Immigration: 
An International 
Economic Perspective

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An effective American immigration policy has been complicated by 
the diversity of political interests and the absence of reliable statistics to 
determine the magnitude of the impact on the American economy. 
Estimates\(^1\) of the number of illegal aliens in the U.S. range from one to 
twelve million.\(^2\) While political biases and complexities and data 
inadequacies complicate our analysis, some generalizations, examined 
in this essay, seem to be confirmed by worldwide experience.

Immigration is a complex process. Despite numerous attempts to do so, no 
satisfactory general theory has been able either to explain the factors 
originating and perpetuating migrant streams or to analyze their impacts on 
various groups in the places of origin and destination and on the migrants 
themselves. A major theoretical problem is the tendency by Marxists, 
orthodox economists, and others to force immigration into a predetermined 
mold to be compatible with their general theories. There is basic agreement 
about the direction of net migrant flows from the less to more affluent 
countries, but less on the reasons for the movement.

As in other complex matters, migration probably can best be understood 
by making it the focus of analysis, which probably must be largely eclectic 
and clearly has important noneconomic as well as economic causes and 
effects. Large movements of people from oneplace to another also tend to be 
dynamic and must be viewed in historical perspective. A generalization 
which might be valid at one point in time (immigrants are mainly young 
males who promote economic growth and pay more taxes than they draw

\(^1\) See, U.S General Accounting Office, Problems and Options in Estimating the Size of the Illegal Alien 

\(^2\) “The most widely accepted range (of estimated illegal aliens is) 3.5-6 million. The most 
frequently cited estimate of the number who enter illegally each year is 500,000. GAO found no 
single previous estimate of either the national illegal alien population or its annual flow to be 
both valid and reliable. Current estimates stem from incomplete or questionable data bases or 
untested or demonstrably incorrect assumptions or are restricted to a subgroup of the illegal 
alien population”. (ibid. ii).
down public services) are not valid at other times. Similarly, market forces clearly are more important in an industrial than a pre-industrial society, when economic incentives for migration appear to have been relatively weak, which was one of the reasons for slavery, serfdom, and indentured servants. Similarly, at certain times active recruitment by agents of employers have initiated the flows of immigrants, but this seems to be less necessary in modern internationalized information societies. Moreover, before the 20th century, population movements were from the developed to the less developed countries, but in the 20th century the flows have been reversed.

Immigration processes also acquire lives of their own; once started, large migrant flows tend to be self-perpetuating, depending on such matters as the characteristics of the migrants and the conditions in sending and receiving countries. Moreover, there seem to be some general patterns. The first people to migrate tend to be young and unmarried or married people without children; then spouses and children are brought in, followed by cooks, entertainers, and other supporting populations, or, as in the case of migration to the U.S., migration is mainly to areas where the supporting populations already exist. Migrants are likely to operate within information and support networks of family, friends, or neighbors. Migrants and their hosts ordinarily assume the process to be temporary, which it is for some migrants, but large-scale flows almost always leave residuals of people who settle out.

The dynamics of labor demand also exhibit certain regularities in various countries. The migrants are preferred for some jobs by employers because they constitute dependable supplies of labor satisfied with marginal jobs domestic workers find increasingly less acceptable. Inevitably, however, the migrants’ children will find those jobs less acceptable as they lose their Third World orientation and acquire the aspirations of the developed countries. In order to perpetuate dependable supplies of labor for marginal jobs, employers are constantly seeking new supplies of migrants with Third World (or rural) frames of reference.

Information and transportation technology also play an important role in migration. Information technology raises Third World expectations and relatively cheap means of transportation facilitate mobility.

Migration streams also have important political implications. It is sometimes observed that the U.S. is becoming a Caribbean country. Not only do the immigrants bring their culture and values to the U.S., but they also bring an ability to influence U.S. policy concerning their countries of origin. In the long run, ethnic politics can be a very powerful force — indeed, probably much more powerful than if the sending countries sought to influence U.S. policy through normal diplomatic or international political channels.

Immigration is closely related to economic policies of the sending and receiving countries. The economic development strategies pursued by Third
World countries frequently assume outmigration as a "safety valve" or a source of foreign exchange. In Mexico and other countries, for example, the assumption of emigration of about half of the workforce growth permits that country to pursue a capital and energy intensive and export-driven strategy that otherwise would not be possible. Similarly, the individualistic, laissez-faire approach in the U.S. produces a weak central government with short-run, incoherent policies, which leaves decisions about immigration to individuals, especially employers, with little thought about the compatibility of immigration with professed economic objectives, which, in any event, are largely ignored by economic policy makers who pursue separate and often inconsistent economic and immigration policies. As a consequence, the United States has incoherent immigration and economic policies. For example, though a large proportion of immigrants work, there is no labor market test for most immigrants. And, while it is illegal to come into the U.S. without documents, it is not illegal for employers to hire those undocumented workers and the only effective penalty for those apprehended is deportation; many are deported repeatedly. By contrast, a few countries, notably Japan, pursue more coherent economic and immigration policies. The Japanese have developed very competitive management and economic policies that stress efficiency and flexibility to increase productivity, international competitiveness and raising standards of living for the Japanese and economic power for Japan. In this model, immigration is avoided in favor of investments in Third World countries.

