

William S. Bernard: ECONOMIC EFFECTS OF IMMIGRATION

IN an effort to reach a conclusion as to whether immigration should be further reduced, maintained at the same level, or increased somewhat, this chapter presents data relevant to the relation between immigration and economics, with emphasis on more recent evidence. It also undertakes a critique of some of the theories and arguments which have been advanced by the more extreme opponents of immigration as to its economic effects on the receiving country and the numerous economic fallacies which have developed in popular thinking on the subject.

The huge population movement of thirty-eight million persons from Europe to the United States in the hundred years from 1820 to the early decades of the twentieth century was an economic phenomenon of the greatest significance. This redistribution of population was regarded as valuable from the economic viewpoint. The liberal philosophy of the nineteenth century taught that freedom of migration was an economically rational process. This belief in individual freedom of movement was directly related to the doctrine of free trade which dominated economic thinking during much of the period of large immigration to the United States. Men, like goods, it was held, should be allowed to go where they were in greatest demand and would be of the greatest value, without the imposition of legal restrictions or governmental barriers. It seemed a truism that adults who had been nurtured in their native lands and in their maturity offered their labor and skills to the lands to which they emigrated were economic assets to the countries of their adoption.

The dominant point of view during

most of the nineteenth century thus accepted as a matter of course the desirability of immigration. In recent decades, partly because of a change in the conditions of American life and partly because of changes in our economic philosophy, the pendulum in many respects has swung to the opposite extreme. Without justification the immigrant has often been made the scapegoat for the unsolved problems of our industrial society.

The tremendous contributions made by immigrants to our national development are undeniable. Indeed, they have played such an integral part in the growth of our economic system and our total culture that it is sometimes difficult to sift their contributions. Since immigrants have from the earliest days been completely absorbed into American life, in one sense it is almost impossible to conceive what American economic institutions might have been without the contribution of the immigrant. His contributions can be charted only in a broad way, and any specific summary such as that given below can at best be only suggestive; any comprehensive attempt to describe immigrant contributions would necessarily reach into every sphere of national life.

Economic Growth

Much of the hard labor required to convert our country from a vast area of undeveloped resources into a top-ranking industrial nation has been borne by immigrants and their descendants.

Realization of the great agricultural potentialities of the country has been due in no small measure to their efforts. Only in recent years have we begun to appraise the part of the immigrants in that distinct-

tive characteristic of American economic life, the moving frontier. The great impetus which immigration gave to our westward expansion and the conquest of the continent has been depicted by an eminent historian:

Without the influx of millions of Europeans this clocklike procession across the continent could not have occurred. The population would not have been so mobile. There would have been a frontier to be sure, but not the kind of frontier that produced the now accepted historical consequences.

Following in the wake of the first pioneers, many immigrant families of German, Scandinavian, Slavic, and other national strains have helped to extend the area of cultivation ever westward. Large portions of the Middle West and the West are now being tilled by descendants of these immigrant stocks. In the East many farms left idle by former native tenants, moreover, have been taken over and run profitably by Italian, Polish, and other immigrant families. The development of Pacific Coast agriculture has depended in part on crops from the Mediterranean imported by immigrants skilled in raising them, and the Japanese also brought to California exceptional talent in intensive cultivation and gardening. In all sections of the nation except the South the work of immigrants has helped to push the agricultural production of the country to its present high levels. The desirability of the immigrant farmer is specifically recognized in our present immigration law, which grants the skilled agriculturist preference within the quota.

Much of the heavy and difficult work of building our continent-wide transportation system was likewise performed by the different new immigrant groups at various periods of our history. In the middle of the nineteenth century the Irish

constituted a most important element in the laboring class. They took over a large part of the heavy work in the building of the Erie Canal and the other waterways which formed essential links in the transportation system of that era. In the construction of our vast system of railroads which had spanned the continent by the turn of the century, new laboring groups such as the Slavs and Italians worked along with the Irish. In the building of the far western railroads the Chinese were an important source of labor.

Even more significant is the role of the immigrants in the opening of our mines and the expansion of our industries. Here the development of individual industries is closely tied up with the coming of various immigrant groups to the United States. In specific industries the succession of immigrant groups employed reflects the changing character of immigration at various periods. The work of the New England textile mills was chiefly performed from 1820 to 1840 by New England farm girls, from 1840 to 1860 by the Irish, and after 1865 by Italians, Portuguese, Greek, and other new types of immigrants. Later large numbers of French Canadians went to work in these same mills.

A similar succession can be traced in the mining and metal industries. In general, the most recent immigrant groups have tended to hold the most arduous and lowest paid jobs, as the earlier comers advanced to more agreeable and profitable occupations. Thus the heavy work in the mining and metal industries which in earlier days was performed by English, Welsh, and other old-immigrant groups has been largely taken over by immigrants from Hungary, Poland, Italy, Yugoslavia, and other parts of eastern and southern Europe. In the early part of the century a large proportion of the Slavic

immigrants were employed in the coal and iron industry, in the steel mills, and in mining.

Indeed, in the rapid industrial expansion between 1890 and 1910 the new immigration from southern and eastern Europe which assumed such large proportions at this time, played an indispensable part. The United States Immigration Commission, which from 1907 to 1911 made a critical and searching investigation concerning the effect of immigration upon American life, covered in a 42-volume report, admitted that the great expansion of American industry during this period would have been impossible without the new immigrants.

