

POLITICO

THE BIG IDEA

Yes, Immigration Hurts American Workers

The candidates tell drastically different stories about immigration. They're both skipping half the truth.

By GEORGE J. BORJAS | September/October 2016



Illustration by Brian Stauffer



I'VE BEEN STUDYING IMMIGRATION FOR **30 YEARS**, but 2016 was the first time my research was cited in a convention speech. When he accepted his party's nomination in July, Donald Trump used one of my economic papers to back up his plan to crack down on immigrants and build a physical wall: "Decades of record immigration have produced lower wages and higher unemployment for our citizens, especially for African-American and Latino workers," he told the cheering crowd. But he was telling only half the

story.

Hillary Clinton, for her part, seemed to be telling only the other half. At her convention a week later, Clinton claimed that immigrants, both legal and illegal, improve the economy for everyone. She told the crowd: “I believe that when we have millions of hardworking immigrants contributing to our economy, it would be self-defeating and inhumane to try to kick them out. Comprehensive immigration reform will grow our economy.”

Here’s the problem with the current immigration debate: Neither side is revealing the whole picture. Trump might cite my work, but he overlooks my findings that the influx of immigrants can potentially be a net good for the nation, increasing the total wealth of the population. Clinton ignores the hard truth that not everyone benefits when immigrants arrive. For many Americans, the influx of immigrants hurts their prospects significantly.

This second message might be hard for many Americans to process, but anyone who tells you that immigration doesn’t have any negative effects doesn’t understand how it really works. When the supply of workers goes up, the price that firms have to pay to hire workers goes down. Wage trends over the past half-century suggest that a 10 percent increase in the number of workers with a particular set of skills probably lowers the wage of that group by at least 3 percent. Even after the economy has fully adjusted, those skill groups that received the most immigrants will still offer lower pay relative to those that received fewer immigrants.



THE BIG IDEA

Do Ideas Still Matter in the Year of Trump (and Clinton)?

By MICHAEL GRUNWALD

Both low- and high-skilled natives are affected by the influx of immigrants. But because a disproportionate percentage of immigrants have few skills, it is low-skilled American workers, including many blacks and Hispanics, who have suffered most from this wage dip. The monetary loss is sizable. The typical high school dropout earns about \$25,000 annually. According to census data, immigrants admitted in the past two decades lacking a high school diploma have increased the size of the low-skilled workforce by roughly 25 percent. As a result, the earnings of this particularly vulnerable group dropped by between \$800 and \$1,500 each year.

We don’t need to rely on complex statistical calculations to see the harm being done to some workers. Simply look at how employers have reacted. A decade ago, Crider Inc., a chicken processing plant in Georgia, was raided by immigration agents, and 75 percent of its workforce

vanished over a single weekend. Shortly after, Crider placed an ad in the local newspaper announcing job openings at *higher* wages. Similarly, the flood of recent news reports on abuse of the H-1B visa program shows that firms will quickly dismiss their current tech workforce when they find cheaper immigrant workers.

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But that’s only one side of the story. Somebody’s lower wage is always somebody else’s higher profit. In this case, immigration redistributes wealth from those who compete with immigrants to those who use immigrants—from the employee to the employer. And the additional profits are so large that the economic pie accruing to all natives actually grows. I estimate the current “immigration surplus”—the net increase in the total wealth of the native population—to be about \$50 billion annually. But behind that calculation is a much larger shift from one group of Americans to another: The total wealth redistribution from the native losers to the native winners is enormous, roughly a half-trillion dollars a year. Immigrants, too, gain substantially; their total earnings far exceed what their income would have been had they not migrated.

When we look at the overall value of immigration, there’s one more complicating factor: Immigrants receive government assistance at higher rates than natives. The higher cost of all the services provided to immigrants and the lower taxes they pay (because they have lower earnings) inevitably implies that on a year-to-year basis immigration creates a fiscal hole of at least \$50 billion—a burden that falls on the native population.



THE BIG IDEA

How the Democrats Lost Touch on Trade

By THOMAS FRANK

What does it all add up to? The fiscal burden offsets the gain from the \$50 billion immigration surplus, so it’s not too farfetched to conclude that immigration has barely affected the total wealth of natives at all. Instead, it has changed how the pie is split, with the losers—the workers who compete with immigrants, many of those being low-skilled Americans—sending a roughly \$500 billion check annually to the winners. Those winners are primarily their employers. And the

immigrants themselves come out ahead, too. Put bluntly, immigration turns out to be just another income redistribution program.

Once we understand immigration this way, it's clear why the issue splits Americans—why many low-skilled native workers are taking one side, and why immigrants and businesses are taking another. Our immigration policy—*any* immigration policy—is ultimately not just a statement about how much we care about immigrants, but how much we care about one particular group of natives over another.

Is there a potential immigration policy that considers the well-being of all native Americans? Maybe so. It's not a ban on immigrants, or even on low-skilled immigrants. High-skilled immigration really can make America wealthier. The steady influx of legal immigrants also produces more taxpayers, who can assist financially as the native population ages. Then there's the matter of principle: Many Americans feel that it is a good thing to judiciously give some of “your tired, your poor, your huddled masses” a chance.

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But we're worrying about the wrong things, with policy fights focused on how many and which immigrants to accept, and not enough on how to mitigate the harm they create along the way.

To use a label recently coined by Larry Summers, a “responsible nationalist” policy cannot ignore the reality that immigration has made some natives poorer. A policy that keeps them in mind might tax the agricultural and service companies that benefit so much from low-skilled immigrants, and use the money to compensate low-skilled Americans for their losses and to help them transition to new jobs and occupations. Similarly, Bill Gates claims that Microsoft creates four new jobs for every H-1B visa granted; if true, firms like Microsoft should be willing to pay many thousands of dollars for each of those coveted visas. Those funds could be used to compensate and retrain the affected natives in the high-tech industry.

But let's not be naive. Policy fights over immigration have often been fierce, taking decades to get resolved. To even partially compensate those Americans who lose from the current policy would require massive new government programs to supervise a massive wealth redistribution totaling

tens of billions of dollars. The employers that profit from the way things are won't go along with these transfers without an epic political struggle. And many of the libertarians who obsessively advocate for open borders will surely balk at such a huge expansion of government. To make this work, Clinton and her supporters will have to acknowledge that our current immigration policy has indeed left some Americans behind. And Trump and his supporters will have to acknowledge that a well-designed immigration plan can be beneficial. All this is probably not going to happen. But only then can we have a real debate over immigration policy.