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# Understanding America's Immigration "Crisis"<sup>1</sup>

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MIDWAY through the first decade of the twenty-first century, the United States was widely perceived to be experiencing an immigration crisis. As of 2006, three-quarters of all Americans rated immigration as a "moderately big or very big national problem"; more than half (54%) said that the United States needed to be "protected against foreign influence"; and nearly half (48%) said that "newcomers from other countries threaten traditional American values and customs." Given the hysteria surrounding immigration and border control, it is not surprising that Americans drastically overestimate the relative number of immigrants present in the country. Although the true percentage of immigrants in the U.S. stands at around 12%, some 53% of Americans polled thought that it was 25% or greater.<sup>2</sup>

Readers have no doubt noticed that in the title to this essay I place the word "crisis" in quotation marks. I do so not to downplay the scale of the recent increase in immigration or to minimize the severity of its associated problems, but to signal that to the extent a crisis exists, its origins are different from those imagined by most Americans and that it is very much a situation of our own making. Of immigrants present in the United States today, about a third are from Mexico, and among those living here in undocumented status the figure is closer to 60%.<sup>3</sup> After Mexico, the next most important source for undocumented

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<sup>1</sup> Read 10 November 2006.

<sup>2</sup> Andrew Kohut and Roberto Suro, *America's Immigration Quandary: No Consensus on Immigration Problem or Proposed Fixes* (Washington, D.C.: Pew Center for the People and the Press and Pew Hispanic Center, 2006). Accessed on 22 January 2007 at: <http://pewhispanic.org/files/reports/63.pdf>.

<sup>3</sup> Jeffrey Passel, "Unauthorized Migrants: Numbers and Characteristics" (background briefing paper prepared for the Task Force on Immigration and America's Future [Washington, D.C.: Pew Hispanic Center, 2006]). Accessed on 22 January 2007 at: <http://pewhispanic.org/files/reports/46.pdf>.

migrants is El Salvador, but it accounts for just 7% of the total. Were migration from Mexico to be managed more effectively, the problem of undocumented migration would be dramatically reduced in scale and become much more tractable.

In a very real way, the current immigration “crisis” stems from a fundamental contradiction lying at the heart of American policy toward Mexico—our schizophrenic attempt to create an integrated North American market within which borders are rendered permeable with respect to movements of goods, capital, information, services, raw materials, and certain kinds of people but impermeable with respect to the movement of workers. In the vain attempt to integrate all markets within North America except that for labor we annually spend billions of taxpayer dollars on border enforcement that is worse than useless—it is counterproductive. Rather than discouraging the entry of undocumented workers, it lowers their rate of departure and thereby raises net immigration. The rising number of workers present in exploitable legal categories, in turn, undermines the wages and working conditions in the United States. Despite all the rhetoric about floods and invasions, the rate of undocumented in-migration from Mexico has not changed in three decades. What has changed is the rate of undocumented out-migration, and that is entirely an artifact of our own policies.

#### MOVING TOWARD INTEGRATION

The year 1986 was pivotal in the political economy of North America. In that year, under pressure from international lenders, a new political elite in Mexico succeeded in overcoming historical opposition within the ruling party and orchestrated the country’s entry into the General Agreement on Tariffs and Trade. The new economic regime naturally met with great favor in Washington—indeed, U.S. officials had long pushed for it. Still, there was the troubling problem of how to institutionalize these economic reforms and make them permanent. To solve this problem, President Carlos Salinas turned to the United States, asking to join a free trade agreement that had recently been concluded between Canada and the United States. By tying his neoliberal economic reforms to a treaty with Mexico’s powerful northern neighbor, he would make it extremely difficult, if not impossible, for a future president to abrogate them.

The administration of George H. W. Bush warmly embraced Salinas’s overture and began talks to create what would become the North American Free Trade Agreement (NAFTA). The treaty was ratified by the U.S. Senate in 1993, and with strong support from Bush’s successor, Bill Clinton, NAFTA took effect on 1 January 1994. From that date forward,

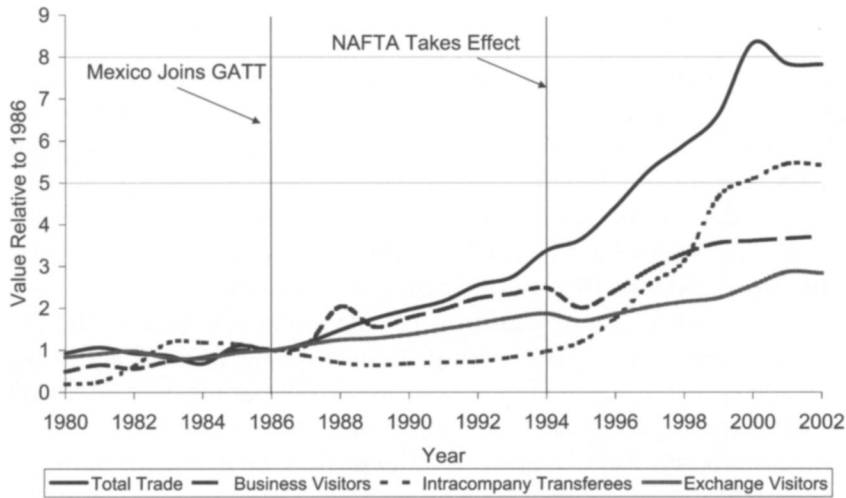


FIGURE 1. Indicators of cross-border economic integration

the United States has been officially committed to a policy of economic integration between itself and its neighbors to the north and south. In response, cross-border movements of all sorts have increased very dramatically. The solid line in figure 1 shows total trade between Mexico and the United States from 1980 to 2002, expressed as a ratio of its value in 1986, when Mexico first joined GATT. It reveals the factor by which trade has increased since Mexico adopted its neoliberal economic reforms. As can be seen, binational trade has grown exponentially since 1986. Before Mexico’s entry into GATT, trade fluctuated over time but displayed no consistent trend up or down. Thereafter it began to accelerate exponentially, more than tripling by the time NAFTA came into effect and increasing more than eight times by 2000. The U.S. and Mexican economies, by design, have been integrating, and products and services of all sorts are moving back and forth across the border at high and rising volumes.

