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Immigration—Economic & Moral Issues

Immigration issues produce an outpouring of emotions. Emotional responses are counterproductive. Instead, it's helpful to place the economic and moral aspects of the immigration debate in perspective. Viewing these issues from the hypothetical perspective of two countries—one rich, the other poor—helps clarify the principles involved. Once these principles are clear, the implications of proposed solutions also become apparent.

Economics of Immigration

From a classical economic perspective a free market for labor is as important as a free market for any other resource. Ideally, to maximize efficiency and the creation of wealth, there should be no restraint on the movement of workers from one country to another.

Restrictions for non-economic reasons—maintaining domestic security, preventing the spread of disease—are legitimate reasons for controlling the inflow of certain people into a country. Another legitimate concern is that a major influx of immigrants would strain a country's infrastructure. In this case, some *minimal, temporary* limits may be acceptable.

Other than these exceptions, workers should be as free to move from one country to another as from one area of a country to another. Political boundaries have no economic meaning. There is no economic distinction between the poorest area of a rich country and a similar area in an adjacent poor country.

Economic issues surrounding immigration often stem from differences in living standards. Countries that have successfully applied classical principles for long periods of time create conditions where typical workers can achieve relatively high living standards. Countries that have chosen alternative policies produce conditions where typical workers

achieve relatively low living standards. Given a free market, workers will naturally tend to move to conditions where they can improve their economic wellbeing.

By moving to areas that provide the greatest reward for their skills, workers promote an efficient allocation of resources. So long as any worker is willing to work at a particular wage that an employer is willing to pay, both parties gain. This arrangement both increases the amount of economic activity and provides for the most efficient allocation of resources. Workers' mobility can also provide an important signal to depressed areas to examine their economic policies. In many cases, depressed economic conditions stem from poor economic policies.

To the extent that workers from a poor country compete with certain workers in a rich country, restricting the mobility of workers from the poor country will reduce the supply of certain workers and keep wages for certain domestic workers higher than they would otherwise have been. However, the lack of competition for those jobs means that society as a whole loses out.

The losses to society are greatest when restrictions on immigration prevent workers from doing jobs for which there is little or no competition. In such cases the rich country will either do without the production that would have occurred or will redirect other resources to this task. For example, technological resources that might have been used to improve energy efficiency might instead be redirected to mechanizing agricultural harvesting. The end result is a net loss to both potential immigrant agricultural workers and those in the rich country whose resources are being used less efficiently.

The economic justification for restricting immigration is the same justification used by unions to exclude nonunion workers. To the extent unions are able to exclude nonunion workers from certain jobs, unions are able to achieve higher wages for a limited number of individuals at the expense of many others. The gains to the few union workers who receive higher wages are more than offset by the loss to those who are deprived of those jobs and to the rest of society, which suffers from the less efficient use of its resources.

Similarly, raising the legal minimum wage above its prevailing free market level rewards those few who are fortunate enough to receive the higher wages. It does so at the expense of those who are priced out of the labor market. Again, the end result is a net loss to society as workers who are willing and able to work are unable to do so.

Restraints on a free market for labor create inefficiencies that reverberate through the economy. Any restraint on the free movement of labor from one country to another reduces the efficient use of resources to both countries.

Moral Aspects of Immigration

The US Declaration of Independence states, "...all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness...."

Note that it does not distinguish between the Rights of those who happen to be citizens of the US and those who are not. Although there is a widespread tendency to believe that a country's own citizens deserve preference over all others, it's difficult to imagine that God views any country's citizens as more worthy than those of any other country.

One God-given obligation we all have is to help those in need. This obligation suggests that in addition to an economic argument, there is a moral argument against restricting the flow of immigrants. Those in poor countries have a greater need for the necessities of life than those in rich countries. Restricting immigration denies the poor of a means to support themselves and their families. If we believe we have an obligation to help those less fortunate than ourselves, removing restraints on immigration is simply the right thing to do.

