

The Economic Influence of Immigration

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ABSTRACT

Immigration is often discussed as a politically significant topic relating to the ethical issues of the rights of immigrants and the negative implications that are associated with immigrants, commonly referred to as the “immigration problem.” Immigration into the United States is a much greater issue than in most countries as millions of immigrants come into the country both legally and illegally every year. This trend has been rising in recent decades. Politically, this increase in immigration has been portrayed as a potential matter of national security or even as an “alien invasion,” while the actual net economic effect is unknown and may actually be negligible. These terms are used by politicians, commonly by those on the right side of the political spectrum, to garner support for anti-immigration policies. The policies are attempts to limit the burden immigrants put on healthcare and the education system and to return to Americans the jobs “stolen” by foreigners.

The positive side of immigration is largely ignored though. Immigration helps to increase cultural diversity and expand the supply of labor in the American economy. Although many immigrants are low-skilled and have little education, still a large portion of immigrants are highly-skilled and educated. All immigrants positively affect the receiving country both socially and economically in some way, and these effects are largely ignored both by politicians and the public. As you can see, some of the effects of immigration have more than political ramifications, greatly influencing the economy in both positive and negative ways.

This paper will focus on the economic effect of immigration, namely on the United States economy, and will explore how immigrants influence the workforce and local economies with a large immigrant population. American immigration policy will be summarized, and the effect of these policies will be examined. The economic impact on the United States government’s budget and politics, as well as the healthcare and education systems, will also be explored briefly. Through the analysis of immigration’s effect on these sectors, this paper will attempt to determine the net economic effect of immigration on the United States economy.

HISTORICAL BACKGROUND

In 1883, Emma Lazarus, wrote the celebrated poem “The New Colossus” that in 1903 was engraved on a plaque placed on the pedestal of the Statue of Liberty. It read: “Give me your tired, your poor, Your huddled masses yearning to breathe free.” Millions of immigrants from around the world quickly accepted the invitation forming a new national identity and democratic political structure that served as the very foundation upon which our current thriving agriculture and merchant economy is based.

The first era of significant immigration after the formation of the country was the First Great Migration, occurring “between 1881 and 1924, when 25.8 million persons entered the country.”¹ This migration flooded

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into America primarily from European countries, especially England and Germany, but also from Italy, and the Nordic and Eastern European countries. Most of the immigration during this period went through and settled in three large economic centers in the United States: Ellis Island in New York Harbor, Boston, and Chicago. This large influx of immigrants composed anywhere from 24 to 53 percent of the United States' annual population growth during this period, resulting in a population increase of nearly 75 million within this half century and a dramatic rise in the size of the labor force.ⁱⁱⁱ These new immigrants filled sweat shops and factories and helped to fuel America's economic boom by providing a cheap labor source as the country became an industrial and global power.

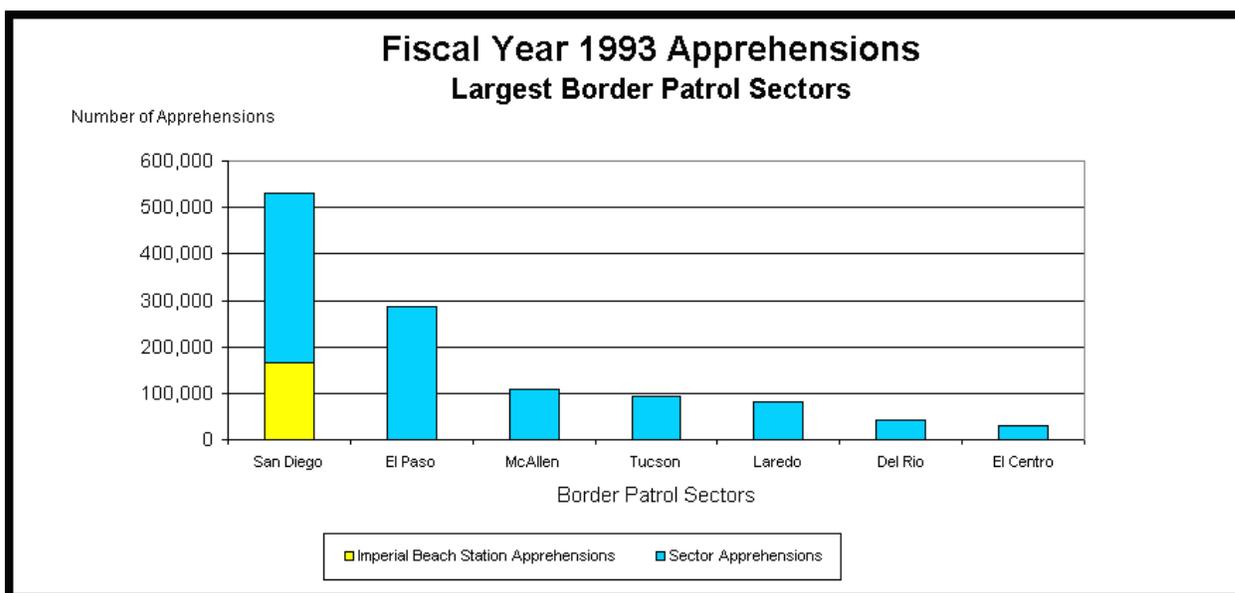
The first major attempt to control immigration occurred with the passage of the Immigration Act of 1924, also called the Johnson-Reed Act, which included the National Origins Act and the Asian Exclusion Act. Its passage limited the annual number of immigrants admitted from any country to 2% of the number of people from that country who were living in the United States in 1890. This act intended to control the influx of "undesirables" and the new quota system remained in place (with minor alterations) until the passage of the Immigration and Nationality Act of 1965. The influence of shifting to numerical quotas was a bit of a political folly that attempted to distinguish an American identity by favoring one group over another. The 1930s saw a greater drop in immigration as the quota system came into effect and as the Great Depression crippled economies world-wide, effectively ending the First Great Migration. From the thirties through the early 1970s, immigration was extremely limited, until immigration policy took upon a noticeable shift. The "number of legal immigrants has increased at a rate of about one million per decade, and is now nearing the historic levels reached in the early 1990s."ⁱⁱⁱⁱ The dramatic rise in legal immigration has been paralleled in a similar increase in illegal immigration, with an estimated 11 million illegal immigrants currently residing in the country.^{iv}

