

The Department of Economics welcomes students, faculty, and staff to:

# **Current Issues in Economics: The Economics of Immigration**

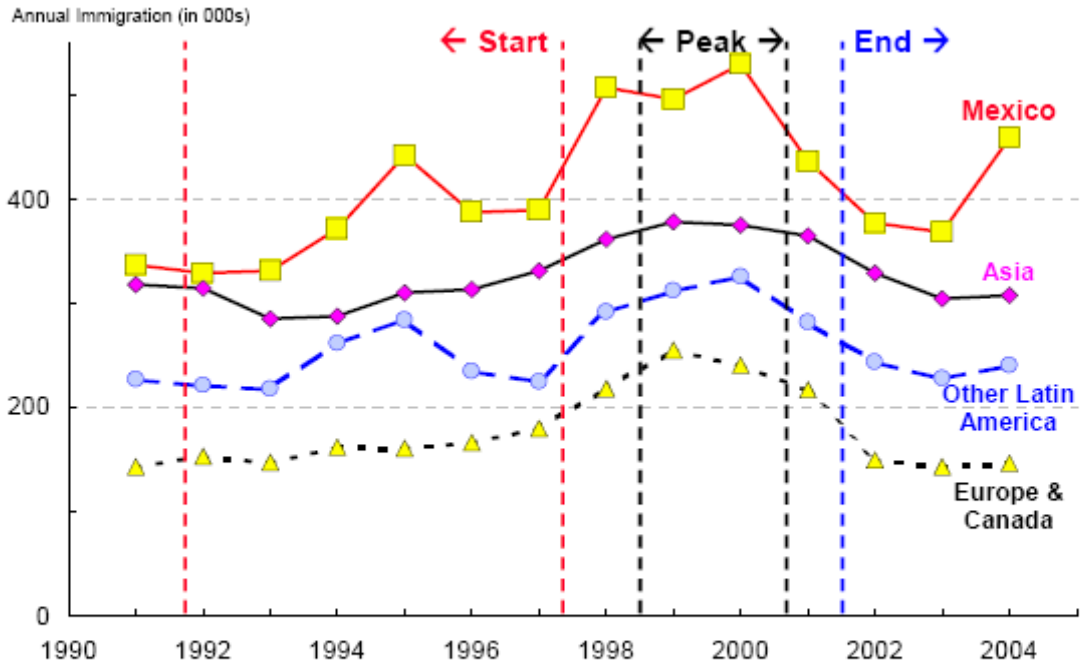
**Tuesday, September 25th**

**4:30- 6:00**

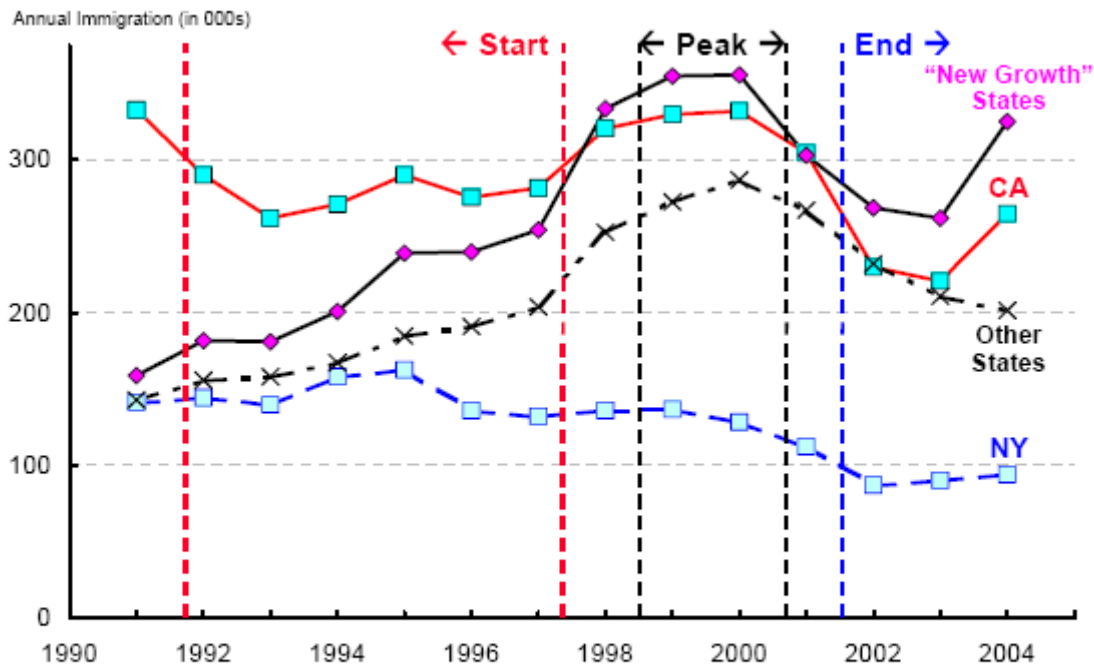
**Farrell Room, St. Edmund's Hall**

A bill to reform the U.S.'s immigration policies was narrowly defeated in Congress this summer, but immigration remains a controversial and hotly-debated topic. Both sides of the debate use economic arguments about the impact of immigration. Do immigrants "steal jobs", lower wages, and drain welfare budgets? Or do immigrants contribute to the economy, providing vital services for U.S. businesses and consumers alike? What are the benefits of immigration to the immigrants themselves?

Associate Professor Yovanna Pineda from the History Department and Assistant Professor Patrick Walsh from the Economics Department will lead a discussion of the economics of immigration. Questions and comments will be welcomed from the audience of students, faculty, and staff.



**Figure 4. Annual Immigration to the United States for Selected Countries or Regions of Birth based on Census 2000, ACS and CPS Data: 1991–2004**



**Figure 5. Annual Immigration to California, New York and Other Areas based on Census 2000, ACS and CPS Data: 1991–2004**

## *An Open Letter on Immigration*

by economist Tyler Cowen (signed by over 500 economists including 5 Nobel laureates)

Dear President George W. Bush and All Members of Congress:

People from around the world are drawn to America for its promise of freedom and opportunity. That promise has been fulfilled for the tens of millions of immigrants who came here in the twentieth century.

Throughout our history as an immigrant nation, those who are already here worry about the impact of newcomers. Yet, over time, immigrants have become part of a richer America, richer both economically and culturally. The current debate over immigration is a healthy part of a democratic society, but as economists and other social scientists we are concerned that some of the fundamental economics of immigration are too often obscured by misguided commentary.

Overall, immigration has been a net gain for existing American citizens, though a modest one in proportion to the size of our 13 trillion-dollar economy.

Immigrants do not take American jobs. The American economy can create as many jobs as there are workers willing to work so long as labor markets remain free, flexible and open to all workers on an equal basis.

