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THE ECONOMIC CAUSES AND CONSEQUENCES OF MEXICAN IMMIGRATION TO THE UNITED STATES

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ABSTRACT

It is argued that the main causes of the current wave of Mexican immigration to the United States are rooted in the rapid economic development of Mexico itself. Development is causing the mass displacement of rural workers. Also, key financial markets in Mexico are incomplete. In the past, the combination of these forces promoted a "circular" pattern of immigration in which workers remitted a large proportion of U.S. earnings to Mexico, e.g., as means to smooth household consumption as well as to acquire assets such as houses, higher educations, and other consumer durables. Due to increased border enforcement, workers may now be staying longer. However, these underlying forces connected with Mexican economic development, which impels the current wave of immigration, remain in place.

In turn, in the U.S. economy as a whole, the consequences of immigration are small and diffuse. However, the distributional effects are not negligible. The fiscal burdens associated with immigration tend to be highly uneven across U.S. cities and states. Also, low-skill labor markets may have been adversely impacted. Since immigration policy is a federal responsibility under the U.S. Constitution, a case can be made that the federal policy ought to redress these economic losses. It is argued, however, that efforts to expel undocumented workers are likely to be self-defeating, because in Mexico such immigration to the United States provides an important source of development finance.

INTRODUCTION

American economic history is, in part, a history of waves of immigration. In the early nineteenth century, the United States experienced a wave of immigration from Western Europe. Prior to the Civil War, the country also allowed forced immigration due to slavery. In the late nineteenth and early twentieth century, a second wave of immigration occurred, this time primarily from Eastern Europe and Asia. Still later, from the 1940s through the 1960s, a mass internal migration occurred, as large numbers of rural Southerners migrated, due to the decline of the sharecropping system, to the industrial cities of the North. The current wave of immigration, primarily from Latin America and Asia, is histori-

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cally unique, but so too were these earlier waves. The evolution of the American labor force has, from the beginning, been heavily influenced by such episodes, each one unique in its particulars.

These major waves of immigration, particularly from the second wave of European immigration on, have tended to generate ethnic tensions. Thus, in addition to referring to the movement of people from one region to another, the term "immigration" stands as a morally charged category of thought. Immigration policy deals with the boundaries, both physical and cultural, between others and us. As such, immigration policy stands as a focal point of hopes and fears and as an important symbol, which says something about the kind of society that we want to have.

Morally charged categories of thought are institutional in the specific sense that they involve the possibility of instituting (or realizing) ideals, i.e., normative views regarding how things *ought* to be. On this account, institutions possess causal potentiality in the actual run of events. Public policies, for example, shape the course of events in ways that are both intended and unintended.

Economists, no less than other people, maintain moral sentiments regarding such normative questions. These sentiments may be consciously acknowledged or they may be repressed. In any case, they unavoidably influence the questions asked and the perspectives taken.

However, the economist, qua social scientist, has no special competence in pronouncing upon moral questions. That is, the economist is little if any more competent than others when it comes to determining how things ought to be. For instance, *should* undocumented workers be accorded full or partial rights of U.S. citizenship? At what point is it right, and before what point is it wrong, for immigrants to be allowed to make claims on public assistance? This latter is a question of just deserts, i.e., it is essentially a moral question.

Restrictionists have one perspective on what is right and what is wrong. Immigrant rights activists have another. How is the economist, qua social scientist, to determine which side *really* is right? As suggested above, in consulting or promoting his or her own moral sentiments, the economist offers no special competence in distinction from his or her fellow citizens (whether or not, or under what circumstances, those fellow citizens are willing to grant the economist a special license to pronounce on moral questions is another matter). Without lapsing into homiletics at precisely the juncture when social *science* can least afford it, how should the economist, qua social scientist, proceed where such morally charged institutional phenomena, such as immigration policies, are concerned?

In principle, it is possible for the economist to take prevailing moral sentiments, e.g., those of restrictionists and of immigrant rights activists among others, as given phenomena. Such institutional phenomena then

can be approached from the standpoint of cause and effect, e.g., on the view that institutions interact, in a cumulative causal sequence, with the flow of events.[1] In this way, the economist, reasoning in terms of actual and potential causal sequence, can approach institutional phenomena from a scientific standpoint, which is conflated little, if at all, with homiletics. The scientific method, on this account, is characterized by reasoning in terms of cause and effect, where widely held moral sentiments, among other institutions, are both causes and consequences (whether actual or potential) of the ongoing sequence of events.[2]

This methodological outlook structures the following discussion of the economics of Mexican immigration to the United States. The analysis is not intended as a moral theory that pronounces on what ultimately is right or wrong in the domain of U.S. immigration policy. However, being an inquiry into causes and consequences, the discussion is intended to be useful for policy analysis.

I. THEORY AND EVIDENCE ON LIKELY CAUSES OF MEXICAN IMMIGRATION TO THE UNITED STATES

Mexico is a rapidly developing country with over a trillion-dollar economy and per capita annual income (in 2004) that, at $10,100,[3] is close behind nations such as Russia, whose per capita income is $12,100.[4] In the wake of its rapid economic development, its fertility rate has dropped dramatically, from 6.8 children per woman in 1970, to 2.2 children per woman in 2004.[5] Between 1994 and 2004 its Gross Domestic Product (GDP) grew at an average annual rate of 2.7 percent.[6] Among the thirty Organisation for Economic Cooperation and Development member countries, Mexico's growth rate during this time period

1. *See* GEOFFREY M. HODGSON, THE EVOLUTION OF INSTITUTIONAL ECONOMICS: AGENCY, STRUCTURE AND DARWINISM IN AMERICAN INSTITUTIONALISM 140-41 (2004).

2. Causation cannot be observed directly. What we are capable of observing are event sequences. Correlation, of course, is not causation. If x and y are causally related, it could be that x causes y; that y causes x; that x and y are mutually causal; or that x and y are mutually caused by some third causal force, z. Further, as econometricians and statisticians emphasize, the causal linkage between x and y could involve complex temporal lags and could be conditional upon a whole complex of causal conditions, any one of which, if overlooked, could conceal the true correlation of x and y. Rarely, if ever, are we able to conduct definitive empirical tests "proving" causation. Nevertheless, a mark of scientific as distinct from homiletic argument is the organization of analyses in terms of causal sequence.

3. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, OECD IN FIGURES – 2005 EDITION, GROSS DOMESTIC PRODUCT (2005), *available at* http://ocde.p4.siteinternet.com/publications/doifiles/012005061T004.xls.

4. CENTRAL INTELLIGENCE AGENCY, THE WORLD FACTBOOK: RUSSIA (2007), https://www.cia.gov/cia/publications/factbook/geos/rs.html.

5. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, OECD FACTBOOK 2007: ECONOMIC, ENVIRONMENTAL AND SOCIAL STATISTICS (2007), *available at* http://ocde.p4.siteinternet.com/publications/doifiles/302007011p1t00-3.xls.

6. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, OECD IN FIGURES – 2005 EDITION, ECONOMIC GROWTH AND PERFORMANCE (2005), *available at* http://ocde.p4.siteinternet.com/publications/doifiles/012005061T005.xls.

exceeded that of eleven other countries, including many developed countries such as France, Austria, Switzerland, Germany, Japan, and others.[7]

Rapid economic development tends to generate a complex set of consequences. First, the development of modern markets tends to raise living standards generally, but it may also result in the displacement of workers. Displacement then may be a key reason for immigration, whether temporarily or permanently, to high-wage regions such as the United States.

Second, as a nation develops rapidly, some key institutions, such as markets for capital, mortgages, consumer credit, and insurance may remain imperfect and incomplete. For instance, in the absence of well-developed markets for consumer and mortgage credit, immigration of workers from more prosperous families (i.e., individuals who have not been displaced from poor rural areas using traditional methods of production) may emerge as an important means of financing acquisitions of big ticket items, such as automobiles, higher educations, houses, and self insurance (i.e., accumulated precautionary savings balances).

Third, while rapid economic development may generate significant dislocation, the rise of generous systems of public support for the poor tends to lag behind, appearing more commonly among relatively rich, developed nations. In this context, some observers have suggested that access to relatively generous social services in the United States may provide an incentive for some individuals and families to immigrate. I will discuss each of these putative causes in turn.

A. Displaced Workers

A common perception among Americans is that Mexico is an underdeveloped or "third world" nation. This perception is simply wrong. As noted just above, Mexico is an industrialized and rapidly developing nation, with one of the largest urban regions in the world, namely Mexico City.

Wage differentials between the United States and Mexico undoubtedly are an important causal factor in Mexican immigration. GDP per capita in the United States is four times that of Mexico,[8] and, given the greater income inequality and macroeconomic instability in Mexico, for many low-skill workers the average income differential realized by immigrating to the United States may well be greater than four times.

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7. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, OECD IN FIGURES – 2005 EDITION, GDP GROWTH (2005), *available at* http://ocde.p4.siteinternet.com/publications/doifiles/012005061G001.xls.

8. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, OECD IN FIGURES – 2005 EDITION, GROSS DOMESTIC PRODUCT, *supra* note 3.

However, the significance of wage differentials is best grasped not as phenomena strictly of resource allocation but rather as phenomena connected with economic development and change. Douglas Massey explains the matter this way:

> [I]nternational migrants [e.g., to the U.S.] do not originate in the world's poorest nations, but in those that are developing and growing dynamically. Very few transcontinental migrants originate in Sub-Saharan Africa, for example, even though it is generally the poorest region of the world. Given their poverty, most Africans lack the means to finance international migration. Rather, today's global migrants are much more likely to come from the rapidly developing and relatively wealthy economies of Asia and Latin America than from the marginalized regions of Africa. Because it is the structural transformation accompanying development and the creation of markets that promotes international migration, and not poverty per se, there is no empirical relationship between per capita income and rate of emigration. It is the *initiation* of economic development under market mechanisms that causes mass migration to occur, not its absence.[9]

In the case of Mexican immigration to the United States, wage differentials then are only part of the picture. Historically, industrialization and other structural changes in economies have resulted not only in rising productivity and standards of living, but also in the dislocation of workers using traditional production methods, especially agriculture.[10]

Evidence suggests that the dislocation of small-scale maize farmers, exacerbated by the implementation of the North American Free Trade Agreement (NAFTA), may be a significant causal force behind Mexican immigration to the United States:

> The Mexican government unilaterally waived most of the import restrictions built into NAFTA's 15-year transition to full liberalization in maize trade and failed to avail itself of other opportunities to protect or promote small-scale maize farming. As a result, corn imports from the United States increased three-fold after NAFTA, prices dropped by nearly half, and 2.5-3 million poor farmers in Mexico have found themselves under increasing economic pressure . . . . [Also] while the United States increased its support for agriculture – roughly doubling its commodity support budget – Mexico's farm programs declined dramatically . . . .
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> The socio-economic impact on rural Mexico has been dramatic . . . . An estimated 1.5 million Mexican farmers have left farming since

9. Douglas S. Massey, *Five Myths About Immigration: Common Misconceptions Underlying U.S. Border-Enforcement Policy*, 4 IMMIGR. POL'Y IN FOCUS 1, 4 (2005), *available at* http://www.ailf.org/ipa/infocus/2005_fivemyths.pdf..

10. Douglas S. Massey & Kristin E. Espinosa, *What's Driving Mexico-U.S. Migration? A Theoretical, Empirical and Policy Analysis*, 102 AM. J. OF SOC. 939, 969 (1997); Massey, *supra* note 9, at 3-4.

> NAFTA took effect in 1994, but the rural sector in general, and the maize sector in particular, remain large and economically important. Rural poverty remains intractable, and rural migration rates have soared . . . .[11]

The connection, suggested here, between Mexican immigration and structural change in the Mexican economy is supported by remittance data.[12] One study found that "9 percent of men and 12 percent of women residing in rural areas live in a remittance-receiving household relative to 3 percent and 4 percent of male and female urban dwellers, respectively."[13] Of course, remittances to both rural and urban areas could be used either for consumption smoothing or for asset accumulation. However, as I discuss below, it seems likely that immigration due to displacement is motivated by the need to maintain consumption levels and possibly to self insure by accumulating precautionary savings balances.

It is interesting to note that American economic history itself offers a recent example that illustrates the kind of displacement process described here. During the 1950s, nearly 1.5 million African Americans migrated from the rural South to the industrial cities of the North.[14] This migration was initiated by the decline of the sharecropping system, which had emerged after the Civil War. By the mid-twentieth century, the mechanization of agriculture resulted in the decline of key commodity prices. These declining agricultural prices facilitated the expansion of the national market. However, they also hastened the decline of the sharecropping system, resulting in the dislocation of Southern agricultural workers. In effect, this dislocation was part and parcel of the expansion of the market system.