Analysis of American economic history indicates that immigration has stimulated the growth of wealth in our country. The period from 1890 to 1910 saw the heaviest immigration in our history, totaling about 12,500,000 for the twenty years. American economy was expanding and wealth increasing at an unprecedented rate during this period. The statistics . . . , compiled by the noted economist I. A. Hourwich, show that, whereas the population rose some 46 per cent, coal production rose 220 per cent, steel production 606 per cent, and bank clearings (one of the best indices of business) 191 per cent. Heavy immigration naturally was not the sole cause of this rise, but it made a major contribution.

The United States Census Bureau in "A Century of Population Growth" estimated that during the nineteenth century immigrants contributed thirty million persons to the American population and during the same period added forty billion dollars to our wealth. As a corollary to this, those sections of our country where immigrants have settled have developed into the wealthiest parts of the country, and those with the smallest pro-

portion of foreign born have become the poorest . . . , as has been demonstrated to be true in earlier years, the ten states with the highest percentage of foreign born had a per capita income several times that of the ten states with the lowest percentage of foreign born.

The fact that this list segregates chiefly the southern states as those with the lowest percentage of foreign born and with the lowest income may be somewhat misleading. Natural resources and geographic position, of course, have been factors in the promotion of wealth. On the other hand, many analyses indicate that the wealth of the states with the largest ratio of foreign born is not due alone to superiority of natural resources (a superiority that is often questioned), but is also based on the ethnic and economic diversity of the immigrant groups which at an early period made these states centers of industry. Even in colonial times those colonies which showed the least prejudice against receiving foreigners were those which prospered. At the Constitutional Convention in 1787, James Madison declared: "That part of America which has encouraged them [the foreigners] most, has advanced most rapidly in population, agriculture, and the arts." The relative poverty of the South, according to some authorities, may be partially explained by the institution of slavery, which caused immigrants to shun the southern states, fostered the development of a one-crop economy, and barred the area from the stimulus to progress and diverse economic development which immigration might have provided.

. . . [It is also] clear that the states with a high percentage of foreign born, although scattered through the East, the Middle West, and the Far West, have a high per capita income. It is true that wealth and opportunity have attracted

newcomers, but economic history also shows that these newcomers have played an essential part in the continued progress of any area.

*Comparison of Percentage Foreign Born and Per Capita Income for Ten States with Lowest and with Highest Percentages of Foreign Born.**

HIGHEST TEN STATES

	Percentage Foreign Born	Per Capita Income
New York	21.2	\$863
Massachusetts	19.7	766
Rhode Island	19.3	715
Connecticut	19.2	827
New Jersey	16.7	803
New Hampshire	13.9	546
Michigan	13.0	509
California	12.6	805
Illinois	12.3	726
Washington	11.7	632
Average	15.9	\$733

LOWEST TEN STATES

	Percentage Foreign Born	Per Capita Income
Mississippi . . . . .	.3	\$201
North Carolina . . . . .	.3	316
South Carolina . . . . .	.3	254
Alabama . . . . .	.4	268
Georgia . . . . .	.4	315
Tennessee . . . . .	.4	317
Arkansas . . . . .	.5	252
Kentucky . . . . .	.9	308
Oklahoma . . . . .	.9	358
Virginia . . . . .	.9	450
Average . . . . .	.48	\$313.7

As has been well said: "What is lacking in some sections is not resources but resourcefulness."

Not only have immigrants contributed

* Population data from U. S. Census (1940); income data from U. S. Dept. of Commerce (1940). Suggested by a similar chart in Felix S. Cohen, *Immigration and National Welfare* (New York: League for Industrial Democracy, 1940).

to our general economic growth and wealth but they have also brought to this country organizing ability, enterprise, scientific knowledge, and inventiveness, which speeded the tempo of our development and added immeasurably to the diversity of American life. The new industries and industrial processes introduced by immigrants have, for instance, played an important part in our whole economic advance. Thus, for example, the pottery and chinaware crafts were introduced to Pennsylvania by German immigrants at the end of the eighteenth century. A little later the French set up the first large munitions industry in Delaware. The French and the Swiss were the first watchmakers. Tanning was introduced by the Germans, at first in Pennsylvania and then in Wisconsin. The clothing industry was built up by the Germans and Austrians during the Civil War and was later taken over largely by Jewish, Russian, and Italian groups. Italians have played an important part in developing the domestic wine industry, especially in the Finger Lakes district of New York State and in California, where their vineyards have helped make these areas important centers of the industry. They have also been conspicuously successful as truck gardeners and have brought special skills to such crafts as jewelry cutting and stone masonry.

The German refugee immigration after the Revolution of 1848 was especially significant because of the large numbers of educated immigrants, scientists, and skilled workers it included. It was at this time that skilled craftsmen introduced into the United States special processes which had been developed in Europe in such fields as bookbinding, printing, lithography, furniture making, mill and glass work, and the art of piano construction. The chemical and drug industry, the

optometric and photographic industry, brewing, and other new industries were set up by these refugee immigrants. The contributions of present-day refugees in our country afford a dramatic parallel to those of these earlier refugees, for they have similarly introduced innovations into our industrial life and have even transferred complete industries, notably the diamond industry, from Europe to this country.

