

The Newcomer Dividend

Wharton's Zeke Hernandez hopes to bend the immigration debate toward a question rooted in his own research on capital investment and business formation: What do natives stand to gain?

By Trey Popp

Exequiel Hernandez doesn't literally teach his MBA students how to tie their shoes, but he does like to suggest that they've been doing it all wrong. The Max and Bernice Garchik Family Presidential Associate Professor, who goes by Zeke, has been teaching in Wharton's management department since 2013. He often begins class sessions by offering "nuggets of wisdom for our consideration," as one student put it. These "Zekrets" tend to aim a little broader than Hernandez's course readings in global strategy and managing emerging enterprises—more *Tuesdays with Morrie* than *Harvard Business Review*. And though most are drawn from the 43-year-old professor's varied life

experiences, he also deploys a three-minute TED Talk revealing that the trick to a lasting shoelace knot is looping the bow in the opposite direction from the way virtually everyone has been taught.

Hernandez uses the clip to get at a more important phenomenon. "There's a whole lot of things in life that matter more than tying our shoes—but we approach them the same way we did when we learned to tie our shoes," he says. "We kind of think we have them mastered, and we move on. And so we plateau in our performance." That begs the question he then puts to his class: "Why do some people and some organizations seem to continue toward excellence—and why do others stagnate in mediocrity?"

Students may land on various answers. Hernandez has his own. "I suggest that the root of it is our pride," he says, "which can blind us to the fact that we even *need* to know anything."

"And the conclusion," he adds, "is that humility is the antidote to pride. Because humility grounds us. Humility never leads us to believe we have nothing to learn."

Hernandez allows that this is not the brand of insight that attracts most MBA candidates to Wharton. That's why he starts with it. "The point of talking about that with business students," he says, "is that in the business world we kind of look down on humility as being weak. And I don't like that. I think that's something



that's wrong with the culture of business. And so the idea is to encourage these MBA students to be a little more humble and to go about the world not thinking that they already know it all."

In June, he came out with a new book that he hopes readers will approach in a similar fashion. It's called *The Truth About Immigration: Why Successful Societies Welcome Newcomers* (St. Martin's Press), and it aims to shake up a debate that's been stuck in a rut.

In rich countries, public attitudes about immigration are largely shaped by a simple question: Who does it benefit, and who does it hurt? For a long time, Hernandez essentially shared a view that unites many opponents of immigration in the US and Europe. He believed migration "was probably better for the immigrants than for the native-born."

That was partly on account of his own personal history. Hernandez, who was born in Uruguay, has been an immigrant in four countries. When he was four years old, his family moved to Costa Rica so that his father could work as a bookkeeper for the Church of Jesus Christ of Latter-day Saints. When the church moved its Central American headquarters to Guatemala soon thereafter, the family moved again. The wages were modest but came with a major perk: free instruction at an English-language international school. After five years in Guatemala City, Roberto Hernandez was transferred to Buenos Aires—plunging Zeke into a middle school whose pre-teen Argentine alphas doubled as playground xenophobes.

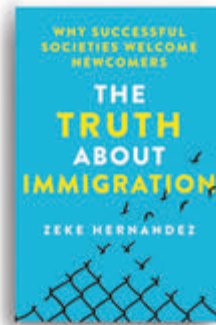
After attending high school back in Uruguay, Hernandez returned to Argentina on his own for a two-year church mission in the Buenos Aires slums. His service coincided with what came to be called the 1998–2002 Argentine Great Depression. "I saw firsthand, on the street, what unemployment really means, what hunger means, what suffering really means," he reflected in a May 2024 episode of *Freak-*

onomics Radio. The experience gave him what felt like a personal stake in a big question: What creates economic prosperity? "I returned home," he writes in *The Truth About Immigration*, "with an intense desire to help improve the economic fortunes of people in my corner of the world."

He came home with something else, too: a full-tuition scholarship offer from Brigham Young University in Utah. For the son a Uruguayan farm girl who'd overcome her own parents' objections to become the first person in her family to complete high school, there was no mistaking the life-changing potential of such an opportunity. Yet the personal was unavoidably—and uncomfortably—political. "My family and friends were certain that studying in America was a no-brainer," Hernandez writes. "But more than anything, the morality of immigration gnawed at me."

