

The Stigma of Short-Run Decline

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Countries across the globe are facing shrinking and aging populations. Immigration offers a solution to cull or diminish the rate of the population shrinking. However, the public sector fears an increase in immigration will cause an economic and societal decline. Immigration is limited, and fertility remains below the rate of replacement. Society needs policy reformation to change the stigma on immigration to solve the population crisis. The current legal debate concerning immigration is complex. It involves human rights and our Constitutional principles. But it also needs to consider the economic factors affecting our system that are created using immigrant labor, the increased costs of providing education and care for dependents, and the effect upon our federal, state, and local taxing systems. In this paper, we will focus on the economic factors that indicate the necessary contributions that immigration makes in order for our nation to be sustained.

A shrinking population is caused by sub-replacement, where new generations are less populous than the previous ones. The direct cause of this is a decrease in fertility rates and an increase in life expectancy. A country enters a stage of negative populations growth rate will birth rates decline well below replacement level (2.1 children per woman). What occurs is an aging citizenry that will eventually lead to a decrease in total population.¹ As a result, the median age in the work force is increasing and the work force population is shrinking.²

This is causing speculation about economic problems in the long run for issues

¹ *Stage 5 of the Demographic Transition Model*, Population Education (2017), https://populationeducation.org/content/stage_5-demographic-transition-model, (last visited Mar 3, 2018).

² *Public Health and Aging: Trends in Aging -United States and Worldwide*, Centers for Disease Control and Prevention, <https://www.cdc.gov/mmwr/preview/mmwrhtml/mm5206a2.htm>, (last visited Mar 3, 2018).

like social security. If more people are retiring and not enough are nascent workers, how will we raise enough income taxes to cover the increasing social security surplus? Many highly developed countries like the U.S. that are facing aging and shrinking populations are looking at immigration as a possible solution.³ Reforms to immigration laws can change the perceptions on immigration and increase the number of immigrants, increasing the work force population.

One of the underlying causes of aging and shrinking populations is that fertility rates are falling below 2.1 births per woman, this ratio is the natural replacement level.⁴ If any population fertility rate would fall below this level it naturally shrinks. Joseph Chamie, author of *The Choice: More Immigrants or Fewer Citizens?*, states that:

Even for countries that have fertility rates *near* the two-child replacement level, such as Australia, France, New Zealand, the United Kingdom and the United States, immigration can have an enormous impact on future population growth. In the United Kingdom, for instance, nearly 95 percent of its population growth by midcentury is the result of immigration – both immigrants and their descendants.⁵

Immigration's impact on a population compounds the population through the addition of new lineage. When an immigrant relocates, he also creates a line of new generations and families that will contribute to population size, acclimating to the culture and contributing to the economy. The magnitude that immigration has on population is sufficient enough to decelerate if not

³ *Replacement Migration*, United Nations,

<http://www.un.org/esa/population/publications/migration/migration.htm>, (last visited Mar 3, 2018).

⁴ *Stage 5 of the Demographic Transition Model*, Population Education (2017), <https://populationeducation.org/content/stage-5-demographic-transition-model>, (last visited Mar 3, 2018).

⁵ Joseph Chamie, *The Choice: More Immigrants or Fewer Citizens? The Choice: More Immigrants or Fewer Citizens?* YaleGlobal Online (2013), <https://yaleglobal.yale.edu/content/choice-more-immigrants-or-fewer-citizens> (last visited Feb 13, 2018).

halt population shrinking. Chamie states, "...with about a million immigrants per year, the United States working-age population, ages 20 to 64, is projected to increase by 17 percent by midcentury. However, if immigration to the United States were halted, its working-age population in 2050 would be about 1 percent smaller than it is today."⁶ Even with immigration, such an impressive yield still has a stigma from the public sector. A Pew Research Center survey finds that 50% of the national survey representatives say immigrants have a negative effect on the economy.⁷