The role of immigration in promoting industrial progress may be further suggested by the mention of the names of a few immigrants who have been outstanding leaders in the development of special industries: Andrew Carnegie (Scottish) played such a role in the steel industry, Samuel Slater (English) in the cotton-mill industry, John Jacob Astor (German) in the fur industry, Michael Cudahy (Irish) in the meat-packing industry, Frank Assman (Swedish) in can processing, and Henry Lomb, John J. Bausch, and Charles Lembke (all German) in the optical industry. Other leading immigrant figures in industry include Joseph Bulova (Czech) in the watch industry, James Butler (Irish) in chain groceries, Leo Baekeland (Belgian) in bakelite and velos, Giuseppe Tagliabue (Italian) in thermometers, Conrad Worra (German) in aluminum products, Charles L. Fleischmann (a Hungarian Jew) in yeast, David Sarnoff (a Russian Jew) in radio, Frederick Weyerhaeuser (German) in the lumber industry, and William S. Knudsen (Danish) the head of General Motors. Immigrant producers, actors, artists, and technical experts have played a very important part in the motion picture industry, the show business, the theater, music, and the other arts. If diversity of industry and specialization are necessary for a high standard of living, as the economists state, immigrants have contributed

substantially to our present standard, considered the highest in the world.

Immigrant Scientists and Inventors

The scientific knowledge and inventive genius of many of our immigrants have been even more important to the industrial advance of the country and the increase of its productivity than the specific contributions already listed.

Basic discoveries made by immigrants in the field of pure science have extended the bounds of the knowledge on which advance in our industrial and economic life has depended. The work of Charles Steinmetz (German) and Michael Pupin (Serbian), who made important discoveries concerning the nature of electricity, has had an especially profound effect on industrial progress. Many other immigrants have made valuable contributions to scientific knowledge, as indicated by their representation in the 1944 edition of *American Men of Science*, where recent additions alone include the names of more than two hundred refugees who have fled to this country from Nazi Europe since 1933. Many of their inventions and new processes aided our war effort. The most striking example is the vital role played by Enrico Fermi and other recent immigrants in the development of atomic power, with its vast potentialities for peace as well as for war.

The great gains America has at various periods of her history received from newcomers from Europe are apparent in even a brief list of important discoveries and inventions made by immigrants.

John Ericsson (Swedish) invented the ironclad ship and the screw propeller. Alexander MacDougal (Scottish) made many other important inventions in the field of shipbuilding. Ole Evinrude (Norwegian) invented the outboard motor. David Lindquist (Swedish) invented the

modern electric elevator, Andrew Hallidie (Scottish) the cable car for streets, and Carl Oscar Hedstrom (Swedish) the motorcycle. Giuseppe Bellanca (Italian) made outstanding innovations in airplane design, and Octave Chanute (French) invented the glider. Advance in airplane design and development of the industry in more recent times have been greatly influenced by the work of Igor Sikorsky and Alexander de Seversky (both Russian).

John August Udden (a Swedish geologist) was responsible for the opening of the Texas oil fields. Albert Arent (a German metallurgist) did pioneering work in exploring the mining possibilities of the Rocky Mountains. Herman Frasch (German) developed the oil-refining process and the extraction of sulphur. Lucas Petrou Kyrides (Greek) made other important contributions to industrial chemistry. David Thomas (a Welshman) invented the hot blast furnace and has been called "the father of the American iron business." Louis Bonard (French) invented the circular loom for weaving hats and a machine for casting iron. Cornelis Bol (Dutch) invented the mercury vapor lamp. John Garand (French) invented the Garand rifle, and John Adolph Dahlgren (Swedish) made various inventions in naval gunnery. Conrad Huber (Russian) invented the flashlight. Emile Berliner (a German Jew) was responsible for important aspects of the development of the telephone and the gramophone. Alexander Graham Bell (Scotch) is most widely known as the inventor of the telephone. Immigrants likewise played prime roles in the development of printing techniques: Mathias Schwalbach (German) invented the first typewriter model and Otto Mergenthaler (a German Jew) the first linotype machine; Louis Prang (German) developed lithography and color printing.

Some of the chief marvels of engineering science today are the achievements of immigrant engineers. Gustave Lindenthal (Austrian) designed Hell Gate Bridge, Charles A. Schneider (German) the cantilever bridge over Niagara Falls. John A. Roebling (German) developed the use of steel wire cables for suspension bridges, such as Brooklyn Bridge. John F. O'Rourke (Irish) planned the tubes under the East River (New York City) and the subway tunnels, Ole Singstad (Norwegian) the Holland Tunnel, and Ole Hoff (Norwegian) other underwater tunnels. A. O. Ammann (Swiss) was head of the commission of engineers which designed and built George Washington Bridge.

Especially outstanding has been the work done by immigrants in the field of medicine and bio-chemistry, which has had beneficial effects on the health and living standards of our people and indirectly on our vigorous development. Rene DuBos (French) discovered tyrothricin, a drug superior in some respects to penicillin and sulfa drugs, Arthur Cushing (Scotch) the use of digitalis. Carl Beck (German) was one of the first users of the X ray. Simon Baruch (a German Jew) made important contributions to hydrotherapy and the surgery of appendicitis. Hans Zinsser (German) was an outstanding pathologist. George W. Raiziss (a Russian Jew) pioneered in the use of anti-septics and sulfa drugs. Isaac Levin (a Russian Jew) made important contributions to cancer research, and Hiram N. Vineberg (a Russian Jew) to gynecology. Joseph Goldmark (a German Jew) was a pioneer in medical education. Abraham Jacobi (a German Jew) was a pioneer in American pediatrics and established the first free clinic for children. Alexis Carrel (French) won a Nobel prize for his work in surgery. Casimir Funck (Polish)

brought to light important functions of vitamins. Refugee physicians and medical scientists have similarly during the last few years brought new knowledge and understanding to these fields and have made signal contributions to the health of many understaffed rural areas where they settled.

