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America's Perilous Anti-Immigrant Protectionism

By erecting immigration barriers to protect knowledge workers, the U.S. is resurrecting a ghost of the Depression-era Smoot-Hawley tariff

By [Vivek Wadhwa](#)

As unemployment rises and the recession deepens, advocating skilled immigration has become fraught with risk. In the past two months, Kauffman Foundation has published two of my reports outlining how U.S. immigration policy is chasing away talented foreigners who had previously served as a backbone for U.S. science innovation. I have received more than 1,000 e-mails attacking me for my views and disparaging my race and heritage. Some have threatened to do me harm.

The xenophobia reflected by these attacks and recent public discourse is a dangerous indication of a political climate and attitude shift that threaten our economy. The U.S. is sliding toward a new kind of protectionism, one that seeks to preserve knowledge-worker jobs by shutting out skilled immigrants. This protectionism could be every bit as devastating to the U.S. as the Smoot-Hawley Tariff Act, which boosted tariffs to record levels, sparked a trade war, and ravaged world trade during the Great Depression. In the knowledge economy, production of intellectual property is the highest-valued good, helping create great jobs and strong growth. Erecting immigration barriers, political or cultural, to protect knowledge workers is nothing more than IP Protectionism, a modern-day version of Smoot-Hawley.

Most of my critics know me only as a Duke professor and Harvard researcher. Few know that I, too, arrived in this country as a low-level programmer working at a big investment bank. I was exactly the kind of hire that Congress banned when it forbade banks such as Citibank ([C](#)), JPMorgan Chase ([JPM](#)), and Wells Fargo ([WFC](#)) that are receiving Federal rescue money to issue H-1B visas. I was young, hungry, and eager to make something of myself here. I earned an MBA from the Stern School at New York University. I went on to found two software companies, one of which went public. Those businesses collectively employed more than 1,200 workers and dispersed hundreds of millions of dollars in salaries and benefits. Had I not moved to the U.S. from Australia, where I attended university, I would probably have ended up starting my companies there. I moved to the U.S. because I believed this was the most open and inclusive society in the world. I didn't plan on becoming an entrepreneur. It just turned out that way.

Going Back Home

I'm hardly alone in following this trajectory. As I have written in previous columns, my research has showed that [immigrants founded one in four U.S. technology startups over the past decade](#).

The founders of these companies were highly educated and most came to the U.S. to study or work—not as entrepreneurs. In my Indian and Chinese students, I see myself many years ago. They came here, often at great sacrifice. Many had hoped to stay and work in technology or consulting jobs. Few had planned to return immediately to their home countries. Most would take relatively low-level positions to get experience and a foot in the door.

Now, most [foreign students are going home](#). Companies are offering fewer H-1B visas to foreigners. For the first time in many years, the H-1B visa program, which has been the primary conduit for technology labor into the U.S., is undersubscribed. Less than two years ago, U.S. companies lined up to hire H-1Bs.

Part of the reason for fewer H-1Bs is the economy. Companies are simply hiring less. But there's another, more troubling reason. Due to government policy and an increasingly xenophobic climate, hiring foreigners has become as toxic as issuing a subprime mortgage.

The Patent Barometer

There's a view that giving a job to a foreigner takes a job away from a U.S. citizen. At a micro level, there is some truth to that. Some companies have used H-1Bs to hire foreign labor at lower costs, effectively outsourcing a job even though it's located in the U.S. But in the aggregate, the preponderance of evidence shows that the more foreigners are working in science and technology jobs in the U.S., the better off the U.S. economy is. Increasingly, the number of H-1B holders in a region correlates to increased filings of patents in that region. And for every 1% increase in immigrants with university degrees, the number of [patents filed per capita goes up 6% in the U.S.](#)

These same skilled foreigners are far [more likely to start technology businesses](#) than the general populace. India-born immigrants, for example, constitute less than 1% of the U.S. population. Yet they [started 6.7% of the nation's tech companies](#). So immigration is actually an economic multiplier. But it can work both ways. Send those smart brains back home, and India and China will reap many of the benefits we forfeit.

None of this is to say that the H-1B program is perfect; it's actually bad. By limiting career mobility and travel, the H-1B program can be used to do the [negative things critics accuse it of](#). A far more open immigration policy, without H-1B wage and career restrictions for science and technology workers, would be a better solution. This is what Canada and Singapore have done, with great success. We want more engineers and scientists; they help make the pie bigger by creating jobs and boosting innovation. A software engineer working at a big bank can go on to launch the next Google ([GOOG](#)). An equity analyst pumping out spreadsheets could later build the next [Mint.com](#). Silicon Valley startups are rife with numerically astute Wall Street refugees. And by putting them in a box at the immigration application window, we discount future possibilities and give lie to the notion of America as the land of limitless opportunity.

Argentina's Errors

Rather than erecting legal barriers to H-1Bs and fomenting xenophobic attacks, our politicians should be fostering a broader understanding that hiring smart people is a good thing for America. They should be discussing how to reform immigration policies so that skilled workers move more easily around in jobs and remain in America.

And they should remember the fate of Argentina as they consider their actions. Before the Great Depression, this South American country was a strong economy with a better standard of living

than Europe or the U.S. It had an economy that was remarkably similar to that of the U.S., with a booming agricultural sector and growing industrial production.

But protectionist behavior initiated by the populist Peronistas eventually crippled the Argentine economy, bringing about hyperinflation, sovereign default, and a stunted economy. The standard of living in Argentina now significantly lags that of Western democracies and the U.S. The country remains economically troubled and adrift because of years of heavy government intervention and steep protectionism.

To be sure, the U.S. is not in danger of becoming the next Argentina. But making the wrong policy moves could similarly rob the U.S. of competitive advantages while strengthening the hands of India, China, and other nascent competitors. The vitriol emerging in this debate serves only to handicap what is already a compromised U.S. hand in the race to retain the best and the brightest. Viewing the H-1B question as a zero-sum game ensures that the U.S. will lose out and pay a long-term price in reduced economic vitality and technological innovation.

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