MODERN UNITED STATES IMMIGRATION POLICY

Modern immigration policy began in 1965 with the Immigration and Nationality Act. President Lyndon Johnson signed this act allowing more individuals from third world countries to enter America, including immigrants from Asian countries, whom were previously excluded entirely by the quota system. An important aspect of this act was that it welcomed individuals with skills and professions needed to support a growing economy. Since the late 1980s, the United States has been pursuing an active policy of enforcement and regulation, beginning as a result of Mexico being included in the General Agreement on Tariffs and Trade in 1986. With Mexico's inclusion in the trade agreement, the Mexican and American markets for capital, goods, commodities, services, and information have become more integrated under the free trade zone created between the two countries. Though many areas of the American and Mexican economies have become more intertwined over the decades, the United States government has resisted integrating the labor markets of the two countries and instead has adopted a policy of hostility to any labor migration from Mexico. Involvement with the Mexican economy was taken to the next level with Mexico's inclusion in the North American Free Trade Agreement (NAFTA) in 1993. Not only has trade increased eight-fold between Mexico and the U.S. from 1986 to 2002, but the number of Mexican immigrants entering with visas has also quadrupled.^v

Many politicians, namely those on the right, have taken this increase in immigration from Mexico and used it as an excuse to pursue their own political interests by portraying immigration as a “threat to national security” and even an “alien invasion.” Congress sought to increase the restrictions on immigration and so passed the 1990 Immigration Act, which took measures to augment the border patrol, increase deportations, and tighten sanctions on employers of illegal immigrants. The Clinton Administration continued this trend and increased funding for the protection of the border between the southern states and Mexico in an attempt to prevent illegal border crossings, as well as increased resources for the border patrol with the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) in 1996.

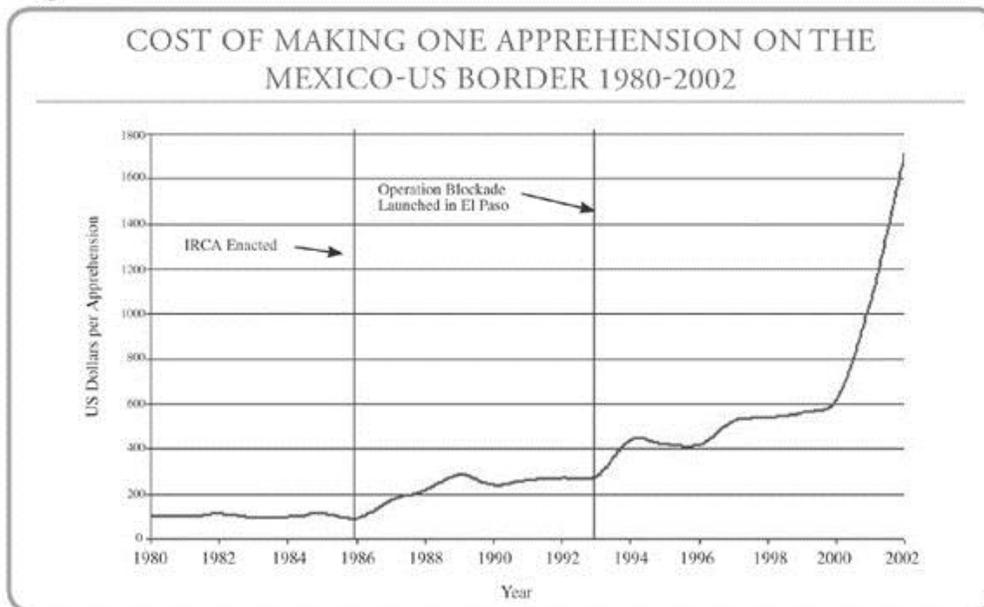
The federal government has also increased funding for the Immigration and Nationalization Service (INS) thirteen fold in the past two decades and the border patrol budget by more than ten times the 1986 level.^{vi} In addition to these anti-immigration legislation and spending policies, the INS and border patrol conducted a series of operations to reinforce the American-Mexican border.



