

Soviet airliners are likewise outfitted for use as military transport planes. "Thus we should, in principle," Epstein states, "try to attribute to the military not only the additional costs of militarily useful designs, but the costs of providing peacetime services and the costs of building a wartime reserve in excess of civilian needs."

Encapsulating the essence of the Soviet economic condition, Christopher M. Davis offers his own assessment in an article titled, "The High-Priority Military Sector in a Shortage Economy." Davis declares at the outset that Kremlin planners persisted in their efforts to increase Soviet military power despite declining growth rates of national income and productivity, shortages of goods and services, and recurring poor harvests. Davis verifies the priority given to the military sector in the allocation of scarce internal Soviet resources. At the same time, he notes that the traditional protection given to military needs is no longer a sufficient shield against production disruptions and shortages of inputs.

In the meantime, what has happened to the Soviet infrastructure? It's clear now that military spending was eating up what little was available to take care of the needs of Soviet consumers over the last two decades; what about spending for capital investment? Boris Z. Rumer of the Harvard University Russian Research Center explains in his contribution that Gorbachev's original plans for improving the infrastructure of the Soviet Union have all come to naught. Gorbachev, like most of his predecessors, started out quite enamored with the idea of investing heavily to modernize factories, upgrade production capabilities, and improve the quality of Soviet manufactured goods. But, according to Rumer:

"The Soviet Union's attempt to launch a great investment surge has miscarried because there is too much inertia in the investment sphere and too little prior preparation of the economy as a whole to allow such a violation of the investment rhythm. Ill-advised tampering with that system is fraught with serious consequences, including chaos in the investment sphere of the economy."

Chaos is a word increasingly used

when speaking about the Soviet Union. Even the CIA, which for so long has had a tendency to sugarcoat Soviet economic statistics, has finally acknowledged that things are not going well over there. In a recent appearance before the Joint Economic Committee, the CIA, in conjunction with the Defense Intelligence Agency, offered a report entitled, "The Soviet Economy Stumbles Badly in 1989." The two intelligence agencies stipulate in the report that the Soviet economy is in an unstable state and that "a single major event could lead to a substantial drop in output and bring about chaos in the distribution of both producer and consumer goods."

Perhaps the early renegades of Soviet economic research will take some satisfaction in the realization that the CIA has come around to their way of thinking. Igor Birman, a Soviet emigré who started sounding the alarm about Soviet inter-

nal budgetary and economic problems nearly a decade before most everyone else, has had his work publicly vindicated.

But no one takes real joy in seeing the Soviet economy and the welfare of the Soviet people collapse into terminal misery. There seems no way out for Gorbachev at this point; history will decide the fate of Russia's long encounter with communism. We can only wonder, though, how the West might have behaved differently in the intervening years if our leaders had acted on the knowledge brought to light by this group of independent-minded economists: that Moscow was betting all its worth on being the world's most powerful and intimidating military power—and destroying itself in the process.

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The New Kids on the Dock

BY STEPHEN MOORE

Friends or Strangers: The Impact of Immigrants on the U.S. Economy
By George J. Borjas, New York: Basic Books, 274 pages, \$22.95

Two hundred years ago Benjamin Franklin cursed the newly arriving German immigrants as "generally the most stupid of their own nation." This attitude was nothing unusual. Although America has always prided itself on its rich immigrant heritage, Americans have persistently held unfavorable opinions of new arrivals.

Hence, the Italians and Irish were spurned in the late 1800s, as were the Chinese and Japanese at the turn of the century, the European Jews between the two world wars, and the Cubans in the 1950s and '60s. With 20/20 hindsight, we now know that the public's intolerant attitudes toward each of these immigrant waves were unfounded; each group has made positive contributions and has readily integrated itself into the American social fabric.

This history should make us suspicious of those who argue today that the

Mexicans, Vietnamese, Koreans, and other "new immigrants" are qualitatively less desirable than those who came before. Yet George J. Borjas, an economist at the University of California, Santa Barbara, has written a new book, *Friends or Strangers: The Impact of Immigrants on the U.S. Economy*, that makes precisely this point. His thesis can be summarized in nine words: "The new immigrant is less skilled than the old."

Borjas provides a blizzard of statistics to validate his claim. Relying extensively on Census Bureau data on the foreign born from 1940 to 1980, he compares the economic performance of each post-World War II immigrant wave to that of U.S.-born citizens. He documents a "troubling" decline in schooling, labor-force participation, annual hours of work, and earnings, and a rise in the poverty and unemployment rates of each successive immigrant cohort.

