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**The Center for Comparative Immigration Studies**  
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**Why Does Immigration Divide America?:  
Public Finance and Political Opposition to Open  
Borders**

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University of California, San Diego  
And National Bureau of Economic Research

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## Executive Summary

In this manuscript, I consider the interplay between public finance and U.S. immigration policy. Immigration is making the U.S. population larger and more ethnically diverse and the U.S. labor force more abundant in low-skilled labor. One consequence of these changes has been lower wages for low-skilled U.S. workers. More generally, the benefits and costs of immigration appear to be distributed quite unevenly. Capital owners, land owners, and employers capture most of the benefits associated with immigration, which they enjoy in the form of higher factor returns. Taxpayers in high-immigration U.S. states shoulder most of immigration's fiscal costs, which they bear in the form of higher taxes that go to pay for public services used by immigrant households. On net the economic impact of immigration on the United States is small. However, small net changes in national income mask potentially large changes in the distribution of income. These distributional changes appear to be an important ingredient in how individuals form opinions about immigration policy.

Survey data suggest that individuals are more opposed to immigration if they (a) are more exposed to immigration's labor-market consequences, as are low-income workers living in states with large immigrant populations, or (b) are more exposed to the immigration's public-finance consequences, as are high-income workers living in states with high immigrant uptake of public assistance. Policies that have reduced the fiscal costs of immigration, such as welfare reform in the 1990's, appear to have softened political opposition to immigration. Generating greater political support for open immigration policies would require reducing immigration's adverse effects on the labor-market earnings and on the fiscal burdens of U.S. residents.

Currently, there is political gridlock in the United States regarding immigration policy. This gridlock makes it difficult to address pressing issues related to illegal immigration, such as what to do about the 10 million illegal immigrants living in the United States, and national security, such as how to get immigration authorities and intelligence agencies to coordinate meaningfully with each other.

One strategy for reforming U.S. immigration policy would be to change the skill composition of those admitted. By shifting to a system that favors high-skilled immigrants, the United States would attract individuals with high income potential. A skills-based immigration policy would help raise the wages of low-skilled workers and reduce the fiscal burden on taxpayers. However, it would have the disadvantage of having its effects on U.S. labor markets blunted by other aspects of globalization. An alternative (but not mutually exclusive) strategy would be to expand temporary immigration programs and to phase in immigrant access to public benefits more slowly over time. A rights-based immigration policy would help alleviate the negative fiscal consequences of immigration and free immigration policy to be used for meeting U.S. labor needs or achieving other objectives. To be effective, any change in immigration policy must address enforcement against illegal immigration.

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## 1. Introduction

Immigration is an issue capable of dividing otherwise like-minded people. Identify a group whose members tend to agree on political issues – liberals, conservatives, isolationists, internationalists, environmentalists, free marketers – and one will tend to find that within the group there is no strong majority opinion about U.S. immigration policy. Neither major political party is unified in its position on how open U.S. borders should be to foreign citizens. Among Republicans, the business lobby persistently advocates for access to foreign labor. Emphasizing the economic benefits of immigration, the view of the National Association of Manufacturers is that,

“Foreign nationals have made enormous contributions to U.S. companies, our economy and society as a whole. To continue our economic and technological preeminence we need to ensure that we have access to the talent we need to lead and compete.”<sup>1</sup>

But many conservative groups oppose immigration due to the perception that it expands the welfare state, dilutes American culture, and threatens national security.<sup>2</sup> This split within the party manifested itself most recently following President Bush’s 2004 proposal to grant illegal immigrants temporary legal status as guest workers, an idea supported by business interests. The sharpest criticism of the plan came from lawmakers in Bush’s own party. A letter from two-dozen congressional Republicans complains, “Our offices have been inundated with calls from dismayed constituents expressing vehement opposition to the Administration’s proposal... Respect for the rule of law is a core conservative value... We cannot continue to allow our immigration laws to be violated and ignored... Illegal aliens are by definition criminals.”<sup>3</sup>

Democrats are no more united. Union leaders have joined forces with Latino groups in support of permanent legal immigration and of an amnesty for illegal immigrants.<sup>4</sup> But

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<sup>1</sup> See <http://www.nam.org/>.

<sup>2</sup> According to Rep. Tom Tancredo (R-CO), a leading congressional opponent of immigration, “There are 9 to 11 million illegal aliens living amongst us right now, who have never had a criminal background check and have never been screened through any terrorism databases. Yet the political leadership of this country seems to think that attacking terrorism overseas will allow us to ignore the invitation our open borders presents to those who wish to strike us at home” (<http://www.house.gov/tancredo/immigration/>). Former Republican and presidential candidate Pat Buchanan adds, “If America is to survive as ‘one nation,’ we must take an immigration ‘time out’ to mend the melting pot... The enemy is already inside the gates. How many others among our 11 million ‘undocumented’ immigrants are ready to carry out truck bombings, assassinations, sabotage, skyjackings?” (<http://www.issues2000.org/>).

<sup>3</sup> Susan Jones, “Republican Lawmakers Won’t Back Bush on Immigration,” CNSNews.com, January 26, 2004. See also Christopher Wills, “Immigration, Bush Proposal Divides Republican Candidates,” *AP Wire*, February 1, 2004, and Valerie Richardson, “Republicans Warn Bush on Immigration Policy,” *Washington Times*, January 28, 2004.

<sup>4</sup> The AFL-CIO endorses granting legal status to illegal immigrants but opposes guest worker programs that provide immigrants with anything short of full labor rights (<http://www.aflcio.org/>). This position is similar to that of the National Council of La Raza (<http://www.nclr.org/>), whose president praised the AFL-CIO’s decision to support an amnesty: “This policy change makes the full labor movement a partner in the immigrants’ rights movement; we welcome their strong defense of immigrant workers. We applaud organized labor for taking this wise and courageous action.”

this runs counter to the opinions of many rank-and-file union members who tend to prefer closed borders (Scheve and Slaughter, 2001a).<sup>5</sup> Environmentalists are also split on immigration, due to its effects on U.S. population growth. In 2004, an anti-immigration bloc attempted to gain control of the Sierra Club board. While the move failed, the issue remains a source of conflict within the environmental movement.

Such internecine disputes over immigration mirror differences of opinion in the electorate as a whole. When asked about the contributions of immigrants to U.S. society, over two-thirds of survey respondents recognize these as being positive (Scheve and Slaughter, 2001b). But when asked about the level of immigration, nearly half of survey respondents would prefer to see the numbers admitted reduced. This leaves the public roughly divided between those that prefer scaling down immigration and those that prefer maintaining it at current levels. Americans appear to believe that immigration offers a range of potential benefits to the country, but are also concerned about the costs associated with admitting large numbers of foreigners.

One result of divisiveness is inaction. While there appears to be agreement across the political spectrum that U.S. immigration policy is in need of repair, the likelihood of serious reform appears dim. Common criticisms of current policy are that it fails to enforce U.S. borders and leaves large numbers of individuals in legal limbo. The U.S. Census Bureau (Costanzo et al, 2001) calculates that on net 300,000 to 500,000 new illegal immigrants enter the United States each year. In 2003, the illegal population was estimated to be 9.8 million individuals, up from 3.8 million in 1990 (Passel, Capps, and Fix, 2004). In the aftermath of the terrorist attacks of 9/11, the security of U.S. borders has assumed renewed urgency. Yet, U.S. border enforcement remains ineffective and the government still lacks the ability track temporary legal immigrants in the country.<sup>6</sup>

If asked, few politician or voters would be likely to endorse high levels of illegal immigration or inadequate border controls. Instead, these outcomes appear to be the result of an accommodation of interests that is far from the first best. Business lobbies for freer immigration but is countered by a diverse coalition that opposes open borders. The result is a system in which the government restricts the level of permanent legal immigration but allows less visible types of immigration to adjust by changing the number of temporary work visas and the intensity with which it enforces against illegal entry. While business gets access to foreign labor, it must make due with a third or more these workers being illegal and with many others being subject to the constraints of temporary immigration status. Illegality exposes U.S. companies to legal risks and uncertainty about labor supply and denies immigrants legal protections, the ability to move easily between jobs, and the incentive to make long-run investments in acquiring skills or improving their communities.

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<sup>5</sup> See Juliet Eilperin, "Immigration Issue Sparks Battle at Sierra Club," *Washington Post*, March 22, 2004, p. A02 (<http://www.washingtonpost.com/wp-dyn/articles/A13539-2004Mar21.html>).

<sup>6</sup> See Camarota (2002). In June 2004, the U.S. government announced that it had awarded a contract to the firm, Accenture, to develop the US-VISIT system, which would manage U.S. borders and monitor entry and exit by foreigners (<http://www.dhs.gov/dhspublic/index.jsp>).

### Sources of Political Opposition to Immigration

That opinions on immigration vary is hardly surprising. Immigration, like international trade, foreign investment and other aspects of globalization, changes the distribution of income within a country. In the United States, a disproportionate number of immigrants have low skill levels, concentrating the negative labor-market effects of immigration on less-skilled U.S. residents. In 2003, 33% of all foreign-born adults in the U.S. (including both legal and illegal immigrants) had less than 12 years of education. This compares with only 13% of native-born adults. By increasing the relative supply of low-skilled labor, immigration puts downward pressure on the wages of low-skilled native-born workers. George Borjas (2003) finds that between 1980 and 2000 immigration had the largest effect on the low-skilled, reducing the wages of native-born high-school dropouts by 9%.<sup>7</sup> The expanding supply and declining wages of low-skilled labor benefits labor-intensive industries, which helps explain the support of certain business groups, such as agriculture and apparel, for immigration.

Given these labor-market repercussions, we would expect low-skilled workers to be among those most opposed to immigration. In surveys of public opinion on immigration policy, Kenneth Scheve and Matthew Slaughter (2001b) find that the opposition to immigration is indeed higher among the less educated. Less-skilled laborers' skepticism about immigration mirrors their skepticism about globalization in general.<sup>8</sup> Still, it does not appear that the labor-market effects of immigration alone can explain the current political divide. The workers adversely affected account for a relatively small share of the U.S. electorate, both because today the number of high-school dropouts is small and because they are relatively unlikely to vote. Clearly, there is more to immigration than its consequences for labor markets. Among its myriad other effects, immigration also alters public finances and politics at the local and national levels in ways that international flows of goods or capital do not. Immigrants pay taxes, use public services, and, after naturalization, vote; imports do none of these things.

Contributing to the opposition to immigration is the concern that admitting low-skilled foreigners raises the net tax burden on U.S. natives. Low-skilled immigrants tend to earn relatively low wages, to contribute relatively little in taxes, and to enroll in government entitlement programs with relatively high frequency. There is abundant evidence that immigrants make greater use of welfare programs than natives (Borjas and Hilton, 1996; Borjas, 1999a; Fix and Passel, 2002). This has remained true even after welfare reform in 1996, which restricted immigrant access to many types of government benefits (Zimmerman and Tumlin, 1999; Fix and Passel, 2002). In U.S. states with large immigrant populations, such as California, immigration appears to increase net burdens on native taxpayers substantially (Smith and Edmonston, 1997).

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<sup>7</sup> While many early studies of the labor-market consequences of immigration found that its wage impacts were small (Borjas, 1999b), recent studies find that immigration depresses wages for native workers who are likely to substitute for immigrant labor (Borjas, Freeman, and Katz, 1997; Borjas, 2003).

<sup>8</sup> See Rodrik (1997, 1998), Scheve and Slaughter (2001a, 2001b, 2001c, 2004), O'Rourke and Sinnott (2001, 2003), Mayda and Rodrik (2002), Hainmueller and Hiscox (2004), and Mayda (2004).

In this manuscript, I consider the interplay between public finance and immigration policy in the United States.<sup>9</sup> Immigration affects the incomes of existing residents through its impacts on labor markets and on government taxes and transfers. By increasing the relative supply of low-skilled labor, immigration tends to lower the *pre-tax* income of low-skilled labor relative to the *pre-tax* income of high-skilled labor. These labor-market outcomes help create opposition to immigration among the less-skilled. Immigration also affects *after-tax* income. If immigrants have access to public assistance, public education, and other public services, and if their contributions to tax revenues are insufficient to pay for their use of these services, then immigration will force governments to raise taxes on existing residents, to reduce services to existing residents, and/or to borrow from future generations. Any of these actions is likely to be unpopular, creating the potential for political action against immigration by individuals that expect to bear immigration's costs.

One factor that helps shape the politics of immigration is that U.S. states vary substantially in their tax structures and spending policies. California and New York, for instance, have high state income taxes and provide generous public benefits, while Florida and Texas have no state income tax and provide markedly less generous benefits. States also vary in the size of their immigrant populations. A handful of states – California, Florida, Illinois, New Jersey, New York, and Texas – have in the last few decades been the “gateway” states for immigrants entering the country (Borjas, 1999a). Most new immigrants settle in one of these states, exposing their residents to the main economics consequences of immigration. Recently, immigrant settlement patterns have begun to change, exposing new regions of the United States to the direct effects of immigration. Since the 1990's, Mountain, Southern, and Plains states – including Arizona, Colorado, Georgia, Nevada, and North Carolina – have begun to attract large numbers of immigrants (Passel and Zimmerman, 2001; Card and Lewis, 2005). The interaction between local tax and spending policies and the size of the local immigrant population determines who is subject to the costs and benefits of immigration, affecting which voters will favor immigration and which will not.

In the absence of distortionary tax and spending policies, economic theory suggests that low-skilled immigration would be supported by more-educated, high-skilled U.S. workers and opposed by less-educated, low-skilled U.S. workers. As we've seen, the available evidence is consistent with this prediction (see note 8). Theory would also suggest that the positive correlation between skill and support for immigration would be strongest in states that do not provide generous welfare programs, since in these states the labor-market effects of immigration are likely to dominate the public-finance effects. In states that provide more generous public assistance to immigrants, the consequences of immigration for public finances are likely to be more important politically. If these benefits are financed by progressive income taxes, as, say, in California and New York, then high-skilled, high-income individuals – who are most exposed to the fiscal burden associated with immigration – may join the low-skilled in opposing open borders.

### *A Tale of Two Governors*

To motivate the story of how public finance affects the politics of immigration, consider the recent history of California and Texas. In the mid 1990's, the two states each had

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<sup>9</sup> I draw heavily on the analysis and results in Hanson, Scheve, and Slaughter (2005).



fiscally conservative Republican governors who were rising stars within their party. Governors Pete Wilson, elected in 1990, and George Bush, elected in 1994, were touted as potential candidates for president and each later ran for higher office. As governors of large states, they had a great deal on the line politically.

Both governors faced difficult fiscal environments. California, battered by the post-Cold War decline in defense spending, had a severe recession in 1990 and 1991, which left the state short on tax revenues. Wilson battled with the state legislature over cutting spending, leading to a shutdown in government payments that lasted for two months. Texas bore the brunt of the late 1980's savings and loan crisis and the late 1980's and early 1990's swings in oil prices. California and Texas were also absorbing much of the national surge in immigration. During the 1990's, as the foreign-born share of the U.S. population grew from 8% to 11%, 37% of immigrants chose to reside in one of the two states (as compared to only 17% of the native-born population).

Initially, Bush and Wilson appeared to have similar politics. Among other issues, they were both unabashed free traders and strongly supported the North American Free Trade Agreement. Yet, when it came to immigration they took very different approaches. In California, Wilson made restricting public benefits to immigrants the centerpiece of his strategy to control spending. Memorably, he backed Proposition 187, a ballot measure to deny public services to illegal immigrants.<sup>10</sup> In Texas, Bush embraced the state's immigrant population and courted Latino voters, even campaigning in Spanish.<sup>11</sup> He publicly distanced himself from Proposition 187 and said he would not support such a measure in Texas.<sup>12</sup> In his 1998 gubernatorial bid, Bush won 49% of the Latino vote (and 69% of the total vote), the strongest showing ever among Texas Hispanics by a Republican in a state-wide electoral race.<sup>13</sup>

History has already rendered its verdict on these strategies. While Bush became president, Wilson's success was short lived. He did manage to get Proposition 187 passed, with the support of 59% of California voters. However, the subsequent political backlash against the measure led to successful court challenges against it and inspired the Latino community and other pro-immigrant groups to organize politically against Wilson and the state Republican Party.<sup>14</sup> The legacy of Proposition 187 appeared to contribute to the party's poor showing in California's statewide elections in 1998 and to Wilson's failed 2000 presidential campaign.

The experience of California and Texas with immigration shows how local tax and spending policies influence the politics of immigration. In California, with its progressive income taxes and generous public benefits, high-income voters, who are an important constituency within the Republican Party, saw immigration as increasing their tax burden. These individuals, in addition to conservatives who oppose illegal immigration on law-and-order grounds, were an important source of pressure on Wilson to reduce

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<sup>10</sup> Julie Marquis, "Wilson Blames Ills on Illegal Immigrants," *Los Angeles Times*, Oct. 17, 1994, B1.

<sup>11</sup> R.G. Ratcliffe, "Bush Ads Aim for Big Share of Hispanic Vote; Governor Speaks Spanish in Radio Spots," *Houston Chronicle*, August 15, 1998, p. A33.

<sup>12</sup> Juan Palomo, "The Cool Headed Governor," *Hispanic Business*, Dec. 1995, 12-16.

<sup>13</sup> Ken Herman, "Bush Proves Ethnic Bona Fides," *Atlanta Journal and Constitution*, November 13, 1998, p. 4C.

<sup>14</sup> "Nothing but Gravel in their Pan," *Economist*, Mar. 7, 2002.

fiscal transfers to immigrants.<sup>15</sup> Texas, in contrast, has a weaker safety net and relies on regressive forms of taxation, such as a sales tax. The state's high-income voters may have perceived immigration as having a smaller impact on their tax obligations, giving Bush greater latitude in how to address the issue.<sup>16</sup> In Texas, and other states where the labor-market effects of immigration tend to dominate its public-finance effects, political opposition to immigration appears to be less organized.

### *Non-Economic Factors and Attitudes toward Immigration*

Pressures on labor markets and public finances are by no means the only sources of opposition to immigration. There have long been complaints that immigration undermines U.S. culture (Daniels, 2003; Tichenor, 2002). In his 1996 and 2000 presidential bids, Patrick Buchanan attempted to tap into public discontent over bilingual education and increasing ethnic diversity in the United States. Some of Buchanan's arguments are mirrored in Samuel Huntington's (2004) influential critique of recent immigration from Mexico and elsewhere in Latin America. Huntington claims that the culture and values of Latino immigrants are different from those of the predominantly European immigrants who came to the United States in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries. These differences, Huntington contends, impede the assimilation of Latino immigrants into U.S. society and slow the erosion of political loyalties to their home countries. As a result, the continuing surge in Latino immigration is weakening American identity.

Huntington singles out Mexican immigration for its scale and for how Mexico's proximity to the United States has contributed to inflows of illegal migrants and to the concentration of immigrants in the southwest. Without question, the focus on Mexico is warranted. It has become the most important source country for U.S. immigration, accounting for over one-third of new immigrants since 1990. However, evidence on whether Mexican immigration weakens American identity is decidedly mixed. Huntington cites language and intermarriage as areas in which Mexican immigrants have been slow to assimilate. The data do support this claim but hardly exhibit glaring differences between immigrants from Mexico and those from other countries. After 10 years in the United States 52% of Mexican immigrants report that they speak English well or very well, compared to 63% of immigrants from other non-English-speaking countries.<sup>17</sup> Among marriages in which at least one of the spouses is Mexican American (second or later generation), 48% are exogamous partnerships (i.e., at least one of the spouses is not of Mexican ancestry) (Duncan and Trejo, 2005). While members of other immigrant groups are more likely to be fluent in English and to marry outside of their national-origin group, differences between Mexican and other immigrants hardly appear large enough to warrant significant concern. More broadly, the strong commitment of Mexican immigrants to work, family, community, and church – which has been noted by

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<sup>15</sup> Louis Freedberg, "Wilson Defends Stance on Illegals," *San Francisco Chronicle*, Jun. 23, 1994, A2.

<sup>16</sup> In particular, Texas' tax and spending policies may allowed Gov. Bush the political space to appear to be both pro-immigrant, to appeal to the state Latino vote, and fiscally conservative, to appeal to the party's base. See "Yo te quiero mucho," *Economist*, Sep. 28, 2000.

