

THE COSTS AND BENEFITS OF IMMIGRATION

were populated predominantly by the native born in 1970 but now have fast growing immigrant populations.²⁴

This transformation affects the politics, economy, and social integration of immigration. The push into areas where few immigrants previously lived sometimes disturbs local residents and provokes a public opinion backlash. People who live in homogeneous areas and are not used to people of different backgrounds may have difficulty adjusting to the new demographic mix. They may worry about a drain on public resources and other real or perceived fiscal impacts arising from immigration.

These attitudes complicate political consideration of immigration reform and the ability of lawmakers to forge public policy. Conflict between old and new populations can be sharp. Unless arrivals are integrated into the community, local communities can have trouble reconciling the resulting social and political conflict. Some cities in this situation have moved toward inclusive policies, while others have pushed for restrictive efforts. Whether new arrivals are refugees, what their country of origin is, and how these immigrants affect crime, housing, and local economies all affect how native borns feel about them.²⁵

Some studies have found that the recent recession has slowed the immigrant flow. Not only are fewer immigrants coming to America, but many already in the United States are returning to their original countries. With some developing countries enjoying a strong economy as the United States struggles with a weak one, immigrants appear to see fewer reasons to come to America than previously was the case.²⁶ Whether this development is a long or short term one is unknown, but it represents an interesting divergence from earlier periods of prosperity.

ECONOMIC COSTS AND BENEFITS

A number of attempts have been made to estimate immigration's economic costs and benefits to the United States.²⁷ Some of the analysis is based on perceptual research that relies on public opin-

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ion polls showing people's impressions of costs versus benefits. For example, when respondents were asked specifically about jobs created and lost because of immigration, one poll found that 51 percent of those surveyed said they believe that immigrants take jobs away from native-born workers. However, 86 percent believe that immigrants are hard workers, and 61 percent think immigrants create jobs and set up new businesses.²⁸

More reliable studies use employment, wage, and other types of economic data designed to measure the objective reality. These projects look at the ramifications of immigration for use of government services, tax payments, health care utilization, Social Security contributions, labor force participation, wage levels, and gross domestic product (GDP).

Not surprising, given the complexity of these calculations, the net impact of in-migration is difficult to isolate.²⁹ The results of these studies vary greatly depending on whether the unit analyzed is the individual, family, or extended family. Immigrants represent one-tenth of the overall American population, so the tremendous variety of ages, life situations, and economic circumstances makes modeling their impact challenging.

What one concludes about the exact fiscal impact also shifts tremendously with assumptions regarding tax, health, education, and pension utilization. Typically, younger immigrants with school-age children or older immigrants who draw on health care and pensions cost the most, while young people with no children and middle-aged households with children past education age but with members who do not yet require considerable health or pension services cost the least (as is the case with native-born Americans). To determine the actual costs and benefits of immigration, then, one needs to know the age, family status, number of children, health requirements, education needs, and pension situation for the individuals in question plus the contributions the individuals have made in tax, Social Security, and Medicare payments.

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Research has found that new immigrants tend to come to America as young workers, when they are paying taxes and not drawing extensively on public pensions or health care. For example, 24.6 percent of adult immigrants are aged 25 to 34 and 28.3 percent are 35 to 44 years old. Only 4.4 percent are 65 years or older.³⁰ From a collective standpoint, the virtue of this distribution is that it enhances the economic benefits of immigration.³¹ Young immigrants are more likely to be taxpayers than to require public services. They also are more likely to become homeowners and to pay property taxes.³² But the older the immigration pool, the more likely individuals are to be beyond their prime working years and to require expensive government health and pension benefits.

Most immigrants, legal or illegal, are not allowed to participate in Medicaid, Supplemental Security Income, food stamps, Temporary Assistance to Needy Families, or the State Children's Health Insurance program. Illegal immigrants are not able to receive any forms of welfare, public health care (except for emergency services), or retirement benefits. Legal permanent residents must contribute to Medicare and Social Security for at least ten years before they can benefit from these government programs.