As an American friend memorably told him, "You know, Zeke, that you're going to steal a scholarship, a job, and probably a girl from a deserving American, right?" And that only got at half of what was eating Hernandez. He too worried that immigration might be a zero-sum game. And the pull of Uruguay was strong—heightened, perhaps, by the time he'd spent away from it during his expatriate childhood. "Emigrating would likely be good for me," he writes, "but would it hurt others—both from where I'd leave and where I was going?"

After agonizing for several weeks, he justified his decision in terms familiar to countless bright young people who've pursued their ambitions abroad. "I reasoned that I would have a greater impact if I got a top-notch education in America and returned home. I wouldn't be an immigrant after all, just an international student for a few years."



The Truth About Immigration: Why Successful Societies Welcome Newcomers
By Zeke Hernandez
St. Martin's Press,
320 pages, \$30

But that's not how it turned out. Instead, in a twist that no doubt amused his American friend, he met a girl his freshman year, they married while they were still students, and had their first of five children well before Hernandez graduated with dual bachelor's and master's degrees in accountancy in 2006. Meanwhile he applied for and received a Pell grant and a federally subsidized loan to cover non-tuition expenses after his wife's

visit to an out-of-insurance-network ER wiped out their savings—an "only in America" combo if ever there was one—and then enrolled in a PhD program at the University of Minnesota whose financial aid package covered tuition and provided an annual \$25,000 stipend.

And now, roughly two decades later, the naturalized US citizen has "written this book about the remarkably positive benefits of immigration. Not for immigrants like me but for the societies that welcome them." Even if the tenured Wharton prof has by this point paid more in taxes than he drew in government assistance, it's a little on the nose.

Yet a big part of what makes the book interesting is that Hernandez came to the topic almost by mistake. He calls himself an "accidental migration scholar." His doctoral studies at the University of Minnesota's Carlson School of Management focused on strategic management and organization. "I just really wanted to understand, where does economic prosperity come from? And what might the movement of businesses have to do with it?" he explains. "Immigration had nothing to do with it at all."

The book's title telegraphs the conclusions he ended up reaching, but in its introduction he pitches himself as a neutral arbiter. "Any book on immigration invariably raises questions about the agenda of the author," he writes. "So a

Wharton's Zeke Hernandez photographed with Jacques Lipchitz's *Spirit of Enterprise* (1958) in the Ellen Phillips Samuel Memorial Sculpture Garden next to the Schuylkill River in Philadelphia.



little bit about me. I'm a professor at an Ivy League university, which to some may suggest an automatic liberal bent. I'm also a committed Christian who married young and has five children, which may indicate a conservative inclination. I've voted for both Democrats and Republicans, but I'm not a member of either party. My views align with different parties on different issues."

"In short," he adds, "I don't fit a particular mold or stereotype."

AT the University of Minnesota, Hernandez gravitated toward a topic that forms the basis of much of his current teaching at Wharton: cross-border investment flows and corporate strategy around expansion, including into foreign markets. This entailed studying classical economic concepts like David Ricardo's theory of comparative advantage, as well as more narrowly focused analytical frameworks dealing with stuff like acquisitions, alliances, and



"Everything you care about that affects your day-to-day life begins because somebody made an investment that started a business that provided jobs. And it just so happens that immigrants bring a ton of investment."

divestitures. As he went along, he couldn't help but notice that the field had much to say about flows of capital, technical knowledge, intellectual property, and supply chains—but surprisingly little

to say about the movement of human beings. It struck him as a blind spot.

Though he may not have been fully conscious of it at the time, his experience of living in Central America held an example of what the conventional thinking might be missing. It was a fast-food chain called Pollo Campero, whose story Hernandez tells in *The Truth About Immigration*. Having started as a mobile cart selling fried chicken in Guatemala City in 1971, Pollo Campero quickly expanded through Central America in the 1970s. Hernandez loved it as a kid growing up in Guatemala. The firm's growth, however, coincided with a period of disastrous civil strife that drove massive migration to the United States. By the time Guatemala's civil war ended in 1996, some 400,000 refugees had fled the country. Peace did little to stem outflows from the region, as economic woes fueled further migration well into the 21st century.