In retrospect, however, it is now widely believed that the relative decline of manufacturing in the United States began during this same period, the 1950s, even as this South to North migration gained momentum. From the 1950s onward (at least to the 1980s), the older manufacturing-based cities of the North began loosing jobs in manufacturing and, over time, began gaining jobs in service, financial, and professional occupations.

These conjoint processes, i.e., the dislocation of Southern agricultural workers together with the relative decline of the manufacturing sector, appear to have contributed to extremely high rates of unemployment among African Americans. For instance, in the 1940s the unemployment

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11. Timothy A. Wise, *Policy Space for Mexican Maize: Protecting Agro-Biodiversity by Promoting Rural Livelihoods* 2 (Global Dev. and Envtl. Inst., Working Paper No. 07-01, 2007), *available at* http://www.ase.tufts.edu/gdae/Pubs/wp/07-01MexicanMaize.pdf.

12. *See* discussion *infra* Part II.E.

13. Catalina Amuedo-Dorantes & Susan Pozo, *Migration, Remittances, and Male and Female Employment Patterns*, 96 AM. ECON. REV. 222, 223 (2006).

14. BENJAMIN KLEINBERG, URBAN AMERICA IN TRANSFORMATION: PERSPECTIVES ON URBAN POLICY AND DEVELOPMENT 150 (1995).

rate among blacks was about twenty percent higher than among whites. By the mid-1950s, it was over 70 percent higher, and by the mid-1960s, it was double.[15]

This example drawn from American economic history exhibits some important similarities with the current wave of Mexican immigration to the United States, notwithstanding the obvious differences involved. Such mass migrations are associated, albeit in complex ways, with industrialization and urban development. Mass migrations are sometimes hastened by the worsening obsolescence of traditional techniques of production, such as in agriculture. With the advance of industrialization and the expansion of national and international markets, traditional techniques become increasingly maladapted and unable to survive in the new competitive environment, e.g., in the face of intense competition on the basis of price.

The displacement of traditional workers ensues, of course, because such workers, who formerly used traditional methods of production, are unable to equip themselves with the newer, more modern industrial implements. That is, the conditions of poverty and low levels of education characteristic of traditional production systems do not tend to position dislocated workers for easy transitions into the emerging industrial system. Hence their dislocation rather than their assimilation as self employed entrepreneurs or as employees of industrial concerns.

Dislocated workers, particularly those with some access to means of transportation, are relatively footloose. In this context, income differentials between regions take on their full significance. As Massey points out, immigration to the United States from the most underdeveloped countries, i.e., from which the greatest income differentials exist, are relatively miniscule, whereas immigration from Latin American and Asian countries, which are rapidly developing, constitutes the bulk of recent immigration to the United States.[16] This means that the correlation between income differentials and immigration is a poor explanatory predictor. The causal significance of income differentials must be considered in conjunction with the complex dynamics of economic development.

A second point illustrated by this example is that dislocated rural workers may or may not have reliable information or sophisticated methods of calculating the payoffs associated with the prospects among which they have to choose. Dislocated rural Southerners migrated North at a time when manufacturing was beginning to decline. Had the ensuing decline in manufacturing been foreseen by the migrant workers, they would have had little or no incentive to migrate to the North. However,

15. *Id.*
16. Massey, *supra* note 9, at 4.

such structural changes are unforeseeable, and, at any rate, word-of-mouth information, which is available to dislocated rural workers, is likely to be imperfect to begin with. That is, the information that dislocated rural workers possess regarding labor and housing market conditions in geographically distant locations is likely to be fairly imperfect.

The role of social networks and the "beaten path" effect are important causal explanations here, i.e., where the ability to engage in rational calculation of net benefits is tenuous. Like everyone else, displaced rural workers are likely to consider what other similarly placed persons are doing or have done in the recent past. That is, if others are known to have prospered by migrating to a particular destination, that solution to the problem of dislocation is likely to be emulated by others. Once a beaten path is established and reinforced by the growth of a social network in the new location, the process of migration becomes somewhat self-reinforcing, even if positive net benefits in the new location are somewhat uncertain. Contacts in the new location may help the migrant to find housing and employment among other things. Sociologists refer to such communities as "ethnic enclaves." Beyond this, some cities and states have emerged as "gateway" locations or points of entry, where a disproportionate number of migrants tend to settle.[17]

B. Incomplete Financial Markets

Standard explanations of immigration in terms of factor price equalization do not easily account for the phenomenon of return migration.[18] When workers migrate to the United States due to wage differentials, if they return to their countries of origin before the wage differential disappears (or before a reverse differential appears), then standard economic theory, based on the presumed tendency towards factor price equalization, would suggest that the initial attempt at immigration failed. That is, the immigrant worker failed to secure employment in the receiv-

17. Gordon H. Hanson, *Why Does Immigration Divide America? Public Finance and Political Opposition to Open Borders*, 2005 INST. FOR INT'L ECON. 1, 8 (2005).

18. The factor price equalization theorem is a key result of the Heckscher-Ohlin model, which is a standard model from the field of international trade theory. In a nutshell, the idea is that if the same technology is available in two countries, as they move towards free trade with each other, output prices will equalize and this will bring about the equalization of factor prices, such as wages to labor and returns to capital. This result assumes that the two economies are competitive. Under the assumptions of competition, each resource is paid its marginal product. The productivity of a resource, such as labor, depends upon the amounts of other resources used relative to it. For example, the wage to labor, which equals its marginal product, depends upon the amount of capital employed relative to the amount of labor (expressed as the capital-to-labor ratio). If the wage is high in one geographic region and low in another, then labor will migrate from the low wage to the high wage region. This reduces the supply of labor in the former and increases it in the latter. The marginal productivity of labor then rises in the low wage region (thereby raising its wage), whereas the marginal productivity falls in the high wage region (thereby lowering its wage). In the absence of significant relocation costs, the migration process will continue (according to this model) until factor prices, such as wages to labor, are equalized across the trading regions. A similar argument applies to capital migration. Moreover, the factor price equalization theorem implies that factor price differentials are the main determinants of migration patterns.

ing country. Return migration, which is not a "failure" in this sense, then appears as something of an empirical anomaly vis-à-vis standard migration theory.[19]

In contrast, as discussed above, more recent causal theory postulates that workers sometimes migrate temporarily in order to cope with economic problems faced by their family members who remain in the country of origin.[20] This theory predicts that such immigrant workers will remit a high proportion of their earnings during their period of immigration and then return to the country of origin in order to reunite with their families. As noted above, so doing might help some families cope with an episode of displacement, especially when the region from which the immigrant comes is experiencing a high rate of unemployment.

