

## Nativism : The new economics of immigration

A fresh critique of migration is gaining ground. Liberals must take it seriously



***IN ONE RICH country after another, immigrants are blamed for society's problems.*** On March 10th J.D. Vance, America's vice-president, said: "You go across the world, and you see a very consistent relationship between a massive increase in immigration and a massive increase in housing prices." Stephen Miller, the White House deputy chief of staff, warns that ***"If you import the third world, you become the third world."***

*Complaints about migrants are as old as Jacob's trek into Egypt. But politicians like Mr Vance and Mr Miller are drawing on a new critique of the liberal case for immigration. They make three claims: that immigrants are taking houses from citizens; that, even if they work, they are bankrupting welfare systems and jumping the queue for public services; and that they are spoiling the culture that made the West prosperous.*

*It would be a mistake to dismiss these claims as xenophobic guff, like the stories that migrants in Ohio eat pets. What makes them powerful is that they are grounded in academic research. Only by grasping their strengths can liberals reject their excesses; and only by acknowledging where policy falls short can they improve it. To defeat the new nativists, liberals must understand what they get right and what must be fixed.*

*When politicians talk about migrants, they usually focus on the rich world's failure to manage asylum claimants sensibly or stop people from crossing borders illegally. But many are also attacking—and seeking to stem—the legal flow of economic migrants, who are far more numerous and who have arrived in exceptional numbers since 2021. Their arguments have evolved. The old gripe, that economic migrants steal jobs or undercut wages, has not gone away but has lost much of its power over the past decade as labour markets have boomed. The new arguments are more plausible, and therefore more dangerous.*

***The strongest is over housing.*** Long-term migration into the rich world was 28% higher in 2023 than 2019. Evidence has mounted that rents and prices rose as people entered Western housing markets choked by building restrictions, contributing to inflation. But the new nativists exaggerate how much of this was down to migration. Rules of thumb suggest that it accounts for a tenth or so of the 39% real-terms increase in rich-world house prices between 2013 and 2023. Regardless of migration, many places need to loosen curbs on building, as rising life expectancy boosts populations. Ironically, even more building would be needed if Mr Vance's dream of getting native mothers to have more children came true. That is because natives spend more on housing per person than immigrants of the same income, and so push up home prices further.

The next argument, about whether migrants pay their way, looks solid but is not. **Numerous studies, including in America, Britain, Denmark and the Netherlands, show how the fiscal effect of migration depends on migrants' skills.** Immigrants to the Netherlands pay more in taxes than they take out in benefits over their lifetime only if they have at least a bachelor's degree. Liberals often say low-skilled migrants are needed to care for the elderly and do menial jobs. But progressive tax systems, in-work benefits and social housing

***redistribute money to those on low incomes, and permanent migrants eventually grow old themselves, claiming pensions and health care. They also often bring in dependants, who can be a fiscal drain.***

*However, a simple accounting of money in versus money out is incomplete. Migrants do not just pay taxes themselves, but raise the productivity of companies and their fellow workers. That increases the economy-wide tax take. In America including these knock-on effects flips the fiscal impact of even the least-skilled migrants to strongly positive, by one estimate. **The surest conclusion is that the more skilled a migrant is, the better they are for the public finances. But that is not the same as saying that other migrants are a drain on the public purse.***

*It is on cultural change that the nativist overreach is at its worst, because even the foundations of the argument are bad. The most respectable version of it is found in the literature about the “deep roots” of growth, which traces differences in the wealth of nations today to flows of migration from countries that were advanced or backward centuries ago.*

But like all claims about what makes countries rich or poor, the theory is plagued by small sample sizes and pesky counter-examples. Embarrassingly, it cannot easily explain the prosperity of the world’s biggest countries. America, with its history of relatively open borders, is far richer than its “deep roots” score would suggest; China and India are poorer. Deep-roots theory looks favourably on migrants from East Asia, but they too were demonised in the early 20th century by Americans.

*There are plenty of good arguments to use against the new nativism. **But governments must also learn from the policy mistakes that lend it credibility. It was foolish to admit lots of newcomers without liberalising housing markets. Also, since migration flows to rich countries cannot be unlimited, it makes sense to favour highly skilled economic migrants over lower-skilled ones nearly all the time. Arguments for low-skilled migration built around supposed labour shortages are [flawed](#).***

### **Give me your brainy, energetic masses**

Market mechanisms like visa auctions should be allowed to solve workforce gaps, with the fiscal windfall from skilled migration paying for higher wages to attract staff to the public sector when necessary. The gains to migrants themselves from admission to the rich world are so vast that there are plentiful deals to be cut, from schemes to teach would-be migrants valuable skills in their home countries to Donald Trump’s plan to sell “golden visas”.

An essential retort to the new nativists will be to fix the problems they correctly identify. *Too many politicians have talked about mending housing markets or prioritising skilled migration, and then failed to live up to their promises. **If liberals can get those things right, the rest of the new case against migration will look much more flimsy.*** ■