

What Immigration Means for the Economy

BY ROSS LAWRENCE

As concerns about a difficult labor market weigh heavily on the minds of many Americans, an enduring anxiety about the effects of immigration on the economy underlies many policy debates. As a result, a number of policymakers and pundits have declared that liberal immigration policies are a source of economic instability for the country.

Jennifer Hunt and Marjolaine Gauthier-Loiselle put some of these concerns into context with their recent paper. Much of the conventional wisdom holds that immigrants exhaust more than their share of public resources, in addition to providing competition to native-born Americans in the domestic job market. But economic research about these newcomers suggests that they may provide more of a long-run boon to the U.S. economy than previously thought. This article, for example, studies the contribution of skilled immigrants to innovation in the United States.

The authors point out that the United States had about a 12 percent foreign-born population in 2000, but 26 percent of U.S. Nobel Prize winners from 1990-2000 were immigrants, as were 25 percent of the founders of venture-backed publicly owned American companies between 1990 and 2005. To

explore the link between immigration and innovation, Hunt and Gauthier-Loiselle use data about U.S. patents per capita. “The purpose of studying patents is to gain insight into technological progress, a driver of productivity growth, and ultimately economic growth. If immigrants increase patents per capita, they may increase output per capita and make natives better off.” As the authors note, such information undoubtedly should influence policy debates about skilled immigration, such as determining the appropriate number of employer-sponsored H-1B visas to allow for skilled workers.

What if immigrants are just crowding out natives from the science and engineering fields? They control for that possibility, however, in a way that is designed to estimate the impact of immigrants on innovation given positive or negative spillover effects.

Based upon individual-level data gathered from the National Survey of College Graduates, the authors show that a 1 percent increase in the proportion of college-graduate immigrants in the population increases patents per capita by 6 percent.

“In addition to the direct contributions of immigrants to research, immigration could boost innovation indirectly

through positive spillovers on fellow researchers, the achievement of critical mass in specialized research areas, and the provision of complementary skills such as management and entrepreneurship,” the authors write. They also note “that the immigrant patenting advantage over natives is entirely accounted for by immigrants’ disproportionately holding degrees in science and engineering fields.”

Of course, unskilled immigrants rather than skilled ones often receive the majority of public scrutiny. Other economists, including David Card of the University of California at Berkeley, have looked at this issue. In particular, Card has addressed the question of whether immigrants hurt the job opportunities of less skilled native workers. In a 2005 paper titled “Is the New Immigration Really So Bad?” he concludes that, on the whole, “evidence that immigrants have harmed the opportunities of less educated natives is

scant.” He also responds to the research of economist George Borjas of Harvard University and others, who argue that recent years have witnessed an increase in cultural and language differences between immigrants and natives that may make assimilation more difficult. According to Card’s research, immigrants may be adapting to the American lifestyle better than some think

— on average, second-generation children of post-1965 immigrants have higher education levels and wages than their native counterparts.

Card considered a more specific example of the relationship between immigration and unemployment in a 1989 paper, in which he examines the impact of the Mariel Boatlift on the Miami labor market. During about a five-month period in 1980, some 125,000 Cubans fled a declining economy and internal tensions in their native country. The data suggest about half of these immigrants, most of whom were relatively unskilled, settled permanently in Miami, Card writes. This drove up the city’s population by about 7 percent. It had no discernable effect on the wage rates for less skilled non-Cuban workers, Card found, nor did Miami’s unemployment rate rise disproportionately to state and national averages.

The growing body of research ought to contribute to a more informed debate about U.S. immigration policy. Although other political considerations play a role in this conversation, the bulk of evidence seems to suggest that immigrants — of varying skill levels — have a net positive effect on the American economy. **RF**

“How Much Does Immigration Boost Innovation?” Jennifer Hunt and Marjolaine Gauthier-Loiselle. *American Economic Journal: Macroeconomics*. April 2010, vol. 2, no. 2, pp. 31-56.