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Achieving National Economic and Social Goals:

The Counterproductive Role of Contemporary U.S. Immigration Policy

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Despite the fact that the United States is in the midst of the largest immigration experience in its history, there is little recognition of the effects that immigration policy exerts on parallel policies to achieve national economic and social policies. In its present state, immigration policy is essentially designed to accommodate political goals. If the resulting inflow of immigrants were small and widely dispersed, the nation probably could afford the luxury of allowing immigration to continue on its independent course. But, the magnitude of immigration is at historic highs; the human capital attributes of the vast majority of the immigrant inflow is conflicting with emerging economic trends; and the settlement patterns are undermining the effectiveness of policies in human resource development and equal employment opportunity policies that are of vital social concern. To this degree, prevailing immigration policy is functioning in a manner that is contrary to the national interest. Significant reforms are essential — and the sooner the better.

Before elaborating, I wish to be clear on one essential point. I do not blame the immigrants of the current era for what is happening. They are merely taking advantage of the opportunities that existing immigration policy permits. Immigration is a discretionary policy of every nation state. No citizen of any foreign nation has a right to
enter any other country for the purpose of permanent settlement or for employment just because he or she wishes to do so. The opportunities and the conditions in which they may enter are prescribed by each nation's immigration policies. Hence, in the contemporary case of the United States, it is the nation's immigration policy that is the source of the conflict with the national interest not those who, as individuals, are merely availing themselves of its terms.

U.S. Immigration Policy in Brief Perspective

As is well known, immigration played a major role in the pre-industrialization era of the emergence of the United States as the world's economic super power. Following the end of its colonial era in 1776, the new nation expanded geographically across the North American continent to embrace a vast land area that had an enormous amount of natural resources and a temperate climate, but relatively few people (the small indigenous population who resisted incorporation has never been included in the economic development of the nation). Throughout its first century, the country had neither ceilings nor screening restrictions on the number and type of people permitted to enter for permanent settlement. The economy was dominated by agricultural production and employment. Most jobs required little training or educational preparation. An unregulated immigration policy was consistent with the nation's basic labor market needs.

When the industrialization process began in earnest during the latter decades of the Nineteenth Century, the newly introduced technology of mechanization (i.e., the substitution of machines for animal and human muscle power) required mainly unskilled workers to fill manufacturing jobs in the nation's rapidly expanding urban labor markets
as well as in the other employment sectors of mining, construction, and transportation. As Stanley Lebergott has observed in his epic study of the development of the U.S. labor force, "somewhat surprisingly, the greatest beneficiaries of the flow of immigrant labor [in the 19th Century] was never agriculture though farming was our primary industry." Rather, it was the urban economy and its need for a vast number of unskilled workers to fill the jobs created by the industrialization process whose ranks were expanded by their arrival.

There were surplus pools of native-born workers who were poorly skilled and barely educated who remained marginalized throughout the 1880 to 1914 era who could have filled many of these jobs. They were native-born workers who were underemployed in the rural sectors of the economy of this same era. Of these, the most notable were the freed blacks of the former slave economy of the rural South. The noted black educator, Booker T. Washington, in his famous Atlanta Exposition speech in 1895, pleaded with white industrialists of that era to draw upon the available black labor force instead of seeking immigrants to fill the new jobs that industrialization was creating. His advice was ignored. Mass immigration from Asia and Europe became the alternative of choice. Before long, immigration from China and Japan was banned in response to nativist reactions, so various ethnic groups from Eastern and Southern Europe became the primary sources of unskilled workers of that era.

From purely an efficiency standpoint, the mass immigration of the late Nineteenth Century and the first part of the Twentieth Century was entirely consistent with the labor market needs of the nation. The jobs created during this expansive era typically required
little in the way of skill, education, literacy, or fluency in English from the workforce. The enormous supply of immigrants who came generally lacked these human capital attributes. As one immigration scholar at that time wrote: "we may yearn for a more intelligent and better trained worker from the countries of Europe but it is questionable whether or not that type of man would have been so well fitted for the work America had to offer."

