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What Does Immigration Actually Cost Us?

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Last week, as soon as the National Academy of Sciences issued "The Economic and Fiscal Consequences of Immigration," its 509-page report, interest groups on the left and right immediately claimed vindication 💬

"National Academy of Sciences Study Confirms Immigrants Benefit America," America's Voice, a liberal advocacy group, declared from the pro-immigration side. Frank Sharry, the group's executive director, issued a statement assessing the study 💬

> On the fringes of the immigration debate, you have Donald Trump and his small band of nativists peddling fears and falsehoods. For those of us who inhabit a fact-driven reality, you have a growing body of credible research demonstrating the benefits of immigrants and the burdens of following Trump's radical proposals.

Conservatives calling for more restrictions on immigration read the same report but had a very different interpretation. "National Academy of Sciences Study of Immigration: Workers and Taxpayers Lose, Businesses Benefit," the Center for Immigration Studies wrote. Steven Camarota, director of research at the center, said that the report demonstrated that immigration lowers the wages of American workers, to the benefit of immigrants themselves and of corporations:

Immigration is primarily a redistributive policy, transferring income from workers to owners of capital and from taxpayers to low-income immigrant families.

These opposing views demonstrate the complexity of the core findings in the academy's report, which is multifaceted enough to allow for competing interpretations. The report suggests that immigration is not a clear-cut issue in which one side is right and the other wrong, but that there are both costs and benefits.

The crux of the problem is that the plusses and minuses are not distributed equally. The academy found, for example, that the willingness of less-skilled immigrants to work at low pay reduced consumption costs — the costs to consumers of goods and services like health care, child care, food preparation, house cleaning, repair and construction — for millions of Americans. This resulted in "positive net benefits to the U.S. economy during the last two decades of the 20th century." These low-wage workers simultaneously generated "a redistribution of wealth from low- to high-skilled native-born workers."

The frequent harshness of these trade-offs in real life is masked by the academic language of the report, which points out that native-born workers who are substitutes for immigrants "will experience negative wage effects" — in other words, lower wages.

The report continues:

In summary, the immigration surplus stems from the increase in the return to capital that results from the increased supply of labor and the subsequent fall in wages. Natives who own more capital will receive more income from the immigration surplus than natives who own less capital, who can consequently be adversely affected.

While acknowledging these conflicts, the academy comes down decisively on the pro-immigration side of the debate:

Immigration is integral to the nation's economic growth. The inflow of labor

supply has helped the United States avoid the problems facing other economies that have stagnated as a result of unfavorable demographics, particularly the effects of an aging work force and reduced consumption by older residents. In addition, the infusion of human capital by high-skilled immigrants has boosted the nation's capacity for innovation, entrepreneurship, and technological change.

The academy's report provides ammunition to both sides in the contentious debate over whether immigrants raise state and local tax burdens for education, health care and other welfare benefits or whether those costs are more than compensated for through taxes paid by immigrants:

For the 2011-2013 period, the net cost to state and local budgets of first generation adults is, on average, about $1,600 each. In contrast, second and third-plus generation adults create a net positive of about $1,700 and $1,300 each, respectively, to state and local budgets. These estimates imply that the total annual fiscal impact of first generation adults and their dependents, averaged across 2011-13, is a cost of $57.4 billion, while second and third-plus generation adults create a benefit of $30.5 billion and $223.8 billion, respectively.

In its analysis, the liberal group America's Voice cited the academy's statement almost verbatim. The conservative Center for Immigration Studies, on the other hand, interpreted the data to mean that

immigrants do not pay enough in taxes to cover their consumption of public services at the present time.

This ideological schism has shaped the current presidential election as well as ongoing congressional debates. Democrats have become increasingly pro-immigration while Republican voters and many members of Congress generally stand in opposition. It is this split that lies at the core of the contest between Hillary Clinton and Donald Trump.

Clinton described the principles underlying her position on immigration in a speech she gave in North Las Vegas last year:

If we claim we are for family, then we have to pull together and resolve the outstanding issues around our broken immigration system. The American people support comprehensive immigration reform not just because it's the right thing to do — and it is — but because they know it strengthens families, strengthens our economy, and strengthens our country.

The principles underlying Trump's position are diametrically opposed to those of Clinton. On his website, Trump declares:

When politicians talk about "immigration reform" they mean: amnesty, cheap labor and open borders. The Schumer-Rubio immigration bill was nothing more than a giveaway to the corporate patrons who run both parties. Real immigration reform puts the needs of working people first – not wealthy globetrotting donors. We are the only country in the world whose immigration system puts the needs of other nations ahead of our own.

