

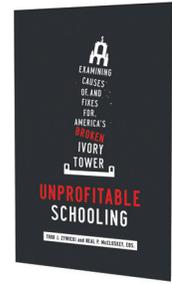
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# Cato Policy Report

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## Myths and Facts of Immigration Policy

BY ALEX NOWRASTEH

Each administration has a policy that dominates its tenure in office. For George W. Bush it was foreign policy; for Barack Obama, health care. For President Trump, throughout his campaign and his time in office, that dominant issue has been immigration. Today, the biggest gap between Republicans and Democrats on any policy issue is on how to deal with the problem of illegal immigration. Trump's preferred policy of halving legal immigration and increasing deportations is new to modern American politics. Indeed, in the latest Gallup Poll only 29 percent of Americans want to reduce legal immigration. The other side, which includes many Republicans and conservatives, wants to expand legal immigration and legalize some illegal immigrants.

Policy debate too often focuses on visible costs rather than the larger but less visible benefits. When it comes to trade, the impact of cheaper imports on older industries in the Midwest attracts disproportionate attention relative to the much larger benefits to other economic sectors, consumers, and regions of the country. When it comes to guns, the statistically rare mass shooting gets more attention rather than the far larger number

of crimes prevented by Americans with firearms. When it comes to immigration, concerns about wage competition, crime, terrorism, and cultural assimilation dominate the debate while the enormous benefits are largely ignored.

### FIRST PRINCIPLES AND HUMAN BEINGS

Starting with first principles is the best way to approach this issue. Devils lurk in the details, but one must understand the big

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Economists DINO FALASCETTI, GEORGE SELGIN, JIM DORN, JEFFREY A. FRANKEL, LAWRENCE H. WHITE, MICHAEL D. BORDO, SCOTT SUMNER, and WENDY LEE GRAMM, and former Cato and BB&T CEO JOHN ALLISON listen to a presentation at Cato's 36th Annual Monetary Conference.

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picture before confronting them. On the individual level, immigration is a voluntary series of exchanges between an American and a foreign-born person. An immigrant who rents property, sells his labor to an employer, and buys goods and services from other willing sellers is engaged in mutually beneficial economic exchange. Down the line, he could start a business, file patents, buy a house, and have American-born children who will also voluntarily exchange with other Americans.

Voluntary exchanges are positive-sum for the participants. Claims of exploitation are, except for slavery or other forms of involuntary servitude, often disagreements over the dollar amount of wages voluntarily offered and accepted in a market. The geographic location of the birth of the parties who voluntarily exchange goods and services is irrelevant to whether the outcome is positive-sum, for both the participants and society's total output. American institutions of private property, contract rights, and cultural norms iron out the rest of the details to such an extent that violence or other costly problems rarely arise.

Our analysis rarely ends with first principles because human beings and the world are complex. The effects of a market for loaves of bread are easy to analyze, but liberalizing the sale of labor across borders means that workers must move here. Unlike loaves of bread, those immigrants can bring bad things with them, such as crime, terrorism, and cultural beliefs and practices that are incompatible with a free society. These concerns are real, legitimate, and critical to understanding whether there actually are benefits to liberalizing immigration laws. Fortunately, crimes and terrorist attacks committed by immigrants are less common than media coverage might lead you to believe. One of the core functions of government is to protect our lives, liberties, and private property. A more restrictive immigration system will weaken, not strengthen, the government's effectiveness at fulfilling those functions.

“Immigrants of all skill levels expand the productive potential of Americans.”

### THE ECONOMICS OF IMMIGRATION

The wealth produced by immigration is vast and the potential of further liberalizations makes other policy reforms look rather minor by comparison. The median immigrant from a developing country can expect a fourfold increase in their economic output by working here. American capital, security, and freer markets make them that much more productive with virtually all of the gains captured by the U.S. economy. Economist Michael Clemens wrote that even small immigration liberalizations are potentially worth trillions of dollars in economic output as immigrants move from countries where they are unproductive to ones where they have tremendously higher output. He described that wasted opportunity as akin to leaving “trillion-dollar bills on the sidewalk.”

After they arrive, immigrant workers, entrepreneurs, and investors increase the productive possibility of the U.S. economy and currently account for about 11 percent of all economic output. Crucially, they do so with very little impact on the wages of native-born American workers. According to the most negative estimate in the peer-reviewed academic literature, immigrants increased native wages by 0.6 percent overall and caused them to fall for high school dropouts by about 1.7 percent from 1990 through 2010. Other estimates find similar overall wage effects for all American workers, but the wages of native high school dropouts rose by 0.6 percent. Immigration is the only policy where pundits argue heatedly over a price difference of 2.3 percentage points for the small number of American workers who are high school dropouts. Not every American worker in every occupation is untouched by immigrant wage competition, but immigration has an overall positive effect on the wages of Americans.