General Effects on Progress

The specific contributions of individual immigrants and of immigrant nationalities as listed above serve to illustrate the larger general process by which immigration has provided a spur to progress in our economic and cultural life. The variety of cultural heritages in our mixed population has been an important factor in the speed of our development. The new ideas and inventive genius brought here by immigrants have added to the diversity of our culture, rendered it more responsive to shifting situations, and speeded our rate of cultural change. In this process all parts of our life have been involved. Competition between different elements in our population and their ways of living has stimulated new ideas and made for new inventions. Instead of being static and rigid we have changed with the times and forged ahead.

Complaints against Immigration

For many years much of the recurrent controversy about the economic effects of immigration centered about the report of the United States Immigration Commission of 1907-1911. The general point of view and the sheer mass of data in the forty-two volumes have colored the discussion of economic aspects of immigration up to our day. Many of the current economic fallacies owe their strength to this source. The investigation of the Commission and the publication of its report took place during years when the volume

and intensity of immigration were at the highest peak. American society in general was affected by serious economic problems resulting from rapid industrialization and the growth of cities. The Commission's report, it is true, gave a detailed account — based on first hand investigation — of industrial conditions in which the immigrant was involved. Nevertheless the report is subject to the general criticism that it failed to separate undesirable economic conditions described from the causes which were responsible for them. Blame for the situation is attached to the immigrant, but on analysis this proves to be unjustified. Among the specific charges made against the immigrant were allegations that the "new" immigrants were inferior to the "old"; that immigration produced an oversupply of unskilled labor with a resultant reduction of wages and a lowering of the American standard of living; that native workers were displaced from occupations which were formerly theirs; that unionization was retarded; that immigrants lived in unsanitary slums; that the large numbers of the unskilled retarded the introduction of machinery; that immigrants worked under sweatshop conditions; that they had a high accident rate; that they utilized child labor.

Most of these points, even as applying to that era, have been refuted by more detailed analysis and by intervening developments. Hourvich, a noted labor economist, answered most of the charges in detail as early as 1912. It has been shown that the substandard economic conditions which were attributed to the immigrant were the product of the era of community indifference and cutthroat economic competition. The slums and sweatshops were part of the chaotic growth of cities and rapid industrialization. The immigrants themselves did not

originate these deplorable conditions. If immigrants were concentrated in unskilled and semi-skilled occupations, a fact which the Report tended to deplore, American economic development needed and absorbed millions of laborers, as we have already noted. However, the conditions of the immigrants improved rapidly with the passage of time, and later studies have confirmed a valid conclusion of the Immigration Commission itself: that the economic status of the immigrant was directly related to the length of his residence in the country.

The United States Immigration Commission Report was commendable in that it focused attention on immigration as an economic phenomenon, but at the same time it prejudiced the discussion of the problem by its failure to analyze the underlying conditions of American economic life and by its presentation of a distorted and one-sided picture of the role of the immigrant. Most of the charges made against immigration by the Commission's report no longer apply, as will be brought out in further detail later. Regulative controls such as tenement house laws, child labor laws, minimum wage laws, bans against the sweatshop, and unsanitary working conditions, together with broad-scale unionization of industry, have largely eliminated the evils which led to the type of charges listed by the Commission.

Job Displacement

One of the most persistent and recurrent economic fallacies in popular thought is the notion that immigrants take away the jobs of native Americans. This rests on the misconception that only a fixed number of jobs exist in any economy and that any newcomer threatens the job of any old resident. Such a theory, sometimes referred to as the "lump of

labor fallacy," has been repeatedly refuted by competent economists. To quote Norman Bentwich:

An idea is abroad that there is a limited amount of work to be done in the country, and if a stranger is allowed to nibble at the lump, there will be less of it for the natives. All the economists of repute have shown this to be a fallacy.

William H. Beveridge similarly shows that the popular notion of a rigidly determined limit to job opportunities is erroneous:

The popular conception is of industry as rigidly limited—a sphere of cast iron in which men struggle for living room; in which the greater the room taken by any one man the less must there be for others; in which the greater number of men the worse must be the case of all. The true conception is of a sphere made of elastic material, capable of expansion and being in fact continually forced to expand by the struggling of those within.

Job opportunities in any society are not fixed at any particular level but expand with a rising population. The extent of the opportunities for employment depends on the stage of technological development and on the division of labor in relation to natural resources. The economies of modern industrialized nations are extremely fluid and have a high absorptive capacity for new workers. This is especially true of countries with a relatively sparse population such as the United States.

The facts of American economic history clearly demonstrate that with the increase in population both wealth and industry have expanded and job opportunities have multiplied. Since 1870, when immi-

gration began to assume important proportions, the total number of jobs has risen even more rapidly than the population itself. The population rose from 38,558,371 in 1870 to 122,775,046 in 1930, or about 200 per cent, whereas the number of the gainfully employed increased from 12,505,923 in 1870 to 48,829,920 in 1930, or nearly 300 per cent.