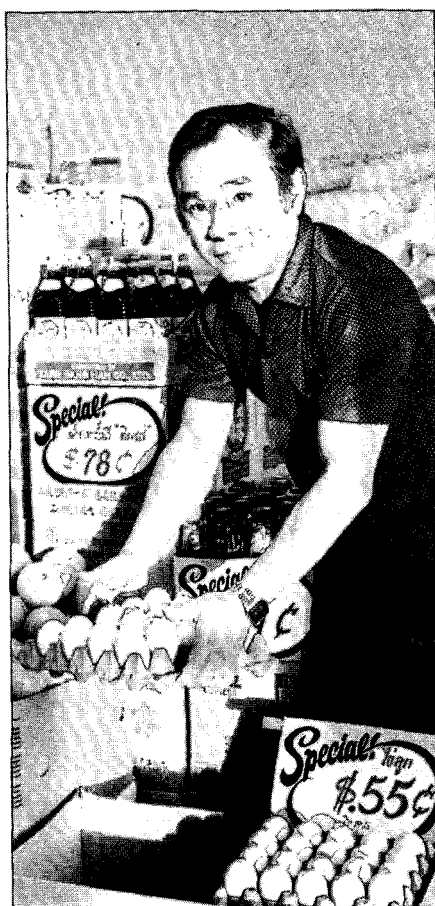
For example, in 1940 newly arrived immigrants had earnings that were 13 percent higher than those of natives; by 1960 the newly arrived immigrants' earnings were 8 percent lower than those of natives; in 1970 they were 10 percent lower; and by 1980 they were 17 percent lower. On average, the new immigrant will earn \$5,000 a year less (in 1988 dollars) than the old immigrant did for each year of his or her working life.

What accounts for this decline in the quality of America's immigrants? Borjas argues that two factors are responsible. First, the 1965 Immigration Act made family reunification the cornerstone of U.S. immigration law. This presumably lowered the skill level of newly arriving immigrants. Today, some 90 percent of all immigrants to the United States come through family connections.

The more important factor responsible for the decline, according to Borjas, is that the 1965 act shifted the national origin of America's immigrant stream from Europe to Asia. He maintains that the Europeans tended to be highly skilled and educated and have a strong knowledge of English when they came—all factors important in predicting economic success in the United States. His data confirm that European immigrants in the United States are doing much better than Asians and Central Americans.

On this last point, Borjas is less than fully convincing. European immigrants appear to do much better than other ethnic groups because of an artifact in the data: The typical European immigrant has been in the United States considerably longer than the typical Asian or Mexican. On average, the European should have higher earnings because every immigrant group's incomes rise dramatically over time.

Should we be especially concerned about the economic adaptation of the Asians and Mexicans? Borjas says yes. Most other studies, however, including those by the Urban Institute and the Rand Corp. of the Asian and Mexican communities in California, find that these immigrant groups are assimilating socially and economically in much the same man-



Borjas worries that Asian and Latino immigrants lack the skills to assimilate; most other studies conclude the opposite.

ner as earlier immigrant groups. The Rand study calls the recent Vietnamese immigrants—many of whom came after the 1980 census, the last snapshot of immigrants investigated by Borjas—"one of the most skilled immigrant groups ever to come here."

Nevertheless, Borjas's main conclusion, that the United States is turning away the most-skilled immigrants—thus diverting many of the most talented people to Canada and Australia—should be of concern to policymakers. While immigration through family connections is now relatively easy, only about 5 percent of the visas, or about 50,000 per year, are reserved for skill-based and employer-sponsored immigration. U.S. businesses must often wait up to three years—and spend thousands of dollars in legal fees—to bring technically trained, foreign-born workers here. Today, the top mathematician in the Soviet Union wishes to immigrate to

the United States, but he cannot get a work visa; he will go to France. America is turning away the Einsteins.

Borjas's policy prescription is the economist's dream and the politician's nightmare: auction off immigrant visas to the highest bidder. This has been proposed by other eminent economists as well, including Gary Becker and Julian Simon. The argument is that if we must use some method of rationing visas, the most efficient and the fairest approach is to use the market to allocate these visas to those who accrue the highest economic return from purchasing them. The idea is intellectually intriguing but politically a nonstarter.

Borjas also endorses a point system—under which immigrants are awarded merit points based on their personal characteristics, such as age, education, and occupation—to determine eligibility for visas. Similar policies have been successfully adopted by Australia and Canada. These countries have not experienced a decline in immigrant skill levels to the extent that the United States has.

One point about *Friends or Strangers* warrants emphasis. In no place does Borjas argue that the new immigrants are economically harmful to the United States. In fact, he argues emphatically that "the methodological arsenal of modern econometrics cannot detect a single shred of evidence that immigrants have a sizeable adverse impact on the earnings and employment opportunities of natives in the U.S."

All of his data lead *not* to the conclusion that unskilled immigration is undesirable, as some have mischaracterized his findings, but rather that skilled immigration is more beneficial than unskilled immigration. This suggests that America's immigration laws should be reformed by opening the gates to more Einsteins, not by shutting them to the huddled masses.

