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## What About Immigration?

*by Julian L. Simon for the Foundation for Economic Education*

Immigration is one of the most important topics of our times. The issue seems to pit (though it really does not) two fundamental values against each other—lending a helping hand to strangers and ensuring the economic self-interest of family and community. Also involved are values that may not appeal to all, but which are in no way irrational, such as the desire to maintain some degree of cultural or racial homogeneity in the country, and to keep a particular political balance. Hence it arouses interest and passions to an unusual degree.

Passions have *always* been aroused over the question of immigration. Even before the independence of this nation, some natives and earlier immigrants inveighed against admitting "alien influences" to these shores. A recent study by Rita J. Simon shows that public opinion toward immigration has been hostile at almost all times in the past century. But while Americans express negative views toward admitting more immigrants in general, they express positive feelings toward the immigrants whom they know personally.<sup>[1]</sup>

Immigration is particularly salient now. For only the fourth time in this decade, *Time* magazine devoted its July 8, 1985 contents to a special issue—this time on immigration. In this, the largest editorial issue in its history, *Time's* publisher wrote that sentiment about immigration today "represented a change of historic dimensions."

Here are some possible reasons why this topic is so high on the public agenda:

- Americans' mood about their economic situation is less optimistic than in most other periods since World War II. The idea that immigrants take jobs from natives seems particularly unpleasant in such a period.
- Environmental organizations—worried about the effects of more persons upon the environment and upon the supply of natural resources—have joined forces with anti-population-growth organizations (such as the Environmental Fund) and special-interest anti-immigration organizations (such as the Federation for American Immigration Reform, FAIR) in an umbrella organization called Global Tomorrow Coalition. The combined weight of these organizations, with their membership of more than five million, constitutes a large body of anti-immigration sentiment.
- The dramatic waves of refugees in recent years from Vietnam, Haiti, and Cuba have drawn much attention to immigration. American citizens seem to have been less sympathetic to these refugees than to refugees from Hungary and Czechoslovakia in the 1950s and 1960s.
- Congress has not passed a comprehensive immigration law since 1965. The anachronisms and law-bending complications that inevitably accumulate with time have become troublesome, suggesting that a "reform" might be timely.

- The absolute number of immigrants arriving has been greater recently than at any time since the 1920s.
- The racial composition of immigrants has shifted, due in considerable part to the 1965 law, and now includes more Orientals and Mexicans (legal and illegal), and fewer Europeans.

Whereas the objections to immigration expressed in past years often were simply the crude bigotry of race and religion, the objections heard now (though they are not necessarily the real objections) are mostly economic. Let us then address the economic issues in order to engage in honest dialogue with those whose objections are truly economic, as well as to try to cut the ground from under those who cloak other objections against immigration in economic guise. Let us examine three issues: Are we being swamped by immigrants? Does immigration increase unemployment? And do immigrants pay their way?

### **What Is the Level of Immigration Today?**

Many people assume, as FAIR says, that "immigration to the United States is at record levels."<sup>[2]</sup> Yet only in 1980, when an exceptionally large number of refugees arrived, were the numbers of legal immigrants even two thirds of the numbers in peak years around the turn of the century, and the recent numbers as a whole clearly are far smaller than the numbers then. Nor does the inclusion of illegal immigrants alter this conclusion, as we shall see shortly.

From the point of view Of the economic impact on natives, more appropriate than these absolute numbers is the volume of immigration as a proportion of the native population. The immigrants who arrived between 1901 and 1910 constituted 9.6 per cent of the population, whereas between 1971 and 1980 immigrants constituted only two per cent of the population. So the recent flow is less than a sixth as heavy a burden for the native population to absorb as it was in that earlier period.

Another way to think about the matter: In 1910, 14.6 per cent of the population was foreign born. In 1980, only 6 per cent of the population was born abroad. Not only is the present stock of immigrants only about a third as great proportionally as it was earlier, but it also is a small proportion considered by itself. That is, less than one person in 15 in the U.S. now was born abroad, including those who arrived many years ago. We tend to think of ourselves as a ".nation of immigrants," but the U.S. has a smaller share of foreign-born persons than do many countries that we tend to think of as closed homogeneous populations—including Switzerland, France, Great Britain, and even Sweden.

