How Immigrants Impact Cites

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I thought I would start by talking a little bit about my book because I think it ties in nicely to the topic of how immigrants impact cities. The title of the book, of course, is "Let Them In: The Case for Open Borders," and the case for open borders isn't a case for erasing the border or ending U.S. sovereignty or any other such nonsense. The case for open borders is simply a case for letting the free market decide how much foreign labor we need in this country. Right now that determination is made, by and large, by politicians and public policy makers setting arbitrary immigration quotas. And like most exercises in Soviet-style central planning, it's been a disaster. It's left us with thriving markets in human smuggling and document fraud. It's left us with dead bodies strewn across the Arizona desert. And, of course, it's left us with 10 million-plus illegal aliens in the U.S.

In the book, I argue that our public policy makers would do better to put in place free-market mechanisms--such as viable guest worker programs--that allow the law of supply and demand to determine the level of immigration. This will help reduce illegal immigration, just as it did when we tried it after WWII in the form of the Bracero program for Mexican farm workers. The vast majority of people coming here from Latin America are economic migrants in search of work. They'd prefer to use the front door, and I think we should expand the legal channels for entry and let them in.

In addition to reducing illegal entries, a guest worker program would have the added benefit of making us safer from a homeland security standpoint. Instead of chasing down people who come here to burp our babies, mow our lawns, chop off chicken heads, and otherwise get a better return on their human capital, our limited homeland security resources could be used to chase down real threats. Under the status quo, the economic migrants are running interference for the bad guys. I'd much rather our border patrol be focused on drug dealers, gang members, potential terrorists and others coming here to do us harm. Right now, they aren't. Right now, they're stretched thin pursuing people coming here to work. It's an inefficient uses of limited resources. And it makes this country less safe than we would be otherwise.

Now my experience has been that after I make that argument, the goal posts move. Once you explain how increasing legal immigration would be an effective tool in decreasing illegal immigration, the argument shifts to why we don't need legal immigrants either.

The *Wall Street Journal's* position on immigration is of a piece with the paper's general philosophy, which I happen to share. We favor free people and free markets, and that includes free and flexible labor markets. Most people who self-identify as free-market conservatives claim to share this belief, and usually they do. But one glaring exception seems to be when the topic turns to immigration.

No self respecting free-market adherent would ever dream of supporting laws that interrupt the free movement of goods and services across borders. But when it comes to laws that hamper the free movement of workers who produce those goods and services, too many conservatives today abandon their free-market principles. And one of the reasons I wrote the book is to show that there's no inconsistency in advocating for both free-markets and open immigration.

The subtitle of the book is "Six Common Arguments Against Immigration and Why They Are Wrong." I chose that subtitle because over the years, I've heard the same anti-immigrant arguments repeatedly. They're stealing jobs. They're depressing wages. They're filling our jails and prisons. They're overburdening our welfare system. And so on. Yet time and again, my own reporting and research has found these claims to be either way overblown or simply counterfactual.

Now one of the reasons that I think a more economic-based approach to immigration policy is the way to go is because it's clear that all but a very small percentage of the people coming illegally are economic migrants, and the available research on how immigrants impact cities supports that conclusion. Immigrants, by and large are coming here to work, not to go on the dole, and their individual efforts to enrich themselves help make the rest of the country better off.

A study released last year by the Fiscal Policy Institute that uses the most recent census data concluded that immigrants, legal and illegal, make significant economic contributions to the U.S. economy. And if you want to study the economic impact of immigrants, big cities are certainly the place to look. The largest 25 metropolitan areas in the U.S. account for 41% of the country's total population, half of our gross domestic product and two-thirds of our immigrants. And even though in the past 15 years or so, immigration to the U.S. has been expanding beyond the traditional gateways of New York and California, immigrants remain concentrated in a handful of the country's largest metropolitan areas. Roughly one in three residents in Miami, Los Angeles, San Francisco and New York's metro areas is an immigrant. And nearly a third of all immigrants in the U.S. live in just three metropolitan areas: New York, LA and Miami. By contrast, just one in 20 residents of cities like Pittsburgh, St. Louis, and Cleveland is foreign born.

Now, trying to determine causal relationships is tricky. Economists can't say for certain whether immigrants come to metropolitan areas because they are growing or these areas are growing because of the immigrants. But what the data do show is that immigration and economic growth go hand in hand.

And areas that do experience large influxes of immigrants, legal or illegal, certainly don't seem to be experiencing economic harm as a result.

According to the study, between 1990 and 2006, the metro areas with the fastest economic growth were also the areas with the greatest increase in the immigrant share of the labor force. Over that period, for example, the Dallas, Phoenix and Houston metro areas experienced the fastest growth in the immigrant share their respective labor forces. Dallas was the fastest. In 1990, just under 10% of its labor force was foreign born. By 2006, it was 22.5 %. Yet over that same period, Dallas, Phoenix and Houston all experienced economic growth well above the average of the nation's top 25 metro areas. By contrast, the Cleveland, Pittsburgh and Detroit metro areas experienced the slowest economic growth and among the smallest increases in the immigrant share of the labor force.