The public sector's opinion toward immigration tends to be negative due to issues that are only present in the short run, the stigma however carries over to the long run. Chaime claims that, "The public often perceives immigrants as threatening employment conditions and opportunities, depressing wages, increasing crime, driving up prices, contributing to declines in public education, raising the costs of local services and internal surveillance, and profiteering from social-services entitlements."⁸ These issues are present and reflected during the short run of the adoption of immigration. To understand why the issues Chaime claims will only occur during this period, you have to use a tool known as the production possibility frontier. The Production Possibility Frontier (PPF) is the graphical representation of a country's most efficient means of production, through the utilization of labor and allocation of good or resources. The PPF is a line graph with the x axis and y axis representing 2 different goods or services. Using this method, when we draw a graph using manufacturing and agriculture for the x and y axis respectively, there will be a decreasing line of demand intersecting an increasing line of supply. We can now illustrate the effect of immigration on the economy. The point of intersection on the graph is known as equilibrium and with an increase in supply of labor, we are no longer at a point of equilibrium. The supply of labor moves right along the PPF decreasing the demand thus

⁶ Id.

⁷ *Chapter 4: U.S. Public Has Mixed Views of Immigrants and Immigration*, Pew Research Center's Hispanic Trends Project (2015), <http://www.pewhispanic.org/2015/09/28/chapter-4-u-s-public-has-mixed-views-of-immigrants-and-immigration/>, (last visited Mar 3, 2018).

⁸ Joseph Chamie, *The Choice: More Immigrants or Fewer Citizens?* YaleGlobal Online <https://yaleglobal.yale.edu/content/choice-more-immigrants-or-fewer-citizens>, (last visited Mar

decreasing the wages for labor. This movement from equilibrium correlates to “threatening employment conditions and opportunities, depressing wages, increasing crime, driving up prices... raising the costs of local services,”⁹ as Chaime stated.

This decrease is only observed in the short run due to the law of supply and demand. In the long-run, we see a shift back to the original point of equilibrium, where the wage is the same. “Standard economic theory implies that while higher labor supply from immigration may initially depress wages, over time firms increase investment to restore the amount of capital per worker, which then restores wages. Steady growth in the capital-labor ratio prevents workers’ average productivity, and therefore their average wages from declining over the long run.”¹⁰

In the long-run, firms reinsert profits made from the boom supply of labor to support the newly found demand by immigrants. “Immigrants [are] also thought to contribute to increased demand for local goods and services which can stimulate the local low skilled labor market. It is also possible that employers, in the face of abundant low-skill workers may choose production processes which are more labor intensive than otherwise would have been.”¹¹ For this reason, immigrants are often thought of as imperfect substitutes for labor markets. Immigration tends to create opportunities for low-skilled native workers to specialize, increasing their productivity and raising their wages, which in turn benefits the population’s work force size and the economy. Immigration is thought to be harmful to state and local taxes. However, any strain on the tax system may be offset by the contributions of immigrants and their families.

Many of the costs imposed by immigrants are costs that arise in state-run

⁹ Id.

¹⁰ *The Effects of Immigration on the United States' Economy*, Penn Wharton Budget Model, <http://budgetmodel.wharton.upenn.edu/issues/2016/1/27/the-effects-of-immigration-on-the-united-states-economy>, (last visited Feb 13, 2018).

¹¹ Joseph Chamie, *The Choice: More Immigrants or Fewer Citizens?* YaleGlobal Online (2013), <https://yaleglobal.yale.edu/content/choice-more-immigrants-or-fewer-citizens>, (last visited Feb 13, 2018).

programs, like the cost of public schooling and of welfare benefits. However, many of the taxes that immigrants pay are federal taxes, like income taxes and Social Security taxes. Many immigrants do not own property (such as homes and cars), so they do not pay property taxes, which are one of the main sources of state and local tax revenue. Though they do pay sales taxes, which are state and local, the landlords of property they rent pay property taxes. According to the non-profit Rand Corporation, the effects of immigration on taxes are generally positive at the federal level, but they are negative at the state level.¹²