Immigration in recent decades of low-skilled workers may have lowered the wages of domestic low-skilled workers, but the effect is likely to be small, with estimates of wage reductions for high-school dropouts ranging from eight percent to as little as zero percent.

While a small percentage of native-born Americans may be harmed by immigration, vastly more Americans benefit from the contributions that immigrants make to our economy, including lower consumer prices. As with trade in goods and services, the gains from immigration outweigh the losses. The effect of all immigration on low-skilled workers is very likely positive as many immigrants bring skills, capital and entrepreneurship to the American economy.

Legitimate concerns about the impact of immigration on the poorest Americans should not be addressed by penalizing even poorer immigrants. Instead, we should promote policies, such as improving our education system that enables Americans to be more productive with high-wage skills.

We must not forget that the gains to immigrants from coming to the United States are immense. Immigration is the greatest anti-poverty program ever devised. The American dream is a reality for many immigrants who not only increase their own living standards but who also send billions of dollars of their money back to their families in their home countries—a form of truly effective foreign aid.

America is a generous and open country and these qualities make America a beacon to the world. We should not let exaggerated fears dim that beacon.

## **Lazy, Job-Stealing Immigrants?**

Nativist Nonsense Distorts a Critical Issue

By [\*Sebastian Mallaby\*](#)

Washington Post,

Monday, April 30, 2007; Page A15

President Bush is doing his pragmatic best to secure immigration reform. He is honorably laboring to revive some version of the bipartisan bill that got 62 votes in the Senate last year. But watching this torturous process is enough to make a sane person scream. The livelihoods of millions are at stake, yet most immigration pronouncements are nonsense.

People accuse immigrants of gang violence, drunken driving and a general contempt for the law. But in 2000 the incarceration rate for immigrants was just one-fifth the rate for the population as a whole, according to Kristin Butcher of the Federal Reserve and Anne Morrison Piehl of Rutgers University.

