

Downside UP

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Immigration, Part II Globalization: Cause, Consequences, and Cure

Immigration as we understand it today didn't really exist in Europe until well after the 14th century as newly created nation-states gradually developed defined borders and passed laws governing the crossing of those borders. Large areas of Europe after the great plague of the 14th century had more wolves than people. In Europe and elsewhere, boundaries among principalities and tribes were general. Many groups of people were nomadic and others moved within regions and from season to season. Warfare was about resources, including the capture of slaves, more than borders. Most people other than merchants and warriors, rarely, if ever, left their villages and if they did, only for very short trips. "Immigration," such as it was, referred to no more than movement from one place to another not a change in what we would call nationality.

"Migration" better conveys the meaning of what movements of people have been about not only in the past but the present. Celts came from Central Asia thousands of miles to populate much of Western Europe – England, Scotland, Wales, Ireland -- and ultimately the English colonies. Mongol "hordes" came from even further east. Both of these groups from east of the Caucasus Mountains dividing eastern and western Russia were "Caucasian." Their ancestors it now appears may also have gone east to the Americas, preceding the migration of darker-skinned Asians who came to be called "Indians" and we know as the original peoples of the Americas. They were joined later by great movements of people from Africa and different parts of Europe.

These movements of people were massive, global, and driven by cataclysmic changes in both the natural and human environment: ice ages, global warming, drought, persecution, poverty, revolution, war, and famine. Today, Americans' vision of immigration is of individual people seeking freedom and opportunity. We point to the – in fact relatively well-off -- Puritans who came to establish not freedom of religion but an established religion in a Puritan state. Our Immigration Reform Act of 1965 originated the concept of selective immigration, giving preference to the already skilled and well-educated. But these people have always been small in number compared to the great migrations. Up until 1965, the Canadian and Mexican borders of the United States were both wide-open; for my great, great grandfather, emigration from Nova Scotia to Boston may not have seemed much different from Nova Scotia to Toronto. No one knew nor cared about it either way.

As told last month in part I of this two part series, the real story of US immigration is the story of growing efforts to hold back the waves of "undesirable" migration driven by all the same causes that have always driven it. The Irish fled English exploitation and famine. Jews sought escape from pogroms and poverty. The Germans fled

revolution. Chinese, Poles, Italians, Norwegians, and Greeks sought escape from poverty. Africans were brought over as slaves to be exploited. All came in the tens of thousands, hundreds of thousands, and millions. All faced mixed responses, some Americans seeing the newcomers as an economic or political opportunity, some fearing their religion, their nationality, their race, or their threat to jobs. Only Africans came entirely against their will. Rarely did it have anything to do with legal niceties, personal freedom, or skills and education.

The Immigration Reform Act of 1965 was a step forward in that it eliminated the openly discriminatory policies of the 1920's favoring Northern and Western Europeans. But it too was just as irrelevant to the massive migration of our day. Apparently, at the time, neither Republicans nor Democrats thought the new law would have a big impact on the numbers or distribution of immigrants. They were wrong about the distribution – it soon changed from 90% European and 10% other to 10% European and 90% other – but the numbers did not soar. Not until the 1980's did the migration begin to explode and only in hindsight could we know that it would skyrocket even more in the 1990's and 2000's, much of it would be illegal, and most of it would come from Latin America.

In 1986 and after, new laws were passed to control illegal immigration through sanctions on employers, to legalize most illegals who had resided in the country since 1982, and to create a new classification of seasonal agricultural worker. But still they came. Legal immigration to the United States grew from some 300,000 per year in the 1960's to about a million by the mid-2000's. Out of the 35 million immigrants, legal and illegal, living in the United States in 2005, 10.8 million, or 31%, came from Mexico, and another 23% from Central/South America and the Caribbean. Some 6 million more, or 18%, came from East Asia and 13% from Europe. Mexican immigration grew from 2.2 million in the 80's to 3.8 million in the 90's and added another 2.8 million just between January, 2000, and March, 2005.

It is no wonder that many Americans perceive immigration, and especially illegal immigration, as out of control. But ignorance is no excuse for bad policy and no good policy will ever come from bad analysis of causes. The immediacy and dimensions of recent immigration since 1980 have diverted attention from the fact that what we are looking at is yet another massive migration driven by much the same causes as the great migrations of before. Laws probably won't work for the same reason they have not worked in the past. Militarization of the border, even with a 2,000 mile fence, might work but I wonder at the consequences. What's missing is a sound analysis of the economics of immigration, not only its long-standing causes – drought, persecution, poverty, revolution, war, and famine – but also its actual consequences for jobs, wages, economic investment, and government expenditures.

