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HW5

1. Fears that immigrants will bring about political change that retards economic growth assume voter irrationality. Fears that immigrants will bring about political change on issues of social policy do not assume voter irrationality.

One fear is that immigrants will vote for the economic policies that made their home countries poor in the first place. This can only be the case if voters are irrational. Since immigrants left their home countries (in large part) because those countries were poor, we can assume that they do not want to make their destination countries poor. Therefore, if voters always voted for policies that were in their interest, they would not vote for the policies that made their home countries poor in the first place. However, if voters are irrational, they may vote for policies that are not in their interest. It is plausible that voters are irrational because the personal cost to any individual voter of voting for a bad policy is negligible. Even if policy A would cause agent X to lose \$1000, the chance that agent X's vote will swing the election is tiny. [If the race is very close, the odds that agent X's vote will swing the election might be around 1 in 1 million.](#) Therefore, the personal cost to agent X of voting for policy A is only $\$1000 / 1M =$ **0.1 cents** in expected value. If agent X has preferences over beliefs, for example, if it is socially desirable to support policy A, then agent X may vote for policy A, and convince himself that A is a good policy, even if the adoption of policy A will make him objectively worse off. For these reasons, immigrants may vote for the policies that made their home countries poor in the first place and convince themselves that those policies do not cause poverty and in fact promote "social justice."

The other concern about the political externalities of immigration is that immigrants may influence social policy. For example, immigrants might vote to implement Sharia law, while native citizens would dislike living under Sharia law. This concern does not assume voter irrationality. The concern in this case is about different preferences. If immigrants and natives have different preferences about the kind of society they want to live in, then immigrants may bring about political change that natives dislike even if everyone votes rationally.

2. One reason that immigrants tend to vote Democrat is that the Democrats are seen as the pro-immigrant party. More specifically Republicans are seen as the party of the American homeland and traditional Americana. Democrats are seen as the party of outsiders like foreigners, homosexuals, and poor people. For that reason, people who don't feel that they fit in with the "traditional Americana" culture tend to lean towards the Democrats.

Another reason is that the American Republican party usually advocates a small role for government (a small role of the government in daily life, not necessarily a small Federal budget). The American Republican party's small government position is extreme by world standards. To my knowledge, there is no major political party on Earth which advocates a smaller role for government in the average citizen's daily life than the American Republican party. Government is more involved in daily life in other countries than it is in America. Immigrants from other countries are therefore used to a larger role for government, and that is their "anchor point" when they consider policy proposals in the US. For example, Western Europeans are used to national healthcare systems. National healthcare systems seem normal to them, while national healthcare systems seem unfamiliar and foreign to native born Americans.

Finally, most immigrants live in [cities](#) rather than rural areas. City-dwellers tend to lean left, so immigrants are around left-leaning peers. Also, immigrants may be subject to whatever forces cause native-born city-dwellers to lean left.

9. The best philosophical foundation for open borders is Christianity: ‘Who would Jesus deport?’ I think that the reason why Western countries allow so much more immigration than non-Western countries (I don’t count guest workers as immigrants) is that Western countries were historically Christian. While the proportion of Westerners who are professing Christians has been declining, the West still contains the afterglow of Christian ethics and I believe that it is Christianity’s emphasis on love, compassion and meekness that makes Western populations willing to accept immigrants.

The best case for temporarily closed borders is from libertarianism. The best case for permanently closed borders is from classical Republicanism.

Libertarians believe in property rights. For example, libertarians believe that I have a moral right to use my car, and that no one else has a moral right to use my car without my permission. Libertarians also believe that stolen property may be recovered by its rightful owner by force (and some forms of libertarianism hold that stolen property which is acquired by a third party must be returned to its original owner.)

Thought Experiment: A bandit named Sam steals one cow from every cow herder in the land. Through his banditry, Sam acquires a huge herd of cattle. Then he suddenly dies of a heart attack, leaving no heirs. Seeing Sam’s large, newly ownerless herd, a hungry person named Marvin approaches the herd, intending to kill and eat one of the cows. Before he reaches the herd, Marvin is stopped by John who forces Marvin at gunpoint to turn back without killing

any cows. John was hired by Sam's victims to round up Sam's herd and return one cow to each victim. On a standard libertarian account, John's action was justified, even if it resulted in Marvin's starving to death. Libertarians who support open borders must explain how the cow herd is different from infrastructure, the education system, the court system, and other rivalrous goods which are funded by taxation. Remember, if someone offers to pay me a large amount of money to use my car, but I refuse, that person still may not use my car.

The libertarian argument supports *temporarily* closed borders because libertarians would like all government property to be privatized. If all government property were privatized, the individual landowners (or associations of landowners) could invite as many immigrants as they liked onto their land. However, while the government exists in its current form, we are in a situation more analogous to Sam's herd of cows, rather than a set of unconnected and independent landowners.

10. What would the United States look like today if the Precautionary Principle had governed US immigration policy since 1789?

In 1789 the US had more or less open borders but [immigration was low](#). Naturalization was restricted to "[free white persons](#)" of "[good character](#)." During the mid 19th century, immigration rose steeply, perhaps driven in part by advancing transportation technology. The Precautionary Principle would have called for legal restrictions on immigration because while the implementation of legal restrictions would be a change in the text of the law, they would keep the flow of immigrants at its previous low level. Therefore the Precautionary Principle would have sharply reduced the number of immigrants from Ireland, Southern Europe and Eastern Europe who arrived in the mid 1800s.

