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Immigration, Inequality, and Policy Alternatives

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The mobility of labor seldom if ever matches that of capital, but the end of the cold war seemed for a time to be the start of a new era of accelerated population movements. Just as foreign investment and trade restrictions were being widely dismantled, so were many national barriers to intercountry migrants. The most dramatic case was, of course, the opening of Eastern Europe's borders to permit massive out-migration. From 1989 to 1992, over 2.1 million applied for asylum in the West. Concurrently, the European Union moved toward relaxation of internal border checks under the Schengen Accord. And in the United States, new 1990 entry criteria raised considerably the official ceiling on legal green card admissions.

However, by the mid-nineties, all Western European countries had moved to sharply curtail immigration from non-EU nations, and full implementation of Schengen was being delayed by several countries worried about weak external border controls in poorer member states. Likewise, in the U.S., the 1990 legislation was targeted for early reversal by new restrictive bills passing quickly through the Republican Congress, with considerable bipartisan support.

This sharp reversal of policy, both here and abroad, reflects in part the emergence of highly nationalistic and ethnocentric political forces opposed on principle to sizable foreign-born populations in their midst. But it is also driven by broader public concerns about the perceived economic impacts of immigration. In particular, the view that immigrants displace native workers from many jobs, depress wage levels in certain occupations, worsen earnings inequality, and abuse public assistance benefits has become almost commonplace. Public opinion polls in the U.S. now regularly show that at least three out of five adults favor cuts in immigration.

This paper begins with an overview of recent trends in the volume and composition of immigration to the U.S. Then I offer a critical review of the major studies to date on its economic

impacts here, drawing some comparisons with European findings. In brief, this research does not support claims that immigration (at least at current levels) significantly harms domestic wages or employment. And immigrants appear to contribute more in federal, state, and local taxes than they use in public assistance and services. There are cost pressures on government budgets in localities where the foreign born are concentrated, but they could be eased by federal fiscal reforms. The final section proposes a new national strategy for immigration. Although an "open borders" approach would not be a feasible policy, the highly restrictive legislation now moving through Congress is unnecessary and misguided. Instead, a new progressive approach would reshape the immigration system to promote mainly humanitarian goals while simultaneously helping to improve job prospects here and abroad.

Legal and illegal migration patterns

Public concern about immigration has been fueled by reports that it has jumped to unprecedented levels, much of it illegal. As Figure 1 shows, more were admitted to legal permanent residence status in the 12-year period 1981-93 than in any 20-year span since the turn of the century. Over 5.2 million received green cards in 1990-93 alone, an annual average (1.3 million) double that of the 1980s, which was in turn two-thirds above that of the seventies.

There are four main reasons for these larger inflows. First, in 1965 Congress finally repealed the European-biased national origins quota system in effect since the 1920s.[\[1\]](#) This led to a surge of new migration by Asians and others long excluded, many taking advantage of expanded admissions for family reunification. The effects are evident in the changing national origins mix of Figure 1. In the 1950s, Europeans were two-thirds of all legal immigrants and Asians only 6 percent; by the 1980s, the European share had dropped to 15 percent while Asians represented 45 percent. Second, the end of the Vietnam War in 1975 generated massive refugee flows from southeast Asia, which have been supplemented since then by smaller but still significant numbers from Cuba and the former Soviet Union. Third, the overall numbers in the 1990s were markedly inflated by the one-time-only amnesty granted some 2.7 million undocumented aliens. This was authorized by the 1986 Immigration Reform and Control Act (IRCA), whose other main component was penalization of employers who knowingly hire illegal immigrants. If the amnesties are excluded, the total admissions in the nineties falls to just under 3 million (or about 747,000 per year). The Immigration Act of 1990 (IMMACT) has been the other principal cause of more entrants of late, since it greatly increased the number admitted each year to 675,000. This was to be a "flexible ceiling" which could be exceeded (as it regularly has been) whenever more visas for immediate relatives of U.S. citizens were needed, while still allowing at least 226,000 slots for other family-based claims.

