Innovative Immigrants

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Body

Boston

SOME 70 million ***immigrants*** have come to America since the first colonists arrived. The role their labor has played in economic development is widely understood. Much less familiar is the extent to which their remarkable innovations have driven American prosperity.

Indeed, while both Barack Obama and Mitt Romney have lauded entrepreneurship, innovation and "job creation," neither candidate has made comprehensive immigration reform an issue, despite ***immigrants***' crucial role in those fields. Yet understanding how ***immigrants*** have fueled innovation through history is critical to making sure they continue to drive prosperity in the future.

At the country's beginning, the three most important architects of its financial system were ***immigrants***: Alexander Hamilton, from St. Croix, then part of the Danish West Indies; Robert Morris, born in Liverpool, England; and Albert Gallatin of Geneva. Morris was superintendent of finance during the Revolutionary War, using every resource at his command to support the army in the field. Hamilton, as the first secretary of the Treasury, rescued the country from bankruptcy and designed its basic financial system. Gallatin paid down much of the national debt, engineered the financing of the Louisiana Purchase and remains the longest-serving Treasury secretary ever.

Immigrants' financial innovations continued through the 19th century. In 1808 Alexander Brown, from Ireland, founded the nation's first investment bank, and his ***immigrant*** sons set up Brown Brothers. The Lehman brothers, from Germany, began as dry-goods merchants and cotton brokers in Alabama, then moved to New York just before the Civil War and eventually founded a bank. Many other ***immigrants***, including Marcus Goldman of Goldman Sachs, followed similar paths, starting very small, traveling to new cities and establishing banks. Meanwhile, "Yankee" firms like Kidder, Peabody and Drexel, Morgan -- whose partners were native-born -- remained less mobile, tied by family and high society to Boston and New York.

Immigrant innovators were pioneers in many other industries after the Civil War. Three examples were Andrew Carnegie (Scotland, steel), Joseph Pulitzer (Hungary, newspapers) and David Sarnoff (Russia, electronics). Each came to America young, poor and full of energy.

Carnegie's mother brought the family to Pittsburgh in 1848, when Andrew was 12. He became a bobbin-boy in a textile mill, a telegram messenger, a telegraph-key operator, a low-level manager at the Pennsylvania Railroad, a division superintendent for the same railroad and a bond salesman for the railroad in Europe.

Recognizing the limitless market for the rails that carried trains, Carnegie jumped to steel. His most important innovation was "hard driving" blast furnaces, wearing them out quickly. This violated the accepted practice of "coddling" furnaces, but he calculated that his vastly increased output cut the price of steel far more than replacing the furnaces cost his company. In turn, an immense quantity of cheap steel found its way into lucrative new uses: structural steel for skyscrapers, sheet steel for automobiles.

Pulitzer was the home-tutored son of a prosperous Hungarian family that lost its fortune. He came to the United States in 1864 at age 17, recruited by a Massachusetts Civil War regiment. Penniless after the war ended, he went to St. Louis, a center for German ***immigrants***, whose language he spoke fluently.

He worked as a waiter, a railroad clerk, a lawyer and a reporter for a local German newspaper, part of which he eventually purchased. In 1879, he acquired two English-language papers and merged them into The St. Louis Post-Dispatch.

In 1883, he moved to New York, where he bought The New York World and began a fierce competition with other New York papers, mainly the Sun and, later, William Randolph Hearst's New York Journal. The New York World was pro-labor, pro-immigration and, remarkably, both serious and sensationalist. It achieved a huge circulation.

Sarnoff was just 9 years old when he arrived from Russia in 1901. He earned money selling Yiddish newspapers on the street and singing at a synagogue, and then worked as an office clerk, a messenger and, like Carnegie, a telegraph operator. From there he became part of the fledgling radio firm RCA and rose rapidly within its ranks.

Sarnoff was among the first to see radio's potential as "point-to-mass" entertainment, i.e., broadcasting. He devoted a huge percentage of profits to research and development, and won an epic battle with CBS over industry standards for color TV. For decades, RCA and electronics were practically synonymous.

As these men show, one of the key traits of ***immigrant*** innovators is geographic mobility, both from the home country and within the United States. Consider the striking roster of 20th-century ***immigrants*** who led the development of fields like movies and information technology: the Hollywood studios MGM, Warner Brothers, United Artists, Paramount and Universal; the Silicon Valley companies Intel, eBay, Google, Yahoo and Sun Microsystems.

The economist Joseph Schumpeter -- yet another ***immigrant***, and the most perceptive early analyst of innovation -- considered it to be the fundamental component of entrepreneurship: "The typical entrepreneur is more self-centered than other types, because he relies less than they do on tradition and connection" and because his efforts consist "precisely in breaking up old, and creating new, tradition." For that reason, innovators always encounter resistance from people whose economic and social interests are threatened by new products and methods.

Compared with the native-born, who have extended families and lifelong social and commercial relationships, ***immigrants*** without such ties -- without businesses to inherit or family property to protect -- are in some ways better prepared to play the innovator's role. A hundred academic monographs could not prove that ***immigrants*** are more ***innovative*** than native-born Americans, because each spurs the other on. Innovations by the blended population were, and still are, integral to the economic growth of the United States.

But our overly complex immigration law hampers even the most obvious innovators' efforts to become citizens. It endangers our tradition of entrepreneurship, and it must be repaired -- soon.

*http://www.nytimes.com/2012/11/02/opinion/**immigrants**-as-entrepreneurs.html*

Graphic

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