The problem for the United States is compounded by the population and labor force problems in the Third World, where joblessness is now about 50 percent and likely to increase, at least for the rest of this century. Third World countries will have to generate 600-700 million jobs by the year 2000 to prevent unemployment from rising. To put this in perspective, there are not 600 million jobs in the industrialized market economies today. When Mexico was growing at 6-7 percent a year, at least a third of the labor force growth could not find jobs in Mexico. Future economic growth and job-creating potential will be reduced by the need to increase exports, reduce imports and cut government spending in order to service their huge external debt. The outlook, therefore, is for even more dramatic increases in the flow of people out of Mexico and other Caribbean countries. In addition to the improbability of those countries creating enough jobs to accommodate the growth in their working-age populations, other factors accelerating out-migration include: urbanization of very young populations and improved communications, which will increase expectations, make people aware of U.S. labor markets and living conditions and facilitate emigration; increased military violence, leading to greater requests for political asylum; and transnational networks into the U.S., which have become sufficiently well established to facilitate the flow of people into the country illegally.
These increased pressures in the sending countries have encountered stricter controls in all industrialized countries except the United States. With the internationalization of markets, suppliers seek the favorable opportunities where the resistance is least. Since the United States has less control of its borders than any other major industrialized country, it is natural for Asians, for example, who cannot enter Japan, to emigrate to the United States. How we handle these migration pressures will, therefore, have important domestic and international economic and political implications.

THE IMPACT OF IMMIGRATION
IN THE UNITED STATES

One of the most heated controversies is over the impact of undocumented workers on the American economy. Some immigration analysts argue that illegal immigrants have a positive effect on the economy. In this view, undocumented workers mainly take jobs legal residents will not accept and, therefore, promote economic growth and improve the conditions of American workers, consumers and employers. The undocumented workers do not burden social services, according to defenders of this position, because they pay more taxes than they draw down benefits. Opponents of controlling illegal immigration also stress the favorable impact of the undocumented workers on Mexico because they provide a “safety valve” for unemployed and underemployed workers and their earnings help Mexico’s balance of payments. Those who support this position sometimes argue that it is really impossible to control immigration, so efforts to do so will do more harm than good.

Those who favor controls stress the adverse impact on American workers, especially minorities, young people, and low-wage workers in secondary labor markets with whom the undocumented workers compete. In this view the illegal immigrants depress wages, displace American workers, and perpetuate low-wage, low-productivity jobs. Moreover, advocates of control argue, the undocumented workers and their children form an underclass who are easily exploited and who will, in the future, precipitate political crises as they attempt to redress their grievances.

It is, as a practical matter, impossible to resolve this controversy, but the evidence seems to support the following conclusions:

1. It would be very unrealistic to argue, as some do, that illegal immigrants do not displace any American workers, but it would be equally unrealistic to argue that the displacement is one-for-one. In fact, few if any serious students of this problem take either extreme. The controversy, therefore, is over which predominates, displacement or job creation. Don Huddle, of Rice University,
estimated, based on detailed experiments, that overall displacement was about .7 for urban nonagricultural jobs: "...i.e., for every 10 undocumented illegals working in urban jobs about 7 U.S. workers were displaced".  

2. **During periods of rapid economic growth and relatively low levels of unemployment — like the U.S. during World War II or Western Europe in the 1950s — there is very little displacement and the foreign workers probably promote economic growth and net job creation. When unemployment is high, there clearly is more displacement. Many of the models arguing for a positive impact assume, unrealistically, full employment and no, or low rates of, displacement.**

3. **The arguments against displacement are based on specific micro cases, as well as the largely hypothetical macro effects of immigration. It is sometimes argued that there is no displacement because the undocumented workers only take jobs rejected by legal residents. In all industrialized countries, there apparently is a tendency for citizens to be less willing to take certain menial and low-status jobs as economies advance. Commonly-cited empirical evidence for this argument is from a 1975 study of two California cases where efforts were made to fill vacancies created by apprehended illegals, one in Los Angeles and one in San Diego. The Los Angeles effort was unsuccessful because the jobs were not very attractive and paid less than the minimum wage. The jobs in San Diego were filled by commuters (i.e., legal border crossers) from Tiajuna.**

As Weintraub and Ross observe, "It is a peculiar kind of rationalization that argues that no serious damage is done because only nondesirable jobs are lost and that legal residents cannot really have been hurt since they refused to accept less than the minimum wage in particular jobs at particular locations".