The supply of workers of that era may have been highly heterogeneous in their personal characteristics, but the demand for labor was essentially homogeneous in what it required of those who came.

When the land frontiers of the country were overcome in the 1890s, it was not long before immigration was sharply restricted -- beginning in 1914 with the events associated with World War I and followed by newly adopted immigration laws in the early 1920s. In part the imposition of legal restrictions reflected legitimate economic concerns that the mass immigration of the preceding three decades had depressed wages, hampered unionization, and caused unemployment; in part they also reflected nativist social reactions to the ethnic, racial, and religious diversity that the mass immigration of that era also brought.

The Immigration Act of 1924 (also known as the National Origins Act) not only imposed the first permanent legislative ceiling on immigration (at a low annual level of about 154,000 immigrants) but it also imposed a screening system that was highly discriminatory as to who could enter and who could not (favoring immigrants from Northern and Western European countries and disfavoring or prohibiting immigration from all other Eastern Hemisphere nations). Its provisions, however, did not apply to countries of the Western Hemisphere.
For almost the next 60 years (roughly from 1914 to the late-1960s), the significance of immigration rapidly receded and the expansion of the economy turned to the utilization of domestic labor reserves. Originally, it was those people in the nation's vast rural areas where workers were being displaced by the rapid mechanization of agriculture that had begun in earnest in the late 1880s who were finally given the opportunity to compete for jobs in urban America. Among the major beneficiaries of the cessation of mass immigration was the nation's black population. It was not until mass immigration ended in 1914 that "the Great Migration" of blacks to the North and the West could commence. Later during war years of the 1940s, it was women, youth, disabled, and older workers as well as minorities who were recruited and employed in the economic mainstream for the first time.

Indicative of the declining significance of immigration on American life is the fact that the percentage of the U.S. population that was foreign born consistently fell from 13.2 percent in 1920 to 4.7 percent in 1970 (the lowest percentage since before the Civil War). During this period of declining influence of immigration, the U.S. economy sustained the greatest increases in real wages, employment levels, and production output in its entire economic history. It was also the time period when the nation adopted an extensive array of progressive social policies pertaining to labor standards, collective bargaining, and civil rights. It was also a period when income inequality within the population was significantly reduced for the first time.

It was not until the mid-1960s that the mass immigration phenomenon was accidentally revived as a result of domestic political pressures and immigration once
again became a significant feature of the U.S. economy. The primary concern of immigration reformers at the time was to end the discriminatory "national origins" admission system. Having just enacted the Civil Rights Act of 1964 that was designed to end overt racial and ethnic discrimination in the nation's internal relationships, the next step in the civil rights struggle was to end overt discrimination in the nation's external relationships with the international community. There was no intention, however, to raise the level of immigration by any appreciable amount or to open the admission door to large numbers of unskilled and poorly educated persons. Indeed, the floor manager in the Senate for the Immigration Act of 1965, Edward Kennedy (D-Mass.), stated during the final debate on the legislation stated unequivocally that "this bill is not concerned with increasing immigration to this country, nor will it lower any of the high standards we apply in selection of immigrants". Subsequent events, however, have shown that his expectations were totally wrong on both accounts.