The first increase of security occurred along the El Paso-Laredo border with Operation Blockade, and the second occurred at the San Diego-Tijuana border with Operation Gatekeeper in 1993. Both operations increased the number of border patrol officers significantly as well as installed large concrete walls and detection technology. Although the number of apprehensions increased dramatically due to these measures as seen in Figure 1,^{vii} many negative effects resulted. Since the fences could only extend a few miles around each targeted city, illegal immigrants began entering the country through new crossings in the countryside and along more dangerous points, one being crossing the treacherous Colorado River. With these new points of entry, the likelihood of being apprehended while crossing illegally has decreased significantly causing the border patrol to have to double its efforts. Because of the level of effort required and increased area necessary to patrol has increased as a result of these enforcement aggressions, the cost per

apprehension has risen dramatically as witnessed in Figure 2.

Figure 6:



These increased costs have succeeded only in increasing the cost of immigration, while not significantly reducing the number of illegal immigrants entering or residing in the U.S.

EFFECT OF HIGHLY-SKILLED LABOR

Most people view immigration as only providing a large number of unskilled workers to the United States economy, but there are many factors necessary to consider when determining the net influence of immigration. The supply of skilled and educated labor needs to be established in addition to the unskilled and poorly educated labor. The supply of migrant labor is proportionally much greater in certain areas, primarily urban and developed areas as well as states along the United States-Mexico border, but also in areas of high technological growth.

Legal immigration allows for many highly educated and skilled immigrants to enter the country on student or work visas. These student visas allow foreigners to study in the United States and gain an education that they would have been unable to receive in their home country. This form of immigration provides a great source of highly-skilled labor because most foreign students study highly scientific or mathematically based fields of study. "Data from the National Science Foundation's Survey of Earned Doctorates show that between 1960 and the late 2000s, the share of PhDs awarded to foreign students rose from one fifth to three fourths in mathematics, computer science, and engineering; from one fifth to three fifths in physical sciences; and from one fifth to one half in life sciences."^{ix} Not only is the level of foreign graduate students rising dramatically, but so is the number of academic papers published by and patents granted to the same highly educated immigrants.

This supply of highly-skilled workers to the labor force positively affects the quality of human capital in the United States when countries are sending over their best and brightest students. These immigrants supplement the normal American supply of highly educated professionals and help to increase the competition and productivity in the labor force mainly for the information, science, and technology industries. The technological advances developed by these research-heavy industries have raised the level of national welfare in recent decades as well as promoted innovation.^x

Not only do highly-skilled immigrants enhance our economy in productivity and quality of human capital, they also add to the United States by contributing to and not straining the American welfare systems. Highly-skilled immigrants “are likely to pay far more in taxes than they use in public services, generating a positive net contribution to government fiscal accounts”^{xi}

Researchers at the Center for Immigration Studies published a report in 2004 showing the significant level of educated immigrants participating in the American workforce. The popular conception is that most immigrants are uneducated and illiterate, but as the data demonstrates, less than 700,000 (30.32 percent) of the net increase of approximately 2,279,000 immigrants in the labor force from 2000-2004 had less than a high school education.^{xii} Therefore a significant portion (69.68 percent) of newly arrived immigrants participating in the labor force in 2004 have at least a high school education and even 50.98 percent have more than a high school education.^{xiii} These figures help to refute the common claim that most immigrants come to the United States uneducated and low-skilled. This increase in at least moderately-skilled labor contributes to the American labor force in ways other than supplying cheap, manual labor.

EFFECT OF LOW-SKILLED LABOR

Low-skilled immigration into the United States also has a large impact on the American economy, although in much a different respect than the effect of highly-skilled immigrants. Low-skilled immigrants are thought to primarily be in the country illegally, to avoid paying taxes, and to increase crime, but the level of correlation between these factors remains to be determined. According to renowned Harvard labor economist George Borjas, “low-skilled immigration greases the wheels of the U.S. labor market”^{xiv}

A way that low-skilled immigrant labor contributes to the American labor market is by making higher-skilled labor more productive. By doing jobs such as day care or lawn care, home cleaning or construction, low-skilled immigrants free up high-skilled labor to work longer, more efficiently, and more productively. Instead of having a parent stay at home to care for the children and run the household, both parents can manage to go to school, become better educated, and join the work force. “Low-skilled immigration thus indirectly contributes to productivity growth by raising the effective supply of high-skilled labor.”^{xv} Although low-skilled immigration positively influences the American labor force, this effect is immeasurable and is rarely taken into consideration in the immigration debate.

