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What Emma Lazarus Got Wrong About Immigration

Immigrants aren't a call upon America's charity. They're far more likely to start a business—and employ other workers—than native-born Americans.

By Benjamin F. Jones



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A MERICANS HAVE LONG WORRIED that immigrants will take their jobs. Henry Cabot Lodge, who championed restrictive immigration laws as a U.S. senator, described foreign-born workers in 1891 as a “great reservoir of cheap labor” that was “constantly pulling down the wages of the working people.”

Emma Lazarus, a contemporary of Lodge, presented a different point of view. Inspired by the Statue of Liberty, she wrote the 1883 poem “The New Colossus,” and her words “Give me your tired, your poor / Your huddled masses yearning to breathe free” were later installed at the statue’s base.

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The tension between Lodge and Lazarus—between economic self-interest and humanitarian ideals—continues to define our immigration debates. And yet, in a crucial way, both perspectives share the same flawed premise. A growing body of research suggests that immigrants are primarily neither job stealers nor a call upon our charity. Rather, they are overwhelmingly job creators.

If there are a certain number of jobs in an area, and immigrants settle there, it may seem intuitively true that immigrants will take jobs at the expense of native-born workers. Indeed, Lodge found this point “too obvious to need comment.” But he and his ideological heirs make two mistakes. First, immigrants don’t just add to the labor supply; they also add to labor demand. By joining a local economy, immigrants increase demand for goods and services—such as housing, food, and transportation—which in turn expands the need for local workers. This helps explain one of the most famous research findings in labor economics: David Card’s study of the Mariel boatlift from Cuba to Miami. From May to September 1980, approximately 125,000 Cubans arrived in Miami. Half of them settled there, increasing the local labor force by 7 percent. Nevertheless, Card found no negative effect on wages or employment levels in Miami.

The second mistake made by the Lodge school is to think of immigrants only as workers or potential workers. This leaves out one of the most important ways in which immigrants participate in the economy: as employers. Immigrants create new

businesses, and these businesses create new jobs. In fact, immigrants are dramatically more likely to start a new business than native-born Americans are. In a recent study, my co-authors and I analyzed the country of origin for the founder of every business created in the United States from 2005 to 2010. Our findings suggest that immigrants are 80 percent more likely than native-born Americans to start a business. These are mostly small businesses, with just a few employees each—single-establishment restaurants, auto-repair shops, beauty salons, retail outlets, and so on. But immigrant founders are overrepresented as founders at every level of employment size, from firms employing a handful of workers to firms employing hundreds, thousands, or tens of thousands. (Consider the likes of Google, eBay, Yahoo, and Tesla, or Dow, DuPont, Merck, and Pfizer before them—all founded or co-founded by immigrants.) When we added the numbers up, the results were striking: Immigrants to the U.S. create so many successful businesses that they ultimately appear to create more jobs as founders than they fill as workers. Furthermore, we found that immigrant-founded businesses pay wages at least on par with those of other businesses.

This result does not appear to depend on where exactly the immigrants come from. Immigrants to the U.S. start businesses at the same rate, and at all eventual employment sizes, regardless of whether they were born in OECD countries (which are mostly in Europe and have an income per capita that is 3.5 times higher than the world average).

One might still be concerned about regional differences. Immigrant entrepreneurs may create jobs in certain places, and even have a positive net effect on the national economy, while immigration disproportionately hurts non-immigrant workers in other areas. To analyze this possibility, we can return to the Mariel-boatlift example. The boatlift provided what economists call a “natural experiment.” Miami received an unexpected shock to its local labor market; other cities did not. This was for idiosyncratic geopolitical reasons: Fidel Castro announced to Cubans that if they wanted to leave, they could go down to Mariel and set sail, and he wouldn’t stop them. Those who emigrated went to Miami and not to comparable U.S. cities because Cuban émigrés were already there, and Miami was easy to reach by boat. The end result was the kind of randomly timed event that economists love to study.

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Two recent, independent projects drew on this approach to analyze the economic effects of the Age of Mass Migration (roughly 1850 to 1914). As with the Mariel boatlift, immigrants during this period typically came in discrete waves, driven by economic or political events in their homelands. They tended to settle where their fellow nationals had already come and in regions they could reach by rail, which was expanding West. (Think of Willa Cather’s *My Ántonia*, about Bohemian immigrants settling on the Nebraska plains.) Examining the local impacts of these regional

immigrant waves in cities and counties across the United States, the studies' authors found that regions that experienced an influx of immigrants saw better economic performance. In the immediate years after the immigration, these areas experienced increased employment, even for American-born workers in sectors that drew immigrant labor. In the very long run, places with higher historic immigration levels saw less poverty, less unemployment, and higher per capita income.

At the national level, the economic case for immigration is related but broader. Today, the United States faces substantial economic challenges. Productivity growth has slowed. Government debt is alarmingly high. Our society is aging and retiring, with fewer Americans paying taxes and more relying on Social Security and Medicare. Immigrants can be a key solution to these problems. With their entrepreneurial potential, they can expand the workforce, drive technological progress, and increase overall growth.

Both major U.S. political parties say they want to create jobs and support America's workers. Seeing immigrants clearly in the light of these goals calls for a fundamental shift in perspective. Progressives often tell very particular job-market stories, arguing that immigrants do jobs that Americans don't want to do. Voters, however, are understandably skeptical that immigrants exist in some separate universe of jobs. The more accurate argument is that with immigration, there are many more jobs to go around. Immigrants start companies, creating more opportunities for everyone.

It's not hard to see why this would be. To immigrate is to take a risk. It is to brave an ocean or a desert, or to cross the Darién Gap on foot. Immigrants create a new life for

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themselves. We should not be surprised that they are exceptionally entrepreneurial once they arrive.

And so, Lazarus's poem needs a correction. Yes, many immigrants arrive after a difficult journey. But from an economic point of view, they are defined by their energy, not their weariness. We should say: Give us those who seek a better life. They will return the favor.

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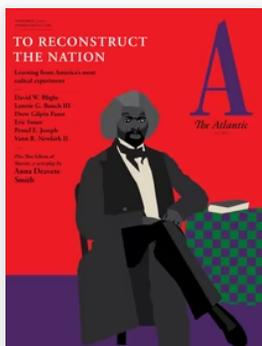


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