The Economic Impact of the 1965 Immigration Act

BY EDWIN S. RUBENSTEIN

> After World War I, laws were passed severely limiting immigration. Only a trickle of immigrants has been admitted since then…. By keeping supply down, immigration policy tends to keep wages high. Let us underline this basic principle: Limitation in the supply of any grade of labor relative to all other productive factors can be expected to raise its wage rate; an increase in supply will, other things being equal, tend to depress wage rates.
> —Paul Samuelson, *Economics* [1964]

What happens when immigration increases the supply of workers in a particular labor market? In his iconic textbook, Paul Samuelson—the first American to win a Nobel Prize in economics—gave the common sense answer implied by the standard model of the labor market. Samuelson wrote these words right before enactment of the 1965 amendments to the Immigration and Nationality Act, the law that initiated the resurgence of mass immigration. The impending change may well have prompted him to make the point that immigration restrictions tended to "keep wages high." His book also stressed the other implication: as immigration increases the supply of a particular type of labor (such as low-educated, unskilled workers) the wage paid to those workers falls.

***Edwin S. Rubenstein**, a regular contributor to* The Social Contract*, is president of ESR Research, economic consultants. As a journalist, Mr. Rubenstein was a contributing editor at* Forbes *and economics editor at* National Review*, where his "Right Data" column was featured for more than a decade. He is the author of* The Earned Income Tax Credit and Illegal Immigration: A Study in Fraud, Abuse, and Liberal Activism.

More generally, the 1965 Act has spawned winners and losers. Mass immigration lowered the wages of native-born workers, especially those with low skills who compete directly with the new entrants. It benefited native-born workers who do not compete with the foreign arrivals in the labor force. The latter group, comprising mainly of upper-income natives, pays less for the services that immigrants provide, such as painting the house and mowing the lawn. By hiring immigrants, these natives can devote more time to working in occupations that make better use of their skills—jobs for which they are paid handsomely.

The bottom line is that immigration exacerbates the gap between America's haves and have-nots. For much of our history immigration strengthened the nation's economy. Compared to Europe, the U.S. was well endowed with land and capital, but relatively short of people. By populating the frontier, increasing the size of the market economy, and adding valuable skills and expertise to the native workforce, successive waves of foreign workers enhanced the living standards of earlier immigrants as well as their U.S.-born children.

In economic terms, immigration was a win-win proposition—benefiting immigrants as well as natives. Our immigration policy reflected this: From the founding of the republic in 1789 until the 1920s there were no quantitative limits on immigration.

Eventually the frontier vanished and American cities became overcrowded. Our physical capacity to absorb new arrivals eroded. While America's industrial economy boomed, millions of the new jobs went to immigrants who poured into the country between 1890 and 1920. These men and women enriched our culture, but they also moved ahead of and displaced native workers—minority and non-minority alike. Immigration became a zero sum game: the economic gains accruing to immigrants were more than offset by losses suffered by natives.

In 1921, Congress responded with the first quantitative restrictions on immigration, limiting arrivals to 3 percent of the foreign-born population. In 1924 immigration was cut again, to 160,000 a year. By the late 1920s, it was down to 50,000 a year. During this decade native-born Americans found themselves sharing broadly similar lifestyles in a way not seen since before the Civil War.

Southern blacks were among the biggest beneficiaries. Many of them were sharecroppers paid subsistence wages by white landowners. During the decade 1910–1920, 453,000 southern blacks migrated north; during the 1920s, with their foreign competitors largely kept out of the country, it jumped to 749,000 blacks. Those who migrated to nonagricultural jobs in the Northeast, Midwest, and West Coast saw sharp increases in their income, often attaining middle-class status and stability.

Vernon Briggs writes in *Mass Immigration and the National Interest*,

> The significance of the black exodus lay not in its size (which was small compared to the parallel out-migration of rural whites), but rather in the fact that the departure of blacks from the South had finally begun. This trend would continue until the mid-1980s and 1990s when…the return of mass immigration to urban labor markets of the North and West since 1965 led to the retreat of many blacks back to the South.[1]

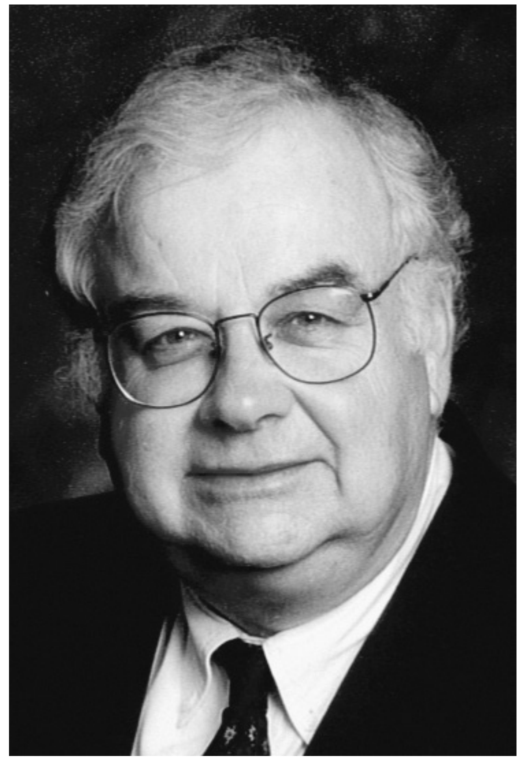
Would blacks have continued to migrate to the cities to fill well-paying factory jobs if immigrants had not moved in? We don't know. What is clear is that the large-scale movement of blacks out of the rural South—which began only after restrictive immigration legislation passed in the 1920s—was reversed in the 1980s for the first time in U.S. history:

> As Raymond Frost has found, "there is a competitive relationship between immigration and black migration out of the South… [W]hen the rate of immigration increases, black migration declines." For the first decade in the twentieth century, black migration out of the South was negative (-444,000 persons) during the 1980s…. The return migration continued at a record rate in the 1990s, with a net movement of 368,000 blacks back to the South between 1990 and 1995 over the number who moved out.[2]

There was no need for immigrants in the depression economy of the 1930s. Even when labor demand tightened in World War II, the nation met the challenge by developing the underdeveloped skills of underutilized native-born workers. During the war black Americans moved North in numbers rivaling those of the 1920s.

The post-war era saw a return to the 160,000 per year cap on legal immigration.

Immigration restrictions remained the law of the land for more than forty years. They ushered in a forty-year period during which ordinary workers got richer while the rich got relatively poorer. Americans found themselves sharing broadly similar lifestyles in a way not seen since before the Civil War. Economic historians Claudia Goldin and Robert Margo call this period of declining income disparities the "Great Compression." The decline in labor supply brought on by lower immigration was key to this happy turn of economic events.[3]



Labor Economist Vernon Briggs

Perhaps the "Great Compression" would have occurred even without the end of mass immigration over this span. The reality is that after immigration levels were cut, women, minorities, disabled persons, youth, and rural migrants entered occupations, industries, and parts of the country where they had not been significantly present before.

That era ended in 1965.

1965: RE-OPENING THE FLOOD GATES

One of the earliest and most extensive studies of the impact of post-1965 immigration on native workers is *The New Americans* (more commonly known as the National Academy of Sciences report), published in 1997 by the National Research Council.[4] Written by a panel of the National Academy of Sciences (NAS), the report surveyed the academic literature on immigration and native wages.

The NAS panel found that immigration had a small effect on the wages of native workers. Authors cited evidence that immigration reduced the wages of competing natives by only 1 to 2 percent. Impacts were also weak for native African-American workers, a group often assumed to be in direct competition with foreign-born workers. Earlier immigrant cohorts were more significantly impacted: they could expect a 2 to 4 percent wage loss for every 10 percent increase in the number of immigrant workers.

Economists were surprised. The NAS study found few of the wage effects many had expected. For example, a study comparing wages and unemployment rates of black workers in Miami, Atlanta, and Tampa found no significant differences among the cities, even though the 1980 Mariel boatlift from Cuba increased the Miami labor force by 7 percent in just four months.[5] Researchers began to question the underlying methodology of the research reviewed by the NAS.

Those early immigration studies typically compared the trend in native wages among cities with high and low rates of immigration. They begin with the assumption that if immigrants depress wages or displace workers, cities where the immigrant labor force is increasing rapidly will see lower wage growth and higher unemployment rates, especially among similar native-born workers.

