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IMMIGRATION INTO THE UNITED STATES

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According to the decennial Census of 2000, 32.5 million residents of the United States were foreign-born, 11.5 percent of the total population of 282.4 million. Twelve million (37 percent) of these had become US citizens. The Immigration and Naturalization Service (INS), recently moved to the new Department of Homeland Security and renamed the Bureau of Citizenship and Immigration, estimates that during 2002 1,064,000 immigrants were admitted to the United States, equivalent to about half of the annual increase of the resident population. Immigrants are defined as those who can settle permanently; in 2002 27.9 million non-immigrants -- students, businessmen, tourists, and others not allowed to settle by their conditions of entry -- entered the United States.

The United States has been open from its beginning to immigration, and indeed almost all residents of the United States can trace their origins to immigrants sometime during the past three centuries. Immigration was unlimited until the late 19th century, when restrictions were first imposed on immigrants from China, and these restrictions were gradually extended and occasionally modified so that today they cover most immigrants. Current policy is defined by the Immigration Act of 1990, plus other legislation governing refugees, those seeking political asylum, and other designated groups, such as Chinese students in the United States at the time of the 1989 Tiananmen Square massacre in Beijing.

Close relatives of US citizens -- spouses, minor children, parents -- are allowed entry without restriction. Other relatives of legal US residents are given preferential status, but subject to an overall annual limitation, 294,601 in FY 2000. In addition, persons with certain skills or other vocational attributes (and their immediate families) are also given preferential status, subject to an overall limitation of 142,299 in 2000. Within the latter group, 10,000 positions are devoted to investors willing to invest at least \$1 million (less in depressed regions) in employment creating activity. In addition, 50,000 entry visas are allocated by lottery to applicants from countries that are under-represented in normal immigration. Refugees and asylees admitted in 2002 were 126,000 in number.

Most "immigrants" do not in fact enter the United States in the year in which they are declared immigrants. During 2000 fewer than half (48 percent) "immigrants" entered the country anew. The majority involve a change in status from non-immigrant to immigrant by persons already in the United States, e.g. a foreign student marrying an American classmate, or a refugee being formally accepted as such. Some participants in the American labor force are not immigrants, such as day workers from Mexico, some agricultural workers, and those admitted for three years (renewable once) under the H1B visa program for temporary workers with needed skills, of which 195,000 new approvals a year have been allowed since 2000.

In practice, the INS does not control immigration as tightly as the legislation mandates. An

estimated 350,000 persons enter the United States annually illegally, i.e. without proper documentation, mainly over the 2000-mile border with Mexico, but some by sea, and some no doubt over the 4000-mile unpoliced border with Canada, although of course they must first enter Canada somehow to do that. Counting these, the United States receives about 1.4 million immigrants annually. Allowance must be made, however, for those residents who leave the United States. These, mainly but not exclusively immigrants who have changed their minds for one reason or another, were estimated to be 298,000 in 2002 -- estimated, because the United States keeps no systematic records on emigration; indeed people can leave the country freely, without documentation. The INS estimates that in 2000 there were about 7 million undocumented persons, mainly workers, in the United States. This number excludes 2.7 million previously undocumented persons, mainly Mexicans, whose position was legalized in the late 1980s under special legislation of 1986. Private estimates are as high as 9 million.

For a variety of reasons, actual "preference" immigration failed to reach the ceilings permitted, by nearly 95,000 in both categories during 2000. A per country limitation of 30,583 is only part of the explanation, since immigrants from only four countries -- Mexico (by far), China, Philippines, and India -- exceeded that limit.

Relative to the resident population, a greater proportion of immigrants during the past decade, not surprisingly, was in prime working years, especially in their 20s or 30s, and more were in the labor force. Twice as many immigrants (34 versus 16 percent) lacked a high school education; more (29 versus 26 percent) finished college and had some graduate education; and far fewer (37 versus 58 percent) were in the middle group of educational attainment.

