

Supply-and-Demand Solutions

By David Sirota
San Francisco Chronicle
April 9, 2006

Amid all the rhetoric in the superheated immigration debate, many have forgotten the key question: Why?

Why do so many Mexicans want to come to America in the first place? The answers to this question revolve around the concept of supply and demand -- and they tell us about how to address illegal immigration and overcome the core economic challenges facing middle-class Americans.

Fact: Many Mexicans are willing to risk their lives to enter the United States illegally because they are desperate to find a better life. In supply-and-demand terms, the supply of jobs in Mexico that one can subsist on is far less than the demand for such jobs.

But that raises the next and deeper "why" question: Why is the supply of decent-paying jobs in Mexico so low? Therein lies an issue neither Democrats nor Republicans want to address, because it touches on public policies both have supported.

Fact: Both political parties have joined hands in recent years to ink trade pacts that have destroyed the Mexican economy and created a supply-and-demand imbalance there. The biggest of these was the North American Free Trade Agreement (NAFTA) -- a pact sold to the American people as a job creator here, and an economic development tool for Mexico. But, of course, the pact did not include any provisions to protect or increase Mexican workers' wages, workplace standards or human rights, thus all it did was open up a cheap labor pool for companies to exploit.

Fact: A decade after NAFTA's passage, America is still hemorrhaging the good-paying jobs that NAFTA was supposed to create. As for Mexico, the Washington Post's report on the 10-year anniversary of NAFTA told the story: 19 million more Mexicans now live in poverty than before the pact was signed. Similarly, former U.S. Labor Secretary Robert Reich points out, "Mexico's real wages are lower than they were before ." And because NAFTA included no provisions to force companies to improve Mexican working conditions, jobs that were created in Mexico still pay near-slave wages. For instance, the Associated Press noted this week that "Many young [Mexicans] have manual jobs on minimum wage of \$5 a day."

Time Magazine recently shed further light on the situation, reporting that , "Even when new jobs do appear, [Mexico's] unforgiving low-wage business culture -- the dark shame of Mexico's political and economic leaders, which NAFTA was also supposed to reform -- makes sure that they still often pay in a day what similar work would pay in an hour in the United States."

Not surprisingly, Mexican workers' demand for a better life hasn't gone away -- in economic

terms, the demand is inelastic. And so that demand is looking for a job supply north of the border.

This is the supply-and-demand reality that no amount of emotional rhetoric can change -- and in that reality we can find the way to address illegal immigration: by stopping the demand instead of trying to block the supply. The Academy Award-winning movie, "Traffic," highlighted the perils of waging a drug war that only focuses on trying to block the supply of narcotics, rather than on eliminating the demand for them.

These same lessons can be applied to illegal immigration. The best way to stop illegal entry into our country from Mexico is to tamp down the demand by Mexicans to enter this country illegally. After all, no wall, no fence, no border security measure can be as effective as reducing the demand for entry. This means reforming our trade policy to include serious wage, workplace and human-rights provisions so that cross-border commerce actually improves the lives of Mexican workers to the point where they no longer feel the dire economic need to break our immigration laws.

Think about it this way: Had NAFTA lifted 19 million Mexicans out of poverty as promised instead of helping to drive 19 million Mexicans into poverty, you can bet the flood of illegal immigrants across our southern border would be a trickle instead of the flood it is today. To be sure, politicians are talking about amnesty or guest-worker programs to give workers some kind of legal status. But if those proposals do not come hand-in-hand with a reform of America's trade policies, they are destined to be what they have been in the past -- merely short-term, stopgap measures, not real solutions.

Until America's political leaders start making trade policy address the imbalance between the demand for good jobs and the supply of good jobs in Mexico, illegal immigration will continue to be a major problem right here at home.