The assumption common to all such studies—that these places were "closed economies" in which newly arrived immigrants increased the local labor supply and lowered the wages of competing natives—just did not hold up. The data showed that instead of staying in "immigrant cities," U.S.-born workers who are displaced by immigrants move to other cities, where they generally make less. Demographer William Frey called such internal migration in response to immigration "the new white flight."

Employers also adjust to immigration. The sudden influx of cheap Cuban workers to Miami, for example, enabled local companies to invest less on labor-saving equipment such as computers. This lowered their costs and raised their profits, but it also lowered the productivity—and wages—of native workers who, in the absence of the Marielitos, would have benefited from a more computerized work environment.

Similarly, native workers who, but for immigration, might have bettered their lot by moving to immigrant gateways, stay put as the new arrivals reduce the potential benefit of such a move. Harvard economist George Borjas estimates that for every ten new immigrants in a metropolitan area favored by immigrants, three to six fewer natives will choose to live there.[6]

"The flow of jobs and workers tends to equalize economic conditions across cities," writes Harvard Professor George Borjas in analyzing the impact of immigration on natives, adding that "In the end, all laborers, regardless of where they live, are worse off because there are now many more of them."[7]

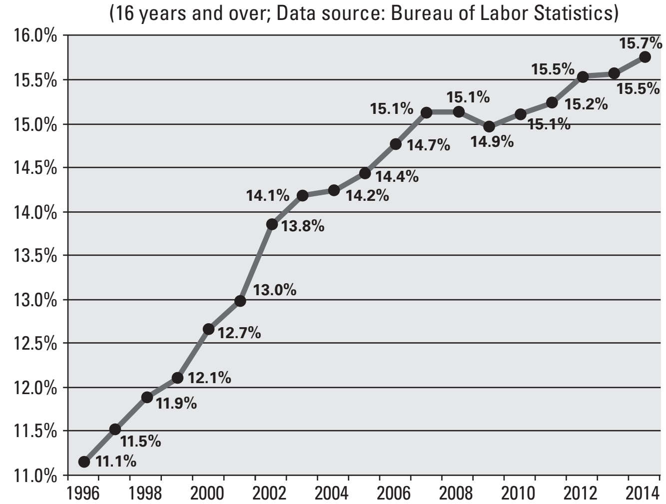
Bottom line: because local labor markets adjust to immigration, the impact of immigration on native wages is measurable only at the state or national level.

IMMIGRATION AT THE NATIONAL LEVEL

Immigrants today are a far larger share of the U.S. population and labor force than when the NAS studies were surveyed. In 1960, there were 9.7 million foreign-born in the United States, representing 5.4 percent of the total resident population. In 2013 (the latest available population data) there were an estimated 41.3 million immigrants living in the country, representing 13.1percent of the total U.S. population.

The role of immigrants in the U.S. economy is greater than their overall population share would suggest. First of all, they account for a larger share of the working-age population—15.5 percent in 2013—than of the total population. The Labor Department has collected data on the nativity of residents of working age (16 years and older) since 1996. Since then the foreign-born share has risen by more than 40 percent:

Foreign-born share of U.S. Working Age Population, 1996 to 2014
(16 years and over; Data source: Bureau of Labor Statistics)



From 1996 to 2008 the immigrant share of the working-age population rose unceasingly. Then came the Great Recession, and with it the exodus of many foreign-born—legal and illegal alike—to their home country. In 2009 the immigrant share fell ever so slightly, to 15.1 percent from 14.9 percent the prior year. The recovery brought them back, so that in 2014 15.7 percent of all working-age persons in the country were born abroad. This is surely a record high for the post-1965 period.

Working-age immigrants are also more likely to participate in the labor force than native-born persons in the same age bracket. The Labor Force Participation Rate (LPR) measures the percent of working-age people in a particular group who are in the labor force, i.e., either working or looking for work.

A group's LPR is a sign of its economic confidence. When employment opportunities are perceived as being more abundant, and persons are more confident in their job search, LPR will rise. When job opportunities are seen as scarce, or competitors—foreign immigrants, for example—are perceived as having unfair advantages in the job market, individuals will not even bother looking for jobs, and drop out of the labor force entirely. LPR will fall.

The LPR for immigrants in 2014 was 66.0 percent, compared with 62.3 percent for the native-born. The participation rate for the foreign-born was little different from the prior year, while that of native-born continued to trend down. For men the differences are considerably larger: the LPR of foreign-born men was 78.7 percent in 2014, more than 10 percentage points higher than the rate of 67.4 percent for native-born men.

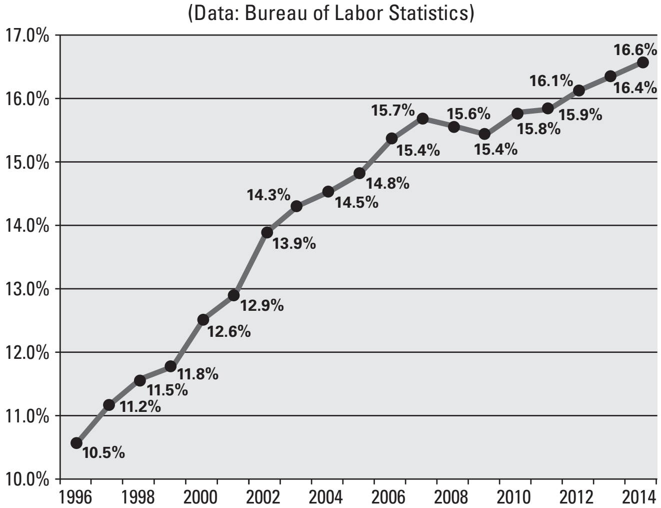
The gap between the native-born and immigrant LPRs has risen over time. This, along with the rapid growth of immigrant working-age population, has pushed the immigrant labor force up far faster than the native labor force. Here are the labor force growth index numbers, starting at 100.0 in 1996, for both groups:

Since 1996 the foreign-born labor force has grown by 78 percent, its index rising from 100.0 in 1986 to 178.0 in 2014. Over the same period the U.S.-born labor force grew by 8.8 percent, its index reaching 108.8 in 2014.

Although the U.S.-born labor force in 2014 was more than five times larger than the foreign-born labor force, immigrants accounted for more than half of labor force growth since 1996. Over the 1996 to 2014 period the foreign-born labor force grew by 11.3 million, while the native-born labor force rose by 10.5 million.

The displacement of native-born workers by immigrants can best be gauged by the foreign-born share of total U.S. employment:

Foreign-born share of total U.S. Employment, 1996 to 2014
(Data: Bureau of Labor Statistics)



In 1996, immigrants held 13.4 million jobs, 10.6 of total employment. In 2014, 24.3 million immigrants, representing a record 16.6 percent of total employment. The relevant immigrant share for uneducated workers is significantly higher:

EMPLOYMENT BY EDUCATION AND NATIVITY — 2014 — (Numbers in thousands)

Educational attainment	Foreign-born Employment	Total Employment Number	Total Employment % Foreign-born
Less than a HS diploma	5,321	9,852	54.0%
HS graduate, no college	5,547	33,865	16.4%
Some college	3,932	35,299	11.1%
BA and higher	7,838	48,848	16.0%
TOTAL (a)	24,282	146,305	16.6%

a. 16-years and older. Data source: Bureau of Labor Statistics, May 2015.

Immigrant workers account for more than half—54 percent—of workers who dropped out of high school before earning a degree. That is more than three-times the foreign-born share of all employed workers. The ratios are more than of academic interest, for they imply that native-born high school dropouts will suffer commensurately high wage losses due to immigration.

WAGES LOST FROM IMMIGRATION

Harvard economist George Borjas has quantified the native wage loss arising from post-1965 immigration. Among his research findings:

- Immigrants arriving between 1980 and 2000 reduced the average annual earnings of native-born men by about $1,700, or roughly 4 percent.
- Among high school dropouts, who roughly correspond to the poorest tenth of the workforce, the impact was even larger—a 7.4 percent wage reduction.
- Wage losses of native-born blacks and Hispanics are significantly larger than whites because a much larger share of those minorities directly compete with immigrants.
- Native-born college graduates are not immune; their income is 3.6 percent lower due to the two decades worth of competing immigrants.