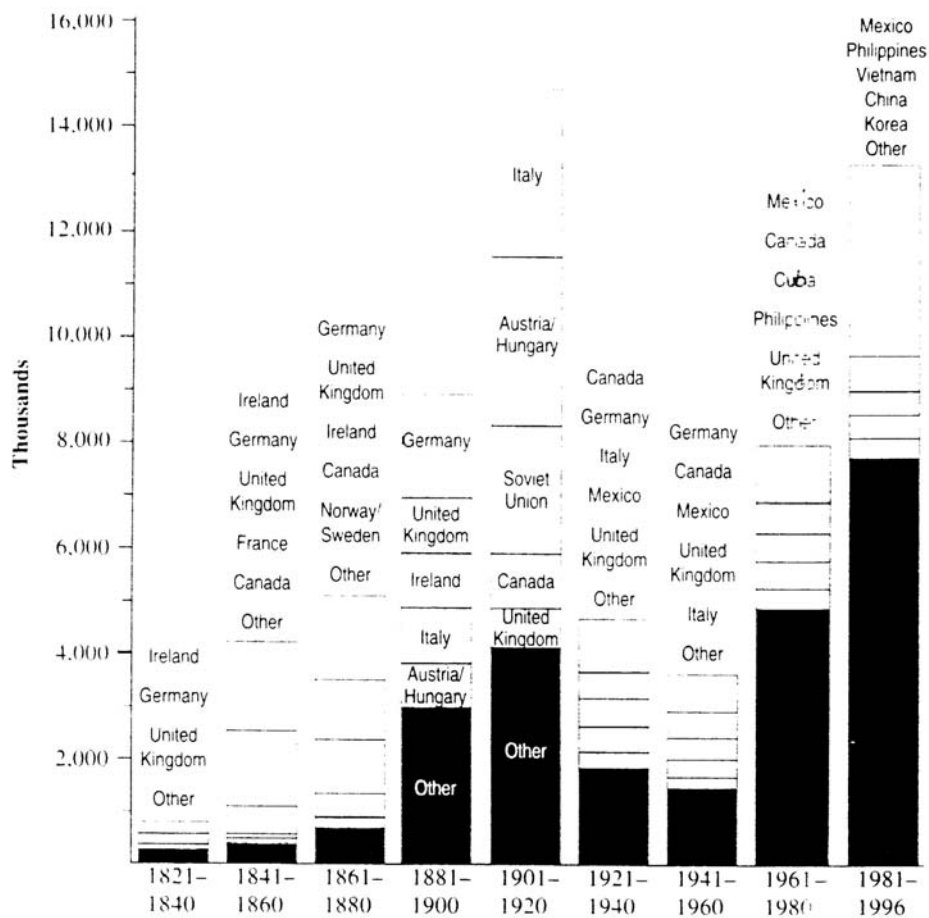


Figure 1 Immigrants admitted to the U.S. from top 5 source countries, 1821–1996

Source: U.S. Immigration and Naturalization Service (1994), updated with 1994–96 INS data.

However, even including the special amnesty-inflated numbers, the relative size of the immigrant population is not unprecedented. Its share of the national population today is about 8 percent, well below the 14.6 percent share at the turn of the century. A better measure of immigrant density relevant to the absorptive capacity of the economy is the proportion of the population who are recent entrants. Figure 2 traces the pattern since 1820 in the ratio of immigrants arriving in the previous decade to the total population at the end of that decade. It shows clearly that, while the recent migrant share has risen of late, it remains far below the levels successfully absorbed into the 19th and early 20th century economies. In 1990 it was still less than one-third the 1910 level.

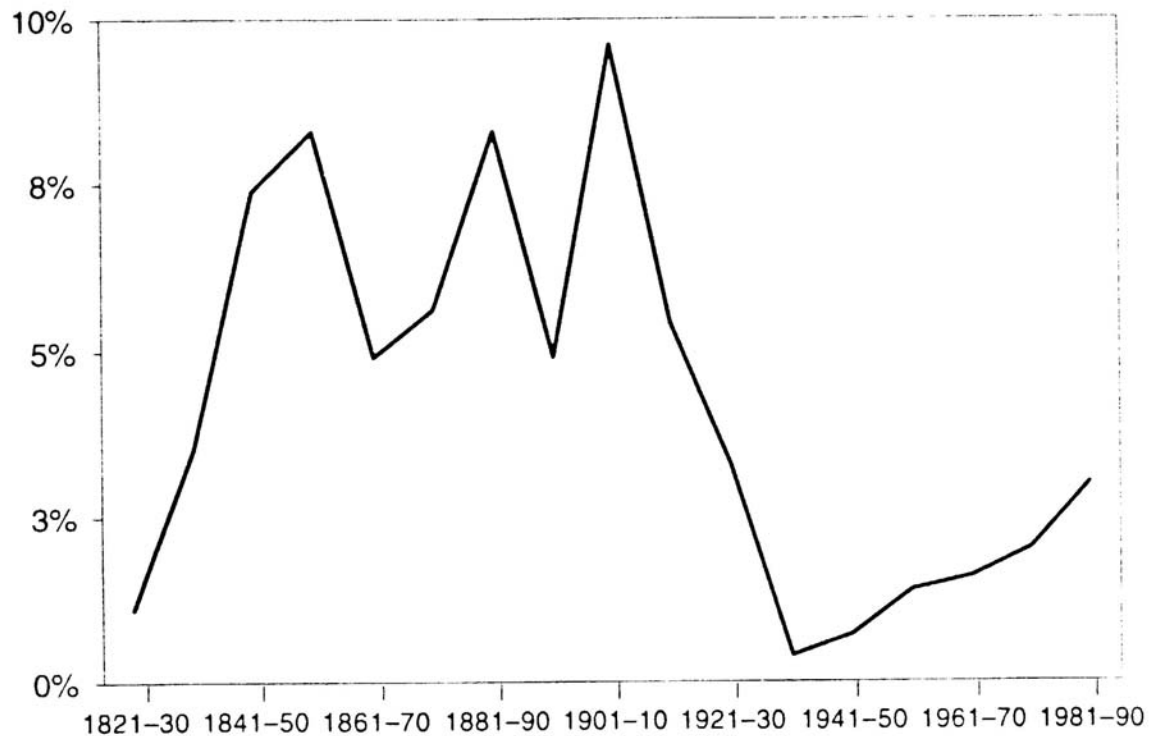


Figure 2 *Immigration flows relative to U.S. population, 1820–1990*

Source: U.S. Immigration and Naturalization Service, *INS Statistical Yearbook*, 1994; and U.S. Census Bureau, *Statistical Abstract of the United States* 1994.

Of course, official statistics will be biased downward insofar as they neglect all those who enter the country to stay without legal documents. For many years, the guesstimates of the illegal population most often cited by the media and politicians were in the range of 8 to 12 million. By 1993, a national poll found that two-thirds of the public believed that most immigrants came into the U.S. illegally (Nelson, 1993). But the most careful demographic estimates put the annual inflow of the undocumented at 200,000 to 300,000: that is, only about one-fifth of total (legal plus illegal) immigration. By the mid-1980s, the resident undocumented alien population was estimated at 3 to 3.5 million -- far below the 8-12 million often claimed by the media and politicians (Warren and Passel, 1987). Since nearly 3 million of these were granted IRCA amnesty and included in the legal immigration data reported above, figures 1 and 2 probably do not seriously understate the full numbers of immigrants in recent years. But since the data prior to the eighties fail to include the illegal migrants of earlier decades, the difference between past and present are exaggerated.

In addition, the more relevant measure is the net increase in population after subtracting emigrants leaving the U.S. Emigration figures are not regularly collected by any government agency, so available estimates are infrequent and imprecise. According to the INS (1994), nearly one-fourth of 1980s immigrants remigrated to their homelands. The Census Bureau (1992) projects that, adjusting for emigration of about 160,000 annually, net immigration will average

about 880,000 per year in the near future.