The anti-immigration groups cannot dispute these numbers, because they come from standard sources. But they say illegal immigration is so large as to make meaningful the claim that immigration is at a record level in absolute terms. By now, however, demographers have a quite solid understanding of how many illegals are in the U.S. At the request of the Select Commission on Immigration and Refugee Policy, a blue-ribbon team of demographers from the Bureau of the Census surveyed the wide variety of

studies that have been done, and concluded, "The total number of illegal residents in the United States for some recent year, such as 1978, is almost certainly below 6.0 million, and may be substantially less, possibly only 3.5 to 5 million." As to Mexicans, they estimated that there are "almost certainly less than 3.0 million, and may be substantially less, possibly only 1.5 to 2.5 million."<sup>[3]</sup> Furthermore, of the Mexicans illegally in the United States at any given time, a large proportion are here for a matter of months and then return voluntarily.

Sometimes the claim that total immigration is at record levels is inferred from assertions that the *rate* of illegal immigration is very high. For example, FAIR says that "illegal immigration is estimated to add 800,000 to one million more [immigrants] every year."<sup>[4]</sup> It is quite obvious that so large a yearly *flow* of immigrants—800,000 to one million—is quite inconsistent with the Census Bureau's estimate of the existing total stock of 3.5-5.0 million illegals. And Jeffrey Passel—part of the original blue ribbon team, and the Census Bureau official responsible for estimating illegal flows—uses the numbers 200,000 or 250,000 net illegal immigrants per year.<sup>[5]</sup> Adding 200,000 or even 250,000 illegals to the known number of legal immigrants indicates that even with adjustments, immigration is nowhere near record levels even in absolute numbers, let alone proportional to the population.

Even more astonishing, the 1985 National Academy of Sciences study, *Immigration Statistics*, concludes as follows about illegals:

As a result of this review of empirical estimates of the size of the illegal population of the United States, what can we conclude? First, the procedures that have been used, though often imaginative and sometimes elaborate, all invoke numerous assumptions that often cannot be adequately justified and to which the estimates obtained are sensitive. Second . . . though no range can be soundly defended, a population of 1.5 to 3.5 million ii-legal aliens in 1980 appears reasonably consistent with most of the studies. Third, there is no empirical basis at present for the widespread belief that the illegal alien population has increased sharply in the late 1970s and early 1980s; the only data available on recent trends, INS records of locations of deportable aliens, in fact suggest that the population has increased little if at all since 1977. . . .<sup>[6]</sup>

### **Immigrants Add Jobs to the Economy**

The most politically powerful argument against admitting immigrants has been that they take jobs held by natives and thereby increase native unemployment. The logic is simple: If the number of jobs is fixed, and immigrants Occupy some jobs, then there are fewer jobs available for natives.

Theory says that there must be some short-run unemployment in some sectors as a result of immigration. But theory does not say whether the effect will be huge or trivial. And no empirical study has found such unemployment in noticeable amounts. Even in the few sectors where immigrants concentrate, such as the restaurant and hotel industries, there tends not to be a deleterious effect on native employment because natives do not want these jobs. Evidence comes from experiments conducted by the Immigration and Naturalization Service together with San Diego County. In one case, 2,154 illegal aliens

were removed from jobs, and the California State Human Resources Agency tried without success to fill the jobs with U.S. citizens. The County of San Diego Human Resources Agency reported:

Some of the reasons for the failure were: (1) most employers paid less than the minimum wage rate, (2) the job categories were not appealing to the local resident (a matter of prestige), and (3) applicants were discouraged by not only the low wages but also the difficulty of some jobs, and the long hours demanded by the employers.<sup>[7]</sup>

Research also does not show across-the-board unemployment caused by immigrants, either in the U.S. as a whole or in particular areas of relatively high immigration. Heretofore such studies have been rather casual. Therefore, Stephen Moore and the author recently mounted a systematic attempt to detect whether such immigrant-caused unemployment exists in significant amount. The effect is either insignificantly small or non-existent. It seems fair to conclude, therefore, that while in theory immigration ought to produce some unemployment in the short run, the amount is in fact negligible. And in the long run, when there is not even a theoretical reason to believe that immigration causes unemployment, there is no evidence at all to think that it does.