. . . [The table below] compares the increase in the total population with that in the number of gainful workers, decade by decade, from 1870 to 1930. It makes clear that during this whole period, when our population was growing at a very rapid rate, to a considerable extent because of immigration, the number of jobs in the country was growing even faster. It is significant that for the decades when the percentage increase in immigration over that of the total population increase was highest the increase in the number of gainfully employed was consistently about one-third higher than the increase in the total population.

The correlation between periods of large-scale immigration and of increase in the number of gainful workers may be explained in part by the stimulating effect

*Comparison of Increase in Number of Gainfully Employed with Increase in Total Population, 1870-1930**

	Total Population	Per Cent Increase	Number of Gainful Workers	Per Cent Increase in Gainfully Employed
1870	38,558,371		12,505,923	
1880	50,155,783	30.1	17,392,099	39.1
1890	62,947,714	24.8	22,735,661	30.7
1900	75,994,575	21.3	29,073,233	27.9
1910	91,972,286	21.0	38,167,336	31.3
1920	105,710,620	15.0	41,614,248	9.0
1930	122,775,046	15.1	48,829,920	17.3

* Fifteenth Census of the United States (1930), Occupations: H. Dewey Anderson and Percy E. Davidson, *Occupational Trends in the United States* (1940).

immigration tends to have on the nation's economy, a point clearly demonstrated earlier in this study. Other factors leading to expansion of the economy, such as technical improvements and capital accumulation, were of course important agents in the rise in the proportion of the population gainfully employed during this period. It is at least certain, however, that the multitude of immigrants arriving then was fully absorbed into the American economy and had a favorable rather than an adverse effect upon employment conditions. It has also been claimed, though it cannot be proved statistically, that the decline of immigration in the decade of the 1930's may well have been a factor in the slowing down of our economy in that period. Especially striking is the fact that the most severe unemployment in American history came during the last depression, which started about ten years after the end of large-scale immigration. On the other hand, the increase in the number of jobs since the decline of immigration has been steady and strong, reaching in 1947 a total of roughly sixty million.

As has already been demonstrated, industries of many diverse sorts have been established by immigrants at various eras in our history. These industries, often introducing new products to the American market, have been a substantial factor in expanding job opportunities for native — as well as foreign-born workers. The development of our export and import trade has depended heavily on such immigrant industries. The consumption level of the population of the United States as a whole has been raised by new foods and other new products introduced by immigrants, for, as advertisers well know, variety in the supply of products available tends to raise the consumption

level of any group. This factor had an important bearing on industrial expansion and the rise in per capita income during periods of heavy immigration.

The Immigrant as a Consumer

Arguments that immigrants take jobs away from native Americans overlook the fact that immigrants, like other residents in the country, are consumers and consequently expand the market. They not only take a place in our economy by meeting the demands for labor but as consumers create a demand for goods. The man who earns money spends it. The spending creates employment. Because immigrants are consumers they help to increase the job opportunities and contribute to the economic prosperity. New capital investment, a chief spur to employment, follows in the train of increased demand. It has been estimated that the total amount of capital equipment of all sorts required to cover the needs of a consumer may be reckoned at about four times the normal value of his consumption. Immigration by increasing the number of consumers provides a considerable stimulus to new investment.

Our first- and second-generation immigrants represent an important proportion of American consumers. In 1940 the foreign-born white population of the United States, 11,419,133 persons, constituted 8.6 per cent of the total population; the native whites of foreign or mixed parentage, another 23,157,580, comprised 17.5 per cent. Together, the foreign born and native born of foreign or mixed parentage, 34,576,718 consumers in all, constituted 26.1 per cent of the total population.

Statistics concerning our immigrants point toward a high rate of consumption on their part. Although prior to 1910

males predominated among immigrants, the proportion of females to males among immigrants has risen steadily during recent decades until today the old picture is reversed. By 1940 females made up 56 per cent of the total immigration, and 59 per cent by 1945, as shown in [the table below]. A high proportion of females in any group is considered an indication of a high level of consumption, because though many females do not have jobs all are consumers. In 1940, 67.4 per cent of foreign-born white males but only 16.7 per cent of foreign-born white females were gainfully employed. The fact that the age distribution of immigrants has customarily shown a preponderance of young adults also insures a relatively high level of consumption.

*Proportion of Males and Females in Recent Immigration**

	Per Cent Males	Per Cent Females
1901-1910	69.8	30.2
1911-1920	63.5	36.5
1921-1930	55.6	44.4
1931-1940	43.4	56.6
1941-1945	41.0	59.0

In an earlier era the complaint was raised that immigrants tended to "under-consume," that is, to create fewer jobs through their consumption than they filled. If indeed this was ever true, it is no longer the case. Immigrants have striven through education to raise their economic status, and they have been quick to take over the material standards of the American way of life. The average level of education achieved by immigrants is practically equivalent to that of the native born, in spite of the fact that the total immigrant group includes many

* U. S. Immigration and Naturalization Service, Monthly Review, February, 1946.

older people who came here when it was too late for them to take advantage of the educational opportunities of this country. Educational level correlates with economic status and thus may be taken as an index of consumption levels. Housing and rentals, another important index of consumption levels, are no lower among foreign-born than among native-born groups at the present time, as brought out by the National Resources Committee's study:

In 1930 it was found that the median monthly rental of urban non-farm homes was slightly higher for foreign-born white (\$35.13) than for all native white (\$34.11). When the native white classification is further subdivided according to parentage an even greater difference is seen. The figures for those of native parentage is \$23.26 and for foreign or mixed parentage \$37.74.