<sup>17</sup> Excluding immigrants from all Latin American countries, the share of the foreign-born population reporting to speak English well or very well rises to 66%. All figures on language ability are based on data from the 2000 U.S. Census of Population and Housing.

observers from across the political spectrum – appears to be in line with what are considered traditional American values.

One area in which Mexican immigrants do stand out is terms of educational attainment. Two-thirds of recent Mexican immigrants have completed less than the equivalent of a high-school education (Borjas and Katz, 2005). This mirrors the low level of average schooling in Mexico (and in many other developing countries). While second generation Mexican Americans complete 42% more schooling than their immigrant parents, progress in educational attainment appears to lag in third and later generations (Grogger and Trejo, 2002).<sup>18</sup>

Given low schooling levels, Mexican immigrants are likely to compete for jobs with low-skilled U.S. natives. Low schooling also contributes to low earnings potential and to low net contributions to government fiscal accounts, creating potentially adverse consequences for native taxpayers in the southwestern states in which Mexican immigrants tend to congregate. A distinguishing feature of Mexican immigration, then, is that its economic effects are concentrated on specific groups of native workers and taxpayers. Putting aside the cultural ramifications of open borders, one wonders how much the concentrated economic consequences of Mexican immigration (and of Latino immigration more generally) account why there appears to be such a strong appetite for Buchanan's and Huntington's arguments to scale back immigration from Mexico and the rest of Latin America.

In this manuscript, I will focus almost exclusively on economic motivations for political opposition to immigration. I will leave unexplored the claim that opposition to immigration is rooted in conflicts over identity. In so doing, my analysis gives cultural arguments against open borders short shrift. In defense of this approach, the data I will present appear to support the argument that economic motivations go a long way toward accounting for individual attitudes towards immigration policy.

### *Plan for the Manuscript*

In the following four chapters, I develop my argument about the interaction between local public finance and public preferences toward immigration policy. In chapter 2, I discuss current U.S. immigration policy and use recent data from the Current Population Survey (CPS) to describe the evolution of U.S. immigration trends. I also review evidence on the labor-market consequences of immigration.

In Chapter 3, I examine immigrant uptake of public benefits and the fiscal burden this implies for native taxpayers. That the size and composition of immigrant populations vary across U.S. states suggests that immigrant demands for public services also vary across states. Added to this are cross-state differences in the generosity of public benefits, made more extreme by federal welfare reform in 1996, which gave states discretion about which benefits to offer and whether to give immigrants access to these

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<sup>18</sup> Over the period 1980-2002, average years of schooling is 8.8 years for first-generation Mexicans, 12.2 years from second-generation Mexicans, and 12.3 years for third-generation Mexicans (Duncan and Trejo, 2005). See Smith (2003) for an alternative take on the data, in which he finds evidence of greater educational progress between the second and third generations for Mexican Americans.

benefits. Among states with similarly sized immigrant populations, those with more generous welfare programs in effect require each native household to pay for the benefits used by a greater number of immigrant households. States with generous benefits also tend to be states with progressive tax structures, suggesting that higher income households in these states are likely to shoulder a disproportionate share of the fiscal burden associated with providing public services to immigrants.

The results of chapters 2 and 3 suggest that the U.S. residents most adversely affected by immigration will include low-wage workers, especially those living in high immigration states, and high-wage workers living in high-immigration states with high immigrant uptake of welfare. In chapter 4, I use data from National Election Studies surveys to examine whether opposition to immigration is stronger among individuals for whom immigration increases either expected labor-market competition or net tax payments. Consistent with previous studies, I find that opposition to immigration is stronger among the less educated, the group most exposed to the labor-market consequences of immigration. Building on the results in Hanson, Scheve, and Slaughter (2005), I also find that the opposition of the low-skilled is stronger in states with larger immigrant populations, where we expect the wage effects of immigration to be strongest. Among the highly educated, opposition to immigration is more intense in states in which immigrants make greater use of means-tested entitlement programs. What appears to matter for this group is not so much living in a high-immigration state, but rather living in a high-immigration state that also has high immigrant uptake of public assistance and other public benefits.

The results of Chapter 4 suggest several potential strategies to diffuse tensions surrounding immigration and move toward meaningful reform of U.S. immigration policies. One would be to shift the composition of the immigrants admitted toward the high skilled, which would reduce immigrant demand for public benefits and raise immigrant contributions to tax revenues. Another would be to restructure the rights of immigrants regarding access to public benefits, which would reduce immigrant draws on public expenditure. In Chapter 5, I discuss proposals for reforming U.S. immigration policy. Shifting towards skills-based immigration, as has been proposed by Borjas (1999) and Huntington (2004), would eliminate the benefits to U.S. consumers and employers from low-skilled immigration. Additionally, it would fail to confront the central question in U.S. immigration policy, which is how to manage migrant inflows from Mexico. In terms of its impact on U.S. wages, the effects of any shift from low-skilled to high-skilled immigration may be partly offset by increased imports from and U.S. investment in low-wage countries. Phasing in immigrant access to public benefits more slowly over time is a potentially more attractive and more politically palatable approach to achieve immigration reform. It would also create a framework in which policy makers could address Mexican immigration.

To be effective, any change in immigration policy must address enforcement against illegal immigration. Enforcement at U.S. borders, where immigrant authorities currently devote most of their efforts, is ineffective. Despite massive increases in spending on border enforcement since the early 1990's, the inflow of illegal immigrants has not slowed. An alternative policy would be to change the nature of U.S. enforcement against the hiring of illegal immigrants. Mandating information sharing between immigration authorities, the Social Security Administration, and the Internal Revenue Service (either through a national identity card or electronic tracking of immigrants' visa status) would permit employers to verify instantly whether or not a potential employee is

a legal immigrant. This could expand the capacity of immigration authorities to enforce against illegal immigration at the U.S. work place in a manner that is effective, unobtrusive, and humane. The obtrusiveness of current efforts at enforcement of illegal immigration in the U.S. interior in part accounts for its political unpopularity.

In the 2004 presidential campaign, both candidates identified immigration policy as an important topic deserving attention. However, each was predictably vague about the best way to go about policy reform. The building consensus that U.S. immigration policy is broken creates a political opening for the new presidential administration to address the issue. Continued inaction would be costly. Among other consequences, it would allow a large and growing segment of the U.S. labor force to operate in a legal grey area, lacking the protections afforded by the rule of law. Creating a strategy to reform immigration policy requires, first, understanding the economic consequences of immigration and, second, how these consequences shape public attitudes about the number of foreigners that should be admitted to the United States.

## **2. U.S. Immigration Policy and Recent Immigration Trends**

Since the late 1960's, immigration in the United States has been on the rise. After several decades of decline, the share of immigrants in the U.S. population grew from 5% in 1970 to 12% in 2003 (Figure 1). The increasing presence of the foreign born is the result of high levels of legal and illegal immigration, which reflect recent changes in U.S. immigration policy. The continuing influx of immigrants includes large numbers of Asians and Latin Americans, who are altering the ethnic composition of the U.S. population and the educational composition of the U.S. labor force.

### *U.S. Immigration Policy*

U.S. immigration policy governs the admission of legal permanent and temporary immigrants and enforcement policies that affect the inflow of illegal immigrants. In addition to setting the level of immigration and the criterion for admitting immigrants, U.S. policy also determines the rights conferred to different classes of immigrants.

Current U.S. policy on permanent legal immigration is based on a quota system, established by the Hart-Celler Immigration Bill of 1965.<sup>19</sup> Hart-Celler revised restrictive quotas based on national origin, which the Immigration Act of 1924 had created, and made family reunification a central feature of U.S. admission decisions.<sup>20</sup> The result was an increase in permanent legal immigration (Figure 2) and an expansion in the range of countries sending immigrants to the United States (Table 1). Later changes in U.S.

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<sup>19</sup> For histories of U.S. immigration policy see Tichenor (2002) and Daniels (2003).

<sup>20</sup> The 1924 law represented the first comprehensive restrictions on immigration in the United States. Prior to that time, the United States had been largely open to immigration from the rest of the world. The 1965 law amended the Immigration and Nationality Act of 1952, which had created skill-based categories for immigration but had not changed the 1924 restrictions on national origin (Smith and Edmonston, 1997).

policy granted special status to refugees and asylees.<sup>21</sup> Under the present system, U.S. Citizen and Immigration Services (of the Department of Homeland Security) assigns applicants for permanent legal residence to one of seven categories, with each subject to its own quota level.<sup>22</sup> The law guarantees admission to immediate family members of U.S. citizens, who are exempt from entry quotas. Specific quotas are assigned to other family members of U.S. citizens, immediate family members of legal U.S. residents, individuals in special skill categories, and refugees and asylees facing persecution in their home countries.<sup>23</sup> Of the 705,827 permanent legal immigrants admitted in 2003, 70% gained entry as family members of U.S. citizens or legal residents, 12% gained entry on the basis of employment preferences, 7% were admitted under the diversity program, 6% were refugees, and 5% were in other categories (DHS, 2004).

After five years as a permanent legal resident, an immigrant is eligible to apply for U.S. citizenship. Citizenship confers the right to vote and the right to draw on all government benefit programs for which an individual meets eligibility requirements. In 1996, as part of a comprehensive reform of federal welfare policies, Congress excluded non-citizen immigrants from access to many entitlement programs (Zimmerman and Tumlin, 1999). While a number of U.S. states have restored immigrant access to some programs, the effect of welfare reform was to create a five-year waiting period before permanent immigrant may have full access to benefits (Table 2).

Additional admissions of legal immigrants occur through the granting of temporary work visas.<sup>24</sup> In 2003, the United States admitted 590,680 temporary workers and 135,933 immediate family members accompanying these individuals (DHS, 2004). The largest classes of temporary work visas are for high-skilled workers (H-1B), short-term manual laborers in agriculture (H-2A), short-term manual laborers outside of agriculture (H-2B). To obtain a temporary work visa, an immigrant must be sponsored by a U.S. employer. The H-1B visa was created in 1990 to permit foreigners with a college degree to work in the United States for a once renewable three-year term for employers who petition on

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<sup>21</sup> The Refugee Act of 1980 created procedures for the admission of refugees “of humanitarian concern,” eliminating refugees and asylees as a category of the existing quota-preference system (DHS, 2004).

<sup>22</sup> In 2003, the Immigration and Naturalization Service (INS) was moved from the Department of Justice to the Department of Homeland Security (DHS). INS functions were divided among three DHS agencies. Immigration-related services moved to U.S. Citizenship and Immigration Services (USCIS), enforcement of immigration laws in the interior United States moved to U.S. Immigration and Customs Enforcement (ICE), and enforcement of U.S. borders, including the U.S. Border Patrol, moved to the Bureau of Customs and Border Protection (CBP).

<sup>23</sup> The Immigration Act of 1990 set a flexible cap for legal admissions at 675,000 of which 480,000 would be family-based, 140,000 would be employment-based, and 55,000 would be “diversity immigrants.” The law also set temporary immigration at 65,000 for the H-1B program and 66,000 under the H-2 program, and created new categories for temporary admission of workers (O, P, Q, R). Subsequent legislation created categories for temporary immigration of professional workers from Canada and Mexico as part of the North American Free Trade Agreement (DHS, 2004).

<sup>24</sup> There are large numbers of temporary entry visas given to tourists, business travelers, and students, none of whom are eligible to work in the United States. The figures in the text exclude these categories and temporary visas given to foreign government officials (equal to 138,496 in 2003); and intra-company transferees, NAFTA workers, and their family members (equal to 168,580 in 2003) (DHS, 2004).

their behalf. Most individuals on H-1B visas work in the electronics or software industries. Between 1998 and 2000, the U.S. Congress raised the annual number of H-1B visas from 65,000 to 195,000; in 2003, it allowed their number to fall back to 65,000. The H-2A visa, created by the Immigration Reform and Control Act of 1986, applies to seasonal laborers in agriculture. The H-2B visa applies to hotel and restaurant workers, landscape workers, and other low-skill workers in seasonal occupations. The bureaucratic steps needed to obtain H-2A or H-2B visas are onerous, which appears to limit their use. Between 2000 and 2003, the numbers of H-2 visas awarded annually ranged from 14,000 to 33,000 under the H-2A program and from 51,000 to 103,000 under the H-2B program.

Though the United States does not set the level of illegal immigration explicitly, existing policy in effect allows substantial numbers of illegal aliens to enter the country. In 2003, the illegal immigrant population was estimated to be 9.8 million individuals (Passel, Capps, and Fix, 2004).<sup>25</sup> During the 1990's, an average 300,000 to 500,000 net new illegal immigrants entered the United States each year (Costanzo et al., 2001; INS 2003). Current U.S. policy on illegal immigration is based the Immigration Reform and Control Act (IRCA) of 1986, which made it illegal to employ illegal aliens,<sup>26</sup> mandated monitoring of employers, and dramatically expanded border enforcement. Between 1980 and 2002, real expenditure on immigration enforcement increased by 5.6 times to \$1.8 billion. IRCA also offered amnesty to illegal aliens who had resided in the United States since before 1982. As a result of IRCA, the United States granted permanent legal residence to 2.7 million individuals, 2 million of whom were Mexican nationals (Bureau of International Labor Affairs, 1996) (Figure 2).<sup>27</sup>

Most illegal immigrants enter the United States by crossing the U.S.-Mexico border or by overstaying temporary entry visas. The U.S. Border Patrol enforces against illegal immigration by policing the U.S.-Mexico border and other points of entry from abroad and by seeking to prevent the smuggling and employment of illegal workers. In 2003, the Border Patrol apprehended 931,557 illegal aliens in the United States (which were 89% of total apprehensions of illegal aliens by U.S. immigration authorities).<sup>28</sup> Of these, 95% were Mexican nationals (DHS, 2004). Most of the Border Patrol's activities are

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<sup>25</sup> This estimate of the illegal immigrant population is equal to the *residual foreign born* as tabulated from official government survey data. To calculate the residual foreign born, one takes the enumerated immigrant population in the U.S. Current Population Survey (or the U.S. Census of Population and Housing) and subtracts new legal immigrant admissions (less estimated departures and deaths for legal immigrants). The residual foreign born population is thus immigrants left over after accounting for net legal immigration. Since the CPS and the census appear to undercount the illegal immigrant population by as much as 15%, the residual foreign born may underestimate the U.S. illegal immigration population. See Bean et al. (2001), Costanzo et al. (2001), and INS (2001).

<sup>26</sup> Prior to this time it had been illegal to "harbor" illegal aliens but not to employ them (Calavita, 1992).

<sup>27</sup> As a result of IRCA, during the late 1980's and early 1990's *net* illegal immigration slowed (since large number of illegal immigrants were becoming legal immigrants) but *gross* inflows of illegal immigrants appeared to continue at high levels (INS, 2001).

<sup>28</sup> Other apprehensions are by non-Border Patrol immigration authorities in the U.S. interior. Apprehensions of illegal aliens overstate attempted illegal immigration as a single individual may be captured by the Border Patrol multiple times in a given year.

concentrated in U.S. cities that border Mexico, such as San Diego, El Paso, and El Centro. This has encouraged those attempting illegal entry to cross in the less populated – and more treacherous – desert and mountain regions of Arizona and eastern California.<sup>29</sup> In 2003, immigration authorities apprehended another 114,865 individuals (11% of total apprehensions) through interior enforcement activities. Very little of either border or interior enforcement occurs at U.S. work sites. Of Border Patrol apprehensions in 2003, only 5,800 (0.6% of the total) occurred at U.S. farms or other places of employment (the rest occurred at or near the U.S.-Mexico border). Few employers face penalties for hiring illegal workers. In 2003, only 72 employers were convicted for employing illegal immigrants. Since 1986, fewer than two dozen employers have paid fines in excess of \$75,000 as a result of penalties associated with hiring illegal immigrants. These facts lead the General Accounting Office to conclude in a recent report that once in the United States illegal immigrants appear to face relatively little risk of apprehension or deportation (GAO, 2002).

While illegal immigrants lack the same rights granted to permanent or temporary legal immigrants, they do enjoy some legal protections. The Supreme Court has ruled that the government may not deny public education or emergency medical services to foreign-born U.S. residents, even those in the country illegally. This gives illegal immigrants the right to send their children to U.S. public schools and to call upon emergency medical care from U.S. hospitals. The U.S.-born children of immigrants, whether their parents are legal or illegal residents, are eligible to receive welfare benefits targeted to children, such as subsidized health care and school lunches. In practice, the Border Patrol rarely polices near schools, public health facilities, churches, or other locales where apprehending illegal immigrants would be politically controversial. Combined with the lack of enforcement at U.S. work sites, this creates many public spaces where illegal immigrants may move about in relative freedom.

It is a common misperception that illegal immigrants do not make contributions to tax revenues. Illegal immigrants pay sales taxes on their consumption purchases and property taxes on dwellings they own or rent. In addition, many illegal immigrants contribute to Social Security and to federal income taxes. Since IRCA in 1986, U.S. law requires that employers ask employees to provide proof of their employment eligibility. In response, many illegal immigrants present employees with fake Social Security cards that have invalid Social Security numbers. Most employers appear to treat illegal-immigrant employees as legal workers, withholding federal payroll taxes and income taxes from their paychecks. When paying payroll taxes on these workers, employers end up making contributions to invalid Social Security accounts.

The Social Security Administration holds contributions with invalid names or Social Security numbers in what is known as the Earnings Suspense File. Since the late 1980's, when IRCA went into effect, annual inflows into the Earnings Suspense File have soared, rising from \$7 billion in 1986 to \$49 billion in 2000. As of 2003, the Earnings Suspense File contained \$463 billion in contributions (Council of Economic Advisors, 2005). While the earliest items in the file date back to 1937, the vast majority of contributions have accumulated since 1985 (Social Security Administration, 2003). It seems highly unlikely that illegal immigrants who have contributed to invalid accounts

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<sup>29</sup> The end result of this policy has been an increase in deaths among illegal border crossers from 50 individuals a year in the early 1990's to 300-500 per year in the early 2000's (Cornelius, 2001).



would be able to draw on Social Security benefits in the future.<sup>30</sup> While the Social Security Administration does not immediately release funds in these accounts, the holdings in the Earnings Suspense File initially amount to a zero-interest-rate loan from the contributors to the U.S. federal government and eventually are rolled into the Social Security Administration's general funds.

Many employers also withhold federal income taxes from the paychecks of illegal immigrants, though the value of these contributions is hard to gauge. As a means of establishing a credit history, some self-employed illegal immigrants appear to pay income taxes voluntarily. This may account in part for the rapid increase in the number of tax identification numbers given out by the Internal Revenue Service to individuals who are unable to obtain Social Security numbers. Between 1996 and 2003, the IRS gave out 6.8 million tax ID numbers to such individuals. Certainly, not all of these tax IDs go to illegal immigrants. They also go to foreign students and researchers who are in the United States on temporary visas and cannot obtain a Social Security number.<sup>31</sup> By the same token, it appears unlikely all of these tax IDs could have gone to students and researchers, suggesting the IRS has awarded tax IDs to many illegal immigrants.

### *U.S. Immigration Trends*

Immigration is making the U.S. population larger and more ethnically diverse and the U.S. labor force more abundant in low-skilled labor. In this section, I use data from the Current Population Survey to review recent U.S. immigration trends. These data include both legal and illegal immigrants (see note 25), and among legal immigrants include both permanent residents and those on longer-term temporary visas.

*Recent immigrants come primarily from Asia and Latin America.* Of immigrants entering the United States between 1990 and 2003, 58% came from Latin American and 26% came from Asia (Table 1). Mexico is the most important source country for immigration, accounting for 34% of all immigrants arriving since 1990 and 30% of the total U.S. foreign-born population. The shift in U.S. immigration toward Asia and Latin America has diminished Europe's role. In 2003, while 41% of immigrants who had entered the United States before 1970 came from Europe, only 12% of immigrants entering the country since 1990 came from the region.

Based on estimates by the U.S. Census Bureau and by academic demographers, Asia and Latin America appear to be even more important as source regions for illegal immigration.<sup>32</sup> In 2000, Asia and Latin America accounted for 75% of the U.S. illegal immigrant population, up from 69% in 1990. Mexico is by far and away the largest source country for illegal immigrants, accounting for 57% of the illegal population in 2003 (Passel, Capps, and Fix, 2004). In 2000, the share of the foreign-born population in the country illegally was 31% for all immigrants, 19% for immigrants from Asia, 36% for

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<sup>30</sup> At several junctures, Congress has contemplated action that would explicitly prohibit illegal immigrants from drawing on their contributions to Social Security. See Mark Stevenson, "Ban Sought on Benefits for Illegal Immigrants," Associated Press, August 31, 2004.

