The Twin Crises
Immigration and Infrastructure

Introduction

BY EDWIN S. RUBENSTEIN

This article highlights the role of immigration in depreciating and driving up the cost of maintaining, improving, and expanding infrastructure in the U.S. Fifteen different categories of public infrastructure are covered:

- airports
- bridges
- dams
- drinking water
- energy (national power grid)
- hazardous waste
- hospitals
- navigable waterways
- public parks and recreation
- public schools
- railroads
- border security
- solid waste
- mass transit
- water and sewer systems.

Infrastructure and immigration? That's an odd couple. Immigration policy has been debated for years, but the debate usually focuses on border security, amnesty, and whether illegal alien workers are really needed to do the jobs that Americans "won't do."

Immigration's impact on public infrastructure is rarely discussed.

Until the past few months, infrastructure policy was itself on the back burner, surfacing only when a bridge or levee collapsed, but generally of interest only to civil engineers and policy wonks.

How things change! Today, infrastructure spending is widely seen as a key lifeline for a sinking economy. The lion's share of President-elect Obama's stimulus package will fund road and mass transit projects, school construction, port expansions, and alternative energy projects.

Yes, our infrastructure is in trouble. The American Society of Civil Engineers' *2005 Report Card* assigned an overall grade of D to the 15 infrastructure categories.[1] Grades were selected on the basis of physical condition and capacity following a traditional grading scale (for example, if 77 percent of our roads are in good condition or better, the roads would be given a grade of C).

But if money were the problem, there would be no problem. Since 1982, capital spending on public infrastructure has increased by 2.1 percent per year above the inflation rate. Over this period, governments have spent $3.1 trillion (in today's dollars) to build transportation infrastructure, and another $3.8 trillion to maintain and operate it. Last year, we spent 50 percent more, after adjusting for inflation, on highway construction than we did a quarter of a century ago. Yet over this period, highway miles increased by only 6 percent, while U.S. population grew by 31 percent—half of it due to immigration.

The "demand" for highway infrastructure, as measured by population growth, grew six times faster than the "supply" of highway infrastructure.

Bottom line: Our infrastructure is "crumbling" because population growth has overwhelmed the ability of government to productively spend the vast sums it already devotes to infrastructure.

All types of infrastructure are under stress because of immigration.

Public schools are a prime example**.** Although immigrants account for about 13 percent of the U.S. population, they are 21 percent of the school-age population. In California, a whopping 47 percent of the school-age population consists of immigrants or the children of immigrants. Some Los Angeles schools are so crowded that they have lengthened the time between classes to give students time to make their way through crowded halls. Los Angeles' school construction program is so massive that the Army Corps of Engineers was called in to manage it.

This is a boom time for hospital construction. Sixty percent of hospitals are either building new facilities or planning to do so. But we have a two-tier hospital system in the U.S. Hospitals in poor areas—that serve primarily uninsured immigrants and Medicaid patients—cannot afford to upgrade their facilities. The uncompensated costs are killing them. In California, 60 emergency departments (EDs) have closed to avoid the uncompensated costs of their largely illegal alien caseloads.

About the Author

EDWIN S. RUBENSTEIN, *president of ESR Research, economic consultants, has 25 years of experience as a business researcher, financial analyst, and economics journalist. Mr. Rubenstein joined the Hudson Institute, a public policy think tank headquartered in Indianapolis, and served as director of research from 1997–2002. While at Hudson he wrote proposals and conducted research on a wide array of topics, including workforce development, the impact of AIDS on South Africa's labor force, Boston's "Big Dig," the economic impact of transportation infrastructure, and the future of the private water industry in the United States.*

As a journalist, Mr. Rubenstein was a contributing editor at Forbes *Magazine and economics editor at* National Review, *where his "Right Data" column was featured for more than a decade. His televised appearances include Firing Line, Bill Moyers, McNeil-Lehrer, CNBC, and Debates-Debates. He is the author of two books:* From the Empire State to the Vampire State: New York in a Downward Transition *(with Herbert London) and* The Right Data.