In other areas, the jobs vacated by apprehended illegals are more quickly filled — especially when unemployment is higher and the jobs pay more than the minimum wage. A 1980 report, citing the California studies, concluded: "...in the suburbs of Chicago, where both wages and unemployment are running considerably higher than they were in San Diego five years ago,

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the Illinois Department of Labor has had no trouble filling openings left after Immigration Service raids on factories and businesses". In one case in Elgin, Illinois, the INS arrested 69 undocumented aliens in a foundry who earned between $4.50 and $13 an hour. Within hours, hundreds of local residents had applied for these jobs, all of which were filled within three days. INS officials also report no difficulty in other cities filling jobs vacated by apprehended illegals; in New York, Hispanics and blacks who have lost their jobs report the presence of the illegals to the INS. According to a New York official: "There are many black teenagers who would like to have some of the jobs those illegal aliens are taking". Similarly, the work by Huddle, cited earlier, made a fairly detailed case study and concluded that displacement was about 70 percent.

The problem, of course, is that these examples, like those cited on the other side, are drawn from localized studies and may or may not be representative.

Clearly, however, whether or not there is displacement depends partly on the nature of the job. Because they have more alternatives, especially welfare and unemployment compensation, legal residents are reluctant to take menial jobs at less than minimum or prevailing wages. There are, therefore, undoubtedly many such jobs that legal residents will not readily accept. The policy question about these jobs is whether it is desirable for them to continue or what might happen if there were no undocumented workers to take them.

Those who support the displacement thesis also point to the fact that while there might be localized shortages of legal residents for these jobs, there are no national examples of occupations filled exclusively by illegals; in other words, legal residents — especially minorities, young people and women — are concentrated in such jobs in every region of the United States. There is almost universal agreement that illegals depress the wages and working conditions in these low-wage jobs.

A major difference between the United States and the countries of Western Europe is that we have had a much larger secondary labor market because of large internal displacements of blacks and low-income whites from southern agriculture and because of heavy continuing immigration — legal and illegal — since World War II. We have, therefore, not had as much time to assimilate these large flows of workers, most of whom tend to get trapped in relatively low-wage jobs.

It would, however, be a mistake to assume that illegals only occupy marginal low-wage jobs. While they are concentrated disproportionately in


7 Ibid.
jobs, which tend to be perpetuated by successive flows of illegals through the networks, there also is a tendency for illegals to move into successively higher-paying jobs as they learn English and acquire experience, and as employers gain experience with, and learn to manage, the foreign workers. Many of the conclusions about the impact of undocumented workers are made from studies of agricultural workers, who are becoming a smaller part of the total flow of illegals. The data in Table 1, taken from two studies for the U.S. Department of Labor, show relatively small proportions of illegal immigrants employed in agriculture in the overall economy (18.8 percent) and a very small fraction of those employed in the Los Angeles community study. Those who work primarily in urban jobs apparently have higher earnings. For example, the average yearly earnings of 351 undocumented workers apprehended in Chicago during a three-month period in 1978 was $9,360. A comparison of Tables 1 and 2 suggests that illegal immigrants compete primarily with workers in secondary labor markets, which have heavy concentrations of Hispanics and blacks.

Another problem in assessing the displacement argument is the dynamic nature of employment and the difficulties involved in measuring the impact of illegals. The fact of illegality itself conditions the jobs the undocumented workers hold and, therefore, makes it difficult to measure the impact of their presence. In other words, if there were no illegals, the jobs would be different. For one thing, illegals are easily exploited and, therefore, are reluctant to complain about violations of their legal rights. Moreover, as noted some employers prefer illegals who compare their jobs with the alternatives in their home countries and, therefore, are more satisfied than natives with low-wage menial jobs, at least in the short run.

Experience with the H-2 program provides strong evidence that American employers prefer foreign workers for some jobs because, among other things, they are more easily controlled than legal residents. If the foreign workers are discharged, they can be deported, whereas legal residents can remain in the country. Employers also can screen foreign workers with respect to age and sex and blacklist those who did not perform satisfactorily, practices which are illegal in the United States. Employers not only are able to select foreign workers they consider to be superior to legal residents for the jobs in question who are willing to work in these unattractive jobs at low wages, but also gain a financial advantage in not having to pay unemployment compensation and social security; employers sometimes withhold, but do not pay, income and other taxes. Moreover, employers can and do violate wage and other labor laws, realizing very well that the undocumented workers are afraid to complain about law violations. Employers who use foreign workers would like to apply a market test of admitting foreign workers unless domestic workers can perform as well as the foreigners, while the law merely requires

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8 Ibid.
that domestic workers are able to perform the work. Virginia apple growers, for example, have refused to hire Puerto Ricans to pick apples; they prefer foreign workers from Caribbean countries whose lack of citizenship gives them limited protection. Informal polls of American agricultural employers as to who make the best harvest workers ordinarily produce rankings inversely related to the workers' personal control over their own affairs. This, of course, is similar to the concept of "crowding" in the domestic labor market, where women and minorities with limited options are preferred for certain jobs because their limited options make them a dependable supply of labor at lower wages.