<sup>31</sup> See "Illegal Aliens Paying Taxes," CBSNews.com, April 14, 2003.

<sup>32</sup> See note 25 on methods used to estimate the illegal immigrant population.

immigrants from Latin America, and 49% for immigrants from Mexico (Costanzo et al., 2001). Not surprisingly, illegal immigration is correlated with economic conditions in Mexico, Central America, and other sending regions. Attempted illegal immigration from Mexico surges following contractions in the Mexican economy, which tend to be particularly severe in the aftermath of one of the country's periodic currency crises. Border Patrol apprehensions at the U.S.-Mexico border increase 6% for every 10% decline in real wages in Mexico (Hanson and Spilimbergo, 1999). Mexico's real wages fall sharply any time the peso collapses (or there is unexpected inflation), meaning that economic crises in the country are typically followed by a large increase in the U.S. inflow of illegal immigrants from Mexico.

*Immigrants are over-represented at the extremes of the U.S. skill distribution and under-represented in the middle of the U.S. skill distribution.* Immigrants are much more likely than natives to have low levels of schooling. In 2003, 33% of immigrants 25 years and older had not completed the equivalent of a high-school education, compared to only 13% of U.S. natives (Figure 3). At the same time, immigrants are as likely as natives to be highly educated, with 27% of each group having completed a bachelor's degree (and with more immigrants than natives completing an advanced degree). Where immigrants are under-represented is among individuals with moderate schooling. Workers with a high-school degree or with some college account for 60% of U.S. native-born adults but only 41% of immigrants. The skill gap between natives and immigrants is one consequence of the shift in immigration from Europe, where schooling levels are similar to those in the United States, to Asia and Latin America, where schooling levels are well below those in the United States (Borjas, 1999a).

By increasing the supply of labor, immigration tends to drive down wages for U.S. workers. Borjas (2003) estimates that over the period 1980 to 2000 immigration contributed to a decrease in average wages for U.S. native workers of 3%. This estimate accounts for the total change in the U.S. labor force due to immigration, including both legal and illegal sources. Since immigration is concentrated among certain skill groups, its wage effects are largest for low-skilled and high-skilled native workers, with low-skilled workers suffering the largest wage declines. Borjas estimates that over the 1980-2000 period immigration lowered wages by 9% for native workers without a high-school degree, 3% for native high-school graduates, a negligible amount for natives with some college, and 5% for native college graduates.

*Immigrants tend to earn less than U.S. native-born workers and are more likely to be employed in low-wage occupations.* A low level of schooling and a lack legal status confine many immigrants to low-wage jobs. In 2003, while 62% of natives were managers, professionals, or technical or administrative staff, only 43% of immigrants were in one of these occupations (Figure 4). And, while only 25% of natives worked in low-paying manual labor or agricultural occupations, 43% of immigrants held one of these jobs. Low-skilled immigrants are even more concentrated in low-paying occupations, with 70% of immigrants with less than a high-school education working as manual laborers or in agriculture.

These differences in native and immigrant occupational outcomes are reflected in the earnings of the two groups. Among full-time, year-round workers in 2003, 45% of all immigrants and 72% of immigrants with less than a high-school education earned less than \$25,000 a year, compared to only 25% of natives (Figure 5). Given native-

immigrant differences in educational attainment, it is not surprising that immigrants are under-represented in the middle of the earnings distribution. While 40% of native-born workers earned between \$35,000 and \$75,000 a year, only 21% of immigrants fell into this category. Overall, median earnings for native workers were 30% higher than for immigrants.<sup>33</sup> As with the native-immigrant skill gap, the gap between native and immigrant earnings has grown over time (Borjas, 1999b).

Illegality contributes to the low earnings potential of some immigrants. Sherri Kossoudji and Deborah Cobb-Clark (2002) examine illegal immigrants who attained legal status as a result of the IRCA amnesty in the late 1980's and early 1990's. They estimate the penalty for being an illegal immigrant in the 1980's was a wage that was 14% to 22% lower than for legal workers. Much of this wage penalty appears to be due to the limited ability of illegal immigrants to move between occupations, which may decrease their bargaining power vis-à-vis employers. Low wages for illegal immigrants may be one reason employers oppose increased enforcement against illegal immigration (Hanson and Spilimbergo, 2001; Boeri, Hanson, and McCormick, 2002).

*Immigrants tend to settle in specific U.S. regions.* In the past several decades, upon arriving in the United States immigrants tended to settle in the "gateway" states of California, Florida, Illinois, New Jersey, New York, and Texas. In 2003, these six states were home to 67% of immigrants but only 40% of the total population (Table 3). California, on its own, is home to 28% of all immigrants, but only 12% of all U.S. residents. Within the gateway states, most immigrants live in a few large cities. In 2003, 46% of immigrants, but only 17% of the native born, lived in one of just five metropolitan areas: Los Angeles, New York, San Francisco, Miami, and Chicago. Illegal immigrants are also regionally concentrated. In 2000, 68% of illegal immigrants lived in gateway states, with 32% living in California alone (INS, 2001).

In recent years, immigrant settlement patterns have begun to change. During the 1990's, the states with the fastest growth in their immigrant populations were located in the Southeast (Georgia, North Carolina), Mountain West (Arizona, Colorado, Nevada), and Great Plains (Nebraska, Kansas) (Figure 6). These states also had high growth in native employment (Figure 7), suggesting that immigrants tend to move to regions where job growth is strong.<sup>34</sup> As the next section will show, these states are not known for the generosity of their welfare benefits, suggesting that their attraction to immigrants is driven by jobs and not by a desire to gain access to entitlement programs. The shift in population out of gateway states is even more notable among the illegal foreign-born population. Between 1990 and 2000, the share of illegal immigrants residing outside the six gateway states increased from 20% to 32% (INS, 2001).

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<sup>33</sup> These differences in earnings do not control for differences in annual hours worked or for differences in age, education, and other characteristics between immigrants and natives. Using data from 1990, Borjas (1999b) finds that controlling for differences in hours worked, natives earned 16% more than immigrants; and controlling also for age, education, and other observable characteristics, natives earned 10% more than immigrants. This pattern has changed markedly over time. In 1960, natives earned 4% *less* than immigrants (controlling for hours worked) and 1% *less* than immigrants (controlling for hours worked and other observable characteristics).

<sup>34</sup> The correlation between the log change in the share of the state population that is foreign born and the log change state native employment from 1990 to 2000 is a highly statistically significant 0.53.

The influx of low-skilled immigrants from Asia and Latin America is changing the U.S. economy. While increasing the supply of low-skilled labor tends to drive down wages for low-skilled native workers, it also helps resuscitate U.S. industries that rely on manual labor. The arrival of immigrant workers appears to have helped meat-packing plants in the Great Plains, poultry-processing facilities in the South, and textile factories in the Southeast. Without immigrant labor, these industries may have shut down, with grave consequences for their regional economies. Immigrant labor has also helped sustain the 1990's and early 2000's construction boom in the Southwest and Southeast. Economic theory suggests that the wage losses associated with immigration are more than offset by income gains to factors that are complementary to immigrant labor. However, there is no reason to expect these offsetting gains to make immigration popular politically. By redistributing income away from manual labor and towards factory or farm owners, immigration creates winners and losers, who are each likely to appeal to their political representatives, either to reverse their losses or to secure their gains.

### 3. Immigrant Demands on Public Benefits

The predominance of the low-skilled among recent U.S. immigrants means that many new arrivals work in low-wage occupations and have incomes towards the bottom of the earnings distribution. As low wage-earners, these immigrants are likely to pay little in taxes and to make large demands on public expenditures, relative to other U.S. residents. Compounding their demands on public services, immigrants also tend to have large families. These facts have raised concern that immigration causes a net drain on U.S. public finances and increases the net fiscal burden on native taxpayers.

The tendency for immigrants to concentrate in certain geographic areas means that the public-finance consequences of immigration are likely to vary regionally within the United States. Residents of states with larger populations of low-skilled immigrants will naturally bear a larger share of the fiscal cost associated with immigration. Adding to regional disparities in these costs, states also vary in the generosity of the public benefits they provide. Residents of states that both attract immigrants and offer generous benefits are those most exposed to immigration's net fiscal burden.

#### *Immigrant and Native Use of Welfare Programs*

Individuals demand public services in many forms, including public safety (fire and police protection), public spaces (parks and recreation facilities), public education, public health care, and public assistance (welfare). For immigrants, it is their access to public health care and public assistance that is the most controversial. The Current Population Survey (CPS) has information on individual participation in various types of social assistance in its Annual Demographic Files (the March Supplement). I use CPS data from 1994 to 2003 to examine immigrant and native receipts of welfare benefits. As with the U.S. Census of Population and Housing, the CPS includes both legal and illegal immigrants and among legal immigrants includes both those who are permanent residents and those who are in the country on temporary work or study visas.<sup>35</sup>

I classify individuals as living in households headed either by a foreign-born or a native-born individual and then examine usage of social assistance by members of the household. In so doing, I count the U.S.-born children of immigrants as members of immigrant-headed households, as long as they reside with their parents or other foreign-born relatives. This in effect ascribes the welfare behavior of children to their parents. Households are natural groupings to examine. They are the units on which government agencies assess income taxes, property taxes, and other levies. When determining individual eligibility for means-tested benefit programs, it is typically the characteristics of the household that are taken into account (Zimmerman and Tumlin, 1999). Following the academic literature, I classify households as receiving welfare if *anyone* in the household received *any* type of social assistance, be it cash or in-kind benefits. I also examine the specific participation by immigrant and native households in four major entitlement programs: general assistance or Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Medicaid, and food stamps.<sup>36</sup>

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<sup>35</sup> As discussed in note 25, the census and the CPS are likely to undercount illegal immigrants, with most estimates of the undercount rate for recent surveys ranging from 5% to 15%.

<sup>36</sup> The other non-cash benefits on which the CPS has data are energy assistance, housing assistance, school breakfasts and lunches, and Women Infants and Children (WIC). A household

In 2002, immigrant-headed households were much more likely than native-headed households to participate in welfare programs (Table 4). Among immigrant households, 24.2% had at least one member who used some type of social assistance, compared to 14.9% of native households. Immigrant households were thus 9.3% more likely than native households to receive public benefits. Since the early 1990's, academic researchers have consistently found that immigrants are more likely than natives to receive social assistance (Borjas and Hilton, 1996; Borjas, 1999a and 2002). Given that immigrants are relatively likely to earn low incomes and to live in poverty, this is hardly surprising. Participation in welfare programs is means tested. Household income and size are the key determinants of eligibility for public benefits.

The immigrant-native differential in overall welfare use has fluctuated over time, but does not show a consistent trend (Figure 8). In 1994, the share of households receiving welfare was 24.6% for immigrants and 15.3% for natives, which represents the same differential (9.3%) as in 2002. Between 1994 and 1999, both immigrants and natives reduced welfare use, with native use of social assistance falling by 2.2% (15.3% to 13.1%) and immigrant use falling by 4.6% (24.6% to 20.0%). During the late 1990's, the immigrant-native differential in overall welfare use thus declined from 9.3% to 6.9%.

Initially, academic researchers attributed the 1990's decline in immigrant welfare uptake to welfare reform (Fix and Passel, 2002; Borjas, 2002). In 1996, Congress undertook a major overhaul of federal welfare programs. The reform mandated work requirements as a precondition to receive benefits, limited the life-time use of certain benefits, gave states more discretion over program design, and excluded non-citizens from access to many benefits. Congress substituted state entitlements to open-ended federal funds with block grants, leaving states with considerable autonomy over individual eligibility criteria. For legal immigrants arriving before 1996, states have the option of whether to use their federal block grants to provide this group with TANF, Medicaid, and other benefits (Table 2). For legal immigrants arriving after 1996, states may not use federal block grants to provide non-citizens with these benefits, but they are free to use other state funds to create substitute programs.<sup>37</sup> States now vary considerably in the programs they offer to immigrants (Zimmerman and Tumlin, 1999) (Table 5). After five years, immigrants may apply for citizenship, which guarantees their access to public benefits for which they meet standard eligibility criteria. For new immigrants, this in effect mandates a minimum five-year waiting period for access to most benefits, since they may not apply for citizenship until they have completed five years of residence in the United States. Denying non-citizens access to benefits thus raises the incentives to naturalize. Borjas (2002) finds that since welfare reform naturalization rates among immigrants have risen sharply, especially in California where the gains to naturalization in terms of access to public assistance are relatively high.

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shown to receive some type of assistance has at least one member that receives at least one type of cash or non-cash benefit. Prior to welfare reform in 1996, TANF was known as Aid to Families with Dependent Children (AFDC). SSI provides cash benefits to the disabled and to the elderly who lack other means of support.

<sup>37</sup> Despite welfare reform, some states, including California and Texas, have chosen to provide health services to illegal immigrants. The motivation for this appears to be that it is more cost effective than having these individuals use emergency medical services, instead. See Clay Robison, "Senate approves care for illegal immigrants", *Houston Chronicle*, 5 May 2003, p. A19.

The late 1990's were a difficult period in which to evaluate the effects of welfare reform. It was late in a sustained economic expansion in the United States. If the late years of the boom helped low-income workers more than other workers, then during this period immigrants may have enjoyed relatively large income gains, causing them to leave welfare rolls in relatively large numbers. The early 2000's, which brought a recession and a slow economic recovery to the United States, allow us to examine immigrant and native welfare use during a period of slow economic growth. From 1999 to 2002, use of social assistance increased by 4.2% for immigrants and 2.7% for natives. The larger increase in welfare use by immigrants erased the effects of the late 1990's and left the immigrant-native differential in overall welfare use in 2002 identical to that in 1994.

Does this mean welfare reform has not affected the frequency with which immigrant households use social assistance? While the immigrant-native differential in overall welfare use hasn't changed over time, the *composition* of benefits received by immigrants and natives has changed. In 1994, immigrant households were 5.2% more likely than native households to receive some type of cash benefit (general assistance, AFDC, SSI) (Table 4, Figure 8). By 2002, this differential had fallen to 2.0%. Similarly, between 1994 and 2002 the differential between immigrant and native use of food stamps declined from 5.3% to 1.0%. Medicaid is the only major category in which the immigrant-native welfare differential didn't fall (and in fact increased from 9.1% to 9.6%). The share of immigrant households using of all types of social assistance *except* Medicaid has declined, both in absolute terms and relative to natives. This suggests that welfare reform has had the intended effect of limiting immigrant access to many types of public benefits. What appears to explain immigrants continued access to Medicaid is that it is a program for which U.S.-born children are eligible, regardless of the citizenship of their parents. Many immigrant-headed households may have retained their access to Medicaid by virtue having children that are U.S. citizens.<sup>38</sup>

That many immigrant families have lost access to cash benefits but not health benefits may reflect variation in the cost that voters ascribe to different types of public assistance. Native voters may be more willing to support immigrant access to health care than to provide unconstrained cash payments to immigrants, especially when the health care is targeted to children (who as the only U.S. citizens in many immigrant households may be the only ones eligible to use Medicaid).

### *Variation in Immigrant Welfare Use across U.S. States*

An important consequence of welfare reform was to grant states discretion in setting eligibility requirements for non-citizens and in allocating funds for the provision of social assistance. However, even before welfare reform states varied in the generosity of the public benefits they offered. In the mid 1990's, the share households receiving some type of public assistance among natives ranged from 4% in Nevada to 24% in Tennessee and among immigrants ranged from 3% in Alabama to 37% in New Mexico (Figure 9a). After welfare reform, states also varied in the extent to which they granted non-citizens access to entitlement programs (Figure 9b). A recent study by the Urban

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<sup>38</sup> See Leighton Ku, Shawn Fremstad, and Mathew Broaddus, "Noncitizens' Use of Public Benefits Has Declined since 1996: Recent Report Paints Misleading Picture of Impact of Eligibility Restrictions on Immigrant Families," Center for Budget and Policy Priorities, <http://www.cbpp.org/4-14-03wel.htm>.

Institute shows that states that offer more expansive benefits also tend to make their benefits more available to non-citizens (Zimmerman and Tumlin, 1999). States in the upper-right corner of Table 5 (e.g., California, Massachusetts, New Jersey, New York) have relatively generous benefits and high availability of these benefits to non-citizens; states in the lower-left corner (e.g., Arizona, Colorado, Georgia, Nevada, North Carolina, Texas) have relatively stingy benefits and low availability of these benefits to non-citizens. Few states are in the off-diagonal upper-left corner (low generosity of benefits/high availability to non-citizens) or lower-right corner (high generosity of benefits/low availability to non-citizens).

Not surprisingly, immigrant uptake of welfare is higher in states that are more generous in the benefits they provide. Table 6 shows usage of social assistance by immigrant and native households in more and less generous states. More generous states are defined to be those in the four upper-right cells of Table 5, such that they have both generous benefits overall and high availability of these benefits to non-citizens. In 2002, relative to immigrants in less generous states, immigrants in more generous states were 4.8% more likely to use any type of social assistance (25.5% to 20.7%), 4.9% more likely to receive cash benefits (8.3% to 3.4%), and 5.3% more likely to receive Medicaid (24.7% to 19.4%). Each of these differentials in welfare use is larger than the corresponding differential for native households between more and less generous states.

Since benefit programs are means tested, the more low-income immigrants there are in a state the more households there are that will be eligible to receive welfare. Household income depends heavily on the education of the household head. Figure 10 shows a strong negative relationship between the average income of immigrant households in a state and the fraction of immigrant households headed by an individual with less than a high-school education. Controlling for other observable characteristics, households headed by an immigrant with less than a high-school education are 8% more likely to receive cash welfare benefits than households headed by an immigrant with a college education and 4% more likely to receive cash benefits than households headed by an immigrant with a high-school education.<sup>39</sup>

The interaction of state welfare policies and the size and characteristics of the state immigrant population determines total immigrant welfare usage in a state. To gauge the potential fiscal burden represented by immigrant uptake of social assistance, Figure 11 plots the ratio of immigrant households receiving some type of welfare benefit to the number of native households in the state. This gives a crude metric for the number of immigrant households each native household must support. In 2002-2003 there were over 20 native households for each immigrant household on welfare in Texas, Florida, Nevada, and New Jersey, but 10 or fewer native households for each immigrant household on welfare in California and New York. All of these states have large immigrant populations. What separates California and New York from the others is that these states have a large, low-skilled immigrant population *and* generous welfare policies. Native taxpayers in California and New York are highly exposed to the fiscal

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<sup>39</sup> These estimates are based on an OLS regression in which the dependent variable is a 0-1 indicator for whether an immigrant household receives some type of cash welfare benefit (general assistance, SSI) and the independent variables are the age, age squared, years of education, marital status, and year of entry into the United States of the household head; the size of the household; and state dummy variables. Data are from the *2000 United States Census of Population and Housing 5% Public Use Microsample*.



costs associated with immigration. Taxpayers in Texas, Florida, Nevada, and New Jersey, in contrast, appear likely to face a smaller burden. In the next section, I examine the costs of providing public services to immigrants in more detail.

### *The Costs and Benefits of Immigration*

Immigration increases the incomes of U.S. residents by allowing economic actors to utilize domestic resources more efficiently. These benefits, however, are not shared equally. Immigration redistributes income away from factors that compete with immigrants in the labor market. This redistribution is one source of political opposition to immigration. A second source of opposition to immigration comes from the costs that immigration imposes on resident taxpayers. If immigrants receive more in government benefits than they pay in taxes, then immigration imposes a net fiscal burden on U.S. natives. To lower their fiscal burden, taxpayers may favor reducing immigration.

Immigration generates benefits to a nation in the form of extra income to domestic factors of production, which is known to economists as the *immigration surplus*. By increasing the supply of labor in an economy, immigration raises the productivity of factors that are complementary to labor. More low-skilled workers, for instance, allow U.S. capital, land, natural resources, and skilled labor to be exploited more efficiently. These gains in productivity result in income gains to owners of these factors. As discussed in Section 2, increasing the supply of labor also drives down wages for some U.S. workers. To calculate the net change in national income associated with immigration, we sum up the income changes associated with immigration for all domestic factors of production. Using a simple model of the U.S. economy,<sup>40</sup> the immigration surplus takes a tractable form:

$$\begin{aligned} \text{Immigration Surplus as a \% of GDP} &= -0.5 * (\% \text{ change in wages due to immigration}) \\ &\quad * (\% \text{ change in labor force due to immigration}) \\ &\quad * (\text{labor share of national income}) \end{aligned}$$

Applying this formula to results in Borjas (2003) for 1980 to 2000, a crude calculation of the immigration surplus for the U.S. economy in 2000 would be

$$0.5 * (3.2\%) * (11\%) * (0.70) = 0.12\%$$

In this formulation, immigration raises U.S. GDP by slightly more than one-tenth of a percent. The benefits from immigration don't appear to be very large.<sup>41</sup> They would be larger if the wage changes associated with immigration were larger, which would require

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<sup>40</sup> This model assumes there is one good and two factors of production. It is straightforward to extend this model to allow for a more complicated environment.

