

POLICY

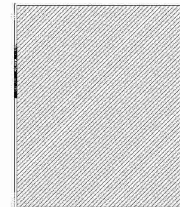
# IMMIGRATION AS ECONOMIC



**SWEARING IN: OVER 2,700 IMMIGRANTS—FROM CHINA, EL SALVADOR, KOREA, MEXICO, THE PHILIPPINES, AND VIETNAM—TAKE THE PLEDGE OF ALLEGIANCE IN MONTEBELLO, CALIFORNIA.**

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51



# STIMULUS

by Craig Mellow



*Reform of the illegal-immigration mess may finally be getting support from longtime foes like organized labor. But opponents to amnesty aren't backing down. What happens next depends largely on President Obama—and he's busy with other stuff.*

Even as the U.S. government spends trillions trying to extricate the country from recession, repair a financial system run amok, and kick-start a transformation of health-care and energy policy, President Barack Obama has set another large and contentious goal: immigration reform. He surprised friends and foes alike in April by signaling that he would turn his attention later this year to the fate of as many as 12 million undocumented foreigners living, and for the most part working, in the U.S. This has reignited a simmering debate about whether illegal aliens are a bane or a benefit to the country, and whether offering most of them full civic rights and unfettered opportunity would bolster or undermine the struggling economy.

Immigration politics have cut across party lines in the past and look set to do so again. But one longtime foe, the AFL-CIO labor federation—which bitterly opposed George W. Bush's 2007 drive for immigrant amnesty, calling it a "strategy to bring in more and more exploitable workers"—seems to have changed its mind. Associate general counsel Ana Avendaño says the organization is trusting Obama to "give immigrant workers full rights."

Corporate America, along with the U.S. Chamber of Commerce, has supported immigration reform consistently if not very passionately, a position many directors seem to share. "We have to find a way for the vast majority of these people who are living here productively to become legal," says Roderick Hills, 78, a former chairman of the Securities and Exchange Commission whose directorships have included Anheuser-

Busch, Chiquita Brands International, and Waste Management Inc.

Opponents of immigrant amnesty note that it would cost billions if formerly illegal immigrants and their families were able to tap into federal programs like food stamps and Medicaid. But that could be seen as a down payment on the much larger contributions that millions of industrious, entrepreneurial new citizens would be making to the economy. Immigration has been America's ultimate long-term stimulus plan in the past, and it can be again, offering potent, slow-burning fuel to help turn the coming recovery into sustained revitalization.

Anti-immigration partisans argue that the current illegals are an economic minus because most of them have limited education and an imperfect knowledge of English. "Encouraging massive unskilled immigration just does not make sense for this country," says Steven Camarota, research director at the Center for Immigration Studies in Washington, D.C., a nonprofit group that opposes leniency for undocumented aliens. Yet whole industries are sustained by hardworking, low-skilled immigrants, a large fraction of them undocumented, in occupations as various as California farm work, New York City restaurant work, Nebraska meatpacking, and Maryland crabbing. And the idea that "real" American workers would rush in to replace the illegals is fanciful, even in today's weak job market.

Meanwhile, a tour of any major gateway city—Los Angeles, Miami, New York—shows immigrants restoring life to declining neighborhoods. In the past decade that trend has reached a large

number of smaller urban areas, like New Haven, Connecticut, which in 2007 put out a welcome mat for illegals by issuing them the same identification card that's handed out to all other residents. "The contribution of immigrants to our city has been overwhelmingly positive," attests deputy mayor Kica Matos, who has fielded inquiries about the program from 15 other municipalities, including conservative strongholds like Marietta, Georgia.

Immigrants bolster local economies with prolific business creation. The number of registered businesses in Flushing, an Asian-immigrant mecca in New York City's borough of Queens, jumped by 55% from 1994 through 2004, according to the New York-based Center for an Urban Future. In Sunset Park, a largely Hispanic neighborhood in the neighboring borough of Brooklyn, the growth was 47%. The number of Hispanic-owned firms in Boston leaped by 97% in the five years ending in 2002.