The influx of Central Americans into

places like Los Angeles (which was a major destination for Guatemalans) created a curious side effect for Pollo Campero. By the turn of the century, the firm's most successful restaurants were located in the airports of Guatemala City and San Salvador, where US-bound passengers would load up on chicken for their nostalgic relatives up north. These "relentless smuggling" runs—one woman crammed 1,600 pieces into her luggage, according to a 2002 *New York Times* article, and covered her airfare by selling them at a profit in the US—eventually spurred the chain to try its luck by opening a store in Los Angeles.

"Campero's leaders thought it would be a worthwhile investment if the LA store sold \$850,000 in its first year," Hernandez recounts. "They were way off. The store reached \$1 million in sales in 47 days—then a record for a fast-food franchise." The next year, a Washington, DC, location hit the million-dollar mark in 36 days.

Following a strategy sometimes called "Sanchez to Sanchez to Smith"—that is, growing the market from immigrants already familiar with the product, to other Latinos predisposed to try it, and finally to the mainstream native population—Pollo Campero spread to 90 locations in 18 states by 2023 ["Alumni Profiles," May/June 2023]. Ownership diversified in a similar pattern. "The company initially franchised to Hispanic immigrants," Hernandez writes, but as the brand "became more established, its business partners became more mainstream." Furthermore, the "few thousand jobs" he estimates it has created (the company doesn't disclose employment figures) came without the kinds of tax subsidies and giveaways that state and local governments often use to lure foreign investment, like Wisconsin's infamous 2017 bid to shell out some \$4 billion to coax the Chinese company Foxconn into building a 13,000-job LCD panel factory that never materialized.

As a PhD student, Hernandez wondered whether these sorts of immigration-based network effects might be an

underappreciated driver of cross-border investment. Serendipitously, the University of Minnesota housed the perfect resource for testing that hypothesis: the Integrated Public Use Microdata Series (IPUMS), which contains a vast collection of US and international census data. He pulled geographic data on immigrant settlement patterns and compared it with a separate database that tracked locations where foreign corporations had established US operations.

The US faces a quandary: Even if immigrants end up being net contributors to economic prosperity, the localities where they start their journey frequently lose out on the gains.



"In my experience doing statistical analyses, most things you try to test don't correlate significantly," Hernandez says. But there was no mistaking the signal here. The more immigrants from a given country lived in a particular place, the more likely it was that a firm from that country would set up operations there. "So Hyundai was much more likely to set up a factory where there were more Koreans," he says. "And it wasn't just for Korean firms, or Mexican firms—it was for firms from almost every country. And it also wasn't just one industry. It wasn't just, like, food service, where you might think, *OK, food is ethnic*. It held even for technology firms, which would seem to have no ethnic dimension."

Like any conscientious investigator, he attacked his own finding. "I tried to be as skeptical as I could, and stack the deck against the result by throwing other vari-

ables in and trying different techniques—and I could not kill the result." It did not definitively answer his question. Correlation does not imply causation. New York has a lot of immigrants and a lot of foreign investment, for instance, but maybe that's just because it has the kind of economy that attracts both. "But there was a very strong correlation."

So strong, in fact, that his heart sank when he stopped to think about it. Surely somebody else had already studied this. It was the grad student's curse. There had to be dozens of papers that had beat him to the punch. Yet when he combed through the economics literature—and sociology literature, and business-strategy literature—he came up all but empty. "I found a few papers where somebody had made the connection between immigrants and exports," he recalls. But while it was no surprise that a city with a large Japanese population would import plenty of chopsticks, Hernandez was interested in a higher grade of economic activity, like setting up a factory. Eventually he encountered some country-level findings linking foreign investment to immigrant presence, "but nothing much" that probed the connection at the level of firms making decisions about how and where to invest and expand.

His business professors initially threw cold water on his proposal to investigate it. "We just didn't study immigration in business schools," says Hernandez. That topic was for other disciplines. And when he went looking elsewhere, Hernandez noticed that immigration researchers seemed to fall into two dominant camps. "Labor economists," he found, "are obsessed with one and only one question, which is: Do immigrants steal jobs and lower the wages of natives?"