The Immigration Act of 1965 was a turning point in the history of U.S. immigration policy. The level of immigrants to be admitted each year was raised to 290,000 immigrants a year plus their immediate relations (spouses, children under 21 years of age, and parents of citizens). All remnants of past overt discrimination on the basis of race and ethnicity were eliminated from the admission process. A new admission system was put in place that specified that 74 percent of the annually available admission visas would be reserved for adult family and extended family members of persons who were already U.S. citizens or resident aliens. The percentage was increased to 80 percent in 1980. Thus, family reunification became the primary criterion for the
admission of legal immigrants. Twenty percent of the available visas were reserved for the admission of workers who had skills that were needed by employers and which citizens supposedly did not possess. Thus, Congress "created a policy aimed primarily at fulfilling the private interests of its legal residents and their alien relatives and it simultaneously delegated to these individuals (and to a limited number of its employers) much of the power to select future citizens and workers in the nation." The opportunity to redesign the nation's immigration system to serve the public interest was lost. In the place of the former system that was premised largely on racial and ethnic discrimination, a new form of discrimination -- nepotism -- became the overriding characteristic of the legal admission system. Whatever human capital characteristics the vast majority of legal immigrants possess at the time of their entry is purely incidental to the reason they are admitted. Only minimal concern was manifested about any possible broad economic effects that might be the product of the new law's provisions. If the scale of immigration had remained small, as its supporters had promised, the consequences of such an ill-designed law would have been of little consequence. But, such was not to be the case.

The Immigration Act of 1965 also provided a formal route for certain refugees to be admitted on the basis of humanitarian concerns. Six percent of the available visas each year were set aside for this purpose. This was the first time since immigration had become a subject of regulation that provisions were made for the continuous admission of refugees as a permanent feature of U.S. immigration policy.

This legislation was also important for what it did not do. It failed to specify any effective measures to enforce its new provisions. Its supporters did not foresee the
imminent explosion of illegal immigration that quickly ensued in the years after its passage.

Within a decade of the passage of the Immigration Act of 1965, it was clear that immigration policy had gone awry. Illegal immigration had soared; refugee flows greatly exceeded the number of visas set aside for this purpose; and the number of immediate relatives arriving were far higher than anticipated. Hence, immigration reform was once more placed on the national agenda. In 1978, Congress established the Select Commission on Immigration and Refugee Policy (SCIRP). It was created to study the effects of what had transpired over the preceding thirteen years and to make recommendations for changes. Appointed by President Jimmy Carter, this sixteen-member commission, chaired by the Rev. Theodore Hesburgh issued its comprehensive report in 1981. It stated that immigration was "out of control"; that the nation must accept "the reality of limitations"; and that "a cautious approach" should be taken in the design of any reform measures. It stated unequivocally that: "the Commission has rejected the arguments of many economists, ethnic groups, and religious leaders for a great expansion in the number of immigrants and refugees." It went on to say that "this is not the time for a large-scale expansion in legal immigration -- for resident aliens or temporary workers."

In the wake of the SCIRP report, Congress enacted three major immigration statutes. They were the Refugee Act of 1980, the Immigration Reform and Control Act of 1986, and the Immigration Act of 1990. In part, each of these laws embraces some of the specific recommendations put forth by SCIRP. But each statute also went well
beyond SCIRP's recommendations. The result has been to dramatically raise the already high levels of immigration to even higher plateaus. Indeed, a 1991 study by the Urban Institute concluded that these statutory changes "have reaffirmed the United States' role as the principal immigrant-receiving nation in the world."\footnote{The same report found it "remarkable" that policymakers enacted the Immigration Act of 1990 (which raised legal immigration levels to 700,000 a year) "with the nation poised on the brink of a recession and a war in the Persian Gulf" and at a time "when other industrialized countries are making theirs [i.e., their immigration policies] more restrictive."} The reason that Congress could take such "remarkable" expansionary actions is that immigration policy has been allowed to develop without any regard as to its economic or social consequences. Just as the Select Commission had warned, immigration policy had been captured by special interest groups with private agendas that simply ignore any concern for the national interest.

