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Economic and Fiscal Impacts of Immigration

There are various arguments on whether immigration hurts the United State's economy or increases the overall profit of the nation. Both sides of the debate bring in statistics, surveys, and other data to support their sides but many of those claims are focused on immigrants and the influx of labor forces itself but not on whether the immigrants are legal or not. While it might seem necessary to determine the legalities, it isn't too significant if we want to focus on the economy itself and not blur the matter at the discussion. Therefore, many of the data provided and cited by experts are relevant to illegal immigrants, but again, the legality can be left for other conversations. This essay will explore the economic impacts of immigrants today and how governmental policies should accommodate accordingly.

First of all, while the assertion that immigrants take away job opportunities for U.S. citizens is a popular rhetoric, especially by politicians including Mo Brooks of Alabama and former Senator Rick Santorum (R-PA), it isn't entirely true if we consider some factors that are often unseen. Such claims are made based on partial statistics that do not take different dimensions and perspectives of the issue into account. For the instance of Santorum, he was referencing an immigration studies report in 2014 that suggested a decline of employment rate for non-immigrants but did not consider the substantial number of employment gains for native workers over the age of 65 (Eastman 2017, p. 38 cited Zeigler & Camarota, 2014). There are

many other instances where politicians cite data without the full context to only emphasize what supports their claim without having to prove the truth value of their statements.

If so, do immigrants not harm the employment chances of non-immigrants then? The National Research Council (NRC) in the book *The New Americans: Economic, Demographic and Fiscal Effects of Immigration* suggests that immigration results in economic profits for some domestic residents and the whole economy because immigrants tend to become additional workforces and are typically paid less than the value of what they produce, which establishes a supply chain that is different from the typical domestic process (National Research Council 4-5). However, this is only from the most broad-spectrum of the country's economic well-being. If we consider people that belong to different demographic groups, such as the less educated and skilled native workers, their wages do fall due to the increased competition in the job market (5). This doesn't interfere with the total economic productivity because immigrant workers tend to be more motivated as they moved into this country to seek for jobs. Linda Chavez in her article "The Realities of Immigration" describes this tendency as "Human capital includes motivation, and there could hardly be two more disparately motivated groups than U.S.-born high-school drop-outs and their foreign rivals in the labor market" (Chavez 438) and this explains why native workers may lose their jobs. More motivation results in higher efficiency in production, which will consequently lower costs and improve the qualities of goods and services they provide, so more consumers will benefit from these changes in the end.

Defining how immigration impacts the job market depends on whose perspective you take. Such vague definition may dissatisfy people because they want a clean-cut yes-or-no to the question, but it all depends on where the marginal benefit goes to. Chavez argues that more

people in various demographic groups will gain profit if immigrants could go into specialized industries that require utilizing their different sets of skills and knowledge from foreign nations. Some of these fields include STEM (science, technology, engineering, and mathematics) and the immigrant participation on such jobs expands the size of these fields as well, which results in trickle-down economics, meaning there will be more jobs and increased wages for domestic workers too (Eastman 37). Moreover, Chavez points out that a large number of immigrants are necessary to fill the deficits in the workforce from declining birth rates in the U.S (Chavez 437). Therefore, immigration policymaking should take most of these factors into account and be aware of the impacts on all associated parties.

On the other hand, another common claim is that immigrants are free-riders as they only soak up the benefits but do not contribute tax. For instance, the NRC claims that immigrants receive more than what they pay in taxes because they receive more educational services since typical immigrant families have more school-age children than domestic families, not to mention that they pay less tax from having generally lower income than the average, and thus receive more state and local income transfers (NRC 9). However, some of the mentioned evidence may not be entirely true because even illegal immigrants have paid substantial amounts of tax, which implies that legal immigrants have done so as well. According to statistics cited by Chavez, approximately 75% of illegal immigrants have paid federal taxes in 2002, 7 billion USD for Social Security, and also did not free-ride on state, local, and property taxes (Chavez 437). However, experts have conflicting opinions on the fiscal impact of immigration. The NRC asserts that the long-term fiscal impact of immigration is very positive on a national level, whereas their state and local impact are rather negative. This disparity occurs because the

national level impact is well distributed throughout the whole country, while the state and local taxpayers face the undiluted burden (NRC 12). Think of states with more immigrants like California and New York, where the residents are forced to pay more tax for programs that support immigrants.

In contrast to what the NRC claims, Pia Orrenius in her research paper “New Findings on the Fiscal Impact of Immigration in the United States” provides a new viewpoint by revising how we analyze fiscal impacts. Table 1 of the report divides people into three different groups as first-generation immigrants, the dependents of the first generation, and other U.S. born adults and their dependents. Then they fabricate two different scenarios as the average and the marginal cost of public goods assigned to immigrants. Such public goods include national defense and debt, foreign aid, and other public expenditures. The table presents that the federal expenses almost always exceed the tax contributions. In other words, all groups receive more benefits than what they pay in taxes with the only exception being the first-generation immigrants with their marginal costs. Therefore, it would be unreasonable to criticize immigrants for the fiscal deficit since all demographic groups are responsible for the negative outcomes.

Then do current immigration policies reflect all the factors discussed previously? There were previously suggested solutions such as the DREAM Act mentioned by Dava Castillo in her article “Comprehensive Immigration Reform—Past, Present, and Future” which aimed for allowing the children of illegal immigrants to stay in the U.S. and not be deported. While the act was not passed, Castillo argues that Obama should have stayed true to his words in his 2008 campaign, and implement comprehensive immigration reform. Castillo claims that the DREAM Act would be a part of the aforementioned reform, which I do not agree with. While Castillo

provides statistics about deportation rates and how specific numbers of quotas were required to be met by Congress and enforced by the Republicans, her statistics for deportation are heavily focused on criminals and therefore; does not directly support why the DREAM Act, which focuses on a different demographic group should be implemented. I believe a comprehensive reform should focus fundamentally on turning illegal immigrants into temporary workers, or other possible legal positions. Doing so may increase the chances of them getting higher education, which will result in increased income and taxes eventually. Reny et al. in their article “Vote Switching in the 2016 Election: How Racial and Immigration Attitudes, Not Economics, Explain Shifts in White Voting” claim that despite many journalists assumed that many White working class who didn’t vote Republican in 2012 switched to Trump in 2016 due to his rhetorics on economic marginalization and immigration, the voters switched to Trump or Clinton due to racial and immigration stances rather than economic factors. The authors established this from the fact that the shift happened in both working and nonworking class Whites. They conclude their abstract as “Our findings suggest that racial and immigration attitudes may be continuing to sort White voters into new partisan camps and further polarize the parties” (Reny et al. 91). From their analysis, we can infer that politics about immigration has a tendency to become overheated and turn into further disputes between parties. Therefore, we should pay close attention to mediation when deciding on immigration policies.

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