in the case of labor. The many arguments that support this conclusion can be boiled down to three: *reciprocity*, *equity*, and *externalities*.

Reciprocity

The easiest of these to explain is reciprocity. The theory that free markets increase wealth for everybody presupposes that all participants in the marketplace play by free-market rules. If one country freely accepts imports from another, while another taxes imports, overall demand will shift in favor of the taxing country’s products, raising the incomes of their producers. Although the import restriction makes the global economy less efficient, the reduction in total global output falls mostly on the shoulders of the free-trading country; the restrictive country is actually better off. For this reason, free-enterprise advocates have always recognized that their case depends on securing reciprocity in the form of trade agreements that open a country’s markets only to countries that accept its exports.

Following World War II, successive U.S. governments led the way in constructing a global network of bilateral and

multilateral free-trade agreements. Under these agreements, an American worker who faces indirect competition from foreign laborers who make imported products has a parallel opportunity to compete with them by making products for export to their countries. While compliance with these free-trade agreements is imperfect, millions of Americans are in fact employed by industries that depend on exports for their prosperity, such as agriculture, entertainment, and aircraft manufacture.

Yet while almost all countries have bound themselves through free-trade agreements to admit at least some foreign products, none has bound itself to accept economic migrants from other countries. In fact, the principle that every nation has unfettered control over its own immigration policies is as universally entrenched as the principle that goods should be freely traded. Most countries, without apology, accept very few immigrants and reserve their domestic labor markets for native-born workers.

The U.S. government, by adopting a unilateral policy of admitting more than a million legal and illegal workers every year, has effectively increased global demand for foreign-born workers while shifting demand away from American-born workers. An American worker who is forced to compete in the U.S. labor market with an Indian programmer or a Mexican carpenter has no comparable rights to sell his labor outside the United States, let alone to impose claims on the social-welfare systems of other countries.

Economists argue convincingly that, in the very long run, economies will adjust to an increased supply of labor and that immigration need not lead to unemployment for native workers. Unfortunately, Americans mostly live in the short run, and most economists are predicting that the extraordinarily high rate of unemployment reached during the Great Recession is likely to last long

after the economy has in other senses recovered. According to the Pew Hispanic Center, in the year since the recession officially ended, “foreign-born workers gained 656,000 jobs while native-born workers lost 1.2 million.”

Equity

This absence of reciprocity in global labor markets contributes to an absence of equity in U.S. immigration policy. Free-trade advocates readily admit that importing cheap foreign products may lower the wages of domestic workers who make the same products, but they point out that those same workers benefit as consumers. There is truth in this argument, as is apparent from a visit to any Wal-Mart, where one finds Americans of modest incomes buying necessities and even luxuries at prices that are almost ridiculously low.

But while imported products may benefit working-class consumers as much as they benefit affluent consumers, the benefits of imported labor overwhelmingly accrue to the wealthy because the wealthy spend a much greater share of their incomes on services. The upper-middle-class professional in his suburban tract mansion will have gardeners and nannies galore, but the working stiff who labor at his office, if they have any grass at all, must cut it themselves and rely on relatives and public facilities for pre-school day care.

Should the working stiff aspire to raise his standard of living by operating a cab, taking up nursing, or learning one of the building trades, he is out of luck unless he is willing to accept wages that are acceptable to the most recently arrived migrant worker. The affluent Americans who are chauffeured by taxi drivers from Somalia and the Punjab, whose elderly parents are cared for by nurses from Jamaica and the Philippines, and who lounge on decks constructed by carpenters from El Salvador

and Mexico, have declared these to be “jobs that Americans won’t do.”

There are certainly some jobs that are so dangerous or degrading that Americans won’t do them unless you pay them a lot of money. Yet while no job is more dangerous than coal mining, that industry has managed to survive and even to thrive with an overwhelmingly native workforce. While no job is more degrading than collecting other people’s garbage, garbage in the District of Columbia, where I reside, is collected by a mostly African-American workforce. The reason Americans are mining coal in Appalachia and collecting garbage in Washington, D.C., is that the pay is high enough to cover food and rent, their families receive health insurance, and after a lifetime of digging coal or collecting garbage, they can retire with modest pensions and a shred of dignity.