"Of course, that's a very important question," he hastens to add. But for all the attention it soaked up, you'd think that immigrants never did anything else of economic significance—like consume goods and services that profit native-owned businesses, or create jobs in their

own turn. “And then you had the sociologist types, who were very obsessed with this question of: Do immigrants assimilate and integrate into society?” That matters too, for natives and newcomers alike (and Hernandez devotes several chapters to it). Nevertheless, the scholarly mainstream seemed awfully pinched. “There’s all these other things that immigrants might do or influence,” Hernandez says, “and it was like nobody was studying them.”

His attempt won a pair of awards for management-related dissertations plus another from the journal *Administrative Science Quarterly*, which published his findings in 2014. In a nutshell, the probability of a company locating operations and surviving in a US state increased with the concentration of same-nationality immigrants in that state—but *not* with the presence of immigrants of other nationalities. The relationship was “particularly strong for firms lacking prior experience in the country, for locations in which immigrants can help firms capitalize on industry-specific knowledge spillovers, and for firms with highly knowledge-intensive operations.”

Yet both before and after landing at Wharton, Hernandez mostly published about different topics: corporate alliances and acquisitions, boardroom dynamics, the impact of brokerage triad configurations on innovation, and other aspects of organizational structure and performance.

Only in 2019 did he return to immigration, via a paper coauthored with Yong Li and Sunhwan Gwon, who were both then at SUNY Buffalo. Investigating the expansion of Korean banks into mainland China, they found that the pattern of investment was significantly shaped by a wave of migration that had occurred more than a century before. Beginning in 1876, when Imperial Japan sought to forcibly annex Korea, millions of Koreans fled to China’s northeastern provinces. Many returned after 1945, but those who stayed were soon trapped by movement restrictions imposed in 1949

“I’m convinced that a lot of grievances about immigration aren’t about immigrants. They’re actually about how bad we are at building infrastructure.”



by the Chinese Communist Party, which also outlawed trade with Korea. Over the next four decades, this Chaoxian minority, as it came to be called, gradually dispersed through China from its original stronghold near the Korean peninsula.

“The locations of their enclaves might as well have been random from the perspective of Korean companies wanting to invest in China,” Hernandez writes. “The economic and historical conditions that motivated those companies after 1992 were entirely different from the conditions that determined the settlement patterns of the Chaoxian people.” Nevertheless, “we found that Korean banks were more likely to establish a branch in a province when more Chaoxian people lived in that province. Why? Because the Chaoxian provided a community of trusted customers and employees who served as a gateway to the broader Chinese market.” Finding that the dynamic was even more apparent in provinces with weak enforcement of property rights, Hernandez and his colleagues theorized that Chaoxian borrowers’ “shared norms and implicit threats of social exclusion” were attractive to banks seeking to mitigate repayment risk.

The Truth About Immigration presents other stories in the same vein. In 2023, for instance, a subsidiary of the German

company Merck KGaA announced a \$300 million expansion of a facility to produce microchip-related materials in Hometown, Pennsylvania—a community originally settled by German pioneers in 1811, where German remained the lingua franca for decades. Meanwhile, 10 miles up the road, an “unexpected and unwanted influx of Hispanic immigrants, mainly from Mexico” into Hazleton has reversed the decades-long population decline of that depressed former coal town, where four Mexican-owned food factories now operate nearby.

“I’m not saying that Hazleton has recovered its past glory thanks to immigrants,” Hernandez writes. “It still faces many challenges. But how much worse off would it be without Mexican investment?”

“Investment is the seed of every good economic thing you want,” he elaborates in an interview. “Everything you care about that affects your day-to-day life begins because somebody made an investment that started a business that provided jobs. It allows you to pay for your kids’ school, to pay for your kids’ sports. ... Investment is the beginning of all those things. And it just so happens that immigrants bring a ton of investment. And they do it either because they’re magnets of investment from their home country, or—and this is the other part—because immigrants disproportionately start businesses.”

Elevated entrepreneurship levels among immigrants have been noted by many researchers. *The Truth About Immigration* cites an especially intriguing 2022 study by scholars including Wharton assistant professor of management J. Daniel Kim. It found that not only are immigrants 80 percent more likely to start firms than native-born individuals, but that the pattern holds up for businesses of all sizes, and that immigrant-founded firms create jobs at a higher rate than native-founded ones. That paper suggested that “immigrants act more as ‘job creators’ than ‘job takers’ and play outsized roles in US high-growth entrepreneurship.” A 2019 analy-

sis by the Society for Human Resource Management further dispels the notion that immigrant entrepreneurship is limited to mom-and-pop operations like food trucks and nail salons. It found that 101 of that year's Fortune 500 companies were founded by first-generation immigrants, and another 122 were founded by the children of immigrants.

