

Comment on Borjas

by

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I should say at the outset that, much as I have found his empirical research on immigration into the United States to be a most useful and valuable addition to the many important contributions made over the years by US immigration experts such as the late Julian Simon and the pioneering researcher Barry Chiswick, I intend to express in a friendly and scholarly way my almost total disagreement with Professor George Borjas's analysis of the impact of immigration and, even more, with his views on immigration policy. I believe that my differences derive from several reasons, among them:

first, I started thinking and writing about immigration questions a quarter of a century ago and in the context of general equilibrium models that we trade theorists typically useⁱ whereas Borjas got into the subject much later and from familiarity with the labor economist's typical use of partial equilibrium tools instead;

second, the theorists and empiricists of immigration in the last quarter of a century considered a range of theoretical and policy issues (e.g. the conceptual question of how to define the social welfare function for a country in the presence of migrationⁱⁱ, the question of optimal income tax policy in the presence of international personal mobilityⁱⁱⁱ, or the differentiated modeling of migration depending on the kinds of skills involved^{iv}) which are missing from, and hence handicap, Borjas's analysis^v;

third, a sensible discussion of immigration policy requires in my view that the economic analysis both reflect, and be situated squarely within the context of, ethical and sociological analysis whereas Borjas typically ignores these aspects and hence is handicapped by his narrow focus;

fourth, like the late Julian Simon, I am strongly biased in favor of a relaxed view of immigration whereas Borjas inclines, I believe, towards a more cautious and skeptical, if not hostile, view of the matter; and

fifth, I find both morally unacceptable, and economically unconvincing, his view that we ought to favor skilled over unskilled immigrants.

Whose Welfare?

Let me begin with Borjas's definition of how we must evaluate the effects of migrants on US welfare. Borjas, unlike in his earlier writings, now distinguishes clearly, as we learnt to do in the 1960s^{vi}, between the welfare of the "migrants" and that of those already here (whether native-born or naturalized or legal and illegal aliens), i.e. "us". That is all to the good.

But he is wrong to argue that we in the United States must be concerned only with the economic effect on us. This is sociologically and ethically an untenable viewpoint. As I have long argued, whether one treats migrants' welfare as part of "US welfare" depends on the nature of the migration as also on the moral nature of our society. With permanent immigrants, it is likely that we will view their welfare as part of US welfare: after all, the immigrants are joining our society. On the other hand, it is perfectly possible that, especially with the temporary and the "yo-yo" migrants who move back and forth, as with the guestworkers programs of Western Europe, some societies may not think so (though, even here, recall the solidarity expressed by some German labor unions with the guestworkers, the gastarbeiters, in their famous slogan: ihr kampf ist unser kampf)^{vii}. With illegal immigrants, the willingness to consider the welfare of immigrants as part of social welfare may be even more tenuous (though I plan to explore that too below). Equally, it is possible, in an analysis that embraces both the sending and the receiving

countries, that the migrants' welfare will be considered part of neither country or as part of both countries' welfare.

Borjas therefore is wrong to think that the only plausible view to take is for our national economic welfare function to be defined purely on us and this, in turn, to be evaluated in terms of available goods and services as affected by the inflow of the immigrants. He considers that this is how Americans view immigration politically. I do not think so at all.

Thus, I believe that Americans, whose society has been uniquely formed by immigration, do have a morally-informed views on both which kinds of immigrants they would favor (thus implicitly indulging in interpersonal comparisons) and how immigrants must be treated, whether legal or illegal, once they are in their midst.^{viii} And, on both counts, disregarding wholly the altogether separate question of how different immigrants will affect "our" economic welfare, American are typically likely, even today, to show both decency and good moral sense.

Take the question of which kind of immigrants we would favor. Conduct a mental experiment. Assume that we have one immigrant visa to offer and there are two applicants: a skilled and well-heeled doctor and an unskilled and impoverished peasant. Banish all thoughts as to whether the doctor will add more to our economic welfare: it might help to think of either being settled sight unseen on a remote "paradise island" and being out of our lives before and after our choice. Whom would we then choose for the largesse? I have little doubt that most Americans would take in the peasant. That is what the Statue of Liberty is all about: taking in those whose needs are the greatest. In virtually ignoring this essence of American moral sensibility, Borjas unwittingly reduces the Statue of Liberty, with her outstretched hand holding the torch of liberty, to a monument instead to New York's subway rider with her raised hand holding on to the overhead strap as the train lurches along the labyrinthine tracks.