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REAGAN'S AMERICA

THOMAS W. HAZLETT

In 1985, my friend Larry was enjoying a cocktail in a working-class New Jersey pub when he overheard one aged leftist say to another how depressed he was about Ronald Reagan, the fascist pig. A huge reelection mandate, a booming economy, no war—and right-wing politics. But his comrade was of a different mind. “We’re headed for a huge depression,” he augured, “that’ll make the 1930s look like a picnic. There’s gonna be mass unemployment, food’s gonna be gone, people will *starve*. It’s all going to collapse. Just mark my words.” To which his associate could only shake his head and mutter, “I just don’t think I can be as optimistic as you are, pal.”

OK, so Reagan’s Depression never arrived. We’ve got Homelessness. Poverty. AIDS. Poor-get-poorer while rich-get-richer. Runaway racism on campus. And it’s all due—every last drop—to the unreconstructed attitudes of Reagan’s men.

So the U.S. economy kicked butt in the ’80s. But the little guy got flattened. You don’t want to be caught dead in Reagan’s America if you happen to be a poor/black/female/Hispanic/handicapped type o’ guy. These are the downtrodden, the carcasses upon which rich Republican yups and yupettes step: the meek, the weak, the exploited, the Democratic-leaning. The rich—trickling down on God’s children!

The case is made scientifically, you see, with the *numbers*. If you haven’t seen them in the op-eds, on the news (Reagan Ruined Lives of the Poor—Film at 11), your doctor can legally pull the plug on you. But the 1990 *Statistical Abstract of the United States* contains lots of numbers which fail to make “Donahue.”

So how about *these*? *Jobs*: The unemployment rate after four years of Carter was 7.1 percent and climbing. After eight years of Reagan it was 5.5 percent and falling. *Income*: Real per-capita disposable income grew 4 percent from 1977 to 1981, but 16 percent from

1981 to ’88, despite the fact that Carter inherited the uptick of a business cycle and bequeathed a southbound express.

You’re not surprised. You know that affluent white boys are grabbing megasalaries while the masses are flipping cheeseburgers, throwing the numbers—not to mention the poor—out of whack. Well, then, let’s look at *Black American Income*: Real median household income fell by 10.5 percent 1977-1981; it grew by 11.5 percent 1981-88. Moreover, the percentage of black families making above \$50,000 annually (in constant, 1988 dollars) also fell under Carter—from 6.6 percent to 5.6 percent, before dramatically rebounding to 9.9 percent under Reagan. This 77-percent gain was more than double the proportional increase in white family incomes. (A similar pattern—in the tank with Carter, on the rebound with Reagan—is seen in Hispanic incomes.)

And greed, you say? Well, the ’80s were a *Get Mo’* time for some, including America’s *charities*. Private foundation grants rose 68 percent in real terms in the eight years of Reagan’s America, and those specifically for welfare programs rose 86 percent. All told, private charitable contributions rose from \$48.7 billion in 1980 to \$104.4 billion in 1988, an inflation-adjusted leap of 49 percent.

Quality of life? Boy, this gets complicated here. Let’s make the wild assumption that people prefer to live where, oh, let’s see—the *murder rate*, that’s it—is low. Reagan’s America must have done *horribly* there, with all those poverty-stricken homeless families living on the streets, and what with the rejuvenation of racial tension all due to that bigotry thing in the White House, and—oops, looky here: The murder victim rate *fell* by 13.4 percent under Reagan. And it fell by 20 percent for black males; if the homicide rate for 1980 (in Jimmy Carter’s America) had prevailed in 1987

(Reagan’s Racist Revival), 1,876 more black American men would have been murdered in that year alone.

Reagan didn’t do all this, you say? But I thought he was some kind of a socioeconomic superman, picking up far-flung global trends and twisting them to his very will. He certainly took from the rich to give to the poor—we’ve got proof in the income distribution numbers. But that would be a really mean trick for Ronald Reagan—because the trend toward greater skewedness in income started in the early-1970s, and not just in the U.S. but in all the other advanced economies. (Reagan must have been an incredibly powerful governor of California.) All serious commentators (which includes Robert Reich and Mickey Kaus in *The New Republic* and excludes Kevin Phillips—in bookstores near you) concede that the problem predates Reagan’s presidency.

So there are other factors, you say? Things like demographic trends, and autonomous world-market changes in the petroleum price, and wars in the Middle East, and Japanese competitiveness, and the 486 chip, and old court decisions deinstitutionalizing crazy people, which turn out to be hugely important in our social and political lives. And you’ll now admit that maybe that homeless person in the park is no more Reagan’s personal responsibility than are the 1,876 black men whose lives were spared in 1988.

Well, now, that’s quite a deviation. Tantamount to an abdication. And that’s very close to a violation of your fiduciary responsibility to pursue the logical course of your political contentions, an attitude smacking of the devil-may-care flight from personal integrity in the Boesky/Bork/Meese/North era of Ronald Reagan. And I, for one, am holding both Ron and Nancy personally liable.

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