Over the long term, studies show, immigrants as a whole dramatically improve their lot and join the economic mainstream. While new arrivals' earnings lag behind those of natives by 40%, during a 30-year working lifetime, the incomes earned by immigrants rise and their poverty rates fall until both match

the averages among the native population, according to the Center for Immigration Studies' own data. And as immigrants better their circumstances, they become homeowners. Of the Hispanics who arrived in the U.S. after 1990, 31% had bought a house by 2007, according to the Pew Hispanic Center in Washington, which many consider the gold standard for immigration data. That's a million new purchases over 17 years. Hispanics who had been in the country since before 1990 boasted 61% home ownership, close to the U.S. average of 66%.

In sum, the American dream looks to be alive and well for immigrants who have come ashore over the past few decades, and there is no good reason to believe that their now-illegal cousins and compatriots would not follow in their footsteps, given the chance. A resurgent America will still need industrious low-level workers, only a little less perhaps than it needs the foreign-born Ph.D.s who could also benefit from immigration reform.

It's hardly a secret that massive and diverse immigration enabled the U.S. to grow from a struggling frontier outpost of fewer than three million in 1776 to a dominant world power of 300 million. Yet anti-immigrant forces, ranging from

pro-union Democrats to brushfire Southwestern Republicans, won the day when Congress rejected George Bush's amnesty proposal in 2007.

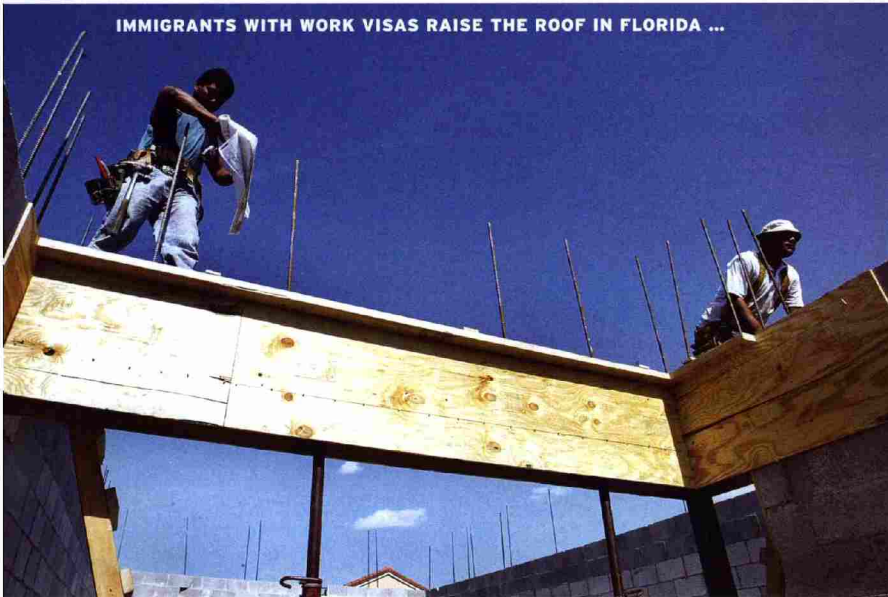
The opposition to legalizing undocumented immigrants is primarily emotional, but the anti-reform camp has its economic arguments too. A common one is that an oversupply of undereducated immigrants has been stealing jobs from and undercutting the wages of native-born workers. George Borjas, a Harvard professor who is the dean of anti-immigration economists, says that between 1980 and 2000, newcomers to the U.S. depressed the average native-born American man's wages by 4% and the pay of those without a high school education by 7.4%. The Center for Immigration Studies' Steven Camarota points to "26 or 27 million American natives who are not in the labor market and could jump in to replace the illegals."

On the cost side, the conservative Heritage Foundation estimates that the proposed 2007 immigration overhaul would have cost the federal government \$16 billion more per year in Medicaid, food stamps, and other welfare transfers than it would have collected in taxes paid by the newcomers. That number could have topped \$30 billion once the amnesty

beneficiaries brought in their parents and other eligible relatives, Heritage projects.

Immigration advocates respond that these arguments are warped by a stereotyped view of the undocumented population, and more seriously by a zero-sum world-view that sees a geographically fixed pool of labor vying for an economically fixed supply of jobs. "Because somebody was laid off from a factory in the Midwest doesn't mean they are going to go pick crops in California," says Angelo Amador, executive director for immigration policy at the U.S. Chamber of Commerce.

