

**Riley, J. L. (2008). *Let them in: The case for open borders*. New York: Gotham**

## **Books.**

### **Chapter 1 Introduction**

The magazines and the illustrators are long gone and largely forgotten, but the images endure. Like the 1903 print from *Judge*, a popular political magazine of the period. It's titled, "The Immigrant: Is he an Acquisition or a Detriment?" and depicts a hulking, exhausted new arrival to America's shores. He wears ragged clothing and lumbers inland with his wife, all their possessions in tow. As human cargo ships sail to and fro in the distance, a small mob greets the man, each individual representing a voice in the raucous turn-of-the-century immigration debate. A contractor says, "He gives me cheap labor." A workman says, "He cheapens my labor." A health officer says, "He brings disease." A citizen calls him "a menace." A politician says, "He makes votes for me." Silently determined, the man stares straight ahead, ignoring them all.

Sound familiar?

The targets have changed in the past century, but the concerns have not. Today, we're still being told that when immigrants aren't busy depressing wages; displacing workers; and overrunning our schools, hospitals, and jails, they're compromising our national security. But attacks that were once directed at Asians and Europeans—along with Catholics and Jews—are now directed primarily at Mexicans and other Latin Americans who in recent decades have comprised the bulk of newcomers. Steve King, a congressman from Iowa, compares Mexican aliens to livestock. Tom Tancredo, a Colorado congressman who sports T-shirts announcing that America is full, says Hispanic immigrants have turned Miami into "a Third World country." And Don Goldwater, nephew of conservative icon Barry Goldwater and an unsuccessful candidate for governor in Arizona, has called for interring illegal immigrants in concentration camps and pressing them into forced labor building a wall across the southern U.S. border.

Playing on post-9/11 fears, political candidates in California have distributed flyers depicting Mexican immigrants as turbaned Islamic terrorists. Volunteer border patrol groups like the Minuteman Project insist that migrants sneaking across the Sonoran Desert aren't just coming here to work and feed their families but also to "reconquer" the Southwest. And despite the fact that, relative to natives, the undocumented are more likely to have jobs and less likely to engage in crime, Newt Gingrich maintains that "young Americans in our cities are [being] massacred" by illegal aliens and says the "war here at home" against these immigrants is "even more deadly than the war in Iraq and Afghanistan."

Cable news personalities like Lou Dobbs tell us that Salvadorans, Guatemalans, and other Latino migrants bear infectious diseases that imperil U.S. citizens and leave our health-care system teetering on bankruptcy. Talk radio hosts like Michael Savage have urged Americans to protest the presence of Latinos by burning the Mexican flag. J. D. Hayworth, a former Arizona congressman who became a talk radio host after losing his seat in 2006, says we should give America's estimated 12 million undocumented residents—half of whom have been here more than five years and many of whom have married American citizens and borne American children—120 days to leave the country voluntarily and then deport the remainders by force. Mike Huckabee, a 2008 Republican presidential hopeful and former governor of Arkansas, adopted Hay worth's idea as part of his official campaign platform. Huckabee's reward was an endorsement from Jim Gilchrist, the founder of the Minute-man Project.

Nativists warn that the brown influx from Mexico is soiling our Anglo-American cultural fabric, damaging our social mores, and facilitating a U.S. identity crisis. Anti-immigrant screeds with hysterical titles like *Invasion* by Michelle Malkin and *State of Emergency* by Pat Buchanan have

become best-sellers. Tomes by serious academics like Samuel Huntington and Victor Davis Hanson make the same arguments using bigger words and giving the cruder polemicists some intellectual cover.

And then there's the odd bed-sharing. Liberal columnists like Nicholas Kristof of *The New York Times* and conservative policy analysts like Robert Rector of The Heritage Foundation both fret that immigration from Mexico merely swells the ranks of the U.S. poor and burdens our social services. Republicans convinced that Mexican immigrants are natural Democrats find common cause with both the economic protectionists, who say immigrants crib jobs, and the population-control environmentalists, who want the border sealed on grounds that the United States already has too many people.

All of them, however, arrive at the same pessimistic conclusion, which is that immigration on balance is a net negative for the United States. They go to great lengths to demonstrate that today's new arrivals are different from yesterday's, that those coming from Latin America are sui generis, uniquely incapable of assimilation. They cite special circumstances that made the past acculturation of European and Asian immigration possible but render it impossible for Latinos. They view these foreigners as a liability rather than an asset. They want an immigration "time-out."

### **What Would Reagan Do?**

If you're a free-market conservative in the Ronald Reagan tradition, this debate has been doubly depressing because so much of the bellyaching has originated with the political right, where many people have convinced themselves that scapegoating immigrants for America's economic and social ills—real and imagined—is a winner at the polls. On the topic of immigration, at least, too many conservatives have pocketed their principles and morphed into reactionary Populists. They claim to be Reaganites, but temperamentally and rhetorically they have more in common with Pat Buchanan, if not Father Coughlin. Their right-wing version of the "angry left" promotes a politics of resentment, frustration, and fear. It stirs up isolationism and xenophobia. And as a political strategy it's heretofore been a loser, just like Buchanan in his presidential bids.

Besides, the nativist noise that has saturated so much of talk radio, cable news, and conservative print journalism in recent years is about as far from the Gipper's style as you can get. To Reagan, ever the optimist, America was "a shining city upon a Hill," in the John Winthrop phrase that he liked to use. Liberal immigration policies were proof that this country remained a land of opportunity, a nation built on the idea of liberty, not the *Blut und Boden* European doctrine.

Reagan held this view long before he became president, as Lou Cannon, his biographer, has documented. In 1952, when the United States was still under the thumb of highly restrictive immigration quotas enacted in the 1920s, Reagan gave a speech endorsing open borders. In his view, America was "the promised land" for people from "any place in the world." Reagan said "any person with the courage, with the desire to tear up their roots, to strive for freedom, to attempt and dare to live in a strange land and foreign place, to travel halfway across the world was welcome here."

In a 1977 radio address, Reagan discussed what he called "the illegal alien fuss. Are great numbers of our unemployed really victims of the illegal alien invasion, or are those illegal tourists actually doing work our own people won't do? One thing is certain in this hungry world: No regulation or law should be allowed if it results in crops rotting in the fields for lack of harvesters." The next time you tune into Rush Limbaugh, Sean Hannity, Laura Ingraham, Hugh Hewitt, and Dennis Prager, contrast their take on immigration with radio Reagan's.

Reagan understood that immigrants are coming here to work, not live on the dole. He also grasped that natives and immigrants don't compete with one another for jobs in a zero-sum

labor market and that our policy makers would do better to focus less on protecting "U.S. workers from immigrant competition and more on expanding the economic pie. In his November 1979 speech announcing his candidacy for president, Reagan called for free labor flows throughout North America. Reagan knew that immigration, like free trade, which he also supported, benefits everyone in the long run.

Later in the campaign, in December 1979, Reagan responded to criticism from conservative columnist Holmes Alexander. "Please believe me when I tell you the idea of a North American accord has been mine for many, many years," said the future president. And conservatives calling today for a wall along the entire United States-Mexico border should know that Reagan was not a big fan of that prospect. "Some months before I declared," he continued in his response to Alexander, "I asked for a meeting and crossed the border to meet with the president of Mexico. ... I went, as I said in my announcement address, to ask him his ideas—how we could make the border something other than a locale for a nine-foot fence."

At the end of his presidency, Reagan was still invoking Winthrop. "I've spoken of the shining city all my political life, but I don't know if I ever quite communicated what I saw when I said it," he remarked in his 1989 farewell address to the nation. "But in my mind it was a tall proud city built on rocks stronger than oceans, wind-swept, God-blessed, and teeming with people of all kinds living in harmony and peace, a city with free ports that hummed with commerce and creativity, and if there had to be city walls, the walls had doors and the doors were open to anyone with the will and the heart to get here."

It's true that in 1986 Reagan signed the Immigration Control and Reform Act, which included employer sanctions and more border security, but he also insisted on a provision for legalizing immigrants already in the United States. Which is to say, he supported "amnesty." In his signing statement, he said, "We have consistently supported a legalization program which is both generous to the alien and fair to the countless thousands of people throughout the world who seek legally to come to America. The legalization provisions in this act will go far to improve the lives of a class of individuals who now must hide in the shadows, without access to many of the benefits of a free and open society. Very soon many of these men and women will be able to step into the sunlight and, ultimately, if they choose, they may become Americans."

### **Same Old, Same Old**

Most every anti-immigrant argument rolled out today is a retread. Benjamin Franklin was complaining about bilingual sign posts and "swarms" of unassimilable Germans migrating to Pennsylvania 250 years ago. Later, in the nineteenth century, people like Samuel Morse, inventor of the telegraph and a leading nativist of his day, would pick up Franklin's banner. Morse was a founder and generous financier of the anti-immigrant and anti-Catholic Know-Nothing movement, and in lieu of Germans he railed against Irish immigration in the antebellum decades. In his 1835 treatise against the political influence of Catholicism, Morse argued that poor, uneducated Irish Catholics were subverting the values and ideals of Anglo-America and should therefore be kept out of the country.

Opposition to Asian immigration came next. By the latter part of the nineteenth century, "Yellow Peril" was all the rage, stoked by increased Chinese migration to the American West. A famous 1881 illustration first published in *The Wasp*, a San Francisco—based literary magazine edited by Ambrose Bierce, depicts Lady Liberty as a Chinese coolie gripping an opium pipe. The rays of light emanating from the statue's head are labeled "Immorality," "Filth," "Disease," and "Ruin to White Labor."

Henry George, who would later become an influential political economist, first gained prominence denouncing what he called the "Mongolization of America." In 1881, George wrote of "the supreme law of self-preservation which justifies us in shutting out a non-assimilable element fraught for us with great social and political dangers." He warned that Asians "will

introduce into the life of the republic race prejudices and social bitterness." He said they would "reduce wages and degrade labor, and widen the gulf between rich and poor." And like today's nativists, George was concerned that "the Chinese, if free play be allowed their immigration, [will] supplant the white race."

### **Slouching Toward Guatemala?**

Modern-day restrictionists either don't know this history or are hoping the public doesn't know it. But what's most relevant about these time-honored arguments is that those spouting them have a perfect record of being wrong. Immigration alarmism sells books and boosts TV and radio ratings, but its doomsday scenarios never seem to come to fruition.

Elite thinkers today continue to insist that U.S. culture is slouching toward Guatemala. In his 2004 book *Who Are We?* Harvard political scientist Samuel Huntington writes that "contemporary immigration is unprecedented in American history" and that "the experience and lessons of past immigration have little relevance to understanding its dynamics and consequences." As far as Huntington is concerned, the historical record should have little bearing on immigration public policy decisions going forward. Curious notion, that.

The immigration issue is the fool's gold of American politics. Voters like to sound off to pollsters about it, yet they inevitably pull the lever on Election Day with other matters foremost in mind. Elections seldom if ever turn on immigration, and the GOP restrictionist message so adored by talk radio, cable news, and the blogosphere once again failed to deliver the goods in 2006, when Republicans lost control of the House and Senate.

Worse, the GOP had made "securing the border" a loud national theme in the run-up to the 2006 election, only to do nothing about it save for approving a few hundred miles of fence along a two-thousand-mile border. Republicans thus managed to highlight either their fecklessness in failing to do something about an allegedly urgent problem or their cynicism in raising the issue at all.

The GOP has a long history of fumbling immigration. And President George W. Bush, a former border-state governor who knows the issue well, has tried to steer conservatism and Republicanism away from repeating those mistakes with Hispanics, who are the country's fastest-growing voting bloc. Mr. Bush doesn't want his party to lose Latinos the way its xenophobic message in the early twentieth century turned away Irish, Italian, and Asian voters for decades.

But this isn't just about identity politics, which conservatives by and large are happy to leave to the political left. It's also about America playing to its strengths. Like Reagan before him, Bush understands that immigrants help the United States stay atop the global marketplace. A liberal immigration policy has served the country quite well over the past two centuries, and the numbers coming today are hardly extraordinary. Since the government began keeping count in 1820, the United States has absorbed a world-leading 60 million immigrants from some 170 nations. The latest census data puts our foreign-born population at 33.5 million, which is roughly the population of Canada. In terms of absolute numbers, that's a record. But as a percentage of the total U.S. population, it's still well below the historic highs reached in 1890 and 1910.