It's also worth noting how closely the immigrant share of economic output matches the immigrant share of the population. In Pittsburgh, for example, immigrants make up 3 percent of the population and 4% of the economic output. In Miami, they represent 37% of residents and 38% of economic output. And surveys of the top 25 metro areas show that immigrants are playing a consistently proportionate role in local economies.

Another indication that immigrants come to this country, first and foremost, to work is that they tend to be overrepresented in the labor force. In Boston for example, immigrants are only 16% of the population but they're close to 19% of the labor force.

State studies of the impact of immigrants have reached similar conclusions. A 2007 report 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, the report found, immigrants in Arkansas generated some \$3 billion in business revenues.

According to the authors, without immigrant labor, the output of the state's manufacturing industry would likely be lowered by about \$1.4 billion—or about 8 percent of that industry's contribution to the gross state product. 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 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, 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 University of North Carolina 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.

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%, or faster than any other state in the U.S. In North Carolina, Latinos accounted for more than a quarter of the population growth between 1990 and 2004.

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 is bad news for a state's economic health, it would be manifest in these states. Instead, the opposite happened. Both states experienced economic boons and record-high immigration simultaneously, which was the story of much of the southeastern U.S. prior to the recent recession

And if, as immigration restrictionists insist, immigrants are coming here not to work but to take advantage of our 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. The Latinos coming today 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 U.S. is a magnet for people looking for work, not hand-outs.

Let me tell you about one other state study. In 2006, the state of Texas, home to our second-largest illegal population after California, issued a report on how undocumented immigrants affect the state budget. The study, which was done by the state controller's office, 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." But the most interesting finding was that illegal immigrants in Texas generate more taxes and revenue than the state spends on them. Let me repeat that. Texas, the second most populous state in the country with the second most immigrants and the second most illegal immigrants, found that illegal immigrants generate more tax 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 economically. 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."

I don't deny that there is a cost component to immigration. Of course there is, particularly in border states and states with generous public benefits. My argument is that the benefits far outweigh these upfront costs. 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.

But what does it even 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, that we can measure a person's worth by what he pays in taxes versus what he receives in public benefits. By that standard, however, most natives aren't worth the trouble since some 60% of us collect more in government services than we pay in taxes. Obviously, this doesn't mean that six out of 10 Americans are worthless; the phenomenon can be laid to our highly progressive tax system, where the top 1% of earners is responsible for 37% of federal income tax payments. Even so, it would be foolhardy to argue that 60% of Americans are fiscally expendable and that the U.S. would be better off without them because they don't "pay their way."

I reject this sort of reductionism because it ignores the secondary and tertiary effects of immigration. It 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. 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.

Immigrants, ultimately, are catalysts for economic growth. They increase the number of economic agents in the marketplace--the number of people who earn, spend and invest--and thus the amount of economic activity. And any analysis of the fiscal impact of immigrants that leaves out these contributions is not telling the whole story.

I would note here that none of these findings is surprising to anyone who turns off Lou Dobbs and opens a history book. "Nothing is more common," writes Thomas Sowell in Migrations and Cultures, "than to have poverty-stricken immigrants become prosperous in a new country and to make that country more prosperous as well." This is the history of the Irish in the U.S., the Chinese in Southeast Asia and the Lebanese in West Africa, among many other examples. And it's a history that our federal policy makers would do well to keep in mind if and when they decide to take up immigration reform.

It takes a special kind of person to leave home and embark on the project of building a life in a new country. International migration--people moving across national borders--is the exception, not the rule. The vast majority of the world's six billion residents will live and die where they were born. In 1960, just 2.5% of the world's people were living outside their country of birth. By 2000, the number had grown to 2.9%. And among those who do cross a border, most will move from one underdeveloped nation to another, a function of the fact that more than 80% of the planet's people live in the Third World.

But around 40% of these international migrants will head for a handful of industrial nations that welcome the foreign-born as permanent residents--Canada, New Zealand, Australia, Israel and the U.S. Because one of the world's major out-migration countries, Mexico, shares a 2,000-mile border with the U.S., immigration policy discussions in America tend to focus on how to keep Mexico's poor at bay. But given the historical value of immigrants to the fabric of the nation, it's fair to ask whether we would do better to focus on regulating the Mexican immigrant flow rather than ending it.

Despite their proximity to the U.S., most Mexicans prefer to stay put. More than 90% of persons born in Mexico are still there. Nor is the rate of U.S. immigration from south of the border unprecedented in scale. During its peak, in the 1990s, the U.S. was receiving 1.5 immigrants (legal and illegal) from Mexico each year per 1,000 U.S. residents. By contrast in the middle of the 19th century the U.S. absorbed an average of 3.6 Irish immigrants per 1,000 U.S. residents annually. From 1840 to 1890, the rate of German immigration was greater in every decade than the current flow of Mexicans. And from 1901 to 1910, Italian, Russian and Austro-Hungarian immigration each surpassed the current rate of Mexican immigration.