If born in the United States, though, children of immigrants are American citizens and can receive government aid targeted on the young. Research shows that three-quarters of the children of illegal immigrants—around 4 million children—were born in the United States and therefore are considered legal residents.³³ A new provision of the State Children's Health Insurance Program enacted in 2009 allows children of legal immigrants to receive health coverage immediately, as opposed to waiting five years, as previously had been the case.³⁴

Fiscal pressures, though, have led some state governments to eliminate health coverage for legal immigrants as a way to close budget gaps. For example, Massachusetts had some of the most generous health coverage provisions for immigrants in the nation, yet its fiscal 2010 budget dropped insurance for 30,000 legal

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immigrants who had held a green card for fewer than five years. Public authorities justified this move mainly on fiscal grounds.³⁵

Of course, despite particular rules, some immigrants receive public assistance. However, studies have found that the percentage receiving aid is smaller than for U.S. households as a whole. Overall, 5 percent of American households receive cash assistance, compared to 1 percent for undocumented immigrants who obtain benefits using false documents.³⁶

The exception to this general pattern for public service delivery occurs with education. Under a 1982 U.S. Supreme Court decision, *Plyler v. Doe*, states and localities cannot deny immigrants access to elementary or secondary education. The case involved a 1975 Texas law that withheld education funding for children who came to the country illegally and that allowed local schools to deny enrollment to these pupils. On a 5 to 4 vote, the Supreme Court ruled that this law violated the Fourteenth Amendment and therefore was unconstitutional. Schools must educate children whether they are legal or illegal residents of the United States.

The same logic applies to emergency health care. On the principle that everyone deserves care, hospital emergency rooms are supposed to treat patients no matter their legal status or their ability to pay. In reality, however, undocumented individuals tend to get less care than citizens or legal immigrants. One California study found that “undocumented Mexicans and other undocumented Latinos reported less use of health care services and poorer experiences with care compared with their U.S.-born counterparts.”³⁷

Labor force participation and tax payments represent another area of impact. Several studies have found that immigrants pay income, Social Security, and Medicare taxes. A National Immigration Forum and Cato Institute report estimated that immigrants paid \$162 billion annually in federal, state, and local taxes.³⁸ A study by the National Research Council concluded that “the average immigrant pays nearly \$1,800 more in taxes than he or she costs in benefits.”³⁹ One of the myths about illegal immigrants is

that they pay no taxes. In fact, many pay taxes even when they are ineligible to collect social service benefits. Undocumented aliens pay sales taxes on purchases they make in the same way any consumer would. If they own or rent housing, they pay property taxes related to the accommodations. And it has been estimated that “between one-half and three-quarters of undocumented immigrants pay federal and state income taxes.”⁴⁰

Hardest to estimate is immigrants’ contribution to GDP—the total value of all goods and services produced in the United States. Modeling overall economic contributions is challenging because of the complexity of the subject. But a 2007 study by the White House Council of Economic Advisors concluded that immigrants raised American GDP by \$37 billion a year.⁴¹ It has been estimated that immigration adds one-third of total population growth in the United States.⁴² Because they buy food, pay for housing, enjoy entertainment, get hair cuts, and spend money on a range of commercial services, there is little doubt immigrants generate considerable economic activity.

During recessions, the greatest fear about immigration (legal or illegal) is the “crowding-out” effect. Critics fear that foreigners take jobs that otherwise would go to Americans or reduce wage gains through increased job competition. Some evidence indicates that immigrants do have negative wage effects for those native-born Americans without a high school diploma. For these individuals, immigration caused a 1.1 percent drop in yearly wages.⁴³ The same study found, however, that for most other workers, immigrants complement, rather than substitute for, the efforts of American workers. Researchers found that “90 percent of native-born workers with at least a high-school diploma experienced wage gains from immigration ranging from 0.7 percent to 3.4 percent, depending on education.”⁴⁴ For those people, the crowding-out effect is not a major problem.