One of the great ironies of modern American politics is that, for decades, pious liberals such as the late Sen. Edward Kennedy, without shame or censure, stood shoulder-to-shoulder with the country’s most unscrupulous employers of undocumented workers, providing a sheen of political correctness to the ugly spectacle of pitting our least advantaged fellow citizens against a flood of desperate foreign workers. A true conservative—including one who wanted to win elections—would say to their faces: “Unlike you, I am more than willing to pay a few extra bucks for lettuce and landscaping if that means that the people who are born here, and have nowhere else to go, have a fair chance to earn a decent living.”

Externalities

But put aside equity and assume that conservatives are as hard-hearted and subservient to the rich as liberals would like to believe. If liberal immigration policies are beneficial to America’s professional and business elites, who use

the services of immigrant workers, while harmful to less educated American workers who compete with the immigrants, that’s just the way the cookie crumbles. Before concluding that this hard-hearted calculus makes immigration a good deal for the well-to-do, however, we must account for externalities—the costs of an economic transaction that fall on persons other than the parties to the transaction.

When a product is imported, the U.S. consumer must pay enough to cover the associated labor costs. In most developing countries, these costs may not include healthcare, education, and other social benefits and, even when they do, they are a pittance compared to the costs of American social services. When the worker himself is imported, the equation changes dramatically. While some conservatives, libertarians in particular, would eliminate social benefits for everyone, the overwhelming majority of Americans favor a sturdy “safety net” for citizens, and they won’t deny healthcare and childhood education to anybody, even illegal aliens.

These social costs, which are borne by foreign governments in the case of imported products, but are borne by U.S. taxpayers in the case of imported workers, are the externality that ultimately breaks the back of libertarian arguments in favor of current immigration policies. In 1997 the bipartisan U.S. Commission on Immigration Reform asked the National Research Council to perform what remains the most comprehensive analysis of the economic consequences of immigration. The 1997 report concluded that any net benefit to Americans from immigration was outweighed by the cost of providing social services to the immigrants and their families. Given the enormous increase in the immigrant population since then, and the soaring cost of the benefits themselves, the negative externalities of cur-

rent immigration policies must be immensely greater today.

How could it be otherwise, given the nature of recent immigration policies? Prior to 1965 most immigrants needed to be sponsored by an employer and were, on average, better educated and less likely to be poor than native-born Americans. After 1965 the overwhelming majority of immigrants have been admitted on the basis of being related to a previous immigrant, as a result of which the source of most immigration has shifted from about a dozen European countries to about a dozen developing countries where very large families are still the norm and almost everyone can dramatically raise his standard of living by moving to the United States. As a result, new immigrants tend on average to be less educated and more likely to live in poverty than native-born Americans. Not surprisingly, illegal immigrants, settling in almost equal numbers, are even less educated and more poverty-prone.

The category of externalities is not exhausted by the costs of government benefits. The wealth of a nation is not solely a function of the education and enterprise of its people. Some people are born with extraordinary talent that makes them valuable under all circumstances, but most folks depend for their success on learning some basic skills and then harnessing their labor to other productive resources that are either natural (e.g., farms and mines) or man-made (e.g., factories and railroads). American workers have traditionally enjoyed one of the world's highest standards of living because the country was well endowed with arable land and other natural resources and because we had a long head start over most of the world in building transportation infrastructure, energy grids, and manufacturing capacity.

Unfortunately, the number of well-paid jobs exploiting natural resources is lim-

ited by the quantity of those resources, which in the United States has been dwindling, in part because they were so intensely exploited during our industrial expansion. Although factories and other man-made resources are not limited by nature, the forces of global supply and demand limit the number of factories that can profitably be situated in the United States. For an increasing array of products, such as clothing and toys, which can be made using routine technology, it is simply no longer feasible, absent massive government subsidy, to locate a factory in the United States.

As America's stock of natural resources and globally competitive factories continues to shrink on account of depletion and global competition, the portion of the U.S. population that can rely on that asset base to boost their own productivity is bound to shrink. More Americans will have to make their living providing services to the shrinking segment of the population that is able to find employment in globally competitive enterprises. Immigration effectively swells the supply of labor in a market where demand for their labor is in secular decline.