<sup>41</sup> This estimate of the immigration surplus ignores many factors and so should be treated with caution. One can produce more sophisticated estimates of the immigration surplus by allowing for labor of different skill types and by allowing for varying effects of immigration on wages (see Borjas, 1999b). Dynamic effects of immigration, which are ignored here, are very hard to gauge. If they are important, static estimates of the immigration surplus will tend to understate immigration's true economic impact.

either a higher the level of immigration or a shift in the composition of immigrants towards individuals whose skills are in scarce supply.

In an economy without distortions due to market failure or government intervention, there would be no costs associated with immigration. However, U.S. tax and spending policies distort individual decisions about how much to work, how much to save, and how much to invest. Immigration, by admitting large numbers of low-skilled individuals, may exacerbate these distortions by expanding the U.S. welfare system. If immigrants pay less in taxes than they receive in government benefits, then immigration would generate a net fiscal burden on native taxpayers – natives would in effect be making an income transfer to immigrants. Paying for this transfer would require some combination of tax increases on natives, reductions in government benefits to natives, and increased borrowing from future generations (by issuing government debt). The total impact of immigration on U.S. residents is positive only if the immigration surplus exceeds the fiscal transfer made to immigrants.

The National Research Council (NRC) recently conducted case studies of the fiscal impacts of immigration in New Jersey and California (Smith and Edmonston, 1997). While both states have large immigrant populations, they differ in their skill profiles and in their patterns of welfare usage. In 2002, the share of immigrant households headed by someone with less than a high-school education was 37% in California but only 22% in New Jersey; and the share of immigrant households receiving some type of social assistance was 30% in California but only 15% in New Jersey.

Based on federal, state, and local government expenditures and tax receipts, the NRC estimates that the short-run fiscal impact of immigration is negative in both New Jersey and California.<sup>42</sup> In New Jersey, using data for 1989-1990, immigrant households received an average net fiscal transfer from natives of \$1,484, or 2% of average state immigrant household income.<sup>43</sup> Spread among the more numerous state native population, this amounted to an average net fiscal burden of \$232 per native household, or 0.4% of average state native household income. In California, using data for 1994-1995, immigrant households received an average net fiscal transfer of \$3,463, or 9% of average immigrant household income, which resulted in an average fiscal burden on native households of \$1,178, or 2% of average native household income. In California, and less so in New Jersey, the net fiscal transfers that native households make to immigrant households are large. The continuing increase in the U.S. immigrant population suggests that these transfers are likely to grow over time, raising the potential for political opposition to immigration from native taxpayers.

The political response of natives to making fiscal transfers to immigrants surely depends on the nature of the public services that these transfers support. If transfers are seen as facilitating investments in immigrants or their children, such as through education or preventative health care, they may not provoke much opposition. The NRC estimates that the share of K-12 education in state and local government expenditures on services received by immigrant households was 37% in California and 66% in New Jersey. The higher share of education in expenditure for New Jersey reflects the state's low provision of other types of services, relative to California. If native voters place less weight on

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<sup>42</sup> The study included as many federal, state, and local government services and sources of tax revenue on which it was feasible to collect data. See Smith and Edmonston (1997) for details.

<sup>43</sup> All figures based on the NRC study are in 1996 dollars.

government expenditures related to education, estimates of total net transfers received by immigrants may overstate the fiscal impact that voters in these states perceive.

The NRC finds that two factors explain why natives make net fiscal transfers to immigrants: (1) immigrant households are larger with more children, leading them to make greater use of public education, and (2) immigrant households earn lower incomes, leading them to make greater use of welfare programs and lower contributions to taxes. Native taxpayers in California, with its less-skilled immigrant population and high immigrant uptake of welfare, make relatively large fiscal transfers to immigrant households. This suggests that within the United States, the fiscal costs of immigration are borne unevenly. States with poorer immigrant populations and more generous policies are likely to shoulder a much larger share of the fiscal burden associated with immigration. Further magnifying the distributional consequences of immigration, California and some other high-immigration states have progressive tax systems, in which high-income taxpayers account for a disproportionate share of tax revenues. Thus, higher-income taxpayers in high-immigration states are likely to pay much of the fiscal cost of immigration.

The estimated fiscal transfers associated with immigration are due *entirely* to transfers at the state and local level. Immigration has a decidedly negative impact on state and local public finances. At the federal level, immigrants make a positive net fiscal contribution. This is because national defense accounts for a large fraction of the federal benefits immigrants receive. As a public good, the cost of national defense is unaffected by immigration. Adding taxpayers through immigration lowers the effective amount the federal government must charge native taxpayers to cover defense outlays.

For the nation as a whole, the NRC estimates that immigration imposes a short-run burden on the average native household of \$166 to \$226, or 0.20% to 0.25% of U.S. GDP in 1995. Comparing the average of these two estimates to the immigration surplus of 0.12% of GDP, a back of the envelope calculation suggests that in the short run immigration reduces the income of U.S. residents by about 0.1% of GDP. Going from a short-run to a long-run estimate of the fiscal cost of immigration can change the results dramatically.<sup>44</sup> However, under any scenario, the long-run fiscal impact of immigration on state and local governments is negative. Thus, in both the short-run and the long-run state and local governments (and the taxpayers that support them) pick up much of the fiscal tab associated with immigration.

The benefits and costs of immigration appear to be distributed quite unevenly. Capital owners, land owners, and employers appear to capture most of the benefits associated with immigration, which they enjoy in the form of higher factor returns. Taxpayers in high-immigration states are likely to shoulder most of immigration's fiscal costs, which they bear in the form of higher taxes that go to pay for net fiscal transfers to immigrant

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<sup>44</sup> The NRC estimates the average immigrant admitted in 1990 would produce a net fiscal contribution of \$80,000 over the next 300 years (in present discounted value terms). Going 300 years forward requires very strong assumptions about the future economic environment. For the average immigrant, the annual net fiscal contribution is negative for the first 25 years after arriving in the United States. The long-run estimate rests on the assumption that the federal government will later raise taxes to bring the federal budget into balance. If this doesn't happen, the long-run fiscal contribution of the average immigrant would be negative. See Borjas (1999a) for a discussion.

households. On net the economic impact of immigration on the United States appears to be small. However, small net changes in national income can mask large changes in the distribution of income. It is these distributional consequences that are likely to shape individual opinions over immigration policy.

## 4. Public Preferences over Immigration Policy

Changes in U.S. policy have contributed to more immigration overall and to more immigration from Asia and Latin America in particular. Since poor countries tend to have populations with low educational attainment, it comes as little surprise that a large fraction of recent U.S. immigrants arrive with relatively little schooling. The influx of immigrants appears to have depressed average wages in the United States, with the largest wage losses endured by low-skilled native workers.

Immigration also appears to affect native incomes through its impact on public finances. In admitting foreigners to the United States, U.S. immigration policy increases the population of individuals that demand public services, the population of taxpayers that contribute to public coffers, and the population that is eligible to gain citizenship and to vote. In the absence of immigration, the short-run net tax burden on native taxpayers in the nation as a whole would have been smaller and in high-immigration states such as California the burden would have been smaller.

The distributive consequences of immigration are likely to affect public attitudes about U.S. immigration policy. Kenneth Scheve and Matthew Slaughter (2001a,b,c) have found that less-skilled workers are more likely than high-skilled workers to favor reductions in U.S. immigration. This is consistent with the fact that less-skilled workers have been the group most subject to the adverse labor-market consequences of admitting more foreign workers. Evidence presented in section 3 suggests that taxpayers who bear the fiscal costs of immigration may have an incentive to join low-skilled workers in favoring the closing of U.S. borders. In this section, I outline what economic theory has to say about who will support and who will oppose immigration and then use data from the 1992 and 2000 National Election Studies surveys to examine how opposition to immigration varies across individuals according to their exposure to increased labor-market competition from immigrants and increased public-finance pressures due to immigration. This analysis, which draws on the framework and results in Hanson, Scheve, and Slaughter (2005), will help identify the types of political coalitions that are likely to form either for or against open immigration policies.

### Individual Preferences about Immigration Policy

To predict individual opinions about admitting foreigners to the United States, I examine how immigration affects the determinants of an individual's income. The analysis I present, while simple, is helpful for relating the labor-market and public-finance impacts of immigration to individual well being.

Individuals receive income from a variety of sources. They earn wages and salaries on the job, they receive profits from shares of any businesses they own, they receive interest or capital gains from any financial investments they have made, and they obtain transfers from the government both in terms of cash and in terms of goods and services. The first three of these items are the main sources of an individual's pre-tax income. What they take home, their after-tax income, equals their pre-tax income less contributions to state and federal income taxes and payroll taxes. Putting this together, an individuals' total income has three components,

Total real income = Pre-tax real income + Government transfers – Tax payments.

To relate an individual's total income to his or her overall well being, it is important to account for the fact that the available data sources never report *all* of the factors that affect individual outcomes. A simple way to account for this is to write well being as the sum of an individual's total income and other *residual* factors,

Well being = Total real income + E.

The new term, E, accounts for the possibility that individuals may care about immigration for reasons other than its impact on their monetary income. Ideological or religious beliefs may influence how a person feels about admitting foreigners to the country. Self-described cultural or political conservatives may oppose immigration on ideological grounds, even if they benefit from open borders in monetary terms. Similarly, political liberals, multiculturalists, or individuals whose families arrived in the United States recently may favor immigration, even if it is not in their strict economic self-interest. When it comes to the empirical analysis, it will be important to account for these non-economic considerations to the extent possible.

Returning to the determinants of income, the difference between government transfers and tax payments represents the net fiscal transfer an individual receives from the government, which may be positive or negative. Rewriting total income in terms of the net fiscal transfer changes the expression for well being to,

Well being = Pre-tax real income + Net fiscal transfer + E,

which reflects earnings in factor markets (pre-tax income), net receipts from the government (net fiscal transfers), and residual factors (E).

Naturally, pre-tax income is likely to be higher for individuals who are more skilled or who have greater financial assets or real-estate holdings. Net fiscal transfers are likely to be positive for low-income individuals, as they tend to pay relatively little in taxes and to be eligible to receive cash benefits, Medicaid, the Earned Income Tax Credit, and other forms of assistance. Net fiscal transfers are likely to be negative for high-income individuals. By virtue of being in high tax brackets, they tend to make large tax payments and to be ineligible for means-tested benefits. Both low-income and high-income individuals and their family members enjoy many types of public services that are *not* means tested and so not contingent on earnings, such as national defense, public safety, roads and bridges, public schools, parks and public spaces, etc.

How does immigration change individual well being? To make the analysis concrete, compare effects for two individuals, one a business executive with a college degree and the other a janitor who never finished high school. To begin, suppose that each lives in Houston, Texas, is a married father of two children (whose spouse doesn't work outside the home), and is considering the impact of a 10% decrease in immigration on his family's well being. The total impact of immigration on well being simply equals the sum of its impacts on the three components:

Change in well-being due to 10% decrease in immigration =

Change in pre-tax income due to a 10% decrease in immigration

- + Change in net fiscal transfer due to a 10% decrease in immigration
- + Change in E due to a 10% decrease in immigration.

Consider the case of the janitor. Since immigration is concentrated among the low-skilled and Texas is a high immigration state, a reduction in immigration would mean a lower supply of low-skilled labor in Texas and less competition for the janitor in the labor market. This would tend to raise his hourly wage and his pre-tax income. What about his net fiscal transfer? The janitor's low income may qualify him or his family for one or more types of social assistance. Since Texas neither is generous in the benefits it provides nor is a state that gives immigrants access to many benefits (Figure 5), the reduction in immigration would be unlikely to change the state supply of social assistance by much. This means the reduction in immigration would not greatly affect the public benefits the janitor's family receives, leaving his net fiscal transfer more or less unchanged. Regarding the change in E, it is hard to say much without knowing more about the janitor's beliefs and values. As a residual term, the *average* change in E (after netting out the component that is common across individuals) is by definition small, though it may be large in one direction or the other for particular individuals. Putting all this together, for the janitor reduced immigration is likely to raise his pre-tax earnings and leave his net fiscal transfer unchanged, leading to an improvement in his family's economic well being. On purely economic grounds, the janitor appears likely to support greater restrictions on immigration.

The decrease in immigration is likely to do less to benefit the business executive. While a substantial fraction of immigrants do have a college education, many of these individuals appear to have specialized training in engineering, medicine, math and science, and other technical areas. Reduced immigration would thus be unlikely to change the competition that the executive faces in the market for managerial labor. However, by raising wages for low-skilled labor, reduced immigration would increase labor costs the executive incurs both in running his business and in maintaining his home. This suggests reduced immigration reduces his real pre-tax income. Again, since Texas doesn't provide generous benefits to immigrants and lacks a progressive income tax, the reduction in immigration wouldn't do much to lower the tax bill of the executive, leaving the net fiscal transfer he makes to other households in his state more or less unchanged. For the executive, reduced immigration would be likely to lower his economic well being. All else equal, the janitor would be more likely to favor increased restrictions on immigration than would the business executive.

How would the outcome change if the janitor and the business executive lived in California instead of in Texas? Like Texas, California is a high immigration state, but unlike Texas, California offers generous public benefits, makes many of these benefits available to immigrants, and finances them in part through a progressive state income tax. In California, reduced immigration would decrease the net fiscal drain on the state, leading to some combination of increased public services (perhaps including social assistance) and decreased taxes. For the janitor, reduced immigration would raise his pre-tax income, as in Texas, but now would perhaps also raise the net fiscal transfer he receives (if California uses part of the fiscal gain from decreased immigration to fund an increase in social assistance). If his net fiscal transfer rises, we would enjoy a larger increase in his economic well being than would be the case in Texas. This suggests low-skilled, low-income workers in states that are generous toward immigrants may be more supportive of immigration restrictions than low-skilled, low-income workers in

states that are not generous toward immigrants. For the business executive, reduced immigration is likely to lower his pre-tax income, as in Texas, but now may lower the net fiscal transfer he makes to other households (if California uses part of the fiscal gain from decreased immigration to support a decrease in tax rates). This would yield a smaller decrease (or larger increase) in the executive's well being than in Texas. For high-skilled, high-income workers, support for restrictive immigration policies is likely to be higher in states that are more generous toward immigrants.

To sum up the argument, there are two broad economic motivations for opposition to immigration. One is the concern that immigration increases labor supply and puts downward pressure on wages. Given that immigration is concentrated among the low skilled, low-skilled native workers are likely to be the most opposed immigration on the basis of its labor-market consequences. The concentration of immigration in certain states suggests this opposition will be most intense in high-immigration regions. A second motivation for opposition to immigration is its effect on public finances. States with large immigrant populations and generous welfare policies toward immigrants are likely to bear the highest fiscal costs associated with immigration. Individuals in more generous states are likely to be more opposed to a given level of immigration than individuals in less generous states. The more generous the state (and the more progressive the state's taxation of income), the more opposed individuals in high-income brackets are likely to be toward immigration.

### *Public Opinion about Immigration*

To evaluate individual policy preferences about immigration, a key ingredient is a measure of policy opinions. The American National Election Studies (NES) (Sapiro, et al, 1998) contains extensive surveys of current political opinions based on an individual-level stratified random sample of the U.S. population. These surveys also report details on respondent characteristics, including age, gender, race, ethnicity, educational attainment, occupation, industry of employment, and details about political values and beliefs. Regarding immigration, the NES asks,

"Do you think the number of immigrants from foreign countries who are permitted to come to the United States to live should be increased a little, increased a lot, decreased a little, decreased a lot, or left the same as it is now?"

I use data from the 1992 and 2000 NES, which together provide 3,400 observations on native-born U.S. adults. I classify a respondent as favoring restrictions on immigration if he or she answers that the number of immigrants admitted should be decreased a little or decreased a lot. This question requires respondents to reveal their general position on the proper direction for U.S. immigration policy. The question does not ask what *skill-mix* immigrants affected by the policy change would have relative to U.S. natives. I assume respondents think any decrease (increase) in immigrant inflows would decrease (increase) the relative supply of less-skilled workers in the U.S. labor force, which is consistent with recent U.S. immigration patterns shown in section 2.<sup>45</sup>

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<sup>45</sup> There are many reasons to be concerned about the quality of the data contained in surveys of individual attitudes toward public policy. See Scheve and Slaughter (2001a) for an excellent



To begin, I examine the fraction of native-born respondents favoring new restrictions on immigration in 1992 and 2000 by three levels of education: those not completing high school, those completing high school but not a college degree (who may have completed some college), and those with a college degree. By virtue of their skill profile, high-school dropouts are the most exposed to the labor-market consequences of immigration; by virtue of their income-earning potential, college graduates are the most exposed to the public-finance consequences of immigration. An alternative approach would be to classify individuals by income rather than education. For labor economists, education is preferable to income because it is a better indicator of the types of individuals with whom a respondent competes in the labor market and it does not fluctuate over time or across regions in response to unobserved economic shocks. Since education is highly correlated with income, it is not surprising that the results are very similar if I break respondents out by income level, instead.

Overall, the fraction of respondents favoring reductions in U.S. immigration is 50% in 1992 and 48% in 2000 (Table 7). In either year, the most educated are the least opposed to immigration. In 2000, the fraction of college graduates favoring reductions in immigration is 34%. In that year, high-school dropouts are the most opposed to immigration, with 59% favoring greater restrictions on the number of foreigners admitted. In 2000, the implied differential in support for immigration restrictions between high-school dropouts and college graduates is 26%, up from 8% in 1992.<sup>46</sup>

Why does educational attainment help predict opposition to immigration? Scheve and Slaughter (2001c) argue that the opposition of low-skilled natives to immigration comes from the fact that the wages of these workers have been the most adversely affected by recent U.S. immigrant inflows. This interpretation is quite consistent with the theory presented earlier in this section. An alternative possibility is that education is correlated with the political beliefs of respondents. More educated individuals may be more tolerant of foreigners or more open to interacting with individuals from other ethnic groups (Hainmueller and Hiscox, 2004), making them less opposed to immigration. Based on the information in Table 7, both interpretations appear valid. To gauge which has more empirical traction, I need to delve deeper into the data.

To see whether the relation between education and opposition to immigration is grounded in economic concerns, I split respondents into two groups, those living in states with large immigrant populations (an immigrant share of the state population greater than 10%, which is the mean national share in 2000) and those living in states with small immigration populations (an immigrant share of the state population less than 10%).<sup>47</sup> Table 8 adds this regional dimension to the year and education splits in Table 7.

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discussion of how to interpret results of opinion surveys regarding changes in immigration policy or trade policy.

<sup>46</sup> These changes and those I report below are all statistically significant at conventional levels (the one exception being the differential in college-graduate support for immigration restrictions in 2000 between high-immigration and low-immigration states).

<sup>47</sup> The results are not very sensitive to how I classify high-immigration states. In unreported results, I tried alternative splits of the data, classifying states as high-immigration based on a threshold immigrant population share of 12.5%, 15%, or 17.5%; year-specific thresholds (equal to the national mean of the immigrant population share for that year); and thresholds specific to the year and education category of the respondent (the national mean immigrant population share in

Consider high-school dropouts. In 1992, 56% of high-school dropouts in high-immigration states favored restrictions on immigration, compared to 45% in low-immigration states. This amounts to an 11% differential between high and low-immigration states (comparing first two rows of column one). In 2000, the differential rises to 16% (comparing the second two rows of column one), as support for immigration restrictions is at 68% in high-immigration states and 52% in low-immigration states. The low-skilled appear to be much more opposed to immigration in states where they are likely to face greater labor-market competition from immigrants. They also appear to have become more opposed to immigration over time, with support for immigration restrictions rising by 12% (68% - 52%) in high-immigration states versus 7% (52% - 45%) in low-immigration states. The time dimension is important, since labor-market competition from low-skilled immigrants increased considerably during the 1990's. Both across regions and time, the opposition of low-skilled natives to immigration appears to be strongest where labor-market competition from immigrants is most intense.