**The Revival of Mass Immigration and Its Characteristics**

Starting slowly in the latter 1960s, accelerating in the 1970s and 1980s, and now institutionalized in the 1990s, mass immigration -- this sleeping giant from out of the country's distant past -- has once more become a vital characteristic of contemporary American life. The legal immigration system now guarantees that at least 700,000 legal immigrants will enter the country every year; the refugee and asylee system now admits about 130,000 people a year (and it is subject to intermittent binges of even greater numbers), non-immigrant policy permits about 400,000 foreign nationals to legally work
in the United States on a temporary basis that ranges from 11 months a year up to 5 years depending on specific admission conditions; and the U.S. Bureau of the Census estimates that about 300,000 illegal immigrants now enter the country each year where they join a shadow labor force and population estimated in 1994 to total about 4 million people. To gauge the momentum of the process, it is only necessary to note that it is estimated that over 10 million immigrants entered the United States in the 1980s (not counting non-immigrant foreign workers but allowing for uncounted illegal immigrants and some refugees who have not yet adjusted their status to be counted as immigrants). This means it was the decade of the largest infusion of immigrants in the country's history. Of these, 5.8 million entered in the last 5 years of the decade. As a consequence immigrants accounted for 37 percent of the growth of the U.S. population during the 1980s. The 1990 Census revealed that the foreign born population (which totalled 19.7 million persons as officially measured but which undoubtedly missed many more who had illegally entered) had more than doubled the number reported only twenty years earlier in the 1970 Census. The foreign born population in 1990 officially accounted for 7.9 percent of the population (with the real rate undoubtedly higher due to uncounted illegal immigrants). Moreover, in 1991, over 1.8 million persons entered the country or adjusted their status to become permanent resident aliens -- the highest number of immigrants to do so in any single year in the country's history. Hence, the decade of the 1990s should set yet a new record and the percentage of the population that is foreign born should be in double digits again by the time of the census for the year 2000.
Under these circumstances, it is not surprising that an international social science research team, Oxford Analytica, stated in its comprehensive study of contemporary American life that "America's biggest import is people." But perhaps most significant of all in regards to this phenomenon is the observation by the demographer Leon Bouvier in 1991 that, unlike the nation's earlier experiences with mass immigration, this wave of immigrants shows "no evidence of imminent decline."

Of even greater significance than the soaring level of immigration to the United States, however, has been the composition of the post-1965 immigrant inflow. The 1990 Census reveal that the human capital attributes of the foreign born fall into two distinct categories. On the one hand, about one-fifth of the foreign born adult population (i.e., persons 25 years old and over) have a bachelor's degree or higher (20.4 percent) which is about the same as the native born adult population (20.3 percent). On the other hand, only 58.8 percent of the foreign born adult population had a high school diploma compared to 77.0 percent of the native born adult population and, more telling, 25 percent of the foreign born adult population has less than a 9th grade education while only 10 percent of the adult native born population had such a low level of educational attainment. The 1990 Census also disclosed that 79.1 percent of the foreign born (5 years old and over) speak a language other than English (compared to 7.8 percent of the native born. Moreover, 47.0 percent of the foreign born (5 years old and over) reported that they do not speak English "very well." The ability to speak English in a service-oriented economy has been definitively linked to the ability to advance in the labor market of the post-1965 era. For these reasons and others, it should come as no
surprise that incidence of poverty among families of the foreign born population in 1990 was fifty percent higher than that of native born families or that 25 percent of the families with a foreign born householder who entered the country since 1980 were living in poverty in 1990.18

There is also a strong pattern of geographic concentration associated with the post-1965 immigration experience. The 1990 Census revealed that 66 percent of the foreign born population resided in only six states (California, New York, Florida, Texas, New Jersey, and Illinois). Furthermore, within all states, the foreign born population tends to be concentrated in urban centers and especially in their respective central cities. As Elizabeth Bogen has observed, the current immigration phenomenon is "overwhelmingly an urban experience." Indicative of this urban concentration is the fact that 24 percent of the foreign born population of the nation in 1990 lived in only seven cities. These cities and the percentage of their respective populations who were foreign born is as follows: New York (28 percent); Los Angeles (38 percent); Chicago (17 percent); Houston (18 percent); San Francisco (34 percent); San Diego (21 percent); and Miami (60 percent). The real percentages are certainly higher if allowances are made for uncounted illegal immigrants.