Naturally, these movements of goods and services are accompanied with movements of people, as people are what make markets work. As shown in figure 1, the number of exchange visitors from Mexico has tripled since 1986, the number of business visitors has nearly quadrupled, and the number of intracompany transferees has more than quintupled. Though not plotted in the figure, over the same period the number of Mexican exchange students doubled, legal border crossings rose by a factor of 2.5, and the number of tourists grew 5.7 times. As the North American market has integrated, people north and south of the border have been brought into closer and more intense contact with one another.

## INSISTING ON SEPARATION

In sum, following Mexico's entry into the global regime of trade and investment, the Mexico-U.S. border has become increasingly porous with respect to the movement of goods, products, services, and people. NAFTA is working. The year 1986 was not only critical for binational trade, however; it was also pivotal for U.S. immigration policy. Even as U.S. officials worked with Mexican authorities to integrate most sectors of the North American economy, they simultaneously took unilateral actions to forestall the integration of one particular sector: the labor market. Rather than incorporating the movement of workers into the new trade agreement, the United States insisted there was to be no labor migration within an otherwise integrated North American market. To underscore its resolve, Congress in 1986 passed the Immigration Reform and Control Act.

Since IRCA's passage, the United States has thus pursued an escalating politics of contradiction, simultaneously moving toward integration while insisting on separation. Even as the country moved headlong toward a consolidation of markets for capital, goods, commodities, services, and information, it somehow sought to keep labor markets separate. In recent years the U.S. government has spent increasing financial and human resources to demonstrate to the American public that somehow, miraculously, the border would *not* be porous with respect to migrant workers, even as it was becoming more permeable with respect to other flows.

As advocated by its proponents, IRCA sought to combat undocumented migration in four ways. To eliminate the attraction of U.S. jobs, it imposed sanctions on employers who hired undocumented workers. To deter undocumented migrants from entering the country in the first place, it allocated additional resources to expand the Border Patrol. To wipe the slate clean and begin afresh, it authorized an amnesty for undocumented migrants who could prove five years of continuous residence in the United States and sponsored a special legalization program for migrant farm workers. Finally, the legislation gave the president authority to declare an "immigration emergency" if large numbers of undocumented migrants had embarked, or were soon expected to embark, for the United States.

Despite expectations that IRCA would somehow slow unauthorized Mexican migration, by 1990 it was clear that the legislation was not working. Both legal and illegal migration continued to rise, and in 1990 Congress returned to the drawing board to pass another major revision of U.S. immigration law. The 1990 Immigration Act authorized more funding for the Border Patrol, tightened employer sanctions, streamlined

criminal deportation procedures, and increased penalties for immigration violations. Then in 1993 immigration authorities unveiled a new enforcement strategy known as "prevention through deterrence." The basic idea was to prevent Mexicans from crossing the border illegally in order to avoid arresting them later within the United States.<sup>4</sup>

The strategy debuted in 1993 with *Operation Blockade*, an all-out effort to prevent illegal border-crossing within El Paso, Texas. Immigrants quickly chose to avoid the imposing wall of enforcement resources by crossing elsewhere, and traffic through El Paso was dramatically reduced. Officials in Washington, D.C., took note and recommended hardening other busy sectors along the border. In 1994 *Operation Gatekeeper* was launched along the busiest stretch of border between San Diego and Tijuana. High-intensity floodlights were installed to illuminate the border day and night, and authorities erected an eight-foot steel fence along the fourteen miles running from the Pacific Ocean to the Sierra Nevada.<sup>5</sup> Border Patrol officers were stationed in vehicles every few hundred yards and a new array of sophisticated hardware was deployed in the no man's land between them and the wall.<sup>6</sup>

The build-up of enforcement resources on the border was accelerated in 1996 when Congress enacted the Illegal Immigration Reform and Immigrant Responsibility Act. This bill authorized funding for two additional layers of fencing in San Diego and increased penalties on immigrant smugglers, undocumented migrants, and visa over-stayers. It also funded the purchase of new military technology and the hiring of a thousand additional Border Patrol agents per year through the late 1990s.<sup>7</sup> By 2002, the total INS budget was *thirteen times* its 1986 level, and in the space of a few years, the Border Patrol went from a backwater agency with a budget smaller than most municipal police departments to a large and powerful organization with more personnel authorized to carry firearms than any other branch of the federal government save the military itself.<sup>8</sup>

Figure 2 shows the number of person-hours spent by agents patrolling the Mexico-U.S. border from 1980 to 2002. From relative stability before 1986, the number of linewatch hours began to grow thereafter

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<sup>4</sup> Peter Andreas, *Border Games: Policing the US-Mexico Divide* (Ithaca: Cornell University Press, 2000).

<sup>5</sup> Joseph Nevins, *Operation Gatekeeper: The Rise of the "Illegal Alien" and the Making of the U.S.-Mexico Boundary* (New York: Routledge, 2002).

<sup>6</sup> Timothy J. Dunn, *The Militarization of the U.S.-Mexico Border, 1978-1992: Low-Intensity Conflict Doctrine Comes Home* (Austin: Center for Mexican American Studies, University of Texas at Austin, 1996).

<sup>7</sup> Nevins, *Operation Gatekeeper*.

<sup>8</sup> Andreas, *Border Games*.

