

BARRON'S

A Border Plan for a Tariff Man

Jack Hough

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It was scare-versus-scold during Tuesday night's televised showdown on the border wall, with a clear winner emerging: anyone who watched Netflix instead.

Meanwhile, a partial government shutdown over the wall is gradually causing fallout beyond the overflowing toilets at Yosemite. Some food-plant inspections are being skipped. Lowly paid airport security workers, now unpaid ones, are calling in sick. E-Verify, a program that confirms work eligibility and has been described as an electronic border wall, is—prepare palm for planting on forehead—halted.

For a place with “wall” right in the name, Wall Street is thankfully unalarmed over the matter, which is perhaps why politicians are still preening rather than producing. But that could change in a hurry. Fitch warned this past week of a possible downgrade to the U.S.'s triple-A credit rating if the shutdown stretches to March 1, when a deal to suspend the nation's debt ceiling expires.

Judging creditworthiness gets weird when the borrower can create as much money as it likes, but if one of the inputs is whether a borrower is dumb enough to miss a payment over an unrelated wall squabble, Fitch might have a point. Anyway, what matters more is how markets react. Remember: During the 2011 debt-ceiling standoff, U.S. stocks shed 18% in barely a month.

It's time to end this thing before something important breaks. Here are some thoughts on how, starting, naturally, with the wall: Democrats, give President Donald Trump his \$5 billion.

Yes, the wall is wasteful, not least because the unauthorized immigrant population is roughly unchanged since 2009, with as many leaving as coming—and many that are here flew in on visas and simply overstayed. But Democrats are dug in as though a wall is morally objectionable, which it isn't, or they would presumably call for tearing down the 654 miles of barriers we already have.

The president needs this wall because he campaigned on it, and if he doesn't start building it, there's a real risk Ann Coulter will call him mean names on Twitter. And \$5 billion is a lot, but for a nation that spends \$12 billion a day, it's latte money. If it's the price of averting a costlier spasm in financial markets, pay it. Besides, the Congressional Budget Office estimates that \$5.7 billion will buy just 234 miles of border wall—steel, not concrete. Factor in the typical cost overruns for government projects, and the over-under might be 150 miles out of the 1,000 miles the president wants.

What's really morally objectionable, unlike the wall, is the way too many Republican leaders have been portraying unauthorized immigrants—and how too few are speaking out about it.

The president's blanket mentions of rapists and murderers crossing the border, and his laboring over the details of grisly crimes committed by unauthorized individuals, are meant to stoke fear of a criminal wave. In fact, incarceration rates are much lower for immigrants, authorized or not, than for the native-born population.

Your correspondent understands well the anxieties of the white, Anglo-Saxon, middle-aged, male investor in a changing America. But if we're going to do anything smart on immigration, we're going to have to stop appealing to each other's inner Archie Bunker and start acknowledging that immigration is a force for good, and that the U.S. needs more of it, not less.

Tuesday night's presentations drove that home—not the part with the talking, but the part where the average age of the three participants was 72. In 1950, America had 16 workers for each Social Security retiree. By 2035, it will have two.

One fix for that is to make babies, and we should, early and often. But the U.S. birthrate just hit a 30-year low. American fertility is well below what's called the replacement rate. Without more immigration, we'll shrink and go broke. We should open the doors much wider. Adjusted for population, Canada allows more than double the immigration the U.S. does.

That brings us to the most important thing the president said about unauthorized immigration on Tuesday night: "It strains public resources and drives down jobs and wages." With unemployment near historic lows, Republicans fighting to preserve a \$7.25-an-hour federal minimum wage, and column space running out, we'll leave jobs and wages for another day.

The resources part deserves attention, because no one knows for sure whether it's true. The National Academies of Sciences studied the matter for a 2017 report and found that "individuals in the first generation are more costly to governments, mainly at the state and local levels, than are the native-born generations; however, immigrants' children—the second generation—are among the strongest economic and fiscal contributors in the population."

The analysis depends upon which costs we allocate to immigrants. Should we assign to them an equal share of our military spending, which is significant, or the incremental cost to our military spending for having one more immigrant, which is trivial? Age matters greatly; the young are a much better deal than the old, because they have more taxpaying years ahead of them and need less health care. And it's unclear how the math changes for unauthorized immigrants, who pay only some taxes and qualify for only some benefits.

Here's a two-word plan to address the matter: Charge them. Nobel Prize-winning economist Gary Becker proposed the idea before he died in 2014, and it has lately been gathering, if not momentum, at least scattered consideration.

A policy group called Ideal Immigration, founded by Steven Kuhn, a former hedge fund bond manager, has proposed boosting yearly immigration by two million workers through the use of two new classes of visas, paid for by employers. The group says its plan would raise over \$50 billion a year in fees and add more than \$500 billion a year to U.S. gross domestic product.

The libertarian Cato Institute has argued for a widely varying immigration tariff based on factors like age and education—one that creates a new authorized work status rather than replacing the system we have. The young and educated would be cheap, and kids, free. By pulling fee-payers out of the immigration line and showing them the entrance, the wait is shortened for all.

In both cases, the idea is to turn an unknown into a known by making additional immigrants guaranteed moneymakers for the U.S. Unauthorized border-crossers already often pay thousands of dollars to coyotes and face great peril, while legal immigrants might pay thousands in lawyer fees. Better to turn that money into government revenue.

The president, who has called himself a Tariff Man, ought to like the idea. With all those extra fees, he can claim that Mexicans, if not Mexico itself, are indeed paying for his wall. They'll be helping to shore up Social Security and Medicare, too.

For now, let's tone down the dark rhetoric about unauthorized border-crossers. Those of us who were born in the U.S. don't owe it to our cleverness or virtue. We won the ovarian lottery, as Warren Buffett says. If we hadn't, and legal immigration were out of reach, and if a dangerous, dark-of-night border crossing were the price of safety and opportunity for our kids, plenty among us would make the trip. Some might say the best among us.