The Conflict With Economic and Social Goals

The accidental revival of mass immigration in the 1960s could not have occurred at a worse time with respect to the efforts of the nation to achieve its economic goals of
full employment with rising real wages for workers and real incomes for families. It was in the 1960s that the U.S. labor market began to be transformed from the past patterns that began at the beginning of the 20th Century.20

On the labor demand side of the labor market, there are new forces at work associated with the nature and pace of technological change; the expansion of international competition; shifts in consumer spending preferences; and, since 1991, substantial reductions in national defense expenditures. Collectively, these forces are reshaping the nation's occupational, industrial, and geographic employment patterns. Employment in most goods-producing industries and in many blue-collar occupations is declining, while it is increasing in most service industries and many white-collar occupations. Regional employment trends are extremely unbalanced, with growth generally more pronounced in urban (but not in central cities) than in rural areas and particularly strong in the Southeast and Southwest and weak in the Midwest and Prairie regions.

Future demand for labor lies primarily in service industries located in metropolitan areas and in occupations that stress cognitive abilities rather than physical strength and stamina. As Lester Thurow has poignantly written, "the skills of the labor force are going to be the key competitive weapon in the twenty-first Century ... [for] skilled labor will be the arms and the legs that allow one to employ -- to be the masters of -- the new product and process technologies that are being generated"e1. Conversely, the escalation in skill requirements has led to diminishing demand for unskilled labor. William Brock, who served as Secretary of Labor during the Reagan administration, has
warned that "the days of disguising functional illiteracy with a high paying assembly line job that simply requires a manual skill are soon to be over. The world of work is changing right under our feet."

On the labor supply side of the labor market, the nation's labor force has been growing in size at a pace far greater than all of its major industrial competitors combined and without precedent in its own history. The demographic positioning of the "baby boom" generation which, in the 1990s, is located in its prime working age years (ages 32 to 48 in 1994). As a consequence, the nation's labor force participation rate (about 65 percent) is at the highest levels in U.S. history.

Of even greater significance has been the rapid changes in labor force composition. The fastest growing segments of the labor force are women, minorities, and immigrants. Women in general and minorities in particular (with the possible exception of some Asian American groups) have had fewer opportunities to be trained, educated, or prepared for the occupations that are predicted to increase most in the coming decade. They are disproportionately concentrated in occupations and industries already in decline or most vulnerable to decline in the near future. They now find themselves often in competition with the new immigrant inflow for jobs in these declining sectors.

Since the 1960s, there has been a marked upward trend in the nation's unemployment rate. The unemployment rates of the mid-1960s were in the mid-3 percent range. In every succeeding period of prosperity since that decade, the unemployment rate has tended to be higher than in the preceding prosperity period.
The annual unemployment rate has not been below 5 percent since 1970. The worst affected by this secular trend of gradually rising unemployment have been the less skilled workers whose ranks are disproportionately composed of minorities, youth, and women. As of late 1994, the unemployment rate has been hovering in the low 6 percent range even though the economy is not considered to be in a recession.

But even worse has been the effects of what the macro-economist Wallace Peterson has called "the silent depression" of declining real family incomes. This downward trend began in 1973 and has continued to this day. Studies that have focused on trends of real earnings also show that they too have been falling since 1973 but the losses have been the greatest for those with the least education. The U.S. Bureau of the Census, for example, reported in 1991 that white males aged 25-34 with less than a high school diploma experienced a 42 percent decrease in real earnings from levels that existed in 1973; high school graduates sustained a 31 percent decrease in their earnings; those with some college have had a 21 percent decline in earnings; and even college graduates have experienced a 14 percent decrease in real earnings. For women and minorities, the declines have been even worse. In 1994, The Economic Report of the President confirmed a worsening in the distribution of income within the nation and its specifically identified immigration as one of the causative factors.

When Congress embarked on the course of adopting a politically driven immigration policy that essentially neglects economic considerations, few people recognized that the country was entering a phase of fundamental economic change. Even after the new employment trends became evident in the 1980s, the congressional
committees responsible for designing immigration policy ignored them.

