

What Effect Do Immigrant Workers Have on the Employment and Wages of Native Americans?

Russell Trenholme 4/16/06

Summary: Populist writers like Thom Hartmann have claimed that the increase in immigration in recent years has resulted in major losses in employment for American workers and has caused the decline of the American middle class. His arguments are without merit, representing a leap from the concurrent trends in American employment and rising immigration to an unjustified causal inference. Most academic studies have found little if any relationship between American wages and immigration. The one exception, a highly-publicized study by George Borjas, is shown to rest on a similar move from a correlation to a causal inference, although in this case it is masked by forbidding statistical analyses. A detailed look at Borjas' studies shows that his conclusions are unfounded. The major factor affecting American wages has been the decline of American manufacturing and the shift to a "macjobs" service economy as the result of "off-shoring" industrial production. American workers are mostly competing with workers in Asia rather than immigrants. Most Latin American immigrants, in particular, are doing work that few Americans are interested in, and much of this work would not be done at all if there were no immigration. There would be fewer labor-intensive crops grown, fewer household workers, and less home construction. Nevertheless, there are realistic concerns about immigration which are briefly discussed at the end of this paper.

Introduction

The issue of illegal immigration cuts across normal liberal-conservative lines. On the conservative side, the divide is between nativist "America-First" populists who want to maintain or restore their vision of a traditional English-speaking country and economic conservatives who believe in free trade and a relatively free flow of low-cost immigrant labor. The nativists generally believe in expelling "illegal" immigrants and greatly reducing the in-flow of both legal and "illegal" immigrants. (The terms "illegal alien" and "illegal immigrant" are highly pejorative, although they are commonly used in the press; "undocumented immigrant" or "unauthorized migrant" are more neutral. See the 2005 paper by Jeffrey Passel for a brief discussion of the issue.) The economic conservatives believe that immigration laws should be permissive; and that if the United States is unwilling to adopt permissive immigration laws, enforcement of stricter laws should be extremely weak. In short, they are relatively unconcerned about the large influx of undocumented workers from Latin America.

On the liberal side, the conflict is between two traditional liberal traditions. On the one hand, there is traditional liberal support for the American working class. Industrial workers, especially those organized by unions, have generally been hostile to immigration of workers from poorer countries. Historically, this has been accompanied by racist attacks on Asians and Mexicans and to a lesser extent on Eastern European Jews and other immigrants from Eastern and Southern Europe. This tradition conflicts with the liberal values of compassion for the poor and celebration of diversity. Those upholding such values sympathize with poor Latin Americans and other immigrants from impoverished countries who strive to better their lives by coming here to accept low-paying menial jobs.

The presence of these two divisions has led to an odd alliance between human rights activists and economic conservatives on the one hand and between nativist America-First conservatives and some sectors of the liberal community that adopt a populist-pro-labor stance. Of course, the latter group has not adopted the overtly racist positions of late-19th century radicals like Jack London who contrasted the “superior” white working man with the inferior “Chinaman” who threatened his job. The chief argument of this group is economic—the claim that immigrants are taking jobs from American workers or depressing their wages. These are the claims I want to examine in detail.

Thom Hartmann’s Attack on Immigration

Thom Hartmann is a liberal syndicated columnist who has a column on Air America Radio and has written a number of books, including the forthcoming *Screwed: The Undeclared War on the Middle Class and What We Can Do About It*. On March 29, 2006 he published his views on the current immigration debate (*Today’s Immigration Battle – Corporatists vs. Racists (and Labor is Left Behind)*) on the website CommonDreams.org. Here are his key points.

First, he draws an analogy between recent immigration and the wave of immigration that occurred from the 1870s through the First World War. He claims that progressives fought to limit labor hours and improve working conditions and that their success led to the growth of the middle class so essential to American democracy. In addition to child labor laws and laws protecting union shops (The Wagner Act of 1935), he mentions the severe restrictions on immigration imposed during the 1920s.