Immigrants prefer America because it remains the world's foremost tribune to freedom and opportunity. Its magnetism is a testament to the country's global standing. Even better, it's an indication that America is still winning the international battle for talent and human capital that will keep it competitive for generations to come.

### **Richer and Safer**

This book expounds on two general themes. The first is that, contrary to received wisdom, today's Latino immigrants aren't "different," just newer. The second is that an open immigration

policy is compatible with free-market conservatism and homeland security. I explain, from a conservative perspective, why the pessimists who say otherwise are mistaken. I argue that immigrants, including low-skill immigrants, are an asset to the United States, not a liability. Immigrants help keep our workforce younger and stronger than Asia's and Europe's. As entrepreneurs, they create jobs. As consumers, they generate economic activity that results in more overall economic growth. By taking jobs that over-qualified Americans spurn, they fill niches in the workforce that make our economy more efficient and allow for the upward mobility of the native population.

An immigration policy that acknowledges these economic realities would provide more, not fewer, legal ways for immigrants to enter the country. That, in turn, would go a long way toward reducing illegal entries. It would also alleviate pressure on the border and free up our overburdened patrols to track down terrorists, drug dealers, and other serious threats to our welfare. Unfortunately, as things stand, our border security officers spend most of their time chasing migrants who come north to mow our lawns and burp our babies. A guest-worker program for such individuals would help regulate the labor flow and isolate the criminals, thus making us much safer than any wall along the Rio Grande.

## **Chapter 2**

### **Economics: Help Wanted**

Republicans in Congress spent the summer of 2006 trying to whip the nation into a frenzy over immigration. The war in Iraq was going south, along with the president's approval rating. More than two out of three voters disapproved of George W. Bush's job performance, and the November midterm elections were a short way off. The GOP needed an issue to excite its base of supporters—economic and social conservatives who were despondent over ethics scandals and Congress's free-spending ways—and the leadership settled on the illegal immigrant "crisis."

As an issue for Republicans, immigration had potential. It could allow the party to separate itself from an unpopular president, since Bush's position on immigration was closer to the Democrats'. It could also divert attention from the Republican-controlled Congress's own legislative shortcomings and excesses. In late 2005, the House had passed immigration legislation that, among other things, expanded physical barriers along the Mexican border, made unlawful presence in the United States a felony, and increased sanctions on businesses who hire illegal workers. The following spring, the Senate passed its own bill, which was more to Bush's liking because it included not only more enforcement measures but also a guest-worker program for future cross-border labor flows. In addition, the Senate bill allowed illegal aliens in the United States to earn legal status without first returning to their home countries if they met certain requirements—a provision that got the entire Senate bill denounced by opponents as an offer of "amnesty."

Normally, the next step would have been a House-Senate conference to hash out a compromise bill for the president to sign. But Republican leaders gambled that the party had more to gain politically by *not* passing reform legislation and keeping the issue alive for the midterm elections. So instead of conferencing, House Speaker Dennis Hastert announced in June of 2006 that the House would hold a series of nationwide immigration "field hearings" over the next few months to examine the Senate bill. What followed was a summer of political theater worthy of Neil Simon.

Many of the hearings were little more than thinly disguised Republican political rallies, purposely held in congressional districts that were being strongly contested in the upcoming election. Often, they were unabashedly one-sided affairs chock-full of witnesses predisposed to oppose the Senate measure. When GOP Representative Charlie Norwood hosted one such gathering in Gainesville, Georgia, and faced criticism over his unbalanced witness list, he re-

plied in defense and without irony: "What I wanted was witnesses who agree with me, not disagree with me."

Most entertaining of all, however, were the hearings with titles that amounted to loaded questions that answered themselves. A personal favorite was the House Judiciary Subcommittee hearing held in mid-July and titled, "Should We Embrace the Senate's Grant of Amnesty to Millions of Illegal Aliens and Repeat the Mistakes of the Immigration Control and Reform Act of 1986?"

In the event, of course, the gamble didn't pay off politically. That fall, Republicans lost their majority in the House and the Senate. And while the cause can't be laid entirely to the party's hard-line stance on immigration—exit polls said Iraq was the number one issue with voters—it clearly didn't help matters. A Republican Party in control of Congress and the White House had spent the past year making illegal immigration a loud national theme, only to do nothing substantive about the problem. The party thus revealed itself to be either incapable of dealing with the supposed crisis, or incredibly cynical in raising the issue at all.

### **Job Stealers**

The political appeal of immigration as a wedge issue, notwithstanding this poor track record, will be discussed later. But the faux hearings of the summer of 2006 help illustrate another recurring claim of immigration opponents, which is that foreign workers displace native workers and lower wages. Immigrants are said to be "stealing" jobs.

GOP Representative Steve King of Iowa put it succinctly after hosting his own hearing that summer. "Nothing good will come from an amnesty bill," he said, referring to the Senate measure. "It will continue to force legal American workers out of their jobs and further deplete the middle class." Mr. King, who as one of Congress's most outspoken restrictionists once compared illegal immigrants to livestock, continued: "I wholly support an immigration policy designed to enhance the economic, social, and cultural well-being of the United States of America. That means employer enforcement and preserving jobs for legal workers." Colorado Congressman Tom Tancredo, another fiery Republican restrictionist, has said that if illegal immigrants were forced out of the country, "thousands of workers and small contractors in the construction industry across Colorado would have their jobs back, the jobs given to illegal workers because they work for lower wages and no benefits."

The argument is also hugely popular with cable newscasters and conservative pundits. CNN's Lou Dobbs says that allowing more foreign-born engineers, medical doctors, and other high-skilled professionals into the country "would force many qualified Americans right out of the job market." Pat Buchanan's beef is with low-skilled migrant labor. In his subtly titled book *State of Emergency: The Third World Invasion and Conquest of America*, Buchanan argues that Latin American newcomers harm the job prospects of working-class natives. Not especially known for his empathy toward the black underclass, Buchanan nevertheless posits that less immigration is a key to black economic advancement. I'm sure the NAACP appreciates his concern.

How the wages and job opportunities of U.S. workers are impacted by foreign migrants is understandably one of the more contentious elements of the immigration debate. The common assumption is that a job filled by an immigrant is one less job for a native. According to this argument, since immigrants increase the supply of labor, not only do they decrease the employment opportunities of native workers but they depress overall wages as well.

Like the overpopulation concern discussed earlier, the full explanation of how immigrants affect the U.S. labor market is more nuanced and somewhat counterintuitive. Hence, opportunistic politicians and media populists have had a field day spooking the masses with misinformation. So in an area of public policy where precise, dispassionate analysis is most needed, we instead have a surfeit of blunt rhetorical instruments.

It's worth noting that during the summer of 2006, while pols like Congressman King were selling economic protectionism to win votes, and cable news yakkers like Bill O'Reilly were doing the same to win ratings, the U.S. economy itself was humming along nicely. Since the Bush tax cuts three years earlier, annual GDP growth had averaged better than 3.6 percent. Consumer spending was also up, which is an indication of consumer confidence in the economy's health. Exports were rising, the budget deficit was falling, inflation was low, and the slowdown predictions of the previous four years hadn't come to fruition.

In the past quarter century there had been only a half-dozen negative GDP quarters, and the last one in 2001 was mild and relatively short-lived. By 2006, the United States was in the fifth year of an economic expansion. No matter how many illegal immigrants are here—and estimates range from 10 million to 12 million and higher—it's hard to convince Americans that Mexican workers are stealing jobs and hurting pay when wages are rising and the unemployment rate is below 5 percent.

Seen through this statistical lens, it's little wonder that immigrant scapegoating failed to resonate with the electorate. Even the most adept populists need some empirical evidence to back up their claims, and the Bush economy of the mid-2000s presented remarkably little data on which to hang anti-immigrant half-truths.

The reality is that America's foreign labor force helps to propel economic growth, not impede it, because the U.S. job market, properly understood, is not a zero-sum game. The number of jobs in the United States is not static. It's fluid, which is how we want it to be. In 2006, 55 million U.S. workers (or just less than 4.6 million per month) either quit their jobs or were fired. Yet 57 million people were hired over the same period. In a typical year, a third of our workforce is turning over. In about half of those cases the separation is voluntary; in the other half, the worker has been shown the door. But either way, this messy churn, which can disrupt lives and even make obsolete entire industries, has positive macroeconomic consequences in the long run.

That's because flexible labor markets, the kind that minimize the costs to a business of hiring and firing employees, enable workers and employers alike to find the employment situation that suits them best. Flexible labor markets make it easier for an employee who doesn't like a job, is let go, or simply feels underappreciated by his boss to find another position somewhere else. And flexible labor markets make it more likely that an employer will expand his workforce, or take a chance on a job seeker who isn't very skilled or perhaps has a spotty record.

A better fit between employers and employees increases productivity and prosperity and makes markets more responsive to consumer demand. In the end, employers, workers, and consumers are all better off. Immigrants, be they Salvadoran dishwashers, Indian motel operators, or Russian microbiologists, increase the fluidity of U.S. labor markets. Access to fewer of them would reduce the flexibility that makes America so productive.

A nation's ability to produce goods and services determines its wealth. Productivity, denned as the quantity of goods and services produced from each hour of a worker's time, is why some nations are wealthier than others. It's a major reason why GDP per capita in the United States was \$39,676 in 2007, but only \$29,300 in France, \$6,394 in Ukraine, and \$1,237 in Mozambique. Productivity, writes Harvard economist N. Gregory Mankiw, "is the key determinant of living standards" and "the key determinant in growth of living standards." For our purposes, the question is whether immigrant labor ultimately contributes to America's productivity and economic growth, or detracts from it.

Fundamentally, immigration to the United States is a function of a labor shortage for certain kinds of jobs here. Of course, work is not the only reason foreigners migrate to America, but judging from their overrepresentation in the labor force, and the fact that immigrants (excluding refugees) resort to welfare less often than the native-born population, we know that work is the main reason they come.

Rather than appropriating jobs from natives, however, immigrants are more likely to be simply filling them—and often facilitating more employment opportunities in the process. The job-displacement myth, which fuels so much of the national immigration debate, can be rebutted empirically. In 2006, for example, there were around 146 million workers in the United States, and 15 percent, or 21 million, were foreign born. If immigrants are stealing jobs, 21 million U.S. natives, or something approximating that number, should have been out of work. But as economics reporter Roger Lowenstein noted in a July 2006 *New York Times Magazine* article, "the country has nothing close to that many unemployed. (The actual number is only seven million.) So the majority of immigrants can't literally have 'taken' jobs; they must be doing jobs that wouldn't have existed had the immigrants not been here."

The reason that immigrant workers tend not to elbow aside natives for jobs and depress wages has to do with the education and skills that foreigners typically bring to the U.S. labor market. Most immigrants fall into one of two categories: low-skilled laborers or high-skilled professionals. One-third of all immigrants have less than a high school education, and one-quarter hold a bachelor's or advanced degree. Most native workers, by contrast, are concentrated betwixt those two extremes. Hence, immigrant workers tend to act as complements to the native U.S. workforce rather than substitutes. There is some overlap, of course, but this skill distribution is the reason immigrants and natives for the most part aren't competing for the same positions.

A poignant piece of satire that was posted on *The Onion* Web site makes this point as well as any academic paper—and much more entertainingly. "As millions of new immigrants flood across the border each year," we're told in the ominous intro to a fake, CNN-style report, "the American worker is paying the price." We're then introduced to "Raymond Boyle," a former corporate executive who recently lost his \$800,000-a-year job to one "Alberto Fuentes," "who illegally crossed the Arizona—Mexican border in the back of a melon truck two years ago."

The segment goes on to describe how, despite speaking no English and having no formal business education, Fuentes displaced Boyle because Fuentes was "willing to work for significantly less." In no time, the immigrant was outperforming his predecessor, a feat that Fuentes's supervisors attributed to his "ability to put in long hours without taking vacations." Interspersed with shots of the diminutive Fuentes conducting board meetings in a baggy sweatshirt and baseball cap are interviews with Boyle and his family, who've suffered the indignity of having to sell one of their homes. "Unless you've gone through it before," says Boyle, "you can't imagine what it's like to live year-round in your summer home."

The video clip concludes by showing Boyle in his new job busing tables at a TGI Friday's. Of course, that's the kind of job that real-life Alberto Fuentes typically fill, and their competition is usually a fellow immigrant with similar skills, not a U.S. native. Like the best satire, the segment not only entertains but critiques. And the exaggerations notwithstanding, *The Onion's* cynical take on immigrants displacing U.S. workers has been validated time and again by the scholarly research.