WAGE AND EMPLOYMENT EFFECTS

While the population share of immigrants today is not unprecedented, current volumes still represent a marked increase over recent decades. The fact that the 1990s opened with more immigrants entering an economy mired in recession ignited renewed questioning about whether immigration worsened domestic wage and job prospects.

Standard neoclassical economics does not offer a ready answer. Foreign- and native-born labor are typically modelled as separate productive factors which may be either complements or substitutes. If complementary, then increases in immigration will raise the productivity of and the rate of return on both inputs, which may also expand employment opportunities. But if they are substitutes then immigration threatens native wage and employment levels. In the common textbook presentation, undergraduates are told that more immigration pushes the labor supply curve downward to the right, tracing out lower wage equilibria. The falling wage in turn induces more native workers to either drop out of the labor force or be replaced by immigrants.

The earliest attempts to empirically test immigration's effects on domestic wage levels relied on single-year national cross-sections of 1970 or 1980 census microdata. For a set of cities or metropolitan areas, the wage of local native workers was regressed on the number of or proportion of labor force participants who were immigrants, plus a variety of control variables. A few papers also tested the impact of recent immigration on earlier immigrants' wages and found that it was significantly negative. But most studies found that higher immigration levels were associated with weak or statistically insignificant effects on natives' wages (see Table 1 below).

Table 1 *Impacts of the number of immigrants on native-born workers' wages*

Study	Effects of immigration on:	Findings
Grossman (1982)	All natives, 1970	10% increase in immigrants is related to 0.2% lower factor share of native labor
DeFreitas & Marshall (1983)	Manf. workers, 1970-80	10% increase in immigrants' share of manf. workers is related to 0.5% lower wage growth in manufacturing
Borjas (1987)	White, black, Hispanic natives, & Hispanic immigrants, 1980	10% increase in Mexican immigrants is related to 0.03% lower white wages, 0.07% lower black wages, and 10% lower Mexican immigrant wages
Bean et al. (1988)	Black & Mexican natives in Southwest, 1980	10% increase in recent Mexican immigrants is related to 0.4-0.8% higher white and black male wages, and 0.2-1.1% higher female wages
DeFreitas (1988)	Low-skill white, black, & Hispanic natives, 1980	10% increase in recent Hispanic immigrants is related to 4.9% higher white male wages and 0.9% lower black female wages; insignif. effect on others
Altonji & Card (1991)	Low-skill natives 1970-80	10% increase in immigrants' share of population is related to 0.2%-0.9% lower native wages, and 4% lower wages of immigrants
Butcher & Card (1991)	Intercity wage growth, 1979-89	Increase in recent immigrants' share of city population has positive (but insignif.) relation to wage growth of both low- and high-skill workers
Borjas, Freeman, & Katz (1992)	Low-skill workers, 1968-88	Increase in low-skill immigrants' share of labor force may account for one-fourth of the 10% fall in high school dropouts' wages relative to better educated in 1980-88
Enchautegui (1994)	White, black & Hispanic native men, 1980-90	10% increase in recent immigrants' share of labor force is related to 0.5% higher white wages; insignif. effect on blacks and Hispanics. Best native wage growth in high-immigration metro areas
Wial (1994)	White, black, Hispanic, & Asian natives, 1980-90	Increase in immigrants' share of labor force by 1 pctg. point has small positive (less than one one-hundredth of a point) or insignificant effects on inequality indexes

These early findings were thought to be subject to several biases. First, since they looked only at aggregate native wages, any negative immigration impact on low-skilled natives may have been offset by positive effects on the high skilled. Likewise, different immigrant cohorts may have different effects, which need to be distinguished empirically. Another possible weakening influence on immigration coefficients may have been the rapid exodus from high-immigration labor markets of those natives whose jobs were most threatened by immigrant labor. In a much-cited paper, Filer (1992) reported that, at least in 1975-80, the number of immigrant arrivals did seem to be offset by comparable native outflows or reduced native inflows to high-immigration regions. A fourth possible problem is the endogeneity of immigration: if immigrants tend to move to high-wage cities, single-equation wage models mistake the direction of causation. Still another consideration is the influence of labor market segmentation. Foreign inflows to secondary jobs in the industrial periphery may have quite different effects than inflows to largely primary jobs in core industries.

In an effort to take into account these potential sources of bias, DeFreitas (1988) used 1980 census microdata to estimate the effects of 1975-79 Hispanic immigrants on less-skilled native workers in the 79 largest metro areas. A multi-equation model was tested in which instrumental variables were used as regressors for both immigration and native workers' migration. Separate estimates were made for native non-Hispanic whites, African Americans, and Hispanics (each subdivided by sex), and for core and peripheral labor market sectors. The main results were: recent Hispanic immigration had insignificant wage effects for native white women, black men, and Hispanics, regardless of the sector of employment. The only group experiencing statistically significant (though small) negative effects was black women. In contrast, low-skill white male natives actually appeared to gain significantly from higher immigration.[\[2\]](#)

As earnings inequality has worsened over the past decade, the continued relevance of such studies based on the 1980 census has been questioned. Borjas (1990, 1994) has argued that U.S. immigrants' "quality" has steadily deteriorated, rendering them increasingly substitutable with low-wage natives. Based on a model of international skill sorting, he contends that past declines in education's rate of return here discouraged immigration of the highly skilled, even from low-income nations like Mexico. The less-skilled are conversely more attracted by a narrower earnings distribution and better options for welfare and unemployment benefits than in their homeland. This, together with the greater legal access to visas for non-Europeans created by the 1965 reforms, has widened the education gap between natives and recent immigrant cohorts. For example, in 1970, 40 percent of the native born and 48 percent of the foreign born had not attained a high school degree (Borjas, 1994). But by 1990 the gap had widened to 22 percentage points (15 percent of natives, 37 percent of immigrants).