Much of his history is in error. The American middle class grew rapidly during the period of unrestricted immigration before 1920. Labor shortages that appeared much later, during the boom times following the Second World War when the United States economy dominated world commerce, did enable elite industrial workers in industries with strong labor unions (notably the automobile and steel industries) to secure wages that enabled them to adopt a middle-class life style. But this hardly establishes the link between restrictions on immigration and growth of the middle class claimed by Hartman. He says, “every nation has an obligation to limit immigration to a number that will not dilute its workforce, but will maintain a stable middle class” and then goes on to say that having such a middle class is essential to democracy. He holds that continuing with current levels of immigration will imperil American democracy. But he offers not one shred of evidence to support the claim that the generally-accepted decline in the American middle class over the past few decades is the result of immigration.

Hartman claims that there are “between eight and twenty million un- and under-employed Americans” and “between seven and fifteen million working illegal immigrants diluting our labor pool.” Without further argument, he immediately concludes, “If illegal immigrants could no longer work, union would flourish, the minimum wage would rise, and oligarchic nations to our south would have to confront and fix their corrupt ways.”

These sweeping claims are without foundation in any of his previous argument. Unions have been declining for many, many decades in tandem with a decline in the proportion of workers engaged in manufacturing; this decline has been accompanied by a shift to a service economy that offers a

plethora of low-paid non-unionized jobs. Neither service workers nor agricultural workers have been highly unionized, past or present, and most unskilled immigrants work in one of these two areas.

In fact, there are three factors associated with decline in union membership in the United States, and none have anything to do with immigration. First, there is the increasing automation of manufacturing that has greatly reduced the number of workers are needed to produce equivalent output. Second, there is the decline of American manufacturing as a result of foreign competition encouraged by removal of tariffs. And third, there has been a shift in economic and political thinking towards a free-market pro-business ideology that favors “downsizing” and profit-maximization; this has sanctioned relocating factories in states with a weak union tradition or moving them off-shore.

These same three factors have accounted for much of the unemployment in this country. A fourth factor in increasing competition for jobs has been the massive entry of women into the labor force in recent decades, an increase in the workforce that dwarfs that of immigration. It should be obvious that laid-off skilled factory workers and white collar workers displaced by mergers and downsizing are not out competing for jobs picking fruit or cleaning houses.

Hartmann claims that the minimum wage would rise if immigration were curtailed. Presumably he is not referring to minimum wage legislation but to the lowest wages actually paid. Perhaps he means that if immigrants were forced to leave, the lowest wages paid in this country would rise because no American citizen would be willing to work for a wage as low as that of the lowest paid immigrant. If this is what he means, it hardly demonstrates that low-paid immigrants are adversely affecting American wages or taking jobs that many unemployed Americans would be willing and able to perform.

Hardman’s remark about “oligarchic nations to our south” and “their corrupt ways” sounds chauvinistic if not racist. He claims that allowing immigration from Latin American is hurting these countries because as a result of immigration they are not “confronting and fixing” “their corrupt ways.” This makes no sense. Are poor countries like Haiti or Bolivia “confronting and fixing” “their corrupt ways” better than Mexico? After all, citizens of these countries find it much more difficult to immigrate to the United States than Mexicans do so by Hartman’s reasoning these countries should be doing a lot more confronting and fixing. In fact, corruption is only one of a number of factors affecting the economies of poor Latin American nations. China and India are two of the most corrupt countries in the world, yet they are acclaimed as amazing economic success stories. It is disingenuous to claim that we would somehow be helping a country like Mexico by sending the undocumented immigrants back.

Elsewhere Hartmann makes even stronger claims, such as that immigrants are driving down the wages of the middle class, that the Mexican government “sends” or “ships out” “troublesome” Mexican citizens, that immigration is at the expense of democracy in Central and South America, and even that ending immigration would reduce CEO salaries. He equates offering immigrants work with giving them a welfare check. Although Hartmann claims to deplore the “racism” of conservative supporters of a tough immigration policy, his rhetoric is very similar. The notion that the Mexican government sends troublemakers here is identical to the negative stereotyping of immigrants engaged in by right-wing nativists, and so is the blanket contempt expressed for Latin American societies.

Hartmann states that ending immigration would restore the United States to “the golden age of the American middle class” when “35 percent of American workers had a union job, and 70 percent of Americans could raise a family on a single, 40-hour-week paycheck.” This and other claims involve a crude leap from a simple correlation to a strong causal claim. For example, union membership declined over the past 35 years; immigration increased over the same period; therefore the latter caused the former. The innumerable other changes during the past thirty years in technology, in economic and social conditions, in demographics, and in the political and social environments both here and abroad are all swept aside in a simple-minded indictment of immigrants and immigration.

