

Immigration Economics in a Restrictionist Era

We Wanted Workers: Unraveling the Immigration Narrative, by George Borjas. NY: W.W. Norton, 2016.

Reviewed by Alex Hayes

I was initially wary of reviewing this book. Immigration has always been a subject of the greatest interest to me, mainly as a deserving cause for advocacy. But from the title of the book and the little I had heard of its author, I did not foresee us sharing much common ground. I must now admit that, while the book has not changed my political views, it has forced me to accept a more nuanced perspective of immigration, and made me realize that the admissions policies I favor are most successful when paired with policies to help those hurt by immigration.

George Borjas has been one of the foremost scholars in the field of immigration economics for decades. Now on the faculty of the Kennedy School of Government at Harvard, he is known for his efforts to present an empirical analysis of immigration that he insists is unclouded by political considerations. In this latest book, his goal is to provide a broad audience of readers with a clear understanding of the effects of immigration on the US economy. He criticizes other researchers for allegedly being ideologically motivated to give the impression that immigration is beneficial for everyone. Instead, he contends that immigration hurts some people and helps others. Borjas' interest in the topic of immigration economics was sparked by his own experience as an immigrant from Cuba after the Cuban Revolution and his observations of the difference in skills between early and later Cuban immigrants. But despite his immigrant background, Borjas pushes back against claims that his own personal history may bias him, or that he is a traitor to immigrants like himself. Rather than advocating for any particular political position, he aims to provide citizens with the understanding of immigration they need in order to make their own moral and political decisions.

The author explores his thesis that immigration is not to everyone's benefit through the middle eight chapters of the text. In the first chapter, he sets out to disprove the claim that a borderless world would have a GDP tens of trillions of dollars higher than our current planet, segmented into states. While at some points he strays into attacking a strawman, this chapter primarily sets up his analytical method for later chapters. Almost no one believes a borderless world is practical today, and anyone could understand that a claim that the world could be \$41 trillion richer if there were no international boundaries must come with caveats. But the chapter serves to demonstrate the skepticism Borjas urges on readers when they hear economic claims about the benefits of immigration. He points out,

for example, that while a borderless world may increase the world's GDP, it would actually reduce the average wage rate and GDP of the Global North. Additionally, much of the economic growth would go to business owners who would benefit from cheaper labor, not to the laborers themselves. This sets up one of the main themes that Borjas will explore in the rest of the book: that even economic policies with overall benefits will have winners and losers.

Borjas then gives an overview of the makeup of the United States' foreign-born population, and how immigration to the United States has changed over time. Countries of origin have shifted since the 1960s – from mostly European homelands then to Latin America and Asia ever since. In 1920, the top country of origin, Germany, made up about 12% of the US's immigrant population. In 2010, on the other hand, the distribution of immigrants was skewed much more heavily to one country: over 27% of US immigrants were born in Mexico. He also points out that, while immigrants are similar to native-born Americans in the fraction with a college degree, a much higher share of the foreign born lack even a high school degree. These two demographic trends provide a foundation for many of Borjas' later claims about why historical migration may not provide valid insights about immigration today.

The fact that migrants are simultaneously as likely as natives to have college educations but also less likely to have high school educations suggests that migrants are more educationally stratified than the US's native-born population. In the next chapter, Borjas finds that not only is there stratification of skills among immigrants, there is also wide stratification in entry wages among those born in different countries of origin. Borjas proposes several explanatory factors for this, including: transferability of skills, labor market barriers and discrimination, but the most compelling has to do with self-selection. He argues that immigrants from countries with less wealth equality than the US will be attracted by its social programs and economic stability. On the other hand, immigrants from countries with more wealth equality will be attracted by the US's free market ideology and lack of economic interference. This means the US will attract poorer immigrants from less equal countries and wealthier immigrants from more equal countries. The shift in immigration from Europe, where income equality is high, to Latin America and parts of Asia, where income equality is low, created a concurrent shift from higher skilled, wealthier immigrants to lower skilled, poorer immigrants.