The argument of part II of this series on immigration is that the consequences of massive immigration, including illegal immigration, are nowhere near as negative as generally assumed, even for lower class Americans, and the causes result from the upheavals of "globalization," the so-named transformation, over the past two to three decades, of the world's economic order. Under the guise of what the major industrial powers would have us believe is "free trade," globalization has destroyed jobs in some places while creating them in others, forced general wage levels down, and distributed worldwide wealth more and more unevenly. It is no coincidence that massive immigration out of Africa and Asia to Europe, and out of Latin American and Asia to the United States, has occurred at the same time as globalization. Far from

an unrelated event, migration is a predictable market response to an unfair and distorted world trade regime as well as a major market balancing factor in the new world economic order.

The immigration "problem" will be solved by neither political grandstanding nor a militarized Mexican border. Resolution will require a systematic change in world trade rules to (1) abolish agricultural and other subsidies in the industrialized countries, (2) protect farmers, labor, and small businesses worldwide, (3) affirm cultural values affected by trade, and (4) organize markets in some glutted economic sectors. There will be no resolution so long as only the rich and powerful write the rules and capital takes precedence over labor. A fairer system can be created. The rules would be no more complex than those now being written to balance the interests of different sectors of capital. What is required is a whole lot less hypocrisy and the will to do better.

Wages, Jobs, and Social Costs

Between grandstanding political parties, fear-mongering media, and racially tinged fears about Mexicans, sober examination of facts and assumptions has been notably absent even from the print media. Liberals and progressives seem as ready as conservatives to assume that immigrants depress wages, take jobs from Americans, and cause social expenditures to arise. Some progressives may still oppose severe restrictions on immigration but only because conservatives often sound so racist in their opposition to immigrants and desperate people tend to engender a lot of sympathy from liberals.

Liberals need not necessarily fall back on their bleeding hearts! As far as wages and jobs are concerned, the evidence is a mixed bag and the conclusion no slam dunk. Basically the wage and job controversy revolves around the work of three professors, two taken up by the immigration-is-bad side and one by the immigration-is-good/not-bad side.¹ The two taken up by the immigration-is-bad side are George Borjas and Lawrence Katz who, without intending to be on any side, have argued that the major negative impact is in a reduction of 7-8% in the wages of high school dropouts. Yet, when the data is parsed and analyzed, their conclusions are not that different from those of the leading immigration-is-good economist, David Card, who finds that "the influx of foreigners in recent decades has had little effect on the wages of unskilled U.S. workers."

There are a number of explanations for this conclusion: (1) There is no apparent correlation between illegal immigration and hourly wages of high school dropouts. In California with 7.5% of its population illegal immigrants, these wages fell 17% between 1980 and 2004, but in Ohio with only 1% of its immigrants illegal, high-school dropout wages fell 31%. For high school dropouts, stagnation in the country's minimum wage is a far greater problem than illegal immigrants. (2) The long-term decline of manufacturing jobs and unionization has contributed far more to the decline in average hourly earnings. Although this could be attributed to cheap immigrant labor, it could equally well be attributed to the massive importation of cheap goods from low wage, non-unionized countries. (3) Statistically, the number of people without any college education, including high-school dropouts, has fallen so

¹ For facts and quotes in this section, see Nell Henderson, "Winners and Losers in the Short Run," The Washington Post National Weekly Edition, April 24-30, 2006, p. 21; Eduardo Porter, The New York Times, "Cost of Illegal Immigration May Be Less Than Meets the Eye," April 16, 2006, section 3, page 3; Catherine Yang, "The Economic Case for Legalizing Illegals," Business Week, May 8, 2006, p. 43

sharply that there are many fewer Americans affected by poorly educated illegal immigrants.

In the end, the effect of immigrants on American jobs and wages, might, according to many economists, be zero.

If the wage problem makes intuitive sense but is in fact not so clearly the problem it is thought to be, the totally non-intuitive effect of immigrants on jobs is an even greater surprise. The fact is that "certain businesses would not exist in the United States without cheap immigrant labor." Some 24% of US agricultural workers, 14% of construction workers, and 9% of manufacturing workers are undocumented workers.² The availability of immigrants for the Nebraska poultry industry "made companies realize that they had the personnel to expand. So they invested in new equipment, generating jobs that would not otherwise be there." In California strawberry patches, illegal immigrants are "not competing with native workers; they are competing against pickers in Michocan, Mexico." If we didn't import workers, we would be importing more strawberries. This kind of "import substitution" of workers enables the United States to retain more management jobs, increasing the income of more educated American workers.

