

Should We Fear Higher Wages?

By Reihan Salam

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Several months ago, I wrote a [column](#) that made a very simple point: reducing immigration can be a good thing for the immigrants who've already settled in the United States. Why? The first reason is that foreign-born Americans face wage competition from new arrivals from their native countries with similar skills. The second is that continual immigration tends to encourage immigrants to retain social ties to their ancestral homeland, to other immigrants from the same ethnocultural background, and to ethnic enclaves that are forever replenished with new arrivals from the home country. This in turn makes it harder for immigrants and their children to fully integrate into the American mainstream. This week, Alex Nowrasteh of the Cato Institute, an advocate of increased immigration, guest-worker programs, and much else, wrote a post objecting to [both of my arguments](#). On the question of assimilation, I fear that Nowrasteh and I are just working from two different definitions, so I doubt we'll make much progress there.

On the economic impact of immigration, I was pleased to see that Nowrasteh accepts that “new immigrants economically compete with immigrants who came before them and little with lower skilled natives.” Where we part company is that he does not see this as a reason to limit less-skilled immigration — far from it:

Salam's concern is that additional lower skilled immigrants will lower the wages of already settled immigrants, preventing them from rising. How would increasing the wages for lower skilled occupations incentivize those workers to climb the skills ladder after closing immigration? No idea.

Essentially, Nowrasteh is arguing that increasing wages for less-skilled immigrant workers could prove to be a problem, as doing so will deter them from investing in their human capital. A few thoughts immediately come to mind. One is that older workers, particularly older workers with families of their own, don't generally have the option of seeking further education. Family obligations often dictate that they work as many hours as they can. Then, of course, there are people who find it difficult to climb the skills ladder for some other reason, including medical conditions that make it difficult but not impossible for them to work. Is it really true that tightening the market for less-skilled labor will harm this population, as Nowrasteh seems to suggest? I'm skeptical.

Of course, there are many less-skilled workers who really are in a position to climb the skills ladder. What Nowrasteh doesn't seem to appreciate, however, is that there are a number of

factors constraining wage growth for less-skilled workers. As Andrew P. Kelly has observed, the college wage premium is increasing primarily because the wages of those who haven't completed college are [falling](#) in real terms. The cost of automating routine tasks [continues to fall](#), and it is less-skilled workers who are most vulnerable to being displaced by machines. I'd say that's quite an incentive to climb the skills ladder. (To be sure, we can imagine a scenario in which less-skilled immigration lowers wages so drastically that firms lose all interest in automation. Leaving aside the social consequences of such an influx, the fixed costs of managing a workforce are not trivial.) Might restricting less-skilled immigration ease some of the pressure facing less-skilled immigrant workers? Yes, I imagine it will, if only very modestly. But I'm afraid I don't see high and rising wages for less-skilled workers as a looming threat.