Another beneficial aspect of immigrant labor is its mobility. When jobs are difficult to come by or a new market for labor opens in a different area, American-born workers have a hard time relocating their family and lives to move where the jobs are. Immigrant families by nature are quite mobile when it comes to finding

work, which provides new markets a supply of labor that would likely have gone unmet by Americans. This mobility in the workforce helps to speed economic growth and “helps smooth fluctuations in the U.S. economy and ease the burden on U.S. workers when the unemployment rate rises.”^{xvi}

Low-skilled immigrant labor positively affects the American supply of labor by increasing its flexibility, elasticity, and mobility, but a greater issue presented with lower-skilled labor is the legality of the supply. Low-skilled and poorly-educated immigrant labor tends to be residing in the country illegally, and estimates indicate “three-fifths of immigrant workers with less than a high school education are undocumented.”^{xvii} The main focus of the immigration debate centers on addressing this issue and attempting to curtail the flow of illegal immigration into the United States. The effect of low-skilled immigrants in the United States has an impact on government finances that needs to be taken into consideration when trying to calculate the net effect of immigration.

IMMIGRATION AND THE U.S. LABOR FORCE

In tougher economic times, migrant workers tend to suffer a larger proportion of the economic burden, due to the higher elasticity of the immigrant population’s supply of labor. The report on *Current Population Surveys* by the Center for Immigration Studies shows that in 2004, some 6.14% of foreign-born workers were unemployed (roughly 1,292,000), and only 5.79% of American-born workers were unemployed (7,085,000).^{xviii} The period from 2000 to 2004, which is being analyzed in the data set, was a time of economic uncertainty for America with the occurrence of the terrorist attacks of September eleventh and the subsequent war with Iraq and the rising cost of housing. The immigrant population residing in the United States bore most of the burden of this economic uncertainty compared to the native-born population as witnessed by the increase in unemployment of both groups, but with a higher proportional job loss rate for immigrants.

Immigrants were also driven out of the labor force at a much higher rate than American workers, with a 15 percent rise in immigrants not participating in the labor force, compared to only an 11 percent rise in American-born workers not involved in the labor force from 2000 to 2004.^{xix} Because immigrant workers have a greater elasticity in labor supply, they are the first group to feel the effects of economic hardships and are forced into unemployment and out of the labor force altogether more often than American workers. The ability for the foreign-born work force to absorb the effects of negative economic trends actually benefits the native-born working population and helps to keep their unemployment rate lower because of the presence of this highly elastic supply of labor.

Hanson has noted a significant change in the population of illegal immigrants that tie these trends to current economic times. “Since the last U.S. business cycle peak in 2007, the population of illegal immigrants has declined by about one million individuals.”^{xxx} He attributes this sudden decline in the immigrant population to the economic recession because of the flexibility of this foreign-born labor source. Upon failing to find work, many immigrants have returned home, helping to not only reduce the effects of the Great Recession on the

American work force, but to also reduce unemployment in the United States by removing a large number of people from the unemployed and non-participating population.

Hanson summarizes the effect of low-skilled immigration on the U.S. labor market by stating “it is important to keep in mind that any wage losses to low-skilled native workers represent a change in the *distribution* of the national income but not in the *level* of national income.”^{xxi} Hanson assesses these changes in the distribution of income as a gain to U.S. employers and a loss to American low-skilled workers “with the gains to the former offsetting the losses of the latter.”^{xxii} Another point he makes is in reference to the surplus generated by immigration by making capital and land more productive, and how the benefit from this effect by far offsets any losses to low-skilled American workers. Although it may hurt a few unskilled Americans, the immigration of low-skilled labor into the United States is economically beneficial to the United States and usually to those workers who immigrate in the form of better jobs, wages, and opportunities.

IMMIGRATION AND U.S. WAGES AND OUTPUT

Immigration into the United States not only influences the labor force, but it also affects the wages of American workers. Basic economic theory explains the effect of an increase of labor, and it is commonly accepted that “immigrants will lower the price of factors with which they are perfect substitutes and raise the price of factors which they are complements.”^{xxiii} Based on these principles, the low-skilled labor introduced by immigration lowers the wage of unskilled workers, but having little to no effect on the return to capital or the wages of skilled workers. The increased supply of unskilled labor then increases the optimal output by shifting the supply curve of certain markets to the right thus, causing employers to use more of all inputs.^{xxiv} This decrease in production costs for supplies ideally contributes to moving the long-run aggregate supply curve to the right, raising potential output and potential GDP. All these positive effects of immigration are theoretically based and are witnessed in the United States to a certain degree. The degree of truth to these effects is uncertain though due to the infinite intricacies of the U.S. economy, but these are the economic effects expected under the assumptions of perfect competition, information, and rational decisions.