Immigrants also add to our economy by starting businesses and innovating. According to the Kauffman Foundation, immigrants are twice as likely to start a new business as native-born Americans. Large firms such as Google and Intel were cofounded by immigrants, but many smaller businesses are, too. In California, the large number of Hispanic low-skilled immigrants is reflected in the state's entrepreneurship figures: about half of the entrepreneurs are high school dropouts. Immigrants were 36 percent of New York City's population in 2011 but they owned 48 percent of that city's small businesses.

In 2006, about 24 percent of international patent applications from the United States had at least one noncitizen inventor. That high rate of patenting undercounts the patent contributions of immigrants by excluding those who became U.S. citizens, as highly skilled immigrants are wont to do. Economists Jennifer Hunt and Marjolaine Gauthier-Loiselle found that a 1 percentage point increase in college-graduate immigrants as a share of the population increases patents per capita by 9 to 18 percent.

Immigrants of all skill levels expand the productive potential of Americans directly and our personal family options. Immigrant child-care workers help boost the labor market participation of American women while also increasing their fertility, allowing Americans the option of fulfilling careers and larger families. Far from replacing us, immigrants help us multiply more than we otherwise would under an alternative legal regime of even tighter immigration regulations.

A larger American population is an economic blessing, whether it happens directly by the immigrants themselves and their children or indirectly through their positive impact on native fertility. The late economist and Cato Senior Fellow Julian Simon was known for his cornucopian vision of humanity which valued people as the ultimate resource. According to Simon, there are lasting economic benefits from continuous population growth that can overcome the scarcity

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“Western tradition is full of exhortations to welcome immigrants.”

of the natural world by boosting human ingenuity, discovering substitutes, and developing new technology all made possible by more human minds working together. And so, he concluded, immigration is also a blessing.

The current gains from immigration are small compared to what they could be under a more liberalized system. Potential immigrants and Americans are unable to take advantage of most of the voluntary exchanges available to them, leaving a vast economic potential unrealized simply because of our severely restrictive immigration laws.

### THE AMERICAN IMMIGRATION TRADITION

Our traditional open immigration policy and national mythology obscure just how restrictive the current U.S. legal immigration system is. Elizabeth Hull of Rutgers University wrote that, “With only a small degree of hyperbole, the immigration laws have been termed ‘second only to the Internal Revenue Code in complexity.’ A lawyer is often the only person who could thread the labyrinth.” There is no way to immigrate on a permanent basis except for those who are closely related to Americans or for the 140,000 skilled immigrants and their immediate family members, a small number of refugees and asylum seekers, and about 50,000 winners of the so-called green card lottery. The small number of guest worker visas for temporary jobs in agriculture or leisure industries is woefully insufficient and too regulated to substitute for the paucity of green cards.

About one million legal immigrants come annually, the same number as in 1910, when the United States had about 71 percent fewer people. Adjusting for the size of the U.S. population, annual immigrant flows today are only about one-fourth the per capita annual flow in 1910. Altogether, about 13.7 percent of residents in the United States today are immigrants, according to the New American Community Survey data for 2017. If this legal system existed during the first century after the signing of the Constitution

then far fewer of us would be here today.

Public belief about the current state of our immigration laws bears almost no relation to reality. I gave a speech several years ago in Arizona where an elderly woman came up to me afterward and said, “Why don’t illegal immigrants go to the Post Office to register and become legal?” During our conversation, she revealed that she thought the Ellis Island system of open immigration was still in operation and that it was simple to legally immigrate to the United States except for criminals, national security threats, or those who were ill.

With such an incorrect belief about the state of the law, no wonder she was so worried by illegal immigrants! After all, if it was easy to come legally or to legalize after arriving, then only those who had something nefarious to hide would refuse to do so. The saddest part of my job is explaining to people like her that Ellis Island closed long ago and that it is impossible for most immigrants who would want to come here to do so legally.

Our immigration laws contrast sharply with our image of America as a land of immigrants. The notion that “anybody can become an American” is deeply ingrained in our culture but not in our policy. Former president Ronald Reagan was fond of quoting a letter he received that described the result of our cultural and historical openness toward immigration that read: “You can go to Japan to live, but you cannot become Japanese. You can go to France to live and not become a Frenchman. . . . Anybody from any corner of the world can come to America to live and become an American.”