Similarly, if there were no illegals employers would have other options. They could raise wages, improve management, and make the jobs more attractive, or mechanize. Mechanization would probably increase national
TABLE 2
PERCENT DISTRIBUTION OF ALL EMPLOYED PERSONS IN THE U.S.;
ALL EMPLOYED HISPANIC PERSONS, ALL EMPLOYED MEXICAN-ORIGIN PERSONS,
AND ALL EMPLOYED BLACK PERSONS, 1977

<table>
<thead>
<tr>
<th></th>
<th>All U.S. Workers</th>
<th>All Hispanics</th>
<th>Mexican-Origin</th>
<th>Black Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Employed</td>
<td>90,546,000</td>
<td>3,938,000</td>
<td>2,335,000</td>
<td>9,812,000</td>
</tr>
<tr>
<td>Percent</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Occupations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White Collar:</td>
<td>49.9</td>
<td>31.7</td>
<td>27.2</td>
<td>35.3</td>
</tr>
<tr>
<td>Professional and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical Managers</td>
<td>15.1</td>
<td>7.4</td>
<td>5.6</td>
<td>11.8</td>
</tr>
<tr>
<td>Administrators</td>
<td>10.7</td>
<td>5.6</td>
<td>4.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Salesworkers</td>
<td>6.3</td>
<td>3.7</td>
<td>3.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Clerical</td>
<td>17.8</td>
<td>15.0</td>
<td>13.7</td>
<td>16.1</td>
</tr>
<tr>
<td>Blue Collar</td>
<td>33.3</td>
<td>46.6</td>
<td>49.3</td>
<td>37.6</td>
</tr>
<tr>
<td>Craft Workers</td>
<td>13.1</td>
<td>13.7</td>
<td>15.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Operatives</td>
<td>11.4</td>
<td>20.9</td>
<td>20.4</td>
<td>15.1</td>
</tr>
<tr>
<td>Transport Operatives</td>
<td>3.8</td>
<td>4.1</td>
<td>4.6</td>
<td>5.2</td>
</tr>
<tr>
<td>Non-Farm Laborers</td>
<td>5.0</td>
<td>7.9</td>
<td>9.3</td>
<td>8.3</td>
</tr>
<tr>
<td>Service Workers</td>
<td>13.7</td>
<td>17.1</td>
<td>16.5</td>
<td>25.0</td>
</tr>
<tr>
<td>Farm Workers</td>
<td>3.0</td>
<td>4.4</td>
<td>6.9</td>
<td>2.2</td>
</tr>
</tbody>
</table>


productivity, because an important reason for declining productivity in the U.S. has been declining capital-labor ratios (because the work force has grown faster than investments since 1976, despite the fact that gross investment relative to GNP was higher between 1975 and 1980 than at any time since World War II). Illegal immigration might increase GNP, but not necessarily productivity.

Much of the argument against displacement, as well as the need for foreign workers to meet presumed future labor shortages, assume given wages and combinations of labor and capital, which is not very realistic. Again, however, the policy choice relates to whether it would be better for undocumented workers to perpetuate low wages and poor working conditions or whether it would be better either to a) legalize immigration so workers could at least protect themselves from exploitation or b) reduce the supply of labor to encourage job and productivity improvements.
Another option available to employers who have difficulty attracting unskilled workers at prevailing rates would be to shift low-wage work to developing countries, as the Japanese have done. The Japanese are very reluctant to accept immigrants. They, therefore, have maintained their productivity and higher skilled and professional work forces in Japan by shifting production requiring limited skills in labor surplus economies with lower wage standards. This practice indicates the close relationship between immigration, trade, and external investment in a world where domestic economies are becoming increasingly internationalized.