What economic impact did immigrants have in their new country? Two concerns have especially been expressed: that they would lower the wages of Americans, particularly Americans of low education and skill; and that they would create a fiscal burden, especially on the states and localities where they settled. There is some support for both concerns, but much less than many fear.

Much research has been done on the impact of immigration on employment and wages. As usual with economic research, it is difficult to separate the effects of the force under consideration (immigration here) from all of the other factors that influence employment and wages. A variety of approaches have been used, and not surprisingly they do not all yield the same results. A consensus view, however, is that in recent decades the impact of immigrants, who on average have much less education than native workers, has been to depress employment opportunities for natives of low educational attainment, and to depress their wages. One study estimated for California that "four to six jobs [were] lost to a native high school dropout or high school graduate for every 100 jobs filled by immigrants" (McCarthy and Vernez, p.233).

With respect to wages, many studies have found only a negligible impact. A report of the National Academy of Sciences in 1997 stated that "the weight of the empirical evidence suggests that the impact of immigration on the wages of competing native workers is small" (cited in Borjas, p.63). A study of California found that during the 1970s immigration depressed the wages of high school dropouts by about ten percent, and high school graduates by a little less, but found no discernable impact during the 1980s (McCarthy and Vernez, p.224). Borjas shows how sensitive such estimates can be to particular assumptions (p.83).

With respect to the fiscal burden, immigrants, like natives, depend on the provision of public goods and services -- schooling for their children, public assistance in time of need, refuse collection, and so on.

Special programs exist for refugees, to help them learn English and settle successfully. According to one calculation, the residents of California in the mid-1990s paid nearly \$1200 a year in additional taxes to cover the cost of immigrants in that state (which alone had one-third of total US immigrants, including many Mexicans of low skill and large families, and which had more extensive public services than the average state), roughly a third of which was for education (NAS, cited in Borjas, p.122). The corresponding figure for all US natives was \$166 to \$226. Despite the fact that the typical immigrant relies modestly less on welfare than does the typical native, there is a fiscal drain in the short run. Since so much of it goes to education, however, allowance must be made for the subsequent returns to education in the second and following generations, including the higher wages that education commands, and the taxes paid net of future fiscal benefits. Allowing for these future returns converts the short-run fiscal loss into a long-run fiscal gain, calculated to have a present value (at 3 percent discount) of \$80,000 (Borjas, p.124).

As already noted, some immigrants decide to leave the United States, perhaps a quarter of them, although how many exactly is not known. More decide ultimately to become US citizens, which they can do after five years of residence in good standing. Nearly three quarters of those who immigrated before 1980 have become citizens. In 2001 613,000 people were "naturalized" as US citizens. (Children born to one US citizen anywhere and to foreigners in the United States are automatically entitled to US citizenship.)

The United States is a land of immigrants, but Americans show some of the same ambivalence toward immigration that many Europeans do. For example, in a recent (2000) poll, 70 percent of respondents reported that they thought immigrants cause higher crime rates, and 57 percent that they cause Americans to lose jobs, although in the same poll 73 percent thought that immigrants bring new ideas. That poll also had 9 percent of respondents believing that immigration should be increased, 42 percent that it should be decreased, and 44 percent that it should remain about what it was (five percent did not know). It is interesting, however, that these responses were modestly more favorable to immigration than those to the same question asked six years earlier, in 1994. Then the increase immigration, decrease it, and stay-the-same responses were 6, 62, and 27 percent respectively (data from National Opinion Research Council). Note that the 2000 poll was taken in a boom year, before the recession of 2001 and the terrorist attacks of September 11, 2001. Attitudes toward immigration tend to reflect economic conditions.

What of the future? President Fox of Mexico pressed President Bush hard in 2001 to ease significantly the restrictions on Mexicans working in the United States, and to regularize the status of undocumented workers, over two-thirds of whom are thought to be Mexican. President Bush gave favorable signals and they created ministerial level consultations to discuss the matter further. These were put on hold after 9/11/01, when US attention switched to tightening the security on immigrants and visitors to the United States. Screening of visa applicants has stiffened. However, demographic trends both in the United States and in the poor countries of the world suggest that some mutual gain can be enjoyed by allowing for greater immigration into the United States. In particular, fiscal concerns about the social security (public pension) system, arising from a bulge in retirees in the 2020s and beyond, could be greatly alleviated by allowing more immigrant workers.

