

Research Department  
Federal Reserve  
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## Immigrants--Legal and Illegal

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The sudden influx of 115,000 or more Vietnamese refugees, large as it may appear at a time of rising domestic unemployment, is relatively small in relation to earlier inflows of political refugees, such as the half-million Cubans of a decade ago. The influx is even smaller in relation to the annual flow of about 400,000 official immigrants, and is probably only a fraction of the uncounted numbers (perhaps millions) who enter the nation each year without benefit of any of the usual legal formalities. According to some authorities, the highly visible legal immigrants represent only the tip of the iceberg of total immigration.

More than 46 million people have been counted on the immigration rolls over the past century and a half. Until World War I, about 90 percent of the total came from European countries. But then the flow slackened rapidly, under pressure of restrictive legislation enacted after that war.

New legislation a decade ago liberalized the restrictive rules, in particular by expanding the overall quota and by doing away with the old national quotas. This stimulated both a resurgence in the immigrant flow and a dramatic shift in migration patterns. Within the past decade, about 3½ million people entered the U.S. under this new law, but only about 30 percent of the total came from Europe. The vast majority came from the Americas and the Far

East—including 475,000 Mexicans, 280,000 Cubans and some 400,000 Filipinos, Chinese and Koreans.

### How many illegals?

Nonetheless, the illegal inflow has increased apace. The Immigration and Naturalization Service apprehended 790,000 illegal aliens in fiscal 1974—about one-half of them in California—and it estimated the total inflow at three to four times that amount. There may be some double-counting involved, in view of the large numbers who cross and recross the border illegally, but the total undoubtedly is very large. Altogether, according to the INS, as many as 8 million illegals may be residing in this country at any one time. Approximately 1 to 3 million of them find employment—about one-third in agriculture, and most of the rest in low-paying factory and service jobs. There are a few success stories, such as the two aliens who jumped ship in New York and found \$9.70-an-hour jobs painting (very appropriately) the Statue of Liberty, with its message welcoming “the homeless and the tempest tossed” to these shores.

Illegal immigration of course did not exist when all immigration was legal, but it seems unusual that it should increase so rapidly under the liberalized legislation of the past decade. Economic influences help account for this apparent paradox. Consider, for example, Mexico—the most accessible

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source of foreign labor. The Mexican population of about 60 million is growing at one of the fastest rates in the world—roughly 3½ percent a year—while the U.S. population is growing quite slowly—less than 1 percent a year. Thus, finding jobs is an even greater problem in Mexico than it is here. Then there is a significant income differential. Three-fourths of the 11½ million Mexicans who reported any income in 1970 had wages of less than \$1,000 a year—at a time when the U.S. poverty level income was close to \$4,000. (The poverty level income in 1974 was \$5,050 for a family of four.)

Related to this is the attractiveness—at least to Mexicans—of the U.S. minimum wage. At \$1.80 for farm workers and \$2.10 for most nonfarm workers, this U.S. minimum is several times the level of the Mexican minimum wage. Many employers in marginal manufacturing or service industries, hard-pressed to make ends meet in a recession atmosphere, find illegal aliens much more willing than Americans to work at or below the minimum wage.

## **Safety valves?**

For several decades, an important safety valve existed in the form of the bracero program—a device permitting temporary immigration of farm laborers for work primarily in the fields of California and the Southwest. This program provided farm operators with a constant source of low-paid farm labor, but it was strongly opposed by the union movement as a depressant on farm wages. In the early 1960's, about 100,000 foreign workers entered the country each year under this program. Congress terminated the program in 1964, but it continued in a minor way until 1968.

With that program shut off, another safety valve developed in the form of the border-factory program, which encompasses almost 500 industrial plants on the Mexican side of the border. Under this program, about 100,000 Mexican workers (mostly female) process U.S. raw materials into finished goods which are eventually sold back in this country under liberalized U.S. tariff procedures. These industrial plants, which are strung out along the border from Tijuana on the Pacific to Matamoros on the Gulf of Mexico, may be viewed collectively as another Hong Kong, but one with greater locational advantages than that Far Eastern manufacturing center can boast. The border-factory program, like the earlier bracero program, has been severely at-

tacked by U.S. labor unions, on the grounds that it permits the flight of American factories (and American jobs) south of the border. Despite this opposition, the program has grown rapidly to become an important factor in electronics, apparel and other U.S. industries.