A Conservative Agenda

From the standpoint of principle, a restrictionist agenda would be wholly consistent with such conservative ideals as husbandry of natural resources, preservation of cultural heritage, and containment of the welfare state. It passes the Weyrich tests of seriousness and explicability to the public. Who, after all, will not understand why we should stop importing foreign labor in the face of 9.7 percent unemployment?

A restrictionist immigration policy also passes the test of being easily distinguished from the liberal alternative. In fact, from the standpoint of political expedience, a division between the parties over immigration policy would be a gift to the conservative cause since lib-

eral Democrats are forced by ideology and parts of their base to advocate immigration policies that are as unpopular as they are irrational. As Weyrich would say, theirs is not a "serious agenda." If they dared explain their immigration program to the public, they would be tarred and feathered.

If a common-sense economy is one in which there is relatively free trade in goods and relatively strict control of immigration, Pelosi-style liberals want the opposite. Their solution to the challenge of globalization is an economy in which foreign imports are restricted and immigrant workers are welcomed. They fantasize that American manufacturers can be induced or forced to produce here rather than abroad, creating employment for those born here and an unlimited number of positions for those born elsewhere, too. Of course, if an American company attempts to produce here what can be produced more cheaply in Ireland, a German company will make the product in Ireland, ship it to the United States, and put the American company out of business—and its employees out of work. Punishing U.S. companies when they move jobs overseas only works if the government is also prepared to abrogate our global network of free-trade agreements.

Out of loyalty to their ethnic lobbies and from reflexive political correctness, the leaders of the Democratic Party are manacled to immigration policies that contradict every one of the promises that gave them control of Congress in 2006 and control of the White House in 2008. Energy independence and reducing the carbon footprint? Census Bureau data indicate that by 2050 the U.S. population will have grown from 300 million to nearly 470 million, mainly due to immigration. During that period the average American consumer will have to reduce his energy consumption by more than one third just to maintain the

nation's current level of energy utilization. Who realistically believes that the electorate will countenance the more draconian cuts needed to produce a reduction in the U.S. carbon footprint?

Rebuilding our “crumbling infrastructure”? The Eisenhower administration, when the population was only 180 million, had the wisdom to overbuild our transportation system to accommodate 200 million Americans. That infrastructure is not just crumbling; it is collapsing under the weight of 300 million inhabitants, a number that is mostly a result of immigration policies enacted without thought to their long-term consequences. As the population surges towards 500 million—and it will grow even faster if the Obama administration enacts comprehensive immigration reform—the agony of today's overcrowded highways and congested airports will become a nightmare.

According to the liberal caricature, the categorical imperative of conservative economic policy is to liberate able and ambitious citizens to enrich themselves. But while conservatives defend the freedom to accumulate wealth, authentic conservatives are equally interested in fostering a society in which every citizen who is able and willing to attend school and work hard can raise himself above poverty, form a family, and retire in dignity. Conservatives love the American dream.

Conservatives also love republican democracy, and the exceptional economic opportunities that constitute the American dream account in great part for the exceptional success of the country's form of government. The Founding Fathers had no doubt that the presence of an economically independent class of farmers and artisans was an important reason why republican democracy could flourish in America more easily than in Europe, where the average citizen was a landless peasant dependent

on the good will of an aristocratic landlord. Even today, worrying that overdependence on government largesse can degrade the citizenry remains a distinguishing concern of conservative political theory.

Conservatives can live comfortably with immigration policies that allow Americans who marry abroad to bring home their spouses, that provide temporary asylum to bona fide refugees, and that admit some of the world's best scientists, athletes, and artists to enrich our society. That is all the immigration that most voters would regard as essential to their own interests and principles.

The present policy of immigration for the sake of immigration has nothing conservative or popular about it. It survives on autopilot because the mainstream media cannot take the time to understand it, because the least innovative segments of the business community profit from it, and because liberals cannot resist the opportunity to call someone else a racist. Conservatives, by adopting “trade goods, not people” as their economic agenda, can do a service to themselves and to their country. ■

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