The tens of millions of immigrants who have arrived over the course of our nation’s history have produced a country where we

don’t define membership by blood, race, or ethnicity. Indeed, the sheer diversity of our country would make such a standard ludicrous. Openness to immigration and the belief that anybody can become an American if they believe in certain principles is itself an important component of our culture.

Our cultural openness to immigration goes even further back than the early decades of the United States. Hillsdale College history professor Bradley J. Birzer wrote that “it is nearly impossible to claim that there is a long tradition of excluding those who ‘aren’t us’” through immigration restrictions. Western tradition is full of exhortations to welcome immigrants, from the commands of Zeus in Homer’s *Odyssey* to the Bible, and the most successful civilizations were always the most open in this and other respects. Athens allowed guest workers and occasionally naturalized large groups of foreigners. Rome filled its legions, the ranks of the Senate, and even the Imperial residences with the descendants of immigrants who became Roman citizens. Roman strength of arms conquered much of the known world, but Roman naturalization, immigration, and assimilation policies cemented its rule for centuries.

The authors of the Declaration of Independence complained that King George III “endeavoured to prevent the Population of these States; for that Purpose obstructing the Laws for Naturalization of Foreigners; refusing to pass others to encourage their Migrations hither.” The American colonists were upset that immigration was unduly restricted and that naturalization laws made it difficult for them to buy land and be productive in their new home. After the creation of the United States, we had essentially open immigration until the Chinese Exclusion Act of 1882. Our government’s turn against legal immigration is a relatively recent one that contrasts mightily with our history and heritage.

### THE COSTS OF IMMIGRATION

The murders of Kate Steinle and Mollie Tibbetts by illegal immigrants were ghastly

crimes. Every murder is a tragedy, but it feels worse when the murderer was not supposed to even be in the United States. Nobody can read about these crimes and not feel anger and disgust toward an immigration and law enforcement system that could have prevented these crimes from happening in the first place. Crimes like these tear at our hearts, and need to be minimized and the perpetrators punished to the fullest extent of the law. But we also need to compare the costs of these infrequent tragedies to the benefits of immigration.

Immigrants are less likely to be incarcerated than native-born Americans, are less likely to be convicted for crimes, and are less likely to be arrested—all results that have held for about a century. This even extends to illegal immigrants who, based on detailed conviction data from the state of Texas in 2015, have a 50 percent lower criminal conviction rate than native-born Americans. In the same year in Texas, the legal immigrant criminal conviction rate was 66 percent below that of natives.

Critics also blame immigrants for terrorism, but the risk of being murdered in a terrorist attack committed by a foreign-born person on U.S. soil was about one in 3.8 million per year from 1975 through 2017. It is important to continue to vet immigrants and other visitors for crime and terrorism. From 2002 through 2016, only about 1 in every 29 million visas issued by the U.S. government went to a foreign-born person who was radicalized *before* coming to the United States. The terrorist threat is real, small, and largely kept at bay through the current vetting procedures in the American immigration system.

Cultural change or the perceived lack of immigrant assimilation is at the root of much opposition to immigration. From our individual perspectives, assimilation into American culture appears nonexistent because we hear different languages every day on the streets of American cities, see different clothes, smell different foods, and it does not appear to diminish year by year. Assimilation moves slowly and almost imperceptibly over multiple

“Benjamin Franklin was especially worried about the Germans.”

generations, just as was the case in the 19th century. The good news is that today's immigrants, their children, and grandchildren are about as assimilated into America's culture and economy as were those a century ago. Economist Jacob Vigdor even noted in one study published by the Free Market Institute of Texas Tech University, “Basic indicators of assimilation, from naturalization to English ability, are if anything stronger now than they were a century ago.”

Multiculturalism or other left-wing cultural movements aren't currently weakening assimilation, but they could if two other facts change. The first is that the public schools would have to become effective at teaching these ideas—and they have a hard-enough time teaching children to read as it is. There is no evidence that government attempts to encourage assimilation in the early 20th century worked, and some evidence that they actually backfired and slowed assimilation, so it's unlikely that government attempts to do the opposite would succeed today. The second is that modern multicultural groups would have to be more effective than those in the past. I have attended large meetings of La Raza and they were conducted in English—and that was before they changed to the less polarizing name of UnidosUS, another sign of assimilation into mainstream American culture. They are tame compared to the ethnic lobbies of the past.

The Knights of Columbus was a charity, mutual aid society, fraternal organization, and powerful ethnic lobby in the early 20th century that pushed to create the new holiday of Columbus Day to honor Italians, the largest new immigrant group at the time. From its first celebration by Italian immigrants in New York in 1866 to today, Columbus Day

has been a point of ethnic pride for many Italian Americans. American conservatives who are most opposed to the corrosive effects of multiculturalism today defend Columbus Day against a modern multicultural lobby that wants it abolished. And that point of ethnic pride is minor compared to the National German-American Alliance in the late 19th and early 20th centuries that actively *opposed* assimilation and learning English.