Japanese immigration policy is an integral part of this economic policy. They have had a comprehensive policy designed to improve the standard of living of the Japanese and the economic power of Japan. Although Japan is a congested country and population homogeneity is an important national objective, so is productivity, which is the key to improvements in living standards and the competitiveness of Japanese industry. The Japanese, therefore, had a comprehensive economic policy, including an industrial policy designed to make the most efficient use of resources. This requires shifting resources out of low-wage manufacturing industries, where Japan is not able to compete with Third World countries, and into higher-productivity industries, where Japan has a competitive advantage. The Japanese, therefore, send the low-wage marginal work to Third World countries, while the U.S., with its laissez-faire, ambiguous, and inconsistent approach to policy, has paid very limited attention to the economic consequences of immigration and tends to leave such matters mainly to the economic decisions of employers, who have had both the economic and political power to perpetuate the flow of legal and illegal aliens into the United States, regardless of the long-run economic, social, and political costs to the United States; low-wage workers, the chief victims of this policy have very little economic or political power. Instead of allowing marginal, low-wage work to be shifted to Third World countries, we perpetuate those jobs in the United States, reducing productivity. Moreover, laissez-faire individualism causes the U.S. to tolerate much more inflation, unemployment, and economic inefficiency than the Japanese. There is little wonder that the Japanese increasingly view the U.S. as a Third World economy. Nor is it surprising that many U.S. firms will have great difficulty competing with the more efficient Japanese model, which pays attention to productivity (which requires meticulous attention to quality and the efficient use of technology) and the maximization of long-run market share and not short-run profits. Fortunately, most U.S. firms are concerned about productivity and efficiency, but they get little help from national policy.

Within the framework of national policy, the economic impact of immigration depends on labor market conditions in the United States and the characteristics of the immigrants; if the foreign workers do not have
skills that are in short supply and if unemployment is relatively high in the labor market where immigrants concentrate (as North demonstrates to have been the case in the United States\(^9\)), immigration is more likely to have adverse labor market impacts.

Despite the paucity of data and disagreements about the economic effects of undocumented workers, most serious students of this problem agree that the foreign workers have differential impacts on various groups. Low-income legal residents are clear losers, employers probably gain and consumers of the goods and services produced by the immigrants also probably gain, at least in the short run.

Although the most important impacts of illegal immigration are in the labor markets, there are other concerns:

1. There is some question of the extent to which immigrants encumber social services. Apparently the degree of use is not great because, at least at first, immigrants tend to be young unmarried people who pay taxes but make limited use of services. Clearly, however, as the immigrant workforce matures, it will make greater use of public health and educational services; they make less use of unemployment compensation and very little use of social security and welfare.\(^10\) It is a strange argument for illegal immigration which minimizes the impact of social services. If the services are available all legal residents should be able to use them.

2. Illegal immigration if unchecked could have serious political and social consequences. Second-generation immigrants could be less satisfied with their conditions than their parents, leading to protests. There also is potential, unless abated, for language and political conflicts because a higher percentage of the illegal immigrants are Spanish-speaking. In recent years it is estimated that approximately half of all immigrants — legal and illegal — are Spanish-speaking.\(^11\)

**TEMPORARY OR GUEST WORKERS**

It is frequently suggested that a temporary or guest worker program is the most effective way to protect the interests of workers and to meet the mutual

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needs of sending and receiving countries. The experiences with such programs by the United States and Western Europe provide some insight into the value of these efforts.

A major American experience with temporary workers was between 1942 and 1964, when the U.S. entered into the “Bracero” agreement with Mexico to import males without their families to work mainly in agriculture. At its peak in 1956, this program had over 445,000 workers in the United States. However, the Bracero program was very controversial because it gave employers too much control over workers. Workers were deported if they displeased the employer, and invited back as “specials” if they did not; by increasing information about jobs in the U.S., the Bracero program accelerated the flow of illegal immigrants; this program also depressed American employment and working conditions, led to charges of bribery and corruption in Mexico and strained relations between the United States and Mexico because of disagreements over the terms of the agreement and the treatment of the Braceros in the U.S.

Should We Have a Large Guest Worker Program?

Advocates of a temporary foreign worker program contend that such a system is an essential component of any program to control illegal immigration, both as a way to meet the labor needs of employers who now rely on the undocumented workers and to continue the “safety valve” for Mexico and other sending countries.

Those who take this position usually make three arguments:

1. The U.S. cannot physically or politically close its borders to illegal entrants.

2. The U.S. economy has become dependent on illegal immigrants who are employed mainly in low-wage, menial jobs, often in remote areas, that American workers will not accept.

3. The U.S. has sanctioned illegal entry by tolerating it for years. To abruptly close this labor export “safety valve” now available to our labor-surplus neighbors may create unwanted political instability in those countries.

Opponents of a temporary worker program respond as follows:

1. The proponents of a large temporary worker program deny the U.S. one of the basic tenets of national sovereignty — the right to regulate the movement of foreign nationals across our borders. It is true that we have a stake in the political stability of our labor-surplus neighbors, and should work with them on this and other
mutual problems, but our basic priority must be to protect the interests of legal residents of the United States.