In general, native incomes fall as the foreign-born share of the employment rises. Professor Borjas' rule of thumb: a 10 percent rise in immigrant workers in a particular skill group reduces the wage of native-born workers in that group by 3.5 percent.[8]

In 2014, 16.6 percent of U.S. employment was foreign-born. Using Borjas's rule of thumb, this implies the average native worker suffered a wage loss equal to 3.5 percent x (16.6 percent/10.0 percent)—or 5.8 percent—due to immigration. That is, his wages would be 5.8 percent higher were it not for the presence of competing foreign workers.

This translates to an average wage loss of $2,470 per full-time native worker in 2014—money that vanished to native workers due to the presence of foreign-born competitors in the workforce.

THE BOTTOM LINE

Professor Samuelson was right: in a competitive labor market immigrant workers lower the wages of native workers. No surprise there: If his *Economics* textbook taught us anything, it is that an increase in supply of any commodity will reduce its price.

But while immigrants lower wages, they also buy goods and services, creating more jobs. The tug of war between lower wages and higher economic growth is key to understanding immigration's impact on native workers.

The consensus among economists is that immigration's major impact is distributional: it lowers the wages of native-born workers and raises the income of their employers and other upper-income natives who derive a disproportionate share of income from capital gains, stock options, and other unearned income derived from higher profits.

The difference between what the winners win and the losers lose is called the immigration surplus. It measures the net income gain accruing to native-born Americans as a result of immigration. In 2013 Harvard economist George Borjas estimated the immigration surplus to be about $35 billion—a mere 0.24 percent of GDP.[9]

This modest surplus is the difference between an enormous $437 billion gain accruing to employers and a slightly less enormous $402 billion wage loss suffered by native-born workers.

Three factors influence the immigration surplus calculation:

- Labor's share of GDP, which for decades has been around 70 percent in the U.S.

- The immigrant share of employment, which Borjas puts at 15 percent. (As seen above, our analysis of the U.S. labor market finds it to be at a record 16.6 percent)

- The "wage elasticity," the percent reduction in native wages resulting from a 10 percent increase in the immigrant labor force. Following Borjas we assume a wage elasticity of negative 3.5, implying that each 10 percent increase in foreign-born workers lowers native wages by 3.5 percent.

The negative wage elasticity implies that immigrant and native-born workers of similar education and skill levels are substitutes for each other, so that an increase in the supply of one group reduces the demand for, and wages of, the other. To most rational individuals this is a self-evident truth.

A negative wage elasticity is key to the immigration surplus:

> The formula for the immigration surplus contains another important insight: The gains from immigration are intimately linked to the wage loss suffered by workers. Ironically, the United States gains more from immigration the greater the drop in the wage of workers who compete with immigrant labor. This implication is analogous to the result from international trade theory that cheap foreign imports, typically seen as having harmful and disruptive effects on workers in the affected industries, often benefit the importing country.[10]

No pain. No gain. No problem? Except that the pain from immigration resides primarily with native-born workers, while the gain rests mainly with their employers. At the end of the day, the 1965 Immigration Act may be the most regressive public policy ever enacted by the federal government.

The negative wage elasticity is key to the immigration surplus:

Refinements in economic methodology have uncovered far larger negative effects than those reported in the studies reviewed by the NAS. More importantly, the quality of foreign-born labor, as measured by education and skills, has deteriorated relative to native-born labor during that period of time.

IMMIGRATION AND WAGES

Immigrants account for a disproportionate share of U.S. labor force growth. Immigrants accounted for nearly 50 percent of the total labor force increase between 1996 and 2000, and as much as 60 percent of the increase between 2000 and 2004. Assuming net immigration of about 1 million per year, new immigrants and their children will account for all of the growth in the U.S. labor force between 2010 and 2030. http://www.prb.org/pdf06/61.4USMigration.pdf

Perhaps the most compelling reason for a moratorium on immigration is to protect native workers who are most vulnerable to the job and wage competition of new entrants. How significant this issue is, of course, depends on the size of the unskilled labor force. There are over 90 million adults (that is, those persons age 25 and over in the population) in the U.S. who have only a high-school diploma or fewer years of educational attainment (or about half of the total adult population).

Of these, over 50 million were in the civilian labor force in 2008. [Vernon Briggs, http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1259&context=articles]

This large low-skilled segment of the adult labor force consistently has the highest unemployment rates of all adult educational attainment categories. Under these circumstances, an immigration policy that permits massive numbers of unskilled workers to enter the country legally and illegally and to seek work is a major threat to the economic well-being of this large segment of the labor force. [Vernon Briggs, http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1259&context=articles]

Similarly, the labor market experiences of youths who also are highly concentrated in the low-skilled labor market are typically even far worse.

Harvard economist George Borjas has quantified the problem. His analysis suggests that native wages fall.

A result was a smattering of dots that on casual inspection might have resembled a work of abstract art. But looking closer, the dots had a direction: they pointed downward. Using a computer, Borjas measured the slope: it suggested that wages fell by 3 to 4 percent for each 10 percent increase in the share of immigrants.

The Harvard professor calculates that immigrants arriving in the 80s and 90s caused dropouts to suffer a 5 percent decline in income relative to college graduates. In a paper published in 2003, "The Labor Demand Curve *Is* Downward Sloping," Borjas termed the results "negative and significant." http://www.nytimes.com/2006/07/09/magazine/09IMM.html?pagewanted=all

But what about the absolute effect? Had businesses not hired new immigrants—as would be the case under a moratorium—Borjas's finding translates to a hefty 9 percent wage loss for the unskilled over those two decades, and lesser declines for other groups (which also received some immigrants). As we know, however, as the population grows, demand rises and businesses do hire more workers. When Borjas adjusted for this hiring, high-school dropouts were still left with a wage loss of 5 percent over those two decades, some $1,200 a year. Other groups, however, showed a very slight gain. To many economists, as well as lay folk, Borjas's findings confirmed what we were taught in Economics 101: when supply goes up, prices go down. http://www.nytimes.com/2006/07/09/magazine/09IMM.html?pagewanted=all

For much of our history immigration strengthened the nation's economy. Compared to Europe, the U.S. was well endowed with land and capital, but relatively short of people. By populating the frontier, increasing the size of the market economy, and adding valuable skills and expertise to the native workforce, successive waves of foreign workers enhanced the living standards of earlier immigrants as well as their U.S.-born children.

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Eventually the frontier vanished and American cities became overcrowded. Our physical capacity to absorb new arrivals eroded. While America's industrial economy boomed, millions of the new jobs went to immigrants who poured into the country between 1890 and 1920. These men and women enriched our culture, but they also moved ahead of and displaced native workers—minority and non-minority alike.

Immigration became a zero sum game: the economic gains accruing to immigrants were more than offset by losses suffered by natives.

In 1921 Congress responded with the first quantitative restrictions on immigration, limiting arrivals to 3 percent of the foreign-born population. In 1924 immigration was cut again, to 160,000 a year. By the late 1920s, it was down to 50,000 a year.

During World War II it was halted, with only displaced persons allowed into the country. The post-war era saw a return to the 156,700 per year cap on legal immigration.

There was no need for immigrants in the depression economy of the 1930s, and even when labor demand tightened in the 1940s, the nation met the challenge by swiftly developing the previously unutilized and underdeveloped skills of the domestic swiftly to population. Black Americans in particular needed a chance to enter the workforce and develop their latent abilities.

Likewise, it was in the national interest that the nation's lengthy dependency on generally uneducated and unskilled immigrant labor comes to an end. For on the horizon loomed the post-industrial economy, where labor's quality mattered more than its quantity.

WAGES UNDER A MORATORIUM

If Samuelson's *Economics* textbook taught us anything, it is that an increase in the supply of labor will reduce the price (wage) of labor.

Despite what economic theory claims, there is much uncertainty as to the size—and even the direction—of immigration's impact on native incomes. The estimated impact of immigration on the wage of native workers fluctuates widely from study to study, but seems to be disturbingly small.