Among college graduates, opposition to immigration is also stronger in high-immigration states, but the regional differential is much weaker than for high-school dropouts. In 1992, 42% of college graduates in high-immigration states favored restrictions on immigration, compared to 37% in low-immigration states, which represents a differential of 5%. By 2000, the regional differential nearly disappears, with support for immigration restrictions at 34% for high-immigration states and at 33% for low-immigration states. Over time, it appears that more-skilled workers have become less opposed to immigration. One explanation for this is that welfare reform has softened the opposition of high-skilled, high-income individuals to immigration. Below, I evaluate additional evidence on this interpretation.

The size of the state immigrant population tells only part of the story about the economic consequences of immigration. While labor-market effects are likely to be larger in states with larger immigrant populations, the public-finance consequences of immigration depend not just on the size of the immigrant population but also on the availability of state public services to immigrants. Table 5 suggests high-skilled, high-income workers in states like California are more exposed to the fiscal consequences of immigration than high-skilled, high-income workers in states like Texas. It makes sense, then, to further differentiate states by the generosity of their welfare programs. Table 9 splits respondents along four dimensions: year, education, size of state immigration population, and access of the state immigrant population to social assistance. I classify a state as giving immigrants high access to social assistance if the state falls into one of the four upper-right cells in Table 5 – that is, if the state both provides more generous public benefits and makes these benefits more available to immigrant households.

For high-school dropouts, opinions on immigration policy depend strongly on the size of the state immigrant population, consistent with Table 8. Support among high-school dropouts for restrictions on immigration is much stronger in states with large immigrant populations, irrespective of whether states have high or low immigrant access to public benefits. The differential in support for immigration restrictions between high-immigration and low-immigration states (comparing by row the first two columns of Table 9) is similar in high-access and low-access states, ranging from 8% to 9% in 1992 and

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the respondent's education group for that year). The results for each of these splits are quite similar to those reported in Tables 7-10.

from 14% to 15% in 2000. In contrast, the differential in support for immigration restrictions between high-access and low-access states (comparing the first two rows or second two rows of column one) shows no discernible pattern over time. For high-school dropouts, the potential labor-market consequences of immigration appear to be a consistent predictor of their support for immigration restrictions. However, there is no consistent evidence that their opinions on immigration are related to immigrant access to public assistance.

For college graduates, what appears to matter for their preferences on immigration policy is the *interaction* between the size of the immigrant population and immigrant access to public benefits. In either 1992 or 2000, there is no consistent difference in support for immigration restrictions in going from low-immigration to high-immigration states (comparing columns five and six in rows one and two or comparing columns five and six in rows three and four) or in going from low-access to high-access states (comparing rows one and two in columns five and six or comparing rows three and four in columns five and six). However, in both years support for immigration restrictions is strongest in states that are high-immigration *and* high-access. Among high-immigration states, support for immigration restrictions is higher in high-access states by 17% in 1992 (comparing rows one and two in column six) and by 7% in 2000 (comparing rows three and four in column six). Similarly, among high-access states, support for immigration restrictions is higher in high-immigration states by 15% in 1992 (comparing columns five and six in row two) and by 7% in 2000 (comparing columns five and six in row four).

In high-immigration, high-access states, more-educated workers, who are also higher-income workers, are relatively exposed to the fiscal costs associated with immigration. Were college graduates more supportive of immigration restrictions in all high-immigration states – irrespective of their generosity – there would be no indication that it is the fiscal burden of immigration that motivates their opposition to admitting foreigners. Similarly, were college graduates more supportive of immigration restrictions in all high-access states – irrespective of the size of the state immigrant population – it would also be difficult from this test to make inferences about the motivations for their policy preferences. That the opposition of high-skilled individuals to immigration is strongest in states where immigrants represent a larger fiscal burden, and not simply in states where immigrants have a larger presence, suggests that the public-finance consequences of immigration are an important factor in shaping their policy preferences.

Table 9 also provides clues as to why support for immigration restrictions has fallen over time among high-skilled workers. For college graduates, the largest reduction in support for immigration restrictions is in high-immigration, high-access states (compare rows two and four of column six). This decline of 11% accounts for a large part of the average decline in college-graduate support for immigration restrictions evident in Table 7. Natives in high-immigration, high-access states were the individuals most likely to benefit from the provisions of federal welfare reform that restricted immigrant access to public benefits. Figure 8 shows that after welfare reform usage of social assistance by immigrant households declined relative to native households for all categories except Medicaid.

One interpretation of the results in Table 9 is that welfare reform reduced the exposure of high-income individuals to the fiscal costs of immigration, softening their support for immigration restrictions. Obviously, one should be cautious about making this

interpretation. During the 1990's, many other factors changed across states and Table 9 controls only for education, size of the state immigrant population, and immigrant access to state public benefits. As I discuss below, the large decline in support for immigration restrictions among college graduates in high-immigration, high-access states holds up in regression analysis when additional controls are introduced (Hanson, Scheve, and Slaughter, 2005). Nevertheless, there may be other important factors for which I have not accounted. This leaves us with intriguing but still tentative evidence that welfare reform may have reduced support for immigration restrictions.

The tables presented so far do not control for the political beliefs or values of the respondents. More conservative individuals may choose to avoid living in states that have large immigration populations or that are generous in their public benefits, and more liberal individuals may be more willing to live in high-immigration states or in states that are generous with their benefits. A related possibility is that the political beliefs of native residents in a state may affect how friendly a state's policies are toward immigrants. Any of these possibilities could artificially inflate observed differences in public opinions toward immigration policy across regions.

To control for the possible effects of ideology on my results, Table 10 replicates Table 9, dropping from the analysis individuals who describe themselves either as very conservative or as very liberal, who together account for 10% of the sample. The pattern of support for restrictions on immigration in Table 10 is very similar to that in Table 9. Ideology, while certainly important for individual views on immigration policy, does not appear to be driving the results in Tables 7-9. I also obtain similar results if I exclude individuals who describe themselves either as conservative to very conservative or liberal to very liberal, who together account for 38% of the respondents.

Even with controls for ideology, the analysis reported so far is somewhat crude. A more rigorous approach would be to model individual preferences on immigration policy econometrically. Hanson, Scheve, and Slaughter (2005) use the 1992 and 2000 NES data to estimate the probability that a respondent favors restrictions on immigration as a function of individual characteristics (age, education, gender, race, ethnicity, ideology, employment status), characteristics of the state in which the respondent lives (size of the state immigrant population, generosity of the state towards immigrants), and other factors. Their results are consistent with those I present here, suggesting that adding additional controls to the analysis would not change the key qualitative findings.

In terms of individual characteristics, Hanson, Scheve, and Slaughter find that support for restrictions on immigration is stronger among the less educated, whites, union workers, unemployed workers, and political conservatives. Clearly, individual circumstance matter for policy preferences. Support for immigration restrictions is also stronger in states with larger immigrant populations and in states in which immigrants have greater access to public benefits. In high-immigration states, it is the least-skilled individuals who are relatively more opposed to immigration. This is consistent with political opposition to immigration originating in part through its impact on labor-market competition. In states with larger immigrant populations *and* in which immigrants have greater access to welfare, it is the more skilled who are relatively more opposed to immigration. In these states, opposition to immigration may be due in part to its effects on the net fiscal burdens of existing residents. Between 1992 and 2000, less-skilled natives become more opposed to immigration and high-skilled natives become less opposed to immigration. Again, there are important differences in these changes across

states. In high-immigration, high-access states all skill groups become less opposed to immigration, with the largest changes occurring for college graduates, the group most exposed to the fiscal effects of immigration on income taxes. This finding is consistent with the idea that welfare reform has softened opposition to immigration in states where the fiscal consequences of immigration are most acute. We conclude that though political beliefs almost surely play a role in policy opinions, the education cleavage seems very consistent with economic concerns of labor-market and public-finance pressures.<sup>48</sup>

The economic consequences of immigration appear to affect public opinion about admitting foreigners to the United States. Individuals are more supportive of restrictions on immigration if they are more exposed to the labor-market consequences of immigration – as are low-skilled natives living in states with large immigrant populations – or if they are more exposed to the public-finance consequences of immigration – as are high-skilled natives living in states with large immigrant populations and generous public assistance for immigrants. There is some evidence that changes in policy affect individual policy preferences. After welfare reform, which reduced immigrant access to public benefits, opposition to immigration fell among the individuals most exposed to the fiscal costs of admitting foreigners. It appears that one key to generating greater support for immigration would be to reduce its adverse effects on the labor-market earnings or on the fiscal burdens of U.S. residents.

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<sup>48</sup> See Scheve and Slaughter (2001a,c) and Hanson, Scheve, and Slaughter (2005) for further discussion.

## 5. Reforming U.S. Immigration Policy

Currently, there is political gridlock in the United States regarding immigration policy. This gridlock makes it difficult to address pressing issues related to illegal immigration – what to do about the 10 million illegal immigrants living in the country – and national security – how to get immigration authorities and intelligence agencies to coordinate meaningfully with one another. There is currently no majority coalition aligned behind efforts to resolve these problems. Even with his party in control of the executive and legislative branches of government, President Bush's attempts to reform immigration policy have so far been unsuccessful.

The results of Chapter 4 highlight two sources of opposition to immigration. One is concern about labor-market pressures and a second is concern about public finances. Naturally, those that feel immigration depresses their wages or increases their net tax burden are likely to be opposed to admitting more foreigners to the country. To a large extent, the labor-market consequences of immigration are inescapable. By definition, immigration increases the relative supply of labor, which will tend to reduce the wages of whichever native workers substitute on the job for incoming foreign workers. The only way to eliminate the labor-market consequences of immigration is to reduce the number of foreigners admitted to the country.<sup>49</sup> However, the adverse public-finance consequences of immigration are controllable by public policy. If one were to reduce the impact of immigration on the net tax burden of U.S. natives, it might be possible to forge a coalition behind meaningful policy reform.

There are at least two strategies for reforming immigration policy that would dampen its consequences for public finances. One is to change the skill composition of those admitted. By shifting to a system that favors high-skilled immigrants, the United States would attract individuals with high income potential who would be likely to pay more in taxes than they draw in public services. A second strategy is to restructure the rights of immigrants regarding access to public benefits. If, during some initial period after they entered the country, immigrants were prohibited from drawing on public assistance or other forms of public services, then the fiscal drain associated with immigration would be smaller. Either policy would implicitly favor those coming to the United States to work over those coming to obtain public benefits.

In the last decade, there have been tentative moves both in the direction of favoring high-skilled immigrants and in the direction of restricting immigrant access to public benefits. H-1B visas give high-skilled immigrants, mainly in occupations associated with the software and electronics industries, the right to work in the United States for up to six

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<sup>49</sup> Conceivably, one could compensate workers hurt by immigration by taxing those who gain. In practice such specific redistributive schemes appear to be hard to implement. However, the Earned Income Tax Credit (EITC) is an existing policy that protects low-income workers against negative wage shocks (due to any source). When the EITC credit exceeds taxes owed, eligible taxpayers (who must have a valid Social Security Number) receive a refund. In 2004, the income cutoffs for eligibility were \$11,490 for an unmarried taxpayer with no children and \$30,388 for an unmarried taxpayer with one child. For poor native workers, who appear to be the group most affected by labor-market competition from low-skilled immigrants, the EITC offers some protection against policy changes that reduce their earnings. For a theoretical analysis of options to protect low-wage workers from immigration, see Sinn, (2004). Wage subsidies, of which the EITC is one type, are the least inefficient policy option among those considered.

years. In 2000, at the height of the technology boom, Congress temporarily increased the number of H-1B visas available annually from 115,000 to 195,000.<sup>50</sup> Welfare reform in 1996 in effect instituted a waiting period of five-years – the length of time between obtaining permanent residence and being able to apply for citizenship – before immigrants may gain access to many government benefits.

In this chapter, I examine options for reforming U.S. immigration policy. I begin with a discussion of recent proposals. I then evaluate the relative merits of a skills-based immigration policy and of a rights-based immigration policy.

### *Proposals for Immigration Reform*

In an economy without distortions associated with market failure or public-policy interventions, the optimal immigration policy would be to have open borders.<sup>51</sup> The logic of free trade is symmetric to the logic of free immigration. Both contribute to the equalization of goods' and factor prices across borders, which is necessary for economic efficiency and help create the conditions for global welfare to be maximized. Barriers to either the movement of goods or of factors lead to inefficient outcomes and leave gains from trade unexploited. Such barriers tend to cause labor-abundant countries, such as Mexico, to have low wages for labor and high relative prices for capital-intensive goods and capital-abundant countries, such as the United States, to have high wages for labor and high relative prices for labor-intensive goods. In theory, it is possible to achieve efficiency either through free trade or through free immigration, which lead Robert Mundell (1957) to conclude that international trade in goods and international movements of factors substitute for one another.

We are, of course, far from a world without distortions. Population growth – whether due to immigration or to other sources – tends to exacerbate distortions associated with poorly defined property rights over air, waterways, highways, and common areas. More people inevitably mean more pollution and more congestion. More low-income people tend to exacerbate distortions associated with welfare policies, which is why Milton Friedman has declared, “It’s just obvious that you can’t have free immigration and a welfare state.”<sup>52</sup> The presence of these and other distortions means that the United States is setting immigration policy in a world of the second best. In this environment, it seems likely that a policy with less than free immigration would be the constrained optimum (Wellisch and Walz, 1998).

Distortions also exacerbate political conflict over immigration. Some environmentalists in the United States oppose immigration because it contributes to population growth. Some fiscal conservatives oppose immigration because in their view it increases the pool of people who use U.S. welfare programs. Even without distortions, the redistributive effects of immigration create political conflict. Immigration redistributes

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<sup>50</sup> In 2003, after several years of slow economic growth, Congress allowed the number of H-1B visas to fall to 65,000. See details at <http://uscis.gov/graphics/publicaffairs/>.

<sup>51</sup> This argument abstracts away from any perceived negative cultural consequences of immigration.

<sup>52</sup> Peter Brimelow, “Milton Friedman, Soothsayer,” Hoover Digest No. 2, 1998, <http://www-hoover.stanford.edu/publications/digest/982/friedman3.html>.

income between factors of production, raising incomes for some factors (e.g., owners of capital) and lowering it for others (e.g., low-skilled labor). The long-standing opposition of labor unions to immigration, reversed only in the 1990's when U.S. labor unions begun to recruit more heavily among recent immigrants, owes in part to immigration's perceived negative effects on blue-collar workers.

Proposals to reform immigration policy tend to focus either on minimizing immigration's exacerbative effect on distortions or on minimizing its redistributive effects on income. Since the redistributive effects of immigration are unavoidable, policies that attempt to limit the extent to which immigration makes existing distortions worse are likely to be more appealing on efficiency grounds.

In recent years, there have been a variety of proposals, from both inside and outside government, for how to reform U.S. immigration policy. President Bush's plan, termed Fair and Secure Immigration Reform (FSIR), would offer an amnesty to some illegal immigrants and would expand the number of temporary work visas given to laborers from Mexico. There is as yet little mention of how his plan change permanent legal immigration or enforcement against illegal immigration. The U.S. Congress is also considering legislation on immigration. In 2003, Senators Edward Kennedy (D-Massachusetts) and Larry Craig (R-Idaho) proposed the Agricultural Job, Opportunity, Benefits, and Security Act (AgJobs). AgJobs would offer an amnesty to illegal immigrants who had worked on U.S farms in the last 12 months and reform the H-2A visa program for temporary agricultural workers by expanding the number of visas awarded and creating a clearing mechanism for U.S. employers to bring in new foreign agricultural workers more easily.<sup>53</sup> In 2004, Democratic members of the House of Representatives proposed the Safe, Orderly, Legal Visas, and Enforcement Act (SOLVE), which would legalize unauthorized workers who have been in the United States for at least five years, create a transitional work visa for illegal immigrants who have been in the country for less than five years, and expand the number of low-skilled temporary work visas to 350,000. The executive, Senate, and House plans all focus to varying degrees on temporary immigration visas and amnesty for illegal immigrants. None of the proposals offers specifics on how to modify border or interior enforcement to reduce illegal immigration in the future.

Going back a decade, the early 1990's Commission on Immigration Reform (created by the Immigration Act of 1990 and known as the Jordan Commission after the chair, Barbara Jordan) produced an influential set of recommendations that proposed limiting family-based immigration to immediate family members, abolishing unskilled legal immigration, expanding border and interior enforcement against illegal immigration (including creating a verifiable identification system), making all legal immigrants (including non-citizens) eligible for public benefits, and taking greater efforts to promote the Americanization of immigrants (Jordan, 1995).

So far, none of these or other proposals have come close to becoming law. Of the four proposals, only the Jordan Commission's offers a systematic approach for defining the level of immigration, the composition of immigration, the rights granted to immigrants, and enforcement against illegal immigration. It would move the United States strongly in

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<sup>53</sup> See <http://www.senate.gov/~gsmith/agjob.htm#a>.



the direction of a skills-based immigration policy, which is also advocated by Borjas (1999) and Huntington (2004), among others.

### *A Skills-Based Immigration Policy*

A skills-based immigration policy would radically alter the composition of individuals admitted to the United States. It would require severely limiting immigration based on family reunification. The effects on the U.S. economy would likely be profound. Incoming legal immigrants would go from being much more likely to use means-tested entitlement programs to being much less likely to do so. Since higher-income individuals also tend to have smaller families, the policy shift would also reduce the total contribution of immigration to population growth (even if the number of immigrants admitted to the country each year remained the same). Low-skilled native workers would likely see their wages increase in absolute terms and relative to high-skilled workers, reducing earnings inequality in the United States.

One disadvantage is that high-skilled immigration would tend to work *against* globalization. Since the United States is a country that is already abundant in skills and capital relative to the rest of the world, admitting primarily high-skilled workers would increase international differences in relative factor supplies. This would tend to increase the difference in wages for less-skilled workers between the United States and the rest of the world and move the world farther away from factor-price equalization. In so doing, such a move could lower global economic efficiency and welfare.<sup>54</sup> For poor countries, losing high-skilled labor could have negative effects both on their GDPs and on the performance of their political, legal, and educational institutions.

Another disadvantage for poor countries of a skills-based immigration in the United States is that high-skilled emigrants appear to be less likely than low-skilled emigrants to remit income to their family members at home (Orozco, 2003). In poor countries, migrant remittances help offset the loss in GDP due to the labor outflow associated with emigration. For Mexico, Prachi Mishra (2003) estimates that over the period 1970 to 2000 emigration increased average wages by 8%. By 2000, the number of Mexican emigrants in the United States was equal to 16% of the labor force Mexico. Based on these figures, the *emigration loss* for Mexico in 2000 was 0.5% of GDP. However, in Mexico's case, the loss is more than offset by income emigrants remit to family members in Mexico, which in 2003 was 2% of GDP. On net, residents of Mexico – those who don't migrate abroad – appear to gain from emigration, with much of the gain presumably going to the family members of emigrants who receive remittances. In other countries, remittances are an even larger share of economic activity, exceeding 10% of 2003 GDP in Belize, the Dominican Republic, El Salvador, Guyana, Haiti, Honduras, Jamaica, and Nicaragua (IADB, 2004). The Inter-American Development Banks finds

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<sup>54</sup> In a Heckscher-Ohlin trade model, high-skilled immigration in high-skilled countries would increase international factor-price differences and decrease global welfare. But in such a model there would be no incentive for this sort of migration, because the wage for high-skilled labor would be lower in skill-abundant countries. That is not the case in the United States. Wages for U.S. workers appear to be higher than wages for workers in poor countries in *all* skill categories, which likely reflects superior technology in the United States. In a world with cross-country differences in technology, how migration affects global welfare depends on how such migration affects the creation and diffusion of technology.

that in 2003 Latin American immigrants in the United States sent a total of \$31 billion to their home countries, amounting to 1.4% of the region's GDP. If poor countries were to send high-skilled rather than low-skilled labor abroad, remittances could decrease, guaranteeing that emigration reduces their GDPs.