2. The employment of aliens does not prove the unavailability of domestic workers. Aliens may be preferred by employers because they are willing to work "hard and scared" at low wages and under adverse conditions.

3. There is no evidence that temporary workers reduce the flow of illegal immigrants — instead, they are likely to increase the flow unless there are effective controls, as was the case with the Bracero program in the U.S. and the guest worker programs in Europe.

4. A program large enough (perhaps one million work permits annually) to accommodate all the aliens now entering illegally will adversely affect U.S. wages and working conditions, especially in secondary labor markets.

5. A program small enough (100,000 permits annually) not to have a serious adverse effect on U.S. wages and working conditions will not reduce pressures for illegal entry.

6. Employers arguing that they will "go out of business" without aliens are really saying that they cannot survive without subsidies. Alien labor willing to work at low wages is a labor subsidy, just as a low interest loan is a capital subsidy. If subsidies to some industries or countries are deemed desirable, these should be given by all of the people and not primarily by our lowest-paid workers, who can least afford the sacrifice.

7. If temporary foreign workers do not participate in social security, unemployment and disability insurance, and other payroll tax-supported programs, employers will prefer aliens because they are cheaper than domestic workers (who must participate). If temporary foreign workers do participate, long-term burdens on those programs could increase, since most social insurance programs pay out relatively more benefits to low-wage earners. Temporary workers have a tendency to become permanent as some of them form attachments to their host countries, form families, and attract supporting populations. It cannot, therefore, be assumed, as is often done, that the foreign workers will not use social services and will always pay more taxes than the costs they impose on society, even though this is like to be true when the foreign workers first come. It is a strange theory of human nature that assumes that any group will remain young, unmarried males who are permanently satisfied with inferior status.
8. Temporary worker programs are difficult to administer. Experience with the H-2 program shows the establishment of a simple yet reliable test of domestic worker availability to be very difficult. It also is hard to make a program like this work if employers prefer the foreign workers, as they often do.

CONCLUSIONS ON TEMPORARY WORKERS

Despite its superficial appeal, a temporary worker program — beyond what we already do with H-2 — would be a serious mistake.

In the first place, projections of a “need” for alien workers must be regarded with extreme caution, particularly, of course, in times of high and rising unemployment.

Secondly, Western Europe’s experience with large-scale “guest worker” programs shows that the economic, social, and political problems generated by such undertakings are very similar to those we confront today with large-scale illegal immigration. In both cases, highly-developed industrial democracies with booming economies began using increasing numbers of Third World workers, who had limited civil and labor rights, as supplemental labor in jobs at the bottom of their labor markets. Over time, however, host nation adjustments to the availability of these documented and undocumented workers resulted in unanticipated backdoor immigration as workers remained and their families began to join them. Thus, when economies lagged and unemployment rose in the mid-1970s, xenophobic impulses and racial and ethnic tensions increased in the host nations.

In 1975, Western European countries responded to this problem by abruptly ending their recruitment of foreign workers and by making efforts to integrate 5 million who remained, together with 7 million dependents, into their countries. Moreover, Germany has launched a program to pay guest workers and their families to return home. Wholesale repatriation of these foreign workers was judged to be at least as inhumane and as economically and politically destabilizing as would a massive deportation of our undocumented aliens. Today serious political tensions, stemming from the inherently precarious legal status of foreign workers and the costs of providing 4 million “half lingual” youth with equal opportunity, persist. The human rights of these “migrant workers” have, therefore, become an important issue in the United Nations and other international organizations.

The admission of large numbers of foreign workers with legally circumscribed rights, therefore, not only raises social and political questions about the appropriateness of the utilization of such labor by democracies, it also reveals serious administrative and enforcement problems. The European experience indicates that guest workers can be distinguished from immigrants
only by the degree to which host nations exert strong control, as well as legal restrictions, on the movements of foreign workers and their dependents.

A system of amnesty for undocumented aliens, together with the traditional family unification rights of permanent residents, would automatically increase the legal flow of foreign workers into the United States from Mexico, continuing a modified (reduced) "safety valve". If in future years we establish a clear and pressing need for additional workers it would be better to admit such workers as immigrants with full legal rights than to admit them as guest workers with seriously circumscribed rights. In the meantime, we would provide U.S. managers with stronger motives to recruit, train, and utilize unemployed American workers.