This view has been challenged by a growing number of studies. For example, Lalonde and Topel (1991) show that there have been increases, not declines, in the average years of schooling of most nationalities. The fact that the native-immigrant schooling gap has widened is entirely explained by the post-'65 shift in the national origins mix toward non-European countries. Relative to natives of similar race and ethnicity, recent immigrants' educational background is no weaker than in the past. They conclude: "Immigrants' long-run earnings potential is similar to that of ethnically similar natives. In this sense we think that fears about declining immigrant quality have been exaggerated (p. 297)."

Past generalizations about immigrant quality have missed the important fact that most of the decline in mean years of immigrant education is the fault of illegal entrants: three-fourths of those from the main source countries of the undocumented lack a high school diploma. In contrast, one-third of recent legal entrants hold a college degree, compared with only one-fifth of U.S. natives (Fix and Passel, 1994). Moreover, new research suggests that the secular fall in immigrants' average education and wage levels relative to natives appears to have halted, and begun a modest reversal (Funkhauser and Trejo, 1995).

Has the alleged growth in low-quality immigration flows exacerbated the widening earnings gap between high school dropouts and better-educated Americans? Borjas, Freeman, and Katz (1992) used 1967-87 Current Population Survey data to study the influences of immigration and trade on the wage gap. They estimated that, of the 10% fall in dropouts' relative wages in the 1980s, immigration may have accounted for one-fourth. However, since their CPS data combines the native and foreign born without differentiation, this result is highly questionable. As Borjas (1994: fn. 31) himself concedes: "The decline in the relative wage of unskilled workers could be attributable to the fact that the unskilled wage fell because the new immigrants earn even lower wages than the unskilled native population." Friedberg and Hunt (1995) estimate that over half the estimated immigrant contribution to inequality could be due to this composition problem alone. The Borjas, Freeman, and Katz estimates are further overstated by their conflation of the impacts of increased supplies of unskilled immigrants and of unskilled natives, since the latter are stronger substitutes for each other.

In fact, more recent studies do not support claims that immigration has worsened earnings inequality. Enchautegui (1994) examined recent immigration's impacts on both cross-sectional male wage levels in 1980 and 1990 and on male wage growth over the eighties. She found no significant negative effects on wage levels of native whites, African Americans, or Hispanics. If anything, the results suggested that the ability of the economy to absorb immigrants had improved between 1980 and 1990. Moreover, areas of high immigration (where the immigrant share of the population was at least 10 percent) were the only parts of the country in which natives' real wages grew. Even after regression controls were introduced to take into account the possible endogeneity of immigration to these areas and a host of other factors, higher rates of native wage growth were positively correlated with higher immigrant concentrations. Wial (1994) adopts a very different statistical approach but likewise concludes that immigration has not played an important role in recent trends in earnings inequality.

Do immigrants worsen the job prospects of the native born? On this question there are even more consistent empirical results from national studies than in the research on wage impacts. Whether measured by the unemployment rate, employment-population rate, or weeks worked per year, natives' employment does not appear to be harmed substantially by higher immigration (see Table 2 below). The lack of sizable adverse employment effects could be (as noted above for wages) simply reflecting a tendency for job displacement to take the form of greater out-migration from high-immigration areas by natives more vulnerable to immigrant competition. But, contrary to Filer's findings for the seventies, Butcher and Card (1991) show that the dominant 1979-89 pattern has been a strong positive correlation between in-migration rates of natives and recent immigration to major metropolitan areas. That is, rapidly growing cities in California, Florida, and Texas drew larger numbers of both native- and foreign-born movers.

Table 2 *Impacts of the number of immigrants on native-born workers' employment*

Study	Effects of immigration on:	Findings
Muller & Espenshade (1985)	Black natives, 1980	No significant relation between Hispanic population share in a metro area and black unemployment rate
DeFreitas (1988)	Low-skill white, black, & Hispanic natives, 1980	No significant relation between recent immigration and annual weeks worked of whites, Hispanics, or most blacks. For black men in peripheral industries: a 10% increase in immigration is related to 2.8% fewer weeks worked
Card (1990)	Black natives in Miami, Atlanta, Houston, L.A., & Tampa, 1979-85	No significant relation between arrival of Mariel boatlift Cuban influx in 1980 and changes in black joblessness in Miami relative to other cities
Altonji & Card (1991)	Low-skill white & black natives, 1970-80	10% increase in immigrants' share of population is related to 2.3% higher employment rate; insignif. effect on labor force participation rate
Winegarden & Khor (1991)	Young whites & blacks (16-24), 1980	10% increase in undocumented aliens' share of state population is related to 1.3% higher unemployment rate of young whites; insignif. effects on young blacks
Simon, Moore, & Sullivan (1993)	Urban unemploy. rates, 1960-77	Insignificant association between intercity differences in immigrant population share and unemployment levels, and insignificant association between time-series changes in immigration and changes in unemployment
Enchautegui (1993)	White, black, & Hispanic natives, 1980-90	No significant difference between probabilities of black joblessness in high-immigration metro areas and in other areas; no increase in blacks' relative probability of joblessness in high-immigration areas in 1980s

Of course, the fact that most national studies have not found strong negative effects on native job-holding does not mean that individual native workers are never passed over in hiring or displaced from current jobs in favor of immigrants. Some criticize the national studies for operating at too aggregate a level to detect the real consequences of immigration in specific labor markets and industries. A number of case studies of apparel (Waldinger, 1985), construction (Grenier, et.al., 1992), restaurants (Bailey, 1987), and other industries have shown how successive waves of immigrants can establish their own niches. They then expand and insulate their jobs from competition with natives through ethnic networks that fill nearly all job openings.

Employers, immigrant or not, come to prefer these networks as low-cost recruitment and screening devices, but this effectively excludes native job-seekers.