> The literature that has emerged since the National Academy Report points to several notable changes. First, the general consen-

> sus that existed ten years ago on the comparatively limited impact of immigration on natives' wages and employment, particularly on the most vulnerable of those workers, appears to have fractured. The assertion that immigrants do not significantly affect natives' wages is now more broadly contested… http://www.migrationpolicy.org/ITFIAF/TF18_Murray.pdf

What has changed? Let us count the ways.

ADJUSTMENT FOR EDUCATION AND SKILLS

Immigrants affect some U.S.-born workers more than others. Early research on immigration's wage effects focused on the "average" native while ignoring parts of the labor force facing above average competition from immigrants.

The best single predictor of income in the U.S. is years of education. Foreign workers are overrepresented at both the bottom and top of the educational spectrum. Some 32 percent of recently arrived foreign-born workers in 2005, for example, had not finished high school, while just 12 percent of U.S.-born adults had not finished high school. At the other extreme, about 33 percent of recently arrived foreign-born had at least a college degree, much higher than the college-educated share of U.S.-born. http://www.prb.org/pdf06/61.4usmigration.pdf

As detailed below, research by George Borjas finds that immigrants arriving in the 1980s and 1990s lowered wages of the average native worker by 3.7 percent. Native high school dropouts lost twice that much—about 7.4 percent of their wage—to competing immigrants. By contrast, the wages of natives who graduated high school or had some college fell by around 2 percent. http://www.cis.org/articles/2004/back504.html

GEOGRAPHIC DISPLACEMENT

Early studies of immigration's impact on native wages typically compared cities with higher and lower shares of immigrant workers. They begin with the assumption that if immigrants depress wages or displace workers, cities with a higher share of immigrants will have depressed wages or higher unemployment rates, especially among similar native-born workers. Econometric studies typically compare wage and unemployment rates for blacks, Hispanics, and women in cities with different percentages of immigrants, such as Los Angeles and Minneapolis. If immigrants depressed wages or increased unemployment, wages should be lower and unemployment higher in Los Angeles.

To the surprise of most economists, city comparisons found few of the expected effects. For example, a study comparing wages and unemployment rates of black workers in Miami, Atlanta, and Tampa found no significant differences, even though the 1980 Mariel boatlift from Cuba increased the Miami labor force by 7 percent in just four months. [David Card, "The Impact of the Mariel Boatlift on the Miami Labor Market," *Industrial and Labor Relations Review*, 1990.]

Reasons why adverse effects were not found include more jobs to build housing for the newcomers, the different occupations favored by the Cuban newcomers and local blacks (few Cubans got government jobs), and the out-migration of native workers—Miami's population growth slowed in the early 1980s relative to the rest of Florida.

Such findings led economist George Borjas to summarize the 1980s research literature by saying "modern econometrics cannot detect a single shred of evidence that immigrants have a sizable adverse impact on the earnings and employment opportunities of natives in the United States." [George J. Borjas, *Friends or Strangers: The Impact of Immigrants on the U.S. Economy* (New York: Basic Books, 1990): 81].

During the 1990s, however, researchers began to question the underlying methodology of studies which focused on individual cities or regions. An assumption common to all such studies—that these places were "closed economies" in which newly arrived immigrants increased the local labor supply and lowered the wages of competing natives—just did not hold up.

Researchers began to see a great deal of connectivity among local labor markets. They found that instead of staying in "immigrant cities," U.S.-born workers who are displaced by immigrants move to other cities, where they generally make less. Demographer William Frey called such internal migration in response to immigration "the new white flight."

Companies also move to take advantage of the low-wage immigrant labor pool. By doing so they cushion the adverse impact of immigration on native workers in cities favored by immigrants while exacerbating wage declines in their former location.

Similarly, native workers who, but for immigration, might have bettered their lot by moving to immigrant gateways, stay put as the new arrivals reduce the potential benefit of such a move. Borjas estimates that for every ten new immigrants in a metropolitan area favored by immigrants, three to six fewer natives will choose to live there. http://www.migrationpolicy.org/ITFIAF/TF18_Murray.pdf

"The flow of jobs and workers tends to equalize economic conditions across cities." writes Borjas in analyzing the impact of immigration on natives, adding, "In the end, all laborers, regardless of where they live, are worse off because there are now many more of them." [Increasing the Supply of Labor Through Immigration: Measuring the Impact on Native-born Workers, CIS Backgrounder, May 2004]

Bottom line: because local labor markets adjust to immigration, the impact of immigration on native wages is measurable only at the state or national level.

LABOR MARKET DISPLACEMENT

Many natives are too old or too poor to relocate in response to immigration. The former group may be forced to apply for Social Security earlier than planned. Although their benefit payments will usually replace only a fraction of their former incomes, this will not be reflected in wage statistics for their city or metro area.

Similarly, younger natives often drop out of the labor force when displaced by immigrants. One study found that a 10 percent rise in the immigrant share of a city's labor force reduced labor force participation rates of native-born dropouts by 2.7 percent in immigrant-dense cities, and by only 0.3 percent in other cities. [Robert Cherry, "Immigration and Race: What We Think We Know," *The Review of Black Political Economy*, Summer-Fall 2003.]

Workers who drop out of the labor force cannot collect welfare or unemployment insurance. By definition, their "wage" is zero. Yet because they are not working this is not reflected in Bureau of Labor Statistics wage data for the city or metro area in which they live. Early research missed this hidden negative wage impact of immigration: "While acknowledging that immigrants who arrived in 175 cities between 1985 and 1990 did little to depress wages, Card found that they lowered both native employment rates and those of earlier immigrant cohorts." http://www.migrationpolicy.org/ITFIAF/TF18_Murray.pdf

Clearly, the impact of immigration on natives is understated in official government statistics.

INCREASED NUMBERS, REDUCED QUALITY

In 2009 there were 24 million immigrants in the U.S. labor force, up from 15.4 million in 1997, the year *The New Americans* was published. Nearly one-half of immigrants working in the U.S. today arrived after 1994, when the economic research summarized in that volume was completed.

No one could have anticipated the subsequent growth in the foreign-born employment. Consider this: During the decade of the 1990s, when research for *The New Americans* was in full gear, foreign workers accounted for 47 percent of U.S. civilian labor force growth. This represented the largest influx of foreign workers ever to enter the U.S. in a given decade—substantially exceeding the number who came here during the Great Wave of 1890 to 1910. [Andrew Sum, et al., "Foreign Immigration and the Labor Force of the U.S.," [PDF] Center for Labor Market Studies, Northeastern University, July 2004.]

But records are made to be broken, and nowhere more so than in immigration. From 2000 to 2009 foreign workers accounted for virtually all of the rise of U.S. employment:

NATIVE VS. FOREIGN-BORN EMPLOYMENT, 2000-2009 (levels in millions)

			Increase, 2000-09	
	2000	2009	Number	%
Total	135.208	139.877	4.669	3.5%
U.S. Born	118.254	118.269	0.015	0.013%
Foreign Born	16.954	21.608	4.654	27.5%
Source: BLS.				

Thanks to the worst recession since World War II, total employment in 2009 was a mere 3.5 percent above the level of 2000. Yet the number of foreign-born employees rose by 4.654 million, or by a whopping 27.5 percent. Natives bore the brunt of hard times, eking out a minuscule 0.013 percent job gain.

More important than their numbers is the diminished skills of foreign-born workers. In 1960, the average male immigrant living in the United States actually earned about 4 percent more than the average native male. By 1998, the average immigrant earned about 23 percent less. Similarly, immigrants arriving in the country in 1960 were better educated than natives; by 1998 the newest immigrants had almost two fewer years of education. [George Borjas, "The Top Ten Symptoms of Immigration," Center for Immigration Studies, November 1999.]

Today (2009) the average immigrant male earns 20.2 percent less than the average native male. For Mexican and Central American immigrants the income shortfall was more than double that: 44 percent. Their income gap persists even when adjusted for educational attainment. For example, among men with a high school diploma or GED, those born in Mexico and Central America earned 22 percent less than natives (an average of $650 per week as compared with $840.) [CBO, "The Role of Immigrants in the U.S. Labor Market: An Update," July 2010. Table 10. http://www.cbo.gov/ftpdocs/116xx/doc11691/07-23-Immigrants_in_Labor_Force.pdf]

The average immigrant worker has 1.5 fewer years of education than the average native. Those born in Mexico or Central America have completed, on average, only 9.7 years of education—4.4 fewer years than the average native worker. http://www.cbo.gov/ftpdocs/116xx/doc11691/07-23-Immigrants_in_Labor_Force.pdf

Furthermore, only a small fraction of immigrant workers are likely to have received any elementary or secondary education in the U.S., because only 22 percent came here at age 15 or younger.