This is not to say that immigration has not had a variety of effects, negative as well as positive on the American economy. In particular, I am not claiming that immigration has had no adverse effects on unemployment or wage rates—only that Hartman has provided no reasons for believing that they have. These are complex questions. To get a more realistic view of these effects we have to turn to authors a lot less polemical than Hartman.

The Academic Take on Immigration and Wages

Immigration, legal and illegal, has complex economic and social effects, positive and negative for native American (citizen) workers. Potential negative effects include potential lowering of wages due to an increase in the supply of labor, displacement of American workers from jobs because immigrants are willing to accept lower pay, and the allegation that immigrants pay less in taxes than they utilize in social services. Potential positives are lower prices for goods and services, higher profits for employers that may enable them to invest in new equipment or otherwise expand operations, enabling survival and even growth of industries that otherwise would stagnate or decline due to high labor costs, and an increase of money flowing into the social security system from younger workers who—in the case of the many undocumented workers—have no hope of drawing on the system in the future. However, it is very difficult to determine the size of these effects, and in some cases even determining whether they are negatives or positives.

For example, those favoring drastically reducing immigration claim that immigrants receive more in social services than they pay in. But this is far from clear: a careful study by the Rand Corporation in 1995 found the methodology of all of the studies claiming large costs to be grossly inaccurate, and claimed that data simply did not exist to support conclusions. The Fix and Passel Urban Institute study of 1994 found a positive contribution by immigrants, and the 1997 National Academy of Sciences study that looked at the lifetime contribution of immigrants, legal and illegal, found an \$80,000 positive contribution compared with a cost of \$25,000 for each new “native” birth. Later studies have not refuted these estimates, although the popular press continues to repeat the disputed figures claiming a large net cost.

Nor is it possible to gauge the benefits of lower prices for restaurant food, household services, and construction that derive from immigrant labor. It’s reasonable to suppose that certain kinds of agriculture would not be possible without inexpensive farm labor—the domestic labor market does not have enough persons able or willing to do that work at wages that would make certain crops profitable to grow. It is also impossible to guess how much new construction or remodeling would not occur if construction costs were substantially higher due to the lack of construction workers or much higher wages rates.

In the case of employment, the principal issue discussed by Hartmann, any economic model that focuses exclusively on *aggregate* supply is seriously flawed. A crude argument of the sort offered by Hartmann would hold that if there are 10 million unemployed and 6 million employed undocumented immigrants, then 60% of the unemployment is due to undocumented immigrants. The argument ignores several obvious facts. First, many of the unemployed are older workers unsuited to the physically and emotionally rigorous work done by undocumented immigrants. Unemployed citizens (“natives” in the literature) often have a variety of sources of support that make accepting a job as a dishwasher, maid, gardener, construction laborer, meat processor, or field hand out of the question. Moreover, the areas of maximum employment of undocumented immigrants are often far from the homes of laid off workers, and few native unemployed are disposed to move to accept the sort of jobs low-paid immigrants accept. This is not to say that there is no effect, but it seems likely that any effect will be difficult to measure, drowned out by other more significant effects.

Standard neoclassical economic theory is based on a competitive equilibrium model that does not allow for unemployment (all markets “clear” as economist say). This was the key doctrine that Keynes attacked in the 1930s. Under the neoclassical model, an increase in the labor supply would, assuming constant demand, depress the price of labor but would not produce unemployment. The claim of wage reduction due to an increase in labor supply fits nicely with the standard economic model. George Borjas, an economist highly praised by anti-immigration forces for his opposition to current immigration policy and practice, has argued that the wages of salaried workers were reduced by 3.7% during the twenty year period from 1980-2000 as the result of immigration. This claim, as well as his claim that the wages of high-school dropouts fell by 7.4%, has been highly quoted by the mainstream press. The Borjas results are found in two papers, an academic paper published in 2003, and less technical study published by the neutral-sounding “Center for Immigration Studies” which is, in fact, the leading think-tank of the anti-immigration forces. The Center’s website also contains the transcript of a panel discussion before the National Press Club on Borjas’ papers by several economists specializing in immigration (“Increasing the Supply of Labor Through Immigration, May 4, 2004 www.cis.org/articles/2004/back504panel.html.)