One reason that unemployment is not caused is that potential immigrants have considerable awareness of labor-market conditions in the U.S., and tend not to come if there is little demand for their skills. Also, immigrants tend to be varied in their skills and therefore do not have a disproportionate impact on a few industries.

At the same time, immigrants increase demand for labor across the range of occupations, because immigrants consume goods as well as produce them. This point is crucial, but too little understood. Immigrants not only take jobs, they make jobs. Immigrants create new jobs indirectly with their spending, and they also create new jobs directly with new businesses, which they are more likely than natives to start. A Canadian government survey found that almost 5 per cent of 2,037 immigrants surveyed had started their own businesses within the first three years in Canada. Not only did they employ themselves, they employed others, "creating" a total of 606 jobs. Expressed as a proportion of the 2,037 total immigrants, roughly 30 per cent as many jobs were created from scratch as total jobs were held by immigrants. Furthermore, these numbers surely rose after the three-year study period.

U.S. experience should be quite similar. Admittedly, the businesses immigrants start are small at first. But remember that small businesses in general are the most important source of new jobs, according to a recent MIT study.

The impact of immigration is likely to be greater on wages than on unemployment rates, because potential immigrants with skills that are in low demand choose not to migrate, and those with salable skills gravitate to industries where there are jobs. This will have some downward pressure on wages. For example, immigrant physicians are more likely to reduce a native physician's yearly income than to throw him or her out of work.

Barton Smith and Robert Newman found that adjusted wages are just 8 per cent lower in the Texas border cities where the proportion of Mexicans is relatively high, compared to

Texas cities away from the border where the proportion of Mexicans is much lower, a considerably smaller difference than they had expected to find.<sup>[8]</sup> Much of the apparent difference is accounted for by a lower cost of living in the border cities.

It is frequently alleged that immigrants no sooner arrive in the U.S. than they become public charges, draining welfare money from the U.S. taxpayers and paying no taxes. Solid evidence disproves this charge.<sup>[9]</sup>

In 1976 the Census Bureau interviewed 156,000 households (including about 15,000 immigrant families) to learn about 1975 family income and welfare services patterns. From this sample I constructed a picture of lifetime economic behavior by assuming that the information on the sample immigrants who had been here, say, two years, or ten years (as of 1975) described the representative immigrant family after two years, or after ten years.

For all transfers and services, the average immigrant family was found to receive \$1,404 in welfare services in years 1 to 5, \$1,941 in years 6 to 10, \$2,247 in years 11 to 15, and \$2,279 in years 16 to 25. Native families overall averaged \$2,279.

One important reason for this is that immigrants typically arrive when they are young and strong, and they do not bring elderly persons with them who might be a burden on the system. When these immigrants retire, their children support them with their taxes, as in the case of natives.

If immigrants paid relatively little in taxes, they might still burden natives, even with fewer welfare services for immigrants than for natives. While there is no direct information on taxes paid, data on family earnings allow a reliable estimate.

Within three to five years after entry, immigrant family earnings reach and pass those of the average native family. The average native family paid an estimated \$3,008 in taxes in 1975. In comparison, immigrant families here 10 years paid \$3,359, those here 11 to 15 years paid \$3,564, and those here 16 to 25 years paid \$3,592. Such substantial differences benefit natives.

Assuming that 20 per cent of taxes finance activities that are little affected by population size (for example, maintaining the armed forces and the Statue of Liberty), the data on services used and taxes paid, taken together, show substantial differences that benefit natives: an average of \$1,354 yearly for years 1 to 5, and \$1,329, \$1,535, and \$1,353 for years 6 to 10, 11 to 15, and 16 to 25 respectively. These are the amounts by which each additional immigrant family enriches U.S. public coffers. Evaluating the future stream of differences as one would a dam or harbor, the present value of an immigrant family discounted at 3 per cent (inflation adjusted) was \$20,600 in 1975 'dollars, almost two years' average earnings for a native family: at 6 per cent the present value is \$15,800, and \$12,400 at 9 per cent. We can conclude, then, that immigrants, far from causing unemployment and costing society more than they contribute, are a direct, dollars-and-cents economic asset to the community.