Most foreign workers arriving here in the 1950s, 1960s, and 1970s were Europeans or well-educated Asians. Their "human capital"—i.e., education and skills—enhanced the productivity of natives working alongside of them. Labor market studies focusing on those years found, not surprisingly, that immigration helped expand the U.S. economy and raise average earnings. New immigrants flourished: they started out with lower incomes than natives, but caught up and even surpassed them after a few decades in the country.

In retrospect, those upbeat conclusions reflected a unique set of circumstances that no longer exist. Subsequent cohorts of immigrants arrived with less education. Mexican immigrants (legal and illegal) start their American journeys with much lower earnings than did immigrants in the 1950s and 1960s. Many lack high school diplomas; they do not catch up with natives. Their increased presence in the workforce exacerbates the economic gulf between haves and have-nots in the U.S.

BUT, BUT: DOESN'T HIGHER LABOR FORCE GROWTH=HIGHER GDP GROWTH?

A typical pro-immigration screed runs like this:

> Relatively faster growth in the U.S. population will translate into relatively faster economic growth… This is not optimism, but simple arithmetic. Japan and many European countries face long-term stagnation or even decline in their real GDPs—and hence the aggregate economic and fiscal resources available to pursue future-oriented agendas, from investing in the young to investing in national defense. [—Richard Jackson, Director of the Global Ageing initiative, Center for Strategic and International Studies.] http://csis.org/files/media/csis/pubs/061018_jackson_commentary.pdf

Get it? More immigration means more workers, which means higher GDP—which means we need more immigration.

Reality check: GDP does indeed rise when new immigrants enter the labor force. But the average standard of living falls.

Living standards are best measured by per capita, not total, GDP. Per capita income falls when new immigrants are less educated, productive, motivated, and earn less than natives or earlier immigrant groups. This is the case in the U.S., as seen by average annual incomes:

- Native-born workers: $45,400
- All immigrants: $37,000
- Mexican immigrants: $22,300

Economists focus on Mexicans not because many are illegal aliens, but because they are entering in larger numbers than any other immigrant group and, relative to the rest of the labor force, they have far fewer skills. More than 60 percent of Mexican immigrants are dropouts; fewer than 10 percent of today's native workers are. As a result, their average incomes are vastly lower than those of native-born men and of other immigrants. http://www.nytimes.com/2006/07/09/magazine/09IMM.html?pagewanted=all

The major beneficiaries of immigration are the immigrants themselves—who earn far more here than in their home country—followed by their U.S. employers, whose profits rise. Among native-born Americans, only the skilled and affluent benefit from the presence of unskilled immigrants, as when professionals hire migrants to do household work or pay slightly less in restaurants where immigrants hold down wages.

Most Americans do not own their own business. Most of us are not affluent. Most of us are close to the average worker. As such, we lose ground to competing low-wage immigrants.

WAGE LOSS IN HIGH IMMIGRATION STATES

The foreign-born labor force is disproportionately located in certain states, and in those states its impact on native wages is well above the U.S. average. In 2009, 6 million of the 24 million foreign-born members of the labor force lived in California alone, and another 9 million lived in just five additional states—New York, Florida, Texas, New Jersey, and Illinois.

A third of the labor force in California is foreign-born, as is over a fifth of the labor force in the five other states. By comparison, in the remaining 44 states immigrants make up less than 10 percent of the labor force.

Using Borjas' rule of thumb, native workers in states with the 10 greatest concentrations of foreign-born workers have suffered income declines.

California, with the largest foreign-born labor force share, suffered the largest percent wage reduction from immigration. U.S.-born Californians lost $6,162, or 12.0 percent of the average annual wage, due to competition from foreign-born workers in 2008. New Yorkers were second, losing $5,674 or 9.4 percent of their average wage to competing immigrants.

Natives in both states lost more than twice what the average U.S. native is estimated to have lost from immigration in 2008.

A surprising fourth place goes to Nevada, whose native-born workers are out $3,642, or 8.5 percent, due to the presence of immigrants in the state labor force.

Native-born Arizonans lose $2,695, or 6.3 percent of their average annual wage, due to the presence of immigrant workers. U.S.-born workers in Massachusetts lost an estimated $3,455 to competing immigrants. In percentage terms this a 6.1 percent loss.

ESTIMATED NATIVE WAGE LOSS FROM IMMIGRATION, 2008 (STATES WITH 10 LARGEST FOREIGN-BORN LABOR FORCE SHARES)

	Foreign-born share of the labor force (%)	Average Annual Native Wage, 2008 Amount (a)	Wage loss due to immigration (b)
California	34.2	$51,480	-$6,162
New York	26.9	60,268	-5,674
New Jersey	25.0	55,276	-4,837
Nevada	24.2	43,004	-3,642
Florida	23.3	40,560	-3,308
Hawaii	21.5	40,664	-3,060
Texas	20.5	45,916	-3,294
Arizona	18.1	42,536	-2,695
Illinois	17.6	48,724	-3,001
Massachusetts	17.4	56,732	-3,455
U.S.	15.7	45,552	-2,503

a. Average weekly wage times 52. b. Calculated as average annual native wage X (3.5 percent X (foreign-born labor force share divided by 10.0 percent)

Source: http://www.bls.gov/cew/ew08table5.pdf (Native weekly wage.)

The fiscal implications of such losses are enormous. State governments collect less income and sales tax revenues from native workers; they pay more cash and in-kind benefits to native workers, many of them pushed into poverty by the immigration-related wage loss.

Of course, foreign-born workers also pay state and local taxes. But because they are relatively poor and poorly educated, the value of government benefits they receive usually exceeds their tax contributions. This is especially true for young families with children who are educated at great expense in public schools.

The fiscal deficit imposed by foreign-born workers and their families—and its potential reduction under a moratorium—are discussed in a later section.

WAGE GAINS UNDER A MORATORIUM

Under current immigration policy we project the immigrant labor force will reach 23.4 percent of the total U.S. labor force in 2050, up from 16.2 percent in 2010. Under a 40-year moratorium it falls to 7.9 percent as many pre-2010 immigrants die and post-2010 immigration falls to zero.

What does this portend for wages? Using the Borjas rule of thumb we estimate that the average native-born worker will suffer an 8.2 percent wage reduction in 2050 if current immigration policy remains in place. A moratorium would cut the loss to 2.8 percent.

In today's dollars and income levels, the wage loss in 2050 comes to $3,892 under current immigration policy versus $1,310 under a moratorium.

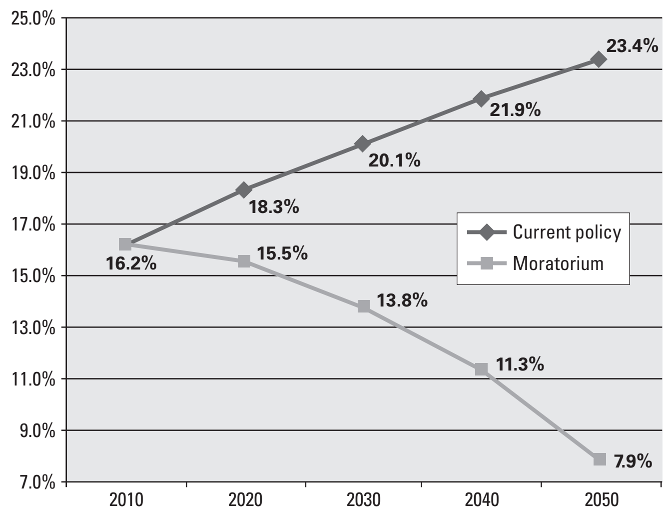
Bottom line: a 40-year moratorium will raise wages of the native-born American workers by an average of $2,582 (2010 dollars), or 5.4 percent, above the level that would have been reached under current immigration policy.