### **The California Experience**

A 2007 study published by economist Giovanni Peri analyzed the effects of immigrant labor on California, a state that wasn't chosen arbitrarily. The Golden State, the nation's most populous, is home to nearly a third of all foreign-born U.S. workers. Los Angeles, the nation's second-largest city after New York, is nearly half Hispanic. In the past decade, California's population growth has been almost entirely due to immigration, much of it illegal. The term "Mexifornia" has entered the lexicon. If, as conventional wisdom holds, immigration does in fact have a negative impact on the job security of Americans, California is one of the more likely places that the phenomenon would be manifest.

Yet Peri, a professor of economics at the University of California at Davis, found "no evidence that the inflow of immigrants over the period 1960—2004 worsened the employment opportunities of natives with similar education and experience." With respect to wages, he found that "during 1990-2004, immigration induced a 4 percent real wage increase for the average native worker. This effect ranged from near zero (+0.2 percent) for wages of native high school dropouts and between 3 and 7 percent for native workers with at least a high school diploma." In other words, immigrants tended to expand the economic pie, not displace native workers. These foreign workers lifted all socioeconomic boats; it was just a matter of how much.

At first blush, Peri's findings might seem counterintuitive. It's assumed that because immigrants increase the supply of labor, they necessarily decrease both the wages and the employment opportunities of the native workers. If most immigrant workers were interchangeable with U.S. natives, that might indeed be the case. But the assumption is problematic because immigrants on average aren't stand-ins for natives.

In 2003, the foreign-born share of Ph.D.s working in science and engineering nationwide was 30 percent. Among workers without a high school diploma, the foreign-born share was 23 percent. And among those with only a high school diploma, it was 8 percent. Among native-born U.S. workers, by contrast, some 60 percent had a high school diploma or some college but not a four-year degree.

Peri found that since workers with different levels of education perform different tasks, the majority of native-born workers—high school graduates with some college—experience benefits, more than competition, from the foreign-born workers who are concentrated in high and low educational groups. The result is a more efficient domestic labor market, which leads to more capital investment, higher overall economic growth, and, ultimately, more choices for consumers.

But it also leads to better jobs and higher pay for American workers, explains Peri. "In nontechnical terms," he writes, "the wages of native workers could increase because the increased supply of migrants is likely to put native workers in jobs where they perform supervisory, managerial, training, and . . . coordinating tasks, which makes them more productive." More workers also means more consumers, "so that immigration might simply increase total production and demand without depressing wages."

Peri's findings are hardly anomalous, by the way. Most mainstream economists dismiss this so-called "lump-of-labor" fallacy, which assumes the amount of available work is fixed. An Urban Institute study of immigration's impact on Southern California in the 1970s—a period of high unemployment nationwide, remember—reached a similar conclusion. "To what extent did the influx of immigrants entering Southern California in the 1970s reduce the jobs available to nonimmigrant workers?" wrote Thomas Muller, the study's author. "The answer for the 1970s is little if at all," he concluded. "Despite mass immigration to Southern California, unemployment rates rose less rapidly than in the remainder of the nation." Muller also found that labor-force participation rates among natives seemed to be unaffected, and "the participation rate for both blacks and whites was higher in Southern California [where the bulk of immigrants settled] than elsewhere in the state and the nation."

In 1994 economist Richard Vedder of Ohio University, working with Lowell Gallaway and Stephen Moore, conducted a historical analysis of immigration's impact on the entire U.S. labor force. They found "no statistically reliable correlation between the percentage of the population that was foreign-born and the national unemployment rate over the period 1900-1989, or for just the postwar era (1947-1989)." Moreover, Vedder found that if there is any correlation between immigration and unemployment, it would appear to be negative. Which is to say that higher immigration is associated with lower unemployment.

For example, Vedder found that immigration reached its highest level (relative to population) in the first twenty-five years of the twentieth century, when the average annual unemployment

rate was 5.05 percent. Yet over the next sixty-nine years of relatively smaller immigrant flows, the average unemployment rate was 7.38 percent.

Like Peri, Vedder concluded that the reason immigration doesn't cause unemployment is because immigrants help enlarge America's economic pie. "Immigrants expand total output and the demand for labor, offsetting the negative effects that a greater labor supply might have," he writes. "They fill vital niches at the ends of the skill spectrum, doing low-skilled jobs that native Americans rebuff (at prevailing wages) as well as sophisticated high-skill jobs."

Among high-skilled immigrant workers, these dots are perhaps easier to connect. Think of a silicon chip manufacturer in the United States that hires a bright immigrant engineer from China to redesign its products with the goal of making them more cost-efficient and marketable. If the hire is a success, the firm winds up making more chips, which requires more employees. These additional hires—from the managers to the secretaries—are all more likely to be U.S. natives. So are the additional advertisers and marketers who will be sought as the company expands. Why? In part because the skills necessary to do those jobs generally include a familiarity with the native language and culture that a recent immigrant is less likely to possess. As for the American consumer, he's now getting a better product, more choices, and lower prices. Thus has an immigrant hire resulted in more jobs for U.S. natives, not fewer, and increased overall productivity.

"Engineers create jobs," wrote T. J. Rodgers of Cypress Semiconductor in *The Wall Street Journal* a decade ago. "Cypress employs 470 engineers out of 2,771 employees. Each engineer thus creates five additional jobs to make, administer, and sell products he develops." Rodgers noted that a "disproportionate number of our research-and-development engineers—37 percent—are immigrants, typical for Silicon Valley. Had we been prevented from hiring those 172 immigrant engineers, we couldn't have created about 860 other jobs, 70 percent of which are in the U.S."

Of course, high-skill immigrants from Europe, Asia, and Southeast Asia do more than create extra jobs for U.S. employers. They also seem to have a knack for creating entirely new companies that employ thousands of people. Lucky for us. Technology firms, in particular, have made possible the U.S. productivity boom of the past decade. And immigrants have had a hand in starting a disproportionate number of the most successful ones—from Google and eBay to Yahoo! and Sun Microsystems.

A National Foundation for American Policy paper by Stuart Anderson and Michaela Platzer assessed the impact of immigrant entrepreneurs and professionals on U.S. competitiveness. Between 1991 and 2006, they discovered, immigrants started 25 percent of U.S. public companies that were venture-backed. These businesses employed some 220,000 people in the United States and boasted a market capitalization that "exceeds \$500 billion, adding significant value to the American economy."

Of course, U.S. colleges and universities educate many of these immigrants who later become entrepreneurs. Which makes it all the more bizarre that restrictionists want to prevent them from coming here in the first place or, barring that, send them back home soon after graduation to work for, or perhaps one day become, a U.S. competitor.

According to the National Science Foundation, students on temporary visas earned just under one-third of all science and engineering doctorates awarded in the United States in 2003, 55 percent of engineering doctorates, and 43 percent of doctorates in math and computer science. The children of these immigrants, who regularly dominate student math and science competitions, are also an important source of human capital for the United States. In 2004, children of immigrants were 65 percent of the Math Olympiad's top scorers and 46 percent of the U.S. Physics team. That same year, 60 percent of the finalists and seven of the top ten award winners in the Intel Science Talent Search were immigrants or their children. If we had listened to the anti-immigration crowd over the past twenty years, said Stuart Anderson in an interview with *The Wall Street Journal*, "we would have wiped out two-thirds of the top future

scientists and mathematicians in the United States because we would have barred their parents from ever entering America."

You'd think that U.S. policy would welcome these talented risk takers—who lately have hailed from places as far-flung as Turkey, Israel, Romania, China, Vietnam, India, and Russia—with open arms. We do, to a certain extent, as evidenced by the fact that the United States remains the predominant destination for foreign students. But our lead has been shrinking in recent years as countries like Australia, Britain, Germany, and France have come to realize the importance of human capital in a global economy and started to compete for it more aggressively.

Indifferent to the trend, Congress chooses to make political hay each year over the number of H-1b visas for skilled professionals that will be issued. The current official cap is sixty-five thousand, an absurdly low number that in recent years has often been reached well before the start of the fiscal year. Opponents of raising the quota or, even better, scrapping it, argue that Silicon Valley is using the visas to hire foreign nationals at lower salaries. But U.S. law requires companies to pay these visa holders prevailing wages and benefits and prohibits hiring them to replace striking Americans. What's more, the government fees and related red tape associated with hiring a foreign professional add thousands of dollars to the process, thus making them more expensive than natives to employ. And since H-1b visas are temporary, additional fees accrue if and when they need to be renewed.

Rather than having Congress pick a number out of thin air (or the latest polls), a better policy route would be to let the market decide how much high-skill foreign labor the economy can accommodate. Indeed, the market already performs this task, when lawmakers get out of the way and let it. Since the H-1b quota was first enacted in 1992, there have been several years when the economy was soft—1992, 2001—2003—and the quota hasn't come close to being met. Lou Dobbs and John Kerry would have you believe that Benedict Arnold CEOs in search of cheap labor are determining the size of our foreign workforce. In fact, it's the law of supply and demand that's making the determination. When U.S. companies can find native workers to fill job openings, they prefer to hire them.

### **Staying Competitive**

If our policy makers want to reduce dependence on foreign professionals without putting U.S. companies at a competitive disadvantage, they would do better to let the free market determine how many foreign workers we need and instead focus their attention on America's K-12 public education system. China is graduating four times as many engineers from college as the United States, and Japan, which has less than half of our population, produces twice as many engineers as we do. Meanwhile, the percentage of incoming undergraduates in the United States planning to major in computer science fell by more than 60 percent between 2000 and 2004 and is 70 percent below its peak in the 1980s.

It's a tragedy that America's public school system is geared more toward appeasing teachers' unions than educating kids. And until that changes, the trends will be difficult to reverse. The upshot of the status quo is that Mumbai and Beijing—often by way of MIT and Stanford—are currently producing a good amount of the talent that Bill Gates needs to keep Microsoft competitive. Immigration policies that limit industry's access to that talent become ever more risky as the marketplace becomes ever more global. If we want American innovators and entrepreneurs to continue enhancing America's wealth and productivity—and if we want the United States to continue as the world's science and technology leader—better to let Apple and Google and eBay make their own personnel decisions without interference from Tom Tancredo and Lou Dobbs.

With respect to lower-skilled immigrant workers, who are more plentiful and thus more controversial, the economics of the phenomenon don't change. Nor do the end results. True,

first-generation Guatemalan whiz kids aren't dominating high school science contests. And their parents are more likely to be manning the assembly line at a meatpacking plant than founding a software company. Still, the low-skilled foreigner, just like his high-skilled counterpart, is contributing to U.S. economic growth. And he, too, is doing so by filling a vital niche in our labor force, only this niche was created by the demographic reality that between 1960 and 2000, the percentage of working-age native born U.S. residents without a high school diploma fell from fifty to twelve.

A construction company, for example, might employ skilled professionals in the form of engineers; intermediate-skilled workers in the form of salesmen, clerks, and accountants; and lower-skilled workers in the form of roofers, plumbers, and crane operators. And just as immigrant computer software engineers expand the labor pool in Silicon Valley, lower-skilled laborers are job multipliers as well. James Holt, a labor economist and former professor at Pennsylvania State University, has found that each farm worker creates three jobs in the surrounding economy—in equipment and sales and processing and packaging. In the forest industry, additional loggers and graders and truck drivers mean additional furniture suppliers and cabinetmakers. Say's Law still applies: Supply creates its own demand.

In 2005 immigrants were 12 percent of the population and 15 percent of the workforce. They were also 21 percent of low-wage workers and 45 percent of workers without a high school education. Around one-third of these immigrant workers were in the country illegally. Yet the U.S. unemployment rate in 2005 averaged just 5.1 percent, a sign that the national labor market for low-wage, low-skilled occupations remains tight, even as fewer and fewer natives are interested in filling the available slots. The strong demand for low-skilled immigrant labor is the result of more and more U.S. natives earning high school and college degrees, which is a good thing. It means more Americans are becoming more productive. But it doesn't follow that the jobs overqualified U.S. natives spurn are now obsolete. Lower-skilled workers, let's remember, tend to manufacture our goods, build our homes, harvest our crops, prepare our food, care for the elderly. They are nannies and janitors and truck drivers and chambermaids. Just because fewer parents are pushing their children toward the building trades doesn't mean the United States has no use for stucco masons.