Still, economic factors have continued to propel illegal aliens into the U.S. labor market, where they have taken over perhaps several million low-paying jobs in manufacturing, trade and service industries. What has evolved is an illegal version of the bracero program—or an illegal version of the European “guest worker” program, whereby Northern European industries employ millions of Southern European workers under contract, and send them home during seasonal or cyclical lulls.

#### **Continuing phenomenon**

The illegal immigrants perform an economic function in the U.S. by filling low-paying unskilled jobs, but they also impose certain costs on the economy. According to the House Government Operations Committee, Federal and state governments lose at least \$115 million in tax revenues annually because of such factors as non-reporting of income by illegal aliens. Also, in California alone, welfare payments to illegal aliens amount to about \$100 million or so each year. Then there is the cost of unemployment-compensation and

welfare payments to unemployed American workers who are available to fill the jobs now held by illegal aliens, as well as the cost of transporting the illegals home and the cost of the 1,700 border-patrol agents who are involved in the policing of the problem.

Bills prohibiting the intentional employment of illegals have been introduced into Congress on a number of occasions in the last half-dozen years, but most of them have remained bottled up in committee. Still, legislation may not solve the basic economic problems involved. Illegal immigration undoubtedly will continue as long as the nation’s borders remain relatively open, as long as national economies (especially the Mexican and American economies) become increasingly interdependent, and as long as U.S. earnings remain several times higher than those available in Mexico and other nations. But the underlying stresses will continue to plague the U.S. economy, with its chronic unemployment among low-income unskilled workers and its present cyclical unemployment among all types of workers.

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**BANKING DATA—TWELFTH FEDERAL RESERVE DISTRICT**  
 (Dollar amounts in millions)

Selected Assets and Liabilities Large Commercial Banks	Amount Outstanding 4/30/75	Change from 4/23/75	Change from year ago	
			Dollar	Percent
Loans (gross, adjusted) and investments*	85,016	+ 215	+ 2,098	+ 2.53
Loans (gross, adjusted)—total	64,912	- 1	+ 630	+ 0.98
Security loans	1,133	- 41	+ 3	+ 0.27
Commercial and industrial	24,114	+ 57	+ 866	+ 3.73
Real estate	19,520	- 42	+ 541	+ 2.85
Consumer instalment	9,822	+ 23	+ 559	+ 6.03
U.S. Treasury securities	7,683	+ 164	+ 2,251	+ 41.44
Other securities	12,421	+ 52	- 783	- 5.93
Deposits (less cash items)—total*	84,329	+ 456	+ 5,614	+ 7.13
Demand deposits (adjusted)	22,585	- 455	+ 1,046	+ 4.86
U.S. Government deposits	969	+ 698	- 429	- 30.69
Time deposits—total*	59,423	- 18	+ 4,882	+ 8.95
States and political subdivisions	7,516	+ 114	+ 23	+ 0.31
Savings deposits	19,412	+ 4	+ 1,508	+ 8.42
Other time deposits‡	28,993	- 98	+ 2,532	+ 9.57
Large negotiable CD's	15,637	- 177	+ 2,021	+ 14.84
<b>Weekly Averages of Daily Figures</b>	<b>Week ended 4/30/75</b>	<b>Week ended 4/23/75</b>	<b>Comparable year-ago period</b>	
<b>Member Bank Reserve Position</b>				
Excess Reserves	54	36		37
Borrowings	3	38		134
Net free (+) / Net borrowed (-)	51	- 2		- 97
<b>Federal Funds—Seven Large Banks</b>				
Interbank Federal fund transactions				
Net purchases (+) / Net sales (-)	+ 502	+ 2,078		+ 2,151
Transactions of U.S. security dealers				
Net loans (+) / Net borrowings (-)	+ 278	+ 659		+ 125

\*Includes items not shown separately. ‡Individuals, partnerships and corporations.

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