Some theorists have identified a second reason for temporary immigration. Due to incomplete markets for capital, consumer credit, mortgage credit, and insurance, some workers who are not necessarily displaced might temporarily immigrate to the United States as a means of accumulating assets, such as business equipment, consumer durable goods, higher educations, housing, and self insurance.[21] In contrast, such saving would not be necessary, or at least not to the same extent, if more complete financial markets existed in rapidly developing countries such as Mexico.[22]

Moreover, empirical evidence suggests that the majority of Mexican immigration to the United States is, or at least was, roughly "circular." That is, evidence suggests that, for undocumented workers, the probability of return migration to Mexico has been about one in three. This suggests that about 70 percent of immigrants entering the United States in any given year have returned to Mexico within five years.[23] This finding may or may not continue to hold true, however, since increased border enforcement has made it more difficult to get back into the States following a return trip home. Workers who would prefer to maintain a circular pattern may now stay and/or bring their families in order to avoid getting shut out.

At any rate, as I discuss below, remittances to Mexico, now around $20 billion,[24] are one of its largest sources of foreign exchange and are a

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19. Massey, *supra* note 9, at 7-8.

20. *Id.* at 7.

21. Catalina Amuedo-Dorantes, Cynthia Bansak & Susan Pozo, *On the Remitting Patterns of Immigrants: Evidence from Mexican Survey Data*, 90 FED. RESERVE BANK OF ATLANTA ECON. REV. 37, 39 (2005).

22. *See* Massey, *supra* note 9, at 10.

23. *Id.* at 9.

24. CONG. BUDGET OFF., CONG. OF THE U.S., REMITTANCES: INTERNATIONAL PAYMENTS BY MIGRANTS 2-4 (2005), *available at* http://www.cbo.gov/ftpdocs/63xx/doc6366/05-19-Remittances.pdf; Alfredo Corchado, *Payments to Mexico Skyrocket Emigrants' Remittances Tripled in 5 years: Rate Troubles Analysts*, DALLAS MORNING NEWS, Apr. 15, 2005, at 22A.

major source of development finance.[25] Given the size and rapid growth of remittances to Mexico, it seems likely that circular migration is used, in part at least, as a means to finance acquisition of assets.

In support of this hypothesis, one study found that among undocumented workers, the probability of owning a home in Mexico that was purchased with U.S. earnings rises dramatically as a worker's cumulative work experience in the U.S. increases to ten years or more. The likelihood for workers with one year or less cumulative work experience in the United States was 6.3 percent, whereas for those with ten years or more cumulative experience it was 63.3 percent, a tenfold increase![26]

This finding, together with what is known about circular migration, suggests that undocumented work in the United States is a means of financing, among other things, home purchases in Mexico. It seems highly likely, of course, that some immigrants finance other consumer durable purchases, such as automobiles and higher educations, this way as well. Thus, as I discuss below, such purchases involve investments in material and human capital, which contribute importantly to economic development in Mexico and, of course, help to bridge the development gap between the United States and Mexico.

C. Access to Public Benefits in the United States

Another common opinion among Americans is the belief that the United States is a "welfare magnet," which attracts immigrants seeking to acquire access to generous public benefits. The economist Milton Friedman, who argued for a libertarian position, holds that open immigration would be optimal economically if it were not for the welfare state. As he puts it, "It's just obvious that you cannot have free immigration and a welfare state."[27]

Interestingly, there is a liberal version of the same argument. Former Colorado Governor Richard D. Lamm argues that:

> Social and redistributive programs require borders. It is fine to think of yourself as a citizen of the world, but we solve most problems in a national context and therefore we owe a greater moral duty to our fellow Americans than we do to non-citizens. Liberals must defend borders or they will lose all the social programs that they care about! No social program can survive without geographic limits and defined beneficiaries.[28]

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25. Roberto Coronado, *Worker's Remittances to Mexico*, BUSINESS FRONTIER (2004), *available at* http://www.dallasfed.org/research/busfront/bus0401.html.

26. Massey, *supra* note 9, at 6.

27. Peter Brimelow, *Milton Friedman, Soothsayer*, 2 HOOVER DIGEST (1998), *available at* http://www.vdare.com/pb/060914_friedman.htm; Hanson, *supra* note 17, at 64.

28. Richard D. Lamm, *Liberals Beware: There is a High Cost to 'Cheap' Labor*, DEFEND COLORADO NOW (2007), http://www.defendcoloradonow.org/perspective/art_liberals_beware.html.

There is no doubt that immigrants, both legal and illegal, use public services, which cost taxpayer dollars (including tax dollars paid by immigrants themselves). There is some dispute, however, regarding how the benefits from immigration, called the *immigration surplus*, stack up against the costs, called the *fiscal burden*. Notwithstanding this dispute, however, there seems to be growing evidence that there is a fiscal burden and that it is not insignificant.

A subtle but important point should be noted here. This evidence of fiscal burden, including its increasing trend in recent years, does not establish the existence of the causal effect that is sometimes referred to as the "welfare magnet," which putatively draws immigrants to the United States. That is, use of public services by immigrants does not establish that the prospect of receiving public services *caused* their immigration.

According to researchers at the Carnegie Endowment for International Peace, "[t]here is no reputable evidence that prospective immigrants are drawn to the U.S. because of its public assistance programs."[29] The argument that public services cause immigration suffers from the same conceptual problem discussed above regarding factor price equalization. The greatest disparities in public services are likely exist between the very poorest countries and the very richest countries, since the former can afford few public services, whereas the latter are among the most generous welfare states. Thus if the latter are hypothesized as "welfare magnets," then, here again, the greatest flows of immigration would be predicted to be from the poorest countries to the richest countries. However, as discussed above, waves of mass migration do *not* tend to be from the poorest to the richest countries but rather from the rapidly developing to the richest countries.

