Borjas, G. J. (1999, November). The top ten symptoms of immigration. *Center for Immigration Studies.*

Participants in the debate over immigration policy typically use an array of statistics, many of them drawn from the latest research by economists, as weapons in this debate. It is instructive to list the [main] symptoms (not necessarily in order of importance) that frame the immigration debate, and that will likely determine its direction.

1. *The number of immigrants entering the United States is at record levels.*

Although the United States has admitted immigrants throughout its entire history, the number of immigrants admitted into the country has fluctuated greatly over time. Eras of large migration, for instance, were followed by -decades of rest, during which time the immigrant waves were presumably assimilated and incorporated into the American mainstream.

Surprisingly, relatively few immigrants (only about 10 million) entered the country between 1820 and 1880. The huge flow that has come to be known as the Great Migration began around 1880 and continued until 1924, bringing with it about 26 million immigrants. The immigration restrictions imposed in 1924, as well as the Great Depression, reduced the immigrant flow to a trickle by the 1930s. Since then, the number of immigrants has increased steadily, with the increase accelerating in the 1970s and 1980s. By the late 1990s, nearly one million persons entered the country legally each year and another 300,000 entered the country illegally.

Because of the increasing number of immigrants and the lower fertility rate of American women, immigration in the 1990s accounted for at least a third of population growth. And this large demographic impact clearly justifies calling the large immigrant wave that began to enter the United States after 1965 the *Second* Great Migration.

Skills and Background

2. *The relative skills and economic performance of immigrants have declined.*

In 1960, the average immigrant man living in the United States actually earned about 4 percent more than the average native man. By 1998, the average immigrant earned about 23 percent less.

The worsening economic performance of immigrants is partly due to a decline in their relative skills across successive waves. The newest immigrants arriving in the country in 1960 were better educated than natives at the time of arrival; by 1998 the newest arrivals had almost two fewer years of schooling. As a result of this growing disadvantage in human capital, the relative wage of successive immigrant waves also fell. At die time of entry, the newest immigrants in 1960 earned 13 percent less than natives; by 1998, the newest immigrants earned 34 percent less.

In short, there has been a precipitous decline—*relative* to the trend in the native population—in the average skills of the immigrant flow reaching the United States. This historic change in the skill composition of the immigrant population helped rekindle the debate over immigration policy, and is the source of many of the symptoms of immigration that are stressed in this debate. . . .

3. *National origin matters.*

Prior to 1965, immigration was guided by the national-origins quota system, which granted visas mainly to persons originating in Western European countries, particularly Great Britain and Germany. The 1965 Amendments to the Immigration and Nationality Act repealed the national origin restrictions, increased the number of available visas, and made family ties to persons already living in the United States the key factor that determines whether a visa applicant is admitted into the country.

As a consequence of these shifts and of major changes in economic and political conditions in the source countries, there was a substantial change in the national origin mix of the immigrant flow. Over two-thirds of the legal immigrants admitted during the 1950s originated in Europe or Canada, one-quarter in Latin America, and only 6 percent in Asia. By the 1990s, only 17 percent of the immigrants originated in Europe or Canada, almost half in Latin America, and 30 percent in Asia.

There are huge differences in economic performance among national origin groups. Immigrants from El Salvador or Mexico earn 40 percent less than natives, while immigrants from Australia or South Africa earn 30 to 40 percent more. These differences in economic performance partly mirror the dispersion in skills across the populations of the source countries. Immigrants who originate in countries that have abundant human capital and higher levels of per-capita income tend to do better in the United States.

The strong link between national origin and economic performance raises an important—and disturbing—problem for immigration policy. Because national origin and immigrant skills are so closely related, any attempt to change one will inevitably change the other.

The Impact on Native Workers

4. *Immigration harms the economic opportunities of the least skilled natives.*

Immigrants cluster geographically in a small number of cities and states. This geographic clustering suggests that one may be able to measure the impact of immigration on the labor market opportunities of native workers by comparing natives who reside in immigrant cities (such as San Diego) with natives who reside in cities where few immigrants live (like Pittsburgh). The available evidence indicates that these "spatial correlations" are extremely weak: if one city has 10 percent more immigrants than another, the native wage in the city with more immigrants is perhaps 0.2 percent lower. This finding has led many observers to conclude that immigration has little impact on native employment opportunities.

However, a weak spatial correlation does not necessarily indicate that immigrants have a numerically inconsequential impact on the well being of native workers. Suppose, for example, that immigration into California lowers the earnings of natives in California substantially. Native workers are not likely to stand idly by and watch their economic opportunities evaporate. Many will move out of California into other regions, and persons who were considering moving to California will now move somewhere else instead. These native population flows effectively diffuse the adverse impact of immigration on California's labor market over the entire economy. In the end, *all* native workers are worse off from immigration, not simply those who happened to live in the areas where immigrants clustered.

There is evidence that the flows of native workers within the United States—as well as the flows of native firms looking for cheap labor—have indeed responded to immigration. Because of these responses, the labor market impact of immigration must be measured at the *national* level, rather than at the local level.

