

# EDUCATING ABOUT IMMIGRATION

## Unauthorized Immigration and the U.S. Economy

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**Each year, thousands of persons enter the United States without authorization to take advantage of economic opportunities. Does this unauthorized immigration help or harm the U.S. economy?**



Entering the United States without authorization can be dangerous. For many years, many undocumented people in Central America and Mexico entering the U.S. have relied on the services of smugglers to lead them over the U.S.-Mexico border and across the hot desert lands of the American Southwest. These smugglers are known as “coyotes.” In November 2003, a shootout between coyotes and an American gang left four immigrants dead. “Every few months,” reports the *Arizona Republic* newspaper, “coyotes kill an immigrant [for not paying a smuggling fee].”

Why do people risk death in order to immigrate? In Mexico, poverty levels are high. The World Bank estimates that 40 percent of its population is poor.

Gordon H. Hanson, an economist at the University of California, San Diego, has studied unauthorized immigration. According to his findings, a 25-year-old Mexican male with nine years of education would only make \$2.30 an hour in Mexico. In the United States, which has a much stronger economy, that same male stands to earn \$8.50 an hour for the same work.

Hanson also found that the rates of the immigration change in response to changes in the economies of Mexico and the United States. Unauthorized immigration “moves large numbers of low-skilled workers,” he states, “from a low-productivity to a high-productivity environment.”

The overall effect of this unauthorized immigration on the U.S. economy is not clear. Studies reveal both positive and negative effects. Hanson cites studies that show that the increase of immigrant laborers can lower the prices of services such as housecleaning, dry cleaning, and childcare. That improves the income of all households. He cites other studies, however, showing that large migrations of low-skilled workers and their families financially burden public services, such as public schools, police and fire protection, and highway maintenance. These studies show that low-skilled workers pay less in taxes for the funding of these services.

### **Pro and Con: The Overall Effect**

Supporters of immigrant rights tend to view unauthorized immigration as an overall benefit to all Americans. The White House’s Council of Economic Advisors under former president George W. Bush issued a report in June 2007 that outlined the widespread positive impact of immigration in the United States. The report did not distinguish between authorized and unauthorized immigrants. Overall, the report concluded that immigrants “increase the economy’s total output” and increase the income of native-born Americans by \$30 billion per year.

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Opponents of unauthorized immigration look to other studies that reach a different conclusion. The Federation for American Immigration Reform (FAIR) argues that any benefit to the economy from immigration is outweighed by the cost to the public treasury. FAIR cites a 1997 study by the National Academy of Sciences to reach the conclusion that though the benefit to the economy from authorized and unauthorized immigration might be as much as \$15 billion per year, the cost to the public treasury is as much as \$20 billion per year.



### **Pro and Con: Taxes**

One economic issue related to immigration is taxation. Supporters of unauthorized immigration contend that unauthorized immigrants pay their fair share of taxes, even though they are not citizens. The Internal Revenue Service (IRS), for example, issues many tax identification numbers to foreign-born temporary workers to collect taxes from them. The taxes are typically withheld from their paychecks. Between 1995 and 2003, the IRS estimates that it issued 6.8 million of these tax numbers.

Supporters cite additional kinds of taxes that undocumented immigrants pay to illustrate their contribution. In 2005, the Urban Institute issued a report stating that it is a “myth” that undocumented immigrants do not pay taxes. “Undocumented immigrants,” the report states, “pay the same real estate taxes-whether they own homes or taxes are passed through to rents-and the same sales and other consumption taxes as everyone else.”

Opponents contend, however, that undocumented immigrants actually do not pay their fair share in income taxes. Steven Camarota, a researcher at the Center for Immigration Studies (CIS), has argued that “illegal households comprise 3.6 percent of the total population, but ... they account for an estimated 0.9 percent of taxes paid...” FAIR has also reported that most undocumented immigrants “work for low wages, often in an underground economy where they pay no taxes on their earnings.”

### **Pro and Con: Services**

Another economic issue is the burden on public services. Supporters argue that undocumented immigrants do not financially burden U.S. social services. The National Immigration Law Center (NILC), an immigrant advocacy organization, cites the same 1997 study used by FAIR to argue that the “value of immigrants' estimated future tax payments exceeded the cost of any [government] services they were expected to use by \$80,000 for the average immigrant and his or her descendants.”

In addition, supporters claim that undocumented immigrants use fewer services than documented immigrants and U.S. citizens. Local schools and other public services, reports the Urban Institute,

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are largely funded by the sales and other consumption taxes that everyone pays, including undocumented immigrants. The U.S. Social Security Administration estimates that these immigrants contribute \$6 billion to \$7 billion per year in Social Security payments (withheld from their paychecks) that they cannot later claim (because of their lack of citizenship). Much of that money comes from withholdings from paychecks to people with incorrect or fake Social Security numbers.

Opponents might agree that undocumented immigrants pay Social Security taxes, but they do not agree that they fund public services. Randy Alcorn of Californians for Population Stabilization has stated that “Social Security taxes are not the main source of revenue for state and federal government-income taxes are...” He further argues that undocumented immigrants have an incentive to avoid paying income tax and thus put a burden on citizens to fund services for them.