In the past, economic assimilation has been strong in the United States, meaning it was not a significant problem if immigrants entered the country without money or skills, because they could quickly gain the skills needed to make a higher wage in the US. However, Borjas finds that economic assimilation has slowed over time, with newer immigrants seeing smaller wage increases over time. He hypothesizes this is the result of the growth of ethnic enclaves. Because the US's immigrant population is so dominated by one group (Mexican born) and certain cities have enclaves of immigrants of other ethnicities (for example, Cuban-born Miamians), many immigrants are now able to live successful lives without assimilating to the demands of the American economy. To demonstrate this further, Borjas finds that immigrants who move to areas with low populations of their ethnic group economically assimilate faster, suggesting that ethnic enclaves may be acting as a crutch for immigrants, slowing their economic assimilation.

The author also finds in the next chapter that this lack of economic assimilation may affect future generations as well. Analysis finds that second-generation immigrants always fare better than their parents on average. However, as the wage advantage of immigrants has decreased, so has the wage advantage of second-generation immigrants. While we do not yet have data on the wage advantage of second-generation immigrants since the wage advantage for first-generation immigrants has gone negative (because their children are not yet old enough), the average advantage of the second-generation is seven to nine points higher. As the first-generation had a wage advantage of -20.8% in 2000, this suggests the second generation would also have a smaller negative advantage. Borjas hypothesizes that this is the result of a decline in assimilation overall, not just economic. As a result of the rise in ethnic enclaves, the children of enclave-living immigrants remain more like their parents and less like native-born Americans.

The book next examines the labor market impact of immigration. It takes issue with the common narrative that immigrants simply take the jobs that native workers do not want. To demonstrate, Borjas dissects the famous study by David Card, who researched the labor market impacts of the 1980 refugee boatlift of thousands fleeing Mariel, Cuba to Miami. That study found that the wage of native-born workers in Miami did not decline relative to a control group of other cities. Borjas charges that the cities used as a control group were not representative of national urban patterns; in fact, wages in the control group cities dropped compared to the rest of the US, so Card was comparing Miami only to other struggling cities. When compared to a representative sample, Borjas contends that the sudden Mariel influx actually did negatively affect the wage of Miami's workers.

As a counterexample, the book cites Stillmore, Georgia, which was hit by a particularly severe immigration raid in 2006. After the raid, wages went up in the agricultural firm that had been affected by the raid, and working class African Americans were hired from the town, suggesting that the firm's immigrant workers had been negatively impacting the labor market opportunities of the

Stillmore's African American population. But he does not contend that immigration only negatively impacts natives. When immigrants complement native workers, their wages go up; when immigrants substitute for lower-skilled native workers, their wages go down. However, modern low-skill, low-wage immigration complements the US's wealthy and substitutes for the poor, meaning immigration creates a regressive wealth transfer.

Borjas explores this idea in the next chapter, finding that while immigration generates a net economic surplus for receiving countries, this surplus is not evenly distributed. He finds that, for every \$1 of surplus generated by immigration, native workers will lose about \$10 and employers will gain \$11. While advocates for immigration can simply advertise the surplus figure, it hides a deep inequality in the benefits of immigration. Another important consideration is the fiscal impact of immigration. Because immigrants are now assimilating slowly and come in with fewer skills, they draw more on social services and pay less in taxes. Depending on the way data is processed, immigrants use public assistance the same or more than natives (the difference depends on how immigrant's children are counted), meaning they raise the state and local budget requirements.

After laying out his complete economic argument, George Borjas concludes in what I found to be the most compelling chapter. He finally delves into politics, a topic he avoids throughout the rest of the text. I was surprised to find that, despite his economic arguments, he does not believe that immigration policies should necessarily attempt to restrict immigration. Instead, he said it was important to consider the impacts of immigration, particularly the imbalance of its gains and losses and the problems created by ethnic enclaves, in order to pair immigration policy with other policies to alleviate the problems it can cause. Immigration is not inherently bad, but policies that ignore its downsides lead to the problems that turn public opinion against immigrants.

We Wanted Workers provides an excellent introduction to immigration economics for people of any political opinion, but it is an especially important read for immigration advocates. By gaining an understanding of the risks associated with immigration, advocates can campaign for an immigration system that not only treats immigrants with respect and humanity, but also accounts for the impacts of immigration on the native-born working class and government budgets. Working to alleviate the problems associated with immigration can help to turn public opinion in favor of immigrants, rather than the current system in which liberalization of immigration policy is inevitably followed by a growing public opinion and policy backlash.

Alex Hayes is a senior economics, political science and public policy triple major at Hofstra University.

REGIONAL LABOR REVIEW, vol. 19, no. 2 (Spring/Summer 2017).
© 2017 Center for the Study of Labor and Democracy, Hofstra University