The effect of skilled immigrants is usually reversed from the previous observations because of the supplementary nature of skilled labor to unskilled labor in production. An increase in skilled labor from immigration theoretically reduces the wage for skilled labor, but causes an ambiguous effect on the unskilled wage. The “fall in the skilled wage and the rise in skilled employment will lead to increased demand for the complementary factor, capital, and hence an increase in the return to capital.”^{xxv} In theory, this is how skilled labor introduced to the U.S. economy through immigration would influence the wages and supply of labor. However, the actual effect can be observed especially during a period of such economic uncertainty that we have now.

Using different economic models can produce differing results. The commonly used Heckscher-Ohlin Modern Theory of International Trade produces different results, for example. This model explains migration from poor to rich countries as being a result of the tariffs that wealthy nations have “on goods that make intensive use of unskilled labor, in an attempt to raise the domestic wage of unskilled labor above the world

level.”^{xxvi} According to this theory, the “immigration of unskilled labor from abroad will occur until the wage of such labor returns to the world level, by which point the country will be specialized in the production of the labor-intensive good.”^{xxvii} Applying this theory to the United States, we have a justification for immigration of unskilled labor into the country and a claim that this will persist until the labor markets of Mexico and the United States are integrated or until the price of low-skilled labor is equalized with the rest of the world. But this is assuming that both countries have similar factor endowments, which is not the case between Mexico and the U.S.

If the factor endowments of two countries are assumed to be very different, as in the case with the U.S. and Mexico, we witness different results. “Price equalization might not occur even with free trade,” and instead countries will specialize in production: the country “with a large labor endowment will produce a more labor-intensive mix of goods,” while the other will specialize in the production of more capital-intensive goods.”^{xxviii} In this case, factor price equalization will only be achieved through a large influx of labor to have any impact on the wage of the receiving country or through trade. This instance is more likely to be the case for the U.S., but Americans don’t desire a decline in the wage level, so they will greatly contest any large inflow of labor or increase in trade that might impact their standard of living.

IMMIGRATION AND ECONOMIC INEQUALITY

Another aspect of the American economy I want to touch upon is how immigration influences economic inequality in the United States. A number of scholarly journals have been published on the topic and have expressed different views on the impact of immigration and I will try to assess the authority and evaluate the validity of the critique and data.

Dr. Deborah Reed discusses immigration and the wage structure in the United States and draws theoretically-based conclusions. She states that as poorly-educated immigrant workers enter the U.S. workforce, “they may compete with similar natives and bid down the market wage for low-educated workers. At the same time, they may bid up the wages of complementary workers such as better-educated workers in industries expanded by immigrants. Insofar as immigration increases the wages of highly educated natives relative to those with low education, immigration will increase inequality by raising the returns to education.”^{xxix} These statements are firmly based on commonly-accepted economic theories and although not applied directly to the United States economy, Reed suggests how an economy similar to the U.S.’s may be affected by immigration. By proposing the possible effects of immigration on the economy instead of making claims based on incalculable data, Dr. Reed presents a credible point of view on the influence of immigration into the United States.

Dr. George Borjas, one of the leading labor economists in the world, has published quantitative literature that supports these theories proposed by Reed. Here is an excerpt of his quantitative approach to immigration’s effect on the wages of an economy’s labor force:

To understand the impact of immigration on native employment opportunities, suppose we view labor market as a closed economy where a single competitive industry uses a linear homogeneous production

function to produce Q units of a good (Joseph Altonji and David Card 1991). The production process uses both skilled and unskilled workers. The wage rates of skilled and unskilled workers are w_s and w_u , respectively. The cost function in this industry is then given by $Qc(w_s, w_u)$, where $c(w_s, w_u)$ is the unit cost function. Perfect competition implies that the price of the output, p , equals the unit cost of production, so that $p = c(w_s, w_u)$.

Both skilled and unskilled workers purchase the good. Each type- i worker ($i = s, u$) has an output demand function given by $D_i(w_i, p)$. There are N_s skilled workers and N_u unskilled workers, and the fraction of unskilled workers in the population is b . Product market equilibrium requires:

$$Q = N_s D_s(w_s, p) + N_u D_u(w_u, p). \quad (16)$$

To close the model, suppose the labor supply function of each type- i worker is

$L_i(w_i, p)$. Labor market equilibrium implies:

$$N_s L_s(w_s, p) = Q c_s(w_s, w_u) \quad (17)$$

$$N_u L_u(w_u, p) = Q c_u(w_s, w_u), \quad (18)$$

where $c_i = \alpha c / w_i$.