In fact, the trends point toward the United States needing more of these workers, not fewer, if our economy is to continue expanding. A 2007 Urban Institute study looking at working-age adults without a high school degree found a large drop among natives who fit this profile but an offsetting rise among their immigrant counterparts. Specifically, between 2000 and 2005 the number of native-born adults who lacked a high school diploma fell by about 1 million, while the number of immigrants rose by 900,000. And almost all of that growth in immigrant numbers came by way of illegal aliens.

Foreign-born workers may be only 15 percent of the labor force, but they comprise a disproportionate share of lower-skill occupations like farming (47 percent), construction (27 percent), custodial workers (36 percent), manufacturing (23 percent), and food preparation (24 percent). With the exception of the manufacturing sector, which is expected to continue contracting, these are growth industries that will need more workers in coming years. The Bureau of Labor Statistics expects employment in all occupations to rise by more than 21 million between 2002 and 2012, and higher-than-average demand for jobs that require lower levels of formal education and training. Factor in turnover due to people changing occupations and retiring, and the BLS projection jumps to 56 million new jobs by 2012, or 2.6 job openings for each net new position.

These are the so-called "jobs Americans won't do," a phrase that never fails to get a rise out of restrictionists, who insist that natives would gladly maintain golf courses, chop off chicken heads, and pick cotton in the noonday sun if the pay was better. Their point is well taken but it's still wide of the mark. The issue isn't whether, in the absence of immigrants, we would take it upon ourselves to perform these tasks. If we were to seal off the borders, the market eventually

would adjust to the shrinking supply of labor, and wages and prices would adapt. After all, the United States manages to cope when there are shortages of sugar, steel, beef, and other goods.

But as the economic journalist Henry Hazlitt explained, when studying the effects of economic proposals, "we must trace not merely the immediate results but the results in the long run, not merely the primary consequences but the secondary consequences, and not merely the effects on some special group but the effects on everyone." Which is to say that economics is about trade-offs, or making decisions by comparing the costs and benefits of alternative courses of action. So the real question isn't whether living in a closed economy is possible. It's whether the United States is better off moving in a protectionist direction.

Nobel economist Edward Prescott once wrote that protectionism "is seductive, but countries that succumb to its allure will soon have their economic hearts broken." The role of government is not to shield industries and workers from international competition. Latin America and Europe abound with states that have yet to learn this lesson, but restricting the movement of labor and goods can only retard economic growth. Protected goods are more expensive. If Ford and General Motors didn't have competition from Toyota and Honda, cars would be more expensive and fewer people could afford them.

Closing off the U.S. economy to foreign labor likewise would have negative consequences, primarily because the country would have less human capital overall. What's more, we'd be a poorer society because we'd be using the human capital we did have less efficiently. Low-skilled immigrants fill millions of jobs in agriculture, construction, hotels, health care, light manufacturing, and retail. These are big and important sectors of the U.S. economy, and businesses depend on immigrant labor to stay competitive. Again, the issue isn't so much the viability of removing foreign labor from the U.S. economy. We'd manage. The issue is whether America would be better off with an immigration policy that incentivizes natives to take jobs below their skill level.

At some higher wage, there would be more Americans harvesting tomatoes, hanging drywall, and applying for chambermaid positions at Hilton. Prices matter. And the willingness of Americans to do a job depends on how much the position pays. But at the same time, businesses can't raise salaries without regard for what consumers are willing to pay for goods and services, which is why we can't raise the minimum wage to twenty-five dollars an hour and—*poof!*—eliminate poverty. Agribusiness would certainly attract more Americans if field hands made fifty thousand dollars a year, but not without also affecting the price of food. Not only would we have to pay more for groceries, but higher food prices would rebound to the restaurant industry, for example, since fewer people would eat out.

Restrictionists also assume that all of these jobs would exist in the absence of the immigrants who now fill them, but that's not how labor markets work. Seal the border, and you don't get the same number of jobs at higher salaries. What you get instead are fewer jobs overall. One of the bigger disruptions would be in light manufacturing, where businesses would likely opt to close or move overseas if the immigrant labor supply were cut off. The only reason our textile industry still exists is because textile mills in places like North Carolina and Georgia have had access to immigrant labor. The same holds true for meatpacking plants in the Midwest. And there are other examples. "The restaurant industry is the country's largest private sector employer with 12.5 million people," says John Gay of the National Restaurant Association. "We project we're going to add 15 percent to that number of job slots in the next ten years. But the 16—24 age group that makes up half of our industry's workforce isn't growing at all over ten years. If we don't find a way for our industry to get more workers—and we're not the only ones in this boat—we're going to be in a world of hurt."

Pia Orrenius, a senior economist at the Federal Reserve Bank of Dallas who has analyzed the effects of Latin American immigration, agrees. "Basically, a lot of these jobs would not exist at higher wages, and that would affect our economic well-being," says Orrenius. "You wouldn't

have people manicuring nails if it costs \$200 to have it done. And if you want the college-educated sitting down and doing nails, that's what it would take to make it worth their time." Of course we don't want that, says Orrenius. "Because if you have high-skilled natives doing low-productivity jobs, it's a fundamental misallocation of labor and a big inefficiency. And it makes people—natives— worse off."

Yes, there are Americans with low skills to fill these jobs. The problem is that the number of such Americans is steadily shrinking, which is a good thing. Orrenius's point is that we don't want people doing jobs that they're overqualified for. That leads to inefficiencies in the labor market. The fear is that if low-skill foreigners aren't available to fill certain jobs and perform certain services, those jobs and services will either go away or be filled by overqualified individuals who will demand high salaries to fill them. (In much of Europe, for example, dry-cleaning is a luxury, and inflexible labor markets are the reason.)

The labor shortage in agriculture is such that some 20 percent of crops were left at the farm gate in 2006. The problem was expected to worsen in 2007, since the number of government raids had increased and most farm workers are illegal aliens. Restrictionist lawmakers, talk radio, and the editors of *National Review* keep assuring us that wages for field hands eventually will rise to a level where over-qualified natives will be induced to pick lettuce in Yuma and weed fields in the lower Rio Grande Valley. But that's not what's happening.

American growers who live in the real world and need to stay competitive have other options, one of which is to offshore, or move production outside of the United States. Tim Chelling of the Western Growers Association, whose three thousand members in California and Arizona generate half of the nation's fresh produce, tells me that in recent years a number of large-scale growers have relocated some of their operations south of the border, in places like Mexicali Valley, Caborca, and Baja. "There's a quiet exodus going on already, tens of thousands of acres and millions of dollars in economic activity," says Chelling. "Growers are saying, 'If you won't give me a legal labor force here, then I'll go where the labor force is legal.'"

This isn't about immigrants displacing Americans in the labor force. It's about foreign workers coming here to fill jobs that the natives don't want because they've got better opportunities. Regarding agriculture, foreigners are going to do the work in any case. It's just a question of whether the jobs and attendant economic activity are generated here or somewhere else. The reality is that U.S. companies will either grow food domestically that is harvested by foreign workers, or import food harvested by foreign workers.

### **Automation Nation?**

Some have argued that the availability of cheaper immigrant labor harms productivity by delaying automation in certain industries. "By not enforcing the immigration laws," says agriculture economist Philip Martin, "the government is sending a signal to farmers that by hiring unauthorized workers they do not have to make a transition to a more mechanized, higher productive agriculture." In a 2001 study, Martin said that the termination of the Bracero Program for Mexican guest-workers in 1964 led to the automation of tomato picking. "In the tomato case," he concluded, "the end of the Bracero Program led to the mechanization of the tomato harvest, expanding production, and a reduction in the price of processed tomato products, which helped to fuel the fast-food boom."

Martin and others are right to note that immigration has slowed mechanization in certain sectors of the economy. But their argument presupposes that every activity that can be automated should be, as if the most efficient course is to keep all manual workers outside of developed countries. Does the availability of cashiers retard technological innovations in the retail sector that could produce universal self-service checkout? Not necessarily. To use Martin's example, time and money spent trying to come up with machines to duplicate a low-skill human activity could have been directed at other improvements, such as developing healthier

varieties of tomatoes (rather than varieties that can be recognized by machines). Furthermore, the tomatoes are still being picked by machines at a higher cost than if you allowed a sizeable number of guest-workers to do the job—and with no clear economic gain for Americans. Foreign workers who are less productive in their home countries could be more productive here. And unlike the machines, immigrants not only pick produce but also consume products and services, thus helping the U.S. economy expand.

Another politically popular argument is that sealing the southern border and giving Mexican immigrants the boot would be a boon to low-skilled Americans. You will not search the academic literature in vain for studies showing that immigrants dampen the labor market outcomes of the lowest-skilled natives. But neither will you find an abundance of research that comes to that conclusion. It's true that these immigrants compete most directly with U.S. natives who lack a high school degree. But it's also true that the percentage of Americans so educated has been sharply declining in absolute terms for decades. Keep in mind, too, that even absent competition from foreign workers, this group would still have to compete for jobs in a marketplace that increasingly places a premium on skills.

The pinup economist for immigration hawks is Harvard's George Borjas, whose research found that high immigration is associated with slower wage growth among lower-skilled native workers. Borjas doesn't argue that foreign workers "steal" jobs and even concedes that immigration's overall impact on the U.S. economy is positive—that on average, American wages are higher because of immigrants— though both points usually go unmentioned by immigration critics who trot out his studies in support of their position.

In fact, Borjas has found that immigration increases GDP by 0.2 percent, or some \$22 billion per year. That amount may seem trifling in a multitrillion-dollar U.S. economy, but it's significant when compounded over time. And as the economist Benjamin Powell has noted, the same conservative restrictionists who downplay that gain would cheer the abolition of hundreds of government regulations that might have significantly smaller economic effects.

But never mind. In a 2003 paper, Borjas concluded that in the years 1980-2000, real wages fell by around 9 percent for unskilled U.S. natives, and this finding has been treated as gospel in anti-immigration circles ever since. To produce that number, however, Borjas had to rig his model. In particular, he assumed that physical capital is fixed—that the number and size of companies in the United States is constant—and that immigrants are perfect substitutes for natives. When you increase labor in an economy where investment doesn't adjust, wages fall because workers are less productive. This was the methodology he employed to produce the 9 percent result that so delights immigrant foes.

The only problem with trying to determine the impact of immigration over two decades by assuming capital doesn't change over time is that it bears no resemblance whatsoever to how the U.S. economy actually functions. It's like trying to ease traffic congestion by assuming flying carpets are an option. The reality is that investors are constantly responding to the inflow of immigrant labor. These additional workers increase the return on capital, spurring more investment. Companies respond by producing more labor-intensive goods. And all of this activity only serves to lighten any adverse impacts on low-skill native workers.

Indeed, in the very same 2003 study, Borjas presents alternate findings that control for increased investment, and that 9 percent wage loss for high school dropouts suddenly falls to 5 percent. Two years later, the National Bureau of Economic Research published a paper co-authored by Borjas and Lawrence Katz on the effects of Mexican immigrants. By realistically allowing capital to adjust, they found even less of a negative effect on wages (4 percent).

Other research has shown little, if any, adverse impact on low-skilled Americans. Back in 1990, David Card of the University of California at Berkeley produced a widely read paper on how the influx of Cuban refugees during the 1980 Mariel Boatlift affected Miami's labor market. Card found that although Mariel immigrants increased Miami's workforce overall by 7 percent, and the percentage increase in labor supply to unskilled occupations was even greater, "the

Marinel influx appears to have had virtually no effect on the wages or unemployment rates of less-skilled workers." A 1995 study by the economists Rachel Friedberg and Jennifer Hunt states flatly, "The popular belief that immigrants have a large adverse impact on the wages and employment opportunities of the native-born population of the receiving country is not supported by the empirical evidence." The authors add that "even those natives who are the closest substitutes with immigrant labor do not suffer significantly as a result of increased immigration. There is no evidence of economically significant reductions in native employment."

Pia Orrenius and Madeline Zavodny, a labor economist at Agnes Scott College, found that immigration to the United States in the mid- to late 1990s depressed the wages of manual laborers by about 1 percent. And research by economist Gianmarco Ottaviano and Giovanni Peri found that when you consider (as discussed earlier) that immigrants and natives aren't necessarily interchangeable but often complement one another in the labor force, the negative impact on low-skill natives is even further diminished.

## Helping Blacks

Of course, no "significant" negative impact is not the same as no negative impact at all. And some protectionists argue that, however small the repercussions, immigration should be curtailed for the benefit of those Americans who compete most directly with low-skilled foreign workers for entry-level jobs. Black Americans, who are disproportionately concentrated in low-skilled jobs, are considered especially vulnerable. The black unemployment rate is typically double that of whites and significantly higher among black males. Can this situation be laid to immigrants?