"So they're putting in their own capital, or they raise capital from others, that then allows these businesses to grow," Hernandez says. "It doesn't mean immigration is the only source of investment, and it doesn't mean it's the main source of investment in every community. But it's a really important one."

Innovation is another focus of *The Truth About Immigration*. Hernandez notes that immigrants are directly involved in producing 23 percent of the patents granted in the United States, and cites research suggesting that their presence significantly amplifies the patent production of native-born inventors as well. Immigrant inventors often draw from knowledge that is "locked within the cultural context of their home region"—ranging from traditional medicinal remedies to familiarity with foreign innovation in cutting-edge disciplines like chemistry and computing. Studies of patent applications, citation patterns, and team collaborations show that by "working alongside immigrants, native inventors get exposed to different technologies, ideas, or ways of thinking about and solving technical problems. They also plug into networks of global innovators they wouldn't otherwise have had access to."

Hernandez contends that similar dynamics are at play across the employment spectrum. In his view, immigrants tend to work in jobs that complement, rather than directly compete with, natives seeking their own place in the labor market. Poultry processing plants are full of Latino immigrants, in other words, because natives are loathe to pluck and bleed chickens. And fifth-

Hernandez thinks immigration opponents and advocates alike get something wrong, albeit for opposite reasons.



generation Philadelphians owe much of the city's 21st-century restaurant renaissance to Mexican line cooks and James Beard-nominated chefs whose stateside culinary achievements are inseparable from their foreign origins. Some evidence suggests that influxes of "unskilled" immigrants even benefit natives with low levels of education, as the former tend to sort into manual labor while the latter move into communication-heavy occupations that pay more.

Hernandez thinks immigration opponents and advocates alike get something wrong, albeit for opposite reasons.

The former argue that "when it comes to economic issues, an immigrant is apparently identical to a native—and therefore they compete head-on with the native" for jobs. But when the subject shifts to social issues, "all of a sudden that very same immigrant who was so identical is now so different that they can't possibly assimilate or interact socially.

"It's like Schrödinger's immigrant," he jokes: at once intolerably similar and frightfully different.

Good intentions lead pro-immigrant pundits to make a "misguided" rhetorical move of their own. "They paper over the differences. They use slogans like 'America is a nation of immigrants,' or 'Deep down, we're all the same.' But that doesn't hold water, because we're not the same, right?" Hernandez says.

"But that's good!" he stresses. "The truth is that immigrants are different in productive ways, and that creates eco-

nomics gains. [And] socially speaking, they will adapt to our values, and they will contribute to our society.

"I think we get it exactly backwards," he concludes. "We emphasize differences when we should be focusing on similarities, and we emphasize similarities when we should be focusing on differences."

Hernandez's immigration-related research continues to focus on investment flows and firm performance, in areas ranging from US-India venture capital funding to the operation of foreign-owned firms and multinational subsidiaries in Russia. But his book casts a wider net.

"I got lucky," he says, "to ride a wave of a paradigm shift in how we think of immigration—where we stopped thinking about it just in terms of jobs and wages and assimilation into society, but also thinking about immigrants as a potentially valuable asset that might affect a whole bunch of other things." Over the past 10 or 15 years, researchers have gained access to ever bigger data sets, enabling them to probe a wider variety of questions. Since Hernandez wrote his dissertation, others have done empirical work that's "even better than what I did—with better data that has validated that indeed there's not just a correlation, but a cause-and-effect relationship between immigrants and investment.

"It's been very gratifying—and also reassuring—to see that it's not just my thing," he adds. "There's now been a wide number of people who have found the same result and then gone deeper into why it happens."

Given all the upsides he emphasizes in his book, it's no surprise that Hernandez laments the current state of discourse about immigration—on both sides of the issue.