All of which highlights recent events in Georgia where the governor, on April 17, signed into law one of the toughest anti-immigration laws in the country.³ It requires state agencies to verify the legal status of all applicants for public services, and, like the 1986 federal law, targets employers. The Georgia law prohibits state contractors from hiring illegal immigrants and eliminates most state tax deductions from any company that hires them. Yet, once again, the immigrant question is a multi-edged sword. Georgia is also the home of Mohawk Industries, the \$6.6 billion carpet maker with 26 Georgia plants and 4,000 mostly Hispanic employees in Gordon County alone.⁴ As in the poultry and strawberry industries, the availability of low-wage labor, legal or illegal, is a key factor in keeping costs low enough for the employer to keep the business in the United States. Investment based on those workers, however poorly paid, generates money in the economy which enables far more workers to be employed not only in that industry but the many other businesses which serve the industry and its workers – from suppliers of raw material to grocery stores to home building.

Finally, it is simply not clear that immigrants, legal or illegal, use a disproportionate share of social resources, especially health care. On the one hand, illegals shy away from all contact with government agencies, including those which would help them, fearing that they will be deported. On the other hand, "more than half of the estimated seven million immigrants toiling illegally in the United States get a regular paycheck every week or two."⁵ They fill out W-2 forms, have a special ID for foreigners to pay taxes, and pay taxes. They pay sales taxes. If they don't have health insurance, it doesn't mean they get such a disproportionate share of health

² Estimated in a March 8 report by the Pew Hispanic Center (Brian Grow, "A Body Blow To Illegal Labor?," Business Week, March 27, 2006, p. 87)

³ See Coleman Cowan and Brian Grow, "Taking Matters into Their Own Hands," Business Week, May 1, 2006, p. 64

⁴ Brian Grow, same, p. 86-88

⁵ Eduardo Porter, "Here Illegally, Working Hard and Paying Taxes," The New York Times, www.nytimes.com, June 19, 2006.

care resources when 50% of all Americans lack health insurance. In states like Florida or Washington with no income tax, immigrants will pay just as much in state taxes as any other resident. Regularly employed immigrants also pay Social Security taxes which help support a system where older workers are an increasing percentage of all workers. By the logic of this reality, we should encourage more of them! Their initial ID may be fake but their money is real.

Racism and Reality

I hate to use the word "racism" or "bigotry" again to apply to what is going on right now with all the furor over immigration. But, as it was in the 19th century, what is going on now is surely at least heavily tinged with hostility to the people who are the immigrants, not just their alleged threat to wages and jobs. Many people are not reacting just to immigrants in general; they are reacting to Hispanic and especially Mexican immigrants.

The citizen campaigner featured in Business Week's article on the new Georgia law complained about the "all-night parties and cluttered front yard of the Mexican family that until recently lived – *illegally, he believes* [emphasis added] – across the street" from him. An April 17 anti-immigrant rally in Atlanta included signs such as "Hola Georgiafornia, Adios Borders." And even a friend upset about spending too much money on illegals while the elderly get stuck with the botched Medicare drug bill phrased her feelings as "we must really dislike our old people or really love tacos."

Reality is that the difference between the massive wave of legal immigrants of the past and the illegal immigrants of today is not much.⁶ The earlier immigrants were perceived and complained about as "inassimilable" people who did not understand democracy, refused to learn English, were only seeking economic advantage, and lived in filthy slums – like they had a choice. It is true that some learned English more slowly, most lived in national enclaves, some moved only slowly up the socio-economic ladder, and Italians and Greeks, most notably, returned in large numbers to their homelands. But the children of immigrants were quick to learn English, they led the way out of the enclaves, their rise up the socio-economic ladder was slow in large measure because of discrimination, and the Italians, Poles, and Greeks slow to rise were, like the Mexicans of today, largely rural people who stressed hard work over education.

I am struck by the reproduction of this pattern in my own community where the very hard-working and much respected Hispanic supervisor of the landscaping crew, born of Mexican parents, says, and pretends, he speaks little Spanish but, in the crunch, speaks as necessary to his equally hard-working Mexican and Central American contract employees. Only when it was often too late did descendents of immigrants wish they had learned more of the old language and talked more with their grandparents about the old days.