By definition, immigration policy can influence the quantitative size of the labor force as well as the qualitative characteristics of those it admits. Currently, there is little synchronization of immigrant flows with demonstrated needs of the labor market. With widespread uncertainty as to the number of immigrant workers who will enter in any given year, it is impossible to know in advance of their actual entry how many foreign-born people will annually join the U.S. labor force. Moreover, whatever skills, education, linguistic abilities, talents, or locational settlement preferences most immigrants and refugees possess are largely accidental to the reason they are legally admitted or illegally enter.

In fact, the skills and educational attainment level of those immigrants entering since 1970 have been found to be considerably below those of earlier waves of immigrants at similar stages of assimilation; their incidence of poverty and unemployment are also higher than was true of earlier immigrant experiences; and their labor force participation rate is lower than earlier waves. As for their use of welfare programs, they did not exist when earlier waves of immigrants arrived prior to 1914 but, in comparison to native born persons in current times, the incidence of welfare usage by immigrants has been found to be higher.

If immigration were insignificant in its size and if the human capital characteristics of those entering were consistent with contemporary labor market needs, there would be little reason to worry about the consequences of such a politically-driven policy. But neither condition is present. The scale of immigration, in all of its diverse forms, is
without precedent and mass immigration is disproportionately supplying large numbers of unskilled, poorly educated, non-English-speaking job seekers into urban centers of the nation's largest labor markets to add to the competition for jobs and social services with native-born job seekers who too often share the same paucity of human capital attributes. Conditions in urban centers -- as indicated by growing welfare rolls, high unemployment, poor educational performance and high drop-out rates and growing poverty -- are rapidly deteriorating to the degree that they are threatening the well-being of the entire nation.

The Imperative of Policy Changes

As indicated, there are factors other than immigration involved in causing the aforementioned conditions. But this is precisely the point. The labor market is in a state of rapid transformation with regard to its industrial, occupational, and geographic changes in employment patterns. Many of the causative influences are beyond the capability of public policies to control -- they can only try to respond in effective and compassionate manners. Likewise social conditions have also come to forefront in these same years. The Civil Rights Act of 1965 with its historic equal employment opportunity provisions was enacted the same year that mass immigration was revived. It dramatically raised the expectations of minorities and women about their futures. In this period of rapid economic and social change, immigration policy -- which is purely a discretionary action -- should be shaped to serve the national interest as the country struggles to
adjust. It is not doing so today.

The number one domestic economic problem facing the United States in the 1990s is what to do with the rapidly increasing surplus of unskilled and poorly educated job seekers in an era when low skilled jobs are rapidly disappearing. With over 30 million functionally illiterate adults and with reports by the U.S. Department of Education in 1992 indicating that 90 million adults are not proficient in reading or mathematical skills, there is no way that this nation can have any foreseeable shortage of unskilled workers in its future. The major social issue is the struggle to make equal opportunity a reality -- especially for black Americans. No policy should do harm to that quest.

An immigration policy that is flexible in the number of persons it allows to enter the United States legally each year and that admits persons primarily on the basis of the human capital endowments they have and that the U.S. labor market needs is what is required. In other words, the nation's immigration policy ought to be accountable for its consequences.\textsuperscript{30} The present system is not. It also must be a policy that is firm in the certainty that its terms will be enforced against illegal entry and refugee abuse. It must also contain provisions that allow U.S. employers to hire non-immigrant foreign nationals in only the most extreme labor shortage situations.

Presently, U.S. immigration policy cannot be said to meet the standard of being designed to raise the real living standards of American workers; to achieve full employment; and to avoid undermining the effectiveness of efforts to overcome the legacy of past denial of equal opportunity. It is simply not happening. Indeed, it is
counterproductive to efforts to attain these goals. It is past time to place immigration reform back at the top the nation's domestic policy agenda.
Endnotes


16. Ibid., p. 5 of the news release.