Most illegal immigrants are Hispanic and poorly educated by U.S. standards. Mexicans



and Central Americans account for 70% to 75% of this population, says Jeffrey Passel, the Pew Center's senior demographer. About one-third of all working-age illegals in the U.S. never reached high school, and almost three-quarters lack a high school degree. On the other hand, illegal immigrants from India, Korea, and the Philippines (of which there were approximately 700,000 in the U.S. as of 2005, according to the Department of Homeland Security) are better educated as a group than U.S. natives and are drawn to skilled, immigrant-heavy professions like nursing and accountancy.

The most common misconception about Hispanic illegals, Passel says, is that most of them are single men supporting relatives back home. In fact, three-quarters arrive in family units, and almost three in four of the children who live with them are U.S. citizens, having been born here. Among the noncitizen children, some 65,000 per year graduate from high school but face barriers to attending college or, of course, landing legal jobs. Also contrary to popular opinion, as many as 65% of illegal aliens work in on-the-books jobs and pay taxes, Passel says, including Social Security contributions that they can never recoup under current circumstances. "These people are part of U.S. society in ways not fully appreciated," he notes.

Still less widely appreciated, reform advocates argue, is the economic catalyst immigrants can provide—even those sometimes-reviled undereducated Hispanics. Professor Borjas's argument that immigration hurts native workers is based on broad national data, his critics say, and ignores other factors that ate into wages between 1980 and 2000, such as declining unionization and the export of manufacturing jobs. A famous study of perhaps the most concentrated infusion of unskilled labor into this country in modern history, the Mariel boatlift of Cubans to South Florida in 1980, found that the influx had no measurable effect on either unemployment or pay rates in the region. "About 100,000 people entered the Miami labor market, and what happened was nothing," says the paper's author, David Card, an economics

professor at the University of California at Berkeley. How is this possible? "The immigrant community is incredibly flexible," Card says. "If there are no jobs to be taken, they move on." About 40% of the Mariel immigrants did just that, leaving South Florida rather than staying and flooding the labor market.

Immigrant mobility has continued since Mariel, and not only among Cubans. In the 1960s and '70s, says Card, fully half of all Mexican immigrants



settled in the Los Angeles area, drawn by kinship and cultural ties. But more recent arrivals have dispersed across the country in response to economic opportunities. Overall, about half of the perhaps five million illegal immigrants who arrived between 2000 and 2007 settled outside the traditional gateway states of California, Florida, New Jersey, New York, and Texas, according to the Center for Immigration Studies. The fastest growth occurred across new frontiers like Georgia, which in those seven years added 575,000 foreign-born residents, legal and illegal, a whopping 152% increase over the previous number. Washington State gained 265,000, or 58%.

A fair body of academic research supports the naked-eye evidence that immigration and resulting cultural diversity are actually good for cities—

that meccas like New York (37% foreign-born as of 2005) are more economically vibrant than less-migrated-to spots like Philadelphia (11%), in ways that benefit natives too. The clearest sign is an absence of “native flight” from top immigration destinations. In New York, the native population has been stable since 1980, while immigrants’ numbers have swelled by more than one million. In newer magnets like Atlanta and Charlotte,

or are they just drawn to places that are prosperous? “Causation is at least very plausible,” says Peri. That is, the Mexicans who flooded into Southern California to stay with their cousins in the decades since immigration was relaxed in 1965, and the Chinese and Dominicans who poured into New York City at about the same time, were engines of business growth, particularly small business. Philadelphia’s economic growth lagged behind in those areas because little fresh blood came to replenish its Irish and Italian communities.

Peri supports this theory with research showing that immigrant and native-born workers complement each other much more than they compete in the job market. In the broadest terms, U.S. workers have become far better educated over the past 50 years. About 12% of non-immigrant Americans over 25 lacked a high school diploma in 2004, down from half in 1960, according to census data. That, in fact, leaves a dearth of employees for unskilled and unattractive but crucial occupations: lettuce picker, roofer, hotel maid.