It is very important as well to understand that Ellis Island was far from the fine sieve portrayed in movies, novels, and the popular imagination. In fact, 98% of the immigrants who arrived at Ellis Island were admitted to the United States – 16 million of them between 1882 and 1922 -- and 78% spent less than eight hours there. The United States did not require a passport until 1918. All you had to do was prove your identity and have a relative or friend vouch for you. When, late in

⁶ For some of the following see Michael Powell, "Echoes of Our Past," The Washington Post National Weekly Edition, May 15-21, 2006, p. 29.

the period, a "literacy test" was administered, it was in the language of the immigrant! Anti-immigrant forces would have us believe there is a huge difference between today's "illegal" immigration and the "legal" immigration of the past, as if the latter was somehow morally superior. In fact, the distinction is immaterial; the migration is the same, and legal only because everyone was legal.⁷

Reality is that building a militarized wall is no more a solution than enlisting employers to screen out illegals. The 1986 reform law tried to put the burden on employers to verify legal status and only employ legal residents and citizens, but ended up with a de facto business boycott of the law. Employers were unwilling to bear the cost of enforcement even if the government had had the funds to do its part. In 1999, only 417 notices of intent to fine employers of unauthorized workers were issued. In 2004, only four were issued.

Today, only 2,900 to 6,000 out of 7-8 million employers participate in a voluntary pilot program for employee verification, and out of 73,000 cases referred to the U.S. Citizenship & Immigration Services (USCIS, formerly Immigration and Naturalization), one third required officers to investigate.⁸ Not only is the program fraught with errors, the labor power required to extend it to all employers and all new employees would probably cost enough to cover health care for all the 50% of US residents without it! A new bipartisan plan attempts to simplify verification but history suggests it is just as unlikely to succeed.⁹

As for walls, it was amusing but pathetic to read of Senator Jeff Sessions' May 17 Senate speech missing the irony of Robert Frost's famous phrase, "Good fences make good neighbors." Sessions was trying to make exactly the opposite point from that Frost was making in "Mending Wall." The telling phrases in Frost's poem make exactly the point I would make: "Before I built a wall I'd ask to know/What I was walling in or walling out,/And to whom I was likely to give offense."¹⁰ Building a wall is both hypocritical and an abhorrent symbol for Latin Americans and the world.

Fortunately, according to a poll taken by the Pew Research center for the People and the Press, the American people are as uncertain as the politicians are: 52% think immigrants are a burden because they take jobs and housing; 41% think they strengthen the country with their hard work and talents; 53% think illegal immigrants should be sent home; 40% think they should be allowed to stay.¹¹

In the end, the US immigration "problem" looks much like its "drug problem." At the turn of 20th century, marijuana, heroin, and cocaine were generally legal, far less of a social problem than alcohol. Then the country made them illegal, to the end that some people could make lots of money growing and selling the drugs and other people would rob and kill to get the drugs. Rather than make them legal again as with alcohol, our governments – at all levels – have spent trillions of dollars trying to

⁷ Powell, "Echoes"

⁸ Brian Grow, same, p. 88 and Griff Witte, "An Imperfect System," The Washington Post National Weekly Edition, May 29 – June 4, 2006, p. 13.

⁹ Aaron Bernstein, "Hiring Illegals: Inside The Deal Ahead," Business Week, May 29, 2006, p. 35.

¹⁰ (Complete Poems of Robert Frost, Holt, Rinehart, Winston; New York; 1949; St. Augustine Record, May 18, 2006, p. 5A)

¹¹ Business Week, May 1.

get other countries to stop making their most profitable export and put in jail people who, if they could get drugs legally, would not commit violent crimes.

So with immigration, all the United States and Europe can think to do is address the symptoms of a distorted so-called "free market" globalization which they themselves created. In response to massive and illegal migration out of the third world – Latin America, Asia, and Africa – they ignore causes and criminalize the response, beefing up the police and military.

Globalization and the Immigration Explosion

A recent article by Joel Millman in the Wall Street Journal (May 8, 2006, p. 2A), at least recognized a relationship between migration and economics but without understanding what is really going on. Millman ends up calling it a paradox that the more countries expand their economies under so-called free trade agreements, the more its people emigrate to the United States. His data is interesting. He shows that the Mexican economy, for example, is growing but growing too slowly and the wage gap between the United States and Mexico is increasing. He argues that Mexican workers are gaining experience and skills in manufacturing in their own countries but that only makes them better prepared and more interested in emigration to a higher wage country.