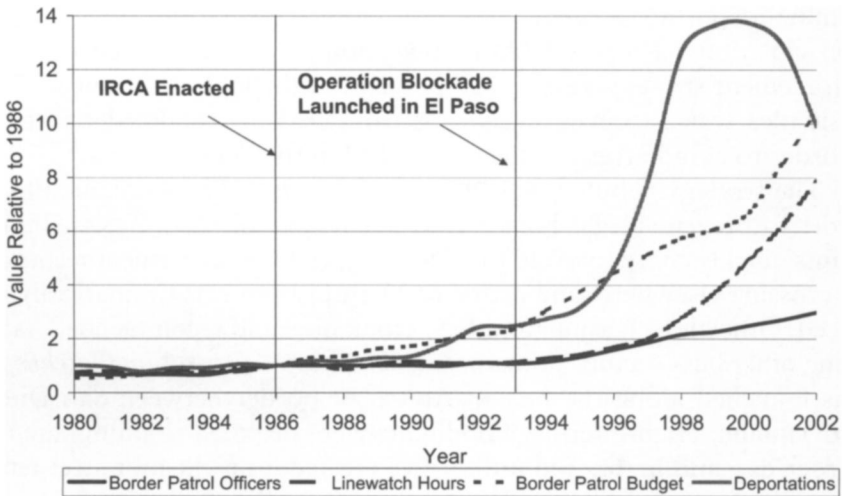


FIGURE 2. Indicators of immigration enforcement 1980–2002

and accelerated markedly after 1993. By 2002 the agency was devoting eight times more hours to patrolling the border than it had in 1986. Over the same period, the number of uniformed Border Patrol officers tripled, and the agency's budget grew by a factor of ten. As a result of the aggressive new policy toward smuggling, deportations of Mexicans also exploded after 1986, increasing fourteen times by 1999 before dropping back to "just" a tenfold increase by 2002.

#### THE COSTS OF CONTRADICTION

The foregoing figures clearly document America's contradictory policy of moving toward integration while insisting on separation. Like most contradictions, however, this one had consequences. Prior to 1986, Mexican immigration was mainly directed toward California. According to census data, 63% of all Mexicans who entered the United States from 1985 to 1990 went to that state, more than four times the number in the next most popular destination, Texas, which accounted for just 15% of all arrivals.<sup>9</sup> By far the most active crossing point was San Diego-Tijuana, followed by El Paso-Juarez. Among those apprehended for illegal entry in 1986, for example, 45% were arrested in the San Diego sector and 21% in the El Paso sector. Prior to IRCA, in other words, two-thirds of all undocumented Mexican migrants entered the United States through two narrow corridors along the border.

<sup>9</sup> Jorge Durand, Douglas S. Massey, and Emilio A. Parrado, "The New Era of Mexican Migration to the United States," *Journal of American History* 86 (1999): 518–36.

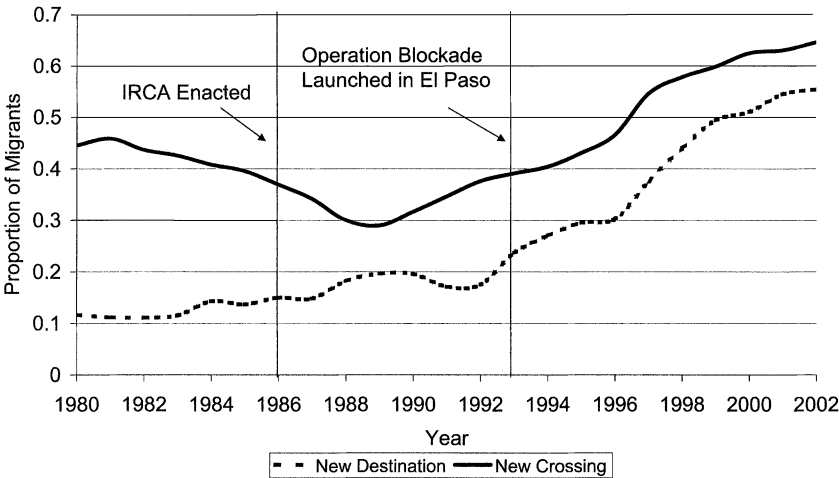


FIGURE 3. Proportion of undocumented Mexicans going to new crossing points and destinations

As noted above, the Border Patrol’s enforcement operations also focused heavily on these two sectors, and as the “tortilla curtain” went up migrants naturally began to go around them to cross in less-patrolled regions. Figure 3 illustrates the changing geography of border crossing using data from the Mexican Migration Project, which since 1982 has gathered border-crossing histories from undocumented migrants on both sides of the border.<sup>10</sup> The solid line shows the share of undocumented Mexicans entering the United States through any crossing point *other than* Tijuana-San Diego or Juarez-El Paso.

As can be seen, the proportion crossing through these two sectors rose steadily through the 1980s until by 1989 it accounted for 70% of all undocumented entries. Thereafter, the share crossing at other points grew rapidly. By 2002 two-thirds were entering at “new” crossing points away from San Diego or El Paso. Once migratory flows were deflected away from traditional border crossings, moreover, they proceeded to new destinations. The dotted line in figure 3 shows the proportion of undocumented migrants going to a new destination state, defined as some state *other than* Texas, California, or Illinois, historically the three most important destinations. As can be seen, through the middle 1980s 85%–90% of all undocumented migrants went to one of these three states, but the share going elsewhere began to rise with the implementation of

<sup>10</sup> Jorge Durand and Douglas S. Massey, “The Mexican Migration Project,” in *Crossing the Border: Research from the Mexican Migration Project*, ed. Jorge Durand and Douglas S. Massey, 321–33 (New York: Russell Sage Foundation, 2004).



IRCA in 1986, and accelerated significantly after the launching of Operation Blockade and Operation Gatekeeper. Whereas in 1985 only 15% of undocumented migrants settled in a non-traditional state, by 2002 the figure was 66%.