Nor does Borjas's focus on considering only our economic welfare come to grips with what I take to be the dominant American moral sense when he fails to consider also the immigrants' welfare once they are in our midst. In deciding how we should deter illegal immigration, for example, Borjas's focus would make us gladly put up with one or all of measures such as employer sanctions, the use of ID cards, deprivation of schooling for children^{ix} et.al. which are likely, almost certain, to propel the illegals in our midst towards an underclass status without access to many of the economic and social "goods" enjoyed by the rest of us. In doing so, he and others so inclined discount the fact that, as I have argued recently in the Boston Review:^x

"The explanation [of the American sense that we should "treat people who are here, whether native or naturalized or alien, with the basic decency that each of us owes to others"] lies in our history: the absence of an identity defined by shared memories that define "us" against "others", and a history of immigration that leads the culture to pride itself on ensuring chances for each and all. Our sensibility is offended at its core when we contemplate that any group, any individual, is denied fair access to the opportunities that our country offers. The notion that we can thus live alongside an underclass of humanity, denied access to social benefits and economic betterment simply because its members are illegal aliens, violates our fundamental sense of decency and morality."

I would even add that, in this regard, I have been struck particularly by a possible parallel between the way we wish to treat equally well all in our midst, and the absence in our culture of the Cinderella complex, the differentially advantaged treatment of one's natural over that of one's adopted or acquired children. I hazard the view, based on my casual observation of other cultures, that there is no particular opprobrium there in discriminating in favor of one's natural children, whereas in our culture, this is simply beyond the pale: all children, once in one's charge, are the same.

Economic Effects on Us

Having therefore rejected as indefensible for US immigration policy analysis the exclusive Borjas concern with “our” economic welfare, let me now accept this focus and still disagree with his analysis and conclusions. There are three main issues I wish to comment on.

1. Aggregate Income versus Income Distribution: Borjas seems to accept that immigration will improve our welfare, in the aggregate. [I find it difficult to see, however, why he is unwilling to put a figure on this gain, considering he shows no shyness in turning out estimates that require even more heroic empirical assumptions. Such empirical estimates would help define the empirical tradeoff between the income gain and the distributional problems that Borjas believes, but which I shall argue below to be implausible, to be the outcomes of current unskilled immigration, and hence also enable us to consider more meaningfully whether “compensation” to the damaged parties could be financed from the gains that the immigration brings.]

The problem is that, despite Borjas’s conviction that unskilled immigration, which has to be largely illegal immigration (which is almost exclusively of the unskilled) but also includes some who come in on the refugee entries and others admitted under the familial programs, affects the real wages of our unskilled workers adversely, I would maintain that this case is hardly proven. The original Mariel boatlift study of David Card had first indicated that the effect of the influx of roughly 100,000 Cubans into Miami had left the average wages unchanged. What had happened then to “diminishing returns”? There were two answers to this puzzle once the partial-equilibrium habit of mind was abandoned. First, the normal influx of other migrants into Miami and the efflux of Miami residents elsewhere could have adjusted to the Cuban inflow and offset it. Second, the Cuban inflow may well have left Miami within the Chipman-McKenzie diversification cone, killing the diminishing returns as we well know from general-equilibrium

analysis. By now, the labor economists are well aware of these possibilities. But their full import is not understood, in my view.

Thus, Borjas claims that the local effects in the states such as Florida, to which the unskilled and often illegal immigrants go, are masked by the net outflow of previous residents from these states, with the implication that the “problem” of adverse effect on wages is simply exported elsewhere, thus presumably is likely to surface there. But Francisco Rivera-Batiz has produced reliable refutation of this argument (based on reliance on shaky evidence from a sociological study): breaking down the outflow by skills shows (Table 1) that the states receiving the unskilled immigrants have largely experienced outflows of skilled residents. In itself, therefore, the failure to show serious adverse impact in the states of immigration on wages from the unskilled immigration cannot be explained away in the fashion Borjas seems to favor.

But Rivera-Batiz’s calculations suggest strongly that the diversification-cone argument may be the overriding reason why we have not observed the enduring and adverse impact anywhere on the wages of the unskilled here. For, it is obvious that the different labor markets around the country are connected, so that the diversification cone needs to be defined on more-than-local endowments. If it is defined over national endowments, and we reckon with the fact that capital accumulates at a rate more or less commensurate with the growth of the labor force (inclusive of all immigration) and of unskilled labor force by itself as well, all at the national level, it becomes harder to expect that the immigration we have observed to date can be a source of any noticeable adverse effect on the wages of the unskilled. If so, the Borjas concerns about income distribution are simply exaggerated, at best, and ill-founded, at worst. In either case, we ought to dismiss them from the public discourse.

