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Abstract

This paper explores the impact of the illegal immigration on the U.S. economy in a context where the immigration phenomenon in this country is one of scale, taking into account its effects on the labor market, on consumption, budget equilibrium and American business. Nation founded by immigrants, the U.S. is facing the problem of immigrants, who are spread throughout the country. There are different opinions about the high number of immigrants on U.S. soil, immigration being considered beneficial to the economy by some and as a disadvantage by others. The paper tries to see how the American society, with a mentality characterized by private initiative law, free markets, entrepreneurship, nondiscrimination and especially freedom of expression of each individual, is facing the waves of immigrants that arrived over time on the "Promised land".

Key words: *immigration, globalization, economic integration, fiscal policy, social security, education, health system, labour market*

JEL classification: F22, F24, E21, E24, E26

1. Introduction

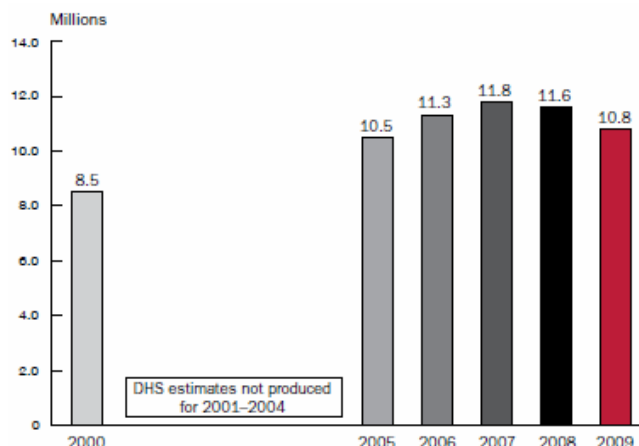
United States was founded by immigrants coming from Western Europe. The first "Americans" emigrated overseas for various reasons, most including religious persecution, lack of jobs or hunger. Immigration became a mass phenomenon, the migration flows coming from all over the world, passing the U.S. border each year, legally or illegally, in search of a better life. The nature, the causes, the trends and the intensity of the immigration phenomenon in U.S. have their starting point in either economic or general (political, religious, cultural, ideological, national, geographical etc.) conditions. The vast majority of immigrants were attracted to virgin land available at low prices in the "New World", being installed in rural areas. But, since the late nineteenth-century, the U.S. urban industries have absorbed a large proportion of new arrivals. In the mid '50s, the United States continued to be the country that admitted the largest number of immigrants, most of them coming from Latin America and Asia, not Europe.

Illegal immigration to the United States has a great impact on the development of American economy and society overall. Called by the lure of a better life in financial terms, politically or religiously persecuted in the countries of departure, fled wars, natural disasters or poverty, or simply driven by the desire to live a piece of the „American dream”, immigrants search and eventually find different ways to force entry to the U.S. territory, legally or illegally, on water, air or land, alone or accompanied by their family.

2. Results and discussions

Although in recent years has been a tightening of U.S. border controls and among immigrant communities by the Immigration Service, the evolution of the number of illegal immigrants in United States joined the trend of legal immigration, since 2000 and until January of 2008, the number of illegal immigrants has increased by over three million. [Hoefler, Rytina și Baker, p.2]

U.S. law regards as illegal immigrants, those who cross the border illegally on American soil and remain permanently or for an undetermined period of time. In the same category are the tourists, temporary workers and students, who entered in America legally and then exceeded the permissible stay period given by the visa.



Source: US Department of Homeland Security Report 2009, available on www.dhs.gov

Fig. 1 The evolution of illegal population in U.S. (2000-2009)

As illustrated in the chart above, in the last decade has been a growing number of illegal immigrants in the United States, with a "peak" in 2007, when the number of illegal immigrants reached 11.8 million. However, figures for the past three years, show a decrease with 1 million (9.2%) of their number, from 11.8 million in January 2007, to 10.8 million in the same month of 2009. One explanation for this unusual development may be the U.S. financial crisis, which had a great impact on the labor market, unemployment increasing from 4% in 2007 to a record figure of 9.7% [OECD Harmonised Unemployment Rates] in January 2010, which discouraged the entry of new flows of illegal immigrants or favored the return to their countries of origin for others. Another reason may be the tightening of the legislation and U.S. border control.

Regarding the countries of origin of illegal immigrants in the United States, the largest share comes from Hispanic countries of Latin America and the Caribbean. As we see in the table below, the largest share of illegal immigrants in 2000 were of Mexican origin, 55% of the total, representing 4.68 million immigrants. Figures for 2008 show a 50% increase in the number of Mexicans who have passed the U.S. border fraudulently or are illegally in this country, their share being 61% of all illegal immigrants.