People say immigrants are feckless and lazy. But in California in 2004, 94 percent of undocumented men ages 18 to 64 were in the workforce, compared with 82 percent of native-born men. Far from being part of a shiftless underclass, the act of coming to the United States makes immigrants among the most upwardly mobile groups in the nation, only a bit behind hedge-fund managers.

People say, contrariwise, that immigrants steal jobs from native-born Americans. But economists have patiently explained for years that there is no finite "lump of labor" in an economy. The presence of migrants causes new jobs to be created: Factories that might have gone abroad spring up in Arizona or Texas. Hasn't anyone noticed that California, where fully one-third of the adult population is foreign born, has an unemployment rate of less than 5 percent?

People say that immigrants burden social services while not paying taxes. Actually, undocumented immigrants are ineligible for welfare, food stamps and Medicaid; and although they do use hospital emergency rooms and schools, they also pay sales taxes and payroll taxes, and one in three pays income tax. The net result is that immigrants cost the average native U.S. household an extra \$200 in taxes each year, according to a study of 1996 data. Once you take into account the boost to pretax incomes caused by immigrants' contribution to growth, the total effect of undocumented workers on native-born Americans is roughly zero, according to Gordon Hanson of the University of California at San Diego.

People say that immigrants cause wage losses even if they don't cause job losses. Here the story is subtle: Some studies find no evidence that immigrants pull down wages, while others find that native-born high school dropouts lost as much as 9 percent of their earnings between 1980 and 2000 as a result of immigration. But -- and here comes the sane scream -- there's no way that even a 9 percent wage loss can justify the policies that immigration hawks advocate.

Really, how much could draconian enforcement restore those wages? Between a quarter and two-fifths of undocumented workers originally enter legally, so stringent border enforcement could only affect about two-thirds of new arrivals. Moreover, arrivals are only part of the issue;

the alleged downward pressure on wages comes less from the 400,000 illegal immigrants who show up each year than from the 35 million immigrants already here, two-thirds of them legally. And migrants will continue coming even if the entire southern border is walled off. Europe has a wall called the Mediterranean. It still has illegal immigrants.

Thanks to intensive enforcement over the past year, illegal immigration from Mexico is thought to have fallen by a quarter. Suppose even more spending could cut the number of illegal entrants from 400,000 to 200,000 a year, so that 2 million arrivals could be prevented over a 10-year period. Add in an aggressive deportation program that ejected 1 million illegals, and you are still only scratching the surface. Even if immigration has driven down wages for high school dropouts by 9 percent, it's hard to see how truly vicious counter-immigration policies could drive them up by more than about 2 percent.

That simply can't be worth it. Border security does not come cheap: We could save money on unmanned aerial drones and use it to help high-school dropouts with a more generous earned-income tax credit. And although the concern for high-school dropouts is welcome, it must be weighed against the aspirations of migrants. Is it right to push native workers' pay up by 2 percent if that means depriving poor Mexicans of a chance to triple their incomes?

Of course it isn't, and given that the total economic effect of immigration on U.S. households is a wash, the big ramp-up in enforcement spending beloved by immigration hawks is an egregious waste of money. But no politician is going to say that. Candidates with a good record on immigration -- Rudy Giuliani, Hillary Clinton, John McCain -- are trying to avoid the issue. And the demagogues and nativists are allowed to spout unchallenged nonsense.

### **Other Sources of info for Immigration:**

#### **Foreign Affairs article on immigration:**

Jacoby, Tamar. "Immigration Nation" *Foreign Affairs*, November/December 2006  
<http://www.foreignaffairs.org/20061101faessay85606/tamar-jacoby/immigration-nation.html>

#### **Economist Alex Tabbarok on immigration:**

<http://www.independent.org/newsroom/article.asp?id=1737>

#### **Interview with Economist Philippe Legrain on immigration:**

<http://www.tcsdaily.com/article.aspx?id=091207B>

#### **Pew Hispanic Center:**

<http://pewhispanic.org/>

#### **Pew Hispanic Center Report on Immigration:**

<http://pewhispanic.org/files/reports/53.pdf>

#### **Economist George Bojas on immigration:**

George J. Borjas, *Issues in the Economics of Immigration* Chicago and London: The University of Chicago Press, 2000