What is rarely mentioned in the popular press—although acknowledged by Borjas—is that most academic studies have found that immigration has had little or no effect on wages. Borjas speaks of “the current conventional wisdom that immigrants seem to have little impact on the employment of the communities of native workers.” (p. 3). Again, he says, “The measured impact of immigration on the wage of native workers fluctuates widely from study to study (and sometimes within the same study), but seems to cluster around zero.” (1335). The most prominent study reaching this conclusion was conducted by the National Academy of Sciences in 1997. It concludes “the weight of the empirical evidence suggests that the impact of immigration on the wages of computing native workers is small.” (1336)

Borjas does not accept these results. He feels that they conflict with economic theory (and here he cites Paul Samuelson’s famous introductory text). He speaks of the “laws of supply and demand” having “unambiguous implications for how immigration should affect labor market conditions in the short run. The shift in supply lowers the real wage of native workers.” (1337) Borjas then sets out to find a different mode of analysis that would confirm these “theoretical predictions.”

One problem with his reasoning is that, at best, the partial-equilibrium supply-demand analysis is only relevant to immigration within markets in which native workers freely compete with immigrants. Such markets would seem to be relatively narrowly defined occupational markets, for example California grape pickers or Midwestern poultry factory workers. Commonsense as well as economic theory suggests that native poultry workers and grape pickers would suffer from reduced wages as a result of competition, but it is unclear how many natives are actually or potentially competing in these labor markets. If there are very few, the aggregate effect on native wages would be quite small. As we will see, Borjas does not work with such occupationally and geographically-defined categories.

Before embarking on his own analysis, Borjas critiques the many studies that found little if any effect on wages of native workers. Many of these compared native worker wage rates in urban areas that had differing levels of immigrant labor; little difference was found. Other studies have focused on economic shocks like the arrival of Mariel-boatlift immigrants in the Miami area. Again, little effect on native wages was found. Borjas rejects these studies because he believes that there is a broadly-defined national labor market. He notes that native workers in cities with high rates of immigrant workers may migrate to other cities, thereby lowering wage rates in those cities, and immigrants may be attracted to cities with higher wage rates—effects that would tend to blur the effects on immigration on wages. He then speculates that these effects are so large that they vitiate existing studies that find little effect on native wages from immigration. These are armchair speculations, however, and other economists remain skeptical that these factors are large enough to undermine studies based on comparison of geographically specific labor markets. (See the National Press Club discussion.)

Borjas' chooses as the market-defining unit something quite different: not occupationally or geographically-defined labor markets, but units based on characteristics of the workers themselves. For his study he chose categories defined by a worker's educational attainment and age (which serves as a proxy for work experience), both factors that can be found in census data. Education level is classified into four groups: high-school dropout, high-school graduate, some college, college graduate. Experience is estimated based on age, using the assumption that high-school dropouts enter the labor force at 17, high school graduates at 19, and so on. Experience is then categorized into 8 five-year groups. This taxonomy yields a total of 32 experience/education categories which are implicitly held to correspond to labor markets in which natives and immigrants compete. Borjas then looks at changes in the average weekly wages of native workers in a particular category from census to census and the changes in the percentage of immigrants in the category, then applies standard statistical techniques to determine correlations and define a regression line.

Borjas justifies his choice of categories by arguing that it is not enough to group native workers by education; "the analysis builds on the assumption that similarly educated workers who have different levels of experience are not perfect substitutes." (1369) He is correct: a categorization based on education does not yield the desired result; he notes that using only educational groups produces "too little variation to examine how supply shocks affect relative wages." (1339) However, he then concludes, without further justification, that simply adding experience as a factor results in categories that provide a valid basis for causal inferences about the effects of immigration on native wages. In other words, he assumes that these categories are competitive markets in which an increased supply of (immigrant) labor will result in lower wage levels.