Furthermore, shifting from low-skilled to high-skilled immigration may not have the large effects on U.S. labor markets that some proponents expect. If the U.S. takes in fewer low-skilled workers from poor countries, then wage differentials between the U.S. and these countries would likely increase. This would tend to increase U.S. demand for imports from poor countries and poor-country demand for U.S. capital. For instance, by reducing the import of labor from Mexico, the United States would likely increase the import of goods from Mexico and the export of U.S. capital to Mexico. In general equilibrium, these increased trade and capital flows would decrease the relative demand for low-skilled U.S. labor and partly offset the labor-market consequences of reduced low-skilled immigration, perhaps leaving low-skilled U.S. native workers only modestly better off than under their current situation.

Summing up these effects, the shift to a skills-based immigration policy would be likely to reduce the fiscal costs of immigration and to reduce wage gap between high-skilled and low-skilled labor in the United States. However, this would come at the potential cost of lowering welfare in poor countries.

### *A Rights-Based Immigration Policy*

The idea behind a rights-based approach to reforming immigration policy is to phase in more slowly over time immigrant access to government benefits. This could be done by creating a graduated set of rights to draw on public benefits to which immigrants would gain access after having worked in the United States for a specific time period. One way to implement such a plan would be to have immigrants begin on temporary work visas (of, say, three years) which would give them rights to certain benefits (public education, self-financed medical benefits, participation in a self-financed pension plan) but not others (public assistance, food stamps, public housing, Medicaid). Satisfying the terms of the temporary work visa would lead to automatic renewal, and, after a specified number of renewals, to permanent residence. Then, after five years as a permanent resident an individual could apply for citizenship, as is the case currently. Such a plan – which could be easily incorporated into any of the existing proposals for immigration reform – would increase the amount of time between when a foreign citizen enters the United States and when he or she is eligible to draw on the full set of government-provided public benefits. This would more strongly tie admission to the United States to the desire to work, and, relative to the current policy (or the existing legislative proposals), would reduce the fiscal drain associated with immigration.<sup>55</sup>

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<sup>55</sup> One issue in implementing this program would be whether to admit the immediate family members of temporary visa holders. Currently, the United States allows immediate family members to join temporary visa holders on longer-term visas (such as the H-1B) but not on shorter-term visas (such as the H-2A or H-2B). These family members are not allowed to work in the United States and are ineligible to receive most types of social assistance. To keep with this precedent, one would admit immediate family members along with temporary visa holders, but place strict limits on their ability to work or to draw public benefits.

This proposal would take welfare reform one step further. The current policy distinguishes between permanent residents and citizens, with the former being ineligible for a wide range in benefits in some states. Since an individual must be a permanent resident for five years before applying for citizenship, this means there already is a five-year waiting period before immigrants can gain full access to public benefits. By requiring immigrants to first complete one or more terms as temporary immigrants, a rights-based approach would create a further distinction between earlier-tenure immigrants on temporary visas and later-tenure immigrants with green cards.

A likely criticism of a rights-based approach is that it creates multiple classes of U.S. residents. Immigrants on temporary work visas would spend a number of years without access to the rights that permanent residents possess, who in turn have fewer rights than citizens. Advocates for immigrants often criticize guest worker programs for relegating immigrants to second-class status. What distinguishes a rights-based approach from other guest worker programs is that it sets immigrants on a well-defined path toward citizenship. Also, it would afford greater legal certainty to illegal immigrants who chose to convert to temporary legal status. Labor unions also complain about guest worker programs, citing the lack of labor rights they provide to immigrants. However, it would be feasible to grant temporary immigrants the full set of labor protections that apply to citizens – collective bargaining, a federally mandated minimum wage, unemployment insurance, legally mandated health and safety standards, etc. In this case, the only difference between temporary immigrants and other workers is that the former would not have access to the same public entitlement programs.

A skills-based immigration policy and a rights-based immigration policy are not mutually exclusive options. In principle the United States could enact both, by converting family-based admission slots to employment-based admission slots and by converting illegal immigrants to temporary immigrants. This would raise the average skill level of incoming immigrants *and* reduce the illegal immigrant population. To develop either policy, it would be essential to specify additional details regarding treatment of illegal immigrants, enforcement against illegal immigration, and the composition and level of immigration.

Illegal Immigrants. Temporary work visas would offer a solution for how to deal with the 10 million illegal immigrants currently living in the country. A special pool of visas, much larger than what would be the typical annual allotment discussed below, could be created for illegal immigrants now residing in the United States. The granting of these visas would amount to a limited amnesty for these immigrants. Congress would have to decide which illegal immigrants would be eligible for a visa from the special pool. For instance, the last amnesty, which occurred in 1988 under the Immigration Reform and Control Act, applied to individuals who could demonstrate they had been in the United States continuously for the previous six years. Illegal immigrants ineligible for visas from the special pool would still be eligible to apply for regular temporary work visas, which the government would make available on an annual basis. This approach has obvious parallels to President Bush's plan and to the House and Senate plans, although none of these has yet to specify how temporary legal immigrants would progress to permanent residence.

To obtain a special-pool visa, an employer would have to apply on behalf of an illegal immigrant. In many cases, this would require employers to admit they had been employing illegal immigrants, which is tantamount to admitting that they had been breaking the law. To give employers an incentive to help their employees become

temporary legal workers, it would likely be necessary to offer immunity from prosecution for some past illegal employment practices.

Groups that traditionally oppose immigration would likely be vehement in their objections to an amnesty for illegal immigrants. However, it is almost inconceivable that the United States could reduce the illegal immigrant population without an amnesty of some sort. One alternative, mass deportations of illegal immigrants, would require a police effort of the scale never seen in this country. Whatever the opposition to an amnesty, opposition to mass deportations would likely be much more intense. An aspect of a limited amnesty that might make it more politically palatable than a blanket amnesty is that it would lead not directly to permanent residence but to a temporary work visa. Former illegal immigrants would not be eligible to receive the full set of public benefits until they had completed the required number of terms of temporary migrants and the five-year period as a permanent legal resident. Another objection to an amnesty is that it would raise the incentive for illegal immigration in the future. This is a serious concern. To avoid inviting future illegal immigration, the United States would also have to change the way it enforces against illegal entry.

Enforcement. Current U.S. enforcement policy, which has been in place since the early 1990's, involves heavy patrols in major cities along the U.S.-Mexico border, light patrols in unpopulated zones along the U.S.-Mexico border, and minimal presence in the U.S. interior (Boeri, Hanson, and McCormick, 2002). One notable aspect of U.S. interior enforcement is that immigration authorities do not track most temporary legal immigrants in the country, making it difficult to determine how many individuals overstay their entry visas. The result of this policy is that once in the United States illegal immigrants appear to face little risk of apprehension or deportation.

Clearly, current U.S. enforcement policy is ineffective. One measure of its ineffectiveness is that after the United States dramatically increased border enforcement in the early 1990's illegal immigration actually *increased*. In the 1990's, average annual net illegal immigration was 300,000 to 500,000 individuals a year, up from 200,000 to 300,000 individuals in the previous decade (Boeri, Hanson, and McCormick, 2002). About two-thirds of illegal immigrants enter the United States by crossing U.S.-Mexico border and about one-third overstay temporary visas.

While effective enforcement against illegal immigration requires a strong presence at U.S. borders, it also requires serious enforcement efforts in the U.S. interior. Currently, immigration authorities devote few resources to investigating or monitoring employers that appear likely to hire illegal immigrants (GAO, 2002).

Occasional attempts by immigration authorities to increase interior enforcement are met with stern political opposition. Following INS raids of onion fields in the state of Georgia during the 1998 harvest, the U.S. Attorney General, both Georgia senators, and three Georgia congressional representatives publicly criticized the INS for injuring Georgia farmers.<sup>56</sup> The raids ceased shortly thereafter. Large-scale raids of farms in California, Florida, or Texas, which are home to the largest concentrations of undocumented workers, are virtually unheard of. In 2000 and 2001, the INS investigated the meat-

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<sup>56</sup> See Mark Krikorian, "Lured by Jobs, Illegal Immigrants Risk Death at Border Crossings," *Santa Barbara News-Press*, April 25, 1999.

packing industry in Nebraska and Iowa, which is reputed to use illegal labor intensively, but made no large-scale raids on any plants. Most plant visits by INS agents were announced in advance, as has become standard practice.<sup>57</sup>

What makes current efforts at interior enforcement difficult is that employers have plausible deniability. They are required to ask employees for legal documents (a social security card, a green card) and to record this information on forms that immigration authorities can review in the event they audit the plant. As long as the documents appear to be genuine, employers are more or less free from any legal liability. Since employers do not have to verify the authenticity of employee identification, this check serves only to weed out obvious forgeries.

An alternative approach would be to mandate immediate verification of an employee's legal status. Through the voluntary Basic Pilot Program, employers are currently able to verify the authenticity of job applicant's social security numbers with the Social Security Administration (SSA) and the Department of Homeland Security (DHS).<sup>58</sup> Thus, the SSA and DHS *already have* an electronic database to which employers can submit electronic requests for information, which makes the verification process trivial. Converting electronic verification from a voluntary program to a mandatory requirement for employment would eliminate plausible deniability on the part of employers. The only way they could hire illegal immigrants would be by keeping these workers off their official employment roles, in which case they would be unquestionably breaking the law. An alternative, or perhaps complementary, approach to mandatory electronic verification would be to implement a national identity card, but this would likely face political opposition from any quarters.

Mandatory verification would also make existing audits of employers by immigration authorities more transparent. Any employer who had failed to verify the Social Security status of an employee (on which there would be an electronic record) would be guilty of an infraction. With these procedures in place, a modest increase in interior enforcement by immigration authorities could potentially greatly increase its effectiveness. In addition, the DHS would have a record of employment for each temporary legal immigrant, which would be useful for evaluating applications for renewal of temporary work visas.

Immediate verification of an employee's legal status would not increase information burdens on either employees or employers. Currently, employers must complete and retain I-9 identification verification forms on all employees.<sup>59</sup> And the technology for electronic verification of employability clearly already exists.

Composition and Level of Immigration. Adopting a rights-based approach to immigration policy could be implemented under current U.S. immigration quotas. These quotas

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<sup>57</sup> The INS strategy was to announce plant visits, ask employers for permission to review employee records, and then to interview workers whose records looked suspicious. The many workers who failed to report for their INS interviews lost their jobs. The result of the INS investigation, then, was not monetary sanctions on employers but (indirectly) forced quits by workers. See "Immigration: In the Vanguard," *Economist*, October 16, 1999, pp. 31-32.

<sup>58</sup> See <http://uscis.gov/graphics/services/SAVE.htm> for a description of the Basic Pilot Program.

<sup>59</sup> Employers do not have to submit these forms to the government. They only have to keep them in the event of an audit by government inspectors.

reserve the majority of entry slots for family members of U.S. citizens and legal residents. The change would be that new immigrants, whether they were family sponsored or employer sponsored, would receive a temporary work visa rather than a green card. New immigrants would not become permanent residents until they had completed the required number of spells on temporary work visas. The advantage of adopting a rights-based immigration policy is that it could create the political support for addressing illegal immigration, including a limited amnesty to illegal immigrants, mandatory employee verification procedures, and new enforcement capabilities.

However, there is no reason to believe that current admission criteria represent the constrained optimum policy choice for the United States. Neither the skill composition of new immigrants nor the level of immigration reflects economic conditions in the country. Both are mandated by legislation that changes slowly over time. The inflexibility of existing policy makes it attractive to imagine more extensive changes in which individuals and in how many individuals gain admission to the United States.

Under a rights-based program in which immigrants first enter under temporary work visas, it would be straightforward to set entry criteria according to U.S. labor-market conditions. One possibility would be for U.S. employers to post information electronically on jobs that they desire to fill with temporary immigrants. These postings would reflect the excess demand for labor in the United States. Occupations with the largest number of postings would in principle indicate where excess demand for labor was the greatest. Foreigners could then apply for job openings, providing information about themselves electronically to prospective employers.<sup>60</sup> The number of foreign applicants per position would be an indication of the excess supply of foreign labor. Occupations in which the number applicants exceeded the number of job postings (which, realistically, could be most of all occupations) would indicate the existence of queues for jobs in the United States. The length of these electronic job queues by occupation would be an indication to immigration authorities of where the gains to immigration might be the greatest.

To determine the overall number of immigrants admitted, immigration authorities could also use information on economic conditions in the United States. Congress could set a flexible cap on total admissions, such that any excess admissions in years with strong labor demand would have to be offset by fewer admissions in years with weak labor demand. The cap could apply to the total number of temporary work visas immigration authorities grant. Each year, there would be flows out of temporary immigrant status, as individuals either successfully completed the required number of spells and obtained permanent residence or violated the terms of their visas and had them revoked. Outflows would create openings for new temporary immigrants, with net total admissions determined by the flexible cap.

It has been nearly two decades since the last major reform of U.S. immigration policy. Since that time, illegal immigration has increased, the wages of low-skilled U.S. workers have fallen, the short-run fiscal costs of immigration have grown, and immigration has become a more contentious issue in American life. There is little disagreement that a new round of reform of U.S. immigration policy is needed. Meaningful reform will have to address, at the very least, an amnesty for illegal immigrants and enforcement against

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<sup>60</sup> To give employers and employees an incentive to real information truthfully, it would probably be necessary to charge a fee for the service of listing employment opportunities and employment applications.

future illegal immigration. Employers will only go along with reform if they feel they will not lose access to foreign workers. The prospect of an amnesty and continuing high levels of immigration would likely face strong opposition. One strategy for softening this opposition and for forging a coalition behind reform is to convince some groups that currently oppose immigration – such as taxpayers in high-immigration states – that reform is in their interest. It is hard to imagine that this could be achieved without lowering the fiscal costs associated with immigration. Distributive conflicts appear to be at the heart of disagreements over immigration policy. Fortunately, policy options are available that can lessen the distributive consequences of immigration and move the United States toward an immigration policy that better serves the national interest.

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**Table 1: Source Countries for U.S. Immigration, 2003**

	Foreign-Born Pop.		Cohorts by Arrival Year			
	Level (000s)	Pct. Distbn.	Pre- 1970	1970 to 1979	1980 to 1989	1990 or later
All Countries	34,612	100.0	(level in 000s)			
			4,759	4,983	8,213	16,657
Region of Birth			(percent of cohort)			
Europe	5,415	15.6	40.6	14.6	9.7	11.7
Asia	8,994	26.0	14.0	33.3	29.3	25.6
Latin America	18,285	52.8	35.3	47.6	56.4	57.6
Other Areas	1,918	5.5	10.1	4.5	4.6	5.0
Country of Birth						
1 Mexico	10,237	29.6	16.0	26.4	30.1	34.1
2 Philippines	1,458	4.2	2.9	5.9	4.9	3.7
3 India	1,184	3.4	0.8	3.5	2.5	4.6
4 China	1,168	3.4	2.6	3.0	3.1	3.8
5 Germany	1,091	3.2	12.5	2.6	1.8	1.3
6 El Salvador	1,025	3.0	0.6	2.0	4.3	3.3
7 Cuba	1,005	2.9	7.9	2.9	2.2	1.9
8 Vietnam	947	2.7	0.5	4.5	3.4	2.5
9 South Korea	916	2.6	1.3	4.1	3.8	2.0
10 Canada	853	2.5	8.2	2.2	1.4	1.4
11 Dominican Rep.	726	2.1	1.3	2.3	2.3	2.2

Source: March 2003 Current Population Survey

**Table 2: Immigrant Eligibility for Welfare Benefits**

	SSI	Food Stamps	Medicaid	TANF	Other Federal Means-Tested Benefits	State/Local Public Benefits
<b>Qualified Immigrants Arriving <i>before</i> August 23, 1996</b>						
Legal Permanent Residents	Yes	No	State option	State option	State option	State option
Asylees, Refugees <sup>a</sup>	Eligible for first 7 years	Eligible for first 5 years	Eligible for first 7 years	Eligible for first 5 years	Eligible for first 5 years	Eligible for first 5 years
<b>Qualified Immigrants Arriving <i>after</i> August 23, 1996</b>						
Legal Permanent Residents	No	No	Barred for first 5 years; state option afterward	Barred for first 5 years; state option afterward	Barred for first 5 years; state option afterward	State option
Asylees, Refugees	Eligible for first 7 years	Eligible for first 5 years	Eligible for first 7 years	Eligible for first 5 years	Eligible for first 5 years	Eligible for first 5 years
<b>Unqualified Immigrants</b>						
Illegal Immigrants	No	No	Emergency services only	No	No <sup>b</sup>	No <sup>c</sup>
PRUCOL Immigrants	No <sup>d</sup>	No	Emergency services only	No	No	No <sup>c</sup>
<sup>a</sup> Cuban and Haitian entrants, Amerasians, and aliens granted withholding of deportation are also included in this group. <sup>b</sup> States have the option to provide WIC to unqualified immigrants. <sup>c</sup> Selected programs are exempted, including short-term non-cash relief, immunizations, testing and treatment for communicable diseases, and selected assistance from community programs. <sup>d</sup> Those immigrants receiving SSI as of August 22, 1996, will continue to be eligible until September 30, 1998.						
PRUCOL= Persons Residing under Cover of Law						

**Table 3: Immigration and Population in U.S. States**

	State Share of National Population	State Share of Foreign-Born Population	State Share of National Population	State Share of Foreign-Born Population	Share of Foreign Born in Population	Share of Foreign Born in Population
	1994	2003	1994	2003	1994	2003
California	12.3	12.3	34.0	27.5	22.5	27.8
New York	7.0	6.7	11.7	11.7	13.6	21.0
Florida	5.4	5.7	9.3	8.8	13.9	18.6
Texas	7.0	7.5	9.0	10.4	10.4	16.8
New Jersey	3.1	3.0	4.5	4.4	12.0	17.6
Illinois	4.5	4.4	4.7	4.4	8.6	12.1
Nation	--	--	--	--	8.2	12.1

Source: March 1994 and 2003 Current Population Surveys.

**Table 4: National Trends in Welfare Participation Rates**  
(Percent of Households Receiving Assistance)

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	Some Type of Assistance	Some of Benefit	Type Cash	TANF or General Assistance	SSI	Medicaid	Food Stamps
<b>Natives</b>							
1994	15.3	7.7		4.5	3.9	13.3	8.4
1995	14.8	7.4		4.1	3.9	13.0	7.9
1996	15.1	7.3		3.8	4.2	13.3	7.8
1997	13.8	6.5		3.0	4.0	12.3	6.7
1998	13.2	5.8		2.5	3.8	11.9	5.8
1999	13.1	5.5		2.1	3.8	11.9	5.2
2000	13.5	5.1		1.8	3.7	12.4	5.1
2001	14.3	5.0		1.6	3.8	13.1	5.3
2002	14.9	4.9		1.6	3.6	13.6	5.5
<b>Immigrants</b>							
1994	24.6	12.9		8.1	6.2	22.4	13.7
1995	24.7	12.7		7.8	6.2	22.6	12.7
1996	22.8	11.6		6.5	6.1	21.3	11.3
1997	21.0	10.0		5.0	5.8	19.4	10.0
1998	20.6	9.2		4.2	5.7	19.3	8.2
1999	20.0	8.5		3.5	5.6	18.9	7.3
2000	21.4	7.6		2.7	5.3	20.3	6.2
2001	23.4	7.2		2.6	5.1	22.5	6.3
2002	24.2	6.9		2.3	5.0	23.2	6.5

---

Source: Current Population Survey, Annual Demographic Files, various years.



**Table 5: State Generosity in Welfare Benefits**

<b>Public Assistance Availability to Immigrants</b>	<b>4</b>	<b>Illinois</b>	<b>Missouri Nebraska</b>	<b>California Maine Maryland Massachusetts Rhode Island</b>	<b>Washington</b>
	<b>3</b>	<b>Florida</b>	<b>Oregon</b>	<b>Connecticut Minnesota New Jersey New York Pennsylvania Wisconsin</b>	<b>Hawaii</b>
	<b>2</b>	<b>Delaware DC Kentucky Montana Nevada N. Carolina Tennessee Virginia Wyoming</b>	<b>Alaska Arizona Colorado Georgia Iowa Kansas New Mexico North Dakota Utah</b>	<b>Michigan</b>	<b>N. Hampshire</b>
	<b>1</b>	<b>Alabama Arkansas Idaho Louisiana Mississippi Ohio Texas W. Virginia</b>	<b>Indiana Oklahoma S. Carolina S. Dakota</b>		
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
		<b>Public Assistance Generosity</b>			

Note: Higher numbers indicate greater generosity of benefits to all citizens (on the horizontal axis) or greater availability of benefits to non-citizens (on the vertical axis).

Source: Zimmerman and Tumlin (1999).