A corollary objection concerns the fact that states vary widely in terms of the generosity of their social services to the poor. If states were welfare magnets, then states like Texas, which rank very low, both in terms of overall generosity of benefits and in terms of accessibility of benefits to immigrants,[30] would attract little or no immigration. Yet, as it is well known, Texas is a major gateway state.

Thus, there is little or no evidence to suggest that the United States is a "welfare magnet." While that characterization might apply to other aspects of migration, such as migration of low-income people within the United States, it does not appear to be a significant motivation underpinning the mass migration of workers from Mexico to the United States. While immigrants end up using public services, by and large they do not immigrate in order to do so. Once immigrants (particularly those natural-

29. Immigration-usa.com, Immigrants and Welfare, http://www.immigration-usa.com/immigrants_and_welfare.html (last visited Apr. 23, 2007).

30. Hanson, *supra* note 17, at 8.

ized) arrive, they may well have an incentive to apply for public services. However, that is different from saying that accessing such services is a major motivation to immigrate in the first place. Moreover the validity of the claim that the United States is a "welfare magnet" cannot be established merely by pointing out that immigrants use public services or even that they do so disproportionately compared to natives.[31]

II. THEORY AND EVIDENCE ON LIKELY CONSEQUENCES OF MEXICAN IMMIGRATION TO THE UNITED STATES

Existing literature on the effects of Mexican immigration to the United States tends to focus on distributional effects, such as labor market effects and fiscal burdens. Evidence also suggests that political opinions regarding immigration are impacted, albeit in complex ways, by immigration itself and its consequences. The following sections discuss these consequences of immigration. I also discuss a relatively neglected aspect of Mexican immigration, namely its implications for economic development in Mexico. Mexican immigrants, not unlike others, remit a high proportion of their U.S. earnings to the country from which they immigrated, presumably where family members remain.[32] It is not widely recognized, however, that these remittances to Mexico potentially impact its economic development.

A. Labor Market Consequences of Mexican Immigration

Since the 1990s, Mexico has been the main source country for U.S. immigration, accounting for over one third of all immigrants.[33] Two-thirds of recent Mexican immigrants have not attained the equivalent of a high school education.[34] Evidence suggests that second generation Mexican immigrants achieve about forty percent higher educational attainment than their parents.[35] However, educational attainment appears to lag even in the third and later generations.[36]

Based on 2003 data, Hanson reports that about one third of all immigrants twenty-five years or older have less than a high school education, compared with thirteen percent of U.S. workers in the same age group. Yet immigrants are as likely as natives to have a college degree (about twenty-seven percent for both groups), and proportionally more immigrants than natives have advanced degrees. However, immigrants

31. Stated more formally, the fact that immigrants use social services is necessary but not sufficient to establish the claim that immigrants are motivated, even in part, to immigrate in order to access those services. The more naïve arguments appear to jump from statistics showing immigrants' disproportionate use of social services to the claim, which does not necessarily follow, that the United States is a welfare magnet.

32. Hanson, *supra* note 17, at 67-68.

33. *Id.* at 25.

34. *Id.* at 13.

35. *Id.*

36. *Id.*

are underrepresented in categories of moderate educational attainment (i.e., relative to U.S. norms). For instance, sixty percent of natives but only forty-one percent of immigrants had a high school diploma or some college.[37]

Thus the skill distribution of immigrants, as compared to natives, is heavily weighted in low-skill and high-skill categories. The current wave of immigration is changing not only the ethnic but also the skill composition of the American labor force. Hanson suggests that, compared to earlier European immigration, this change reflects the underlying shift in immigration to source countries in Asia and Latin America, where educational attainment generally is much lower than in the United States.[38]

The influx of high skill workers, particularly during the booming 1990s, has been due, in part, to shortages of high skill labor. For example, most workers entering the United States with H1B visas work in the electronic and software industries.[39] In contrast, seventy percent of immigrants who lack a high school education end up in low-paying manual labor positions, e.g., in agriculture, construction, and manufacturing.[40]

Thus the current wave of immigration to the United States is disproportionately made up of high skill and low skill workers. These skill profiles do not match those of the average American worker. Particularly regarding the low-skill segment, where labor surpluses are more common than labor shortages, economists have tried to measure the effects of immigration on labor market outcomes.

Early research on the labor market effects of immigration exploited the fact that immigrants tend to cluster disproportionately in "gateway" cities and states.[41] That is, one can compare labor market conditions, such as wages rates within a given skill category, to see if (controlling as much as possible for other factors) spatial regions with higher proportions of immigrants have, on average, lower wages. Most studies found little or no effect.[42]

More recently, however, these studies have been criticized.[43] If low-skill native workers are mobile, then any downward pressure on wages (due to immigration) would be dispersed rather than concentrated in areas where immigrants tend to settle. That is, any downward pressure on wages would tend to displace some native workers, who would mi-

37. *Id.* at 26.
38. *Id.* at 25.
39. *Id.* at 20.
40. *Id.* at 27.
41. George J. Borjas, *The Labor Demand Curve Is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market*, 118 Q.J. ECON. 1335, 1337 (2003) (extending a discussion about immigrants clustering to "gateway" cities and states).
42. *Id.*
43. *Id.* at 1335-36, 1338.

grate to surrounding regions. This dispersion of native workers would offset the downward pressure on wages in local areas experiencing high rates of immigration. In that case, the depressing effect on low-skill wages would be diffused across multiple regions and would not necessarily result in relatively low wages in gateway regions.

On the basis of this theory, some analysts have argued that the national labor market is the appropriate unit of analysis. One study, for example, found that during the twenty years from 1980 to 2000, immigration lowered wages for native high school dropouts by about nine percent; by three percent for native high school graduates; and by a negligible amount for natives with some college or with a college degree.[44]

Researchers at the National Research Council (NRC) summarize the labor market effect of immigration this way:

> The evidence leads us to conclude that immigration has only a small adverse impact on the wage and employment opportunities of competing native-born groups. This effect appears not to be concentrated in the local areas where immigrants live; much of it is probably dispersed across the United States as competing native workers migrate out of the areas to which immigrants move.[45]

This analysis suggests, of course, that even if immigration has a negative effect on low-skill (or other) labor markets, these effects would not necessarily be seen at the local level, e.g., in cities or states where immigrants are concentrated.

A similar argument can be made regarding the price level effects of immigration. That is, if immigrants depress low-skill wages, the related cost reductions may or may not be captured as higher profits. They might otherwise be passed on to consumers in the form of lower output prices, in which case the benefits of lower prices would, with some exceptions, be dispersed across national or international markets.