Borjas considers census data from 1960, 1970, 1980, 1990, and 2000. His hypothesis is that there is a *causal* relationship between the percentages of immigrants in a given category (data cell)—that an increase in the percentage of immigrants in a given category *causes* a fall in the wages of native workers in the category. As we shall see, statistical methods can show a weak correlation, but Borjas' hypothesis (and eventual conclusion) represents a leap from correlation to causal inference. Correlations may suggest causal influences, but they never demonstrate them. (Smoke has a correlation of 1 with forest fires but does not cause them.)

There is good reason to question the causal significance of Borjas' education/experience categories. First, if these were real competitive labor markets, we would have to a) assume a constant demand curve from census to census b) look at changes in the total labor supply not merely in changes in the proportion of immigrants in the category. Even with a constant demand curve, a increase in immigrants could be offset by a decrease in native workers in the category leading to an unchanged supply curve. In fact, it was claimed by participants in the Press Club discussion that there has been a significant decline in the number of high-school dropouts, and the category of young high school dropouts is precisely the category which has seen the greatest recent immigrant growth and the greatest decline in wages. (Graph A in Figure 1 on p. 1342 of Borjas' *Quarterly Journal of Economics* paper shows a large increase for 2000 in the migrant share of the younger high-school dropout categories compared with earlier decades. But these increases may largely result from the absolute drop in the number American high school dropouts, with a concomitant change in the characteristics of the group (progressively less talented, less motivated). (The cover story in the April 17, 2006 issue of *Time* disputes the low high school dropout rate, but does confirm the lack of available factory jobs.)

It is also obvious that the labor demand curve within various categories has changed significantly over the decades covered by census data. In the 1960s, and to a declining degree in the succeeding decades, high school drop-outs had numerous opportunities to secure well-paying factories jobs. But these jobs have disappeared as the economy de-industrialized and transformed into a service economy whose main offering to drop-outs were "macjobs" in the retail sector.

A related, but even more serious problem is that Borjas' categories are far too broad and heterogeneous to reflect real labor markets for which a supply/demand analysis might be appropriate. For example, it is a reasonable assumption that in 2000 a huge proportion of native high-school dropouts with 1-5 years experience (i.e. age 17-22) were working in low-paying retail service jobs ("macjobs") whereas the overwhelming majority of immigrants in the same category were working in agricultural, construction, or menial service jobs where the ability to speak English is not a requirement. It is highly misleading to assume that immigrant workers and American workers in the same category (i.e., workers with similar ages and educational achievement levels) share work-related characteristics. For example, consider the largest and statistically most important category of immigrants, poorly-educated Mexican workers who have immigrated to the United States in extremely large numbers since 1980. An American high-school dropout in 1990 or 2000 may be among the least talented and least motivated of his generation, whereas a Mexican immigrant with less-than a high school education may be intelligent and highly motivated, his lack of schooling merely reflecting poverty and lack of secondary schools in rural Mexico. His decision to undertake the difficult and often dangerous journey required to enter the United States suggests a higher-than-average desire for work. Moreover, many of these recent Mexican immigrants left school at age 12 or

younger and have many more years of work experience than American high-school dropouts of the same age. It is simply wrong to assume that this category represents a homogenous labor market to which a supply-demand analysis is appropriate. But such an assumption is needed for the conclusion that an immigrant increase in labor supply in the category of high-school dropouts with less than 5 years experience depressed wages in that market, and hence lowered wages of natives in the category. These issues—absence of a homogenous labor market in which the natives and immigrants compete and crucial dissimilarities between the immigrant and native workers within a category—undermine Borjas' assumption of a causal connection between declining wages and immigration. And the above example is especially significant since Borjas claims that the largest negative effect on native wages (a 7.4% decline in weekly earnings) has occurred for high-school dropouts.

Another problem is that Borjas' categories presuppose a static analysis that ignores longitudinal shifts in the nature of the pool of native workers from decade to decade. The change in the demand curve discussed (the loss of entry-level factory jobs) has clearly affected educational decisions and thereby altered the nature of the native components of the various categories. Without the possibility of a relatively well-paid factory job, many who might have dropped from school to take such a job may decide to stay and even aspire to attend college. As a result, it seems likely that those who do drop out of high school are both less able and less motivated than were high-school dropouts of the sixties, seventies, and eighties. Given inter-decadal changes both in demand factors and in the characteristics of native American drop-outs, we would expect a decline in pay for young high-school dropouts over the decades quite independently of immigration levels.