Even where immigrants and natives have similar education levels—in that broad bulge of the labor market that graduated from high school but not college—they gravitate toward different jobs, Peri found. Immigrants are concentrated in “manual-intensive” positions such as driver or maintenance man. Natives use their superior knowledge of the language to find “communication-intensive” jobs: dispatcher, salesperson, customer-service rep. An abundance of manual workers seems to make it easier to start businesses that communication-oriented workers manage and promote. A prominent example is New York City’s vital restaurant industry, where 72% of the cooks are immigrants, roughly half of them illegal, according to the Fiscal Policy Institute in Manhattan. Similar, though on a smaller scale, are the clutch of crab-processing plants on the Eastern Shore of the Chesapeake Bay, where fresh crabs are a great summer tourist attraction. Each foreign-born laborer doing the dirty work of extracting meat from shell sustains 2.5 jobs for the locals



**CLEANING CRABS IN MARYLAND**

North Carolina, immigrants and native Americans have moved in simultaneously, though not necessarily to the same neighborhoods.

This harmony is driven by invisible statistics, says Giovanni Peri, an economist at the University of California at Davis. He studied 160 U.S. metropolitan areas from 1970 to 2005 and found that for every 1% population increase resulting from immigration, there was a 0.3% to 0.4% increase in natives’ wages and a full 1% increase in housing values and rents. Albert Saiz, a professor at the Wharton School, reached a similar conclusion about housing values in a study sponsored by the Federal Reserve Bank of Philadelphia.

These data raise a chicken-and-egg question: Do immigrants create prosperity,

who wait tables or manage the restaurants, according to University of Maryland economist Douglas Lipton.

Then there are the businesses started by immigrants themselves. Foreign-born U.S. residents were 30% more likely than natives to establish a business between 1996 and 2007, according to a Small Business Administration study conducted by Robert Fairlie, a professor at the University of California's Santa Cruz campus.

Asians, no one will be surprised to learn, are entrepreneurial champions. A stunning 22.6% of Korean-born Americans own their own business, compared with the national average of 9.5%. Asian-owned companies also earn more than the average small firm and are less likely to go out of business, Fairlie says.

Hispanics lag behind—the business-ownership rate among immigrants from Mexico is 6.5%—but they are catching up, or at least they were before the collapse of the construction boom that fed many of their enterprises. Mexican-born Americans were 20% more likely than natives to go into business from 1996 to 2007. El Salvadorans, the next-largest Hispanic group, were 40% more likely. Fairlie, who has plumbed a cross section of census and IRS data going back to the 1980s, also reports that Hispanic business ownership jumped by about 15% after the last big alien amnesty, the Immigration Reform and Control Act of 1986—a harbinger of what could result from a new reform.

Opponents of a new round of legalization are on firmer ground when they argue that it would mean more government expenditure in the short and medium term, particularly at the federal level. Immigrants are hardworking, as even their scourge Steven Camarota admits. At least one adult works in 82% of immigrant-headed U.S. households, compared with 73% of native ones. Yet fully a third of immigrants use at least one federal welfare program, mostly Medicaid or food assistance, compared with 19% of natives. It's safe to assume that this rate would be much higher still among currently illegal aliens who became legal. "Earned amnesty is probably the way to go for this country,

but we have to face the fact that people with low income cost the government money," says B. Lindsay Lowell, director of policy studies at Georgetown University's Institute for the Study of International Migration.

Yet the broader economic contribution of immigrants dwarfs even the most pessimistic Heritage Foundation scenario of \$30 billion a year in fiscal transfers to them. Immigrants generate 22% of New York State's gross domestic product, or \$229 billion annually, the Fiscal Policy Institute reports. The 600,000 Hispanic residents of North Carolina add some \$9 billion a year to the state's economy while costing it a mere \$61 million more in services than they pay in taxes, according to a 2006 study by the University of North Carolina's Kenan Institute of Private Enterprise. Hispanic labor cut costs in the Tarheel State's construction industry alone by \$1 billion annually.

Immigration reform still faces a political battle, Obama's charm and congressional majorities notwithstanding. Old Washington hand Roderick Hills is cautiously optimistic. President Bush, faced with a wave of popular indignation, "dropped immigration reform like a hot potato," Hills says. "If Obama sticks with it, he may have success." The big question is where reform will rank on the president's long to-do list. ☺



**BOSTON BAKER ADA TORRADO, WHO IMMIGRATED FROM THE DOMINICAN REPUBLIC, PRESENTS HER PINEAPPLE UPSIDE-DOWN CAKE**