Similarly the Precautionary Principle would have condoned quotas based on national origin, such as those established by the immigration act of 1924. Since the population of the US in 1789 had been mostly composed of people whose ancestry was in Northwestern Europe, the Precautionary Principle would suggest ensuring that the population continue to be made up of Northwestern Europeans. The Precautionary Principle would advise against the immigration act of 1965 for the same reason.

Therefore, if US immigration policy had been based on the Precautionary Principle since 1789, the US would have allowed only small numbers of immigrants since 1789, and those immigrants would overwhelmingly have been from Northwestern Europe.

If that had been the policy, the US population would be about 90% white and 10% black today, with a small portion of whites being Hispanics of New Mexican and Californian descent.

Without a steady stream of easily exploitable immigrants, the big city political corruption machines would not have formed (or at least they would have been much less powerful.) The Italian and Jewish organized crime rings would have never existed. Without the Catholic vote FDR would not have been elected. The New Deal would not have been implemented. America would not have entered WWII. Prohibition may still have been implemented (though part of the impetus for the Temperance movement was the drinking habits of Catholic immigrants) but if Prohibition had been implemented it might have remained in force until the present day.

Without the New Deal, with a much smaller role for the Federal government, America would have had enormous economic and technological growth. America in this alternate timeline would be a well-governed, hi-tech utopia; a nation of industrious, sober, God-fearing, civic-minded WASPS. This new Eden, prevailing in a Cold War over Nazi continental Europe and Maoist China, would be a beacon of light to the world, a shining City On a Hill, whose

example would spread Republicanism, prosperity, ordered liberty and local self-government – not Democracy – to all the peoples of the Earth.

Graduate Question:

While I'm convinced that ancestry matters a lot, I'm unimpressed with Putterman and Weil's specific approach so I will analyze Jones' work on IQ.

I was initially skeptical but I am now persuaded that IQ probably plays a major role in the wealth of nations.

Best points in favor of the IQ hypothesis:

- 1) IQ is highly correlated with GDP per capita. I have been looking at a dataset of cross-country variables for another class (Institutions with John Nye) and IQ is more strongly correlated with GDP per capita than any other single variable. IQ is more strongly correlated with GDP per capita than ancestry variables, % in tropics, or even a landlocked dummy.
- 2) The correlation between IQ and GDP per capita has been increasing over the past 50 years. In the 1960s, Taiwan, Japan, Hong Kong, and Singapore were poor but had high IQ scores (Jones p.45). Those countries rapidly caught up

with the West and became rich, thus increasing the correlation between IQ and wealth.

- 3) Microevidence provided by Jones suggests **plausible** channels for high IQ to cause high GDP per capita.
 - a. Propensity to cooperate
 - b. Propensity to save
 - c. Correlation between IQ and support for good economic policies
- 4) Within countries, people with higher IQs have higher incomes, though the effect size for individuals is smaller than the effect size for countries.

The style of Jones' argument is that he 1) presents a cross country regression showing that GDP per capita is strongly correlated with the variable of interest (IQ) and then 2) presents evidence on possible microfoundations for the connection between GDP per capita and IQ. I find this style of argument convincing. Cross-country regressions can only be modest evidence because countries are not independent of each other, there have been a lot of random twists and turns in history, and there are only so many countries. I am generally skeptical of "natural experiments" because there is too much room for random chance or unobserved variables to sway the results of a "natural experiment." Microeconomic phenomena can be studied in detail because there is usually pretty good evidence available. The challenge is to then extrapolate from what is known about microeconomic phenomena to gain insight about macroeconomic phenomena. I think that the style of Jones' argument is excellent because it shows that both macro and micro evidence support the IQ hypothesis.

Best points against the IQ hypothesis:

- 1) The cross-country correlation between IQ and income is largely driven by Western Europe, Northeast Asia, and Sub-Saharan Africa. **These three groups of countries are each geographically and culturally contiguous regions.** Maybe there is something about Western Europe or Western European culture that causes high income and high IQ. Maybe there is something about Sub-Saharan Africa or Sub-Saharan African culture that causes low income and low IQ. Maybe Europeans and Northeast Asians have high IQs for genetic reasons, but some cultural feature, unrelated to IQ, led to their high incomes.
- 2) IQ is largely endogenous to GDP per capita. Leaded gasoline was eliminated from Sub-Saharan Africa only in 2006 (Jones p.63). Malnutrition also depresses IQ. Therefore, much of the correlation between IQ and GDP per capita reflects that fact that countries with higher GDP per capita can afford to eliminate lead exposure and afford enough to eat. This suggests that high IQ may be a symptom of growth, not the cause.
- 3) The country of Liberia was a colony in Africa founded by former slaves from North America in the 19th century. [The Liberians adopted American customs, including Protestantism, American dress, and the US constitution.](#) Liberia was a relatively peaceful and prosperous society until its collapse in the 1970s. The relative success of Liberia shows that Sub-Saharan African people are not doomed to poverty; the Liberians were of mostly Sub-Saharan African descent but the adoption of American culture made them relatively prosperous.

Jones' research suggests that the biggest downside risk of immigration is the potential for political externalities. Natives can save as much as they want regardless of how much

immigrants save. High IQ natives can work together in O-ring teams even if they have low-IQ immigrant neighbors. Similarly, if anti-discrimination laws were repealed, the presence of low IQ immigrants would not impede the ability of high IQ natives to cooperate with each other. Political externalities are the only way in low IQ immigrants could harm natives. Therefore, an optimal immigration policy would screen for political opinions rather than IQ. It would also be desirable to bar immigrants and their children from voting, but that may be politically impossible.