Citing a March, 2006, report from the Heritage Foundation, Millman tries to resolve his "paradox" by assuming that the 1994 North American Free Trade Agreement (NAFTA) is a positive influence and the solution to the immigration problem is therefore more of the same. Specifically, he talks about the growth of the garment industry in Mexico. What he does not see is that that growth is but a later phase of the same pattern which earlier impelled the industry to move from the unionized, high labor-cost North to the non-unionized, low labor-cost South.

Millman does not see how globalization of agriculture and increased capital investment has enabled agribusiness investors from both Mexico and the United States to mechanize small farmers out of work and out of markets. He does not see how the United States has perverted the meaning of free trade by handing out \$20-30 billion a year in farm subsidies to corporate farmers who then undersell small Mexican farmers in their own country. He does not see how NAFTA put hundreds of thousands of small Mexican businesses into bankruptcy by removing Mexican tariffs on imports of US manufactured goods. He does not see that in agriculture especially, free trade is not "free" and while there is economic growth on both sides of the border, the overall benefit goes to capital at the expense of most workers in both countries.

What's actually happened -- and is happening -- in Mexico is hundreds of thousands – millions – of small farmers and small entrepreneurs can no longer make a living in the way they have always made a living. Some have gone into the Mexican automobile industry and are doing pretty well by Mexican standards. Others have gone into the garment industry which, after shifting from the US South to Mexico, is now shifting from "high-wage" Mexico to low-wage Asia. This is not like industrialization in Europe and the United States in the 19th century. Then, small farmers and laborers were forced off the land into cities where booming agriculture, booming populations, and booming industries worked in synchrony. Expanding agriculture fed the people thrown off the land and those people simultaneously filled the factories out of which goods were sold either, as with early industrial England, without competition in the absence of any other industrialized country, or, as in the

United States and other countries, protected by sky-high tariffs. The newly industrializing countries of Europe and the United States sold their goods to undeveloped countries around the world; they didn't have to compete with them.

It is the distorted free trade system created by the major industrialized countries which is driving the massive immigration. First world countries selectively protect and subsidize certain production in certain countries. Multi-national corporations, free to invest as easily in Bangladesh or China as in Mexico or the United States, easily move their capital to where they can make the most money. They win. Those who own and run the corporations win. There is economic growth. But growth is not shared equally across societies. Millions are thrown into subsistence labor or completely out of work, inducing massive migration. Until the system is changed to give the underdeveloped world a broader-based share of the benefits of globalization, there will be no end to the migration.

Free Market Baloney

Tell me why the free flow of capital to Mexico is good and the free flow of labor from Mexico is bad. Tell me why it is so bad for all these immigrants to behave in a perfectly market-based way. They want to leave a place where, even if they can find a job, it pays poorly, and come to the United States or Europe where they can earn more money and even send money home to support their families. When garment industry jobs were moving from Massachusetts to South Carolina, corporations and governments railed on workers for not being willing to move to where the jobs were. But in response to the migration of foreign workers, state legislatures pass laws against illegal immigrants, and a supposedly market-loving Congress and President frantically conjure up so-called solutions to stop market-based behavior.

Nothing like this happens when giant corporations close down factories and fire all their workers. Nothing like this happens when companies move production abroad or decide to import goods from China instead of buying them in the United States. Recently there has been some public wringing of hands about outsourcing computer software development, finance, and consumer support jobs to India. IBM's outsourcing of jobs to India grew from 9,000 to 43,000 in the past two and a half years.¹² The more technical of these jobs replace some of the highest paid American jobs. But nothing is done. Many of us remember when Wal-Mart boasted of all its American-made products: even then it was a lie and now they don't even claim such a thing. Yes, it is popular in my household and lots of others to dump on Wal-Mart but the only law I know of dealing with the Wal-Mart problem is Maryland's requiring large employers to pay more of the cost of health insurance. Heaven forbid we should raise the minimum wage to what was its real value in 1970.

All these corporate actions eliminate jobs -- not just low-wage jobs but good factory jobs and now very good high tech jobs with benefits and everything. To use the language of the anti-immigrant movement, they are "taking away American jobs" except this time it is wealthy corporations doing it not impoverished farmers, agricultural laborers, small business people, and factory workers desperate to meet the basic needs of their families. As for the cost to public services, the loss is enormously greater with these good jobs than the low wage jobs immigrants are alleged to take away from workers already dependent on public services. Middle class Americans are thrown on public assistance and our jury-rigged health care

¹² Steve Hamm, "Big Blue Shift," Business Week, June 5, 2006, p. 108.

system. Even when workers aren't fired (yet), corporations are busy taking away their health care and pension benefits, throwing those costs onto government programs already stretched by tax reductions. Wal-Mart alone accounts for one of the largest groups of workers on Medicaid. No frantic presidential and congressional demands for action when these things happen.