In contrast, policy analysts sometimes assume that the low-wage benefits from immigration accrue to the owners and managers of a small number of firms, who proceed to fire higher-paid American workers in order to reap higher profits. However, the extent to which this occurs is likely to depend upon the degree of direct and indirect competition faced by firms. That is, firms may face direct competition from other firms in the same market. Or they may face indirect competition from substitutes. Competition from substitute commodities may involve close substitutes, such as competition among differentiated restaurants, or it may involve more remote substitutes, such as competition between, say, expenditures

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44. *See id.* at 1368; *see also* Hanson, *supra* note 17, at 26-27.

45. NAT'L RES. COUNCIL, THE NEW AMERICANS: ECONOMIC, DEMOGRAPHIC, AND FISCAL EFFECTS OF IMMIGRATION 230 (James P. Smith & Barry Edmonston eds., 1997).

on food versus expenditures on clothing, where what is involved is a general competition for the consumer's dollar. Moreover to the extent that firms feel such competitive pressures, they will tend to pass through low wages in the form of low prices.

When low wages yield low prices, the geographic distribution of such price level effects is likely to be a complicated matter. In some sectors, such as agriculture and manufacturing, the price level effect, if any, is likely to be highly diffuse, since markets are national or international. In other sectors, such as various household and business services, any price level effect would be (roughly) coterminous with the region in which the immigrant population resides. With respect to the former, the benefits of immigration are spatially diffuse, whereas the costs are highly concentrated. With respect to the latter, the benefits and costs are concentrated in the same regions. This empirical problem is an important area where it would be useful to have additional research.

B. Municipal Finance Consequences of Mexican Immigration

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Welfare Reform Act)[46] made it more difficult for immigrants to qualify for welfare. Congress rolled the earlier open-ended welfare entitlement program, called Aid to Families with Dependent Children (AFDC), into a block grant referred to as Temporary Assistance for Needy Families (TANF). The states were given substantial discretion over the design and implementation of their programs, including whether or not to provide TANF and Medicaid, among other benefits, to legal immigrants who arrived before 1996.[47] The states are not supposed to use federal funds to aid documented immigrants who are not yet citizens. Documented immigrants must wait until after five years of residency to apply for citizenship.[48] This imposes a de facto waiting period of five years before new immigrants can qualify for public assistance. It also increases the incentive to naturalize. Consistent with this implication, Borjas found that naturalization increased following welfare reform,[49] particularly in states such as California where public assistance is relatively generous.[50]

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46. Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Welfare Reform Act of 1996), Pub. L. No. 104-193, 110 Stat. 2105.

47. Personal Responsibility and Work Opportunity Reconciliation Act of 1996 § 402.

48. 8 U.S.C. § 1427(a) (2006).

49. *See* Hanson, *supra* note 17, at 34 (citation omitted).

50. *See id.* This point does not necessarily contradict the earlier argument against the claim that the United States is a "welfare magnet." By and large, workers from Mexico appear to come to work temporarily and then return home. Among low-skill, low-income workers that stay, however, there are incentives to qualify for public assistance, whether or not so doing was the original motive to immigrate. *See generally* George Borjas, *The Welfare Magnet: For More and More Immigrants, America is Becoming the Land of Welfare Opportunities*, NAT'L REV., Mar. 11, 1996 (explaining immigrant participation in welfare programs).

The states can, however, use their own state funds to finance substitute programs that benefit non-citizen immigrants. This arrangement gives the states a fair amount of discretion over whether or not to provide aid to immigrants. For example, Texas and California have chosen to provide some health services to undocumented immigrants. Some observers believe that the motivation is to reduce health care costs, which would be higher if aid were limited strictly to emergency room services.[51]

During the late 1990s, following welfare reform, the percentage of immigrants using public assistance fell much faster than the percentage of natives using it.[52] This effect evidently was due to these new restrictions. However, the recession in the early 2000s led to increased use of Medicaid by immigrants. This usage returned the proportion of immigrants using public assistance, relative to the proportion of native usage, to the earlier differential between immigrants and natives.[53]

Overall, existing evidence suggests that immigrants are more likely than others to make use of social services, including welfare.[54] As I discuss below, there appear to be two key reasons for this. First, as noted above, about one third of immigrant workers, and two thirds of recent Mexican immigrants, have less than a high school education. Second, immigrant families tend to be larger than native families, which means that educating their children is more expensive (both because of larger numbers and due to the need to provide multi-lingual educational services).

As I noted earlier, during the later part of the twentieth century (not unlike earlier periods), immigrants to the United States tended to enter via certain gateway cities and states, and a disproportionate number ended up staying in those regions permanently. For instance, as of 2003, nearly seventy percent of the immigrant population lived in six states, California, Florida, Illinois, New Jersey, New York, and Texas. By comparison, these states contain forty percent of the general population. Similarly, nearly seventy percent of the population of undocumented workers is believed to reside in these six gateway states (with thirty-two percent in California alone). Similar concentrations occur at the levels of metropolitan areas and cities.[55]

However, these migration patterns began to change during the 1990s. In recent years, the fastest growing immigrant populations have been in the Southeast, including Georgia and North Carolina, the West-

51. Hanson, *supra* note 17, at 34 n.37.
52. *See id.* at 87 tbl.4.
53. *See id.*
54. *Id.* at 7; Donald Rice, Defend Colorado Now, A Compendium of Illegal Immigration Data 4 (2006), *available at* http://www.defendcoloradonow.com/studies/cost_study_dr_2006mar28.pdf.
55. Hanson, *supra* note 17, at 28-29.

ern Mountain states, including Arizona, Colorado, and Nevada, and the Great Plains, including Nebraska and Kansas.[56]

Given the spatial concentration of immigrant populations, both documented and undocumented, the distribution of municipal costs associated with immigrant populations differs widely across spatial regions such as cities, metropolitan regions, and states. In addition, there are significant differences among states regarding: (a) the relative generosity of their public services, (b) the progressivity of their tax systems, and (c) the accessibility to immigrants of their social services.[57] All combined, these different factors generate significant spatial differences in fiscal burdens associated with immigration.

