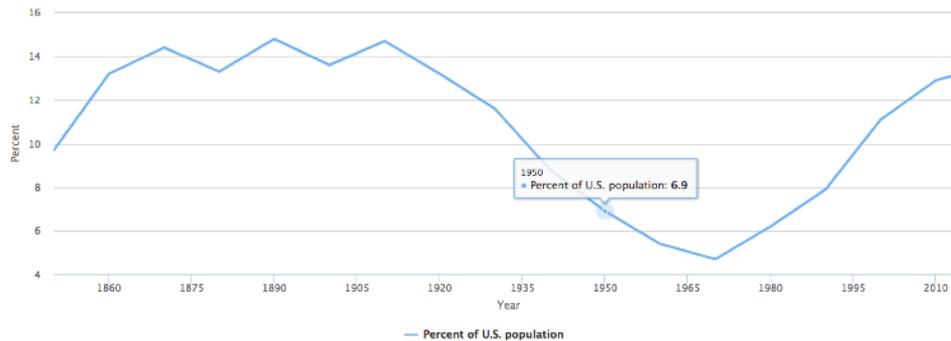


## The Effects of Immigration on the United States' Economy

Today, the United States is home to the largest immigrant population in the world. Even though immigrants assimilate faster in the United States compared to developed European nations, immigration policy has become a highly contentious [controversial] issue in America. While much of the debate centers on cultural issues, the economic effects of immigration are clear: Economic analysis finds little support for the view that inflows of foreign labor have reduced jobs or Americans' wages. Economic theory predictions and the bulk of academic research confirms that wages are unaffected by immigration over the long-term and that the economic effects of immigration are mostly positive for natives and for the overall economy.

Figure 1 shows that the foreign-born population has grown rapidly in recent decades, rising from less than 5 percent of the U.S. population in 1970 to 13 percent in 2013. Although immigrants today comprise a larger share of the population than at any time since World War II, the foreign-born share today is roughly the same as during the late 19th and early 20th centuries, when about 15 percent of U.S. residents were born in a foreign country. . . .

Figure 1: Foreign-Born Share of U.S. Population, 1850–2013



Source: U.S. Census Bureau.

### [Impact on jobs and] wages

Has the surge in immigration since 1970 led to slower wage growth for native-born workers? Academic research does not provide much support for this claim.

A popular view is that immigrants are taking jobs from American citizens. However, although immigrants increase the supply of labor, they also spend their wages on homes, food, TVs and other goods and services and expand domestic economic demand. This increased demand, in turn, generates more jobs to build those homes, make and sell food, and transport TVs.

Most empirical studies [evidence based studies] indicate long-term benefits for natives' employment and wages from immigration, although some studies suggest that these gains come at the cost of short-term losses from lower wages and higher unemployment. . . .

. . . [I]mmigration over the last few decades has had . . . [two impacts] impact across education groups: The largest impact has been on the supply of workers without a high school degree and of workers at the high end of the education spectrum – those with a college or postgraduate degree. Relative to the native-born, recently-arrived immigrants are less likely to have completed high school. At the same time, at the higher end, recent immigrants are more likely to have completed college and hold advanced degrees than their native counterparts. Thus, immigration has primarily raised the supplies of the least and the most skilled workers.

Despite these increases in labor supply, in many cases immigrants appear to complement American-born workers rather than replacing them. Because less-educated immigrants often lack the linguistic skills required for many jobs, they tend to take jobs in manual labor-intensive occupations such as agriculture and construction. Even for low-skilled native-born workers in these industries, the effects of increased competition from immigrants are ambiguous, as many take advantage of their superior communication abilities and shift into occupations where these skills are more valuable, such as personal services and sales.

Similarly, highly educated immigrants face a disadvantage in communication-intensive jobs, and therefore tend to work in scientific and technical occupations. Highly skilled natives in management, media, and other culture- and language-dependent jobs face little competition from high skilled immigrants. The inflow of foreign labor is, therefore, concentrated in a subset of occupations that tend to employ many immigrants already. Consequently, it is earlier immigrants who face the greatest increase in competitive pressure. . . .

### [Impact on] productivity

Immigrants also bring a wave of talent and ingenuity, accounting for a disproportionate share of workers in the fields most closely tied with innovation. A 2011 survey of the top fifty venture capital funded companies [innovative companies that wealthy investors invest in in hopes of making a profit] found that half had at least one immigrant founder and three quarters had immigrants in top management or research positions.