Consider now what would happen if ΔN immigrants enter the labor market exogenously. Suppose that the fraction of unskilled workers in the immigrant flow equals β . Under some simplifying conditions, Altonji and Card (1991, pp. 204-05) show that the resulting change in the wage of skilled and unskilled workers is given by:

$$\Delta \log w_s = [\lambda / (\varepsilon_s - \bar{\delta}_s)] \cdot [(\beta - b) / b(1 - b)] \cdot \Delta N = \alpha_s (\Delta N / N), \quad (19)$$

$$\Delta \log w_u = [(1 - \lambda) / (\varepsilon_u - \alpha_u)] \cdot [(b - \beta) / b(1 - b)] \cdot (\Delta N / N) = \alpha_u (\Delta N / N), \quad (20)$$

where $\lambda = N_u D_u(w_u, p) / Q$; $\varepsilon_i \geq 0$ is the labor supply elasticity of type- i workers; and $\bar{\delta}_i < 0$ is the labor demand elasticity for type- i workers.

Equations (19) and (20) give the reduced-form impact of immigration on the skilled and unskilled wage. Suppose that the fraction of unskilled workers in the immigrant flow (β) equals the fraction of unskilled workers in the native population (b). The linear homogeneity of the production function then implies that neither the skilled nor the unskilled wage changes as a result of immigration. Alternatively, if the fraction of unskilled workers in the immigrant flow exceeds the respective fraction among natives ($\beta > b$), immigration increases the skilled wage and decreases the unskilled wage.

This conceptual experiment, therefore, indicates precisely how the impact of immigration on native employment opportunities can be measured. If we could observe a number of closed labor markets which immigrants penetrate randomly, we can then relate the change in the wage of skilled and unskilled workers to the proportion of immigrants in the population (after adjusting for the skill composition of both the native population and the immigrant flow). The estimated parameters would summarize the impact of immigrants on native employment opportunities.^{xxx}

As we can see from Borjas' equation, if all variables can be quantified, then the model could theoretically calculate the actual effect of immigration on the wages of native workers. The trouble now is in determining the values for all the variables, which in an actual economy is extremely difficult if possible at all. When

reports are published and they have no consideration for the ambiguity of calculating these variables and have no solid data to support their claims, the validity of their claims can be questioned.

Research conducted by the Federation for American Immigration Reform (FAIR) and published in their report on Immigration and Income Inequality attributes the growing disparity between socio-economic classes in America to the rising size of the immigrant population.^{xxxii} The report by FAIR presents various data regarding the trends for middle and low-income households in the United States as well as the rising population of immigrants in the county based on U.S. Census data from 2000. The report fails to connect the data on rising immigrant populations and the increasing percentage of low-income households from 1990 to 2000 though, and only presents the data with weak correlations to the trends they are suggesting. They cite for example, information on the states with the largest immigrant populations and place it next to information on the decreasing size of the middle class.

The common argument that immigration is attacking the middle class is clearly their motivation for pairing this data, but I could have just as easily paired information of the rising American-born population with data on the rising price of beans in the United States and claimed that the birthrate of Americans is causing inflation. They show that the immigrant population has risen in California and that the size of the middle class decreased by 5% over the same time period, but that may or may not be a result of immigrants impoverishing the neighborhoods they move to or stealing jobs from the hands of Americans. The economy of California is enormous, larger than most foreign countries, and the state is currently having extreme budget issues, but they cannot claim that there is a direct relationship between increased immigration and the decline of the middle class. They make no factual attempt to neither connect the data nor show any degree of causation. According to FAIR's report, immigration to the United States is "inextricably linked" to the economic well-being of American households.^{xxxiii}

The FAIR report uses another source of data, the National Research Council (NRC), for further information on immigration and American inequality. The NRC reports that "immigration is composed largely of some high-wage earners and many more low-wage earners."^{xxxiii} This assertion may have data to support it, but they make no attempt to provide actual numbers and statistics to show what percentage of the immigrant population in the U.S. is actually illegal. This claim remains unjustifiable due to the difficulty in measuring the illegal immigrant population, but the study published by the NRC takes it as fact. An extremely apt statement of these limitations is found in the 2007 Congressional Budget Report: when considering the effect of illegal immigrants on the tax system and the U.S. economy, "currently available estimates have significant limitations; therefore, using them to determine an aggregate effect across all states would be difficult and prone to considerable error."^{xxxiv}

The report concludes with a factual statement based on economic theory: "As the supply of labor available for a specific job increases, there is less incentive for employers to offer higher wages to attract new workers, and wages tend to stagnate or fall."^{xxxv} This statement I can understand and support if they had an evidence to show that it is actually occurring in the United States, for which there is no connection. Frankly, the Federation for American Immigration Reform is a special interest lobby group based in Washington, D.C.,

and that is the most we can expect from them, to represent their interest and to lobby for what they believe is right, whether it benefits Americans or anyone residing in America.