As things stand now, immigration will be the major driver of U.S. labor force growth to mid-century. However, the growth rate will vary among the states. Thus while the nation's foreign-born labor force will more than double between 2010 and 2050, California's will increase by only 20 percent as immigrants increasingly leave for greener pastures elsewhere. California will still have the largest immigrant labor force in 2050—8.0 million—but the state will rank seventh in the immigrant *share* of its labor force.

By mid-century Nevada, Georgia, and Maryland will have displaced California, New York, and New Jersey as the states with the largest foreign-born labor force shares. Only six states ranked in the top 10 in 2008 are projected to be in the top 10 in 2050: California, New Jersey, Nevada, Florida, Texas, and Massachusetts. The four new top 10 states are Georgia, Maryland, Virginia, and South Carolina.

With nearly 40 percent of their state's labor force projected to be foreign-born in 2050, U.S.-born Nevadans will suffer a 13.6 percent wage reduction from immigration. In current dollars that comes to $6,118. By contrast, a moratorium would pare that loss to $2,059, or 4.6 percent of wages in Nevada.

Foreign-born share of U.S. Labor Force, 2010 to 2050
(Data sources: Migration Policy Institute, Census Bureau, author's extrapolations)



Thus a 40-year moratorium would increase wages of native-born Nevadans by an average $4,059, or 9.0

percent, above the level projected under current immigration policy.

Similarly, a moratorium would boost wages by 8.0 percent in Georgia and Maryland, 8.8 percent in New Jersey, and about 7.0 percent in Virginia, Texas, California, Massachusetts, Florida, and South Carolina.

IMMIGRATION AND THE VANISHING MIDDLE CLASS

The middle class is in trouble. Census data show that from 1990 to 2000 the share of U.S. households in the middle-income brackets declined from 34 percent to 20 percent. Middle income is defined as between $35,000 and $67,000 in constant 2000 dollars.

Immigration is an important factor. New legal immigrants cluster in both the upper- and lower-income brackets, reflecting the influx of employer-sponsored workers with special skills at the top and family reunification, refugees, and asylum flows at the bottom. New illegal immigrants are disproportionately in low-income brackets. At the same time, relatively few immigrant families are in middle-income brackets.

While only 15 percent of the U.S. population is foreign-born, immigrants are the fastest growing component. Studies show that states and metropolitan areas with large and rapidly growing immigrant populations generally experience the largest declines in middle-class population shares.

When 2000 Census data for Washington, D.C. and the 27 states with foreign-born population shares higher than five percent are arranged in order of ascending middle-income shares, a trend becomes evident. The states with above-average foreign-born shares tend to have smaller middle-income shares of their population.

California and New York, for example, with the largest foreign-born population shares in 2000 (26.2 percent and 20.4 percent, respectively), had the smallest fraction of households in the middle-class (27.9 percent and 27.1 percent, respectivel). At the other extreme were Kansas and Idaho, where immigrants accounted for only 5.0 percent of 2000 population and middle class households accounted for 31.6 percent and 31.9 percent of all households, respectively. The trend is clear: states with above average foreign-born shares tend to have below-average middle-income shares. California, the state with the largest settlement of both legal and illegal immigrants, displays the greatest income inequality.

A declining middle-class share could, of course, be a sign of economic strength if households formerly in that bracket were pushed into upper-income brackets. If the number of low-income households were falling while high-income households were increasing, this would be a very welcome change—a sign of prosperity. Unfortunately, it didn't happen between 1990 and 2000.

Nationally, between 1990 and 2000 low-income households increased by 5.3 million. More than half of that increase occurred in California, Florida, Texas, New York, North Carolina, Georgia, and Arizona—states where most of the foreign-born population growth occurred in those years.

A moratorium will help sustain middle-class income and lifestyles by lowering competition from foreign-born workers. While all parts of the country will benefit, states where the foreign-born population share is rising most rapidly will be the biggest beneficiaries. We project the following 10 states will enjoy the largest reductions in foreign-born population shares under a forty-year moratorium:

FOREIGN-BORN POPULATION SHARES IN 2050: MORATORIUM VS. CURRENT POLICY
(ranked on % pt. reduction)

	Current policy	Moratorium	% pt. reduction
Nevada	45.8%	5.7%	-40.1%
Georgia	41.1%	4.7%	-36.4%
S. Carolina	31.0%	2.6%	-28.4%
Delaware	29.4%	4.5%	-24.9%
Maryland	24.6%	6.2%	-18.4%
Virginia	23.2%	4.9%	-18.3%
Texas	24.2%	6.3%	-18.0%
Arizona	20.9%	4.0%	-16.9%
N. Carolina	19.9%	3.0%	-16.8%
Colorado	20.8%	5.2%	-15.6%
U.S.	18.6%	6.3%	-12.3%

If recent population trends and immigration policies continue, 45.8 percent of Nevada's population will be foreign-born in 2050—the largest immigrant share of any state. Had an immigration moratorium been in effect over the 2010 to 2050 period, we estimate the state's foreign-born population share will dwindle to only 5.7 percent in 2050. Bottom line: Nevada's immigrant population share falls a whopping 40.1 percent points under a moratorium. No other state comes close.

For the U.S. as a whole, a moratorium will lower the foreign-born share by 12.3 percentage points in 2050.

Notice that California, Florida, and New York are not among the top ten. Their foreign-born population shares would have declined under current policy as new arrivals increasingly locate to other parts of the country and existing immigrants move elsewhere. While a moratorium will improve the condition of middle-income native households in those states, its impact is muted because immigrants are already moving to greener pastures.

Restrictive immigration policies remained the law of the land for more than forty years. Not until the civil rights movement in the 1960s were they regarded as "discrimination" against non-whites.

1965: RE-OPENING THE FLOOD GATES

President John Kennedy proposed eliminating the national origins quotas in the early 1960s. Congress complied with his wishes: The Immigration and Nationality Act Amendments of 1965 replaced numerical quotas with a system granting preferences for relatives of U.S. citizens and legal permanent residents.

A massive increase in immigration was never intended. Nor, apparently, was a change in the ethnic mix of individuals entering the country. Sen. Edward M. Kennedy, the chairman of the subcommittee that conducted hearings on the bill, pledged

> "[O]ur cities will not be flooded with a million immigrants annually. Under the proposed bill, the present level of immigration remains substantially the same…Secondly, the ethnic mix of this country will not be upset…. Contrary to the charges in some quarters, S. 500 will not inundate America with immigrants from any other country or area, or the most populated and economically deprived nations of Africa and Asia…" [11]

Only haters would make such assertions, Kennedy said. "The charges I have mentioned are highly emotional, irrational, and with little foundation in fact. They are out of line with the obligations of responsible citizenship. They breed hate of our heritage."[12]

WHAT HAPPENED?

The 1965 law supposedly "capped" new immigration from Western Hemisphere countries. But there was a catch: close relatives of immigrants already here were excluded from the cap. This loophole—little noticed at the time—triggered another Great Wave of immigration.

In 1960 there were 9.7 million foreign-born in the United States, representing about 5.4 percent of the total resident population. Between 1960 and 1970 the size of the foreign-born population actually declined, as the number of immigrant deaths exceeded the net international migration That period marked the end a continuous decline that began in the 1930s. In the 50 years since the immigration act was passed, the United States has admitted at least 40 million legal immigrants. In 1965, the foreign-born population totaled 8.5 million people. Today (2015) the foreign-born population is estimated to exceed 39 million persons.

As the number of new immigrants rose, so did the immigration rate—new immigrants as a percent of total population. In the five years prior to 1965 (1960-64) annual net immigration averaged 1.9 persons per 1,000 population. Steady increases followed, with the immigration rate hitting a high of 6.7 per 1,000 populations in 1995–2000.[13]

AVERAGE ANNUAL IMMIGRATION
1960-65 through 2000-05

1960-65	300,000
1965-70	400,000
1970-75	700,000
1975-80	900,000
1980-85	900,000
1985-90	1,300,000
1990-95	1,400,000
1995-00	1,800,000
2000-05	1,500,000

Data: Pew Research Center, 2008.
Includes legal and illegal immigration.