The selective hardening of the Mexico-U.S. border thus nationalized a migratory flow that before 1986 had mainly affected just three states. Perversely, it also channeled migrants to portions of the border where they were less likely to be caught, for in addition to being more remote and less inhabited, the new crossing points were also less heavily patrolled. Figure 4 shows annual probabilities of apprehension computed from MMP data.<sup>11</sup> During the 1970s and 1980s the odds of apprehension averaged around one in three,<sup>12</sup> and the figure indeed shows the probability fluctuating narrowly from 32% to 35% from 1980 to 1985. After the passage of IRCA, however, the probability steadily falls to 22%–26% in the period 1990–94. The launching of Operations Blockade and Gatekeeper produced a short-term upsurge after 1993–94 as unsuspecting immigrants walked into the new wall of enforcement resources placed in El Paso and San Diego. As migrants switched to new crossing points after 1995, however, the probability of apprehension fell dramatically and by the end of the 1990s was moving rapidly downward. By 2001, the probability of apprehension had reached an all-time low of just 10%.

The diversion of undocumented migrants into remote areas thus lowered the odds of apprehension to record levels; but it also increased the risk of injury and death, for in addition to being less populated and less patrolled, these desolate border sectors were also more dangerous. Using cause-of-death statistics compiled from vital registries in Mexico and the United States, we developed a count of migrant deaths along the border for the years from 1985 to 1998.<sup>13</sup> We combined this time series with our own estimate of the number of undocumented entries derived from MMP border-crossing histories to generate a series of death rates.<sup>14</sup> Given that prior work has shown that deaths from suffocation, drowning, heat exhaustion, and exposure were most sensitive to shifts in border enforcement,<sup>15</sup> we computed a death rate for these

<sup>11</sup> Douglas S. Massey and Audrey Singer, "New Estimates of Undocumented Mexican Migration and the Probability of Apprehension," *Demography* 32 (1995): 203–13.

<sup>12</sup> Audrey Singer and Douglas S. Massey, "The Social Process of Undocumented Border Crossing," *International Migration Review* 32 (1998): 561–92.

<sup>13</sup> Karl Eschbach, Jacqueline Hagan, and Nestor Rodriguez, "Causes and Trends in Migrant Deaths along the Mexico-U.S. Border 1985–1998" (working paper, Center for Immigration Research, University of Houston, 2001).

<sup>14</sup> Douglas S. Massey, Jorge Durand, and Nolan J. Malone, *Beyond Smoke and Mirrors: Mexican Immigration in an Age of Economic Integration* (New York: Russell Sage Foundation, 2002).

<sup>15</sup> Eschbach et al., "Causes and Trends in Migrant Deaths."

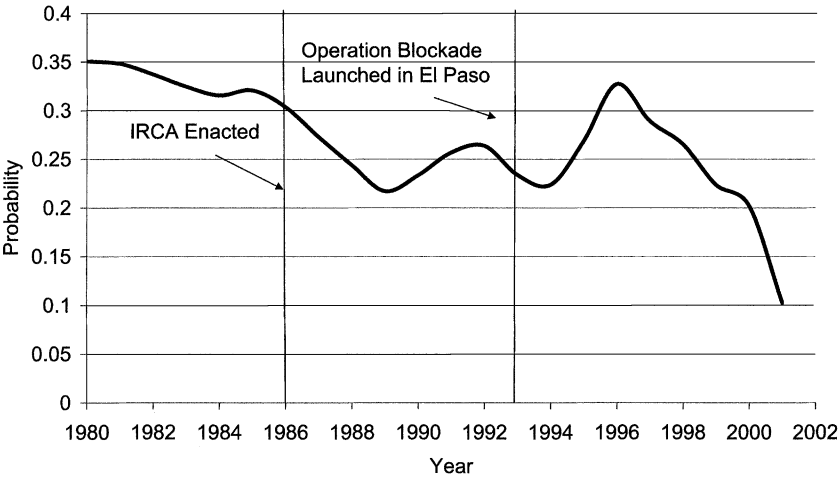


FIGURE 4. Probability of apprehension during undocumented border crossing 1980–2001

causes combined, along with unknown causes. Unknown causes are included because cause of death is often unspecified when people die alone in remote country and leave remains that are found only days, weeks, or sometimes even months later.

Figure 5 shows the migrant death rate from 1986 through 1998. In the years immediately after IRCA’s passage, the border death rate stood at around 3–4 per 10,000 attempted entries, but during the early 1990s it dropped to below 2 per 10,000. Following the implementation of Operations Blockade and Gatekeeper, however, the rate of death from

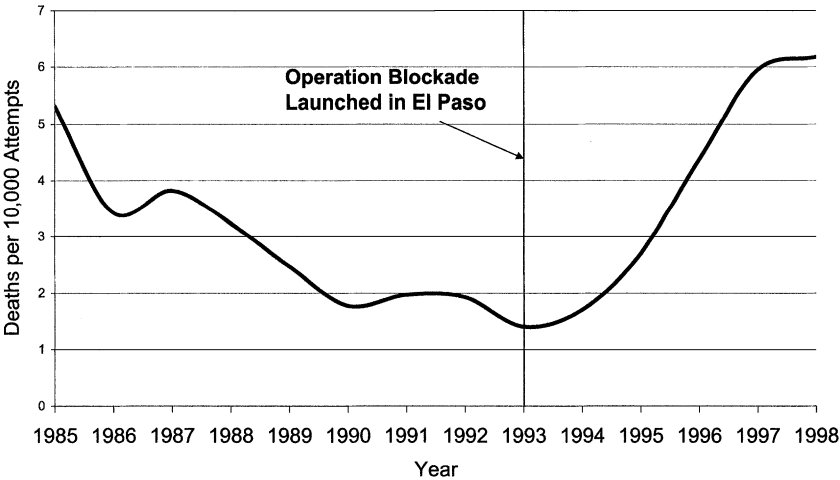


FIGURE 5. Mortality rate among undocumented migrants attempting to enter the United States 1985–1998

suffocation, drowning, heat, cold, and unknown causes increased three-fold to plateau at around 6 per 10,000 attempts in 1997–98. This difference of 4 deaths per 10,000 provides a precise means of assessing the cost of U.S. border policies in human lives, yielding 300–400 excess deaths per year.