It's important to keep in mind that while immigrants from Mexico may be impoverished, they're also self-selecting. Less than 3% of the world's population decides to uproot and move away from family and friends. Those who do tend to be more motivated and more able. They are tenacious risk-takers with a propensity to save and start new businesses. They exhibit, in short, the kinds of characteristics found among people who thrive in free-market capitalist societies.

Fears about the supposed poor quality of immigrants are not new, and the experience of Irish immigrants in the 19th century is instructive. The waves of Irish who arrived in the mid-1800s had shorter life expectancy than U.S. slaves. In 1847 some 20% of Irish immigrants fleeing the potato famine died on route to America or shortly after arriving. By comparison, the loss of slaves traveling on British vessels in the 19th century averaged about 9%.

One reason for this disparity in death rates was simple economics. Slaves were property and someone had a stake in keeping them alive. There was much less concern about the fate of Irish peasants. During a visit to antebellum Alabama, Frederick Law Olmsted asked about the division of labor between slaves and Irish workers on a riverboat. The response: "The niggers are worth too much to be risked here. If the Paddies get knocked overboard, or get their backs broke, nobody loses anything."

It's also worth remembering that the Irish were coming from a country where 80% of the population was rural. Yet they were settling in cities like New York and Boston and Philadelphia, where they met resistance from elites who said that America had no use for this unskilled labor. The U.S. was in the middle of an Industrial Revolution, went the argument of the day. The future was factories, not farms and opponents of immigration said the Irish were simply too ill-suited for assimilating to an urban capitalist society.

The naysayers were wrong, of course. The U.S., it turned out, had plenty of uses for this labor. Supply created its own demand. The Irish built roads and canals and railroads. Irish women typically worked as domestic servants, just as many Mexican women do today. In 1855, 99% of all domestics in New York City were Irish women. As late as 1920, 80% of all Irish women working in America were domestics.

But the Irish were not destined to forever perform these tasks. Subsequent generations would produce writers and painters and presidents. They would also produce civic leaders and businessmen, including Henry Ford, whose father fled the potato famine and who would go on to revolutionize transportation in America. According to the Census Bureau, 31% of Irish Americans today hold at least a bachelor's degree, versus 27% of the nation as a whole. And the median annual income for Irish Americans is $54,000, versus $48,000 for all households.

Modern-day immigration restrictionists have updated arguments once made against the Germans, the Chinese, the Poles, the Italians, the Irish and others and applied them to our latest arrivals from Latin America. We're told that uneducated Mexicans have nothing to offer our "knowledge-based economy," that they start out way too far down the socioeconomic ladder to ever catch up, and that they will forever be stuck in menial jobs. Yet the experience of the Irish and other immigrant strivers from Europe and Asia suggest that the challenges faced by Latino immigrants today are neither new nor insurmountable.

The biggest difference between today's influx of immigrants and previous waves is that so many Latinos migrate illegally. Unauthorized immigrants comprise only about 4% of the U.S. population, but Mexicans account for more than half of all illegal aliens in the country, making them the face of the problem. A popular assumption is that people who cross the border illegally must be more prone to crime and other bad behavior. But the reality is that the typical illegal immigrant is otherwise law abiding and here to work, not collect public benefits.

Immigrants in the U.S. of every nationality and regardless of legal status are arrested and incarcerated at lower rates than their native-born counterparts. And the low-income immigrants who do qualify for public benefits actually sign up at much lower rates than low-income natives. If we have a problem with immigrants collecting public benefits, cut the benefits, not the immigrants.

Illegal immigration from Mexico isn't a reflection on the poor character of Latinos. It's a result of the simple fact that the supply of U.S. visas made available to Mexico is much less than the demand. Economic migrants from Mexico are not yearning to sneak into the U.S., live in the shadows and risk exploitation by employers. They'd much prefer to come through the front door, if only America would let them. By contrast, European immigrants of yesteryear faced no such dilemma. As historian Vincent Cannato writes in his book, "American Passage," "less than 2% of individuals who knocked at its gate were ultimately excluded at Ellis Island."

Again, there's no denying that low-skill immigration has economic costs, particularly in border regions and states with generous public aid programs. But when those costs are properly weighed against the benefits, America still has much more to gain than lose from people who come here to seek a better life.

These economic migrants tend to be younger and healthier than the native population. They work harder, as evidenced by their higher labor participation rates and lower rates of unemployment. Moreover, as Asia and Western Europe morph into giant retirement communities due to stagnant population growth, the in-migration of young workers from poor countries gives the U.S. an important edge.

A smaller workforce can mean less overall economic output. Without enough younger workers to replace retirees, health and pension costs can become debilitating. And as domestic markets shrink, so does capital investment. By contrast, growing populations expand the market for goods and services. They also spur research and development. Domestic policies that encourage immigration help keep our population young and vibrant. Immigrants are giving the U.S. a distinct comparative advantage in human capital, which is no small matter in an increasingly globalized economy.

"The cowards never came" goes an old Ellis Island motto, "and the weak died on the way." America is not simply a nation of people with ancestors from other places. We're a nation of hard-working, upwardly mobile immigrant strivers. Today's Latino immigrants aren't any different, just newer.

Thank you.