A sharp decline in the years following 9/11 pushed the rate down to 5.2 per 1,000 in 2000-05. Such short-term fluctuations are inevitable. The big story, however, is five decades of rising immigration rates. In 2010 about 13.9 million foreign-born persons in the country had arrived in 2000 or later.[14]

Meanwhile, the ethnic mix of the country has been unalterably transformed. Before 1965, 95 percent of new immigrants came from Europe. Since 1965, 95 percent have come from the Third World. If current immigration policy remains in place the U.S. will become a minority/majority nation by mid-century, according to recent Census Bureau projections.

THE FOREIGN-BORN POPULATION

As these unintended consequences of the 1965 reforms began to emerge, the U.S. Congress did what it always does when it wants to do nothing: it established commissions to study and make recommendations.

The Hesburgh Select Commission on Immigration and Refugee Policy (1978-81) endorsed border security, secure documents, employer sanctions, and deportation—paid for by the alien where possible. Ahead of its time, it recommended that a "fully automated system of nonimmigrant document control should be established in the Immigration and Naturalization Service to allow proper tracking of aliens and to verify their departure."[15]

Less than a decade later the Jordan Commission on Immigration Reform (1990-97) started its work from the premise that: "The credibility of immigration policy can be measured by a simple yardstick: people who should get in, do get in; people who should not get in are kept out; and people who are judged deportable are required to leave."

Barbara Jordan was not shy when it came to her views on the displacement of native workers by immigrants:

> It has been well documented that reliance on foreign workers in low-wage, low-skill occupations, such as farm work, creates disincentives for employers to improve pay and working conditions for American workers. When employers fail to recruit domestically or to pay wages that meet industry-wide standards, the resulting dependence—even on professionals—may adversely affect both U.S. workers in that occupation and U.S. companies that adhere to appropriate labor standards.[16]

Yet her recommendations focused primarily on illegal immigrants and guest-worker programs. Neither commission advocated a moratorium on legal entrants. Even the modest reforms advocated by both of these commissions have largely gone unheeded or been only half-heartedly enacted.

1965: RE-OPENING THE FLOOD GATES

The restrictionist policies remained in effect until 1965. That year's Immigration and Nationality Act switched priority for entry from people with particular national origins to those with relatives living in the United States. The result was a pronounced shift in origins of individuals admitted to the U.S. While about 60 percent of the immigrant visas issued between 1924 and 1965 went to nationals of Germany and the United Kingdom, subsequent entrants were mostly Latin American and Asian immigrants.

The 1965 law supposedly "capped" new immigration from Western Hemisphere countries. But there was a catch: close relatives of immigrants already here were admitted without limit. This loophole—little noticed at the time—triggered another Great Wave of immigration. The negative consequences of the post-1965 policy regime have yet to be fully felt.

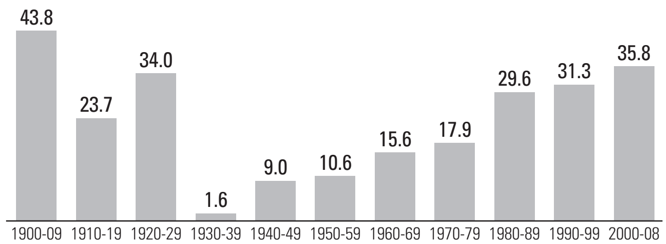
LEGAL IMMIGRATION DRIVES U.S. POPULATION GROWTH

Rising immigration levels, combined with a declining rate of natural increase (births minus deaths), means that immigration accounts for a larger share of U.S. population growth now than in any decade since 1900-09.

The chart (next column) shows that in the 1960s first-generation legal immigrants (annual new arrivals) accounted for 15.6 percent of the increase in the U.S. population. By the 1990s that figure more than doubled, to 31.3 percent, and in the first eight years of the twenty-first century it rose still further, to 35.8 percent. http://www.npg.org/specialreports imm&uspopgrowth.htm

Bottom line: legal immigration accounts for a larger share of population growth today than it did prior to the 1920s restrictions.

PERCENTAGE OF U.S. POPULATION GROWTH FROM LEGAL IMMIGRATION, 1900–2008



Source: U.S. Census Bureau.http://www.prb.org/Educators/TeachersGuides/HumanPopulation/Migration.aspx

Of course, these percentages understate the true impact of immigration because they ignore the U.S.-born children of immigrant mothers. This omission is significant because immigrant fertility rates are significantly above those of the native-born. In 2000 native-born Americans averaged 13 births per 1,000 population, while immigrants averaged more than twice that—28 births per thousand.

MEASURING A MORATORIUM'S IMPACT

What is an immigration moratorium? In its most extreme form it means a total cessation of both legal and illegal immigration into the U.S. No one is seriously proposing this, and, indeed, implementing such an extreme measure would probably be impossible. But for research purposes a zero immigration scenario is useful. It provides an upper bound to the impact that a restrictionist policy can have on future population growth.

The Pew Research Center examined the implications of zero immigration in a paper published in 2008. [Jeffrey S. Passel and D'Vera Cohn, "U.S. Population Projections: 2005-2050," Pew Research Center, February 2008. http://pewhispanic.org/reports/report.php?ReportID=85]

Under current policy immigration will average 1.7 million per year over the 2005-2050 period, and U.S. population will increase by 142 million, reaching 438 million in 2050, according to Pew. Immigrants arriving after 2005 and their U.S.-born children and grandchildren will account for 82 percent of total population growth during this period.

Thus a moratorium, by which we mean a cessation of all legal and illegal immigration, would reduce 2050 population by 117 million (82 percent of 142 million) below the level that would have obtained under current policy. Population will still grow because of the natural increase of births over deaths. Without the infusion of new immigrants, however, the mid-century population will be about 27 percent less than it would have been.

Less stringent reductions would obviously have less impact on future population growth. Thus a 50 percent cut in annual immigration over the 2005-2050 period will reduce mid-century population by 88 million, or about 13 percent below the level it would have been under current policy. http://pewhispanic.org/reports/report.php?ReportID=85

THE CRISIS OF 2007-2009

So gargantuan is America's post-1965 immigration disaster that there is now an immigration dimension to every public issue—government deficits, health care, the housing bubble, crime, school overcrowding. The salutary impact of an immigration moratorium on each is a worthy topic for future research.

But first things first. Nowhere is the immigration dimension more evident than in employment—and never has the issue been more urgent, given that unemployment has reached rates not seen for a generation. Nearly eight million jobs have vanished since December 2007. Economists estimate that 100,000 new jobs must be created *each month* just to absorb new labor force entrants.

Two divergent immigration trends are impacting the U.S. labor force in the recession. Census Bureau data suggests that illegal alien population has declined by 1.7 million, or about 14 percent, since peaking in the summer of 2007. Over that period the annual number of returnees has doubled compared to earlier in the decade, while illegal entrants are down by one-third. Fewer job opportunities and increased enforcement are the major reasons for the trend. [http://www.cis.org/IllegalImmigration-ShiftingTide]

By contrast, legal immigration continues at historically high numbers, virtually unaffected by U.S. economic conditions. This includes legal immigrants from Mexico, the top country of origin for illegal immigrants.

This is not surprising. Most legal immigrants are admitted based on one overriding variable: whether the entrant has a family member already residing in the United States. Family-based visas can, in many cases, take years to secure. Employer-sponsored visas account for a relatively small share of the overall legal influx.

(BTW: Demand for employer-sponsored visas should decrease in a down economy—but it hasn't. This anomaly confirms what many of us have long suspected: U.S. employers prefer low-wage foreign workers to equally skilled—and readily available—natives.)

In 2008 1.1 million new immigrants and 400,000 "temporary workers" were allowed to enter and take up residence. http://www.dhs.gov/files/statistics/publications/yearbook.shtm Most will receive work permits and look for jobs. This translates to as many as one hundred twenty-five thousand new immigrant job seekers per *month*, twenty-nine thousand per *week*, and forty-one hundred per *day*.

Implication: one year's worth of legal immigration could easily take most of the 650,000 jobs the Obama Administration claims were saved or created by its stimulus package.

A MORATORIUM AND NATIVE WAGES

Perhaps the most compelling reason for a moratorium is to protect native workers from job and wage losses. Economics 101 teaches that an increase in the supply of labor will reduce the price (wage) of labor. Because immigrants are generally younger than natives, they account for an even larger share of labor force growth than population growth.

Immigrants accounted for nearly 50 percent of U.S. labor force growth between 1996 and 2000, and as much as 60 percent of the increase between 2000 and 2004.