At the same time that the risks of border crossing have risen, so have the out-of-pocket financial costs. In response to the additional enforcement, migrants invested more heavily in border smuggling services provided by “coyotes,” who increased the range of products they offered as well as their price. Figure 6 shows the average cost of hiring a coyote from 1980 to 2002 in constant 2002 dollars. From 1980 through 1992 the cost of smuggling services was virtually constant at around \$400. With the mobilization of enforcement operations in 1993 and 1994, however, the cost of hiring a coyote rose dramatically, tripling to \$1,200 by 2000.

The increased costs and risks of border crossing also changed the behavior of migrants, though not in the way anticipated by policy makers. As might be expected, migrants quite rationally responded to the increased costs and risks by minimizing the number of times they crossed the border. But they achieved this goal not by remaining in Mexico and abandoning their intention to migrate to the United States, but by hunkering down and staying once they had run the gantlet at the border and made it to their final destination. Rather than returning home to possibly face the elevated costs and risks once again, they stayed on to earn as much as they could while they could.

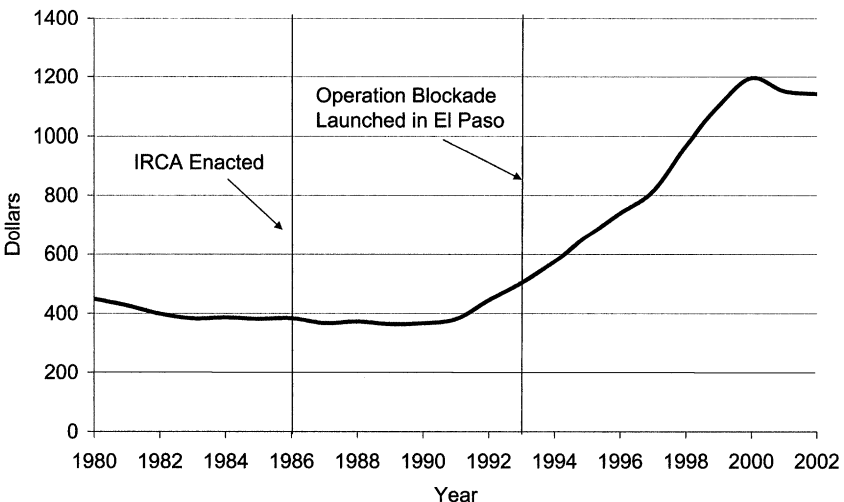


FIGURE 6. Average cost of hiring a coyote

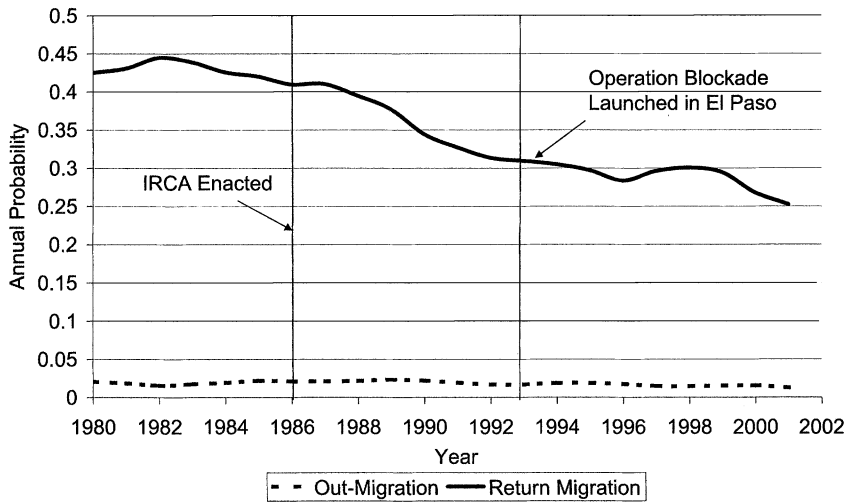


FIGURE 7. Probability of first undocumented migration and return 1980–2001

The dotted line at the bottom of figure 7 shows the probability of taking a first undocumented trip to the United States between 1980 and 2002. It is clear from this graph that the intensification of border enforcement after 1986 had virtually no effect on the probability of undocumented emigration from Mexico. The probability of initiating undocumented migration to the United States has been virtually constant at around 2% per year since 1980. What has changed dramatically is the probability of return migration, as shown by the solid line at the top of the figure. Beginning in 1986, as the cost of border crossing escalated, the probability of returning to Mexico steadily fell, going from around 45% during the early 1980s to around 25% after the year 2000. In other words, whereas the border build-up had no effect on the rate of in-migration, it cut the rate of out-migration nearly in half.

One does not need a Ph.D. in demography to realize that if the inflow of migrants remains constant while the outflow declines precipitously, net migration will increase. Halving the outflow is equivalent to doubling the rate of net population growth, and as figure 8, which shows the number of Mexicans estimated to be living in the United States by the U.S. Census Bureau, indicates, this is precisely what happened in the late 1990s. In other words, the perverse effect of restrictive immigration and border policies has been to accelerate rather than reduce the number of undocumented Mexicans living in the United States.