We all know why. Part of the reason is the fact itself of "aliens" coming to our land. But the fundamental reason is that corporate interests trump worker interests. The interests of ordinary people, even fairly well-off ones, don't count in our society these days. Just as requiring employers to screen workers for legal residency has not worked in the past, it will not work now. What we get is massive corporate civil disobedience – violation of the law -- and no one blinks an eye.

Much or all of the mess derives from the distorted implementation of so-called "trade liberalization" instituted around the world over the past few decades by the major industrial powers and their corporate regents. The problem is that what we have seen is not the "free trade" which the United States and Western Europe pay lip service to but expanded trade, expanded markets, and globalization, which serve the interests of the already rich and powerful. They demand that the third world open its markets to capital investment and manufactured goods but give huge tax breaks to corporate exporters of both.¹³ The wealthy countries spend billions subsidizing agriculture at home so domestic corporate farmers can sell their crops abroad at below cost. Then, those same rich countries turn around and restrict imports from the poor countries who now have to send their people to the rich countries.¹⁴

The United States recently coerced Costa Rica, the last holdout in signing the Central American Free Trade Agreement, into opening up its insurance industry to US capital while, the same day, the President assured peanut and other farmers that their markets would be protected from the main thing Costa Rica has to export – peanuts and other farm products. Brazil produces very inexpensive ethanol in great quantity but protecting swing-state Iowa farmers and the corporate giants who produce ethanol at home weighs more heavily than our "addiction to oil" or costs to the American consumer. Every gallon of ethanol blended into gasoline receives a 51 cent tax credit plus other incentives and every imported gallon of ethanol is subject to a 54 cent tariff and a 2.5% duty. And ethanol still costs more than gasoline. Really!¹⁵

For over a hundred years, the United States has imposed, and still imposes, quotas on imported sugar, raising the price to American consumers while protecting US sugar beet farmers in Montana and cane sugar producers in Louisiana and Florida who are in fact much less efficient than producers in the Caribbean and elsewhere.

¹³ In addition to tax breaks, our government allows corporations which pretend to be American to set up paper headquarters abroad and avoid taxes. Under the guise of third world economic development, our government "guarantees" corporate investments in the third world, with taxpayers covering the risk.

¹⁴ Not all of it is food. US subsidies to its cotton farmers has enabled US cotton exports to undercut African cotton farmers who, deprived of income, become a source of at least some of Africa's growing Islamic radicalism

¹⁵ Ben Lieberman, "Let the Ethanol Imports Flow," Business Week, June 5, 2006, p. 136.

This is, I should emphasize, not a Republican or Democratic thing. Both parties share equally the responsibility for all these policies and practices.¹⁶

While the major industrialized countries veil their self-interest with the rhetoric of third world aid and development, hypocrisy reigns supreme. "Humanitarian" has as much to do with foreign aid as our country's school lunch program has to do with feeding poor kids. Most so-called foreign aid – in which the US is already last in contributions per capita Gross Domestic Product – comes with strings attached. Food aid must be US agricultural products; the money does not buy food from farmers in regional markets. Investment and loans are conditional upon the third world country opening its markets and reducing government expenditures on education, health care, food, and housing which do not directly support foreign investment. Some of that investment goes into manufacturing which is less labor-intensive – uses less labor/employed workers per unit of production -- than small businesses were using before. World Bank loans funnel US dollars to US corporations building often unneeded dams and roads whose bloated costs leave third world countries perpetually in debt.

All of these policies, from US agricultural subsidies and restrictions on third world exports to capital rather than labor intensive investments and reductions in third world social expenditures, contribute directly to third world impoverishment and by that to the flow of immigrants desperate to get to the United States where the jobs and money are. The industrialized world's free market rhetoric is all baloney; it is reaping a whirlwind of its own making.

The exceptions to this pattern are the "Asian tigers" like Singapore, Thailand, Malaysia, and especially Korea and Taiwan, all of which resisted the industrialized world's program for industrialization and growth. Like Japan and the United States before them, they imposed quotas and huge – often 100% and higher -- tariffs on foreign imports. The United States became a free-trade advocate only after it was able to dominate the world's markets. Now that, across Latin America, countries are standing up to the reality and the hypocrisy of US policies, the present US regime is in a tizzy. Fortunately for Latin America, the big bully to the north is too weakened by the Iraq War and the oil crisis to apply its traditional policies of blackmail, embargoes, and military coercion to get its way.