What then explains the fact that such a large body of national studies show little or no net impact of immigration on natives' wages or employment? First, immigration does not just expand the supply of labor, it also increases demand. Immigrant expenditures on consumer goods, cars, and houses generate multiplier effects rippling through the economy to spur job growth for natives as well. Industry case studies are too narrow to capture these broader effects.^[3] Immigrants also average higher self-employment rates, creating their own business demand for related business services and materials, often from non-immigrant suppliers. While this increases labor market segmentation, immigrant niches absorb workers who might otherwise have to compete with natives for jobs elsewhere. Still another explanation is that many of the most recent immigrants are more complements than substitutes, since they take the harshest, low-status work that even low-wage natives tend to spurn. And the growth of immigrant concentrations in cities like New York, Los Angeles, and Miami draws foreign capital here, as businesses in their homelands seek to become part of these expanding markets.

Roughly comparable findings on immigration impacts have emerged from research in Western Europe. Zimmermann's (1995) review of studies in a variety of countries concludes that the effects of immigration on earnings and unemployment are generally quite small. For example, in Germany, destination of the largest number of migrants, studies of the period 1985-89 by Pischke and Velling (1994) and of 1988-92 by Gieseck, et. al. (1995) found either insignificant or positive effects of recent immigrant inflows on earnings and employment levels.

Public Sector Impacts

Do immigrants drain the public treasury, overusing welfare and social services while underpaying taxes? This question has drawn national attention since California voters approved Proposition 187 in November 1994. This barred undocumented aliens from all public assistance, education, and nonemergency medical care and required doctors and teachers to report patients or students who lacked legal residency papers. Other states quickly began to follow suit, though legal challenges have so far blocked full implementation.

Of course, concern over the possible fiscal burden imposed by immigrants is not new. In the first wave of laws restricting immigration to the U.S., the 1882 Immigration Act prohibited persons "likely to become public charges." Today's foreign-born welfare recipients are often contrasted unfavorably with our hard-working immigrant ancestors who arrived in the days long before government entitlement programs. But historical research now shows that an enormous number of those arriving at the turn of the century and before needed public assistance. A national government survey of large cities in 1909 found that 53 percent of all city charity cases were the foreign born and their children (U.S. Immigration Commission, 1911). In Chicago, immigrant families were three times more likely than natives to be on the dole. Many exhausted their savings on travel expenses, then arrived to suffer unemployment, low wages, and/or work accidents.^[4] They had a similarly large impact on public services. Children from immigrant

families accounted for one-half of public school students in the 30 largest cities. In New York City, the foreign born accounted for over three-fourths of students, and for about half of all hospital expenditures.

Current Welfare Reciprocity

How does the present compare with the past? Research on the 1976 Survey of Income and Education (Blau, 1984) and on the 1980 Census (DeFreitas, 1991; Tienda and Jensen, 1986) found that while the poverty rate of immigrants exceeded that of natives, there was relatively little difference in their incidence of public assistance reciprocity. In 1979, the poverty rate of foreign-born families was about 50 percent higher than that of natives, but the former's average reciprocity rate (10 percent) was only 25 percent more than native's (8 percent). And the main reasons for the higher immigrant rate were the larger shares of elderly and minorities in the immigrant population. In regressions taking account of age, race, and ethnicity, the foreign-born generally had the same or lower propensities to receive public assistance than otherwise-comparable natives. The one exception was Asians, of whom recently arrived Indochinese refugees were far more likely than others to be recipients.

Two studies exploited both 1970 and 1980 census microdata to trace time patterns in welfare use of individual migrant cohorts. Borjas and Trejo (1991) concluded that recent foreign arrivals are consistently more likely to draw upon public assistance than earlier cohorts. They view this as consistent with their theory of declining worker quality caused by the post-'65 shifts in national origins mix. But Jensen (1988), looking at the same data banks, disputed the notion of a systematic trend of the most recent immigrants depending more on welfare at the end of the decade than their foreign-born counterparts in 1969. In contrast to the Borjas-Trejo approach of relying almost exclusively on a pooled migrant sample, he uses cases disaggregated by country of origin to show quite dissimilar trends among different nationalities. He observes that much of the slightly above-average immigrant welfare incidence in 1979 is directly attributable to the large influx of poor political refugees from Indochina after the war. Under the 1975 Indochinese Migration and Refugee Assistance Act, they were granted special eligibility for public assistance: the federal government waived the standard AFDC requirement that only spouse-absent families could receive benefits. The result was much greater program use by married couples. But among spouse-absent families, the refugees had reciprocity rates little different than natives.

Heavy Indochinese immigration continued into the 1980s and, according to the 1990 Census (U.S. Dept. of Commerce, 1993), nearly one-half of all Cambodian and Laotian immigrant households are AFDC recipients as are one-fourth of Vietnamese. These very high rates have caused concern that such refugees have become increasingly welfare dependent. Bach and Aguiros (1991) found that, in the first five years after arriving here, these refugees exhibited labor force participation rates approaching those of natives. And they estimated that about two-fifths of refugee households who had received some public assistance were off the rolls within two years, and three-fifths were non-recipients within five years. But, they report big interstate differences in welfare exit. Only one in four refugees living in California left the rolls within five years. Whether this reflects the economic difficulties in that state or other factors requires further study. It is clear, however, that one trend of the recent past has likely had a strong harmful effect on refugees' move to self-sufficiency. The substantial resettlement assistance authorized by the

1980 Refugee Act has been steadily scaled back. In fact, annual real dollar appropriations have been cut in half since 1980 (Tienda and Liang, 1994). The result has been to shift more and more of the burden of refugee assistance to financially strapped states.

Besides certain refugees, the other group with above-average use of public assistance is elderly 1980s entrants. While fewer than one in ten native-born elderly receive welfare benefits, one in four post-1980 elderly immigrants do. Three-fourths of foreign-born elderly receiving Supplemental Security Income (SSI) have no other income source; this is less than half as likely to be true for natives on SSI (Fix and Passell, 1994). This seems to reflect the fact that most immigrants now come from countries with few if any government or private pensions, and the elderly among them lack sufficient U.S. work experience to qualify for Social Security.

