INTERNATIONAL MIGRATION:
Benefits and Costs for the United States

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International migration has on balance brought economic benefits to the United States. First, if we examine the impact of immigrants in the labor market, we find that U.S. natives as a group enjoy a net gain from the immigration of labor. Wages may fall for native workers who compete with immigrant labor, but this loss for workers is a pure transfer among natives: it is offset by an equal gain for those who employ labor, and ultimately for consumers, who obtain goods and services at lower cost. Furthermore, natives gain from employing immigrant workers: they gain surplus in excess of what they pay immigrants for their labor. Thus, natives as a group enjoy a net gain from immigrant workers in the form of this "immigration surplus."

The National Research Council (NRC) has surveyed studies of the size of this immigration surplus in the United States. These studies produce estimates on the order of $1 to $10 billion a year. These gains may be modest compared to the size of the U.S. economy, but are nevertheless significant in absolute terms. Furthermore, if the United States were to take in more immigrants, it could thereby enjoy even greater economic gains in the labor market. Higher levels of immigration policy would produce a larger immigration surplus.

Second, immigration has produced not only economic benefits for the private sector in the labor market but also fiscal benefits for the public sector. Here the effect of immigrants on natives will depend on whether immigrants pay more in taxes than the costs they impose through the public sector. For example, to the extent that an immigrant receives transfer payments from the government or has access to other public entitlement programs, these transfers will represent a cost to natives. Immigrants also gain access to public goods when they immigrate. Immigrant access to some public goods may aggravate problems of congestion. These problems may require the construction of more infrastructure to relieve this congestion, and these investments in new infrastructure will require the expenditure of public funds.

Calculating the net effect of immigration upon the public treasury is a complex and difficult empirical question. For a proper accounting of the total fiscal impact of immigration, we must include the fiscal effects of all the descendants of immigrants in the calculation. In 1997, the NRC conducted the first study to attempt such a comprehensive calculation of the fiscal impact of immigration in the United States. NRC economists made projections regarding the education and income of future generations and added their fiscal effects to the fiscal effects of immigrants over their own life cycles. Once they include the future fiscal impact of an immigrant's descendants, under the most plausible assumptions, they find that the average immigrant in the United States will produce a net fiscal benefit of $80,000 overall in net present value in 1996 dollars.

Even if the *average* immigrant has a positive fiscal impact, however, *some* immigrants may impose costs in excess of the taxes they pay. To the extent that less skilled workers tend to have lower incomes, they tend to pay less in taxes and to take greater advantage of public entitlement programs, so that the net benefits flowing to the national economy from their immigration may be negative. The NRC found that the average immigrant with less than a high-school education imposes a net fiscal cost of $13,000 in net present value in 1996 dollars, even after taking the positive fiscal effect of the immigrant's descendants into account. Thus, the United States restricts immigration in part to avoid the fiscal burden that low-income immigrants may impose on the public treasury.

Restrictionists also often cite the need to protect U.S. workers from foreign competition. Those natives who must compete with immigrants in the labor market may find that immigration reduces their real income. Thus, some of the political support for immigration restrictions is protectionist in nature. Even as immigration in the United States produces net economic gains for the private sector and net fiscal benefits for the public treasury, the distributive effects of immigration may entail political costs for U.S. government officials and members of Congress.

More extensive international cooperation may increase the political benefits of higher levels of labor migration for U.S. government officials and members of Congress by linking liberalization of U.S. immigration policies with other benefits for U.S. constituents. In particular, we might employ the same device used in the World Trade Organization (WTO) to overcome the protectionist opposition to liberalizing reforms: multilateral agreements in which each country agrees to reduce trade barriers in exchange for liberalization by others. The prospect of reciprocal liberalization by trading partners would mobilize domestic producer interests in U.S. export industries in support of an agreement that could offset the domestic interests opposed to liberalization of U.S. barriers to trade in the labor market.

Through such agreements, each country could gain not only by obtaining access to foreign markets but also by overcoming protectionism at home and opening its own markets. Recognizing the importance of immigration barriers as costly trade barriers, some developing countries in the WTO have pressed for the liberalized movement of workers as part of the liberalization of international trade in services under the General Agreement on Trade in Services. In these WTO negotiations, in exchange for commitments by the United States to liberalize its trade barriers in the labor market, labor-abundant developing countries may be more inclined to agree to liberalize trade barriers in other markets in which the United States has a comparative advantage. The United States would gain not only by liberalizing its immigration laws but also by obtaining liberalizing commitments by developing countries that would otherwise be reluctant to make such commitments.