For instance, some states, such as California, have relatively generous social services for the poor and relatively progressive tax structures. Other states, such as Texas, have relatively meager social services and regressive tax structures. Yet other states, such as Illinois, California, and others, exercise discretion in making their public benefits accessible to immigrants.[58] For all of these reasons, the fiscal burden (or cost of public services connected with immigrants minus tax revenues collected from immigrants) varies widely among states. Similarly, the distribution of the fiscal burdens among income classes within a state is likely to vary as well.

Preliminary evidence supports this conclusion. A recent study by the NRC compared the fiscal impacts of immigration in California and New Jersey.[59] The immigrant population in California has lower educational attainment as compared to New Jersey: in 2002, the proportion of immigrants who had not completed high school was thirty-seven percent in California and twenty-two percent in New Jersey.[60] Data from 1989-90 suggest that in New Jersey the fiscal transfer due to immigration was 0.4 percent of average native household income, or $232 per native household.[61] In contrast, in California, the fiscal transfer was two percent of average native household income, or $1178 per native household.[62]

According to the NRC study, two key factors were responsible for these fiscal transfers. First, immigrants in the two states had larger families, on average, compared to native households.[63] Second, because immigrants in the two states on average have lower educational attainment

56. *Id.* at 28.
57. *Id.* at 8-9.
58. *Id.* at 8.
59. NAT'L RES. COUNCIL, *supra* note 45, at 289-92.
60. Hanson, *supra* note 17, at 40.
61. NAT'L RES. COUNCIL, *supra* note 45, at 292.
62. *Id.*
63. *Id.* at 272-73 tbl. 6.1.

than the native population, they earn less, have a higher probability of accessing public services, and yet pay less in taxes.[64]

C. The Impact of Immigration on Public Opinion

Evidence suggests that public opinions regarding immigration vary both spatially and educationally. Workers with lower educations are more likely than those with higher educations to support restrictionist policies; among higher educated workers, those who reside in high immigration states with relatively generous public services and progressive tax codes are more likely to support such policies.[65] These findings suggest that immigration not only has economic consequences, e.g., in labor markets and in public finance, but also these economic impacts may, in turn, influence the development of public opinions regarding immigration policy.

There is room for further discussion, however, regarding the interpretation of these interesting findings. One rather obvious interpretation is that people *know* how immigration impacts their economic interests, and their policy preferences are endogenous to those impacts, among other things. Thus low-wage workers tend to prefer restrictionist policies because they are negatively impacted by immigration, and high-wage workers, in states where the fiscal burden from immigration is large, tend to favor restrictionist policies because their taxes are higher as a result of immigration.

This line of interpretation leaves out an important factor: When people calculate their self-interests (assuming that they do so), how do they *know* the extent to which they have been negatively impacted by immigration? To state the obvious, expert economists may disagree among themselves regarding the impact of immigration on labor markets and municipal finances. How is the ordinary worker supposed to calculate the putative negative impact of immigration on his or her wages or taxes? It seems almost absurd to assume that workers somehow know the "true" impact of immigration (assuming that there is an indisputable "true" effect). Impressions are likely to be vague at best, since even the experts may disagree on the correct figures, and, at any rate, most people are not experts.

It remains to say, therefore, how it is that policy preferences actually are formed. For example, if low-wage workers favor restrictionist

64. Drawing upon data from the NRC, Donald Rice points out that:

> A dropout creates a fiscal burden of $115,000 during his lifetime, while a high school graduate creates a $40,000 burden. An immigrant with more than a high school degree has a positive fiscal effect of $135,500. Combining the fiscal burden and positive fiscal effects results in a $3,872 fiscal burden for the average immigrant. (All #s are net present value, i.e., over a lifetime).

Rice, *supra* note 54, at 3. *But cf.* NAT'L RES. COUNCIL, *supra* note 45, at 275.

65. Hanson, *supra* note 17, at 59-60.

policies even though they have little or no way of knowing the "true" effect of immigration, then they must have some more immediate way of forming their perceptions. In lieu of scientific, undisputed information, it seems likely that most people would base their preferences on perceptions that are heavily influenced by generalizations passed along by others or by negative feelings connected with the labor market and other interactions. This is an area where it would be useful to have further empirical research.

D. Fiscal Impact of Citizen Immigrants Versus Undocumented Workers

It seems likely that use of social services differs between citizen immigrants and undocumented immigrants. To be sure, the latter may impose costs in the areas of K-12 education, emergency room services, and incarceration costs. However, they are perhaps less likely than citizen immigrants to access such services. According to Douglas Massey:

> Studies that focus specifically on undocumented immigrants suggest they use public services at rates far below those of legal immigrants. A 1987 study, for example, found that just 2 percent of illegal Mexican immigrants had ever received welfare or Social Security payments and just 3 percent had ever accepted food stamps.[66]

During roughly this same time period, the percentage of native-born and of (all) immigrants receiving welfare was much higher. In 1994, 3.9 percent of natives and 8.1 percent of immigrants received welfare, i.e., AFDC. Similarly, during that year 8.4 percent of natives and 13.7 percent of (all) immigrants received food stamps.[67]

These findings suggest that the fiscal burden of immigration is due little, if at all, to illegal immigration. For example, in contrast with this relatively small use of social services by undocumented workers, most pay taxes:

> It is a common misperception that illegal immigrants do not make contributions to tax revenues. Illegal immigrants pay sales taxes on their consumption purchases and property taxes on their dwellings they own or rent. In addition, many illegal immigrants contribute to Social Security and to federal income taxes. Since IRCA [the Immigration Reform and Control Act] in 1986, U.S. law requires that employers ask employees to provide proof of their employment eligibility. In response, many illegal immigrants present employers with fake Social Security cards that have invalid Social Security numbers. Most employers appear to treat illegal-immigrant employees as legal workers, withholding federal payroll taxes and income taxes from their paychecks. When paying payroll taxes on these workers, em-

66. Massey, *supra* note 9, at 7.
67. Hanson, *supra* note 17, at 87 tbl. 4.

ployers end up making contributions to invalid Social Security accounts.[68]

For instance, according to the Council of Economic Advisors, when contributions to Social Security are made using invalid social security numbers, the Social Security Administration holds those contributions in an "Earnings Suspense" file. In the late 1980s, following the implementation of IRCA, such annual contributions skyrocketed, from $7 billion in 1986 to $49 billion in 2000. As of 2002, nearly half a trillion dollars had been contributed.[69] Moreover since these contributions to Social Security will *never* be offset by entitlement claims from their contributors, the value of these contributions will continue to compound indefinitely.