**IMPACT ON SENDING COUNTRIES**

Immigration also has positive and negative impacts on the sending countries. On the positive side, the most important benefit is to relieve the population and employment pressures occasioned by rapid population growth and economic development which produces for elite markets and for exports and displaces workers. In the Caribbean Basin, for example, between 1935 and 1945 development was characterized more by import substitution and generated more employment than the capital-intensive production that prevails in many countries today. The main reason for the 1935-45 policy was that many multinationals from developed countries were less active in the region, leaving countries to their own devices. In many cases, rapid economic development has widened income distribution because benefits go mainly to economic elite and do not "trickle down" to low-income groups. Outmigration provides a "safety valve" for Mexico and other countries and, therefore, supports current economic policies.

Outmigration from Third World countries also relieves political tensions which result from very young, increasingly urbanized populations whose rising expectation cannot be fulfilled, especially by current policies. Rebellion is stifled by the migration of the same kinds of people who are likely to lead protests — younger, better-educated people with frustrated expectations. Since Third World countries also have very poorly-developed income maintenance systems, emigration and remittances to families substitute for welfare.

The migrants undoubtedly improve their material conditions from emigration, though often at considerable cost to family separations and changed family relations.

The negative impacts on sending countries include: the human resource drain (the sending country educates people who contribute to other countries), the safety valve lessens the political pressure to deal more effectively with domestic problems; emigration, especially if it is illegal, creates uncertainty
about the future; and political embarrassment to countries — especially highly nationalistic ones — who are unable either to provide jobs for their people or to protect their nationals abroad.

The uncertainty results from lack of control over the immigration policies of the U.S., which could abruptly close the safety valve or deport illegal immigrants. Mexico and other sending countries do not believe the U.S. will stop the flow or deport millions of their nationals in the U.S. illegally, but the history of their relationship with us provides ample grounds for nervousness. Sending countries also have discovered that while remittances help the balance of payments, they rarely can be converted to productive investments because they are heavily concentrated on consumption goods, often imported, along with houses and other consumer durables.

Other destabilizing aspects of emigration for the sending countries are caused by the inability to control return migrations; the most productive migrants are likely to remain in the receiving countries; and the returnees are likely to come home during depressed times, when it is most difficult to absorb them in domestic labor markets.

Thus, the experience of Europe and the United States suggests serious defects with the idea that labor flows are always beneficial to sending and receiving countries and can be readily turned on and off and reversed without serious disruption. Migrant flows have long-run consequences which are quite different from the short run. As the Swiss author Max Frish put it, "We asked for workers, but we got human beings".12

TRADE AND DEVELOPMENT

Immigration, therefore, has very important implications for foreign relations. In our case, this is especially important with respect to Mexico, where the immigration question evokes strong and conflicting passions. This problem is complicated by the immense population pressures on Mexico; the 2,000 mile permeable border between the United States and Mexico; wage differentials of as much as 10:1; the history of relations between Mexico and the U.S., which creates suspicions of U.S. motives and makes it necessary for Mexican political leaders to go out of their way to avoid any suggestion that they are being dominated by the United States; the large indigenous Spanish-speaking population in the U.S.; and the history of the relatively free movement of Mexicans into the U.S.

Mexicans argue that more favorable trade relations between Mexico and the U.S. would help halt the flow of people out of Mexico, but some U.S. trade

experts believe the main limitation on Mexican imports to the U.S. to be their lack of competitiveness, not tariff or non-tariff trade barriers. Moreover, preferential treatment for Mexico could create problems for American trade policies with other countries, since our trade has been based on the most-favored-nation principle. Mexico has also benefited greatly from the generalized system of preferences and other aspects of our tariff code which make it possible for companies in Mexico to ship goods into the U.S. and pay duties only on low values added in Mexico. It is doubtful that there is much more that the U.S. could do either politically or practically through trade policy to promote more effective development in Mexico and other Third World countries in order to narrow the employment and wage gaps with the United States.\(^{13}\)

While more open trade undoubtedly would be beneficial to the United States and the Third World countries in the long run, this is not likely to help much in the short run. Moreover, Mexico and other countries believe protection or favorable treatment to be essential to the development of their industry, which is not now able to compete in an open trading system. However, greater economic development in the Third World countries would be in the mutual interest of the U.S. and Third World countries, especially if development was employment-intensive and concentrated on such mutually beneficial activities as energy, food, and human resource development. The U.S. and other developed countries should give much more attention to multinational organizations that promote such mutually beneficial development activities. Unfortunately, however, the United States has reduced its relative aid programs in recent years. While the United States and other countries would benefit from more open international trading, development and financial systems, a major problem for the developed countries is the fear that low labor costs in the Third World countries would depress wages and working conditions in the more developed countries. To overcome these fears, there would have to be greater attention to international labor standards. While it is impractical to have an international minimum wage, it is feasible to establish labor standards on such matters as occupational safety and health, freedom of association, child labor, and forced labor, all of which are already covered by ILO conventions. What is required is the specific incorporation of these standards in a strengthened trading and financial system.