Mr. Rubenstein also served as an adjunct fellow at the Manhattan Institute, where he was principal investigator in the institute's ongoing analysis of New York state's budget and tax structure. He published a newsletter devoted to economic statistics and contributed regularly to The City Journal, *the Manhattan Institute's quarterly publication.*

From 1980 to 1986 he was senior economist at W.R. Grace & Co., where he directed studies of government waste and inefficiency for the Grace Commission.

From 1978 to 1980 he was a municipal bond analyst for Moody's Investors Service, where he was also editor of the Bond Survey, *a weekly review of the municipal bond market. He served as senior quantitative analyst for the Office of the Mayor of New York City from 1973 to 1978. His writings have appeared in the* Wall Street Journal, *the* New York Times, Harvard Business Review, Investor's Business Daily, *and* Newsday. *He is a regular contributor to the* Social Contract *and* VDARE.com.

Mr. Rubenstein has a B.A. in economics from Johns Hopkins University, and an M.A. in public finance from Columbia University.

Immigrants may not use any more water than other people. But they disproportionately settle in parts of the country where water is in short supply—and their sheer numbers have overwhelmed conservation efforts. Cities like San Antonio, El Paso, and Phoenix could run out of water in 10 to 20 years. San Diego's water company has resorted to a once-unthinkable option: *recycling toilet water for drinking*.

In August 2008 the Census Bureau projected that U.S. population will be 433 million in 2050—an increase by 135 million, or 44 percent, from current levels. Eighty-two percent of the increase will be from new immigrants and their U.S.-born children.... The brutal reality is that no conceivable infrastructure program can keep pace with that kind of population growth.

National parks along the southern border are scarred by thousands of unauthorized roads and paths used by illegal aliens crossing into the U.S. Their fires, trash, and vandalism have despoiled thousands of acres of pristine parkland.

The traditional response to these problems was to throw more federal, state, and local tax money into infrastructure. When public support falters, infrastructure users are usually hit with higher tolls, higher transit fares, higher water bills, and other usage-related fees. As a last resort, many governments sell or lease entire highways, water systems, parks, and other infrastructure systems to private companies.

There is no end to the financial chicanery that infrastructure junkies will employ to support their habit. Wall Street veteran Felix Rohatyn recently proposed this "novel solution" to the problem[2]:

> Although private investors have successfully built new roads in places such as Poland and Spain, they have not done so extensively in the U.S. But a National Infrastructure Bank could redirect private efforts away from refinancing old facilities—as in the case of Chicago's Skyway—to building new ones.
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> According to our plan, most of the funds the federal government now spends on existing programs (along with many of those program's experts and facilities) would be transferred to the bank, which could not only finance the projects but also resell the loans it makes to investors in capital markets, much as other assets are rebundled for investors. The receipts from these sales would allow a new round of lending, giving the bank an impact far in excess of its initial capitalization.

That is no solution; it is a recipe for another debacle *a la* sub-prime mortgages.

The prognosis is not good. In August 2008 the Census Bureau projected that U.S. population will be 433 million in 2050—an increase of 135 million, or 44 percent, from current levels. Eighty-two percent of the increase will be from new immigrants and their U.S.-born children.

The brutal reality is that no conceivable infrastructure program can keep pace with that kind of population growth. The traditional "supply-side" response to America's infrastructure shortage—build, build, build—is dead, dead, dead. Demand reduction is the only viable way to close the gap between the supply and demand of public infrastructure.

Immigration reduction must play a role. ■

Endnotes

1. American Society of Civil Engineers. *2005 Report Card. ASCE News*, Vol. 30, No. 3, March 2005.
2. Felix Rohatyn and Everett Ehrlich, "A New Bank to Save Our Infrastructure," *New York Review of Books*, October 9, 2008. http://www.nybooks.com/articles/21873.