Trump supporters, who are 87 percent white, are substantially more hostile to immigrants than the general public. A Pew study in August found that two thirds of Trump loyalists describe immigration as a "very big problem." Half of Trump voters believe immigrants "are more likely than American citizens to commit serious crimes," a figure that rises to 59 percent among his strongest supporters. In terms of work, 35 percent of Trump voters say immigrants take jobs from Americans, compared with 24 percent of all voters.

A March 2016 Pew poll found that a majority of all voters, 57 percent, said immigrants strengthen the country through hard work, compared with 20 percent of Trump voters. Thirty-five percent of all voters said immigrants burden the country "by taking jobs, housing and health care," compared with 69 percent of Trump supporters

The accompanying chart from the book "Polarized America" by the political scientists Nolan McCarty, Keith T. Poole and Howard Rosenthal illustrates the linkage between immigration and political polarization. The chart shows that over the period from 1879 to 2013, divisions between House Democrats and Republicans rose when the level of immigration was high and dropped when the level fell.

The intensity of the conflict over immigration is on view in the contrasting arguments of pro- and anti- immigration forces on a relatively obscure issue, remittances sent by immigrants to their families in their native countries.

Conservative organizations seeking to reduce immigration levels argue that remittances are a drain on the American economy. Limits To Growth, for example, describes remittances as money "strip-mined from the United States by foreign workers" that could have been used for productive investment in this country.

The academy's report disputes that claim, citing studies showing that very small adverse economic consequences result from remittances, and numerous benefits, including

> having a substantial and important role in moving funds from rich to poor countries, which is needed to speed up global growth and reduce cross-country inequality and possibly also international migration.

The views of Pia Orrenius, vice president and senior economist at the Dallas Federal Reserve, reveal the complications of the politics of immigration. Orrenius served on the National Academy of Sciences panel that produced the report and she makes the case that the "Benefits of Immigration Outweigh the Costs:"

> Immigration fuels the economy. When immigrants enter the labor force, they increase the productive capacity of the economy and raise GDP." In addition, she continued, "immigrants grease the wheels of the labor market by flowing into industries and areas where there is a relative need for workers — where bottlenecks or shortages might otherwise damp growth. When immigrants enter the labor force, they increase the productive capacity of the economy and raise GDP

But, Orrenius acknowledges there are downsides. Immigration

> lowers the wages of competing workers, while raising the return to capital and the wages of complementary workers. In other words, the immigration surplus does not accrue equally to everyone. It goes primarily to the owners of capital, which includes business and landowners and investors.

Orrenius points out where the disadvantages of immigration primarily accrue:

Competing workers' wages fall, at least in the initial transition period as the economy adjusts to the new labor inflow. Research suggests that previous immigrants suffer more of the adverse wage effects than do natives. Research also suggests any negative wage effects are concentrated among low-skilled — not high-skilled — workers.

This conclusion, which is supported by many of the empirical studies included in the report, goes to the heart of a Democratic dilemma, which the party rarely addresses publicly.

On one hand, support for liberalized immigration policies, including a path to legal status and citizenship for the undocumented, is crucial to winning support from Hispanic voters. A majority of Latino voters have relatives, friends and co-workers who are in this country illegally and who live in fear of deportation.

Among Democrats of all ethnicities and races, support for immigration and immigrants has risen steadily.

Pew Research found in August that 78 percent of Democrats agreed with the statement that immigrants "strengthen the country through hard work," a view shared by 35 percent of Republicans. 88 percent of Democrats said undocumented immigrants should be granted legal status to stay in the United States.

At the same time, however, the costs of liberal immigration policies are borne most heavily by two key Democratic constituencies. Both are current targets of voter registration and get-out-the-vote drives: recent immigrants to this county and all workers without high school degrees, a group that is majority minority, 29.5 percent African-American and 35.2 percent Hispanic.

The economic winners from rising immigration levels are closely associated with the establishment wing of the Republican Party: "businesses and landowners and investors," as Orrenius noted. It is just this wing that Trump ran against during the primaries.

The National Academy notes the tension between winners and losers

throughout the report:

> The arrival of immigrants raises the overall income of the native population that absorbs them: the immigration surplus. This surplus is directly related to the degree to which immigration changes wages and returns to capital. In the simplest models, the more wages decline, the larger the surplus.