The importance of the foreign born as consumers is further illustrated by the large number of businesses and industries that depend on the special interests and tastes of different nationality groups, national food habits being the most obvious example. Advertisers regard the foreign-born group as a very important market, as is shown by the large advertising allotment for foreign-language newspapers and foreign-language broadcasts.

Immigrant Competition

The competition offered by immigrants to native Americans has been greatly exaggerated in popular thinking.

Immigrants have in general come here in response to definite needs for labor in our economic system (although some groups, such as refugees, form an exception to this general rule) and have come to this country in large numbers, as official statistics show, only when conditions here were prosperous. In addition, immi-

grants have naturally tended to establish themselves in occupations where competition is at a minimum. To quote a well-known authority:

The immigrants in the United States not only seek out those industries in which opportunities for employment are most numerous, but also those into which, because of the handicaps of language and lack of money and experience, or because of national characteristics they fit most easily.

Immigrants have generally entered the economic scene by developing a role or economic function which is distinctive and would be difficult for a native to fulfill. Particular old-world skills or types of knowledge have been used by individual nationalities to develop specialties where competition with natives will not be severe. The Chinese laundry business, the Chinese and Greek restaurant business, the truck farming of Italians and Poles, the Greek sponge industry around the Gulf of Mexico, and many other examples might be cited. Although the specialized function of many immigrant groups does not show up in the occupational classifications of the Census, it is a factor not to be overlooked in considering the relationship between immigration and job competition.

The immigrant with his foreign accent and his ignorance of American customs and business procedures has usually been at a disadvantage in nearly all fields of work. Immigrants have therefore tended to take over the lowest paid and least desirable jobs in the American economy, and their coming has allowed native workers to rise in the economic scale. By the unskilled labor supplied by immigrants and the industrial expansion they have made possible, increased opportunities have been provided for skilled, white-collar, and professional workers. On the

whole, any displacement suffered by native Americans has been "displacement upwards" and has been advantageous. The history of the steel industry, the New England textile mills, the mine fields, and many other industries indicates that the native workers and older immigrants moved on to supervisory jobs, or to positions in skilled or white-collar jobs with higher prestige, when large numbers of immigrants entered the field. This was not displacement in any unfavorable sense, for it redounded to the economic advantage of the earlier groups. This movement of people up the economic and social scale is what has distinguished the United States from European countries. Immigration has been an important factor in the promotion of our open-class system, one of the cornerstones of American social democracy. . . .

Although in recent years unskilled immigrants have been represented to a less extent, the inflow of other immigrants has been so small that the group as a whole has represented a negligible amount of competition to native job holders. In addition, only part of this total have been wage earners who might conceivably offer competition to American workers. Old people, housewives, and children, who do not compete for jobs but actually swell the number of American consumers, have constituted a considerable proportion of the total. This proportion has been increasing steadily since 1900. Indeed, in the last fifteen years more than half the immigrants have been representatives of such groups, classified by immigration statistics as having "no occupation." The percentage in this category arriving from 1941-45 is more than double that from 1901-1910.

During the period of refugee immigration from Nazi Europe, as in some other eras of our history, a large number of

individuals entering the country set up their own businesses or industrial enterprises. Widespread interest in this fact has led to special investigations concerning the degree to which these new businesses have competed with native industry. These studies have shown that much of this industry does not compete with American industrial enterprise. Oftentimes industries set up by immigrants introduce new products to the American market or start the manufacture of products previously imported. Our export trade has also been enlarged by such new industry.

In 1941-42 a special study of refugee industries was set up by the Committee on Selected Social Studies and conducted by a corps of trained workers under the direction of Sophia M. Robison. Through this study more than 800 refugee enterprises were located, around 300 of which were in the field of manufacture and over 400 in the field of trade — a representative sample of the total of refugee enterprises. The largest numbers of refugee manufacturers were found in the apparel and textiles, food and beverages, leather, and diamond industries. About half reported that they had introduced to the American market something new or never before manufactured in this country. Of special importance is the transfer of the center of the diamond industry from Amsterdam to New York; this has resulted not only in the direct employment of large numbers of refugees and native Americans but indirectly in the employment of trained engineers and others to work in processes new to America. Two hundred refugee entrepreneurs in the group investigated were engaged in some form of foreign trade.

The twofold fact that much of this refugee enterprise was not competitive to American business and that through it

employment was given to native as well as to refugee workers was clearly indicated in the Robison study. Some 9,000 workers were discovered to be employed by the refugee enterprises covered in the study, 6,000 of whom were reported to be Americans. The study found:

In terms of averages, based on the facts in the refugee enterprise study, each refugee entrepreneur in business has created a job for approximately seven American workers in New York City. No data are available on the incalculable amount of additional business and employment created by the refugee demand for housing, food, clothing, transportation, amusement, etc.

Further facts regarding new industries which have been established by refugees and new industrial processes which have vitalized established industries are also included in the findings of the Committee for the Study of Recent Immigration from Europe. The preliminary report of this study concluded:

It is evident that the refugees, making up only an insignificant percentage of the immigrant population and an utterly negligible proportion of the total population of this country, could hardly offer serious competition to Americans or endanger their way of life. On the contrary, they have had a beneficial influence upon this country out of proportion to their numbers. They have had a stimulating effect upon the economic and cultural life of the nation. In business they have started new types of enterprises, stimulated existing ones, and developed new markets. In industry they have introduced new processes and produced articles hitherto unknown or not manufactured here. Moreover, in both these fields they have brought in capital and created job opportunities for Americans.