2. Revenue Distribution: The income distributional implications can arise also in a different

sense which is fairly important, however. I believe that while there is some persisting disagreement whether immigration, on balance, leads to a drain on public revenues, the arguments going back well over a decade and raising a number of conceptual and measurement differences, there is general agreement that the Center tends to gain net revenues and the states of (immediate) immigration tend to lose them.

The problem then is that, even if the former gain dominates the latter loss, if nothing is done to compensate the losers, then the Governors of those states will have a huge political incentive to seek transfers by way of “compensation”. Failing that, they will try to turn immigration, and the “drain on their exchequers”, into a political issue. The competition for schools, health services will become an issue. In fact, I would venture to say that Texas earlier, and Governor Pete Wilson later, may well have chosen to go after truly offensive proposals to deny schooling to children of illegal immigrants as a strategic political ploy to bring the entire issue to center stage, rather than because they genuinely believed that this ought to be our policy. What this points to, of course, is that the Federal responsibility for revenue transfers must match the federal immigration policy: the state should not be left in the lurch.

3. Skilled versus Unskilled Immigration: Let me conclude with the Borjas preference for skilled migration. I have already said why it offends our moral sense about what types of immigrants we ought to prefer. But I am presently addressing the separate issue: which type of immigrant is better for us.

Here, if we assume that migrants earn the value of their marginal product, there is little impact on the rest of us, one way or the other. So, the answer must be: we ought to be indifferent among different levels of skills, on economic grounds. But that is where you get into the question of (uncompensated) externalities. Are these externalities to us greater from the skilled? As

skilled members of the elite, we are naturally disposed to vote for that proposition! But frankly, how do we know? I can readily imagine all sorts of externalities of importance from letting in a Haitian maid, or having her come in illegally, enabling women to go into the workforce in New York and yielding the social value of increased facilitation of female participation in the workforce. Again, unskilled immigrants who create economic opportunity for themselves in inner cities in all sorts of ways may well have a demonstration value for blacks who may otherwise take too seriously the notion, not entirely wrong of course, that the inner cities “lack economic opportunities” : this demonstration value itself is an externality, lifting enlightened black leaders from defeatism into hope and action. One could go on.

In fact, the whole problem with externalities is that, as we have known from the industrial policy debates, they are the first refuge of the scoundrels. That is entirely accepted by conservative economists, in particular. What I find ironic is that a conservative economist like Borjas, who doubtless is suspicious of arguments based on externalities, is only too happy to assert them when it comes to favoring the skilled migrants! I believe therefore that the growing fetish for the skilled immigrants is just that, and we need to look at it straight in the face for the morally unacceptable, and economically unjustified, prescription for changing our immigration policy that it is.

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ABSTRACT

This Comment disputes most of Professor George Borjas's claims on the effects of immigration and nearly all of his recommendations in regard to US immigration policy.

ⁱ There were important contributions in this literature by Harry Johnson, Herbert Grubel, Tony Scott et.al. For a synthesis and review of that literature, see Bhagwati and Rodriguez (1976).

ⁱⁱ I take up this question immediately below.

ⁱⁱⁱ There is thus a huge literature in public finance on this question. See, for example, Bhagwati and Wilson (1989), Bhagwati (1991), Wilson (1982a)(1982b), and Mirrlees (1982).

^{iv} Several theoretical models of professional migration and its consequences were developed by Koichi Hamada, myself and others in Bhagwati and Partington (1976), for instance.

^v It is perhaps indicative that Borjas's references are almost entirely to himself (a failing that I share) and a narrow set of his associates, suggesting disregard of not merely the earlier literature by Johnson, Grubel-Scott, Berry, myself, Hamada, Mirrlees and many others, but also of recent literature by Barry Chiswick, Harriet Orcutt, Kar-yiu Wong and many others.

^{vi} Again, the first to draw this important distinction was Harry Johnson. It then became standard in the formal discussions of the so-called "brain drain" that stimulated much of the theoretical and policy writings in the 1960s and 1970s.

^{vii} Translated, the slogan means: Their battle is our battle.

^{viii} Of course, Americans differ in what they think we owe to legal as distinct from illegal immigrants. Some, like me and Owen Fiss, the constitutional lawyer at Yale, would treat both alike, and pretty much the way we treat ourselves; but others would treat illegals less favorably. See the Symposium on "The Promise of Immigration" in the Boston Review, Vol.23(5), October/November 1998.

^{ix} Borjas himself does not approve of the deprivation of education for children. But he approves of nearly everything else, as far as one can tell from his public writings. E.g. see his New York Times op.ed. article, "Punish Employers, Not Children", July 11, 1996.

^x The Boston Review, op.cit., page 21.