

Magazine

# The Immigration Equation

By ROGER LOWENSTEIN JULY 9, 2006

The day I met George Borjas, cloistered in his office at the John F. Kennedy School of Government at Harvard while graduate students from Russia, India, China and maybe Mexico mingled in the school cafe, sipping coffee and chattering away in all their tongues, the United States Senate was hotly debating what to do about the country's immigration policy. Borjas professed to be unfazed by the goings-on in Washington. A soft-spoken man, he stressed repeatedly that his concern was not to make policy but to derive the truth. To Borjas, a Cuban immigrant and the pre-eminent scholar in his field, the truth is pretty obvious: immigrants hurt the economic prospects of the Americans they compete with. And now that the biggest contingent of immigrants are poorly educated Mexicans, they hurt poorer Americans, especially African-Americans, the most.

Borjas has been making this case — which is based on the familiar concept of supply and demand — for more than a decade. But the more elegantly he has made it, it seems, the less his colleagues concur. “I think I have proved it,” he eventually told me, admitting his frustration. “What I don't understand is why people don't agree with me.”

It turns out that Borjas's seemingly self-evident premise — that more job seekers from abroad mean fewer opportunities, or lower wages, for native workers — is one of the most controversial ideas in labor economics. It lies at the heart of a national debate, which has been encapsulated (if not articulated) by two very different immigration bills: one, passed by the House of Representatives, which would toughen laws against undocumented workers and probably force many of them to

leave the country; and one in the Senate, a measure that would let most of them stay.

You can find economists to substantiate the position of either chamber, but the consensus of most is that, on balance, immigration is good for the country. Immigrants provide scarce labor, which lowers prices in much the same way global trade does. And overall, the newcomers modestly raise Americans' per capita income. But the impact is unevenly distributed; people with means pay less for taxi rides and household help while the less-affluent command lower wages and probably pay more for rent.

The debate among economists is whether low-income workers are hurt a lot or just a little — and over what the answer implies for U.S. policy. If you believe Borjas, the answer is troubling. A policy designed with only Americans' economic well-being in mind would admit far fewer Mexicans, who now account for about 3 in 10 immigrants. Borjas, who emigrated from Cuba in 1962, when he was 12 (and not long after soldiers burst into his family's home and ordered them at gunpoint to stand against a wall), has asserted that the issue, indeed, is "Whom should the United States let in?"

Such a bald approach carries an overtone of the ethnic selectivity that was a staple of the immigration debates a century ago. It makes many of Borjas's colleagues uncomfortable, and it is one reason that the debate is so charged. Another reason is that many of the scholars who disagree with Borjas also hail from someplace else — like gardeners and seamstresses, a surprising number of Ph.D. economists in the U.S. are foreign-born.

Easily the most influential of Borjas's critics is David Card, a Canadian who teaches at Berkeley. He has said repeatedly that, from an economic standpoint, immigration is no big deal and that a lot of the opposition to it is most likely social or cultural. "If Mexicans were taller and whiter, it would probably be a lot easier to deal with," he says pointedly.

Economists in Card's camp tend to frame the issue as a puzzle — a great economic mystery because of its very success. The puzzle is this: how is the U.S. able to absorb its immigrants so easily?

After all, 21 million immigrants, about 15 percent of the labor force, hold jobs in the U.S., but the country has nothing close to that many unemployed. (The actual number is only seven million.) So the majority of immigrants can't literally have "taken" jobs; they must be doing jobs that wouldn't have existed had the immigrants not been here.

The economists who agree with Card also make an intuitive point, inevitably colored by their own experience. To the Israeli-born economist whose father lived through the Holocaust or the Italian who marvels at America's ability to integrate workers from around the world, America's diversity — its knack for synthesizing newly arrived parts into a more vibrant whole — is a secret of its strength. To which Borjas, who sees a different synthesis at work, replies that, unlike his colleagues, the people arriving from Oaxaca, Mexico, are unlikely to ascend to a university faculty. Most of them did not finish high school. "The trouble with the stories that American journalists write about immigration," he told me, "is they all start with a story about a poor mother whose son grows up to become. . . ." and his voice trailed off as if to suggest that whatever the particular story — that of a C.E.O., a ballplayer or even a story like his own — it would not prove anything about immigration. What economists aim for is to get beneath the anecdotes. Is immigration still the engine of prosperity that the history textbooks describe? Or is it a boon to business that is destroying the livelihoods of the poorest workers — people already disadvantaged by such postmodern trends as globalization, the decline of unions and the computer?

### **The Lopsided-Skill-Mix Problem**

This spring, while militias on the prowl for illegal immigrants were converging on the Arizona border and, on the other side of the political fence, immigrant protesters were taking to the streets, I sampled the academic literature and spent some time with Borjas and Card and various of their colleagues. I did not expect concurrence, but I hoped to isolate what we know about the economic effects of immigration from what is mere conjecture. The first gleaning from the Ivory Tower came as a surprise. All things being equal, more foreigners and indeed more people of any stripe do not mean either lower wages or higher unemployment. If they did, every time a baby was born, every time a newly minted graduate entered the work force, it would be bad news for the labor market. But it isn't. Those babies eat baby

food; those graduates drive automobiles.

As Card likes to say, "The demand curve also shifts out." It's jargon, but it's profound. New workers add to the supply of labor, but since they consume products and services, they add to the demand for it as well. "Just because Los Angeles is bigger than Bakersfield doesn't mean L.A. has more unemployed than Bakersfield," Card observes.

In theory, if you added 10 percent to the population — or even doubled it — nothing about the labor market would change. Of course, it would take a little while for the economy to adjust. People would have to invest money and start some new businesses to hire all those newcomers. The point is, they *would do it*. Somebody would realize that the immigrants needed to eat and would open a restaurant; someone else would think to build them housing. Pretty soon there would be new jobs available in kitchens and on construction sites. And that has been going on since the first boat docked at Ellis Island.

But there's a catch. Individual native workers are less likely to be affected if the immigrants resemble the society they are joining — not physically but in the same mix of skills and educational backgrounds. For instance, if every immigrant were a doctor, the theory is, it would be bad for doctors already here. Or as Borjas asked pointedly of me, what if the U.S. created a special visa just for magazine writers? All those foreign-born writers would eat more meals, sure, but (once they mastered English, anyway), they would be supplying only one type of service — my type. Bye-bye fancy assignments.

~~During the previous immigrant wave, roughly from 1880 to 1921 (it ended when the U.S. established restrictive quotas based on country of origin), the immigrants looked pretty much like the America into which they were assimilating. At the beginning of the 20th century, 9 of 10 American adults did not have high-school diplomas, nor did the vast majority of immigrants. Those Poles and Greeks and Italians made the country more populous, but they did not much change the makeup of the labor market.~~

~~This time it's different. The proportion of foreign-born, at 12 percent, remains below~~