Table no. 1 – Countries of origin of illegal immigrants in U.S. (2000 – 2008)

Country of origin	Illegal population		Share of total (%)		Percentage change (%)	Average annual change (%)
	2008	2000	2008	2000	2000-2008	2000-2008
Mexic	7.030.000	4.680.000	61	55	50	290.000
El Salvador	570.000	430.000	5	5	35	20.000
Guatemala	430.000	290.000	4	3	48	20.000

Filipine	300.000	200.000	3	2	51	10.000
Honduras	300.000	160.000	3	2	81	20.000
Coreea	240.000	180.000	2	2	37	10.000
China	220.000	190.000	2	2	14	-
Brazilia	180.000	100.000	2	1	72	10.000
Ecuador	170.000	110.000	1	1	50	10.000
India	160.000	120.000	1	1	29	-
Others	2.000.000	2.000.000	17	24	0	-
Total	11.600.000	8.460.000	100	100	37	390.000

Source: US Department of Homeland Security Report, in „Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2008”, Michael Hoefler, Nancy Rytina, Bryan C. Baker

Immediately ranked are the citizens coming from El Salvador and Guatemala, where in both 2000 and 2008, had shares of 5% and 4% of all illegal immigrants. Other states with Hispanic populations that have significant weight in the ranking, are Honduras (3%) and Ecuador (1%). It is important to note that Hispanic immigrants hold together over 75% of all illegal immigrants in U.S., the largest increase in the period considered, 2000-2008 occurred in Honduras, where the number of illegal immigrants increased by 81%. Another important aspect is that illegal immigrants from other parts of the world have had lower growth during the same period, summed weight of illegal immigrants from China, South Korea and India does not exceed 5% of the total, which represents the percentage of immigrants coming from El Salvador. Given that Mexico and Latin America have the greatest share as areas of origin of illegal immigrants, we will focus our attention on the impact of illegal immigrants of Hispanic origin on the U.S. economy. Due to geographical proximity in particular, but also the history of recent decades, flows of illegal immigrants from Hispanic countries experienced an upward trend in the period after 2000. If in states like California, Texas, Florida or New Mexico the large numbers of illegal immigrants of Hispanic origin is quite natural, given the proximity of the states with the north Mexican border, today, illegal immigrants are present in states without a rich history regarding the immigrationist phenomenon as New Hampshire, Montana, Vermont and even Alaska. The state with the largest number of illegal immigrants, 2.7 million (23% of total) [Passel and Cohn, 2009, 3] is represented by California, located in the southwest U.S. border with Mexico. As share of total state population in terms of the number of illegal immigrants, Nevada is ranked first, with 11% [Frank, 2009]. Major cities where illegal immigrants of Hispanic origin live are so-called "sanctuary cities" (New York, Chicago, Miami and Los Angeles).

Illegal immigrants of Latin American origin in the U.S. have become an important component of the U.S. economy, especially in the context of the growing Hispanic community share in the total U.S. population in recent years. Opinions on illegal immigration are divided among the political class, media or ordinary citizens. Those who declare themselves pro, rely on the fact that illegal immigrants accept those jobs that the average American would be willing to undertake, while the hostile reactions come from those who feel that the increasing share of illegal Hispanics on the U.S. soil, affect the labor market competition, reducing wages. Other objections are due to increase spending to halt the phenomenon of illegal immigration, through the tightening of border controls. Other budgetary expenses are targeted to social security, prisons, public education system or health insurance.

Education expenditures

In the last two decades, with the increasing share of Hispanic immigrants in the U.S. population, researchers and economists' attention turned over the increasingly Hispanic

migrant impact on the economy, trying to identify and quantify the effects of the immigrationist phenomenon over the budget expenditures. Most studies have focused on the costs associated with the illegal immigration.

Education expenditure had the largest share in total spending in the U.S. states and local budgets, because they bear the administrative and fiscal responsibility to provide free tuition to children of illegal immigrants, from kindergarden until the graduation from high school. In 1982, the Supreme Court of Justice of the United States decided that each American state must provide free education to any child, regardless of the immigration status they hold [Hunter and Howley]. Figures show that in 2007, in the United States, more than two million children aged between 5 and 17 years, from families of immigrants were employed in American public education system, and another three million Americans, whose parents live illegally in the U.S., benefited from free education.