In addition to fundamental problems with Borjas' categorization, his use of statistical methods is questionable. His approach is to construct a regression line based on data points that reflect changes in immigrant proportions and wages from decade to decade. The idea of a regression line is roughly this: assume that there is a simple linear causal relation between two quantities such that an increase of one is associated with k (a constant) times the other. We can read the relation off the plotted line. In this case, however, the data points are scattered all about the line; standard statistical analysis assumes that scatter is the result of random error, and construction of the regression line involves constructing a straight line that minimizes the aggregated errors represented by the scattering. The regression line constructed by Borjas leads him to conclude that a 10% increase in immigration in a category causes a 3.7% decline in native wages in the category. In short, he assumes a simple linear causal relationship between immigration and wages that applies to all the different education-experience categories. Aside from all the other problems mentioned, this result is not in accord with economic theory which would assume a causal connection between a change in the entire labor supply and the equilibrium wage, but not between some proportionate change in a demographically defined subcategory of the labor supply and the equilibrium wage.

Since the percentage of immigrants increased most in the younger high-school dropout categories, this formula projects a greater effect in such categories. Borjas then further generalizes, by noting that native African-Americans have a large percentage of workers in these categories, therefore are much more adversely affected by immigration than the general population. But are young urban black youths who may have never seen a grape vine or strawberry field competing for agricultural jobs with immigrant Mexicans? Are they willing or able to relocate to other geographic areas where undocumented immigrants are securing work? I return to this issue at the end of this paper.

LABOR MARKET IMPACT OF IMMIGRATION

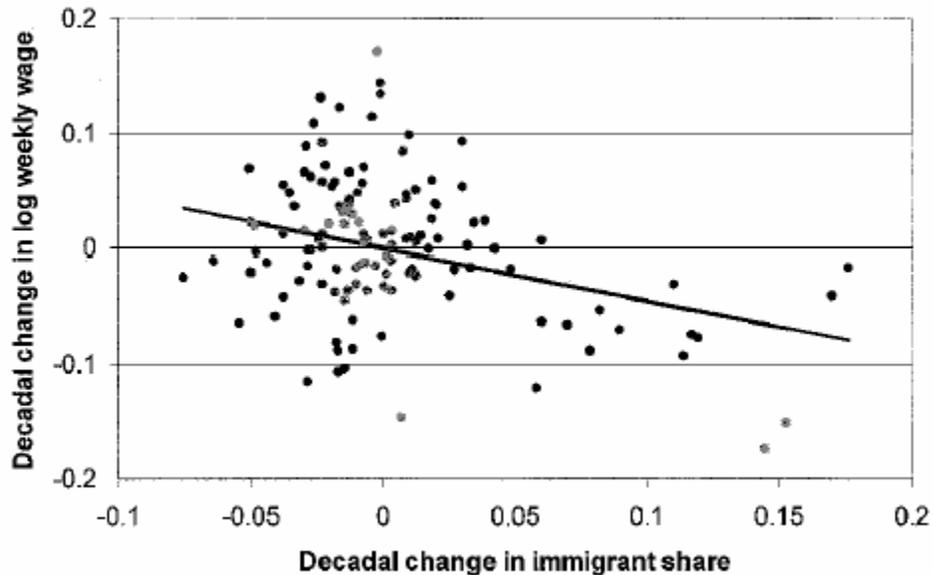


FIGURE II

Scatter Diagram Relating Wages and Immigration, 1960–2000

When we look at the scatter diagram of data points associated with decadal changes in native wages within an education-experience category (Figure II, p. 1345), with each data point plotted against its change in immigrant share and its change in native wages, what we end up with is a fairly dense apparently random scattering of points slightly to the left (representing a slight decrease in immigrant share) conjoined to a very loose tail (relatively few points) slightly descending to the right (correlation of decreased wages and higher immigrant shares). The tail is the only obvious visual indication of any sort of linear relation. (Perhaps the tail points are associated with recent decadal increases in uneducated workers from Mexico and Central America). Mathematical techniques enable the derivation of a regression line that represents native wage changes as a (mathematical) function of changes in immigrant share in the category or vice versa. Even in physics, such simple relationships are rare, existing only under rigorously controlled conditions. In the social sciences, they are often claimed to hold *ceteris paribus* (meaning given that everything else of causal significance is held fixed). Of course, in the case of Bojas' data points, the scattering suggests that many, many other causal factors are present and commonsense considerations reveal some of these. The mathematical analysis treats all these other factors as simply random errors (for every regression line there's an error term). Both the visually random scatter of points on the left and the asymmetric appearance of the pattern because of the tail on the right suggest a complex heterogeneity of causes that should undermine any confidence in the causal significance of the regression line or the appropriateness of a regression analysis.