Because of the foregoing policy backfires, there are now more U.S. residents in unauthorized status than at any point in American history, yielding a large and growing population of vulnerable and eminently exploitable people. Indeed, the vulnerability of undocumented migrants

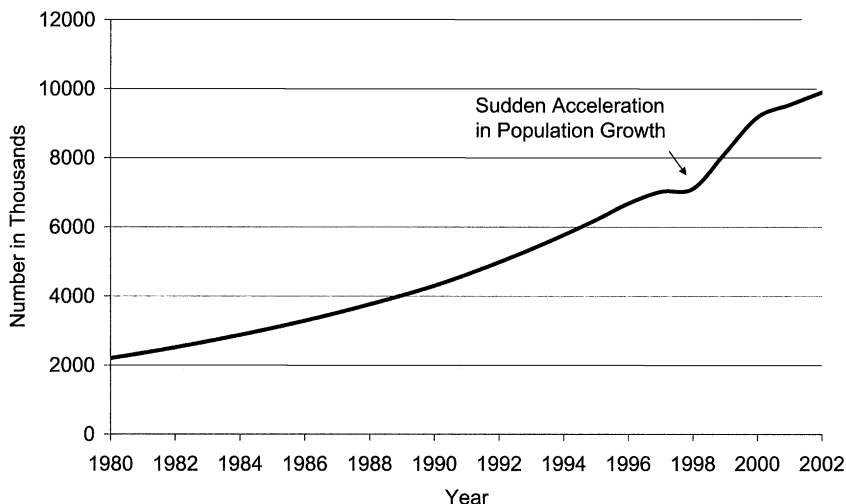


FIGURE 8. Estimated number of Mexicans living in the United States

was itself increased by the 1986 Immigration Reform and Control Act, which enacted penalties against employers who “knowingly” hired undocumented migrants. In order to define “knowingly” the act created the I-9 form, which employers were required to fill out to list the documents they had inspected to confirm the worker’s identity and right to work in the United States—a simple task, but in sectors of the labor market characterized by rapid turnover, seasonality, and small profit margins, the need to fill out and retain I-9 forms for every worker created a significant paperwork burden that dramatically raised the costs of hiring. Moreover, even if they were seemingly protected by the I-9 form, employers were not *sure* that they were free from prosecution, especially in the early days, when it was not clear exactly how the new law would work. Although the objective risks to employers may have changed little as a result of IRCA, the *subjective* risks were much higher.

As a result of the increased costs and risks, some employers lowered the wages of their employees in compensation. Employer sanctions in essence imposed a “tax” on the hiring of workers in sectors of the economy characterized by significant undocumented employment, which bosses then extracted from their workers in the form of lower wages.<sup>16</sup> Contrary to what Congress had intended, therefore, employers

<sup>16</sup>Deborah A. Cobb-Clark, Clinton R. Shiells, and B. Lindsay Lowell, “Immigration Reform: The Effects of Employer Sanctions and Legalization on Wages,” *Journal of Labor Economics* 13 (1995): 472–98; Cynthia Bansak and Steven Raphael, “Immigration Reform and the Earnings of Latino Workers: Do Employer Sanctions Cause Discrimination?” (Discussion Paper 98–20, Department of Economics, University of California at San Diego, 1998).

continued to hire undocumented migrants; they simply transferred the costs and risks of doing so to the workers themselves in the form of lower pay. Although the downward trend in unskilled wages clearly predated IRCA, employer sanctions significantly exacerbated the decline.<sup>17</sup>

Other employers took a different route to assure continued access to undocumented labor. Whereas before IRCA most employers hired undocumented workers directly, afterward they shifted to a pattern of *indirect hiring* through labor subcontractors. Under a subcontracting arrangement, a U.S. citizen or resident alien contractually agrees with an employer to provide a specific number of workers for a certain period of time to undertake a defined task at a fixed rate of pay per worker. As the workers themselves are technically employees not of the firm but of the subcontractor, the employer avoids the need to comply with IRCA's burdensome paperwork requirements and escapes liability under the law. In return for providing this legal buffer, the subcontractor retains a portion of the workers' wages as income.

Such arrangements quickly became standard practice in industries characterized by high turnover, such as agriculture, construction, gardening, and custodial services.<sup>18</sup> As a result, the hiring process was completely restructured in sectors of the economy where immigrants worked. As indirect hiring became established after 1986, moreover, it was imposed on *all workers* regardless of legal status or citizenship. If citizens or legal resident aliens wished to get a job in agriculture or construction or janitorial services, they too had to work through a subcontractor and forfeit a portion of their wages in return for the opportunity to work.

Thus, a perverse consequence of IRCA's employer sanctions was to lower the wages not only of undocumented migrants, but of legal immigrants and U.S. citizens. This shift is illustrated in figure 9, which shows the trend in real wages earned by documented and undocumented Mexican migrants on their last U.S. trip. The data once again come from the Mexican Migration Project and have been adjusted to constant 2002 dollars. As can clearly be seen, IRCA had a relatively modest effect on the wages of undocumented migrants (see the dotted line). From 1980 through 1986, their wages trended slowly downward, going from around \$8.10 per hour in 1980 to around \$7.90 in 1986, a drop of about 3.3 cents per year. Over the next six years, however, the rate of decline accelerated to 17.5 cents per year, as wages fell to around \$6.50 in the middle 1990s, for a total decline of 13% from 1986 to 1994.

Among documented migrants, in contrast, the post-IRCA decline was much more serious. As with illegal migrants, those with documents

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<sup>17</sup> Massey, Durand, and Malone, *Beyond Smoke and Mirrors*.

<sup>18</sup> Ibid.