Similar reports come from countries the world over. Countries which have shel-

tered refugees as a humanitarian gesture have found them a valuable addition to their economies and have expressed the hope that their refugee population will wish to remain rather than to return to their homelands. Partly as a result of this, countries throughout the world have shown growing interest in the stimulating effect of immigration upon a nation's industry and in many cases are revising their immigration policy accordingly.

Immigration and Unemployment

The history of the United States shows that immigration, or the excess labor supply it might create, has never proved a substantial factor in producing unemployment. Expanding industry has had no difficulty in absorbing immigrant workers. The causes of unemployment are rather to be found in maladjustments of our economic system and are rooted chiefly in the fluctuations of the business cycle. No economist would challenge the conclusion that the unemployment problem would not be solved by further restricting immigration or by stopping it altogether.

The causes of unemployment have been the subject of many painstaking studies and detailed analyses. These studies make clear that unemployment in our country is the result of seasonal and cyclical variations in the general demand for labor, as well as of variations in the demands of individual employers. Seasonal demands for workers fluctuate widely in the manufacturing industries as well as in agriculture, as is shown by production and employment data for specific industries. Our industrial system operates on the assumption of an available labor supply to meet its peak periods of employment.

Recurring severe periods of unemployment, in this as in other industrialized

nations operating under a system of free enterprise, find their roots in the nature of the business cycle. According to economists, the cycle and the periods of unemployment which it brings are the result of such factors as over-expansion of production in relation to consumption, technological change, instability of credit, and changes in world price levels. Certain recent analyses have also emphasized the tendency to save beyond the available profitable private investment outlets, and thus to withdraw capital from circulation, as a critical factor in the production of unemployment. The business cycle is a world-wide phenomenon which strikes industrialized capitalist countries that do not receive immigrants as well as those that do.

Some Unemployment Is Normal

Under the American industrial system some unemployment is normal, and a sizable number of unemployed are to be expected even in prosperous times. Labor turnover and fluctuating industrial needs make this inevitable.

Admittedly it is difficult to establish any figure for what might be considered normal unemployment. For one thing, our statistics concerning unemployment in the past are far from complete. It was not until 1940 that the Bureau of the Census began to issue monthly reports on the labor force; these give a monthly estimate of the number of unemployed. Previous to 1940 there was no register of unemployment on a monthly or yearly basis over a continuous period. Various indirect methods of measuring unemployment, such as the reduced employment method by which the percentage of reduction from a certain level is calculated, have been used, however. Selected industries, too, have kept records which show fluctuations in their labor supply. Pro-

duction data in basic industries have also been used as an index of employment fluctuations. Trade unions have kept count of unemployed members, from which the total employment situation can be assessed. Thus, though we do not have absolute figures for the period previous to 1940, we do get considerable light on variations in unemployment.

The American Federation of Labor statistics from 1919 to 1938 cited in the table below show a variation from 75,000 unemployed in 1919 to 13,723,000 in 1933.

Unemployment Estimates, 1919-38
(American Federation of Labor)*

Year	Total Number Unemployed
1919	75,000
1920	1,401,000
1921	4,270,000
1922	3,441,000
1923	1,532,000
1924	2,315,000
1925	1,775,000
1926	1,669,000
1927	2,050,000
1928	2,220,000
1929	1,864,000
1930	4,770,000
1931	8,738,000
1932	13,182,000
1933	13,723,000
1934	12,095,000
1935	10,052,000
1936	9,395,000
1937	10,933,000
1938	11,032,000

The record further shows that the most severe unemployment in our history came not at a time when immigration was at its peak but in the 1930's, a full decade after immigration had first been drastically restricted. . . .

* Congressional Record, Vol. 85 (Nov. 3, 1939), Appendix, part a, p. 841.

Economic Effects of Immigration

It seems to be a characteristic of the American industrial system that there are relatively large pockets of unemployment even in times of peak employment. Some occupations may show degrees of unemployment, but in others there is a condition of underemployment and jobs are offered which cannot be filled. This is true at the present time.

Economists in recent years have expressed the conviction that a certain amount of unemployment is not only normal but necessary for the smooth operation of our economic system. Their estimates vary, in general, from 1.5 per cent to 4.0 per cent of the total labor force. Some economists raise the ratio to 5.0 per cent, a figure commonly used in England. Applied to the United States' labor force, which now has reached the sixty million mark, this would indicate three million unemployed as normal. Although no categorical statement can be made as to what should be considered normal or necessary unemployment, the answer probably lies somewhere between one and three million unemployed in times of prosperity . . . , only in unusual situations when there are abnormal demands for workers — such as during the First and Second World Wars — has the figure dropped below one million. Since our economic system depends upon a flexible labor supply which can expand or contract, normally some portion of the population must be unemployed part of the time.

No economist would ever suggest, as sometimes does the man in the street during periods of economic crisis, that the deportation of ten million foreign-born workers would give jobs to ten million unemployed native workers. To quote from one of the world's most famous economists:

The notion that a bare reduction of the number of residents would serve to reduce the number of unemployed, and an increase to increase unemployment, has always been regarded as crude in the extreme by those who have given any thought to the problem involved.