In contrast, recently arrived Mexicans have been markedly less likely to get public assistance than natives. Jensen (1988) attributes this in part to the large fraction of undocumented (as many as two-thirds of the 1975-80 cohort) among them. More recent analysis of a 1988 survey of undocumented Mexicans supports this finding: under two percent of them received welfare in the past 12 months, compared with 7.6 percent of all Americans; only 2.1 percent used Medicaid compared to a 9.5 percent national rate; and Food Stamp, SSI, and Medicare usage was similarly lower for the undocumented (Tienda and Liang, 1994: table 13.4). Illegal entrants are prohibited by law from receiving any public assistance aside from emergency care under Medicaid and benefits under the Women, Infants, and Children (WIC) program. But some gain access to aid, either because their U.S.-born children are eligible for welfare benefits or because they use widely available fraudulent identification papers. Still, it appears that, despite their high poverty rate, the undocumented largely avoid the risks of detection associated with government programs and rely instead on kinship support networks.

Net Fiscal Effects

The most volatile question in recent controversies is also the most difficult to resolve empirically: how do total costs of providing government assistance and services to immigrants compare to the public revenues derived from them? Data on program usage and on tax payments rarely contains nativity information, so past estimates have proven highly sensitive to researchers' many assumptions.

Two of the most publicized reports on the issue are those of Los Angeles County (1992) and of Rice University economist Donald Huddle (1993). The Los Angeles study concluded that immigrants cost the county \$947 million in social services in 1991, but paid county taxes of only \$139 million. But subsequent research by Jeffrey Passel and Rebecca Clark revealed that the Los Angeles figures overestimated immigrant social service costs by one-third and underestimated their taxes by nearly one-half.^[5] Moreover, the Los Angeles report itself estimated that the total taxes (local, state, and federal) paid by these immigrants exceed their total social service costs by \$1.8 billion.

Huddle extrapolated from the flawed Los Angeles report to claim that, nationally, the foreign born drained the public treasury by \$43 billion in 1992. Among his own additional errors, Huddle greatly overestimated the public assistance costs attributable to immigrants by assuming

that, for every six new immigrants, one native worker is forced out of his or her job and onto welfare. This was based on his own small-scale Houston study and runs counter to the national findings summarized in our tables 1 and 2.

In their review of the existing cost-benefit studies, Rothman and Espenshade (1992) identify at least one consistent element. At the national level, most studies do not show immigrants to be a net fiscal burden. But at the local level, both immigrants and natives appear to account for public expenditures in excess of the revenues they produce for the locality. This reflects the trend, intensified in the 1980s, of shifting the burden of many program costs onto states and localities without an equivalent redistribution of revenue sources.[\[6\]](#)

Toward a new policy

Immigration seems to be one of that handful of issues capable of creating sharp internal divisions within both the right and the left. Among conservatives, there has always been a strong nativist contingent deeply worried about its perceived threats to American culture and social cohesion. Fused with the tax- and budget-cutting fervor of recent years, this has put great momentum behind current Congressional efforts to slash legal immigration and end the eligibility for AFDC benefits of even long-resident legal aliens. But libertarians, confident in the powers of markets to set supposedly optimal migration levels, favor a more "open borders" policy. On the left, many favor reducing immigration in the hope that this will stem the decline in real wages and union organizing. Yet, others disagree and espouse open borders, primarily as a means to redistribute income from rich to poor nations.[\[7\]](#)

Most moderates and liberals kept uncomfortably quiet until recently in the latest round of debates over immigration. In July of 1995, President Clinton sided with the views of the bipartisan U.S. Commission on Immigration Reform, chaired by former Congresswoman Barbara Jordan. Among the Commission's proposals are: (1) Phased-in reduction of legal admissions (including refugees) to 550,000 per year; (2) Cutting refugee admissions in half to 50,000 per year; (3) Refocus admissions preferences on nuclear family members only, excluding brothers, sisters, and adult children of citizens and resident aliens; (4) Require the American sponsors of immigrants to be legally responsible for insuring that they do not become public charges; (5) Set up a national computer registry of the names and Social Security numbers of all lawful residents, to aid employers in screening out undocumented job candidates.

Given the lack of any consistent evidence that immigration has so far had any but minor effects on U.S. wages, employment, or public sector budget problems, the proposed cuts in admissions are unduly restrictionist. But this does not imply that we should leap to the opposite extreme of an open borders policy. While individual immigrants and their families usually do raise their living standards abroad, exporting workers is a very inefficient approach to Third World economic development. Those with the motivation and resources to emigrate are seldom from the neediest segments of the source country population, but rather are more often the skilled and semi-skilled. Their emigration represents a subsidy to the receiving country from the nation that trained them, as well as a loss of valuable talents to their homeland.

Migrants often do send sizeable remittances back home, but research suggests that these typically increase income inequality and dependence on consumer imports among migrants' relatives, rather than help to meet the social investment needs of their home countries. If the same amount of money could somehow be bundled in assistance packages from the West to progressive Third World governments, the long-term development impacts could be markedly greater.

Although research shows that current immigration levels have relatively little effect on most native workers, it is dangerous to extrapolate that the same would be the case with an open borders policy. For example, the Census Bureau (U.S. Department of Commerce, 1992) now estimates that even if annual immigration were only to rise from the current one million (legals plus illegals) to 1.4 million, by the year 2020 this would drive the U.S. population up to 340 million -- nearly 90 million more than today. The foreign born would more than double their share of the national population. History suggests that the more sudden are such large demographic shifts, the more likely they are to fuel economic, political, and racial frictions, and a nativist backlash.

