Huddled Masses: Good for the USA

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ST. LOUIS - The negative image of immigrants taking jobs away from native-born Americans or draining public coffers is not supported by the evidence, said an economist with the Federal Reserve Bank of St. Louis. Immigrants, in fact, are a gain, not a drain, pumping between $1 billion and $10 billion into the U.S. economy every year.

The economist, Adam M. Zaretsky, looked at the numbers behind legal immigration for "A Burden to America? Immigration and the Economy," an article in the October issue of ***The Regional Economist***, a quarterly publication of business and economic issues produced by the Federal Reserve Bank of St. Louis.

Addressing the effect of immigrants on wages and the labor force, Zaretsky said,"Some native-born Americans will compete with immigrants for positions because both possess similar skills. Others will work alongside immigrants, complementing the immigrants' skills with their own. Skill differences between natives and immigrants, however, are what lead to the economic gain.

Zaretsky noted that extensive studies of the effects of immigration routinely find that immigrants normally receive higher wages in the United States than they would in their native countries, although the majority of recent immigrants earn less than their domestic counterparts. According to a recent report published by the National Research Council, for example, the hourly wages of foreign-born men in 1990 were, on average, 7 percent lower than those of native-born men, and annual earnings were 15 percent lower.

In 1970, however, the hourly wages of foreign-born men were 1.5 percent greater than those of native-born men, and annual earnings were 3 percent lower. Zaretsky said two factors could have caused this dramatic shift: (1) the changing mix of countries of origin (from Europe to Asia and Central and South America); and (2) the widening gap in the educational levels of immigrants and their native counterparts.

Yet, Zaretsky noted that there is no statistical evidence to support the perception that poorly educated immigrants are hurting job opportunities or wages of natives. "Over the past two decades," he said,"only native high school dropouts, a declining share of the population, have experienced a decline in their wages because of immigration. No evidence exists that immigration has significantly affected any other group."

Turning to the argument that immigrants are a drain on the public coffers, Zaretsky said that the biggest difference between natives and immigrants isn't in benefits received, but rather in taxes paid. "Because they usually earn lower incomes," he said,"first-generation immigrant households generally pay less in taxes than natives. Their offspring, however, routinely pay more in taxes than natives because they tend to live in high-income/high-tax states."

Zaretsky further observed, though, that not all states share equally in the cost of providing social benefits to immigrants. "Immigrants," he said,"still tend to settle in seven states: California, New York, Texas, Florida, New Jersey, Illinois and Massachusetts with California and New York the destination for about half. These state and local governments not only have to educate immigrant children, but they also usually have to pay more in income transfers to, and receive less in taxes from, immigrant-headed households, which are generally poorer and have more children than native households."

He pointed out, however, that fiscal relief for these states is not far away. "The children of these immigrants will soon enter the labor force and begin paying taxes, supporting not only their own kids' education, but also their parents' retirement," said Zaretsky.

All in all, Zaretsky concluded that immigrants have expanded our economic capabilities and not constrained them. "Although some immigrants may pose an initial fiscal burden to the country, the U.S. economy, in the long run, benefits from immigration,"he said.

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