Another project, conducted during the recent recession, found no difference in the jobless rates of foreign and native-born

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workers. But while each had the same unemployment level, the type of work performed differed. According to the U.S. Bureau of Labor Statistics, foreign-born workers were more likely than other workers to find jobs in the service industry, transportation, or material-moving occupations.⁴⁵ They often take entry-level jobs in custodial services, restaurants, or construction that are poorly paid and not very desirable.⁴⁶

For completely understandable reasons, people grow more fearful about immigration during periods of rising unemployment. Analysis undertaken by Brookings Institution researcher E. J. Dionne demonstrates the intertwining of economic conditions with public opinion regarding immigration. Over the past decade, views about the desirable number of immigrants correlated highly with the national unemployment rate. When unemployment rose, Dionne found, more Americans thought immigration should be cut back, and when it dropped, fewer felt that way.⁴⁷

As a long-term matter, policymakers need to pay attention to U.S. competitiveness and the contributions immigrants make to the economy. Immigrants spend money on goods and services, pay taxes, and perform jobs many American citizens view as undesirable. They also have made significant contributions to American science and economic enterprise, particularly in the areas of high-tech and biotech. Recent clampdowns on the number who can stay aggravate our international competitiveness situation. Universities invest millions in training foreign students and often provide free tuition to Ph.D. students, but upon graduation, many of them are not given any U.S. job opportunities that would take advantage of their new skills and instead return home. This practice robs the United States of the ability to reap the benefits of its economic investment in higher education.

~~HIGH TECH DEVELOPMENT~~

~~Several studies have documented the scientific and economic contributions skilled immigrants have made to the high tech and~~

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~~served as a software developer for several computer companies. After working on an Internet shopping site, he designed an online auction service in 1995 that he called Auction Web. On this site, people could request bids for collectibles, and items were sold to the highest bidder. Two years later, he renamed the company eBay and soon had over 1 million customers. By 2003 the business had grown to 95 million registered users, had sales of over \$2 billion, and was expanding into India and China.⁵⁸ Consistent with the digital era, he empowered ordinary folks and cut out the middle-man in business transactions, transforming commerce by directly connecting buyers and sellers and allowing markets in niche areas to flourish. His leadership paved the way for other Internet companies to thrive in various niches.~~

~~Andy Grove is a leader in the areas of semiconductors and microchips. Born in Budapest, Grove migrated to the United States, where he founded the Intel Corporation in 1968 and made it the leading company in the field. As microchips were made smaller and smaller, computers became cheaper and more powerful. The computing era would not have thrived to the extent it did without his leadership.⁵⁹~~

~~Jerry Wang represents another example of an immigrant visionary. Born in Taiwan, he came to America when he was ten years old. In college his hobby was compiling links of favorite websites into a central service. This later formed the nucleus of his company, Yahoo. The firm eventually became a successful portal that offered news, entertainment, search, email, and social networking. It is estimated that nearly 500 million people around the world use his company's email service.⁶⁰~~

SOCIAL COSTS AND BENEFITS

As challenging as is the computation of immigration's economic and intellectual contributions, the social costs and benefits are even harder to measure. Because they involve less tangible ramifications than taxes, employment, government benefits, or patents, the actual

magnitude of social contributions is more challenging to estimate. People intuitively understand the social value that immigrants offer—in food, arts, culture, and athletics, among other things—but the value of these contributions is difficult to determine precisely.⁶¹

Researchers Gianmarco Ottaviano and Giovanni Peri attempt to evaluate the value of cultural diversity in the United States. They ask who can deny the value of “Italian restaurants, French beauty shops, German breweries, Belgian chocolate stores, Russian ballets, Chinese markets, and Indian tea houses.” Through the globalization of food, culture, and artistic expression, metropolitan areas with greater diversity show higher wages. According to Ottaviano and Peri, American workers benefit because “a more multicultural urban environment makes U.S.-born citizens more productive.”⁶²

Richard Florida takes this argument one step further by suggesting a correlation between geographic diversity, innovation, and productivity. Cities that have diverse and creative residents tend to be more pleasant and productive places in which to live, in turn increasing innovation, home prices, the local economy, and civic pride, he argues.⁶³

