

The Effect Of Immigration On The U.S. Economy

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Introduction and Economic Debate

Many policymakers tend to blame immigration for slowing down the [U.S. economy](#) since the 1970s. However, academic research does not conform to these trends. Immigration tends to lead to more innovative measures being added to the economy with higher productivity levels. Immigration also has an overall positive effect on the state, federal, and local budgets. Not all taxpayers will be able to benefit from low-income or less-educated immigrants as natives in the United States tend to bear extra costs of education that immigrants are granted; however, exceptions exist as mid to high-income immigrants benefit the state to a greater extent.

Immigration and Workforce Growth

It is imperative to note that in the past ten years, immigrants have represented a 47% increase in the workforce in the United States alone, with an increase of over 70% in the UK (OECD, 2014). Concerns also relate to taxation and contributions, and recent studies have confirmed the fiscal impact that European countries, the United States, and Canada seem to be experiencing. For instance, the study suggests that in the past 40-50 years, there has rarely been a change of 0.5% in GDP due to migrants. One can conclude that most of the time, immigrants are neither a burden nor are they causative to the financial burden in countries. They tend to contribute to building the public infrastructure, though less than natives dwelling in the area since birth.

Though many reports do not support the positive or negative effects of immigrants on the economy, the report that looks at 22 OECD countries between 1986-2006 shows that there is a positive but small impact that human capital brings to the economy. Also, one can see that there is a 50% increase in the net migration of foreigners that generates less than a 1/10th point variation in the growth of productivity. There are many factors that tend to focus on the positive effect that immigration has on the economy, no matter how slight. The proportion of highly educated immigrants has increased in the previous ten years to more than 70%. That is, more than 30 million immigrants in 2010-2011 were highly educated (OECD, 2014). Overall, immigration has a positive impact.

Fiscal Impact and Public Finances

Preston (2014) states that one of the major reasons that hostility is seen towards immigrants is that they place a burden on public finances. If one uses conventional analyses, one sees immigration as something beneficial as one that generates an immigration surplus (Preston, 2014). One can also see that there is a surplus of these factors in the labor market that is seen to accrue the natives considering the labor market. As far as public policymakers are concerned, there is a major issue of the country's fiscal position when immigration is considered in places such as the UK.

When immigrants' status is questioned in the economy, it is imperative that the way that they spend and pay taxes on their incomes is seen, and all **demographic characteristics** are also assessed based on the specific skills that they have. Essentially, when one uses the dominant economy model of migrant selection, one can view this as a response to economic gain. Also, as per Preston (2014), one can look at the Roy mode to see the migration trends and the effects that are seen on highly skilled individuals in the destination country. Common arguments are seen when ideas of welfare position are seen in the economies; at times, America can be seen as a magnet for migrants seeking a high quality of life. On the whole, immigration can be seen as potentially generating costs by using public services. When one views it in a broader context, it can alter the calculus of public finances by looking at the age structure of the migrant population and the immigration life span.

Immigration and Labor Market Adjustment

Peri (2016) looks at some of the reasons immigration is seen after there are political changes in other countries. For example, there are changes in the way that the immigrant labour supply is used to identify the short-run causal impacts of the increased immigrant supply. In Denmark, for instance, there was an inflow of immigrants from Iraq, Afghanistan, and Somalia due to the 1994 crisis and the recession of 2008. Overall, there needs to be a closer look at the economic determinants of migration and the impact it has on the countries of origin. For instance, there needs to be a promising area of research that can become highly relevant. Some research has been carried out on U.S. immigration and relates to the changes in obtaining the H-1B visa (Peri, 2016). Other policy changes seem to impact the economy and allow workers to take on many suitable jobs. Overall, there can be a significant understanding of the labour market and outcomes of immigrant and native workers in the long and short run.

It is likely that effects will be seen in the openness of the labour market as policies are moulded to accommodate international workers. The United States is essentially a flexible and **competitive labour market** with adjustment costs. The overall equilibrium in the United States moves only a little when friction is studied in the labour markets using macroeconomic models. There is also a growing interest that foreign students tend to show in the US environment to study and pursue careers that do not seem to destabilize native jobs. Essentially, foreign students only increase the demand for services



once they graduate.