If net immigration continues at current levels, new immigrants and their children will account for *all* of the growth in the U.S. labor force between 2010 and 2030. http://www.prb.org/pdf06/61.4USMigration.pdf

The resulting wage loss to native (and earlier immigrant) workers will occur regardless of whether the new arrivals are legal or illegal, temporary or permanent.

Borjas's rule of thumb: native wages fall by 3 to 4 percent for each 10 percent increase in the foreign-born share of the workforce. http://www.nytimes.com/2006/07/09/magazine/09IMM.html?pagewanted=all

These are national averages. States with high and rapidly growing concentrations of immigrant workers will experience above-average wage reductions. Conversely, their native-born workers stand to gain the most from a moratorium.

The disparity is vast. In 2005, for example, the foreign-born share of state populations [labor forces] ranged from 27.2 percent in California to 1.2 percent in Maine. Similarly, immigrant population growth in 2000-2005 ranged from 7.4 percent per year in Delaware to an average annual decline of 0.2 percent in Hawaii.

Future research should estimate the wage gains for native workers in the various states arising from a moratorium.

Most Americans do not own their own business. Most of us are not affluent. Most of us are close to the average worker. As such, we lose ground to competing low-wage immigrants.

A MORATORIUM AND FISCAL DEFICITS

The economic crisis has forced the federal government to spend and borrow at levels that would have been unimaginable even a few years ago. Most economists believe the response was appropriate. Without it the Great Recession would have quickly morphed into another Great Depression. They are equally insistent, however, that a quick pay-down will be necessary when the private economy starts growing again. Failure to cut federal debt from its lofty levels—currently projected to reach 90 percent of GDP by the end of fiscal 2010—will condemn us to decades of slow or no private sector growth.

Unfortunately, years of mass immigration have reduced the government's ability to liquidate these enormous debt obligations. That's because immigrants are poorer, pay less tax, and are more likely to receive public benefits that natives, federal, state, and local finances are all adversely impacted by immigration—and this negative will increase as the foreign-born share of the population increases.

Yet there is surprisingly little objective research on this. The most extensive study, commissioned by the Jordan Commission on Immigration Reform, found that the average immigrant household receives $13,316 per year in federal spending while paying $10,664 in federal taxes—that is, they generate an annual deficit of roughly $2,700 per household. That was nearly fifteen years ago.

My own research, published in *The Social Contract* in 2008, estimated that the foreign-born population cost the government $346 billion in FY2007. That translates to about $9,100 per immigrant per year. We found that every cabinet level department, and most federal programs, were impacted by the 37 million legal and illegal immigrants living in the U.S. http://www.thesocialcontract.com/artman2/publish/tsc_18_2/tsc_18_2_rubenstein_prologue.shtml

State and local governments may suffer even more. Immigrants pay proportionately less state and local taxes than federal taxes, but consume services disproportionately funded by state and local taxes—including social services and public education.

A second way that immigration inflates state and local spending is via its impact on pubic infrastructure (roads, bridges, airports) and the environment. Maintaining clean water, air, and land requires hefty spending increases, especially when most new immigrants come from cultures that do not value a clean and healthy environment as much as Americans do.

Hospitals, prisons, public school buildings, and mass transit facilities are among the other types of infrastructure that are in short supply and deteriorating due to immigration and population growth. My contention that infrastructure and immigration are two closely related crises was fleshed out in another issue of *The Social Contract*. http://www.thesocialcontract.com/artman2/publish/tsc_19_2/tsc_19_2_intro.shtml

Future research will estimate the potential savings of an immigration moratorium on federal, state, and local government spending—including infrastructure outlays.

A MORATORIUM IS THE BEST STIMULUS

Too many people. Not enough jobs. This, in a nutshell, is the dilemma facing the U.S. economy. At this writing policymakers have focused exclusively on the "Not enough jobs" part of the problem—with dismal results.

Barack Obama's $787 billion stimulus package has flopped. By the Administration's own reckoning, only a fraction of its job creation goals have been realized. If, by some miracle, the stated goal of 3.5 million new jobs comes to pass, the cost per job would be an outrageous $225,000. By comparison, the average full-time civilian worker earned $44,101 in 2009. http://www.bls.gov/ncs/ocs/sp/nctb0717.pdf

Meanwhile, Washington ignores the flip side of the unemployment problem—too many job seekers. Yet this may offer the best hope of resolving the dilemma. The brutal arithmetic runs like this: roughly 100,000 jobs per month must be created just to accommodate growth in the U.S. labor force. In recent years new immigrants have accounted for about 60 percent of U.S. labor force growth. Within a few decades immigrants and their U.S.-born children will account for all of that growth.

A moratorium for all non-essential and non-refugee immigration cases makes sense. Such a time-out could be set to last for one or two years, when the economy is predicted to be significantly improved. Or it could be timed to run as long as the U.S. unemployment rate remains above 5 or 6 percent. Yes, that could be decades—but the moratorium would itself hasten the time at which it is no longer needed.

The first rule of intelligent policy making is this: when you are in a hole, stop digging. America is in an unemployment hole right now. We have millions fewer jobs than we need to keep our population gainfully employed. It makes no sense to bring in hundreds of thousands of job seekers to chase jobs that don't exist—and to drive wages down for the jobs that do. Yet that is exactly what our current immigration policy is doing. ■

Endnotes

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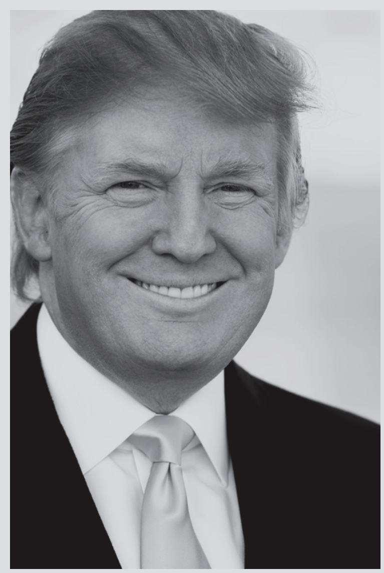
As Far as Name-Calling, It's Open Season on Trump

By Kevin Lamb

Since launching his presidential bid, the mass media and political elites continue to use an endless barrage of unflattering adjectives to describe Donald Trump. Establishment "conservatives" (otherwise known as "cuckservatives") have hurled some of the most odious, hate-filled rhetoric at the blunt-speaking, free-spirited GOP candidate. Much of it, as a friend recently noted, has been "far more vicious, more relentless, more filled with bile and resentment than anything [conservatives] have ever said about traditional, conservative, Middle America's real enemies."



The following words are just some of the creative verbiage used by Trump's critics: arrogant, politically untested, fascist, racist, clown, moron, buffoon, lunatic, worrisome political wild card, angry, nasty, narcissist, bully, misogynist, xenophobe, disgrace, class clown, toxic, clueless, bombastic, political demagogue, complete disaster, self-absorbed, egotistical, jerk, insensitive, among others.

George Will, ever polished, prim, and proper, referred to the typical Trump supporter ("Trumpite") as an alcoholic suffering from "innumerable delusions." Will described Trump as "incorrigibly vulgar," a "counterfeit Republican," and "cynical opportunist deranged by egotism." John Podhoretz referred to Trump as a "megalomaniac," "unserious" about politics, who "yammers" and has perfected the "pithy soundbite bromide." John McCain described Trump's supporters as "crazies." Former Gov. Lowell P. Weicker, Jr., called Trump a "con artist," "disgrace," and "dirtbag." Even as far back as 2011, Jonah Goldberg dumped on Trump with a child-like temper tantrum:

> **Like the scorpion in Aesop's fables who must sting the frog because that's simply what scorpions do, the world renowned, self-promoting billionaire-clown must tout himself with passion and narcissistic self-regard.**
>
> **It was only a matter of time, for instance, before he came out with his own fragrance: Donald Trump Cologne by Donald Trump Eau De Toilettes. (You can find it on Amazon.com. One customer review is from a woman who discovered the scent as it wafted up from the stock boy at Toys R Us.)**
>
> **But that's not the smell that bothers me. It's the stench of desperation coming up from those rallying around a Trump presidential bid. ■**