Two years ago, when a prominent black minister in Chicago told *The New York Times* that "immigration will destroy the economic base of the African-American community," he joined a long queue of restrictionist black leaders and intelligentsia. As Congress debated the Chinese Exclusion Act of 1882, a number of black newspapers called for its passage, including the *Colored American* in Washington, D.C., which wrote, "There is no room for these disease-breeding, miserly, clannish, and heathen Chinese." Later, W. E. B. Du Bois and Booker T. Washington would complain that immigrant labor was pushing blacks out of manufacturing jobs. The black separatist Marcus. Garvey—an immigrant from Jamaica, by the way—and sworn enemy of more mainstream civil rights leaders like Du Bois and A. Philip Randolph, nevertheless found common ground with them when it came to railing against the Eastern Europeans who were pouring into Northern cities in the first part of the twentieth century.

Others at the time, like the influential Immigration Restriction League, an early-twentieth-century nativist group comprised of white Northerners, disingenuously cited "the welfare of the negro" as a chief reason to oppose immigration. Today, vigilante groups like the Minuteman Project make similar claims, notwithstanding their links to white nationalists and the prominent presence of Confederate flags at their rallies.

The persistence of this uneasy relationship between immigrants and some in the black community was illustrated in a 2006 episode involving Andrew Young, the one-time Martin Luther King Jr. confidante and civil rights icon. Young had been retained by Wal-Mart to help the company fend off attacks from labor unions and politicians. And when a reporter from a black newspaper asked him about the retail giant displacing mom-and-pop stores in black neighborhoods, Young responded by trying to shift the target of animus from Wal-Mart to Jewish, Korean, and Arab immigrant merchants "overcharging us, selling us stale bread and bad meat and wilted vegetables," among other things. "I think they've ripped off our communities enough," said Young. "Very few black people own these stores."

Young immediately apologized and resigned his post. And although his comments understandably caused a short lived media tempest, many black Americans wondered what all the fuss was about. Reacting to the brouhaha, a commentator on National Public Radio noted

matter-of-factly, "Truth is, in my world, Los Angeles, most of the mom-and-pop stores in the predominantly black sections are owned by Koreans and Jews. And they do overcharge and they tend to be rude and hostile to their black customers. And the blacks employed in these shops are most often not allowed to handle the cash register. The overall result of this environment is a long history of bad attitudes, scuffles, and even one death. What pains me is that Andrew Young stated this truth, then apologized."

Such thinking was also behind the Detroit city council's decision in 2004 to approve a racially exclusive business district for black entrepreneurs. The premise of the proposal, which was legally suspect and ultimately rejected, was that immigrants from Latin America and the Middle East were taking jobs and resources that otherwise would be going to black natives.

In last year's debate Congressional Black Caucus members at one point visibly broke with Latino colleagues, who are normally strong allies. During a House Judiciary hearing, black members berated representatives from the restaurant industry, agriculture, and Google with questions like: "My son goes to Morehouse College. Have you gone there recruiting?" and "Have you tried to employ urban black workers for agriculture jobs?" and "What percentage of your employees are black Americans?"

To finger immigrants for the high rate of black unemployment and the dearth of black business start-ups, however, is to ignore a host of much more likely cultural, economic, and political culprits. The reality is that inner-city grocers charge more for food because they have relatively higher operating costs and less competition than big supermarket chains with economies of scale. And, more fundamentally, high jobless rates among black natives—and black males especially—has much more to do with their unemployability than the lack of available jobs.

Two economists with the Urban Institute, Harry Holzer and the late Paul Offner, found that employment rates for black men between sixteen and twenty-four actually dropped in the 1990s, a decade of strong economic growth and job creation. Among the primary reasons cited for low labor participation rates in this subgroup were declining real wages, a significant skills gap between black and white workers, high black incarceration rates, and the disappearance of manufacturing and other blue-collar jobs in recent decades. Holzer and Offner also reported that "employers perceive a stronger work ethic among immigrants of all racial groups, and a greater willingness to accept and retain low-skill jobs."

A front-page *Wall Street Journal* story in 2006 provided a useful real-world illustration of the latter point. After federal immigration officials raided the Crider chicken-processing plant in Georgia, the company lost 75 percent of its nine hundred workers, who were mostly Latino immigrants. Local black residents quickly filled the openings, and for the first time since the late 1990s black workers dominated Crider's processing line. Inside of six months, however, the company's racial and ethnic makeup reverted to the migrant-dominant preraid norm. "The plant has struggled with high turnover among black workers, lower productivity, and pay disputes between the new employees and labor contractors," according to the *Journal*. "The allure of compliant Latino workers willing to accept grueling conditions despite rock-bottom pay has proved a difficult habit for Crider to shake, particularly because the local, native-born workers who replaced them are more likely to complain about working conditions."

Restrictionists point to places like Crider and see an argument for sealing the border. But it's hardly prudent to fashion America's immigration policy around protecting a small and dwindling bloc of workers whose circumstances lend themselves to so many alternative explanations. And given that, on balance, those foreign laborers are expanding the economic pie by creating better-paying jobs for an ever growing number of natives with higher skills, the greater good is surely served by keeping the welcome mat in place.

The U.S. economy today rewards education and job skills. The stagnation of wages at the lower rung serves as a market signal that encourages people to stay in school and upgrade their skills. It tells people that if you want to prosper in your adult life, you should get an

education. And that—rather than keeping out ambitious if undereducated immigrants—will be the key to the country's economic success going forward.

If lawmakers want to encourage more black entrepreneurship in the ghetto and improve the job prospects of working-class blacks, deregulating the marketplace would be far more effective than removing low-skill immigrants from the labor mix. Up until 1950 or so, and in an era of open and rampant racial discrimination, the jobless rate for young black men was much lower than today and not very different from whites in the same age group. Today's unemployment gap has less to do with immigrants (or racism) than with the implementation of various labor regulations, such as the federal minimum wage laws put in place in the 1930s.

Before then, the wages of inexperienced and unskilled workers were determined by supply and demand. Because there was no federal minimum wage—and because unions typically did not organize inexperienced and unskilled workers—such individuals were able to find employment much like everyone else.

But that would change in the 1930s. The Davis-Bacon Act of 1931 established the requirement for paying prevailing (read: union) wages on public works projects. It was passed in part to stop black laborers from displacing whites by working for less money. Politicians at the time were explicit about their aim to exclude blacks from federal contracts. During the floor debate, Missouri Representative John Cochran said he had "received numerous complaints in recent months about Southern contractors employing low-paid colored mechanics getting work and bringing the employees from the South." And Alabama Representative Clayton Allgood told the story of a "contractor from Alabama who went to New York with bootleg labor. This is a fact. That contractor has cheap colored labor that he transports, and he puts them in cabins, and it is labor of that sort that is in competition with white labor throughout the country."

Today, just 18 percent of construction workers are unionized, yet Democratic politicians, genuflecting to the AFL-CIO, have kept Davis-Bacon in place to protect them. Because most blacks in construction aren't unionized, however, the law has the effect of freezing them out of jobs. It also has the effect of significantly increasing the costs of government projects, since there are fewer contractors to bid on them than there would be absent Davis-Bacon.

In 1938, Congress passed the Fair Labor Standards Act, which established a national minimum wage. Milton Friedman said he regarded "the minimum wage as one of the most, if not the most, anti-black laws on the statute books." In *Capitalism and Freedom*, he wrote that "minimum wages laws are about as clear a case as one can find of a measure the effects of which are precisely the opposite of those intended by the men of good will who support it." Proponents maintain that outlawing wage rates below a certain government-mandated level is an effective way of reducing poverty. In fact, such laws are much more effective at reducing employment. Younger and less-skilled workers, who tend to be minorities, are priced out of the labor market altogether. And if you can't get an entry-level job, you can't gain the skills and experience needed to move up the economic ladder.

The irony is that these laws so detrimental to blacks survive today with the strong support of black lawmakers. When it comes to campaign contributions, Big Labor gives generously to the Congressional Black Caucus, as well as black Democratic politicians at the state and local level. In return, the black political left, with very few exceptions, endorses the union agenda, even when it undermines the welfare of their black constituents.

The same holds true in the area of education. The U.S. economy today, more so than at any time in the past, places a premium on skills. Yet black seventeen-year-olds read on the level of white thirteen-year-olds and persistently lag far behind whites on aptitude tests. Considering that black children also watch more TV, read fewer books, and are overrepresented in the worst public schools in the country, those findings shouldn't come as a surprise. What's truly jarring is that so many black lawmakers, from Congressmen on down, support policies that keep black children stuck in those failing schools. In deference to the National Education Association teachers' union, which is anathema to school choice, the black political class works diligently to

block black access to vouchers and charter schools and other reforms that could facilitate a decent education. Before blaming the diminished job prospects of Jamal on Jorge, blacks would do-better to address the anti-intellectualism that permeates the culture of the black underclass. And legislators might first consider revisiting the racially tinged protectionist laws and public policies already on the books.

### **French Lessons**

Living in a free-market society inevitably involves living with more economic risk. The effects of business cycles can be minimized but not eliminated. The disequilibrium that characterizes our economy is also what makes possible the innovation and productivity that facilitate our prosperity. The welfare states of continental Europe offer another model for managing an economy. Italy, Germany, and France feature highly protected labor markets, where the interest of the worker is placed above that of the consumer. Europe's universal health care, thirty-five-hour work weeks, and six-week vacation mandates make America's political left go gaga. But protectionism has a considerable downside; for decades, the Continent has had consistently higher unemployment and lower productivity than what's found in the United States.

Take France, which sports the slowest-growing large economy in the European Union, the fastest-rising public debt in Western Europe, and entrenched high unemployment. In the early 1980s, French GDP per person was the seventh-highest in the world. By 2007 it had fallen to seventeenth place. "The most urgent cure for all these ills is to get the economy growing faster," advises *The Economist* magazine. "That requires radical liberalisation of labour and product markets, more competition and less protection, lower taxes and cuts in public spending, plus a shake-up of the coddled public services."

If you know you can't fire unproductive employees, you become overly cautious in taking on new workers. There's less risk-taking in general. That additional worker is less likely to be hired and the company expands at a slower pace, or not at all. The more regulated the marketplace, the higher the entry costs. Entrepreneurs and investment capital flee to friendlier places. Which means fewer new businesses, less competition for existing firms, higher costs for consumers, and slower overall economic growth. In France, the system is stacked against anyone who doesn't already have a job. The beauty of flexible labor markets is that they fuel growth and job creation, so displaced workers can more easily rejoin the labor pool.

Restrictionists fret that the tanned influx from Latin America has the United States slouching toward Guatemala. But the bigger concern is that without those immigrants, and the job mobility they catalyze, the United States risks slouching toward France.

### **Chapter 3**

#### **Welfare: The Measure of a Manuel**

In the spring of 2007 the Council on Foreign Relations, long a font of center-left received wisdom, published a paper by Gordon Hanson titled "The Economic Logic of Illegal Immigration." Hanson is an economist at the University of California at San Diego, and the paper's somewhat cheeky thesis is that, from a purely economic standpoint, undocumented immigrants do a much better job of responding to the demands of the U.S. labor market than their lawful counterparts. It is frequently said that legal immigrants are a net benefit for the economy and that illegal immigrants are a net drain. But Hanson turns that notion on its head.

Obviously, there are very good reasons to reduce the illegal alien population in the United States, and chief among them is national security. As of this writing, no terrorist attacks in the United States can be tied to anyone who illicitly forded the Rio Grande, but it's only prudent to minimize that possibility. Human smuggling, document fraud, and corpses in the Arizona desert

are other major problems associated with illegal border crossings, and a later chapter will address how U.S. immigration policy might best address those kinds of concerns.

Hanson's paper, however, is narrowly focused on whether our economic welfare is helped or harmed by porous borders. He looks at the fiscal costs and benefits of illegal immigrants and how they compare with those newcomers who use the front door. "This analysis concludes that there is little evidence that legal immigration is economically preferable to illegal immigration," writes Hanson. "In fact, illegal immigration responds to market forces in ways that legal immigration does not."

How's that? To begin with, illegal immigrants are more sensitive to the U.S. business cycle. They tend to come when the economy is expanding, and they can more easily migrate to those areas of the country where job growth is fastest because they're not bound to a single employer. Legal immigrants necessarily respond more slowly to economic conditions. The number of green cards available each year is fixed, and the backlog is several years long. The bureaucratic calendar, rather than market demand, determines the flow of foreign workers.

