

Immigration: Friend Or Foe?

by James E. McClure and T. Norman Van Cott for the Foundation for Economic Education

Give me your tired, your poor,
Your huddled masses yearning to breathe free,
The wretched refuse of your teeming shore.
Send these, the homeless,
tempest-tossed to me,
I lift my lamp beside the golden door!

—Emma Lazarus “The New Colossus”

Do immigrants slice themselves a piece of the U.S. economic pie at the expense of Americans? Judging from the xenophobic backlash against immigrants in much of the media, many Americans apparently accept this assessment. As a result, immigration now connotes U.S. international charity. Public debate focuses on whether the United States can “afford” immigrants.

Casting immigration as a test of American compassion obscures a rational appraisal of its costs and benefits. *Working* immigrants do *not* slice the economic pie against Americans. Quite the contrary, Americans obtain *bigger* helpings of pie when immigrants work. Such immigrants may be likened to labor-saving technical innovations.

Only welfare state handouts enable immigrants to slice the pie against Americans. Prior to the welfare state, immigrants had to work to survive. U.S. history is replete with examples demonstrating that working immigrants benefited not only themselves, but also the Americans who employed them and the Americans who purchased what immigrants produced. Today, handouts have eliminated the necessity of immigrants benefiting Americans in order to survive.

More Pie for Americans

To see the value of working immigrants, look at what happens if low-wage Mexican immigrants replace high-wage American tomato pickers. Such a replacement can occur only to the extent Mexicans underbid Americans for the picking jobs. For example, if American pickers are earning \$12 million, and if the most they can earn in other jobs is \$10 million, Mexicans must be willing to pick the tomatoes for *less* than \$10 million say, \$7 million.

Regardless of who picks the tomatoes, U.S. citizens cannot have tomatoes without forgoing other goods and services. There are no free tomatoes! Because American pickers can earn \$10 million in other jobs, U.S. citizens sacrifice \$10 million of other things when Americans pick. On the other hand, paying Mexicans \$7 million for picking means they can lay claim to \$7 million of U.S. products. Thus, U.S. citizens sacrifice

only \$7 million of other things when Mexicans pick. Opting for Mexican pickers enables U.S. citizens to have the tomatoes *plus* an extra \$3 million of other things.

Does Anyone Lose?

Not all U.S. citizens are better off when Mexicans pick the tomatoes. American pickers lose \$2 million they formerly earned \$12 million, now they earn \$10 million. Many people think this \$2 million is part of the \$7 million paid to the Mexicans—that is, Mexicans capture what the American pickers lose. Nothing could be further from the truth.

The loss to American pickers goes to *other Americans*. It is part of the \$5 million reduction in wages paid to pickers due to the influx of Mexicans (\$7 million versus \$12 million). Lower wage costs obviously help American owners of tomato farms. In turn, market forces translate lower wages into lower tomato prices for American consumers. Not a penny of this goes to the Mexicans.

Beyond reshuffling \$2 million among American pickers, farmers, and consumers, remember that the Mexicans generate \$3 million *additional* pie for U.S. citizens. This is also the other part of the \$5 million reduction in wage costs. Just as happened with the \$2 million reshuffling, market forces apportion this extra pie among American tomato farmers and consumers.

Lower tomato prices also give Americans the opportunity of using tomatoes in ways that were uneconomical at higher prices. It follows that the benefits tomato consumers reap from these new uses make the increase in the economic pie even larger than \$3 million.

If someone invents a machine that can underbid American tomato pickers, the consequences for American pickers, farmers, and consumers are identical to those brought about by low-wage Mexican pickers. That is, the reduced harvesting costs: (1) recut the pie into different pieces for pickers, farmers, and consumers; and (2) enlarge the pie to the benefit of the same farmers and consumers.

Given the similarity between working immigrants and innovation, it is curious that immigrants are seen as parasites. American heroes such as Thomas Alva Edison and Alexander Graham Bell testify to the value that historians assign innovation. Admittedly, seeing people work for lower wages does not pack the same excitement as seeing new machines roll across the fields. Nevertheless, both pack the power to increase Americans' living standards.

Non-Working Immigrants

Instead of picking tomatoes for \$7 million, suppose the Mexican immigrants end up on the unemployment or welfare rolls, collecting \$7 million in handouts. The economic pie available to Americans would be \$10 million smaller compared to the case in which the Mexicans worked. In addition to a \$7 million tax bill for the handouts, Americans would

forsake \$3 million of *extra* pie that working Mexicans would have generated.

The only Americans who would favor non-working immigrants (or no immigrants at all) would be Americans who compete with immigrants for jobs. American tomato pickers in our example would earn \$2 million more if shielded from working Mexicans, but don't forget that this comes at the expense of American tomato farmers and consumers. In addition, remember that without working Mexicans, these same farmers and consumers will also be eating from an economic pie that is \$3 million smaller.

The Statue of Liberty describes immigrants as "tired . . . poor . . . homeless . . . huddled masses yearning to breathe free." Prior to the welfare state, however, Lady Liberty's "golden door" did not open to a golden gravy train. Immigrants worked, and in the process proved a blessing to their American hosts. Immigration is a win-win proposition when people are responsible for their own economic destiny.

The rise of the welfare state is turning immigrants from friends to foes in America. The xenophobic backlash against immigrants, while understandable, misses the mark. Americans must look beyond the immigrants and see that their own government's misguided welfare programs are the source of the problem.

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