IMMIGRATION AND THE U.S. TAX SYSTEM

A common argument against immigration in the United States is that illegal immigrants don't pay taxes, and they are hurting our economy by using social welfare while not contributing their fair share. Although it is difficult to measure exactly how many illegal immigrants reside in the U.S., there is a degree of truth to this statement. If a low-skilled immigrant is residing in the United States, he/she is likely working off the books and not paying federal or state income taxes. On the other hand, illegal immigrants do contribute to the American tax system through sales tax and property tax when they purchase goods or a house. Because of the unequal distribution of revenue the government collects from immigrants, there may be a level of inequality that results. Due to the uncertain information we have regarding illegal immigrants, the exact net effect of their contribution or hindrance to the U.S. tax system is extremely difficult to calculate. I will detail the theoretical effects of immigration and attempt to determine if the net gains outweigh the net losses and resolve any discrepancy if one arises.

Low-skilled immigrants contribute to the government some of their share of taxes, but they also take advantage of government services for which they might not be helping to support. Most low-skilled immigrants are low wage earners, and therefore they "owe very little in tax and most illegal workers appear not to file tax returns."^{xxxvi} It's safe to say they contribute very little to nothing at all in income taxes, but do they have much of an influence on the services funded by income taxes? Illegal citizens are unable to receive welfare benefits, because in order to do so they would have to be a U.S. citizen. Non-citizen legal residents are also excluded from receiving these benefits, so any form of immigration poses no negative influence on the American welfare system.

The major drain on government finances, cited by Hanson, "comes from public education—all children, regardless of legal status, must attend school—and public healthcare."^{xxxviii} The stress that immigrants put on the healthcare system comes through the benefits that children of illegal immigrants receive as well as hospital emergency room services which are often at the expense of the American public as a result of most immigrants not possessing health insurance. An accurate source I have found to demonstrate the effect of immigration on not only government budgets, but also the healthcare and education system is the 2007 Congressional Budget Report on "The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments," which I have found to be very comprehensive as it reviews data from 29 reports published over the past 15 years.

Because state, local, and federal governments provide different services to citizens and are funded by different taxes, they unequally bear the burden of illegal immigrants. Many federally provided public services are exempt from negative influence from such immigrants because of the stipulation of citizenship to receive benefits. These programs include "Social Security and such need-based programs as Medicaid (other than emergency services), Food Stamps, and Temporary Assistance for Needy Families. At the same time, the

federal government requires that state and local governments provide certain services to individuals, regardless of their immigration status or ability to pay.^{»xxxviii} Because the different levels of government receive revenue from different sources, some which illegal immigrants contribute to and others they don't, the financial burden of illegal immigrants falls more heavily on state and local governments.

Moreover, state and local government are responsible for the services of healthcare, education, and law enforcement, all of which are taken advantage of by immigrants. Estimates show that "the amount that state and local governments spend on services for unauthorized immigrants represents a small percentage of the total amount spent by those governments to provide such services to residents in their jurisdictions," and that "spending for unauthorized immigrants accounted for less than 5 percent of total state and local spending for those services."^{»xxxix} It is accepted that illegal immigrants use some of these public services, often burdening the budgets allocated for these programs, but as we can see the effect is negligible compared to the entire budget these programs require. Because the revenues that the government collects from immigrants primarily goes to the federal government in the form of payroll and income taxes, "the federal government thus enjoys more of the fiscal benefits of immigration while states and localities are stuck with a much higher share of the costs."^{»xl}

The funding for these state and locally-provided social welfare services comes from tax revenues, but unfortunately the "tax revenues that unauthorized immigrants generate for state and local governments do not offset the total cost of services provided to those immigrants."^{»xli} The taxes paid to state and local governments by illegal immigrants fail to compensate for the total cost they pose on the services they take advantage of, although, even in states with high immigrant populations, such as California (the state with the highest population of unauthorized immigrants), the cost of services provided to immigrants is "less than 10 percent of total spending for those services."^{»xlii} Illegal immigration is indeed a strain to the society in which they live and work, but this burden is not seen as significant.

CONCLUSION

As we have seen, immigration into the United States comes in various forms, legal and illegal, educated and low-skilled, and all of these forms affect the American economy in different ways. Many aspects of the United States economy are influenced by immigration, some of which are benefitted, such as reduced costs of labor for employers and increased labor productivity. Negative effects include as the imbalance of government burden and increased unemployment for low-skilled American workers.

Although illegal immigration poses an added cost to the United States government, the low-skilled immigrant workers it provides to the U.S. economy helps to increase productivity, reduce costs for employers, and absorb some of the effects of economic slumps. High-skilled immigration provides a great source of intellectuals, increases competition and productivity in the U.S. labor market, and even contributes more than their fair share in government funding. Because immigrant labor is more elastic and mobile, immigrants are the first group forced out of jobs and the labor force during times of economic hardship, thus actually helping to keep American workers employed. Although wages are lowered for low-skilled American workers when

low-skilled immigrants increase the size of the work force, this effect helps employers by lowering costs for human capital, offsetting any losses to American-born workers.

Increased economic inequality is another negative result from immigration, but the economic gains from increased output and productivity help to negate any negative influences from immigration on the U.S. economy.