Even temporary legal immigrants aren't as flexible and mobile as illegals, since temporary visa holders can't change jobs without permission from their employer. And while the quotas on temporary legal immigrants are ostensibly linked to economic need, adjustments in the number of available visas have lagged job growth by as much as thirty-six months, and the determining factor has usually been Congress's political mood, not labor market signals.

Hanson lists the manifold benefits that accrue in the U.S. economy from these foreign workers—especially the illegal ones. By augmenting the supply of available resources, "immigration raises the productivity of resources that are complementary to labor," he writes. "More workers allow U.S. capital, land, and natural resources to be exploited more efficiently. Increasing the supply of labor to perishable fruits and vegetables, for instance, means that each acre of land under cultivation generates more output. Similarly, an expansion in the number of manufacturing workers allows the existing industrial base to produce more goods."

The restrictionists reply that natives would gladly perform these tasks if low-skill immigrants weren't available. But that misses the point, which is that Americans are increasingly overqualified for the sorts of jobs Latino immigrants are filling. Sure, a U.S. native with a high school diploma or some college could work as a field hand, but that's probably not the best use of his skills. And if he's picking strawberries on a California farm, or busing tables at an Applebee's in Texas, or working the production line of an Iowa chicken-processing plant, it means he's not doing a job he's better suited for. And since his labor is more expensive, it also means he's raising the costs of production in those industries, which leads to higher prices for consumers and a less productive workforce overall. As was discussed earlier, low-skill immigrants ultimately increase the incomes of natives by allowing our free-market economy to allocate human capital and other domestic resources more efficiently.

Hanson's paper also analyzes the economic costs associated with illegal immigration. There's downward pressure on the wages of native workers who compete directly for jobs with immigrants (though, again, there's a dwindling number of natives vying for such jobs). But the author's real concern is the direct fiscal costs of these newcomers to ordinary Americans. Do illegal aliens pay less in taxes than they received in public benefits? Are they snouts at the trough, burdening taxpayers through heavy use of welfare services?

Even for economists, who relish performing complicated calculations, determining the fiscal consequences of immigration is an exceptionally difficult challenge. Estimates vary widely based on who's immigrating, their age at arrival, the number of offspring, the skill sets, the education level, the public benefits at stake, and other factors. Like most researchers who've looked at the issue of immigrant "costs," Hanson concludes that, on balance, it's a wash. Some immigrants are net contributors to the public fisc; others are net beneficiaries. But in the end, fiscally speaking, immigrants don't make a big impact on the nation's purse.

Still, it's worth examining this argument further. What does it mean to cite welfare costs as a reason to restrict immigration? Those who do are suggesting that a person's worth to society is nothing more than the sum of his tax payments. By that standard, however, most natives are "worthless," since some 60 percent collect more in government services than they pay in taxes. This doesn't mean that six out of ten Americans are conscientious moochers; the phenomenon can be laid to our highly progressive tax system, where the top 1 percent of earners is responsible for 37 percent of federal income tax payments. Even so, it would be foolhardy to argue that 60 percent of Americans are fiscally expendable and that the United States would be better off without them because they don't "pay their way."

Such reductionism ignores the propensity of foreign workers to save and start new businesses at higher rates than natives, which contributes, to the economic welfare of the nation. Low-skill immigrants also have a higher labor-force participation rate than natives and a lower rate of unemployment. Lower-income workers, whether foreign-born or American, enable large sectors of the economy—farming, construction, manufacturing, health care—to function and grow. And in the process they create job opportunities for the rest of us.

### **Snouts at the Trough?**

We sometimes refer in the United States to the presence of the "welfare state," but that term needs context. Europe, for example, spends twice as much on social programs as we do, and assistance aimed at the poor and the unemployed is especially generous. So, too, in the main, are European public pensions—wealth-redistribution mechanisms that effectively take from the affluent young and give to the disadvantaged old. In the end, total government spending on the Continent approaches a world-leading 50 percent of GDP, versus about 30 percent in the United States. And unlike in the United States, Europe's welfare system helps keep immigrants and their children out of the labor force, which weakens their incentive to assimilate. The United States and Europe are both "welfare states" in the same way that Tiger Woods and the teaching pro at a country club are both good golfers. It's technically true, but the orders of magnitude that separate them deserve more precise explanations.

This U.S.—Europe welfare disparity, to a large extent, reflects the different attitudes and preferences that prevail on opposite sides of the Atlantic. Polls show that Europeans tend to view the poor as hard-luck cases who aren't personally responsible for their situation, while Americans tend to view welfare recipients as, well, shiftless cheats. Income inequality bothers Europeans much more than Americans, which annoys U.S. liberals to no end. But it makes sense when you consider that large majorities in the United States—71 percent, according to one survey—see poverty as a condition that can be overcome by dint of hard work, while just 40 percent of Europeans share that viewpoint.

Belief in social mobility has informed U.S. welfare and immigration policy from colonial times. In 1645 the Massachusetts Bay colony was already barring paupers. And more than two centuries later, in 1882, when Congress finally got around to passing the country's first major piece of immigration legislation, it specifically prohibited entry to "any person unable to take care of himself or herself without becoming a public charge."

*Welfare* has become a much-abused term in the immigration debate. The common notion of welfare is a set of cash-transfer programs for people who can't work. That's generally what leading social scientists like Charles Murray and William Julius Wilson were writing about during the welfare debates of the 1980s and 1990s. When it suits their purposes, however, immigrant detractors expand welfare's meaning to include everything from the use of roads and public schools, to fire and police protection, health-care benefits, and defense spending.

Historically, neither capitalists nor conservatives have been opposed to welfare *per se*, though they generally favor its private and informal manifestations—churches, benevolent associations, extended families—over the government variety. Still, even Republicans have

accepted welfare programs as a sort of temporary insurance policy—a safety net—for victims of hardship or misfortune. The consensus, on the left and right, is that it's acceptable for the government to provide for the aged and disabled, or to allow someone to receive an unemployment check while searching for a new job.

Conservative revisionists may try to blame it all on the political left, but the American version of the welfare state that emerged between the 1930s and 1970s was a result of bipartisan efforts. A Democratic president, Franklin Delano Roosevelt, is the face of the New Deal. But many of the initiatives of that period—including Social Security, Aid to Families with Dependent Children, and Unemployment Insurance—actually originated with Republican state governors and FDR's GOP predecessor, Herbert Hoover. It was Dwight Eisenhower, another Republican, who launched the Cabinet-level Department of Health, Education, and Welfare in 1953. And although a Democratic president, Lyndon Johnson, gave us the Great Society, its programs expanded exponentially during the Republican administrations of Richard Nixon and Gerald Ford.

Welfare becomes a problem when people become habituated to it, when dependency isn't kept to a minimum and benefits become more attractive than a paycheck. The historical tendency to keep immigrants out of welfare programs began to fade during the War on Poverty in the 1960s. Means-tested programs were added and enhanced but legislation was usually silent on whether citizenship was required to participate. Some states moved to bar noncitizens from public assistance, but a 1971 Supreme Court decision, *Graham v. Richardson*, reversed those efforts, holding that only the federal government could regulate immigrants' use of welfare. Between 1970 and 1980, more than forty welfare programs grew at a rate that was three times as fast as wages and more than twice as fast as the GDP.

Illegal aliens, who are one-third of all immigrants, do not have access to federal welfare benefits. And many illegals are reluctant to take advantage of the emergency health care available to them out of fear of apprehension by the authorities. Immigrant bashers who like to drag the undocumented population into the cost debate often leave out these inconvenient facts, either out of ignorance or an acute sense that it undermines their argument. The truth is this: Because the illegals who collect a paycheck also pay payroll and Social Security taxes but are denied the attendant benefits, Uncle Sam tends to come out ahead.

Among legal immigrants, however, welfare use began rising steadily after the 1960s. The major federal benefits programs are Supplemental Security Income (SSI), the Food Stamp Program (FSP), Medicaid, and Temporary Assistance for Needy Families (TANF). And noncitizen use of these programs continued to grow in recent decades, both in absolute numbers and as a percentage of the total. In 1984, noncitizens were 4.5 percent of SSI caseloads. By 1995 they were more than 12 percent. Similarly, immigrant enrollment in TANF grew from 7 percent to 12.3 percent between 1989 and 1996. And foreign nationals were 4.4 percent of food stamp recipients in 1989 versus 7.1 percent in 1996.

Had welfare become a magnet for lazy foreigners to come here and live on the dole? High immigrant work rates, among other indicators, strongly argued otherwise. The more likely explanation is that more immigrants were receiving public assistance because welfare activists and liberal policy makers were actively recruiting them. States went so far as to engage in official outreach efforts. Illinois state employees were tasked with venturing into immigrant neighborhoods to enroll people in health benefit programs. It seems utterly cruel, from a public policy standpoint, for the United States to invite foreigners to participate in welfare and then hold it against them when they take us up on the offer. If welfare use among immigrants is deemed too high, then the better course of action is to limit the benefits, not the immigrants who are otherwise enhancing the nation's economic vigor.

And that's exactly what federal lawmakers eventually did. In 1996 the Republican Congress passed and President Clinton signed (after twice vetoing it) comprehensive welfare reform legislation that was aimed in part at weaning immigrants off the public teat. The Personal

Responsibility and Work Opportunity Act barred noncitizens from receiving most means-tested federal aid for at least five years following entry. As intended, immigrant use of these programs subsequently plummeted. Between 1995 and 2001, noncitizen enrollment in TANF, food stamps, SSI, and Medicaid dropped by 55 percent, 52 percent, 45 percent, and 22 percent, respectively. Medicaid enrollment, by contrast, has since increased—as of 2004, it was up by more than 30 percent since 1994—mainly because states have elected to exercise their option to continue coverage and even expand immigrant eligibility.

Some immigration detractors, such as Robert Rector of The Heritage Foundation, claim that even though illegal immigrants themselves don't qualify for federal welfare benefits, their U.S.-born children, who are citizens, do. Therefore, according to Rector, illegal immigration is indirectly driving welfare caseloads. Sounds plausible, but is it true?

Between 1995 and 2004, America's illegal immigration population is estimated to have doubled to around 12 million. Yet Peter Wehner and Yuval Levin report in the December 2007 issue of *Commentary* magazine that welfare caseloads over that period are not just down but down dramatically. "Since the high-water mark in 1994, the national welfare caseload has declined by 60 percent. Virtually every state in the union has reduced its caseload by at least a third, and some have achieved reductions of over 90 percent."

Apparently, immigrants don't drive up welfare caseloads any more than they drive down U.S. employment. The authors go on to note that, "Not only have the numbers of people on welfare plunged, but, in the wake of the 1996 welfare-reform bill, overall poverty, child poverty, black child poverty, and child hunger have all decreased, while employment figures for single mothers have risen."

It's also worth remembering that immigrants are net contributors to the federal government's two most expensive entitlement programs—Medicare and Social Security—since they tend to arrive in the United States at the start of their optimal working years. Medicare and Social Security are pay-as-you-go programs. That means current tax payments are financing current benefits. Because some 70 percent of immigrants are between ages twenty and fifty-four (versus just half of the native population), and because 12 percent of natives are age sixty-five or older (compared to only 2 percent of immigrants), these foreign workers will pay some \$5 trillion more in payroll taxes than they will receive in Social Security benefits. Never mind that these surplus payments more than offset any welfare benefits that most immigrants enjoy. The real outrage is that baby boomers like Lou Dobbs make a living vilifying these folks to boost ratings, when they should be throwing them a ticker tape parade for helping to keep America's two costliest "welfare" programs solvent.

Putting aside immigration's influence on the 1996 reforms, foreign nationals were never the bulk of welfare users to begin with, and the welfare "magnet" argument has always been far-fetched. There's evidence that some immigrants have abused the system, to be sure. In 1994, for example, Congress conducted a hearing on fraud in the SSI program that involved noncitizens using Southeast Asian middlemen to bring over their elderly parents to receive benefits. But the practice was not widespread, and the 1996 reforms closed the loophole that was being exploited. Even Harvard economist George Borjas, a Cuban immigrant who's made a name for himself advocating for less Latino immigration, concedes that the welfare magnet argument for sealing the border is anecdotal and weak. "[T]here exists the possibility that welfare attracts persons who otherwise would not have migrated to the United States," he writes in *Heaven's Door*, his influential 1999 book on immigration policy. "Although this is the magnetic effect that comes up most often in the immigration debate, it is also the one for which there is no empirical support. . . ."