Immigration is rarely discussed as a policy variable, but it should be. US Census population projections simply assume constant net immigration into the United States for the indefinite future (at 820,000 a year on the middle variant).¹ That is not consistent with historical experience, nor is it consistent with significant decline in natural population growth in the future. Yet the projections would be altered significantly by assuming a proportionate rise in immigration, even more a disproportionate rise to compensate for the short-fall in native natality.

Suppose, for instance, that immigration into the United States were allowed to increase over the period to 2025 at a rate rapid enough to keep the "dependency ratio" -- the ratio of non-working age population to working age population -- approximately what it was in 2000. Assuming no change in participation rates or in payroll taxes, such a condition would retain the relationship between tax-paying residents and non-tax-paying residents that obtained at the beginning of the 21st century -- a ratio that generated a surplus for the social security trust fund.

The US dependency ratio is projected (Census Bureau, 2000, middle variant) to rise from .618 to .734 between 2000 and 2025. Assume all additional immigrants (over the levels assumed in the population projections) between now and 2025 are of working age, 18-64. (This would of course require an alteration of the existing heavy emphasis on family unification in the Immigration Act of 1990, but only for the incremental migrants; family unification on its current scale could continue. Political refugees could also continue at their current level of over 100,000 a year.)

To return the 2025 dependency ratio to the 2000 level would require admission of 36.4 million extra immigrants over this 25 year period, an average of 1.46 million a year. That would nearly treble the immigration assumed in the projections, but I believe it is manageable. Provided the immigrants were well-diversified as to source -- in practice, that most of the increment did not come from Mexico and central America -- the United States could absorb this number of additional immigrants. By assumption, they are of working age, so should not put heavy initial burdens on welfare or social security.

The incremental immigration could sensibly be admitted on a rising trajectory, rather, as in current official projections, at a constant level. Thus the incremental immigration could start, say, at 500,000 a year above the projected figure -- little increase in the immigrants that are thought to enter the United States annually today, counting illegal immigrants, net of emigrants (1.3 versus 1.1 million) -- and rise to 2.4 million a year by 2025 to yield the average of 1.46 million a year. Of course, to the extent the labor force participation rate exceeded the average for Americans, the total number of immigrants could be lower and still result in the desired additions to the labor force. Moreover, many workers could be admitted as contract workers rather than as immigrants, being engaged for instance in seasonal farm work or contract construction.

An effort to retain the dependency ratio of 2000 is of course arbitrary. Smaller numbers of additional immigrants could nonetheless help compensate for the economic and fiscal problems created by a declining birth rate and increased longevity. The calculation above is designed, rather, to show that retention of the 2000 dependency ratio through immigration could be possible.

The United States is fortunate in having a tradition of successful immigration. The demographic decline is greater in Europe and Japan than it is in the United States, and the tradition for absorbing immigrants is less strong -- although in fact Germany today has a higher ratio of "foreign-born" population than does the United States. Immigration alone is therefore less feasible as a total solution to the problems created by demographic decline.²

References

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Endnotes:

¹.... The Census projections of 2000 drop this constant rate of net immigration in favor of a trajectory that falls from 970,000 in 2000 to 720,000 in 2010 and then rises to 918,000 in 2025 -- a figure that is below the immigration assumed for 2000. This trajectory provides a better starting point, but a decline of 250,000 a year over the next ten years seems implausible.

².... Enlargement of the European Union by the 12 applicants would, no doubt, result in substantial additional immigration into the current 15 members, whose per capita incomes are substantially higher than those of the applicants. But such migration would aggravate demographic decline in the applicant countries, most of whom have also experienced sharp reductions in birth rates.