The influential financial journalist, Fullbright Scholar, and editor of *Forbes*, Peter Brimelow effectively summarizes the economic effects that I have consistently found through my research: immigration increases inequality in the United States, but it also raises the level of overall national income and the national income for native-born Americans.^{xiii} Because of the difficulty posed by attempting to calculate the net effect of immigration on the United States economy, I believe this statement qualifies as an accurate description of how the U.S. economy is influenced.

ENDNOTES

ⁱ Borjas, George J. "The Economics of Immigration." *Journal of Economic Literature*, (American Economic Association) Vol. 32, No. 4, Dec., 1994, pp. 1668.

ⁱⁱ *Ibid.*

ⁱⁱⁱ Borjas, George J. "The Economics of Immigration." *Journal of Economic Literature*, (American Economic Association) Vol. 32, No. 4, Dec., 1994, pp. 1669.

^{iv} Preston, Julia. "Decline Seen in Numbers of People Here Illegally." *The New York Times*, July 31, 2008.

^v Massey, Douglas S. "Borderline Madness: America's Counterproductive Immigration Policy." *Debating Immigration*, edited by Carol M. Swain. (Cambridge University Press) 2007, pp. 130.

^{vi} Massey, Douglas S. "Borderline Madness: America's Counterproductive Immigration Policy." *Debating Immigration*, edited by Carol M. Swain. (Cambridge University Press) 2007, pp. 132.

^{vii} Figure 1. Background to the Office of Inspector General Investigation:
<<http://www.justice.gov/oig/special/9807/gkp01.htm>>, 2 April 2012.

^{viii} Figure 2. Massey, Douglas S. "Beyond the Border Buildup: Towards a New Approach to Mexico-US Migration." *Backfire at the Border: Why Enforcement without Legalization Cannot Stop Illegal Immigration*. (Cato Institute Center for Trade Policy Studies) June 13, 2005.

^{ix} Hanson, Gordon H. "Immigration and Economic Growth." *Cato Journal*, (Cato Institute) Vol. 32, No. 1, Winter 2012, pp. 26.

^x Hanson, Gordon H. "Immigration and Economic Growth." *Cato Journal*, (Cato Institute) Vol. 32, No. 1, Winter 2012, pp. 26.

^{xi} *Ibid.*

^{xii} Camarota, Steven A. "Immigrant Employment Gains and Native Losses, 2000-2004." *Debating Immigration*, edited by Carol M. Swain. (Cambridge University Press) 2007, pp. 142.

^{xiii} *Ibid.*

- ^{xiv} Hanson, Gordon H. "Immigration and Economic Growth." *Cato Journal*, (Cato Institute) Vol. 32, No. 1, Winter 2012, pp. 28.
- ^{xv} *Ibid.*
- ^{xvi} Hanson, Gordon H. "Immigration and Economic Growth." *Cato Journal*, (Cato Institute) Vol. 32, No. 1, Winter 2012, pp. 28.
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- ^{xix} Camarota, Steven A. "Immigrant Employment Gains and Native Losses, 2000-2004." *Debating Immigration*, edited by Carol M. Swain. (Cambridge University Press) 2007, pp. 143.
- ^{xx} Hanson, Gordon H. "Immigration and Economic Growth." *Cato Journal*, (Cato Institute) Vol. 32, No. 1, Winter 2012, pp. 28-29.
- ^{xxi} Hanson, Gordon H. "Immigration and Economic Growth." *Cato Journal*, (Cato Institute) Vol. 32, No. 1, Winter 2012, pp. 29.
- ^{xxii} *Ibid.*
- ^{xxiii} Friedberg, Rachel M. and Jennifer Hunt. "The Impact of Immigrants on Host Country Wages, Employment and Growth." *The Journal of Economic Perspectives*, (American Economic Association) Vol. 9, No. 2, Spring, 1995, pp. 28.
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- ^{xxvii} *Ibid.*
- ^{xxviii} *Ibid*, pp. 29.
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^{xxxiii} *Ibid*, pp. 3.

^{xxxiv} “The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments.” (Congressional Budget Office, Congress of the United States) December, 2007, pp. 1.

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^{xxxvi} Hanson, Gordon H. “Immigration and Economic Growth.” *Cato Journal*, (Cato Institute) Vol. 32, No. 1, Winter 2012, pp. 30.

^{xxxviii} *Ibid*.

^{xxxviii} “The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments.” (Congressional Budget Office, Congress of the United States) December, 2007, pp. 1.

^{xxxix} *Ibid*, pp. 3.

^{xl} Hanson, Gordon H. “Immigration and Economic Growth.” *Cato Journal*, (Cato Institute) Vol. 32, No. 1, Winter 2012, pp. 31.

^{xli} “The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments.” (Congressional Budget Office, Congress of the United States) December, 2007, pp. 3.

^{xlii} *Ibid*.

^{xliii} Brimelow, Peter. “Economics of Immigration and the Course of the Debate since 1994.” *Debating Immigration*, edited by Carol M. Swain. (Cambridge University Press) 2007, pp. 158.

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