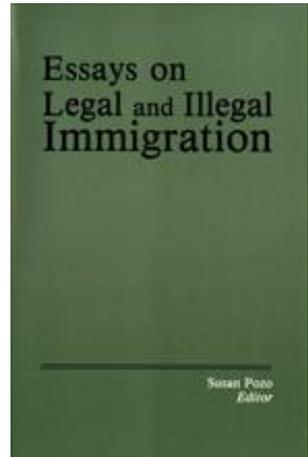

Upjohn Institute Press

The Many Guises of Immigration Reform

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Chapter 1 (pp. 1-6) in:

Essays on Legal and Illegal Immigration

Susan Pozo, ed.

Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1986

DOI: 10.17848/9780880995559.ch1

The Many Guises of Immigration Reform

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During the last decade, policymakers, economists, and the public at large have been engaged in a heated debate over U.S. immigration policy. On one side of the debate are those who advocate stricter limitations on immigration because, even if immigration is beneficial to some, the gain is at the expense of others. Most advocates of restrictive immigration reform argue that it is the public's obligation to protect the interests of low-skilled workers who are hurt by the entry of aliens with whom they compete directly for jobs. On the other side of the debate are those who argue that immigration can only be beneficial. By preventing the free flow of labor across national boundaries, we have little to gain and much to lose.

In all, the immigration debate is multifaceted, with nearly as many approaches to the problem, suggestions for reform, and arguments buttressing the status quo as there are participants in the debate. Both advocates of reform and those supporting the status quo make their cases in strikingly different ways. This volume, which collects six papers delivered as public lectures at Western Michigan University during the 1984-1985 academic year, reflects these many views about the effects of immigration on the United States economy and about reform of the current system.

The objective of most who advocate immigration reform is to lower the effective immigration rate—the combined

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flow of legal and illegal immigration. To that end, reformers emphasize eliminating—or at least reducing significantly—the current flow of illegal immigration. Although many policies have been put forward to reduce this flow, all essentially fall into one of two categories. On the one hand, policies could be implemented that increase the personal cost of migrating illegally to the United States. Alternatively, the benefits that accrue to undocumented workers could be reduced. In either case, fewer would choose to incur the costs that accompany migration.

One way of increasing the personal cost of migrating illegally would be to devote more resources to patrolling the border. Increased surveillance would raise the probability that an illegal migrant would be apprehended during crossing. Greater border enforcement may do little to deter the illegal immigrant who crosses seldom and remains for a long period in the U.S., but would increase significantly the costs to the frequent border crosser, and in particular reduce the number of commuters who live in Mexico and travel daily to jobs in the United States. (As Michael J. Piore argues in this volume, however, such a policy may paradoxically increase permanent settlement as commuters choose to remain indefinitely in the U.S. since the probability of gaining entry during subsequent crossings is decreased.)

Alternatively, detention of illegal aliens for an extended period of time would also cause the personal costs of uninspected entry to rise. Currently, an apprehended alien is simply returned to his or her country of origin. Thus, the pecuniary costs of apprehension are relatively small, consisting of one's earnings foregone during the detention period and travel. With an extended detention period, however, the pecuniary costs would be greater, rising with the length of the detention period. Jagdish N. Bhagwati makes a case for detention coupled with the development of

an economic zone at the border which would provide an alternative to entering the United States.

A problem arises with the implementation of policies that increase the costs to aliens of illegal entry. The budgets of agencies that would be responsible for implementing these policies would need to be enlarged significantly. However, such an increase is politically difficult to promote, given the current need to curb government expenditures. Attention has turned instead to reducing the benefits that accrue to illegal entrants. For instance, if fines and penalties were imposed on employers who knowingly hire undocumented workers, illegal aliens would face greater difficulties and a smaller probability of finding employment. Hence the returns or benefits that accrue to illegal immigrants would fall. Presumably the number of undocumented migrants would fall along with the reduced incentives to migrate. This was the approach of the Simpson-Mazzoli bill passed by the House and Senate in 1984 but never signed into law.¹ Subsequent attempts at immigration reform have continued to focus on the imposition of penalties on employers who hire illegal aliens.

The political appeal of reforms that reduce the benefits illegal immigrants can expect suggests that the public views these policies as less costly than border enforcement policies. These perceptions may or may not be true.