Immigrant ethnic lobbies were prominent even during the Founding era. During the first congressional elections in 1788, Germans in Pennsylvania demanded representation in proportion to their percentage of the population. Nobody made legal changes to ensure ethnic representation, but enough candidates were German to satisfy that important constituency. Benjamin Franklin was especially worried about the Germans and he was not pleased by political attempts to appeal to that ethnic minority. He wrote, “Why should Pennsylvania, founded by the English, become a Colony of Aliens, who will shortly be so numerous as to Germanize us instead of our Anglifying them, and will never adopt our Language or Customs, any more than they can acquire our Complexion.” Had Franklin lived longer, perhaps he would have seen that German immigrants and their descendants assimilated well and defended so many of the freedoms that the Founding Fathers fought for. German Americans reemerged frequently as a voting bloc throughout American history to oppose slavery, anti-Catholic laws, anti-immigrant movements, and legislative efforts targeting their freedom. Today's immigrant groups and their American-born children engage in the same activities and American political parties treat them in the same way.

It is a testament to the universal appeal of the values of the American Founding, expanded over time, that so many individuals of so many different origins can describe themselves as American even though many also add an ethnic, religious, or cultural

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“Trump as Destiny: Why a Reality Show President Was Inevitable”

## Intern Alumnus Makes Case against Superhero Presidency

In November, Cato hosted the special premiere screening of *Trump as Destiny: Why a Reality Show President Was Inevitable*, a new short documentary created for We the Internet TV by former Cato intern and filmmaker Rob Montz. Gene Healy, vice president of the Cato Institute, hosted the screening and after-film discussion. Healy was also interviewed throughout the film, which builds on many of the themes of Healy’s 2008 book *The Cult of the Presidency: America’s Dangerous Devotion to Executive Power*.

Through this fast-paced documentary aimed at young online audiences, Montz lays bare a dynamic that is often an unremarked background assumption of American politics: the messianic, all-encompassing obsession with the presidency. As a cultural phenomenon, presidents have placed themselves firmly at the constant center of attention. On policy matters, presidents have usurped vast powers from the legislative and judicial branches. The office has become exactly what the Framers hoped to avoid: an elective monarchy occupied by demagogues with nearly unlimited power.

Presidents of both parties have spent most of the past century holding themselves out as a combination of national entertainment figure and strongman savior. Instead of “characters pre-eminent for ability and virtue” as envisioned by Alexander Hamilton



Former Cato intern ROB MONTZ narrates his film *Trump as Destiny*, outlining the history of the imperial presidency and how chief executives have long used the office to manipulate public opinion.

in *Federalist* no. 68, the office has become tailor-made for celebrities with dubious qualifications. It was only a matter of time, then, before a pop-culture celebrity claimed the office with a focus on the performative aspects of the modern presidency. In this understanding, the current chaotic administration is less of a break from tradition and more of an inevitable culmination of presidential aggrandizement from FDR to Obama.

Cato’s internship program is highly competitive, and interns work closely with policy

scholars in their assigned departments. All interns also complete an intensive seminar program covering both professional development and libertarian policy perspectives. Many former Cato interns have gone on to successful careers in public policy advocacy, and the institute is always pleased to showcase the results of its investments in the next generation of liberty advocates. ■

**TRUMP AS DESTINY CAN BE FOUND ON WE THE INTERNET TV’S YOUTUBE CHANNEL, AND THE DISCUSSION WITH ROB MONTZ AND GENE HEALY CAN BE VIEWED ON CATO’S WEBSITE.**

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identifier. The specific additional identifier used may seem very important today but will lose meaning to future generations as the inexorable friction of assimilation, intermarriage, cultural change, and the constant addition of new identifiers supplants the older ones in importance. Such is the pattern of assimilation in the United States—yesterday, today, and by all indications, tomorrow.

### APPRECIATING THE BENEFITS, CUTTING THE COSTS

The government should focus on reducing the risks of crime and terrorism committed by immigrants, but we should not let such a focus blind us to the enormous gains from immigration and the need to expand them. Our restrictive immigration laws contrast sharply with American traditions and limit our ability to benefit from the voluntary

and peaceful movement of people across borders. American culture is globally dominant, and our freedom and prosperity are still hailed as models for others. We should make it easier for people to come here legally. For that to happen, it would be helpful if media coverage focused less on real but rare problems and more on the broad benefits of immigration to our economy and society. ■