Social programs like welfare and public education are funded through property taxes. The public sector may see large tax cost in areas with a large concentration of less-educated immigrants. Immigrants tend to pay less in taxes because they tend to be in a lower tax bracket and rent property, thus giving the federal government tax payments only. This creates a negative short-run economic impact if immigrants are actively using the public school system or welfare. An article from The University of Pennsylvania, Wharton Budget Model, states that:

“Immigrants often impose a heavier tax burden on natives at the state and local level. Immigrants — particularly those with low levels of education and income — generally have larger families and more children using public K-12 education, the largest component of state and local budgets. Furthermore, if immigrants’ children are not already fluent English speakers, the per-student cost of education may be substantially higher than for native-born children.”¹³

However, the high cost per child for local and state governments will be mitigated by the benefit-oriented, long-term trend because eventually that higher educated child can specialize and increase their income once they graduate and enter the work force. OpenStax, publisher of *Principles of Economics* states, “the upward economic mobility and taxpaying lifetime of

¹² Id.

¹³ *The Effects of Immigration on the United States' Economy*, Penn Wharton Budget Model, <http://budgetmodel.wharton.upenn.edu/issues/2016/1/27/the-effects-of-immigration-on-the-united-states-economy>, (last visited Feb 13, 2018).

second generation immigrants more than offsets the initial fiscal burden.”¹⁴ The expected value of local and state taxes that can be collected will supersede the value of taxes lost during infancy.

To accomplish policy reformation it will be necessary to change the stigma society has about immigration. The IRCA or Immigration Reform and Control Act of 1986¹⁵ was established in 1986 and was the last major immigration reform for the United States. Since its passage, the reform has been called broken. Ray Marshall, author of *Immigration for Shared Prosperity*, states:

Effective employment-based immigration policy requires reforms to correct IRCA’s defects, the most important of which are: (1) failing to develop a secure identifier which, in turn, is essential for effective border and internal controls, a work authorization system, and adjustment of status for millions of unauthorized immigrants; (2) making employers responsible for checking a variety of easily counterfeited identifiers, which companies lack the means (and often the will) to accomplish; and (3) accelerating unauthorized immigration because of ineffective controls and the failure to allow amnesty recipients to bring in their families.¹⁶

The first two problems Marshall introduces can be solved through the biometric identification processing of immigrants. This would allow complete authentication of the number and the identity of immigrants. This precise identification of immigrants will enable the U.S. government to develop more reliable records and will give employers a way to verify the hiring of legal immigrant workers.

¹⁴ *Principles of Economics 15.3 Immigration*, OpenStax, <https://opentextbc.ca/principlesofeconomics/chapter/15-3-immigration>, (last visited Mar 3, 2018).

¹⁵ *Immigration Reform and Control Act of 1986*. 8 USC 1101.

¹⁶ *Immigration for Shared Prosperity: A Framework for Comprehensive Reform*, Economic Policy Institute, http://www.epi.org/publication/book_isp/ (last visited Feb 13, 2018)

According to the website, United States Citizenship,¹⁷ the U.S. is granting legal immigration status to persons who are in the United States illegally. The impact of a migrant family is positive in the economic long-run. It will facilitate deceleration of population growth and perhaps will halt population shrinking. There is also the negative possibility that by not allowing in an amnesty recipient's family, the amnesty recipient family will illegally migrate. This means any taxes or higher education skilled labor force contributions that the amnesty recipient's family would have made to the economy would be lost. Following Marshall's ideas for an IRCA reform could remove the public stigma around immigration and make it possible for the public to see the positive results in the long-run. Marshall's plan would allow for a comprehensive program to enable effective and beneficial immigration for governments, firms, and the public. The U.S. is granting legal immigration status to persons who are in the United States illegally¹⁸ in accordance with this principle.

The stigma on immigration is a social concept that is impacting the growth rates of countries that face shrinking and aging populations. From an economic foundation, an increase in population through immigration will affect the short run temporarily and the negatives against immigration can be offset by policy reformation.

¹⁷ *United States Citizenship & Forms Made Easy*, <https://www.uscitizenship.info/>, (last visited March 5, 2018).

¹⁸ *Id.*