Opponents note that state governments provide most of the services to undocumented immigrants, especially education and health care. They argue that because the undocumented are unlikely to have health insurance, they are more likely to use the services of emergency rooms, which are expensive to maintain. They also point out that children of undocumented immigrants often do not speak English and thus require greater services from schools. Opponents cite a 2007 report from the Congressional Budget Office titled “The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments.” This report reviewed 29 other studies. It concluded that although the spending on services for undocumented immigrants “represents a small percentage of the total amount spent” by states on these services, the “tax revenues that unauthorized immigrants generate for state and local governments do not offset the total cost of services provided to those immigrants.”

In 2009 and 2010, studies began to show that the U.S. economic recession led to a decrease in unauthorized immigration over the U.S.-Mexico border. According to the Department of Homeland Security, fewer arrests of unauthorized immigrants were made in 2008 (even though the number of deportations increased in that year). Donald Kerwin of the Migration Policy Institute says that fewer Mexican immigrants are coming across the border because there are “no jobs for them to fill.”

### **For Discussion**

1. What are some economic reasons why people immigrate to the United States?
2. How could the immigration of many low-skilled workers to the U.S. either help or harm the economy?
3. What reasons do immigrant advocates give to say that unauthorized immigrants pay enough in taxes?
4. What reasons do opponents give to say that they do not pay enough in taxes?

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### EDITORIAL TEAM ACTIVITY— HANDOUT A

Imagine Congress is proposing passing a law that streamlines the process to allow undocumented immigrants to pay a fine and apply to become legal residents of the United States. (The proposal is similar to the [Strive Act](#), which failed to pass Congress in 2007.) Supporters in Congress believe the law will help boost the U.S. economy.

You are on the editorial staff of a local newspaper called the *Plain City Gazette*, which also runs a web site. Residents often write letters to your newspaper or e-mails to your web site to voice their opinions.

The chief editor of the paper has asked you and your editorial team to review several letters from readers that have arrived in response to these proposed changes in federal immigration law. The chief editor wants you to choose **two** letters (from Handout B) using these criteria:

- The letters should **balance** one another in their positions.
- The letters should present **strong, clear arguments**.

Which two will you and your team choose?

1. Choose one person to be the Team Leader.
2. Read each letter and discuss the opinions and arguments they present.
3. Choose two letters to publish. The pair of letters you choose must reflect two different viewpoints using the criteria above.
4. Your group needs to reach consensus on its choices.
5. Have your Team Leader explain the rationale to the class.

Letter	Reason(s) for Choosing This Letter

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### LETTERS TO THE EDITOR—Handout A

#### Letter A

Dear Plain City Gazette,

Crossing the border illegally is against the law, pure and simple. But now Congress tells us that if you break the law by crossing over the border because it will help the economy, it is okay! Since when is allowing more and more workers from another country compete with us for our jobs a good way to help the economy? All I see these days are out-of-work Americans of every color and nationality.

Hey, if I ignore the lane lines and drive on the wrong side of the streets and freeways or even on the sidewalks when I want to get to work or the store faster, doesn't that "help the economy?" I am going to ask Congress to pass a law eliminating lane lines, so we can pick and choose ways to get around faster to make and spend money.

Yours truly,  
A. Reynolds

#### Letter B

Dear Plain City Gazette,

I am so happy that Congress passed this new law. Finally, the men and women who make our laws understand the basics of economics. By allowing undocumented workers to become legalized, and even to become citizens, we are helping to keep alive American production of products, food, and construction. These new citizens could also bring their families into the country and keep their money flowing in the U.S. economy.

Most undocumented workers do jobs that no one in the U.S. wants to do, anyway. Without them here, no one would pick the vegetables and fruits we eat, provide the labor to build the homes we live in, or take care of our young children while we work. Americans would just not fill those jobs. Undocumented workers play an important role in our economy, so why don't we reward their hard work by granting them a way to become lawful residents?

Yours truly,  
B. Kimball

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### LETTERS TO THE EDITOR—Handout A

#### Letter C

Dear Plain City Gazette,

While I support the spirit of the new law, I think it is the wrong time for Congress to pass this bill. Many Americans are having a hard time, losing their jobs, and facing evictions from their homes. The economy is struggling to survive, and many people are full of fear about whether they will be able to afford food or rent without government assistance. Should we now turn millions of undocumented workers into competitors for scarce jobs?

I think problems would come out of this. Americans who normally would avoid jobs in agriculture or construction would now, in an economic recession, seek out any work they can get. If those kinds of jobs are filled by former undocumented immigrants, then American workers would have to keep looking while they struggle to feed and house themselves. Americans would also start to resent the new competitors, and we would see a rise in racism and maybe even hate crimes. I don't want to see that in my country.

Yours truly,  
C. Adams

#### Letter D

Dear Plain City Gazette,

This law is a great thing for America, but it is only a start and does not go far enough. The millions of undocumented workers we have in this country are not going anywhere soon. They are a part of our economy. The law requires that they pay a fine to be eligible to become citizens, but a fine is a punishment.

Justice, however, demands that they be given the chance to become citizens whether they came here legally or not. People say that their "illegal" border crossing should be punished, but the Pilgrims were not invited guests to this land, either!

I thought America welcomed the poor and hungry of all nations. It is hypocritical and unjust to punish people who are simply seeking a good livelihood. This law should be passed in order to pave the way for a complete amnesty for all illegal immigrants!

Yours truly,  
D. Hobart