Rather than either highly liberalized or highly restrictive policies, it seems to me that an alternative progressive approach would combine a humanitarian admissions system with adequate protections of labor and living standards both here and abroad. At a minimum, this approach should include:

First, explicit recognition that the principal purpose of immigration should be humanitarian, not economic. This was the stated intent of the 1965 immigration reform, but it gave vastly higher priority to reunification of even distant family members of U.S. residents and admission of skilled workers than to refugees in harm's way, who were left to the whims of ad hoc administrative decisions. The 1980 Refugee Act aimed at a more systematic approach and replaced the Cold War definition of "refugees" (as anyone fleeing Communism) with that approved by the UN: "persons with a well-founded fear of persecution based on race, religion, nationality, membership in a social group, or political views." But in practice, the still-strong Cold War bias has continued to favor what are now largely economic migrants from Cuba, Indochina, Eastern Europe, and the former Soviet Union. Recent history has produced no shortage of genuine refugees from political and ethnic violence, and our immigration system needs to reserve an adequate number of places to provide temporary or long-term haven to as many as is feasible. This may at times mean assigning secondary priority to the other main humanitarian goal, speedy reuniting of immediate family members. Of course, no one country should be expected to accept all who claim to be refugees from anywhere in the world. And even in seemingly obvious refugee crises like that of Haiti in 1994, massive population displacements will require coordination of multinational resettlement efforts.

Second, for individual cities and states to cope with large inflows of refugees or others, the federal government (which alone controls immigration policy) must finally accept the responsibility to fully shoulder the resultant costs. About 60 percent of all new immigrants move to just four states: California, New York, Florida, and Texas. Since the tax revenue generated by immigration flows disproportionately to Washington, adequate funds must be redistributed to localities to provide the additional public benefits, health, schooling, and other services needed to prevent overtaxing existing resources. It is in the nature of sudden flight by refugees that

many are ill-prepared for a new country. So the past decade's trend of sharp cuts in federal assistance for resettlement, language, and job training must be reversed and the funds better targeted to promote rapid movement toward work and self-sufficiency.

Next, so long as unlimited immigration between high- and low-income countries remains an unrealistic prospect, some form of border control will be necessary. But the INS is a notoriously inefficient and understaffed organization, with a record marred by corruption and harsh treatment of apprehended illegal entrants (Sontag and Engelberg, 1994). It needs thorough reorganization, as well as better screening, training, and supervision of its agents. New staff and resources should be allocated to expedite the lengthy visa application and review processes and to establish a flexible, quick-response capability to deal with future refugee emergencies.

Fourth, occupational skills alone should not be sufficient basis for admission. Thanks to fierce lobbying by business groups and encouragement from economists claiming immigrants' "quality" had fallen, Congress in 1990 expanded the permanent visa category for people with "needed skills," with very little research evidence about the possible consequences on skilled native workers or on the prospects of the unskilled for occupational mobility. There is evidence that skilled immigrants have recently been hired by firms that were simultaneously cutting their skilled native work force. And many on H1-B temporary visas, after mastering key elements of the work process at U.S. firms, return home to train others to do the same work.^[8] This then facilitates the export of jobs abroad by American firms seeking low-cost high-tech labor. Computer programmers, cinematographers, and aircraft machinists appear to be among those most at risk of replacement. So great has their concern become that it has sparked at least one strike (Boeing) and led Secretary of Labor Robert Reich to change his department's rules. Starting in early 1995, the length of H1-B stays was cut from a maximum of six years to three, and Labor Department investigations of employer abuses can now be launched even without prior employee complaints.

These modest steps have provoked an opposition campaign by the National Association of Manufacturers, the U.S. Chamber of Commerce, Microsoft, and other computer companies (Zachary, 1995). They insist that global firms need large numbers of skilled foreigners to stay competitive and grow, thereby enabling them to expand their U.S. base. But these claims ring hollow. What is needed now is more, not less, limitations on and monitoring of their practices. International exchange of ideas and skills can still be achieved by granting brief visas for foreigners willing to train U.S. workers. And the more than 300,000 student visas now granted each year provide ample opportunity for those from abroad seeking access to training here.

Fifth, instead of exporting more high-wage jobs or importing professionals to meet supposed "skill shortages," business and government must be induced to finally provide first-class schooling, training, and retraining for the vast numbers of low-wage and underemployed Americans. And they must as well help generate enough new high-wage jobs for these workers to fill. This will likely require difficult and politically unpopular choices of some mix of new industrial policies and temporary trade barriers to preserve existing high-skill jobs (particularly in manufacturing) and promote the development of new ones.^[9]

Intensification of anti-discrimination efforts in employment and housing will also be needed if

low-wage minority workers are to benefit from any future job growth. Recent research shows that African American jobseekers are at a particular disadvantage in gaining access to suburban job vacancies. The 1992-94 Multicity Study of Urban Inequality found that blacks were far more likely to be the victims of suburban employer's discrimination than Hispanics, who also are less residentially segregated (Holzer, 1995). This suggests that Hispanic immigrants are able to work in a wider area of local labor markets than African Americans and to take advantage of the increasing concentration of blue-collar jobs in the suburbs.

Still another set of changes would help decrease U.S. employers' preferences for undocumented immigrants. These would include aggressive enforcement of health, safety, and other workplace labor standards, and a sizeable hike in the minimum wage. Comprehensive labor law reform is also necessary if workers, native and foreign born, are to ever be able to exercise their democratic right to organize and join unions without undue employer interference.[\[10\]](#) This will diminish the competitive advantage of many firms relying on exploited migrants, at the same time that it betters the lot of most workers.

Finally, to reduce the need of so many Third World workers to emigrate, the United States must end its historic pattern of itself creating large displaced populations through its foreign policies. The most obvious examples are this country's many military and economic interventions on the side of repressive regimes in the Caribbean, Central America, and Indochina.[\[11\]](#) In addition, U.S. support of the extreme privatization measures which the International Monetary Fund (IMF) demands of borrowers have doubtless aggravated unemployment and induced more emigration in many poor countries. And the North American Free Trade Agreement (NAFTA) appears to have begun hurting certain sectors of Mexico's economy enough to generate new pressure for northward migration.

The U.S. needs to begin leading other rich nations in funding projects that foster sustainable development and job growth in poor nations.[\[12\]](#) This could be partially financed by imposing "social tariffs" on the products of multinational companies whose labor and environmental standards are below acceptable levels. As capital becomes ever more mobile, the only way to reduce labor migration is through improving living and working conditions in both sending and receiving countries.