Immigration is an inevitable and extraordinarily rational personal market response to the globalized market the capitalist industrialized world has created: Go to the United States or Western Europe, earn some money, and send it back home to feed and clothe the family you have left behind after losing your job undercut by first world imports and domestic agricultural and industrial consolidation. The very same personal action to emigrate in turn becomes part of a larger macroeconomic process to balance the unequal flow of capital and trade: people flow out and money flows back. At the same time, the immigrants support the US economy by providing cheap labor so some US industries can stay at home rather than lose more jobs to the third world. Immigration is not the cause of lost jobs and lower wages in the United States. Rather, like lost jobs and lower wages, it is another symptom of the crisis facing the lower and middle classes. The cause of them all is the industrialized world's unfair and unfree distortion of trade and markets in a globalized economy.

¹⁶ The US sugar lobby was a rarely noted but significant factor in President Dwight Eisenhower's decision to make economic war on Fidel Castro's Cuba. Cuba had the largest US sugar import quota. It was only after Eisenhower canceled the quota that Castro undertook wholesale nationalization of US businesses in Cuba.

The Market Solution: Free Trade, Fair Trade, and Wealth Distribution

In the end, as I finish up this article, it looks like Congress and the President will not agree on any immigration plan before their August vacations and perhaps never. One reason is that the alliances the immigration issue has created are so unholy: On the pro-restriction side are people whose real motives are heavily tainted with racism, people who worry about taxes to support social services, and people who worry about the immigrants' impact on American jobs and wages. On the anti-restriction side are people who empathize with the immigrants themselves and businesses which benefit from the low cost of employing immigrants. No wonder both Democrats and Republicans are split down the middle and cannot agree on anything.

Yet, even if they could agree on something, it would not deal with the problem because it would not deal with the real causes arising out of the actual practices of economic globalization. What neither the business nor the mainstream media get is the distinction between economic growth and wealth distribution. It is merely assumed that where there is economic growth, everyone benefits – "a rising tide lifts all boats." It doesn't necessarily and it has not in either the United States or much of the rest of the world over the past 25 years of expanded world trade.¹⁷

I have no argument with the mantra, repeated *ad nauseum*, that expanded trade, globalization -- misnomered "free trade" – has coincided with, even stimulated, economic growth. In the capitalist industrialized world, wealth and income, on average, per capita as well as overall, has experienced significant growth. But the distribution of that increased wealth and income has been far from equal. Some countries and some workers in some countries have benefited, but in most countries the boats have gotten a lot bigger for the largest owners of capital and comparatively – even absolutely – smaller for the average worker. In many countries of the third world, whole economies have shrunk. I don't think that there was ever any doubt that the Corporate Right in the United States has all along seen "free trade" as a key instrument for breaking the power of labor in the United States – killing its unions and lowering wages to compete with Mexico, China, and Bangladesh. The fact that CEO compensation has increased from 40 times the average worker's to over 400 times is perfectly symbolic.

The industrialized countries can go at immigration in either of two ways: One, really open up markets and expand trade across the board rather than use their economic power to impose self-serving and distorted market programs. Or two, allow for discrete protection of certain industries and workers based on either economic or cultural grounds.

The first alternative would not be the nirvana that the multinational corporate world envisions. Today, international trade is run by the World Trade Organization (WTO), totally dominated by corporate representatives and their government backers. A truly open market would not only abolish US agricultural subsidies going almost entirely to agribusinesses like Archer, Daniels, Midland (now ADR) but allow for the free importation of Costa Rican peanuts, Brazilian ethanol and orange juice, and African cotton. Real free markets would abolish copyright and patent protections which the WTO and its government backers now piously declare fair, relevant, and

¹⁷ The Washington Post National Weekly Edition, "A Rising Tide?", March 20-26, 2006, p. 25.

necessary while finding labor and environmental protections inefficient, disruptive, and extreme.

The truth is that really free markets are never going to happen. Multinational corporations and their first-world government backers will never give up their special loopholes and protections. The only hope I see is in creating a certain set of the same kind of special arrangements for the rest of the world, especially for those countries so small and with so few resources that they are never going to develop strong economies. The same productive forces which have enabled great wealth and the ability – though not the reality -- of feeding the world, has, in many economic sectors, especially agriculture, generated enormous overproduction.