But these figures are for legal immigrants. What about illegals? Many studies have shown that, contrary to common belief, illegal immigrants from Mexico and elsewhere receive little in welfare precisely because of their illegal status. A recent study by Weintraub and Cardenas of illegal aliens in Texas provides reliable evidence that the taxes paid by the immigrants greatly exceed the cost of services that they use. "Despite our biasing the costs upward and the revenues downward, tax revenues from undocumented aliens clearly exceed costs to provide public services to them."<sup>[10]</sup> They estimate the combined state and local costs and revenues attributable to the illegal immigrant as follows: *Cost*—high estimate: \$132 million; low estimate: \$63 million. *Revenue*—high estimate: \$286 million; low estimate: \$162 million.

But even these figures greatly understate the overall positive effect of these illegal immigrants upon natives, because they omit any consideration of the Social Security taxes paid to the federal government and they do not include 32 per cent of their federal income taxes which does not return to the state. (The authors assume that 68 per cent of federal income tax eventually comes back to the state.) Also, these omitted quantities are large relative to the quantities included in their calculation; including them makes the low and high estimates of revenues—\$359 million and \$580 million respectively—more than twice the state revenues alone. And the federal costs omitted from the Weintraub-Cardenas state calculations cannot be large, since food stamps is the only major federal welfare program used by illegal immigrants, they found. Thus, the overall excess of government revenues over government costs caused by the illegal aliens is very great, in dollars as well as in percentage terms.

### **Facts vs. Myths**

Going beyond the three issues we have just discussed, immigrants tend to bring an unusually high degree of skill, education, self-reliance, and innovative flair. These are less tangible benefits, but not less important, because they raise productivity and stimulate economic vitality. The widely held belief that immigrants arrive with little or no education, few marketable skills, and in a generally tired and depressed condition is one of the most powerful, least accurate, and most persevering myths about immigration. It was never so.

The central fact about immigrants now, as throughout U.S. history and in almost all places at almost all times, is that immigrants are just entering into the prime of work life. This is the very best time to make a maximum contribution in all ways to the country receiving them. In contrast, the U.S. resident population is rapidly aging. But the immigrants are concentrated in their twenties and thirties, when they are flexible about job and geographical location, and therefore contribute importantly to the constant adjustment of the economy to changing conditions. They are of the age of greatest physical and mental vigor.

Even more surprising is that immigrants on average have as much education as do natives. Though contemporary immigrants include slightly larger proportions of persons

of very low skill and low education than does the native labor force, they also contain a *much* larger proportion of those of high skill and high education—physicians, engineers, scientific researchers, and the like—than does the native population. And recent research shows that even before the turn of the century, immigrants compared favorably with the native populations with respect to education and skill.<sup>[11]</sup> This makes sense. A person with little education and skill is not necessarily stupid, and understands that life without salable human capital is particularly tough in a new and strange environment, and therefore that it is wiser to stay home. On the other hand, it is sensible for a person with a good amount of salable human capital to take the chance to improve his or her lot by moving to a new and richer country.

### **The Productivity Factor**

Though hard to nail down, the long-run benefits of the productivity of these additional workers and consumers are likely to dwarf all other effects. Some of the productivity increase comes from immigrants working in industries and laboratories that are at the forefront of world technique. We benefit along with others from the contribution to world productivity in, say, genetic engineering that immigrants would not be able to make in their home countries. More immigrants mean more working persons to think up productivity-enhancing ideas.

Empirically, all the studies that relate the rate of population growth to the rate of economic growth show no negative effect of the former upon the latter, whether over a long span of history for the few countries on which data are available, or for the many countries for which data are available starting after World War II. And studies of the relationship of population density to economic growth suggest that higher density leads to faster economic growth, contrary as this may be to casual thinking and common sense.

Other increases in productivity—about which we have more solid evidence—come from increased production in particular industries through learning-by-doing and other gains from larger industry scale. Also, increasing the number of customers and workers increases investment, which brings more technology into use. And immigrants contribute to the vitality of our institutions because they tend to be more intellectually vigorous as well as harder-working than natives. How much of this vigor is due to being "hungry" rather than settled and affluent, how much due to their being self-selected for vigor among the populations they come from, and how much due to the stimulating effects of living in the tension of two cultures are open questions, but not crucial in this context.