How are taxpayers, employers, and consumers affected by the two alternative approaches to immigration reform? Border enforcement would presumably require a large infusion of tax dollars into the Immigration and Naturalization Service (INS) to support a larger and more effective force of border agents, and to finance the detention of illegal aliens in some humane way. Taxpayers, however, would not be spared under a system of employer sanctions. It is the consensus of most who favor employer sanctions that they be

implemented hand-in-hand with a system that would allow employers to verify the citizenship or immigration status of individuals. It is imperative that this verification procedure be virtually costless to employers in order to prevent discrimination against legal aliens, such as Hispanics, who might appear foreign. Hence, if employer sanctions were imposed, a verification system would have to be financed through the tax system. Either policy, border enforcement or employer sanctions, would require large increases in the pool of revenues used to implement and enforce federal immigration law.

A further hidden cost of employer sanctions is noted by Barry R. Chiswick in this volume. Chiswick warns that employer sanctions are the equivalent of an employer tax, increasing hiring costs. Though intended to reduce the employment of illegal aliens, this policy would have the additional unintended effect of also reducing employment of low-skilled native workers.

Ultimately the economic effects of tighter border policy and penalties against employers who hire illegal aliens may in fact be identical. It may be necessary in either case for firms to alter their input mix and to change—usually decrease—their level of output. If, as some argue, there are few native workers willing to take the jobs that aliens generally hold, then imposing either restrictive policy will cause the cost of unskilled labor to rise as the flow of illegal aliens is curtailed. It follows that producing any given level of output becomes more costly. But if native workers are willing to work in jobs often held by aliens, costs are much less likely to be affected by a reduced flow of immigrants. The point is that it does not matter which of the two approaches—greater border enforcement or employer sanctions—is taken. Production costs either rise or do not depending on the availability of domestic low-skilled workers.

How then do consumers fare under the two alternatives? Depending on how the employers' costs respond to fewer aliens, consumers will either find prices of goods and services rising or remaining unchanged. If adjustments are costly and difficult to make—if in fact firms find it necessary to alter the production methods significantly due to changes in the relative prices of inputs—the reduced stock of immigrants will likely be felt by the consumer as the prices of goods and services at least partly reflect higher costs. If the firm's costs do not change as a result of a smaller stock of illegal aliens, then consumers will not see increases in the prices of goods and services. Again, it is unimportant whether the policy implemented is border control or internal enforcement. The effects on consumers are the same.

Whether in fact consumers are harmed by restrictive immigration policy, and whether employers can expect costs to increase, depends on whether illegal aliens and domestic workers are good substitutes in production. This is an issue that has received much attention but on which no consensus has been reached. The answer to this question is important not only because of the effects of immigration policy on the consumer, but because it is important to understand the implications of policy alternatives on domestic workers.

Are native workers harmed or helped by restrictive immigration reforms? If native workers and immigrants are good substitutes, then natives will be helped by restrictions as either their wages rise or their employment opportunities improve compared with a more open border policy. If native and foreign workers are complements in production then the native workers gain from the availability of more foreign workers and lose from restrictive immigration policy. If some groups of native workers are substitutes for immigrants, and others are complementary with immigrants, then the impact of immigration restrictions would be

uneven, and the potential for conflict over reform great. In this collection of papers the issue of substitutability is discussed in detail by George J. Borjas. Vernon M. Briggs, Jr., develops an interesting implication of the debate over substitutability by arguing that the current immigration policy (or nonpolicy) undermines policy designed to aid minorities and the poor.

Although there are direct costs of imposing immigration restrictions, many argue that they are smaller than the costs that are imposed by the existence of large communities of legal and illegal aliens. Immigrants, they argue, participate in income maintenance programs and strain public services such as education and medical care. In addition, if immigrants and natives are substitutes in production, increased immigration may cause native workers to earn lower wages and suffer more unemployment such that more become eligible for public assistance. In sum, immigration may impose greater costs on U.S. taxpayers than is immediately apparent. Some of these issues are addressed by Francine D. Blau, who has analyzed data on the use of transfers by immigrants and natives.

The immigration debate is not likely to be concluded in the near future. There are too many opposing interest groups, too little consensus over what are the important issues, and a dearth of evidence that could be drawn upon to resolve these differences.

NOTE

1. Differences between the House and Senate versions of the bill could not be resolved.