Welfare use among unskilled immigrants is higher than among natives because those immigrants tend to have lower incomes and more of them are poor. Among those U.S. residents who are eligible to receive welfare, however, immigrants are not heavy users. Analyses of welfare use conducted by researchers at The Urban Institute have found that fewer than 1

percent of illegal immigrant households nationwide receive benefits for the program most commonly associated with welfare—Temporary Assistance for Needy Families—versus 5 percent of households headed by U.S. citizens.

A 2007 study of census data released by the Center on Budget and Policy Priorities also pokes holes in the welfare magnet theory. It found that, between 1995 and 2005—again, a period during which illegal immigration grew—the share of low-income, noncitizen immigrant children receiving Medicaid or State Children's Health Insurance Program (SCHIP) benefits fell from 36 percent to 30 percent. By comparison, participation in those programs among low-income native children over the same period—whether they lived in households headed by immigrants or native-born citizens—increased from 45 percent to 54 percent.

The public perception is that immigrants receive public benefits at higher rates than natives, but that's not what the data show. Overall, low-income immigrants have lower TANF, food stamp, and SSI use rates than citizens. That was true before welfare reform's enactment, and it remains the case today.

### **State and Local Costs**

It is not the federal government, however, that bears the fiscal brunt of immigration. That falls to states and localities, and some argue that even if the feds come out ahead, states with high immigrant populations are left holding the bag. It's true that the burden sharing is uneven, and states are right to complain that the feds don't do more to share their immigrant revenue surplus. In our federalist system, it's the states who pay most of the up-front costs of providing public services—the biggest items being K-12 schooling and health care—for poor immigrants.

Washington could and should do more to compensate these state and local governments. As Dan Griswold of the Cato Institute has pointed out, there's nothing stopping the federal government from transferring money to states to offset additional costs for emergency room health-care services and increased public school enrollment. Such a policy would have the virtue of addressing the problem without creating "any new programs or additional spending," says Griswold. "[I]t would simply reallocate government revenues in a way that more closely matched related spending."

Still, the significance of this state and local burden is regularly overstated by immigration skeptics. An oft-cited 1997 report by the National Research Council examined what immigrants were costing the Garden State and the Golden State and found that "the average native household bears an overall fiscal burden of \$229 in New Jersey and \$1,174 in California," the difference having mostly to do with the latter's "relatively more generous welfare programs." Nationally, the study found, immigrants were a short-term net drain on the average native household to the tune of \$200, or a tiny 0.2 percent of GDP. And those results come from data that predate the 1996 welfare re-forms, which means that today the burden is likely even less.

A more recent Winthrop Rockefeller Foundation report, from 2007, on how Latino immigrants impact Arkansas's state coffers found that they "have a small but positive net fiscal impact on the Arkansas state budget." Taking into account both education and health care, immigrants "cost" the state \$237 million in 2004 but made direct and indirect tax contributions of \$257 million. Even more important, immigrant Arkansans generated some \$3 billion in business revenues, in the process making significant contributions to the state's overall economic productivity and keeping it competitive in key industries.

According to the authors, *sans* immigrant labor "the output of the state's manufacturing industry would likely be lowered by about \$1.4 billion—or about 8 percent of the industry's \$16.2 billion total contribution to the gross state product in 2004." Immigrants also saved the state a bundle in manufacturing wages. It would have cost \$95 million more for the same output without immigrants. Not only could those savings be passed on to consumers in the form of lower prices, but they also help keep Arkansas businesses competitive.

In 2006, the University of North Carolina (UNC) issued a similar report profiling that state's immigrant population. There, researchers found immigrants to be a small net cost (\$61 million) to the state budget—estimated at \$102 per Latino resident—though the authors cautioned that, for a proper understanding of the overall impact, the cost "must be seen in the broader context of the aggregate benefits Hispanics bring to the state's economy."

Like Arkansas's, North Carolina's economy is better off because of immigrants. By expanding the population—and thus the demand for housing, cars, clothes, refrigerators, washing machines, televisions, and countless other consumer goods and services—these newcomers expand markets and help business revenues grow. Imported human capital also translates into more economic output and cost competitiveness in important industries. According to the UNC study, without Hispanic immigrants North Carolina's construction industry output would almost certainly be much lower, and the state private sector would be paying nearly \$2 billion more in wages. The state has also benefited from more trade with Latin America, which was responsible for some seventy thousand jobs and \$231 million in state and local taxes in 2004.

What's happened in Arkansas and North Carolina is important because their immigrant populations are among the fastest-growing in the country. Arkansas ranked fourth nationwide in immigrant population growth between 1990 and 2000. Between 2000 and 2005, its Hispanic population grew by 48 percent, or faster than any other state in the United States. In North Carolina, Latinos accounted for more than a quarter of the population growth between 1990 and 2004. Between 1995 and 2004, 38 percent of these newcomers migrated from abroad, and 40 percent came from other parts of the United States.

More than half of Arkansas immigrants are here illegally, as are nearly half of North Carolina's. If importing large numbers of low-skill Latino immigrant "welfare cases" is bad news for a state's economic health, it would be manifest in these states. Instead, the opposite is true. Both states are experiencing economic boons and record-high immigration simultaneously, which is the story of much of the southeastern United States in recent years.

And if, as restrictionists insist, immigrants are coming here not to work but to take advantage of our "magnetic" social welfare programs, why are they flocking disproportionately to states that are so skimpy with benefits for the poor? Social welfare spending in Arkansas is among the lowest in the country. It's slightly higher in North Carolina but still well below the national average. The same holds true for other states that are experiencing big increases in immigrant populations, including South Carolina, Utah, Georgia, Arizona, Tennessee, Alabama, Indiana, Mississippi, Kansas, Nebraska, and Iowa.

There appears to be no correlation between generous state welfare benefits and growing immigrant populations. If Arkansas is the Scrooge of welfare benefits, California is closer to the Santa Claus. Yet it's the latter's immigrant population growth that's slowing. Latinos are economic migrants first and foremost. They settle where they do based primarily on the availability of employment. And once there, they help expand the economy and create more jobs. The United States is a magnet for people looking for work, not handouts.

California and Texas are the states with the most people. Serving as immigrant portals, they rank first and third (with New York in between) in the sizes of their foreign-born populations. California has by far the country's largest illegal alien population at 2.8 million (though the state's share of the nation's total has been falling), followed once again by Texas, which has half as many undocumented migrants. The experience of these two states is instructive, or should be, for anyone interested in facts about public benefits and immigrants, rather than emotion or populist rhetoric.

In what its authors describe as "the most detailed analysis to date of immigrants and their use of health services," a 2006 Rand Corporation study estimates that each year the United States spends "about \$1.1 billion in federal, state, and local government funds on health care for illegal immigrants aged 18—64." That works out to \$11 per household.

Lou Dobbs informs his viewers that thousands of illegal alien lepers are scurrying across the Mexican border, infecting Americans and spiking health-care costs. But the Rand researchers found that nonelderly adult immigrants, both legal and illegal, made fewer visits to the hospital than their native-born counterparts. And the foreign-born—especially the undocumented—reported fewer health problems than natives. In 2000, illegal immigrants were 12 percent of Los Angeles County residents, yet received just 6 percent of total medical spending.

How to explain? "Most of the costs for undocumented immigrants' health care were covered by private insurance or out-of-pocket payments," according to the report, "but an estimated \$204 million [out of \$887 million] was for publicly supported services." Native residents, the study found, "were more likely to use publicly funded services than foreign-born residents." Imagine that.

Health-care costs are rising independently of immigration. Scapegoating the latest arrivals will hardly lower our medical bills and is highly misleading besides. Given that immigrants tend to be younger and healthier than natives, they're actually less likely to rack up large health bills. Recent immigrants from Mexico are also less inclined than most natives to use hospital emergency rooms, though you often hear claims to the contrary. A 2005 University of California at Los Angeles study found that fewer than 10 percent of Mexican aliens—legal and illegal—who'd been in the United States less than a decade reported using an emergency room, compared to 20 percent of white citizens. So much for the myth of freeloading illegals.

And then there's Texas, home to our second-largest illegal population. In 2006, the Texas comptroller, Carole Keeton Strayhorn, issued a report on how undocumented immigrants affect the state budget and economy. The first of its kind in Texas, according to Strayhorn, the study looked at gross state product, revenues generated, taxes paid, and the cost of state services. Education was the largest cost, while state-paid health care for illegals "was a small percentage of total health care spending." It found that illegal immigrants in Texas generate more taxes and revenue than the state spends on them.

What's more, the fiscal impact wasn't simply not negative; it was remarkably positive. Without immigrants—without illegal immigrants—Texas is worse off. The report found that "*the absence of the estimated 1.4 million undocumented immigrants in Texas in fiscal 2005 would have been a loss to our Gross State Product of \$17.7 billion. Also, the Comptroller's office estimates that state revenues collected from undocumented immigrants exceed what the state spent on services, with the difference being \$424.7 million*" (emphasis in the original).

Texas is a relatively low-levy state, one of only nine with no income tax. The taxes it does impose tend to be consumption based, which conservatives like because consumption taxes are more broad based (and thus, more fair) and don't punish savings and investment like steeply graduated income taxes do. But instead of advocating for more Texas-like state tax systems that would go a long way toward rendering this low-income immigrant/public benefits issue moot, and that are better in any case, some conservatives prefer to agitate for fewer immigrants. Principle takes a backseat.

And so it goes with health care. Health-care costs aren't what they are because of immigrants but because we have employer-provided health insurance. A third party rather than the patient is paying most of the medical tab. When people are spending other people's money, they tend to spend more of it, which drives up costs. We then exacerbate the situation by mandating what a health plan must cover and prohibiting employers from providing a bare-bones insurance option with a high deductible at a modest price. These regulations also result in more people without health insurance, since many employers opt not to insure their employees at all rather than offer an expensive plan that would force them to reduce wages.

These are problems, to be sure, but they are healthcare problems, not immigration problems. They are problems that would exist even if every foreign national in the country up and left tomorrow. The free-market solution to rising medical costs and emergency rooms full of uninsured patients isn't ramparting the Rio Grande. It's medical savings accounts and other

reforms for low-income individuals who've been priced out of the market by special-interest regulations masquerading as consumer protections. It's ending "guaranteed issue" requirements that allow people to wait until they're sick to buy insurance, and "community rating" requirements that prevent insurers from charging different prices to different people based on age and health status. It's moving the entire U.S. health-care system more generally in a market-based direction.

The Texas study is a model for other states looking to determine the economic impact of immigration. Not only does it recognize that immigrants are a catalyst for economic growth, but it's also careful about how it identifies the immigrant population. A similar Colorado report overstated the health-care costs of illegal immigrants by including the health-care costs of many legal immigrants. The same Colorado study also inflated the costs of educating immigrants by assuming that all illegals between the ages of five and seventeen were in public schools, not accounting for the fact that some were enrolled in private schools and others did not attend school at all.

Strayhorn references a report by the nativist Federation for American Immigration Reform that stacks the deck by including as an illegal alien "cost" the education of their American-born children, who are, in fact, U.S. citizens—until a constitutional amendment says otherwise. That's significant because some two-thirds of the children of illegal immigrants, and 80 percent of the children of legal immigrants, are U.S. born. Such human capital expenditures, properly understood, are a net investment, and the children of immigrants—including Latinos—typically do better than their parents in terms of schooling and income. It's a strange logic that assumes American children are a fiscal burden to society.

### **Robert Rector and Arithmetic**

There's no credible research demonstrating that immigration imposes a large economic cost on the United States. The findings in smaller states like Arkansas and North Carolina, or larger states like California and Texas, are not *sui generis*. They're the product of standard economic analyses that incorporate realistic assumptions. There is a cost component to low-skill immigration, to be sure, especially in border communities and states with large public benefits. But immigrants are also catalysts for economic growth. They increase the number of agents in the marketplace—the number of people who earn, spend, and invest—and thus the amount of economic activity. Any study of the fiscal impact of immigrants that leaves out these contributions is not telling the whole story.

Even if you accept the Borjas model that shows that low-skilled immigrants sometimes depress the pay of low-skill natives, it means they're also increasing profits, other things being equal. Greater profits tend to raise rates of return on investment, which leads to a larger supply of loanable funds, lower interest rates, and more capital formation. Nativists ignore these secondary and tertiary effects, preferring static-model half-truths to more dynamic assessments. But conservatives know better, or should.