A 2007 Gallup Poll sought to get a handle on this subject by asking how immigrants had affected “food, music, and the arts” in America. Forty percent of the respondents indicated that immigrants had made things better, 9 percent felt they had made things worse, and 46 percent concluded there had not been much of an effect. Not surprisingly, there were substantial differences by race and ethnicity. Sixty-five percent of Hispanics felt immigrants had improved food, music, and the arts, compared with 34 percent of African-Americans, and 37 percent of whites.⁶⁴

The internationalization of arts and culture has led to an influx of talented directors and performers from abroad. Of the seventeen Hollywood directors who have received multiple Academy Awards, nine were foreign born.⁶⁵ Individuals such as Salma Hayek, Mikhail Baryshnikov, Jim Carrey, and Dan Aykroyd are just a few examples of immigrants to the United States who have

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enriched the world of television, dancing, and film. Hayek is a Mexican-born actress who came to America for boarding school when she was twelve. She went on to leading roles in movies such as *Frida*, *Mi Vida Loca*, and *Wild Wild West*.

Baryshnikov is the world-renowned ballet dancer who was born in Riga, Latvia. In 1976 he defected from the Soviet Union to the United States and performed at the American Ballet Theatre, the New York City Ballet, and elsewhere around the world. Carrey is a comic actor born in Canada who has appeared in a variety of films such as *Ace Ventura*, *The Truman Show*, *The Cable Guy*, *The Mask*, and *Dumb and Dumber*. Aykroyd was a comedian and actor who also came to America from Canada. He starred on the television show *Saturday Night Live* and in films such as *Ghostbusters*, *Blues Brothers*, and *50 First Dates*.

The same argument holds for sports. It is hard to imagine contemporary American baseball without immigration. Baseball is a sport that used to be played by white Americans, then was integrated with African-Americans and American Hispanics, and now is populated by athletes from Japan, the Dominican Republic, Cuba, Jamaica, and Venezuela. In recent years, 29 percent of the players in Major League Baseball have been born outside the United States, mainly the Dominican Republic or Venezuela. One such star is Sammy Sosa, a leading home-run hitter from the Dominican Republic.⁶⁶

Education and philanthropy also have benefited from the contributions of immigrants. One example is Vartan Gregorian, who was born in Tabriz, Iran, of Armenian heritage. Educated in Lebanon, he moved to America in 1956, where he eventually served as provost at the University of Pennsylvania, president of the New York Public Library, president of Brown University, and president of the Carnegie Corporation of New York, one of the leading philanthropic foundations in America. As a leading educator, author, and professor, he brought a strong sense of innovation to higher education and the world of philanthropy, showing leading

institutions how to improve the plight of the disadvantaged and others passing through their doors.⁶⁷

A number of political leaders have come from abroad to gain major elective or appointive positions in the United States. These include Governor Arnold Schwarzenegger of California, Governor Jennifer Granholm of Michigan, and former Secretary of State Madeleine Albright. Schwarzenegger is one of the most famous immigrant politicians. He arrived in the United States from Austria speaking no English. Following a career in body-building and Hollywood action films, Schwarzenegger was elected governor in 2003. Granholm, born in Vancouver, was educated at the University of California at Berkeley and Harvard Law School; she was elected governor in 2006. Albright was born in Prague and migrated to the United States. During the Clinton administration, she became U.S. Ambassador to the United Nations and then the first female secretary of state.⁶⁸

~~CONCLUSION~~

~~In the end, the central question for immigration policy is the balance between costs and benefits. Vivek Wadhwa and colleagues reach a clear conclusion based on their studies. They say that “immigrants have become a significant driving force in the creation of new businesses and intellectual property in the U.S. and that their contributions have increased over the past decade.”⁶⁹~~

~~In contrast to critics who worry that immigrants take American jobs and depress American wages, considerable research suggests that immigrants contribute to the vibrancy of American economic development and the richness of its cultural life. They start new businesses, patent novel ideas, and create jobs.~~

~~When one strips away the emotion and looks at the facts, the benefits of new arrivals to American innovation and entrepreneurship are abundant and easy to see. The costs immigrants impose are not zero, but those side effects pale in comparison to the contributions arising from the immigrant brain gain.~~