There is, however, no agreement on the scope or size of the lost wages resulting from immigration.

Jennifer Hunt, a professor of economics at Rutgers and a member of the academy panel, wrote in an email that "what we did not come to a consensus about was a number for the wage decrease experienced by native high school dropouts."

Not only was there no consensus on the academy panel on the size of the wage loss among native-born high school graduates, among immigration scholars there is a sharp debate over whether there is any loss at all.

George Borjas, an economist at Harvard and also a member of the academy panel, is a leading proponent of the argument that immigration produces substantial wage losses for native-born American workers, especially high school dropouts.

In a 2007 paper, "The Evolution of the Mexican-born Workforce in the United States," Borjas, writing with Lawrence Katz, also a professor of economics at Harvard, argued that:

> Economic theory implies that immigration should lower the wage of competing workers and increase the wage of complementary workers. For example, an influx of foreign-born laborers reduces the economic opportunities for laborers — all laborers now face stiffer competition in the labor market. At the same time, high-skill natives may gain substantially. They pay less for the services that laborers provide, such as painting the house and mowing the lawn, and natives who hire these laborers can now specialize in producing the goods and services that better suit their skills.

Borjas separately concluded that all high-school dropouts experience a

substantial wage loss from immigration of 6.3 percent in the short run and 3.1 percent over the long haul as labor markets adjust to the increased number of workers.

Katz said in an email exchange that his more recent work with Claudia Goldin, also a Harvard economist, has convinced him "that immigration is at most a small contributor to the awful real and relative wage performance of U.S. high school dropouts," whose relative wages "fell by 40 percent compared to college graduates" from 1980 to the early 2000s.

Katz's bottom line:

> The effects of immigration range from 0 to a few percentage points and are swamped by the impacts of slowdown in U.S. education supplies, technological change, and eroding labor market institutions (unions, minimum wages, rising outsourcing/fissuring of the workplace).

David Card, an economist at the University of California-Berkeley, disputes Borjas's argument and contends that immigration inflicts little or no wage penalty on American workers and may in fact boost wages.

In an email exchange, Card wrote that his own research suggests that the effect of immigration on native-born workers without high school degrees "is zero."

While the most common assumption is that a larger work force drives down wages, in practice, "when you look at the evidence, larger population normally increases productivity," Card wrote.

For the immediate future, this and other issues involving immigration will not be resolved within academia, but litigated in the political arena. Governments everywhere will be challenged to better steer the transnational flow of populations. Still, I believe the future direction of immigration is clear.

If the anti-immigration forces gain ground in this election, such victories will prove short-lived. For one thing, the rise in global trade and financial transactions has been steady over the past 35 years.

Robert Shiller, the Nobel Prize-winning economist at Yale, maps out the probable future in his Sept. 19 essay, "The Coming Anti-National Revolution":

For the past several centuries, the world has experienced a sequence of intellectual revolutions against oppression of one sort or another. These revolutions operate in the minds of humans and are spread – eventually to most of the world – not by war (which tends to involve multiple causes), but by language and communications technology. Ultimately, the ideas they advance – unlike the causes of war – become noncontroversial.

"As technology reduces the cost of transportation and communications to near the vanishing point, achieving this equalization is increasingly feasible. But getting there requires removing old barriers and preventing the erection of new ones," Shiller writes, concluding that

Ultimately, the next revolution will likely stem from daily interactions on computer monitors with foreigners whom we can see are intelligent, decent people – people who happen, through no choice of their own, to be living in poverty.

Before we get there, though, this year's candidates have made irreconcilable proposals on immigration.

Trump, in "Crippled America: How to Make America Great Again":

I want good people to come here from all over the world, but I want them to do so legally. We can expedite the process, we can reward achievement and excellence, but we have to respect the legal process. And those people who take advantage of the system and come here illegally should never enjoy the benefits of being a resident — or citizen — of this nation. So I am against any path to citizenship for undocumented workers or anyone else who is in this country illegally. They should — and need to — go home and get in line

Clinton was more succinct:

If you work hard, if you love this country, if you contribute to it, and want

nothing more than to build a good future for yourselves and your children, we should give you a way to come forward and become a citizen. And you know what? The majority of Americans agree. They know it's the right thing to do.

The outcome on Nov. 8 will not settle this dispute, but it will give us some indication of where those who support what they see as enlightened immigration policies stand as they face those who seek to restore a lost past.

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