Supply siders have for decades been critical of the way federal agencies like the Congressional Budget Office and the Joint Committee on Taxation estimated, or "scored," the effects of tax cuts on revenue without figuring in their effects on the overall economy. And rightly so. Under static modeling, for instance, if a state doubles its cigarette tax, it will double its revenue from that tax. But that doesn't take into account, as a dynamic model would, the fact that the tax increase will affect behavior. Some smokers, for example, may quit or smoke less. The tobacco taxes they previously paid would be lost to the state, offsetting some of the additional revenue anticipated by increasing the tax rate. Similarly, a tax cut might not result in a revenue reduction if it stimulates more economic activity.

The debate came to a head in the 1980s during the Reagan administration. Due to budget rules, it was difficult politically to advocate tax cuts because they represented revenue losses,

according to static scoring. Conservatives became vocal proponents for a more dynamic analysis of the proposed Reagan tax cuts. The Gipper got his tax cuts and proved the static scorers wrong. The top tax rate in the United States fell from 70 percent in 1980 to 28 percent in 1988, while income tax revenues swelled by more than 54 percent. When President Bush halved capital gains taxes in 2003, the static models once again predicted disaster, yet another revenue surge ensued. Receipts in 2005 were the highest in more than twenty years.

When it comes to the economic impacts of immigration, however, some conservatives toss dynamism out the window. It doesn't matter if immigrants, who are both potential employees and potential customers, help expand the economy. Robert Rector, the welfare scholar at the free-market Heritage Foundation, has published a number of influential papers arguing that the measure of a Manuel is the difference between what he pays in taxes and receives in public benefits. Period. Rector maintains that low-skill immigrants are layabouts who "assimilate to welfare," generation after generation with no hope of upward mobility, and his reports and testimony before Congress in 2007 became grist for talk radio and cable news populists.

The *Wall Street Journal* editorial page picked apart Rector's arguments, as did free marketers like Daniel Griswold of the Cato Institute. Census data, among other indicators, show that immigrants significantly increase their earnings after arriving in the United States, which suggests they're assimilating to the workforce, not welfare. Even liberals can see this, and they didn't hesitate to critique Heritage's scare mongering by employing a dynamic approach to the readily available fiscal data. Ultimately, the think tank was hoisted by its own analytic petard.

But first, some background. Along with other conservative outfits like the National Center for Policy Analysis and the Institute for Policy Innovation, Heritage helped pioneer the use of dynamic analysis. Whether the issue was trade liberalization or tax policy, free-market conservatives regularly mocked economic studies that took into account only static impacts. "[No] matter how many times a 'static' analysis is disproved," Heritage Foundation president Ed Feulner once wrote, "Congress keeps doing business in the same wrongheaded way." When President Bush's 2007 budget proposal included a plan to create a Dynamic Analysis division inside the Treasury Department to assess how tax laws affect economic activity, William Beach, Heritage's top numbers cruncher, praised the move. "Inside the Beltway, this type of work is called 'dynamic analysis,'" Beach wrote in *BusinessWeek*. "Outside the Beltway, this is called 'economics.'"

Back in 1984, Heritage thought differently about immigration. That was the year it published an important paper by Julian Simon showing how poor immigrants help subsidize the country's costliest public benefits programs, Medicare and Social Security, by paying taxes for decades without ever receiving a check. A 1998 study by Beach also reported that Latino immigrants pay more into Social Security than they receive in their lifetime. A lot more. In 1997 dollars, he calculated, the typical Latino couple received nearly \$350,000 less in lifetime benefits than it paid into the system.

This history hasn't been lost on Heritage's critics—liberal or conservative—in the recent debate over comprehensive immigration reform. But those on the political left in particular seemed to enjoy employing pro-growth counterarguments to push back at the organization's newfound restrictionism. When Rector published a study in April 2007 arguing that low-skill immigrants are a net drain on the economy—and speculating that allowing any more such individuals into the United States "would dramatically increase the future fiscal burden to taxpayers"—it drew a pointed, supply-side response from the left-wing Immigration Policy Center (IPC).

Curiously absent from Rector's study, wrote IPC researchers Walter Ewing and Ben Johnson, was any discussion of the U.S. economy's high demand for low-skill labor. Apparently, it never occurred to Rector that immigrants might be incentivized by labor market forces rather than potential welfare benefits. The authors went on to chide Rector for his "narrow fiscal accounting" methods, which assume that if an immigrant's tax payments don't cover the cost of

public services and benefits that he receives, it follows that the immigrant is a drain on the public rise and the economy as a whole. But it doesn't follow.

"A comparison of the taxes that people pay and the public benefits and services they consume at a particular point in time does not measure the larger economic impact that they have through their consumer purchasing power and entrepreneurship, both of which create new jobs," wrote the authors, who would never be mistaken for Art Laffer. "Nor does it account for the upward economic mobility that many low-income families experience from generation to generation, particularly immigrant families."

Suffice it to say that if you're a right winger like Robert Rector, and you find yourself getting schooled on the economic facts of life by the likes of the Immigration Policy Center, you might need to revisit Friedrich Hayek, or at least reread *Wealth and Poverty*. Ewing and Johnson's takedown of a shoddy static economic analysis probably approximates anything the Heritage Foundation itself could have produced—and perhaps would have produced—if it hadn't, to the dismay of us free marketeers, decided to join the Dark Side on immigration.

### **America's Hardest Workers**

The journalist Tamar Jacoby once wrote that "most foreigners, whether they arrive legally or illegally, come to the United States to work. Most do not come in the expectation of living on welfare." After all, says Jacoby, "if you're going to be unemployed, it's much better to be unemployed at home than in the United States. It's usually warmer at home and less expensive to live, and you are likely to be surrounded by a network of supportive family and friends."

Jacoby is spot-on, according to the economic data used to gauge an immigrant's intentions. The labor force participation rate, which measures the percent of the working-age population that is employed or seeking employment, is the strongest indication that immigrants come here to work and not to idle. Among foreign nationals generally, labor participation rates are higher than that of natives (69 percent versus 66 percent in 2006) and jobless rates are lower (4.0 percent versus 4.7 percent in 2006). This disparity only increases with respect to Hispanic males, who boast the highest labor-participation rate of any group in the country. Recent census figures put it at 88 percent for Mexican-born males, against 83 percent for their native counterparts. What about all those supposedly shiftless illegals who come here to "assimilate to welfare"? They have a labor force participation rate of 94 percent, and that's not a typo.

The Pew Hispanic Center published a study in 2006 that tracked migration flows back to 1990. The biggest factor affecting the rise and fall of border crossings was the state of the U.S. economy. Interestingly, the longer those immigrants are here, the harder they work. The unemployment rate for illegal aliens who arrived between 2000 and 2005 was 5.8 percent, compared with 4.1 percent for those arriving prior to 2000.

Among natives, low-skill black males have by far the lowest labor participation rates, and some opponents of immigration are quick to blame Latinos. There's no doubt some correlation, since it's these blacks who are most likely to compete for jobs with Mexicans. But given that black alienation from the workforce has not ebbed and flowed with Hispanic migration patterns but remained stubbornly consistent for decades, there's probably more to the story. When William Julius Wilson was writing about black nonattachment to the labor force twenty years ago, immigration was scarcely mentioned. He was primarily concerned with the deindustrialization of the U.S. economy, the lack of job training for blacks, and a hellish, self-perpetuating ghetto culture that encouraged criminal behavior and left too many black men not simply unemployed but unemployable.

The 1980s and 1990s saw two of the longest periods of sustained economic growth in U.S. history, yet the labor-force participation rates of less-educated young black men actually declined over that stretch. Black unemployment is nearly double the white rate and well above that of Hispanics, even though English-language skills alone should theoretically give blacks a

major advantage with employers over Latino new arrivals. Nevertheless, those Latinos have displayed a greater willingness to accept and greater ability to retain low-skill jobs. By and large, black men aren't being shoved aside for these positions; the more likely explanation is that they're not interested in them. Black social pathology is a long and complex story. But Latino immigrants are not to blame.

If you're looking for a villain behind the black unemployment rate, try the welfare state. If welfare has served as a sort of settlement assistance program for immigrants who essentially come here to work, it has been a lure and a trap for the native poor. The black family survived slavery, Reconstruction, and Jim Crow, but the well-intentioned Great Society sounded its death knell. Daniel Patrick Moynihan was one of the first to notice this back in the late 1960s, when black male employment rates began to suffer. Difficult as it may be to fathom today, black participation in the labor force in the 1950s more or less matched that of whites. Today's discrepancy has less to do with immigrants than with government programs that inadvertently displaced black fathers as breadwinners. There's little evidence that the prospect of life on the dole drives low-skill immigration in the twenty-first century. But many of the jobs Mexicans fill are in fact available because the welfare state has made them less attractive to lower-skilled Americans.

It's indisputable that Latin American immigrants increase the ranks of the poor in the short run, just as previous waves of Italians, Irish, Poles, and Slavs did. All were labor migrants. Typically, they arrived poor and unskilled, taking jobs in mining, construction, and other industries. Mexicans are following this pattern. And the issue isn't their low socioeconomic status upon arrival so much as whether they remain that way for generations on end.

Normally, it's liberals who traffic in class-envy statistics, fretting about "income inequality," "stagnant wages," "rising poverty," "the disappearing middle class," and the plight of the "working poor." A 2004 *Business Week* story was typical of this thinking. It noted that "one in four workers earns \$18,800 a year or less," and went on to prescribe the usual left-wing remedies, including higher minimum wages and more unions. But free-market conservatives know that such income data is misleading. A third of those people are part-time workers and another third are under twenty-five. That leaves us with one-third of one-fourth—or roughly 8 percent of this subgroup—who are actually "working poor" in any long-term sense.

Poverty is transient for the overwhelming majority of Americans, so a snapshot of who's in the bottom fifth of income earners at any one point in time doesn't tell you much. Nearly 86 percent of tax filers in the bottom 20 percent in 1979 had exited that quintile by 1988. The corresponding mobility rates for the second-lowest, middle, second-highest, and highest quintiles are 71 percent, 67 percent, 62.5 percent and 35.3 percent, respectively. Overall, an absolute majority of the people in the bottom income quintile in 1975 have since also been in the top quintile.

All this mobility is one reason that Democratic attempts at class warfare are regularly rejected by most voters. Re-publicans, for their part, routinely chide the left for trying to play one earner against another. But when the subject turns to immigrants, conservatives can start to sound like John "Two Americas" Edwards. Robert Rector says we're "importing poverty," end of story. Journalist Heather Mac Donald says "we're importing a second underclass," "very, very low-skilled labor that's driving down wages." Mac Donald says that this is why "wages have been basically stagnant in low-skilled industries."

National Review and any number of restrictionist law-makers in the GOP have made similar remarks. But what undermines these claims, whether they come from the left or the right, is the fact that it's difficult to work full-time and remain poor in the United States. Most people who are working are not poor. And most people who are poor are not working. We know from labor participation rates that low-skill immigrants are society's hardest workers. Which means that even if they arrive poor, they're not likely to stay that way.

Labor migrants are in search of a place where, given their skills, they can be more productive and earn more money. By heading north, a typical Mexican immigrant can nearly quadruple his hourly wage, and that's even adjusting for cost-of-living differences in the two countries. Some come to make a better life for themselves in America. Others come to make a better life for their families back home, where they plan to return eventually. The average Mexican worker sends home 41 percent of his pay, making remittances Mexico's second-largest source of external revenue, just behind oil exports.

But it's not all about maximizing income. Immigrants from less-developed countries also migrate to diversify risk and gain access to capital. High inflation, sagging wages, and failing crops might result in a decision by the male head of household to go north in search of employment, while his wife and children stay behind and work in the local economy. If the situation back home doesn't improve or turns worse, remittances can make up the difference. Similarly, capital and credit markets back home may be weak or nonexistent for a Mexican who wants to start a business, build a home, or pay medical bills. A trip to the United States to work for a period of time may be the answer.

Which is to say that there are many reasons for immigrants to head our way, and one of the least likely lures is welfare. Immigrants tend to be motivated people looking to better their situation, not looking for hand-outs. For your typical Latino immigrant, being unemployed in the United States is far more expensive than being unemployed back home. The fear of freeloaders is a legitimate concern, but it is vastly overblown with respect to these newcomers. If conservatives are worried about too many snouts at the trough—and if they're remotely interested in any sort of ideological consistency—they should be working to restrict welfare payments, not immigrants.