E. The Economic Consequences of Remittances

Economic development theorists have argued that development can have "spread" and "backwash" effects.[70] Spread effects occur when a developing region stimulates development in another economically connected region.[71] Backwash effects occur when a developing region drains resources away from another economically connected region.[72]

Contemporary patterns of migration from Mexico to the United States suggest development themes that are related but more complex. Rapidly developing regions may release dislocated labor, which migrates, whether temporarily or permanently, to a developed region. As discussed earlier, circular migration then may become a key mechanism both for financing current consumption and for acquiring durable assets *in the home country*, such as business capital, higher education, automobiles, and housing. In this context, international remittances appear to have important consequences in terms of further economic development in developing countries (such as Mexico), from which a wave of migration to a developed country (such as the United States) initiates.

In 2003, remittances to Latin America exceeded $30 billion.[73] About one third of this amount went to Mexico. For instance, in the previous year, 2002, Mexico received $9.8 billion in remittances. This was the country's third largest source of foreign exchange, surpassed only by the maquiladoras (manufacturing facilities, especially in the North) and by its oil business.[74] Remittances to Mexico have since then skyrocketed

68. *Id.* at 23.

69. COUNCIL OF ECON. ADVISORS, EXECUTIVE OFFICE OF THE PRESIDENT, ECONOMIC REPORT OF THE PRESIDENT 108 (2005), *available at* http://www.gpoaccess.gov/eop/2005/2005_erp.pdf.

70. *See* Miron Mushkat & Roda Mushkat, *Economic Growth, Democracy, the Rule of Law, and China's Future*, 29 FORDHAM INT'L L.J. 229, 250 (2005).

71. *See id.*

72. *See id.*

73. COUNCIL OF ECON. ADVISORS. *supra* note 69, at 109.

74. Coronado, *supra* note 25.

to nearly $20 billion.[75] Moreover, total remittances (to all nations) now exceed economic development aid provided by the U.S. government to developing countries.[76] According to the Congressional Budget Office:

> In recent years, some observers have cited the potential for remittances to complement or even replace direct investment and foreign aid as a source of development finance. They argue that remittance flows are, in effect, a form of aid: rather than sending aid to a developing country, a developed country can allow migrants from that country to work and send money home. Those observers also point out that remittances do not directly burden a host country's taxpayers in the same way that tax-financed official aid does; that they are less costly to get to the people who need them, compared with aid that passes through the sending and receiving countries' bureaucracies; and they have tended to be more stable during business cycles than investment or aid.[77]

As discussed above, however, others have emphasized that immigration depresses the wages of those who compete with immigrants in labor markets. To some extent, these impacted workers disproportionately bear the burden of such development aid. Of course, as I discuss below, if there is considerable concern for the economic well being of such low-wage workers, then it is always possible to expand income support policies for these low-skill natives.

Beyond this, it is often argued that remittances are a drain on the local economies from which they originate. For instance, in 2004, over seventy percent of all remittances from the United States originated from just six states, California (32 percent), New York (11.9 percent), Texas (10.6 percent), Florida (8.2 percent), Illinois (5.1 percent), and New Jersey (4.6 percent).[78]

However, the problem of leakages from local economies is a complex matter. It is true that some businesses supply only the local market. By and large, however, modern markets are national or international in scope, so employment and investment decisions are not much impacted by demand conditions in the local market in which employment and investment take place. This is an important consequence of globalization. Moreover, from the standpoint of the national economy, remittances are a relatively miniscule drain on aggregate demand. The Congressional

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75. CONG. BUDGET OFF., *supra* note 24, at 2-3; Alfredo Corchado, *Emigrants' Remittances Tripled in 5 Years; Rate Troubles Analysts*, DALLAS MORNING NEWS, Apr. 15, 2005. These estimates, which are reported by the Mexican government, are substantially higher than estimates by the U.S. Bureau of Economic Analysis, which estimates remittances to Mexico at $6.4 billion in 2002 and $7 billion in 2003. *See* CONG. BUDGET OFF., *supra* note 24, at 2-3 for a discussion of the discrepancy.

76. CONG. BUDGET OFF., *supra* note 24, at 4.

77. *Id.* (internal citations omitted).

78. *Id.* at 5 tbl. 2. In 2004, 1.8 percent of all remittances came from Colorado, for a total of $544 million. *Id.*

Budget Office estimates that all remittances from the U.S. amount to 0.2 percent of GDP, which compared with other demand factors is negligible.[79]

However, for some states, this percentage appears to be much higher. For instance, 2004 remittances from California, far and away the largest source of remittances, were $9.61 billion, which is roughly 6 percent of the state's gross domestic product, formerly called "gross state product."[80] This "leakage" from the California economy could have a negative demand side impact upon local businesses that produce for the local market. Here, as with other consequences of immigration, the effect on the national economy is small, but the distributional effects across space and other dimensions may be quite significant.

CONCLUSION

As compared with other factors, immigration has a minor impact on the U.S. economy as a whole.[81] However, its distributional consequences appear to be fairly significant. Over time, wages in the low-skill segment of the labor market may have been depressed, thereby widening income inequality in the United States. Also the fiscal burden associated with immigration appears to vary widely from one state to another.

The causes of immigration, on the other hand, are closely connected with Mexico's rapid economic development. Circular immigration has been an important response to the displacement of workers, especially in rural areas, and to incomplete markets for capital, consumer credit, mortgages, and insurance. Taken within the context of these developmental forces in Mexico, the U.S.-Mexico wage differential combined with the beaten path effect constitute important incentives to immigrate.

79. *Id.* at 2.

80. CONG. BUDGET OFF., *supra* note 24, at 5 tbl. 2; *see* U.S. DEP'T OF COM., BUREAU OF ECONOMIC ANALYSIS, REGIONAL ECONOMIC ACCOUNTS, GROSS DOMESTIC PRODUCT BY STATE (2007), *available at* http://www.bea.gov/regional/index.htm#gsp.

81. *See* Hanson, *supra* note 17, at 40. Hanson suggests that, in the short run, the immigration surplus is about 0.12 percent of GDP, whereas the fiscal burden is probably around .20 to .25 percent of GDP, for a net cost in the neighborhood of .10 percent of GDP. *See id.* at 42-43. Clearly, this is a very small aggregate impact. Estimates of long run effects require stronger assumptions and, therefore, are relatively more speculative.