

The New York Times

February 11, 2009

The Open-Door Bailout

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Leave it to a brainy Indian to come up with the cheapest and surest way to stimulate our economy: immigration.

“All you need to do is grant visas to two million Indians, Chinese and Koreans,” said Shekhar Gupta, editor of The Indian Express newspaper. “We will buy up all the subprime homes. We will work 18 hours a day to pay for them. We will immediately improve your savings rate — no Indian bank today has more than 2 percent nonperforming loans because not paying your mortgage is considered shameful here. And we will start new companies to create our own jobs and jobs for more Americans.”

While his tongue was slightly in cheek, Gupta and many other Indian business people I spoke to this week were trying to make a point that sometimes non-Americans can make best: “Dear America, please remember how you got to be the wealthiest country in history. It wasn’t through protectionism, or state-owned banks or fearing free trade. No, the formula was very simple: build this really flexible, really open economy, tolerate creative destruction so dead capital is quickly redeployed to better ideas and companies, pour into it the most diverse, smart and energetic immigrants from every corner of the world and then stir and repeat, stir and repeat, stir and repeat, stir and repeat.”

While I think President Obama has been doing his best to keep the worst protectionist impulses in Congress out of his stimulus plan, the U.S. Senate unfortunately voted on Feb. 6 to restrict banks and other financial institutions that receive taxpayer bailout money from hiring high-skilled immigrants on temporary work permits known as H-1B visas.

Bad signal. In an age when attracting the first-round intellectual draft choices from around the world is the most important competitive advantage a knowledge economy can have, why would we add barriers against such brainpower — anywhere? That’s called “Old Europe.” That’s spelled: S-T-U-P-I-D.

“If you do this, it will be one of the best things for India and one of the worst for Americans, [because] Indians will be forced to innovate at home,” said Subhash B. Dhar, a member of the executive council that runs Infosys, the well-known Indian technology company that sends

Indian workers to the U.S. to support a wide range of firms. “We protected our jobs for many years and look where it got us. Do you know that for an Indian company, it is still easier to do business with a company in the U.S. than it is to do business today with another Indian state?”

Each Indian state tries to protect its little economy with its own rules. America should not be trying to copy that. “Your attitude,” said Dhar, should be “ ‘whoever can make us competitive and dominant, let’s bring them in.’ ”

If there is one thing we know for absolute certain, it’s this: Protectionism did not cause the Great Depression, but it sure helped to make it “Great.” From 1929 to 1934, world trade plunged by more than 60 percent — and we were all worse off.

We live in a technological age where every study shows that the more knowledge you have as a worker and the more knowledge workers you have as an economy, the faster your incomes will rise. Therefore, the centerpiece of our stimulus, the core driving principle, should be to stimulate everything that makes us smarter and attracts more smart people to our shores. That is the best way to create good jobs.

According to research by Vivek Wadhwa, a senior research associate at the Labor and Worklife Program at Harvard Law School, more than half of Silicon Valley start-ups were founded by immigrants over the last decade. These immigrant-founded tech companies employed 450,000 workers and had sales of \$52 billion in 2005, said Wadhwa [in an essay](#) published this week on [BusinessWeek.com](#).

He also cited a recent study by William R. Kerr of Harvard Business School and William F. Lincoln of the University of Michigan that “found that in periods when H-1B visa numbers went down, so did patent applications filed by immigrants [in the U.S.]. And when H-1B visa numbers went up, patent applications followed suit.”

We don’t want to come out of this crisis with just inflation, a mountain of debt and more shovel-ready jobs. We want to — we have to — come out of it with a new Intel, Google, Microsoft and Apple. I would have loved to have seen the stimulus package include a government-funded venture capital bank to help finance all the start-ups that are clearly not starting up today — in the clean-energy space they’re dying like flies — because of a lack of liquidity from traditional lending sources.

Newsweek had an essay this week that began: “Could Silicon Valley become another Detroit?” Well, yes, it could. When the best brains in the world are on sale, you don’t shut them out. You open your doors wider. We need to attack this financial crisis with green cards not just greenbacks, and with start-ups not just bailouts. One Detroit is enough.