Even if the error term were small (which it is not), it should be apparent that declines in the weekly earnings of native workers in various education-experience categories from 1990–2000 would be strongly correlated with an increase in immigrant share given the great increase in immigration during the decade—quite independently of any causal relationship between the two changes. The

heterogeneity of the categories (reflected in the asymmetric distribution of data points) also works against simple causal interpretations. Thus the immigration situation with respect to college graduates is completely different from that of high-school dropouts. In the former case, recent American college graduates, few of whom major in science or math, are lumped together with younger technically-trained legal immigrants from South and East Asia. The factors depressing the wages of the American college graduates—downsizing and the loss of traditional quasi-lifetime employment guarantees—are clearly different from those depressing the wages of high-school dropouts (deindustrialization and the move to the “macjobs” of a service economy).

Competition may occur in individual cases or in certain job categories, but Borjas’ method of analysis is incapable of uncovering these. And the limited number of markets in which competition may occur suggests that immigration is hardly a major cause of declining wages among the various categories of native workers. In general, the socio-economic heterogeneity of Borjas’ categories, both between immigrants and natives in a particular census year, and between natives of in the same category but from different census years, undermines any plausible interpretation of the regression line as expressing a simple across-the-board causal relation between immigration and the wages of native workers.

Borjas seems oblivious to these issues, and repeatedly refers to the “effect” of immigration on weekly and annual earning, quantifying such effects to tenths of a percent. These are the figures that are widely quoted as “recent research results” or as what “academic studies suggest.” Much of Borjas’ *Quarterly Journal of Economics* paper is occupied with technical statistical discussions and with an extended discussion of a “production function” model derived from neoclassical economic theory. It is typical of mainstream economics papers to employ sufficient mathematical or statistical analysis to intimidate non-economists. This has the effect (presumably unintended) of insulating their analyses from criticism by non-economists. However, in the case of Borjas’ papers, the flaws in the analysis lie at a relatively non-technical level, in the basic methodology of category selection, and in the unjustified leap from a regression equation to a causal inference.

The economist-participants in the National Press Club Panel discussion were skeptical of Borjas’ results. Jared Bernstein of the Economic Policy Institute pointed out that economic theory can be a poor guide to real effects; for example, the job losses predicted by many economists from an increase in the minimum wage have never materialized. The issue of changes in the demand curve was brought up—in terms of economic jargon, Borjas fails to control for “demand shifts”—“the effects of the demand for workers regardless of nativity can swamp the supply effects.” (p. 10). According to Bernstein, existing studies find very small effects compared with those claimed by Borjas, and there is little indication that the sort of labor and capital moves that Borjas assumes are significant enough to undermine the negative results of these studies. Bernstein believes that off-shoring of industrial production and outsourcing have had far greater effects on labor markets. In short, it is competition with Asian factory workers, not Latin American migrants, that has adversely affected native wages.

Robert Lerman, a Senior Fellow at the Urban Institute, noted the substantial decline in the number of high-school dropouts in recent decades, a factor which alters the composition of the comparison groups from decade to decade. He also attacked other features of Borjas’ analysis as indicative of its static nature, thereby ignoring the dynamic adaptive effects of capital and labor to immigration.

Participants also pointed out problems arising from changes in census methodology from decade to decade.

Some Realistic Concerns about the Effects of Immigration

There are a number of realistic concerns about the effect of immigration on domestic employment and wage rates that are generally ignored in academic discussions. I discuss two.