**Table 6: Welfare Participation in More and Less Generous States**

<b>A. Welfare Participation Rates</b> (% of Households Receiving Some Type of Assistance)					<b>B. Cash Program Participation Rates</b> (% of Households Receiving Cash Assistance)			
<b>Year</b>	<b>Less Generous States</b>	<b>More Generous States</b>	<b>Less Generous States</b>	<b>More Generous States</b>	<b>Less Generous States</b>	<b>More Generous States</b>	<b>Less Generous States</b>	<b>More Generous States</b>
	Natives		Immigrants		Natives		Immigrants	
1994	16.7	13.9	22.8	25.2	7.7	7.6	8.2	14.3
1995	15.8	13.7	22.9	25.2	7.2	7.5	8.2	14.0
1996	16.2	13.9	19.3	24.0	7.0	7.6	7.4	13.1
1997	14.7	12.9	17.1	22.4	6.6	6.4	6.1	11.3
1998	13.9	12.6	16.9	21.9	5.7	6.0	5.6	10.5
1999	13.6	12.6	15.5	21.5	5.4	5.6	4.7	9.9
2000	14.0	12.9	15.4	23.7	5.1	5.1	3.4	9.1
2001	15.2	13.4	18.5	25.3	5.1	4.9	3.5	8.6
2002	16.0	13.7	20.7	25.5	4.9	4.9	3.4	8.3

<b>C. Medicaid Participation Rates</b> (% of Households Receiving Medicaid)					<b>D. Food Stamp Participation Rates</b> (% of Households Receiving Food Stamps)			
<b>Year</b>	<b>Less Generous States</b>	<b>More Generous States</b>	<b>Less Generous States</b>	<b>More Generous States</b>	<b>Less Generous States</b>	<b>More Generous States</b>	<b>Less Generous States</b>	<b>More Generous States</b>
	Natives		Immigrants		Natives		Immigrants	
1994	14.1	12.4	18.6	23.6	9.6	7.3	14.2	13.6
1995	13.5	12.4	19.5	23.6	8.6	7.1	13.1	12.6
1996	14.0	12.6	17.2	22.7	8.3	7.2	11.0	11.4
1997	12.8	11.8	15.2	20.9	7.3	6.0	9.2	10.3
1998	12.2	11.6	15.4	20.7	6.4	5.2	5.7	9.1
1999	12.2	11.7	13.8	20.7	5.8	4.6	6.2	7.7
2000	12.5	12.2	14.0	22.6	5.8	4.3	4.8	6.7
2001	13.7	12.6	17.3	24.5	6.2	4.3	5.3	6.7
2002	14.5	12.8	19.4	24.7	6.3	4.6	5.8	6.8

Source: Current Population Survey, Annual Demographic Files, various years.

**Table 7: Support for Immigration Restrictions by Education Group**

Year	No High School	High School or Some College	College Graduate	Total
1992	47.7%	55.0%	39.3%	50.2%
2000	59.4%	52.7%	33.6%	47.5%

Notes: Tables 7 to 10 report the percent of native-born respondents stating they would prefer immigration to be decreased (by a little or by a lot) in the NES survey for a given year. States with high immigrant populations have a share of immigrants in the state population of greater than 0.104 (the U.S. mean in 2000); states with high immigrant access to public assistances are those in the upper right four cells of Table 5. No high school refers to those with up to 12 years of education but no high-school diploma, high school or some college refers to those with 12 to 15 years of education (with a high-school diploma), and college graduates to those with 16 or more years of education.

**Table 8: Support for Immigration Restrictions by Education Group and Size of State Immigrant Population**

Year	State Immigrant Population	No High School	High School or Some College	College Graduate
1992	Low	45.4%	55.3%	38.3%
	High	52.9%	54.5%	40.3%
2000	Low	52.1%	55.5%	33.2%
	High	68.4%	49.8%	33.9%

Notes: See Notes to Table 7.

**Table 9: Support for Immigration Restrictions by Education Group, Size of State Immigrant Population, and Immigrant Access to Public Assistance**

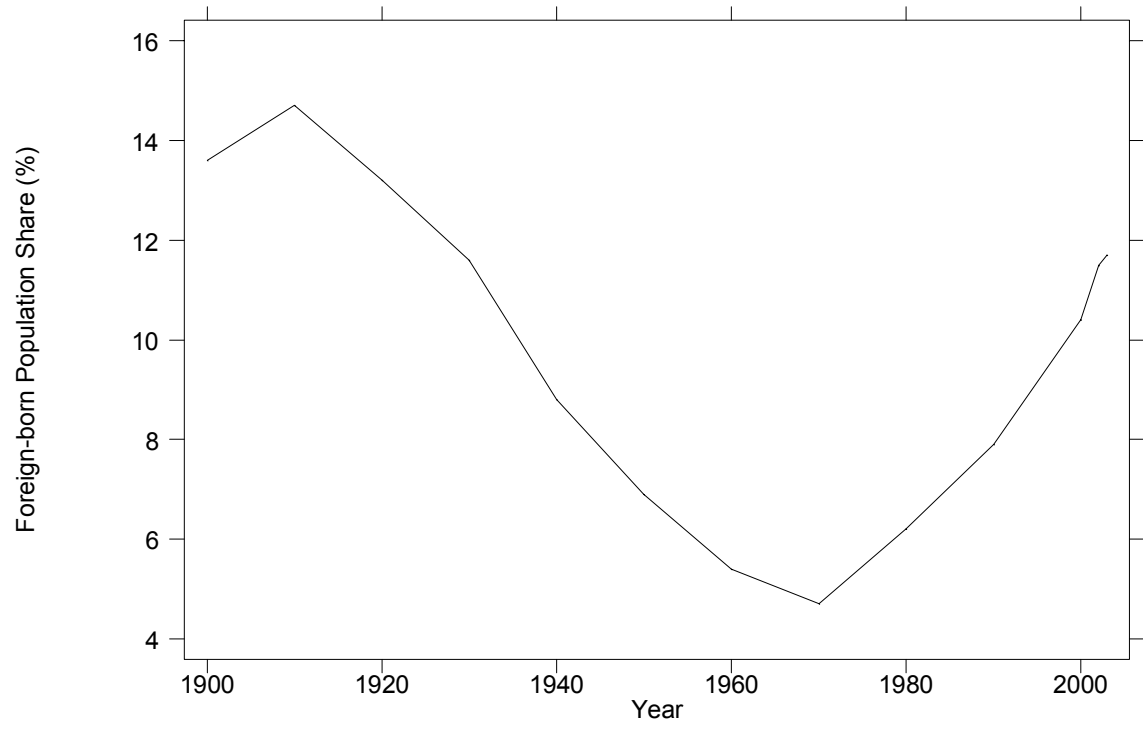
Year	Immigrant Access to Public Assistance	No High School State Immigrant Population		High School or Some College State Immigrant Population		College Graduate State Immigrant Population	
		Low	High	Low	High	Low	High
1992	Low	42.3%	51.1%	54.2%	56.1%	39.9%	30.8%
	High	53.7%	61.8%	58.5%	52.3%	32.9%	48.1%
2000	Low	53.1%	68.0%	56.3%	50.2%	34.0%	30.3%
	High	46.2%	69.2%	52.6%	49.3%	30.6%	37.4%

Notes: See Notes to Table 7.

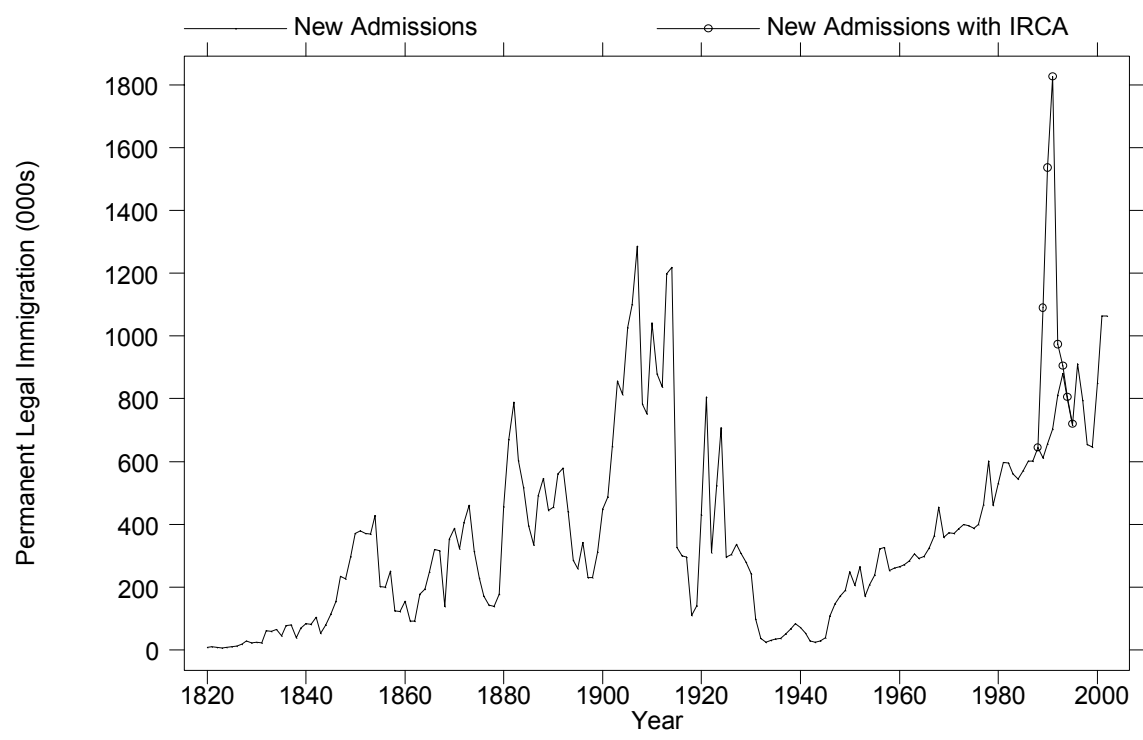
**Table 10: Support for Immigration Restrictions  
Excluding Very Conservative and Very Liberal Individuals**

Year	Immigrant Access to Public Assistance	No High School State Immigrant Population		High School or Some College State Immigrant Population		College Graduate State Immigrant Population	
		Low	High	Low	High	Low	High
1992	Low	43.3%	52.4%	54.3%	55.8%	39.1%	30.2%
	High	51.3%	56.7%	58.9%	53.2%	33.8%	46.7%
2000	Low	53.9%	67.4%	58.6%	52.5%	32.8%	30.1%
	High	46.2%	70.8%	52.4%	50.6%	30.8%	36.6%

Notes: See notes to Table 7.



**Figure 1: Share of the Foreign Born in the U.S. Population**



**Figure 2: Permanent Legal Immigration in the United States**

Educational Attainment of Immigrants and Natives, March 2003

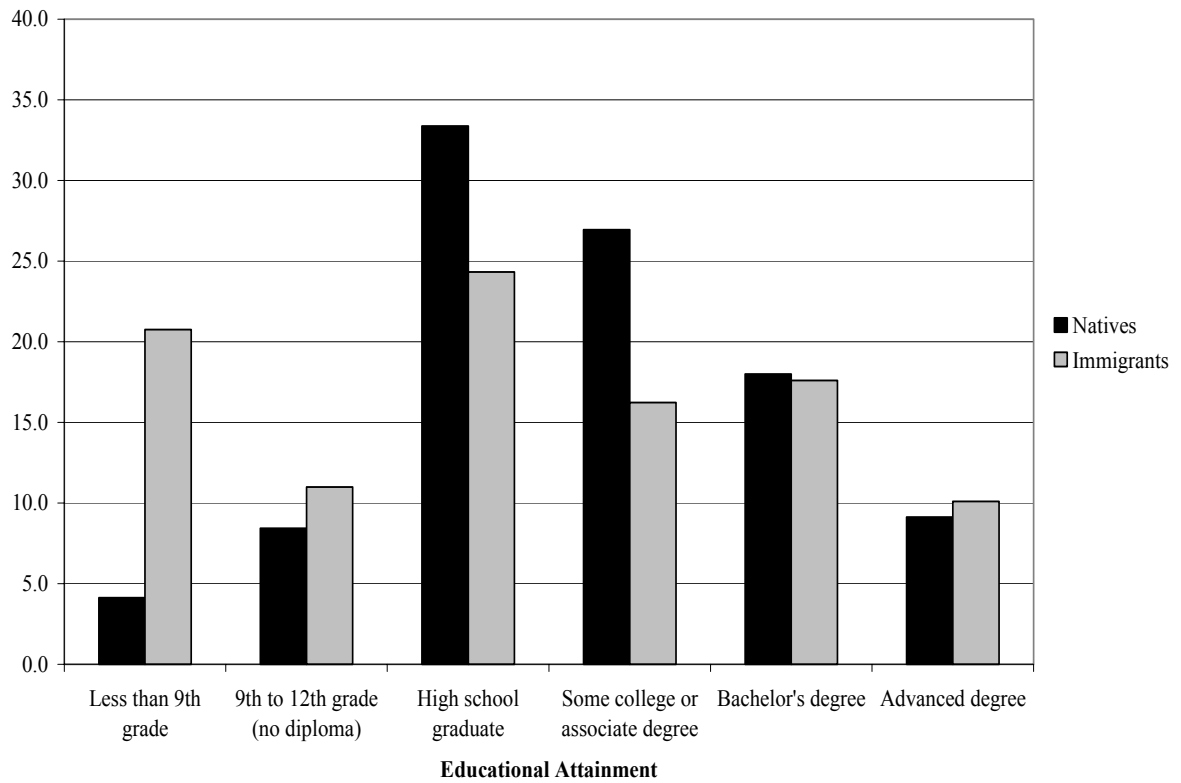


Figure 3



Occupational Distribution of Immigrants and Natives, March 2003

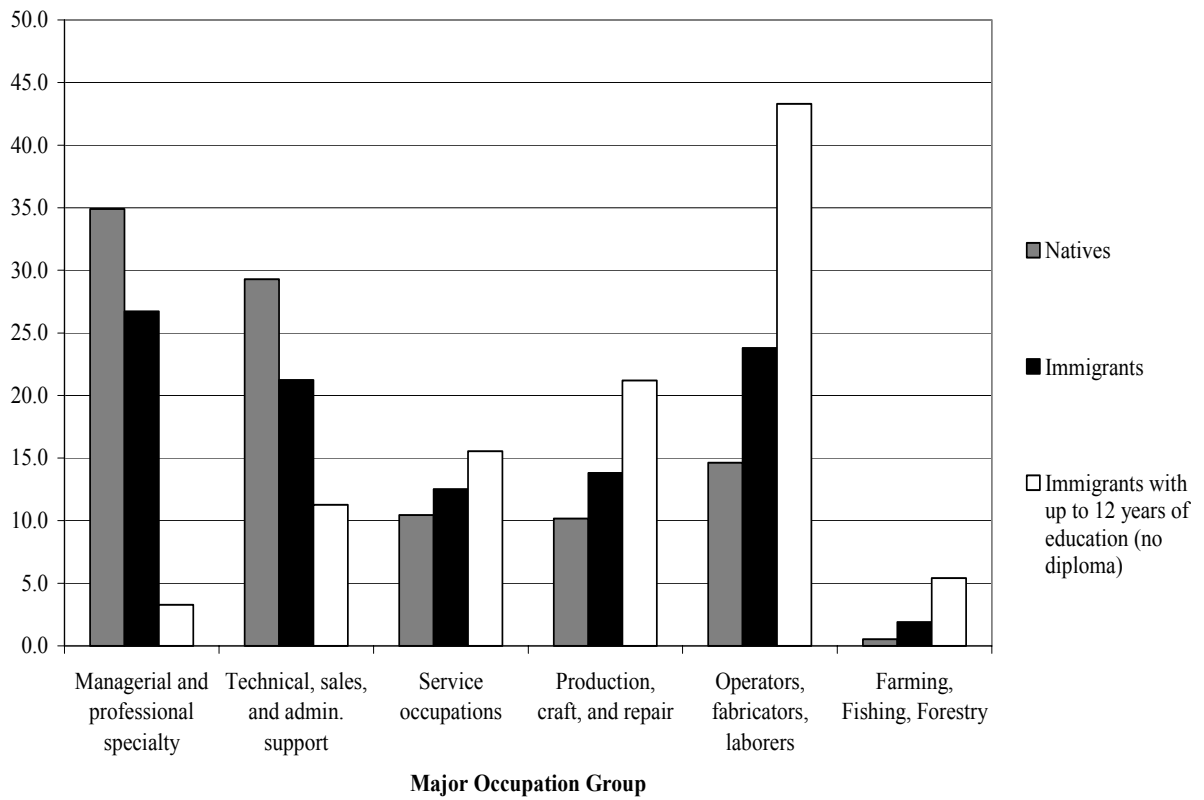
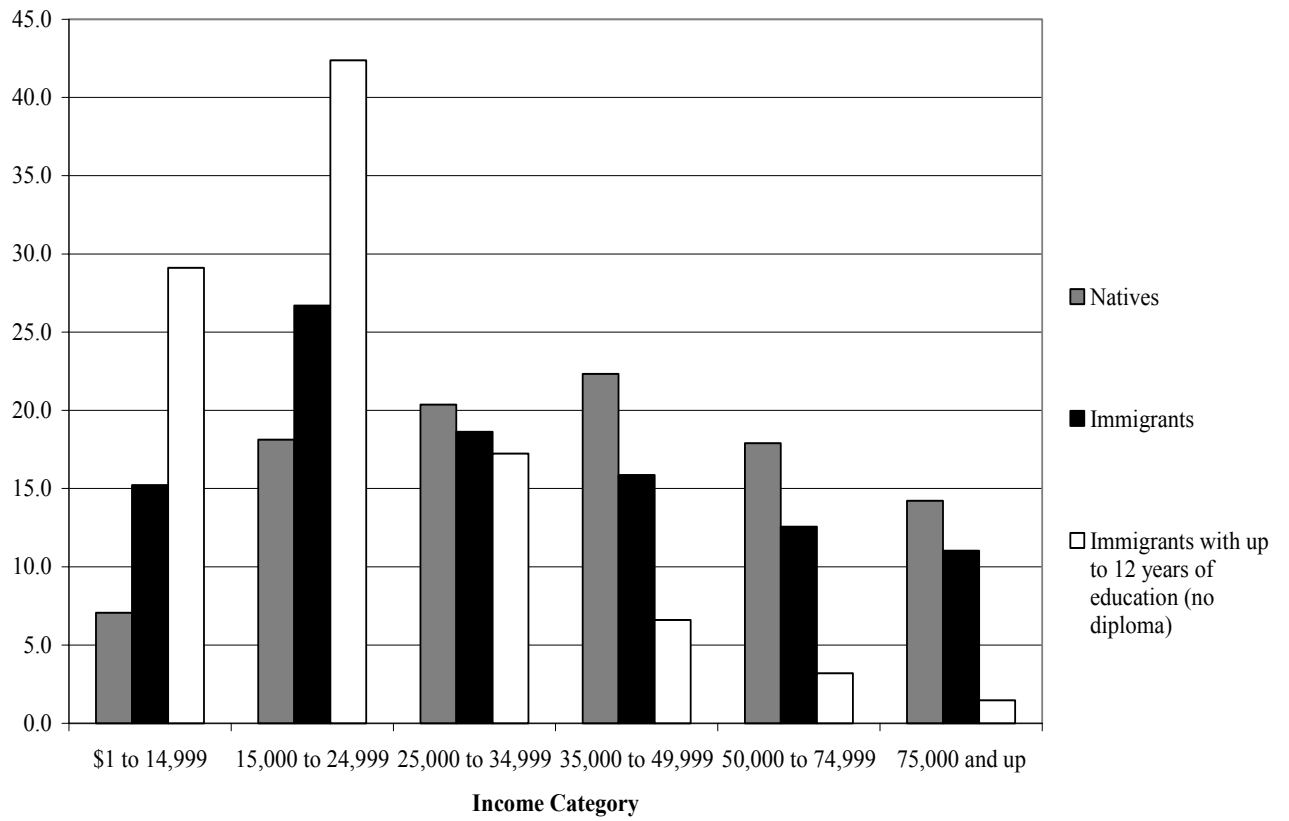
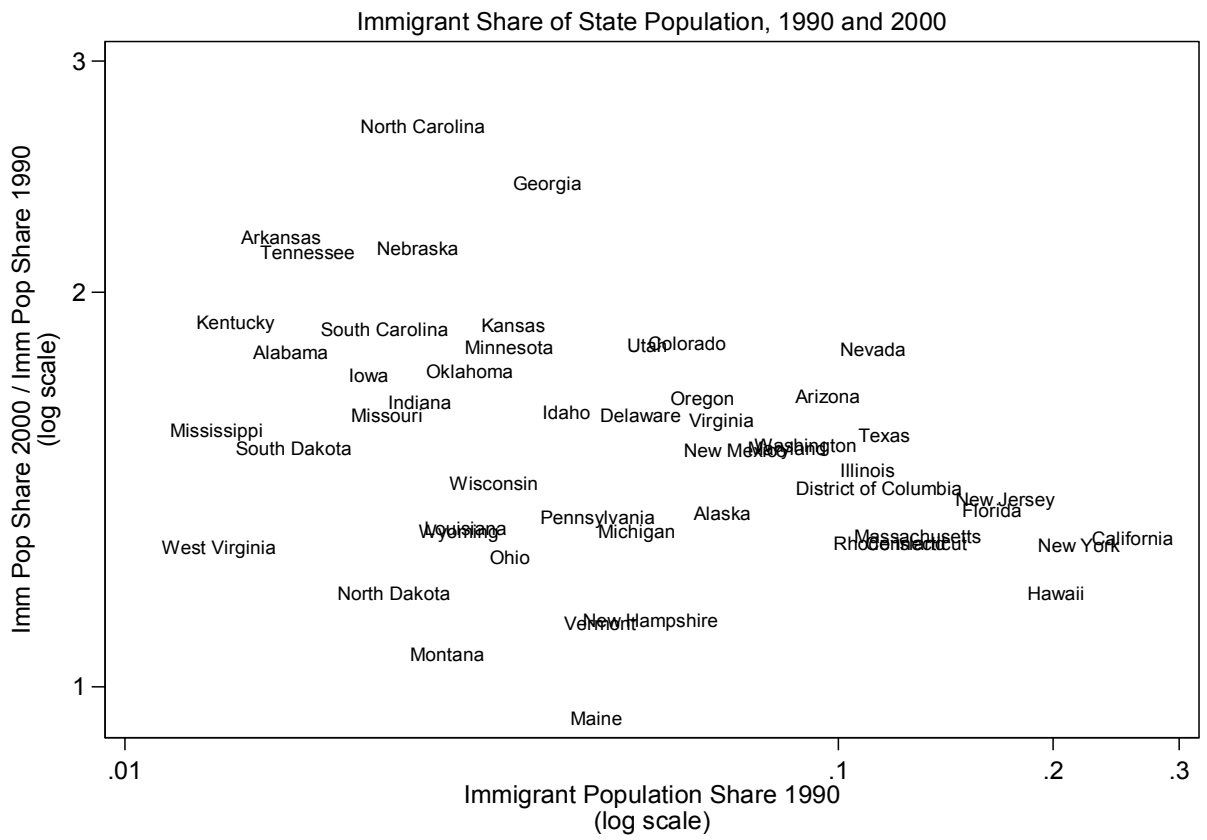