Conclusion

The worrisome trends toward increasing wage inequality and underemployment in recent years have focused renewed attention on the possible role played by immigration.. The growing body of empirical research on the economic impacts of immigration has produced many and various findings, but there does not seem to be any consistent evidence of broad net negative effects on natives' wage or employment levels. While immigrants may well obtain some jobs sought by or already held by native workers, they generate a roughly comparable volume of new jobs. Nor has a strong case been made that immigrants' use of government benefits and services are unmatched

by their tax contributions, at least at the federal level. Among recent non-refugee immigrants of working age, only two percent received welfare benefits in 1989, compared to 3.7 percent of working-age natives. Overall, immigrants appear to be paying more than enough in taxes to cover the public benefits they receive.

Immigration today remains essential to the basic goals of offering a haven for refugees and reuniting families. It also offers a valuable source of cultural diversity and dynamism for this country. Efforts to sharply curtail immigration should be opposed, as should nativist efforts to widen racial and ethnic divisions.

At the same time, more than a million people are now moving (legally or illegally) to this country each year -- far more than to any other place in the world. Those hoping to change the existing system must wrestle with difficult questions about the optimal volume and composition of future migration streams, and their possible consequences for future generations resident here. I have outlined a new progressive approach which adopts a competition-reduction strategy between native and migrant workers by minimizing the green cards allocated for highly skilled foreigners, as one means of curtailing the "reserve army" aspect of immigration and pressuring business and government to focus more on job creation and training for indigenous low-wage workers. Preference would instead be given to genuine political refugees and immediate family members of U.S. residents. Coupled with more effective resettlement assistance for newcomers and with much-needed reforms in employment and foreign policies, this more humanitarian approach may offer a better means of meeting our international responsibilities in a world of frequent refugee crises, without worsening the economic prospects of U.S. workers.

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NOTES

1. For a summary of the major recent changes in immigration law, see DeFreitas (1994).

2. Altonji and Card's (1991) quite different study of less-skilled workers yielded mostly insignificant coefficient estimates for the effect of immigrant population share on natives' weekly wages, whether in 1970 and 1980 cross-sections or in a simple 1970- 80 first-difference model. The notable exception was a significant elasticity estimate of $-.086$ in an instrumental variables model. However, the instrument they chose for the decadal change in the local immigrant density was the immigrant density in 1970. Given the highly dubious value of this instrument, the resulting elasticity estimate should probably be taken as a questionable upper bound. See also Borjas' (1994: fn. 28) criticism.

3. Cross-industry studies of individual cities suffer fewer disadvantages, but have so far been rare. Perhaps the most influential has been Card's (1990) paper on the impacts of the sudden influx of 125,000 Cubans from the port of Mariel in May-Sept. 1980. He found "virtually no

effect on the wages or unemployment rates of less-skilled workers, even among Cubans who had immigrated earlier."

In work in progress on New York City, I am conducting time-series analysis of the relationship between annual immigration flows and various employment measures. Tests on annual 1971-91 data of a variety of regression specifications have so far produced no evidence of negative and significant immigration effects. For example, in regressions of the local black unemployment rate (UB) and of the Hispanic rate (UH) on the share of all jobs in manufacturing (M), the female labor force participation rate (F), the national prime-age male unemployment rate (UN), and the population share of new immigrants to the city (I), the standardized beta coefficient estimates (t ratios in parens.) are:

$$\begin{array}{l} \text{UB} = 1.238\text{M} + 1.054\text{F} + 0.799\text{UN} + 0.004\text{I} \quad \text{Adjstd. R Sq.} = .501 \\ \quad (2.41) \quad \quad (2.57) \quad \quad (3.83) \quad \quad (0.01) \\ \\ \text{UH} = 1.316\text{M} + 0.508\text{F} + 0.784\text{UN} + 0.060\text{I} \quad \text{Adjstd. R Sq.} = .786 \\ \quad (4.21) \quad \quad (1.62) \quad \quad (5.07) \quad \quad (0.25) \end{array}$$

4. See, for example, Katz (1986, 1995).

5. On Passel's analysis with colleagues of both the Los Angeles and Huddle studies, see Fix and Passel (1994) and the papers cited therein.

6. There is not yet, to my knowledge, much of a research literature on the budgetary impacts of recent immigration to Europe. In a study of Switzerland, long a nation with one of the highest immigrant population shares, Straubhaar and Weber (1994) conducted cost-benefit analysis with large government data sets for 1990. They concluded that resident foreigners were net contributors to the national budget.

7. See, for example, Sutcliffe (1993).

8. In fact, since the supposedly "temporary" H1-B visa can last up to six years, employers are increasingly viewing it as an attractive substitute for permanent skilled visas. The application process is much faster and employers need only show that they'll pay the prevailing local wage and post notices of intent to hire foreigners. They are not required to demonstrate that qualified Americans are unavailable before hiring immigrants. Nor are they required, if training immigrants to meet future skill needs, to also train native workers. In 1993, applications rose to 73,000 (covering about 190,000 individuals) and nearly nine out of ten were approved (U.S. Department of Justice, 1994).

9. See the survey of policy options to reduce inequality in Bluestone (1994), including his discussion of immigration reform.

10. Contrary to stereotypes of docile, anti-union immigrants, empirical analysis of national longitudinal data by DeFreitas (1993) has found that young immigrants have higher unionization rates and generally stronger "demand" for unionized jobs than natives. While immigrants have been used to restrain union efforts in some historical periods, the recent positive record of some unions (e.g., the ILGWU and the Service Employees' Union) in organizing the foreign born suggests that new union attitudes and organizing methods may be able to tap a large potential source of future membership growth.

11. On the migration-inducing influences of U.S. government policies and of direct foreign investment abroad, see Sassen (1988).

12. See, for example, the papers in Bohning and Schloeter-Pareded (1994).