

Comments on “Towards a Clash of Nationalisms”

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One of the central economic challenges facing the advanced economies is slowing economic growth, with growth rates averaging 1.2 percent over the last decade—down from 3.1 percent in the previous 25 years. History is clear that slower economic growth can make societies less generous, less tolerant, and less inclusive. This has contributed to the growth of renewed populist nationalism in a growing number of countries—widely manifested as increased opposition to immigration and, to a lesser degree, as trade protectionism. This is particularly worrisome because this populist nationalism threatens to exacerbate the same problem that helped to foster it—slower economic growth.

The strongest and most widespread expression of a renewed and exclusive form of nationalism is immigration, with a backlash against immigrants becoming a motivating political force in both governing and increasingly empowered opposition parties in the United States and across Europe.

The economic evidence is clear that immigration makes a strong contribution to economic growth. Aging populations and lower birthrates in the advanced economies are producing a retirement boom without a commensurate cohort of native workers rising up to support it. Japan’s working age population has been falling since 1995. In the European Union, immigrants accounted for 70 percent of the growth in the labor force from 2000 to 2010. In the United States immigrants are the reason our workforce will continue to grow, if we just had to rely on native born workers it would shrink.

Faster growth is helpful even if it has to support a larger population because working immigrants pay the taxes that help support the pensions of retirees. In general, you would rather be a faster growing country with a vibrant, growing population than a shrinking one.

Moreover, immigrants do more than just expand the workforce, they actually raise per capita GDP by increasing productivity—or the amount that each worker produces. Immigrants are much more likely to be entrepreneurial and start new businesses. In Germany, for example, individuals with foreign passports started 44 percent of new businesses. In France, the OECD has estimated that immigrants engage in 29 percent more entrepreneurial activity than native-born workers, similar to the average for the OECD as a whole. And in the United States, immigrants are a key to innovation, patenting at two to three times the rate of U.S. born citizens and boosting innovation for non-immigrants as well.

Immigrants expand the pie, but what about their effect on how that pie is shared? Here the evidence is less clear but, on balance, supports the view that immigrants do not reduce wages for native workers and, more likely, increase them. One recent study of France, for example, found that each 1 percent of employment increase in the immigrant share in a département raises wages for native-born workers in that département by 0.5 percent. The intuition is that not only

do immigrants help increase the workforce and productivity but in many cases they can complement the skills of native born workers, helping them to earn more.

Skepticism about international trade is also growing, although it appears less virulent and widespread than skepticism about immigration. In the last French election Marine Le Pen, for example, merely proposed a 3 tax on imports, much less dramatic than her proposed 80 percent cut in immigration. Most advocates of Brexit supported reduced immigration but at the same time many of them argued that Brexit would actually enhance the United Kingdom's ability to negotiate free trade agreements.

The United States is notable in its large shift on both immigration and trade with President Trump imposing tariffs on steel, aluminum, a wide range of products from China, and threatening further tariffs on automobiles and additional products from China.

Like immigration, the evidence is unambiguous that trade increases growth and, on balance, that it helps the working class. Moreover, even if trade has resulted in winners and losers, so too does reducing trade—and likely more losers than winners. U.S. tariffs on steel may be helping some of the 140,000 workers in the steel industry but they are hurting the about 2 million workers in the industries like automobile manufacturing that use steel as an input. International trade is increasingly about integrated global supply chains so protectionism is no longer a way to help domestic workers at the expense of domestic consumers, but increasingly hurts both domestic workers and domestic consumers.

My focus is on economics, but clearly slower growth is only one of the contributors to the increase in nationalism. The fact that our nations are changing culturally has played a large role as well, perhaps even a larger one. In the United States, for example, the share of the population that is foreign born has risen from 5 percent in 1960 to around 14 percent today. Sweden has seen an even more dramatic change, from less than the United States in 1960 (4 percent) to more than the United States today (18 percent).

Countries face a choice: pay an economic price to follow a more nationalistic course or reap the economic benefits from greater openness. Supporters of the later choice, however, have the responsibility to make sure they are establishing policies to the benefits of that openness are shared more widely as well as setting the cultural expectation that while immigrants will bring diverse perspectives and backgrounds they will come together as citizens of their new country.

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