The Issue of Illegal Immigrants

One of the more difficult issues in the immigration debate is what to do with immigrants who come to a rich country illegally. From a law and order standpoint the issue is clear—those who break the law should be punished. From a moral standpoint, the issue is not at all clear.

A person who is unable to find work and has to steal food to feed a starving family breaks the law. From a law and order standpoint he should be punished. From a moral standpoint, he has an obligation to his family that transcends the law.

Illegal immigrants who seek to improve their wellbeing and that of their families are in a similar situation. Moreover, to the extent that restrictive immigration policies in a rich country prevent a freely competitive labor market, those policies contribute to a greater discrepancy in certain wages between the two countries. By so doing, restrictive immigration policies in the rich country bear some responsibility for the extent of the discrepancy in wages between the two countries.

Solving the Immigration Conundrum

From an economic and a moral standpoint the ideal solution to the immigration conundrum is to raise living standards in the poor country as rapidly as possible to bring them closer to those in the rich country. To do so, the poor country should aggressively pursue classical economic policies, which consist of low tax rates, free markets, protection of private property rights and overall price stability. The rich country should pursue similar policies. This includes a liberal immigration policy that allows for the free flow of labor.

Some suggest that the US cannot afford to allow unrestricted immigration since it will create enormous stress on our infrastructure. However, in 2002 the US allowed roughly 1 million people to enter the US legally. This is the same yearly amount of legal immigrants that arrived in the heyday of US immigration from 1905-1915. The US population today is three times that of this earlier period. This suggests that the US could easily allow three times the current quota.

Today there are approximately 5 million people waiting for legal entry to the US. By allowing 3 million legal immigrants a year, waiting lines to get into the US are likely to disappear within a few years.

With no waiting lines to get into the US legally, the issue of illegal immigrants becomes moot. Moreover, ending the flow of illegal immigrants can improve domestic security. US border security could focus all their efforts on keeping out potential terrorists rather than have their attention diverted toward dealing with those seeking legitimate work.

Some believe that so long as Mexico's income levels are below those in the US, Mexicans will move here. This won't happen for the same reason that those with lower incomes in the certain parts of the US or in Puerto Rico choose to stay where they are.

In a recent article that appeared in the Wall Street Journal (April 11, 1006, p. A16), Michael Barone makes these observations:

...Mexico's birth rate has been plummeting over the past dozen years. And the experience of Puerto Rico suggests that Latin immigration will taper off when countries there reach an economic level far below our own. In the 1950s of "West Side Story," it seemed that Puerto Rican immigrants would take over New York City. There were no barriers to that migration: Puerto Ricans are U.S. citizens and there were cheap flights from San Juan to New York. But around 1961, when per capita incomes in Puerto Rico reached about 35% of the U.S. average, net migration from Puerto Rico to the

mainland tapered off to zero, where it has remained ever since. Incomes in Mexico are still well below that level. But at some point immigration from Mexico and other parts of Latin America will likely fall, as immigration from Germany and Britain and Ireland fell in the late 19th century as those countries' economies grew.

Eventually, pressures will build for the US to eliminate most restrictions on workers from other countries. We will do so as our population ages and immigrant workers are desperately needed to support a greater number of retirees. Allowing a greater inflow of immigrant workers today is better than waiting for such pressures to build. The second generation of today's immigrants would have greater skills and higher incomes than the first generation. Higher incomes would provide greater economic support to our retired baby boomers.

In terms of the immigration issue, economics and moral principles lead to the same conclusion. The best way for the US to help our neighbors to the south is to minimize restrictions on workers coming into the US. A free market for workers provides the quickest means of helping both those in Mexico who need work and those in the US who need workers. As in all other areas where free markets operate, the end result of a free labor market would be higher living standards on both sides of the border. In the case of immigration policy, as in so many other areas, doing the right thing also provides the greatest benefits.