Economists love to talk about something called "comparative advantage" – the notion that every country can always produce something which, compared to other things it produces, it can produce more efficiently than other countries and therefore sell cheaply enough at a given money exchange rate.¹⁸ But, in Central American and the Caribbean, for example, it is hard to see how this will ever work. US sugar quotas assure a limited market for some exportation of sugar, but leave the rest of the sugar to be dumped on a glutted market at economy-gutting prices. Without quotas, they might diversify but into what – coffee? The situation with coffee is worse: it hard to see how much more people would buy even if the price dropped to zero. Either these countries produce one crop that is in such extreme overproduction worldwide that no one can live on what it makes or, what is about the same thing, they produce a crop of people who export themselves to keep from starving.

I am not going to try to solve the problems of world trade in this article – maybe another day! It is enough to say that our current trade system is not free and not fair. Countries should be allowed to protect certain traditional industries, including small farmers. Subsidize farmers directly not prices because price subsidies go almost entirely to already rich corporate farmers. They also lead on the one hand to paying more for a crop than the market will bear, and on the other hand to undermining third world farming and farmers. Countries should be able to protect workers and the environment as well as copyrights and patents. The United States should be able to limit producers of its military and strategic equipment – it is insane that we are even thinking of opening up that market. If first world countries want to keep immigrants out, they should stop railing on the most industrious members of third world societies for immigrating and subsidize, if necessary, good businesses and jobs in the countries where the people come from.

A worldwide minimum wage system, geared to each country but establishing a standard, might be the first and most important step. The WTO crowd would hate it but they are what's wrong with the system now. They symbolize the reason why we have massive immigration to the United States even as high-wage Americans lose their jobs. All my sympathies are with the "fair trade" coffee movement to only buy coffee from producers who provide safe and fair working conditions but in a totally glutted market, I don't see how it will do anything but help some workers at the expense of others.

What industries like coffee need is a market managed at the world level for the benefit of everyone – not just the rich and powerful corporations of the WTO.

¹⁸ Sorry, there is no way I can explain this any better without a long discourse on the concept – and even then it is hard to fathom.

With world demand for oil skyrocketing, the oil industry doesn't much need its cartel these days, but that is a kind of model which has worked even for oil importing countries in the sense that it was not in the interest of oil exporters to bust oil-importing economies. Coffee had a moderately effective cartel when Brazil dominated the world market. Food cooperatives – e.g. the Ocean Spray cranberry cooperative which is owned by its producers and controls 80% of the world's production -- work the same way. I would only have them work more like credit unions, mutual insurance companies, and Vanguard mutual funds where consumers own the businesses, or even better, where owners, producers, workers, and consumers all have a say.

Don't tell me we can't do it. Don't tell me it would be too complicated and impractical. Don't even think about calling it anti-capitalist because we do it now and it is called the WTO – created to advance capitalism throughout the world. Its rules are incredibly complex but they make it happen because it benefits them. They are in fact right now in a "General Agreement on Trade in Services" (GATS) negotiating -- among themselves -- a new "Mode 4" labor category for "movement of natural persons." Right now they are busily turning guestworkers into de facto commodities to be traded like shoe leather, with, you can be sure, about the same rights.¹⁹

Don't believe a fair system could not be created. As things stand, it won't be created only because those with the economic and political power are writing the rules and the rest of the world is on the outside looking in.

Web Site: Downside Up has had a web site, and will have one again, but since I changed internet service providers, I have not set up a web site on the new server. When set up, once again all previous articles will be there and can be read and printed out with a few clicks of your computer. In the meantime, if you need a back issue, email me at downsideup2@bellsouth.net.

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Ronald Woodbury is the publisher, editor, and general flunkie for all of Downside Up. While publication benefits from the editorial advice of one of his daughters, a friend, and occasional other pre-publication readers, they will, for their own privacy and sanity, remain anonymous. The web spinner's name is also best left anonymous.

Woodbury has a B.A., M.A., and Ph.D. in history and economics from Amherst College and Columbia University. In addition to many professional articles, he has published a column, also called Downside Up, in the Lacey, WA, Leader. After a 36 year career as a teacher and administrator at six different colleges and universities, he retired with his wife to St. Augustine, FL, where he continues to be active in church and community. He has two daughters, one a physician and one an anthropologist, and six grandchildren.

¹⁹ Basav Sen, "Legalizing Human Trafficking," Dollars & Sense, May/June, 2006, p. 22.