Health expenditures

The probability that legal or illegal Hispanic immigrants receive health insurance is lower than among the U.S. citizens. Therefore, they will move to free public clinics or emergency rooms to in order to receive medical care. The federal government subsidizes health care to a certain degree of complexity, regardless of the individual who presents to the emergency room or its possibility to pay for the medical care provided. According to a Report of the American States bordering Mexico, for 2006, regarding the treatment of the illegal immigrants living within the territory of New Mexico, California and Arizona, the government has allocated a sum exceeding 190 million dollars, which is more than one quarter of the total health expenditures allocated to these three states. Hence the hostile reaction among Americans against Hispanic illegal immigrants, they don't pay taxes to the state budget, and still benefit from treatment as any other American citizen. Moreover, in some states, people working temporarily are exempt from social security and Medicare taxes.

Law enforcement expenditures

This category includes all costs allocated to strengthening measures against employers who allow "black labor", to strengthen the border with Mexico, insurance and maintenance costs for quality of life of inmates or other detention centers. Also this category includes the costs of defense in case of law process or charges against an illegal immigrant: he is offered the support of a public defender (paid by the state). All law enforcement costs are financed from taxes paid by Americans or U.S. residents working legally. For example, in the State of Colorado, in 2007 they spent 245 million dollars for illegal immigrants applying penalties. These expenses were allocated from the budget covering the costs of investigating immigration offenders, trial expenses, costs for the maintenance of prisoners in jails, prisons or orphanages. An important thing to remember is that the share of Hispanic origin prisoners registered in all units of investment, state and federal prisons is 20% of the total [Griswold].

The Control Act adopted in 1986 and The New Law of Immigration of that time has allowed the federal government to contribute financially to cover the costs of imprisoning illegal immigrants convicted of various offenses, just to remove the financial pressure on the shoulders of state and local governments. The federal government has worked with SCAAP (Criminal Alien Assistance Program State) [Virtue and Tynan, 2006], which receives annually from the government of each state, the demographic reports, the costs of imprisonment of illegal immigrants, and the number of illegal immigrants detained. Thus, between 2000 - 2007, following complaints and calculations made by SCAAP, the federal government has spent an amount of 2.8 billion dollars for these activities, only to respect the law, the amount being distributed to more than 800 local or state jurisdictions.

The impact on the labor market

Hispanic illegal immigrants are occupying the positions on the market which a "white" American would never accept. Moreover, Latin Americans agree to provide these services at very low wages, working under the table and thereby avoiding the payment of state, social, medical and federal taxes. Hostile reactions against the phenomenon refer to lowering the price of labor, illegal immigrants are forced to work at lower wages, thereby they are decreasing competitiveness on the labor market. But this can be beneficial for the firms and for the consumer, because of the low cost of labor is theoretically purchasing the product at a lower price. For companies, lower wages paid to employees mean lower taxes and a higher profit. A macroeconomic indicator that highlights the "health" of an economy is the unemployment rate, which is increasing in recent years in U.S. one of the reasons being the large number of illegal immigrants on American soil.

3. Conclusions

The illegal immigrants are not invading, they simply follow the natural laws of the labor market, they do not operate as long as they don't have access to certain services, such as health services. They can't make United States poorer, because they are paid with the lowest wages, which a white person would never accept. Should be emphasized the idea that the United States were founded as a nation of immigrants and without their contribution the economy would not have reached at the rank of superpower.

No one denies that by their large share in the total U.S. population, by their geographical concentration and in keeping with their cultural values, the Hispanic illegal immigrants are difficult to assimilate by the American culture. But these are natural difficulties in a global and open world, and most of the Hispanics who chose to immigrate to the United States believe in the universal values that the American culture is based on: freedom, nondiscrimination and the individual's right to free expression.

America's openness to and respect for immigrants has long been a foundation of its economic and military strength, and a vital tool in its diplomatic arsenal. With trade, technology, and travel continuing to shrink the world, the manner in which the United States handles immigration will be increasingly important to American foreign policy in the future.

Immigration should be seen as one of America's great success stories. The United States has for generations welcomed large numbers of immigrants, found productive employment for them, and successfully integrated them into its population. Unlike many other advanced countries, high levels of immigration have largely maintained what would otherwise be a shrinking population of working-age adults, a huge economic advantage for the United States.

This country has been especially good at attracting ambitious, skilled people. For talented immigrants across the world, the United States has long been the destination of first choice. Many innovative and successful new American companies – Google, Intel, eBay, and countless others – have been built by recent immigrants. At the same time, the abundant opportunities for immigrants to advance and succeed here have largely spared the United States from the kinds of internal security threats that have faced European countries, where some immigrants are more marginalized.

America's attractiveness to immigrants is essential to its prosperity, and will be especially important in helping the United States recover and emerge stronger from an eventual economic downturn.

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