Some people hope that economic development based on rich oil reserves will narrow the income differentials between the U.S. and Mexico and therefore slow the pressure for outmigration. But it is doubtful that this will happen very fast. For one thing, economic development often accelerates

emigration by providing depressed people the means to move. In addition, much depends on what kind of development takes place in Mexico and where it occurs. In the past, Mexico has emphasized capital-intensive agricultural (which displaces people) and industrial activities outside the areas with heavy migration to the United States.

Another controversial issue is linkages between immigration, trade and energy. It is sometimes argued that the United States should increase trade and immigration in order to get more oil and gas from Mexico. Some Mexican leaders have suggested linkages, but others are fearful that this would strengthen U.S. dominance in Mexico.

American experts also question the value of linkages. For one thing, we must be sensitive to Mexican concerns about U.S. domination. For another, it makes little difference to us, in strict energy terms, whether Mexico sells oil to the United States or to other countries — it will still enter the world oil supply. Moreover, the price is not likely to be set by Mexico, but by OPEC. Similarly the U.S. is the most logical market for Mexico's natural gas. It would, therefore, be unwise and unnecessary to attempt to link oil and trade with immigration.

It is in our interest for Mexico to experience sound, balanced economic growth and political stability, but this will be done mainly by Mexican leadership. We can be sensitive to this process, and aid it with policies compatible with our national interest, but we cannot dictate its course. Similarly, the United States has the right to protect its borders and should not negotiate that right. While we should keep Mexico fully informed and wherever possible avoid such acts that would greatly damage their economy, we must be mainly concerned about our own national interests. Moreover, it is doubtful that Mexican political leaders will face up to that country's serious labor problems, especially effective development programs to provide more jobs for their people, so long as the United States continues to provide a convenient safety valve by absorbing part of Mexico's surplus population.

CONCLUSION

A broader view of our own self interest requires the United States to take the leadership in establishing a system that will make it possible for Third World countries to improve living standards through increased productivity and efficiency, not by exploiting workers or perpetuating inefficiencies. Of course, the same standard should apply to the U.S. Where it is clear that an industry is not competitive, adjustment programs should promote the shift of labor and other resources to more efficient activities. But all of this should be a matter of explicit national policy and not, as is presently the case, individual decisions which maximize short-run advantage at the expense of low-income American workers and with serious long-run political, social and economic costs.
While a more effective international trade and development system would help moderate the flow of immigrants, this is a very long-run solution. In the meantime, the United States should adopt measures to control illegal immigration, which can be summarized as follows:

1. There are two mutually-supportive, short-run ways to reduce the flow of undocumented workers: to better police U.S. borders and shorelines and to remove the motive for entry by making it illegal for employers to hire workers who are not authorized to work in the United States. We, therefore, a) should increase the technical and human resources available to the Immigration and Naturalization Service (INS) to permit more effective physical control of immigration, and b) amend the Immigration and Nationality Act to make it unlawful for employers to hire workers who are not authorized to work in the United States.

2. In order to give employers an easy defense and to facilitate their compliance with immigration laws, an effective worker identification system should be developed. This system would apply to all new entrants and job changers and, therefore, would avoid the intensification of employment discrimination against "foreign-looking" or "foreign-sounding" people.

3. In order to avoid the civil liberties, international relations, and human problems associated with mass deportations, illegal immigrants who entered the United States before January 1, 1981 and who have been in continuous residence for at least one year, should be permitted to remain in the United States as permanent resident aliens. Although this recommendation will produce serious administrative problems as well as questions of equity because of its unfairness to those who have been waiting patiently to enter the United States legally, it nevertheless is an essential component of any effort to legalize immigration. An adjustment of status also recognizes the United States' culpability in permitting illegal immigration to continue for so long.

4. The United States should not adopt a new guest worker program. If after illegal immigration is brought under better control it appears that more workers are needed in the U.S., it would be better to admit them as immigrants with full legal rights that as guest workers with inferior status.

5. The proper sequence of changes in immigration policy is very important. Dealing with illegal immigration should have the highest priority. However, the sequence for implementing the components of an illegal immigration control program is very important. The resources for the INS should be increased, border
control made more effective, employer sanctions for hiring undocumented workers adopted, and the work authorization system put in place before amnesty (for adjustment of status for illegal immigrants), even though it would be desirable to adopt all of these measures as part of a phased package.

6. Because it is important to have friendly relations with our neighboring countries, and because the ultimate solution to illegal immigration is to reduce the wide disparities in employment opportunities between countries, the United States should work with other countries to control illegal immigration, but should not link control to energy, trade or other policies. It is particularly important to discuss immigration control plans with other countries, especially Mexico, and to do everything consistent with American interests to minimize the adverse impact of our immigration policies on our neighbors.