

The Price of Safety: Security Plans Could Hurt Economy

by Andrew Brod

Greensboro News and Record, January 25, 2004

A few weeks after the terrorist attacks of September 11, 2001, I wrote a column that listed some of the economic lessons we could learn from the attacks. I talked about shocks to the economy, consumer psychology, and the persistent myth that reconstruction after such events is an economic boon. I ended on a hopeful note, saying that we needed to keep our perspective:

“There are more important things than the economy to think about right now, but that doesn’t mean the economy is unimportant... A strong economy helps us continue to express our national values of individual liberty and openness.”

The economy has indeed been much on the minds of Americans during the last two years, though the recession and the weakness of the ensuing recovery had little to do with terrorism. But there is now some reason to be concerned about how the *war on terrorism* might affect the economy in the future. National value or not, openness is taking a hit in this war. (I’ll leave it to others to write about individual liberties.)

This month the U.S. government started fingerprinting all passengers arriving at airports and seaports from selected countries. Countries whose citizens do not need visas to travel to the U.S., such as Japan, Australia, and most western European countries, are exempt for now. But under certain circumstances even citizens of those countries will be fingerprinted.

These so-called “visa waiver” countries will eventually be required by U.S. law to include “biometric” data such as fingerprints on their passports. But because most of these countries are unlikely to redesign and reissue passports by the October 2004 deadline, travelers in these countries will, for the first time, need to obtain visas in order to visit the U.S.

The travel industry is quite worried by some of these measures, particularly the visa requirement, calling it unworkable and claiming that the American tourism industry will be harmed to the tune of \$10-15 billion per year in lost visitor revenue. But that could be small potatoes compared to what U.S. travel restrictions could do to the mobility of ideas and intellectuals.

Mobility is an important concept in economics. It refers to the ability of productive resources to move around, or be moved around, to find their most productive use. The deregulation of financial markets over the last 20 years has done much to improve capital mobility and access to financial capital. President Bush acknowledged the importance of labor mobility this month when he proposed big changes in U.S. immigration law that would allow many illegal aliens to obtain legal status as temporary workers.

There’s another kind of mobility that has important implications for our economic future. Let’s call it *intellectual mobility*, the movement of highly skilled people along with the knowledge and information they bring. In the American economy, brain power is becoming more important than muscle power, as the economy continues its evolution toward knowledge-intensive activities. In that kind of economy, intellectual mobility is extremely important.

For years there has been an international competition for highly skilled people. It's not as well-publicized as the competition to sell products, but it's just as important. Countries compete to attract the best minds in the world so those people will do research with their scientists and work with their businesses.

The tools of this competition include policies that promote research and development and investment in new products. Also important is the availability of positions for foreign researchers at universities and laboratories. Travel restrictions represent a friction that works against these policies.

The United States has long been the leading player in the competition for skilled people. According to the United Nations, from 1960-1990 more than a million high-level professional and technical workers migrated to the U.S. and Canada from developing countries alone. Many more have come from developed countries.

In addition, the U.S. is the primary destination for international students and professors, who come here to study and work at American universities. In 2002, there were nearly 600,000 international students on American campuses, or about 4.6% of total enrollment. The U.S. is host to around 86,000 postdoctoral students and high-level researchers.

The benefits to the American economy are evident when one notes the international flavor of a top university engineering department or a high-tech commercial center like Silicon Valley. But now the intellectual mobility on which the U.S. has thrived, and on which much of its economic future relies, is at risk. Travelers on work and student visas must be fingerprinted even if they come from a "visa waiver" country. Whether we like it or not, this has reportedly led to frustration and indignation among many foreign researchers.

More importantly, it is getting harder for foreign scientists and students to obtain visas to the U.S. Student visas that took four to six weeks for government approval before the September 11 attacks are now taking five months or longer. And some students cannot obtain visas at all. Higher-level researchers have experienced similar visa delays and refusals. And not surprisingly, students and researchers from Arab and Muslim countries face extra lengths of red tape.

According to the U.S. government, visa delays and refusals are the price we must pay for national security. And that's precisely the point. Nothing, not even national security, comes without a price. But whenever something has a price, it's reasonable to ask what the price is and whether it's too big.

So here's the question: If the U.S. loses its edge in science and technology because Europe and Asia start attracting top researchers who used to come to the U.S., will our economic well-being be reduced by more than the value of the security we gain?

Unfortunately, this is a tough question to answer. A possible starting point is a study by the Association of International Educators, which has been sounding the alarm regarding travel restrictions on international students. The study found that foreign students and their families

spent \$13 billion in the U.S. economy in 2002, a sum that could be at risk if foreign students find it too difficult to study here.

The \$13 billion figure has to be treated as a low estimate of the economic impact of foreign students, because it doesn't include so-called multiplier effects. It also doesn't incorporate the spending of high-level researchers. And it doesn't even begin to address the longer-term costs we could incur if America loses its preeminence in research and development.

The costs of no longer being the primary destination for international students extend beyond the economy, even into the area of national security itself. The U.S. State Department's website includes a long list of foreigners who studied in the U.S. and are now leaders in their own countries. The list includes the presidents of France, Costa Rica, and the Philippines, the king of Jordan, and the secretary general of the United Nations. We benefit hugely when foreign leaders know and understand the U.S., and are at risk when they do not.

No one questions the need to improve our national security in a dangerous world. Even the Association of International Educators advocates rational monitoring of foreign students in the U.S. But it is hardly in our national interest, whether economic or otherwise, to create an imbalance in which security always trumps intellectual mobility. The research process depends on openness and the sharing of ideas, and the more difficult it becomes to share ideas, the smaller the economic benefits that will spin off to the rest of us.

At a time when we need all the brain power we can get in order to guide our economy into its knowledge-intensive future, it's fair for us to ask whether some of our weapons in the war on terrorism go too far. Our openness may be a national value, but it has also been a source of national strength.

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