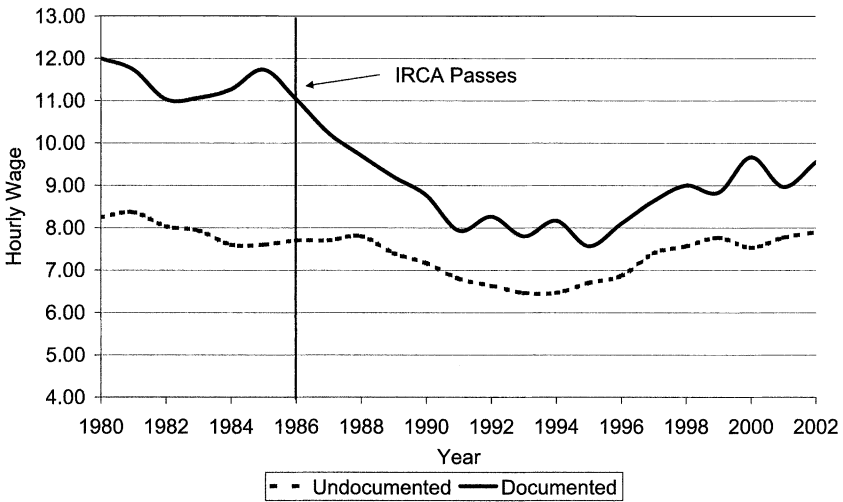


FIGURE 9. Average wages earned by Mexican migrants to the United States

experienced declining wages before the implementation of IRCA, albeit with more fluctuation. Over the entire six-year period from 1980 to 1986, the wages of legal immigrants fell from \$12.00 to \$11.00 per hour, a drop of 16.7 cents per year. After 1986, however, the rate of decline accelerated quite markedly to 38 cents per year, going from \$11.00 per hour to \$7.57 by 1995, a 31% erosion in just nine years. After 1995, the decline in migrant wages bottomed out, and they began to rise once again for those with and without documents, reflecting the tight labor markets produced by the sustained economic boom of the 1990s, but they never recovered the ground lost earlier, and the reduced gap between documented and undocumented migrants persisted. The wages of those legally entitled to work in the United States had been permanently reduced.

#### FROM REPRESSION TO MANAGEMENT

If the United States had set out to design a dysfunctional immigration policy, it could hardly have done a better job than what it did between 1986 and 1996. U.S. taxpayers now waste millions of dollars annually in essentially useless border enforcement, and the efficiency of Border Patrol operations is in rapid decline. Despite its extravagance, the expensive post-IRCA enforcement regime has had no detectable effect either in deterring undocumented migrants or in raising the probability of their apprehension. It has been effective, however, in causing hundreds of needless deaths each year. It has also lowered wages for workers—

both native and foreign, legal and illegal—and has exacerbated income inequality in the United States. Furthermore, it has guaranteed that these negative externalities will be widely felt by transforming a seasonal movement focused on three states into a national population of settled families dispersed throughout the country. In the end, we have the worst of all possible worlds: continued Mexican migration under conditions that are detrimental to the United States, its citizens, and the migrants themselves.

All of these negative consequences fundamentally stem from the unwillingness of the United States to accept the reality of North American economic integration. In NAFTA the nation committed itself to a joint framework for the continent-wide integration of markets for goods, capital, information, commodities, and services; but since then it has refused to recognize the inevitable fact that labor markets will also merge in an integrated economy. In practical if not logical terms, it is impossible to create a single North American market characterized by the free movement of all factors of production except one. Rather than bringing labor migration into the open and managing it in ways that would maximize the benefits and minimize the costs, the United States has employed increasingly repressive means and growing amounts of money to drive the flows underground, to maintain the illusion of a "controlled" border—one that is miraculously porous with respect to all movements except those involving labor.

As shown above, however, maintaining this pretense has become increasingly costly in terms of dollars and lives. The time is thus ripe for the United States to abandon its illusions and to accept the reality of North American integration by building labor migration into the broader framework of regulations governing trade and investment within the region.

Rather than trying to stop international migration through repressive means, a more enlightened approach would be to recognize immigration from Mexico as a natural outgrowth of North American economic integration and work to maximize its desirable features while minimizing its negative consequences. Rather than trying to stop immigration unilaterally, a more efficacious approach would be to manage it more effectively in partnership with our two closest neighbors and two largest trading partners.

In practical terms, the issue is not *whether* Mexico and the United States will integrate—we are already well down that road. The only real issue is *how* the integration will occur. To a substantial degree the ease and length of the process will be determined by migration policies pursued by the United States and Mexico over the next decade. A critical area for reform concerns Mexico's immigration quota. It is abundantly clear that the demand for entry from Mexico significantly outstrips the



supply of immigrant visas offered by the United States. The number of numerically restricted visas allocated to Mexico (20,000), which has a population of 106 million, is the same as that for the Dominican Republic, whose population is only 8.2 million. As a result, the latter is actually permitted a *higher* rate of legal emigration (2.5 per thousand in 1998) than the former (1.4 per thousand in the same year), even though as a partner in NAFTA, Mexico is far more closely linked to the United States and more vital to its interests. It is thus imperative that we increase Mexico's absurdly low quota of 20,000 immigrants to a more realistic figure of, say, at least 100,000 per year, a figure that would still yield an annual rate of emigration that is modest by historical standards.

Yet even this expansion is unlikely to meet the demand for entry emanating from Mexico. To a great extent, Mexicans seek permanent resident visas because it is the only door left open to them. If another option were available—such as a temporary worker visa—more people would opt for it. Evidence of the desire of Mexicans to return home is abundant. Rather than making it more difficult for migrants to come and go, an enlightened policy would facilitate it by creating a visa to permit Mexicans to enter, live, and work in the United States without restriction for a limited period—say two years. The visa would be renewable once in the lifetime of the migrant, but only after he or she returned home for at least a year. The visas would be distributed by a binational agency managed by the U.S. and Mexican governments, to which aspiring migrants would apply directly, thus getting employers and middlemen out of the self-serving business of labor recruitment and limiting the possibilities for corruption.