From Congress to cable news, "the dominant themes in anti-immigrant speeches focus on terms like 'crime' and 'threat,' while pro-immigrant speeches feature words like 'victims' and 'families,'" he notes. Never mind the volumi-

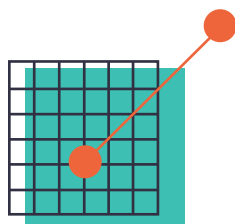
nous criminological evidence that immigrants commit crime at lower rates than natives—or the fact that *victim* is a strange word to describe the many newcomers who come seeking fortune, be it as entrepreneurs or temporary agricultural laborers, and have the wherewithal to find it.

“Most books about immigration perpetuate either the victim argument or the villain argument. They either tell heroic stories about individual immigrants’ success or spin arguments about how that success comes at the expense of the host nation. Both types of books are obsessed with how immigrants enter our country—for economic, family, or humanitarian reasons, legally or illegally. But they’re short on what immigrants *do* for the rest of us once they’re here.”

That said, the manner in which a society welcomes or thwarts newcomers matters, and Hernandez deems the US system “broken.” It provides an avenue for highly skilled workers who would be a boon to any local community’s tax base—only to snarl recruitment with a lottery system so dysfunctional that in 2023 Canada essentially poached 10,000 high-earning H-1B visa holders by offering them work permits and a path to permanent residency to bring their talents northward. Meanwhile country-based green card limits set 34 years ago mean that “an Indian with a graduate degree seeking to qualify for an employment-based visa (EB-2 category) would have to wait 195 years” even as one from, say, Uruguay, could practically waltz right in. Just as nonsensically, an Indian national seeking a family-reunification visa can probably expect to wait eight or 10 years—even as applications filed by Mexican children of US citizens have been collecting dust since 2001.

One upshot of this dysfunction, Hernandez argues, is that some 11 million people now reside in the US without permission. “No good system would result in nearly a quarter of immigrants” lacking authorization to live and work here.

“The most basic problem is that the ‘speed limit’ of America’s immigration flow is set way too low,” he argues, noting that employment-related visa limits have largely been stuck at levels set in 1990—when real GDP was less than half what it is now. “The economy’s need for talent, both low- and high-skill, is far above the numbers allowed by the law. Demand far exceeds supply. ... The respected Penn Wharton Budget Model, for example, estimates that doubling the number of legal immigrants would create more em-



“The worry I have with just going to a points-based immigration system is that it’s essentially Soviet-style planning ... In fact, I think a good immigration system needs to have some randomness, because the future is unpredictable.”

ployment and increase GDP.”

Another symptom can be seen in cities like El Paso, Texas, “which runs on an annual budget of \$1.2 billion” but was recently on pace to “spend \$89 million on asylum seekers per year if the pace of new arrivals continued.”

In the long run, many asylum seekers now burdening points of entry may well contribute more to the US economy than they cost it (especially when the analysis includes their children’s lifetime economic contributions). Businesses all over the country continue to scramble for workers of virtually all skill levels. As the US Chamber of Commerce noted in

a February report, “If every unemployed person in the country found a job, we would still have 2.4 million open jobs.”

“When newcomers permanently settle and are allowed to participate in all facets of the economy, the whole economic pie gets bigger,” Hernandez writes. But there’s a catch: Even if immigrants end up being net contributors to economic prosperity, the localities where they start their journey frequently lose out on the gains. “That’s what happened in my case,” Hernandez notes. “Utah and Minnesota bore the costs of my non-income-generating years. But Pennsylvania gets the income, sales, and real estate taxes I now pay.”

This asymmetry adds up. Hernandez cites a 2017 National Academies estimate that “each immigrant costs their state of residence an average of \$1,600 over a lifetime (in net present value terms). That’s primarily because first-generation immigrants have more children than other generations, so the state spends more on public education for the children of immigrants than for the children of natives. The result is an estimated total annual cost of \$57.4 billion for immigrants at the local level across all fifty states.”

Those expensively educated children end up making “a net *positive* contribution of \$1,700 to the state in which they live over the course of many decades”—and the contributions of *their* children push “the total gain to \$254.3 billion for the fifty states.” That attractive “return on investment” is even better, Hernandez observes, when you “count the much larger fiscal gains at the federal level.”

Yet that points to a structural imbalance in the way immigration’s costs and benefits are distributed. “The federal government,” Hernandez observes, “is guaranteed to collect the income, payroll, and other national-level taxes immigrants and their descendants contribute. And it gets that income without fully reimbursing states for shouldering the costs of the immigrants’ initial assimilation.”