First, there is little doubt that in certain occupational fields immigrants reduce job opportunities for native workers. In lower level service jobs, for example, undocumented immigrants will not only be less expensive than citizen workers, but due to timidity arising from their lack of legal status, they will be unlikely to protest hazardous working conditions or to file discrimination complaints using the procedures available to native-born minority workers. Employers have little to fear from unemployment compensation claims. Thus in certain labor markets (e.g., cleaners, restaurant workers) undocumented immigrants undoubtedly lower wages and job opportunities for native Americans. Much of the problem would be eliminated if these immigrants had legal protections. In that case, their appeal to employers might be greatly reduced since they would present the disadvantage of lacking the cultural background and English language ability of natives.

Second, there is the specter of high employment rates for inner-city African American young people. It could be argued that these youths could be trained to fill many of the jobs currently held by undocumented immigrants. There is a dilemma in this, however. Wouldn't it be perceived as racist if African-American youths were specifically trained for the low-skilled jobs often involving arduous manual labor currently held by immigrants? In fact, without immigrant labor accepting low wages and working conditions intolerable to most native Americans, many of these occupations would decline or disappear. Many crops would be unprofitable to grow if the higher wages and far better working conditions demanded by Americans were mandated. Labor intensive crops would be replaced by crops amenable to mechanical cultivation, cattle grazing, or the fields left fallow, or given over to housing or commercial development. The high-labor crops would be grown overseas and imported. Higher restaurant costs would drive many restaurants out of business. Higher domestic labor costs would lead to a major decline in the employment of domestic labor. The latter is what happened after the First World War when the employment of domestic labor plummeted. Many native women now in the work force would be forced to cut back hours in the workplace to care for children at home. The cost of building and remodeling homes would rise leading to a reduction in construction. I am not saying that all of these changes are necessarily bad, but that the consequences of curtailing immigration of low-paid workers who are willing to do jobs perceived as undesirable by natives would not simply result in an increase in wages and employment of natives.

There are also problems not directly related to the employment of American citizens that are exacerbated by the unofficial status of immigrants. For example, there is the problem of the second generation—children of immigrants brought up in the United States but without legal status. These marginalized young people may lack the strong work ethic of their parents, have opportunities for educational or employment advancement, and are often attracted to criminal gangs. The problems that faced every immigrant group in the past are multiplied by the lack of legal status which contributes to “ghettoization” and alienation. Legalizing the status of immigrants would do much to mitigate this problem.

And finally there is the question of what would happen in case of a major recession in the United States to the millions of undocumented workers in the United States. If these workers were laid off without the safety net of unemployment insurance, it is likely that there would be serious social problems including an increase in crime. Problems which are severe for unemployed citizens would assume even greater severity for non-citizens, especially for undocumented immigrants. This suggests the need for a rational immigration policy that legitimizes and protects immigrants but that also recognizes the problems, actual and potential, associated with immigration. It does not, in any way, relieve us of our moral and humanitarian responsibilities towards the immigrants, documented or undocumented, who live among us as neighbors, friends, and working members of our communities.

Some Academic References

Borjas, George J., "The Labor Demand Curve *is* Downward Sloping: Reexamining the Impact of Immigration on the Labor Market." *Quarterly Journal of Economics*, November 2003, 1335-1374.

Borjas, George J., *Increasing the Supply of Labor Through Immigration, Measuring the Impact on Native-born Workers*, May 2004, found on the Center for Immigration Studies website.

Panel Discussion Transcript of National Press Club discussion of Borjas' paper, also on the Center for Immigration Studies website.

Card, David, "The Impact of the Mariel Boatlift on the Miami Labor Market," *Industrial and Labor Relations Review* 43 (January 1990).

Fix, Michael E. and Passel, Jeffrey S., "Immigration and Immigrants: Setting the Record Straight," Urban Institute, May 1994.

Pasel, Jeffrey S., *Unauthorized Migrants: Numbers and Characteristics*. Pew Hispanic Center, June 2005.

Smith, James P. and Edmonston, Barry, *The New Americans: Economic, Demographic and Fiscal Effects of Immigration*. National Academy of Sciences Press (1997).

Vernez, Georges and McCarthy, Kevin F., "The Costs of Immigration to Taxpayers: Analytical and Policy Issues," Rand Corporation, 1995.

Note: All of these papers may be downloaded from the internet.