In order to ensure the labor rights of the migrants, visas would not be tied to specific employers or jobs, but issued directly to the migrants themselves. When a work visa is tied to a particular job, it leaves the migrant vulnerable to exploitation. Under such circumstances a migrant cannot exercise the most fundamental right a worker can have: the right to withdraw his or her labor. Granting a visa to the migrant and permitting him or her to change jobs would not only prevent unscrupulous employers from exploiting migrants, but would make it difficult for them to use immigrants to lower the wages of natives or cut corners with respect to occupational, safety, and health regulations. It would also allow markets to efficiently match labor supply with labor demand and would leave migrants free to participate in unions and more willing to report violations of their labor rights.

If these temporary work visas were made generously available to Mexicans, it would go a long way toward reducing undocumented migration and the ills that accompany it. If 300,000 two-year visas were

issued annually, there would be 600,000 temporary migrants working in the United States at any time, a small share of the U.S. workforce but a large fraction of all undocumented migrants.

A new guestworker program would obviate the need for employer sanctions, allowing Congress to repeal the provisions of IRCA that criminalized the hiring of unauthorized workers. As we have seen, employer sanctions have done nothing to reduce undocumented hiring, but have functioned to drive down wages and erode working conditions in the United States, thus creating an underground labor market for immigrants and natives alike. As a final step to eliminating this underground economy, the United States should work to regularize the status of undocumented migrants with a record of peaceful, long-term residence in the United States. These people are already present, so regularization would have no immediate effect on U.S. population growth—it would simply facilitate the assimilation of the immigrants and their citizen children into U.S. society.

Enacting a temporary visa program would also provide U.S. authorities with an opportunity to raise funds that might be used to offset the costs of international migration and help Mexico to transit the migration hump more rapidly on the road to development. Temporary migrants could be charged a \$300 fee for each visa, to be paid to the U.S. Treasury in cash or over time in installments. We already know that Mexicans are more than willing to pay this amount to gain access to the United States. Three hundred dollars is less than the current cost of renting a coyote along the border and would obviously be much safer, more secure, and considerably less anxiety-provoking as a way of entering the country. Research shows that migrants are perfectly willing to pay this amount to enter the United States. Up to now, however, all the money has gone into the pockets of border smugglers rather than toward more beneficial uses.

A \$300 fee paid by 300,000 temporary migrants would yield annual revenues of \$90 million per year. Another source of revenue would come from federal taxes withheld from the paychecks of temporary workers. If we assume that 600,000 temporary migrants earned annual incomes of only \$15,000 and had taxes withheld at a rate of just 15% (very conservative assumptions), the resulting revenue stream would be \$1.35 billion per year. A more important source of revenue gain would come from a drastic reduction in the personnel and resources devoted to border enforcement. Elsewhere we have estimated that the *same degree of deterrence* could be purchased with a much smaller investment in INS operations, yielding \$3 billion in annual savings.

Under the above scenario, therefore, a total of around \$4.4 billion would become available to mitigate the costs of migration for the

United States and to facilitate Mexico's economic development. A portion of these funds could be earmarked for federal revenue sharing to states with large immigrant populations. Because immigration imposes substantial costs on receiving states, the federal government should include the number of foreign-born in its basic formula for revenue sharing. A transfer of resources from the federal government to immigrant-receiving states would do much to assuage the sort of anger and resentment that surged in California in the late 1980s and early 1990s.

The remainder of the funds would be used to benefit the migrants, to facilitate the improvement of markets in Mexico, and to assist it in building a social welfare net to support its citizens in the event of market failure. Such investments would follow the successful example of Spain and Portugal's integration into the European Union in 1986. During the 1960s and 1970s these nations sent out hundreds of thousands of emigrants for work in the wealthier countries of northern Europe, particularly Germany. Officials in these countries were initially worried that admitting poor Iberians into the European labor market would unleash even larger waves of emigrants northward. But in preparation for their integration into the union, substantial EU funds were invested in Spain and Portugal to improve their social, economic, and material infrastructure. As a result, when unification occurred, further emigration did not occur. On the contrary, both countries experienced a large net *return* migration from Northern Europe, although per capita income in Spain is still only half that in Germany.

If the U.S. and Canada were to make similar investments in Mexico as part of its integration into the North American common market, it would go a long way toward mitigating the incentives for out-migration. For example, a binational insurance agency might be established to allow migrants to purchase low-cost insurance for a variety of purposes, giving them a means of risk management other than migration. Another possibility might be the creation of a binational development bank that would offer matching grants to Mexican communities for the construction or improvement of the local infrastructure. Such an institution would give local community leaders a way of multiplying the positive benefits of the \$3.6 billion "migradollars" by pooling them for local development and doubling them in a dollar-for-dollar match.

A particularly important initiative is the expansion of banking services available to Mexicans of modest economic circumstances, either by modifying existing financial institutions or by creating new ones. Two persistent problems that migrants face are the high cost of remitting and the unfavorable rates of exchange they receive in Mexico. At present, the discount rate charged against remittances by the oligopoly of firms controlling international transfers is as high as 20%, and whereas Mex-

ican banks offer favorable exchange rates to investors, firms, and special clients, they do little for ordinary consumers. The technical and institutional means to create secure and inexpensive channels for migrant remittances clearly exist. It is simply a matter of political will to clear the way for their effective deployment.

The extension of banking services to more Mexicans would also go a long way toward improving access to capital and credit. Dollar-denominated accounts could be established to protect migrants against instability in exchange rates, and peso accounts could offer above-market rates to attract funds. Loans could also be made from these deposits to poor families seeking to finance homes, businesses, or educations. Banks could also issue low-rate, low-balance credit cards to working-class Mexicans, thus providing a means of financing large-ticket consumer purchases without having to resort to international migration.

Finally, the Border Patrol should be dramatically reduced in size, which would permit a shift of resources from the border to the interior of the United States, targeting regions and economic sectors known to employ large numbers of immigrant workers. Rather than focusing on the identification and apprehension of undocumented migrants, however, the inspections would enforce the tax, labor, environmental, health, and safety laws of the United States, reducing the incentives for employers to hire undocumented migrants as a means of circumventing these regulations.