

Where the jobs are: NAFTA and Mexican immigration

by [John Fanestil](#) in the [September 18, 2007](#) issue

On June 28, President Bush's grand bargain with Congress over immigration reform legislation collapsed. The event is best understood not as a failure of short-term political leadership, but rather as an inevitable long-term consequence of NAFTA (North American Free Trade Agreement), the historic overhaul of hemispheric economic policies initiated by the United States, Canada and Mexico in 1994.

NAFTA's architects allowed themselves one false assumption. They believed that as goods and services began to flow in unprecedented volume throughout the world's largest free market, one commodity—low-wage labor—would remain largely fixed.

Unfortunately, when NAFTA unleashed the forces of the free market, those forces did exactly what they should have been expected to do: they uprooted longstanding social and economic arrangements in Mexico and caused the already meager economic opportunities, especially in the rural parts of the country, to evaporate. Millions of Mexican people—the bearers of cheap labor—were compelled as if by Adam Smith's invisible hand to seek out their most rational reallocation.

Most American analysts overlook this “push” side of the equation when they try to make sense of Mexican immigration to the United States. The forces of the free market have caused Mexicans to flood to the north—witness the explosive growth in cities on the country's northern border. Millions have been able to make a living in cities like Tijuana, Mexicali and Matamoros, and millions more have resigned themselves to living in these cities although they are barely able to make ends meet. Millions of others have used these cities as launching pads from which to respond to the “pull” of U.S. jobs.

This unprecedented northward migration of the Mexican population has swamped political and legislative instruments that were crafted by U.S. legislators in less dynamic economic times.

Take the Immigration Reform and Control Act (IRCA), passed by Congress in 1986. In the wake of the recent efforts at immigration reform, the failures of this legislation are now familiar to most Americans—most notably, the failure to enforce sanctions on employers who hire workers not authorized to work in the United States. Yet these failures were not overwhelmingly apparent until the full effects of NAFTA kicked in.

Had migration from Mexico held steady at its early-1980s levels (an estimated 100,000 per year), Americans might not have cared much about employers winking knowingly at falsified documents when they hired Mexicans (and other foreign nationals) on the cheap, and IRCA might have been heralded as a success. Instead, thanks to the combined effects of NAFTA and IRCA, by the late 1990s undocumented workers were taking up illegal residence in the United States at the rate of half a million per year. Gifted with hindsight, observers couldn't believe that the architects of U.S. immigration policy had been so naive.

In the wake of the most recent failed attempt to reform immigration policy, some are stepping up their argument for taking the genie of NAFTA's free-market forces and attempting to put it back in the bottle. Close the border, these people say. Deport as many "illegal aliens" as possible, reserve American jobs for American workers, and use carrots and sticks with American corporations to keep as many jobs as possible at home. Of course, this would cause a rise in the price of goods and services, one argument goes, as higher labor costs would be passed on to consumers. But once freed from the unfair competition of undocumented workers, Americans working in the lower strata of the labor market would see their wages rise and their purchasing power increase.

Far more logical, in my view, is the proposal floated in 2000 by Vicente Fox, then the president of Mexico. Fox proposed that the free flow of people across the U.S.-Mexico border be considered a second phase of NAFTA, to be implemented by joint negotiation over ten years. The terrorist attacks of 2001 put an end to this kind of talk, but perhaps now the idea can be put back on the table.

While it sounds oddly radical given the conservative tenor of the recent immigration debate, moving to permit dramatically increased levels of legal immigration from Mexico would have a number of salutary effects. First, it would allow the U.S. to dedicate its law-enforcement efforts on the border to the interdiction of terrorists, drug dealers and other criminals. This would make for an inordinately wiser

investment of resources than the current policy, which is dedicated to deporting economic migrants only to have them cross the border again.

Second, such a change of policy would test the claims of the many Americans who insist that they are not against immigration, but only *illegal* immigration. (“What is it about the word ‘illegal’ that you don’t understand?” says the bumper sticker.) These people have invested great emotional and political energy into trying to limit immigration. If law-breaking is really what they find so bothersome, why not work to eliminate the laws that make economic migration illegal in the first place?

Third, the change would serve to acknowledge a lesson we have seen reinforced again and again: there are no legislative solutions to what are, at root, macroeconomic and demographic challenges of historic proportions.

In patching together the immigration reform legislation that died in the Senate, President Bush and his fellow bargainers were pretending that we can have the best of both worlds. Sure, let Mexicans (and others) fill the gaps in the U.S. labor market, these people tried to argue, but let them do so through a guest worker program so we can send them home when we are through with them. This middle ground proved unsatisfactory to both anti-immigration hawks—who think that there are too many Mexicans coming to the United States in the first place—and to immigrant-rights advocates who think that hard-working immigrants deserve a fair shot at permanent residency and, eventually, citizenship.

In the wake of this legislative failure, the time has come to acknowledge that with NAFTA Americans got a whole lot more than they were bargaining for. The free-market arrangement has produced much good—radically increased trade, higher rates of economic growth and an ever-increasing interdependence of the three participant countries.

But NAFTA has also produced bitter fruit. With their rush to the north, Mexicans have made one thing abundantly clear: they will not stay put to work the fields of diminished economic opportunity while people living in the U.S. enjoy ever more goods and services at ever lower prices.