Figure 4

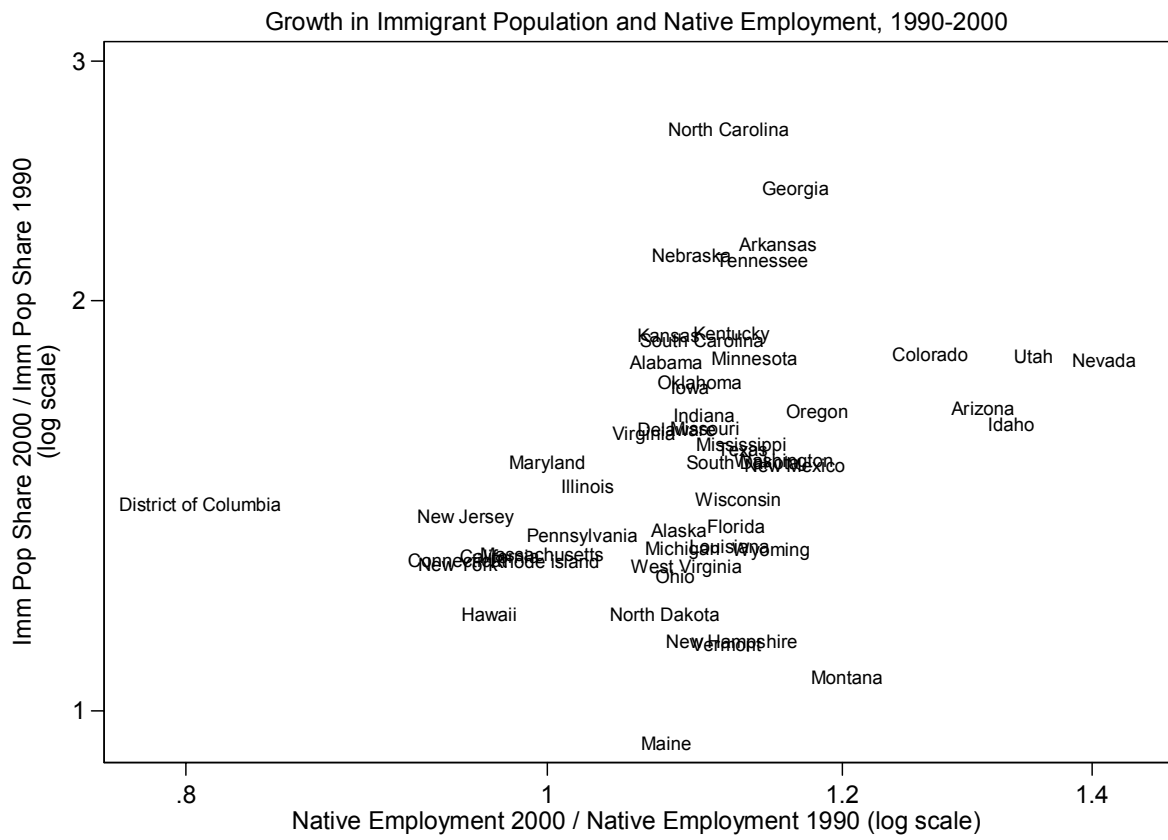
**Earnings Distribution of Immigrants and Natives, 2002**



**Figure 5**



**Figure 6**



**Figure 7**

Difference in Immigrant and Native Welfare Participation Rates

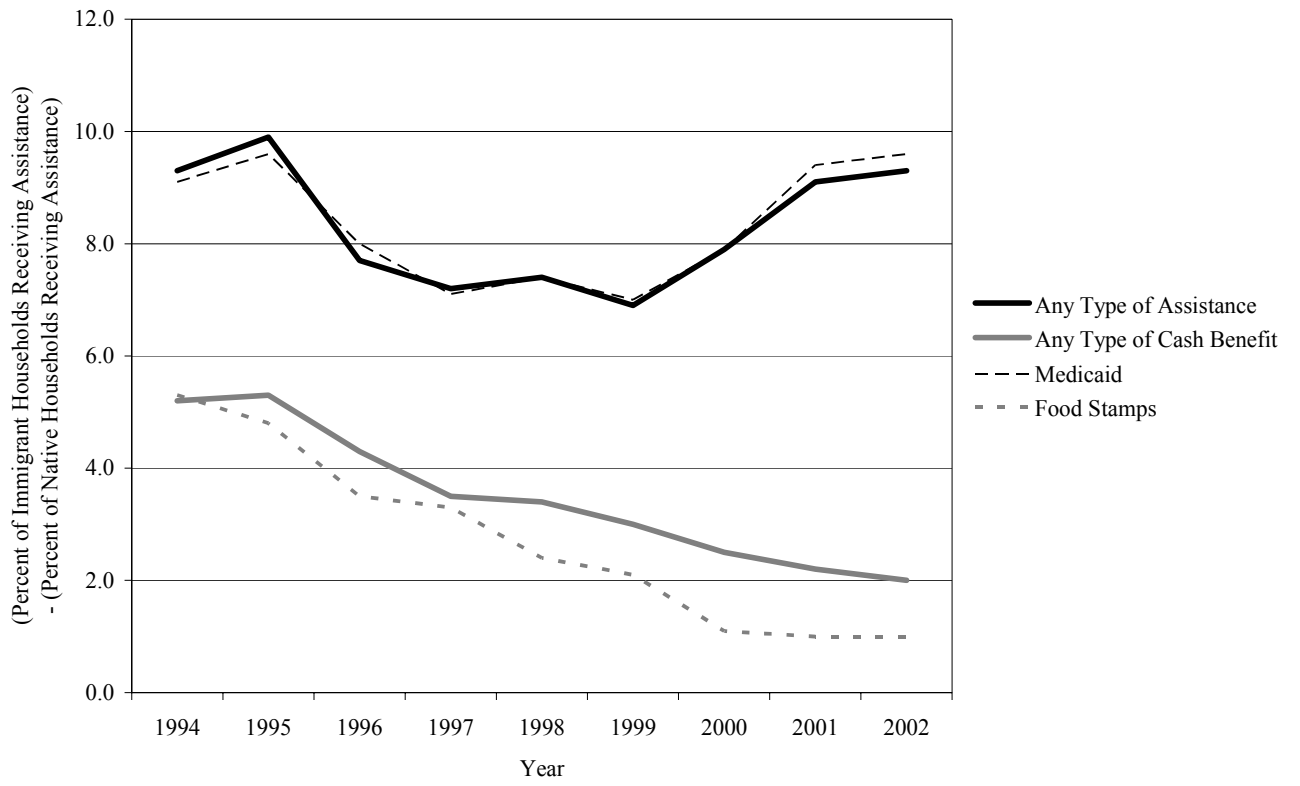


Figure 8

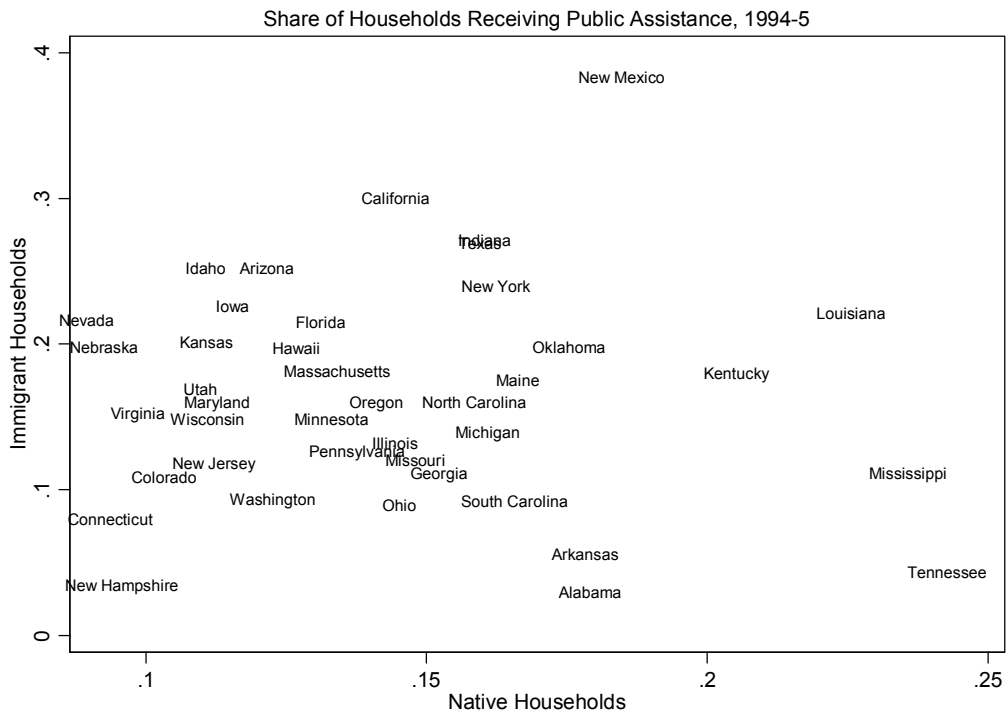


Figure 9a

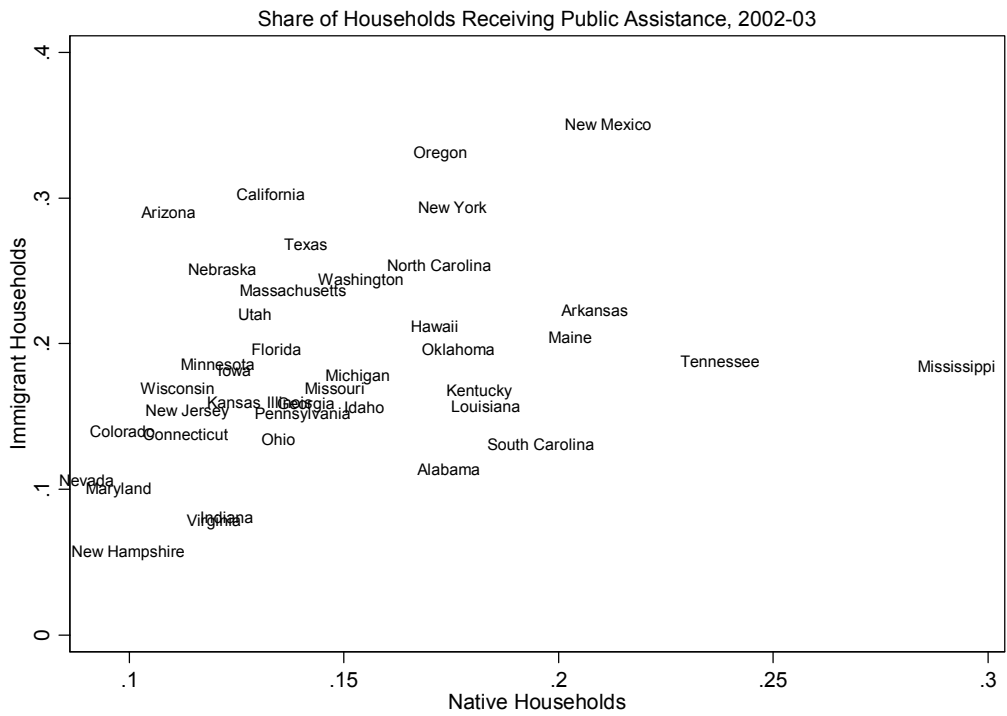


Figure 9b

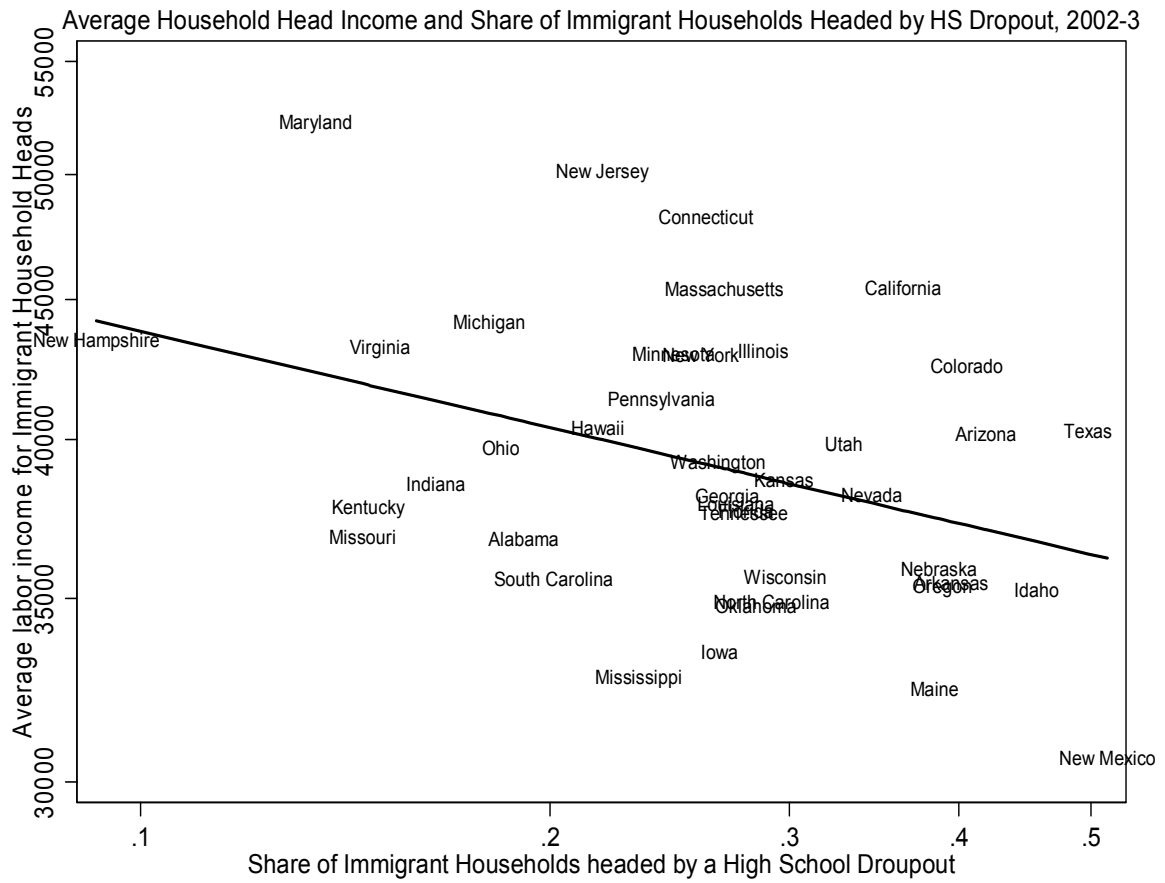


Figure 10

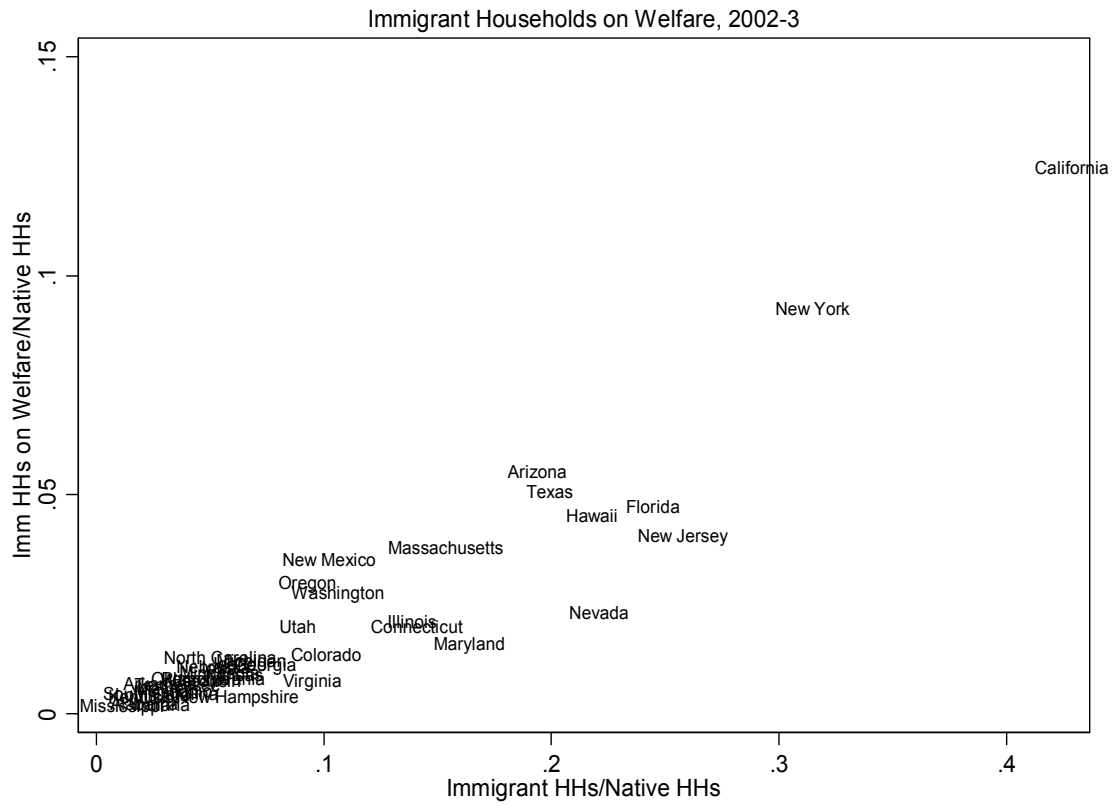


Figure 11