The Trump Wall:
The Economic Implications of Illegal Immigration in the United States

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Abstract

Illegal immigration is making headlines, as the American society is struggling to determine the economic and ethical appropriateness of a border wall with Mexico. The purpose of this paper is to review the problem of illegal migration from an economic, mostly macroeconomic, standpoint. The severe tensions facing the government justify the relevance of the topic. The paper begins with an insight into the history of immigration in America. The relationship between the economics and politics of immigration is discussed. The paper includes statistics to evaluate the key attributes of the immigrant labor force in the U.S. The role of illegal immigrants in the economy is thoroughly analyzed. The impacts of migrant workers on the country's GDP are also estimated. Arguments are included to evaluate the welfare burden created by working illegal immigrants in the U.S. The paper raises questions of legalization for immigrant workers without legal status. Recommendations and implications for future research are included.

Keywords: illegal immigration, low-skill jobs, GDP, welfare

As thousands of illegal immigrants from Central America are reaching the Mexico-U.S. border, the American government is facing another shutdown due to political disagreements over the border wall. They call it "the caravan of migrants" (Agren, 2018) [1]. They also call it "the Trump wall" – a wall that President Trump insists should be built along the U.S.-Mexico border; a wall that may cost American taxpayers nearly $25 billion (Almukhtar & Williams, 2018) [2]. Whether the project is feasible is beyond this discussion. What matters is whether at all the U.S. should take a stand against thousands of illegal immigrants. The purpose of this paper is to investigate the economic and labor dimensions of illegal immigration to the U.S. and consider the economic ramifications of legalization for those who work and study in America.

Immigration, whether or not it is legal, is part and parcel of American history and culture. Since the beginnings of America as a nation, immigration has been an economic rather than political or social issue. According to Abramitzky and Boustan (2017) [3], "the history of immigration to the United States has been shaped both by changes in the underlying costs and benefits of migration as well as by substantial shifts in immigration policy" (p. 1312). This policy has always included a macroeconomic component. It would ease whenever a country like the U.S. experienced the lack of skilled or unskilled labor force. It would tighten whenever immigration was deemed as a threat to the economic and social integrity within the U.S. Thus, immigration and economic processes are closely intertwined. Although authorities have little control over illegal immigration, it is also responsive to major macroeconomic shifts, increasing at the times of economic upheavals and decreasing when the economy reaches the lowest point of the business cycle curve. However, the nature and extent of this response differ considerably from the way legal workers respond to economic changes in the U.S.

These differences are partially due to the number of illegal migrant workers in the U.S., which does not exceed 3-3.5 percent of the entire U.S. population (Severe, 2017) [4]. Looking at the data provided by Hanson (2007) [5], it is possible to assume that the share of illegal migrant workers in the U.S. has changed little in the past 10 years. Therefore, public perceptions

of the rapidly growing inflow of illegal migrants to the U.S. are exaggerated. These differences can also be attributed to different levels of labor force participation: 71 percent of illegal immigrants have a job, against only 49 percent of natives (Severe, 2017). This participation gap becomes even more pronounced when controlling for a variety of socioeconomic characteristics such as skill and education levels (Borjas, 2017) [6]. More importantly, illegal working migrants are less responsive to changes in wages than legal workers, rendering the supply of illegal labor force as inelastic (Borjas, 2017). Using plain language, illegal immigrants are more likely than natives to stay at work if their salaries or benefits decrease. This is probably why illegal immigration is often viewed as a source of opportunity, as individual employers and the economy, in general, are struggling to close the existing gaps in the labor market, particularly in low-skilled jobs.

This is one of the key economic arguments for illegal immigration – migrant workers fill the low-skilled labor market niche. Camarota (2017) [7] writes that the level of educational attainment among illegal immigrants is much lower than that of native employees. Between 47 and 54 percent of illegal immigrants do not have even a high school diploma (Camarota, 2017). However, this is not an issue, since the prevailing majority of illegal migrant workers occupy the jobs which do not require extensive education or sophisticated skills. It would be fair to say that migrant employees possess a strong competitive and comparative advantage over natives since they agree to occupy the jobs that look unattractive to native-born citizens. Many industries in the U.S. rely heavily on the migrant workforce. Agriculture, housing, and construction are just some of the key economic sectors where thousands of illegal immigrants currently work (Severe, 2017). Therefore, attempts to restrict the number of illegal immigrants will inevitably create negative pressure on some of the key U.S. industries, launching a chain reaction of negative economic events.

These events may take many forms, but they will lead to the same result – reduced GDP. The latter comprises four basic components consumer expenditures, government expenditures, net exports, and investment. Illegal immigration is deeply implicated in consumer and government expenditures. Illegal immigrant workers increase consumer spending, even though they represent a tiny share of the entire U.S. population. The vast majority of migrant workers spend their earnings in the U.S., increasing the

country's GDP (Severe, 2017). They also reduce the costs of employment, particularly in industries that rely on immigrant labor (Chassambouli & Peri, 2014) [8]. Lower employment costs foster the creation of new jobs and, at the same time, stabilize product and service prices, motivating native-born consumers to spend their money and increase the country's GDP (Chassambouli & Peri, 2014; Severe, 2017). Besides, immigrant workers pay billions in taxes while using fewer welfare opportunities than native-born citizens. Nowrasteh and Orr (2018) [9] estimate that illegal immigrants use 39 percent fewer welfare resources than native-born Americans. This data should not lead the reader into believing that illegal immigration and border crossing is a pure net gain for the U.S.

Illegal immigration is a source of huge taxation and welfare controversies, and economic estimates of its burden vary considerably among scholars. Media reports of undocumented immigration and its economic impact carry deep political connotations. For instance, Camarota (2017) of the Center for Immigration Studies claims that each border crosser results in at least $94,391 losses for the U.S. economy. However, Camarota (2017) uses these numbers to justify the economic feasibility of the Trump wall. Meanwhile, the study by Becerra, Androff, Ayon and Castillo (2012) [10] has demonstrated that "at the federal level, undocumented immigrants tend to contribute more money in taxes than they consume in services" (p. 111). The researchers also suggest that the exact balance of costs and benefits will vary across states (Becerra et al., 2012). Apparently, the picture of illegal immigration and its economic underpinnings is highly uneven. This is why it is difficult to evaluate the economic ramifications of legalizing those who currently live and work in America.

Legalization is a source of hopes for many illegal immigrants who have spent years in the U.S. On the one hand, it will increase tax revenues, as soon as the income earned by formerly illegal employees becomes official. On the other hand, it will also increase government expenditures, mostly due to the growing utilization of social services by former immigrants. Deportation does not seem like the best way to tackle the problems created by illegal immigrants. Many of these problems are not as serious or devastating as depicted in media. Even in the presence of compelling economic estimates, the issue of illegal immigration will remain highly politicized. Without a well-developed policy, it will also provide a fertile ground for economic

and political manipulations, leaving the interests of illegal immigrants and native-born citizens behind. These controversies make a persuasive case for further economic analysis of illegal immigration, in a manner that will reduce political bias and create a roadmap for continuous economic growth in the country.

To conclude, illegal immigration is a complex economic phenomenon. Illegal immigrants come to the U.S. in thousands. The survival of several economic sectors depends on the availability of migrant workers. These employees pay billions in taxes and increase the country's GDP. However, they also create a burden on the welfare system. Whether legalization is the best solution to the problem of illegal workers is difficult to decide. Given the political controversies surrounding illegal immigration, a more structured, unbiased economic analysis of this phenomenon is undoubtedly warranted.

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