A significant share of advanced degrees awarded in science and engineering — often the foundation for innovation and job growth — go to foreign-born students with temporary visas studying in American

1. Based on the first paragraph, what is the controversy regarding immigration and what argument will this article make regarding this controversy?
2. What was the percentage of the US population that was foreign born in 2010? Was this the highest it has ever been?
3. What impact do immigrants have the job market? Explain
4. Which two education groups are most impacted by immigrants?
5. Do immigrants significantly threaten native born people in these two groups? Why or why not?
6. What impact do immigrants have on productivity [the ability of an economy to produce and innovate]? Explain and provide two examples

universities. According to a 2012 National Science Board report, foreign students earned 27 percent of science and engineering master's degrees in 2009.

And in recent years, the number of foreign-born undergraduate students studying in American universities has grown rapidly, rising to 18 percent between 2011 and 2012.

In 2011, 76 percent of patents from top 10 U.S. patent-producing universities had at least one foreign-born author.

Indeed, immigrants produce patents at double the rate as natives, and the presence of these immigrants generates positive spillovers on patenting by natives.

Economic theory suggests a direct link between a skilled and innovative labor force and faster GDP [the measure of how fast the economy is growing] growth, and more than three quarters of U.S. growth over the last 150 years can be explained by improvements in education and research-driven innovation. Moreover, states with a high concentration of foreign-born workers experience significantly faster productivity growth.

As discussed earlier, less-skilled natives often respond to increased competition from immigrants by leaving manual labor for occupations that emphasize language and communication skills. This greater specialization leads to a more efficient allocation of labor, raising the incomes and productivity of both natives and immigrants.

### **Fiscal Impact [costs to government and taxpayers]**

Immigrants in general — whether documented or undocumented — are net positive contributors to the federal budget. However, the fiscal impact varies widely at the state and local levels and is contingent on the characteristics of the immigrant population — age, education, and skill level — living within each state. . . .

More often than not, immigrants are less educated and their incomes are lower at all ages than those of natives. As a result, immigrants pay less in federal, state, and local taxes and use federally-funded entitlement programs such as Medicaid [healthcare for the very poor] , SNAP [food stamps], and other benefits at higher rates than natives. But they are also less likely than comparably low income natives to receive public assistance. Moreover, when they do take public assistance, the average value of benefits received is below average, implying a smaller net cost to the federal government relative to a comparable low income native.

However, immigrants often impose a heavier tax burden on natives at the state and local level. Immigrants — particularly those with low levels of education and income — generally have larger families and more children using public K-12 education, the largest component of state and local budgets. Furthermore, if immigrants' children are not already fluent English speakers, the per-student cost of education may be substantially higher than for native-born children.

These factors impose short-term costs on state budgets. Over the long term, however, the upward economic mobility and taxpaying lifetime of second generation immigrants more than offset the initial fiscal burden.

Because the net cost to state and local governments is closely related to immigrants' education and income, the socioeconomic composition of the immigrant population determines the fiscal impact in each state. For example, because New Jersey has a high proportion of well-educated and high income immigrants who contribute more to state and local revenues than they consume in public services, the net fiscal burden of immigration is small in New Jersey. In contrast, California's high share of less-educated and low-income immigrants means that immigrants' contribution to state and local revenues is smaller relative to their consumption of public services. As a result, the estimated fiscal burden of immigration is five times higher for native residents of California than of New Jersey.

### **Conclusion**

Economists generally agree that the effects of immigration on the U.S. economy are broadly positive.

Immigrants, whether high- or low-skilled, legal or illegal, are unlikely to replace native-born workers or reduce their wages over the long-term, though they may cause some short-term dislocations in labor markets. Indeed, the experience of the last few decades suggests that immigration may actually have significant long-term benefits for the native-born, pushing them into higher-paying occupations and raising the overall pace of innovation and productivity growth. Moreover, as baby boomers have begun moving into retirement in advanced economies around the world, immigration is helping to keep America comparatively young and reducing the burden of financing retirement benefits for a growing elderly population. While natives bear some upfront costs for the provision of public services to immigrants and their families, the evidence suggests a net positive return on the investment over the long term.

(Accessed on 9.24.18 at <http://budgetmodel.wharton.upenn.edu/issues/2016/1/27/the-effects-of-immigration-on-the-united-states-economy>)

**7. Do immigrants place a burden on state and federal budgets? Explain using examples.**

**8. What is the short term cost v. the long term benefit described by this article with regard to government budgets?**

What is the thesis of this article:

What is the first supporting argument?

What is the second supporting argument?

What is the third supporting argument?