Between 1980 and 1995, immigration increased the number of high school dropouts by 21 percent and the number of persons with at least a high school diploma by only 4 percent, During that time, the wage of high school dropouts relative to that of workers with more schooling fell by 11 percentage points. The disproportionate increase in the number of workers at the bottom end of the skill distribution probably caused a substantial decline in the relative wage of high school dropouts, accounting for perhaps half of the observed drop.

The Economic Impact

5. *Immigration has a severe fiscal impact on the affected states.*

In 1970, Immigrants were slightly less likely to receive public assistance than natives. By 1998, immigrants had a much higher chance of receiving welfare: Almost a quarter of immigrant households were receiving *some* type of assistance, as compared to IS percent of native households.

Two distinct factors account for the disproportionate increase in welfare use among immigrant households. Because more recent immigrant waves are relatively less skilled than earlier waves, it is not surprising that more recent immigrant waves are also more likely to use welfare than earlier waves. In addition, the welfare use of a specific immigrant wave *increases* over time (bom in absolute numbers and relative to natives). It seems that the assimilation process involves not only learning about labor market opportunities, but also learning about the income opportunities provided by the welfare state. . . .

6. *The net economic gains from immigration are small.*

Immigrants increase the number of workers in the economy. Because of the additional competition in the labor market, the wage of native workers falls. At the same time, however, native-owned firms gain because they can now hire workers at lower wages; and many native consumers gain because the lower labor costs lead to cheaper goods and services. As with foreign trade, the gains accruing to the persons who use or consume immigrant services exceed the losses suffered by native workers, and hence society as a whole is better off. However, all of the available estimates suggest that the annual net gain is astoundingly small, less than .1 percent of the Gross Domestic Product (GDP). In the late 1990s, this amounted to a net gain of less than $10 billion a year for the entire native population, or less than $30 per person.

Immigration, however, does more than just increase the total income accruing to natives. Immigration also induces a substantial redistribution of wealth, away from workers who compete with immigrants and toward employers and other users of immigrant services. Workers lose because immigrants drag wages down. Employers gain because immigrants drag wages down. These wealth transfers may be in the tens of billions of dollars per year.

These facts suggest a new prism for interpreting the immigration debate. Immigration is an income redistribution program, a large wealth transfer from those who compete with immigrant workers to those who use immigrant services or buy the goods produced by immigrant workers. The debate over immigration policy, therefore, is not a debate over whether immigration increases the size of the economic pie in the United States. Rather, it is a debate over how the pie is split.

7. *Ethnic skill differentials may persist for at least three generations.*

In 1998, 11 percent of the U.S. population was "second-generation"—born in the United States but with at least one foreign-born parent. By the year 2050, the share of second-generation persons will increase to 14 percent, and an additional 9 percent will be composed of the grandchildren of current immigrants. The economic impact of immigration obviously depends not only on how immigrants adapt, but also on the adjustment process experienced by their offspring.

The historical experience of the children and grandchildren of the First Great Migration provides important lessons about the long-run consequences of immigration. A 20 percent wage differential between two immigrant groups in 1910 implied a 12 percent wage differential in the second generation, and a 5 percent wage differential in the third. In rough terms, about half of the average skill differential between any two groups in the first generation persists into the second, and half of the differential remaining in the second generation persists into the third.

The historical lesson is clear: Skill differentials found among today's immigrants become the skill differentials found among tomorrow's ethnic groups. If past history is any guide, national origin will still determine the economic performance of the grandchildren of the Second Great Migration at the end of the 21st century. In short, ethnicity matters in economic life, and it matters for a very long time....

Implications for Immigration Policy

So what should the United States do?. . .

In the end, a debate over the policy implications of what is known about the economic impact of immigration cannot be based on the evidence alone. *Any policy discussion requires explicitly stated assumptions about what constitutes the national interest.*

Of course, defining the national interest when it comes to immigration policy is very difficult (and very contentious), even when the debate is restricted purely to the economic issues that tend to frame the immigration debate. To see why, divide the world into three distinct constituencies: the current population of the United States ("natives"), the immigrants themselves, and those who remain in the source countries. To draw policy conclusions from the symptoms of immigration, one has to know whose economic welfare the. United States should try to improve when setting policy— that of natives, immigrants, the rest of the world, or some mix thereof. The policy implications implied by the symptoms depend crucially on whose interests the United States cares most about. . . .

Suppose that the goal of immigration policy were to maximize the economic well being of the native population. And suppose that native economic well being depends both on per-capita income and on die distribution of income in die native population. In effect, the United States wants immigration to make die country wealthier, but it does not want immigration to greatly increase the amount of inequality in die society.

How many and which types of immigrants should the country then admit? The evidence . . . , I conclude, can be used to make a strong case that the United States would be better off by adopting an immigration policy that favored skilled workers. And a plausible argument can also be made that the country would be better off with a slight reduction in the number of immigrants. . . .

I suspect that an annual flow of 1 million immigrants is probably too large—regardless of whether the losers are at the bottom or at the top of the skill distribution. Such a large flow can substantially depress the economic opportunities of workers who compete with immigrant labor. A good place to start the process of converging to the "magic number" might be to let in 500,000 immigrants per year—which happens to roughly correspond with the recommendation made by the Commission for Immigration Reform in 1997.