One of the nice things heard about immigration is that it increases cultural variety as well. Chinese and French restaurants are common examples. But the benefits of variety go beyond consumer and esthetic pleasures. Immigrants stimulate natives to produce more and be more innovative as the natives attempt to keep up with the new competition. And we should not forget that just as the movement of people in earlier times was crucial in transmitting ideas, it is important today.

Even though, as I said in the beginning, the issue of immigration *seems* to pit

humanitarian values against native self-interest, we can now see that this is not so. On balance, immigrants are not a drag on the economy. As workers, consumers, entrepreneurs, and taxpayers, they invigorate it and contribute healthy economic benefits. Admitting immigrants improves everyone's standard of living, theirs and ours.

We sometimes seem frightened at the number of persons who want to come to the United States; we act as if we are under siege. If we Americans just plain don't want any more foreigners in our midst, let's say so, but let's be aware that we are hurting ourselves economically. And let's not justify our xenophobia with unsound economic arguments.

I suggest that we should be glad that our society is sufficiently attractive to have what is called an immigration problem. The Soviet Union and other totalitarian countries have no difficulty of this sort. What a Sad commentary on those societies that people want so much to leave that they are willing to risk their lives. This should remind us how wonderful it is that people want to come here.

We do not need to balance the gains to them against the sacrifice to ourselves. We do not even need to raise the ethical issue of drawing a boundary around our nation and saying that those lucky enough to be born within are entitled to opportunities that we deny to others. immigration is good for ourselves at the same time that it is good for the immigrants. []

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## Endnotes

<sup>1</sup> Rita J. Simon, *Public Opinion and the Immigrant* (Lexington, MA: Lexington Books, 1985).

<sup>2</sup> FAIR, fundraising letter from Roger Conner, undated.

<sup>3</sup> Jacob S. Siegel, Jeffrey S. Passel, and J. Gregory Robinson, "Preliminary Review of Existing Studies of the Number of Illegal Residents in the United States," in *U.S. Immigration Policy and the National Interest*, Appendix E to the Staff Report of the Select Commission on Immigration and Refugee Policy, April 1981, pp. 19 & 33.

<sup>4</sup> FAIR Publication, "What is Fair?," undated.

<sup>5</sup> From a telephone conversation with Jeffrey S. Passel, 1981, and personal conversation, Boston, March, 1985.

<sup>6</sup> Daniel B. Levine, Kenneth Hill, and Robert Warren, eds., *Immigration Statistics* (Washington, D.C.: National Academy of Sciences, 1985), p. 243.

<sup>7</sup> M. Vic Villalpondo, *et al.*, "A Study of the Socio-Economic Impact of Illegal Aliens"



(County of San Diego: Human Resources Agency, January 1977).

<sup>8</sup> Barton Smith and Robert Newman, "Depressed Wages Along the U.S.-Mexican Border: An Empirical Analysis," *Economic Inquiry*, January 1977, pp. 56-66.

<sup>9</sup> See Julian Simon, "Immigrants, Taxes, and Welfare in the U.S.," forthcoming in *Population and Development Review*.

<sup>10</sup> Sidney Weintraub and Gilberto Cardenas, *The Use of Public Services by Undocumented Aliens in Texas: A Study of State Costs and Revenues* (Austin: The University of Texas, 1984).

<sup>11</sup> Peter J. Hill, "Relative Skill and Income Levels of Native and Foreign-Born Workers in the United States," *Explorations in Economic History*, 12, 1975, pp. 47-60.

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### **About The Author**

**Julian L. Simon for the Foundation for Economic Education** teaches at the University of Maryland and is a fellow at the Heritage Foundation and the Cato Institute. He is the author of *The Ultimate Resource*. The Foundation for Economic Education (FEE), one of the oldest free-market organizations in the United States, was founded in 1946 by Leonard E. Read to study and advance the freedom philosophy. FEE's mission is to offer the most consistent case for the "first principles" of freedom: the sanctity of private property, individual liberty, the rule of law, the free market, and the moral superiority of individual choice and responsibility over coercion.

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