“Perhaps,” he suggests, “states and localities would be more willing to accept

the costs of welcoming immigrants if they had some guarantee that there is a fair process to recover those costs in the long term.” And maybe more immigration skeptics would consider its benefits if American cities and suburbs responded more nimbly to broader challenges like housing affordability. After all, the overwhelming majority of newcomers to most US states come from other US states, according to census data—so rent crunches and school crowding in popular destinations ranging from Nashville, Tennessee, to Boise, Idaho, have causes unlikely to be solved by a border wall. “I’m convinced that a lot of grievances about immigration aren’t about immigrants,” Hernandez writes. “They’re actually about how bad we are at building infrastructure in response to changing demographics.”

But the “stupid reaction,” he elaborates, “is to say, *Well let’s throw away half the people*. You don’t really want that. Communities that lose people are really depressed communities. Every Rust Belt town knows that.”

Exhorting states and cities to build infrastructure better is easier than actually building infrastructure. Similarly, outlining a recipe for reforming the US’s immigration system “would require another book,” Hernandez concedes. But he does end with a chapter recommending “a few basic design principles.”

Among the conceptual shifts that he advocates, two stand out. One is to stop treating immigrants as a threat or problem best managed by the Department of Homeland Security and start framing them as an economic engine better handled by the Commerce, Labor, and Agriculture Departments—or even a new agency empowered to update policy continually in response to economic conditions, rather than once every generation or two (which has been Congress’s record over the past century). Another is to “add a lot more access lanes, especially economic ones”—while avoiding the delusion that we can predict tomorrow’s needs today.

“This is going to sound like heartless business calculus, but if you believe all the evidence about the good that new people do, these are opportunities to get great assets on the cheap.”



“The popular argument,” he says, is that “if we’re an immigration chooser, we might as well skim the cream from the top” via a points-based system that prioritizes highly skilled immigrants. But his reading of the evidence—and his distrust of bureaucratic prognosticating—leads Hernandez in another direction.

“A lot of gains do come from skilled people” who create patents and high-tech innovation, he allows. “But a lot of gains just come from a variety of people, period, from all walks of life,” he stresses. “Variety is a lot of what brings out the strength of what immigrants bring to us—not just economically but also culturally in terms of making our places interesting and vibrant. The worry that I have with just going to a points-based system is that it’s essentially Soviet-style planning. The Soviet Union wasn’t good at that. We’re not good at it. And as much as Canada gets touted, they’re not that good at it. Nobody’s good at that—because we just don’t know what the future holds. We don’t know how to predict what our economy’s going to need.”

So he’d favor a system that has “a default of letting people come—of course with vetting and through legal ways, but to have essentially a wide variety of pathways in: skills-based, family-based, student-based, et cetera. ... In fact, I think a good immigration system needs to have some randomness, because the future is unpredictable.”

He also thinks a good system should be opportunistic. In the global competition for talent, he says, successful countries can take advantage of crises like the ones currently driving productive people out of countries like Venezuela and Syria.

“I know this is going to sound like heartless business calculus, but if you believe all the evidence about the good that new people do, these are opportunities to get great assets on the cheap,” he says. “It’s like when a company fails and you can hire their people.

“I don’t want Venezuela to fail,” he adds. “But given that it has, what an opportunity to get all these really talented people. So why not be more responsive ... and build in possibilities to cherry-pick?”

Considering how much fear has been mobilized against migrants from Venezuela and other failing or floundering nations, this view is out of step with any number of domestic factions, including America’s traditional party of business. And even readers persuaded by the economic evidence Hernandez marshals are liable to regard his policy recommendations as wishful. Nevertheless, there are plenty of reasons to welcome the appearance of a business-oriented case for immigration, not the least of which is that economic scholarship about its impacts has come a long way since 1990—when Congress last tweaked a system that mostly dates to the Immigration and Nationality Act of 1965.

Immigration represents an intellectual challenge as much as a social or economic one. Hernandez describes his book partly as a journey away from some of his own initial misconceptions, which remain widespread.

“The real issue isn’t immigration,” he muses, sounding like the professor who relearned how to tie his shoes in middle age. “The real issue is that we have bad models of how society and our economy work. That’s what we should be worried about.”