

Immigration, Wages, and a Sustainable Economic Future

“Immigration as a Moral Issue”

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Last summer our minister gave a sermon on ‘Compassion’. Her theme was that compassion is a complex matter, and her focus was at the individual level. It was in part the struggle between the ego, and becoming a powerful, compassionate human being. My theme is that compassion at the social/policy level is also a complex issue, and should not be reduced to simple slogans.

A colleague of mine has addressed this complexity in a considerable body of work under a broad context of “Welfare, Justice and Freedom”.(1) His thesis was that important social goods in the public sector trade off between and within themselves – in a way that is very similar to private sector tradeoffs in the consumption of goods and services. More of one inevitably means less of some other. “Innovation” in either the private or public sector can reduce the conflicts among alternatives.

The 2012 Justice General Assembly theme of treating all people with compassion was indeed compelling. However, the focus here is that sympathy and support for one group or cause may be at the expense of others that are equally deserving of our compassion and support. In my view, the UU stance on immigration, as near as it can be determined from pronouncements and curriculum, is at the expense of two other issues/groups that usually have our strongest support, and to whom we have a very substantial responsibility. These are our own relatively young, unskilled and disproportionately minority workers, and the environment we bequeath to future generations, who will be faced with an even more difficult path to zero population growth and sustainability.

Sustainability may be viewed as the provision of an adequate resource and technological base to support future generations worldwide at an acceptable standard of living. Immigration, income distribution and sustainability are always prominent in discussions of social policy. What is missing is a clear recognition of the relationship among them. This is especially true if one addresses these issues from a long run perspective.

Given the earth’s limited physical and environmental resources, achieving an economically sustainable future for all the earth’s inhabitants is a serious challenge. Meeting this challenge will be more difficult with unlimited population growth. The problem is that the benefits from all our resource saving technological changes, resource substitutions, and conservation efforts may be reversed by a continually growing population. Although a clear projection is not possible, many ecologists and demographers claim that the U. S. population already exceeds a sustainable level.

The transition phase to a stable population creates some serious economic problems - primarily those associated with an aging work force and population structure. North America and Western Europe have birth rates that indicate that they have achieved or are falling below zero population growth. They have avoided dealing with this important transition to sustainability with various guest worker

programs, and a refusal to enforce existing immigration laws. If we are content to allow growth in the future to continue in the patterns of the past, then “we need these workers.”

From a long run perspective this is not a desirable path to the future. Population growth is not simply a “world problem”. If we are to achieve sustainability, wealthy regions, with the largest ecological footprints, need to bite the bullet and go through the transition to zero population growth. They should also assist other regions in their development as they approach their own transitions. The longer this is postponed, the more difficult the ecological/economic problems associated with sustainability will become.

“They do work that legal residents won’t do” is objectionable on its face (especially Mexican President Vincente-Fox’s “even blacks won’t do” version.) It is an incomplete statement. Adding “at the wages they are paid” - creates a very different perspective. Moving towards zero population growth, reforming immigration policies, and eliminating illegal immigration would have very positive effects on wages and job opportunities for low income residents – especially the young and relatively unskilled. It would also increase the variety of jobs and raise wages for retirees who may wish to maintain some attachment to the labor force. This could be important for an aging population in the transition period. There will be costs associated with the improved income distribution and environmental advantages of the transition to zero population growth. Prices of many goods and services – including produce, construction, services, etc. will be higher. There is no free lunch.

George Borjas of Harvard University, following the lead of the National Academy of Sciences and the Department of Labor, uses national data that corrects serious flaws in previous cross section studies on the effects of immigration on wages(2). His contribution is in adding the effects of wages for specific skill and experience groups. For the period 1980–2000 he finds that immigration reduces the wages of native born men by \$1700 per year. Of course the figures are higher for the less skilled. High school dropouts lose 7.4% of their income. The effect on native born Blacks and Hispanics is significantly larger because a much larger proportion of minorities are in direct competition with immigrants. The primary effect on wages is in the number of immigrants in various skill categories, not whether they are legal or illegal. These effects are probably significantly larger in the 21st century.

I was disturbed by the perspective of Fareed Zakaria in a 6/16/12 CNN special on immigration. He sympathized with the plight of a lawn mower business that couldn’t hire domestic workers for \$8.50 an hour. When an interviewee noted that agriculture representatives never talked about significant wage increases for harvesting labor, Zakaria first argued that it would make them uncompetitive. The interviewee pointed out that this was incorrect since all producers would be faced with higher wages. Zakaria then argued that the cost rise would hurt consumers. This is direct support for a two tiered labor market, where guest workers and illegal immigrant workers are exploited for the benefit of consumers, and at the expense of the legal resident workforce. As a context for contemplating this position - harvesting labor is 5% of the cost of Washington state apples. It should also be noted that a very large proportion of guest workers and illegal immigrants are working in harvesting, services,

processing and construction. Most of these jobs will not be exported in response to higher wages. Clearly these occupations are ideal venues for improving domestic wages and our income distribution.

A comprehensive immigration reform that offers amnesty or an easy path to legal status amounts to open immigration – a traumatic and tragic open immigration as long as border security is enforced - but open immigration nevertheless. The coyotes will be the primary short-run beneficiaries as they devise new ways to move people across borders. The message sent to potential illegal immigrants is – if you can get across the border and stay below the radar, you will eventually be legalized. This is ultimately why the 1986 reform of amnesty and limited border security failed to stem the tide. It joins a long list of policies with reduced effectiveness or outright failure based on ignoring embedded incentives, and experiencing the unintended consequences.

The Chamber of Commerce types clearly support lax enforcement and an easy path to legalization. They know the effect is a traditional form of growth and relatively low wages - with losses concentrated in the low income sectors of the economy.

My view on directions for immigration policy:

1. A relatively stringent path to legalization. This can be integrated with a variety of approaches, such as variants of the Dream Act. However, it does mean repatriation of a proportion of illegal immigrants, perhaps concentrating on the more recent arrivals, over a reasonable time period. There must be a clear signal that you cannot come here, stay below the radar and expect to be legalized.
2. Serious employer sanctions should be the primary tool with perhaps some subsidy for those repatriating voluntarily. We should not impugn the e-verify system. We should work to make it more effective and fairer. Polls that deal with immigration issues show very strong support for employer sanctions.
3. Appropriately disciplined ICE and DHS activities must continue. One hopes that along borders, we come to a place where the border patrol is primarily dealing with more serious criminal activity.
4. Implement an immigration policy that considers various factors such as skills, family, and geographic origin – a policy that is constrained by an intentional transition to zero population growth.

(1) Scott Gordon, Welfare, Justice, and Freedom (New York: Columbia University press, 1980).

(2) George Borjas, “Increasing the Supply of Labor Through Immigration: Measuring the Impact on Native Born Workers” (May 2004) Center for Immigration Studies.