Aside from displaying a misunderstanding of the general economic processes involved and of the immigrants' role as a consumer, such a solution would be ruled out by the occupational diversity of our economic system, which is categorized by the United States Census into 534 job classifications. It is not possible to transfer workers from one industry or occupation to another, or from one locality to another, with complete freedom. Immigrants like other elements in our population have found a place in an intricate occupational pattern in which they play an essential part, and elimination of them would not, as is sometimes naively supposed, help rid the country of unemployment. . . .

Immigration in Times of Unemployment

Although immigration in the long run is absorbed by the American economic system and does not create unemployment, large-size immigration in times of depression when unemployment is already a problem might tend to aggravate the situation. It is clear, however, that at no time in American history has immigration continued in times of depression on a scale that would seriously increase the dislocation.

In one of the most scholarly studies in the field, "Migration and Business Cycles," Jerome made a careful comparison of immigration statistics and unemployment indices for the last century. He found that immigration, even in the period before legislative restriction, had played no important role in intensifying

unemployment conditions. His statistical analysis showed that immigration had been largely self-regulatory in regard to economic conditions in this country, and he thus exploded the notion that during times of depression immigrants had kept flooding into the United States, displacing Americans from their jobs and adding to the rolls of the unemployed. Jerome found that from the days of the early depressions of 1826 and 1837 immigration had declined rapidly with the onset of a depression and had remained low until conditions improved. A graph of yearly immigration since 1820, when immigration statistics were first recorded, shows that immigration has progressed through a series of successive waves, rising and falling in accord with economic conditions in this country.

There has been a consistent negative correlation between periods of heavy immigration and periods of unemployment. Although business crises have been practically concurrent in European countries and in the United States during most of the latter's history, it has been the pull of advantageous conditions in America rather than the push of unfavorable conditions in European countries which brought immigrants to this country. The United States has not been a dumping ground during adverse economic periods in Europe, but rather has attracted immigrants by virtue of its pull based on periods of rising prosperity, as is proved by the drop in immigration which inevitably occurred when economic conditions here began to worsen.

Before the adoption of our policy of restriction and consular control of the issuance of visas, however, some slight aggravation of unemployment conditions in this country resulted from the lag between the advent of the depression and a decline in immigration. Jerome found

that there was a lag of this kind, of between two and four months, resulting from the length of time it took news of the depression to reach the prospective immigrants and for plans to emigrate to be changed. . . .

Net immigration to the United States in times of depression has been cut down not only by the reduced flow of immigrants to the country but also by an increased flow of recent immigrants out of the country. Throughout the country's history, periods of unemployment have been marked by a substantial exodus of the foreign born back to their homelands. Because of these two factors, net additions to our immigrant population have been either very small or non-existent during periods of unemployment. In the last depression when admissions had been cut down to a low figure, departures outnumbered admissions and resulted in a net decrease in our immigrant population. Thus in 1932 more than 103,000 aliens departed from the United States, whereas only 35,600 came in; in 1933, 80,000 left and 23,100 entered the country. Instead of a net addition, our population suffered a net loss of 67,400 in the former year and of 57,000 in the latter. In fact, during the heart of the depression as a whole, from 1932 to 1936 inclusive, there was a net loss of 136,000 for the five years.

Our immigrants, then, because they have tended to return to their former country of residence in periods of depression, have acted as a safety valve by relieving the excess labor supply resulting from business contraction and thus have actually helped to ease the unemployment problem in times of industrial crises.

Dependency

The foreign born as a group, moreover, do not add disproportionately to the

Why Not a U.S. Marshall Plan for Mexico?

Ample Precedent Exists, as Does a Real Need in a Troubled Good Neighbor

BY JOHN PARKE YOUNG

The current economic crisis and social disturbance in Mexico cannot be dismissed as purely Mexican concerns, for what happens there is of considerable consequence to the United States. Mexico, a democratic country with freedom of speech, is friendly to us, and it is important that it remain so.

Mexico is faced with problems that are difficult for it to cope with alone—problems that are potentially explosive for both countries. Extreme poverty, especially in rural Mexico (unseen by American tourists at push resorts), is leading to increased restlessness, political instability, guerrilla activities and threats of more trouble. Some 25% of the workers are unemployed; many others are underemployed. The devaluation of the peso and its decline to less than half its former value in dollars have created confusion and hardship among the people.

Mexico's leftist movement is growing. Land-reform measures, accompanied by vigorous owner resistance to expropriation and equally vigorous peasant demands for more land, are a further source of conflict. Fears of a Communist takeover are probably exaggerated, but they should not be ignored.

There has also been talk of a military coup from the right, which, if it happened, would be unlikely to resolve fundamental problems and might well result in suppressing freedom.

Such are the problems that President Jose Lopez Portillo inherited last week from Luis Echeverria, his leftist-leaning predecessor—problems of such magnitude that, in his inaugu-

ral address, he sought mainly to bolster Mexico's confidence in itself.

All those Mexican aliens pouring illegally across our borders are a symptom of the deep-seated dilemma facing Lopez Portillo. The great disparity in living conditions in the two countries leads inevitably to pressures for Mexicans to move north by one means or another. Our attempt to stem the tide is not only a costly failure—they come across anyway—but it does not deal with the real problem, which is far more fundamental than, as many Americans assume, merely preventing aliens from competing for jobs in this country.

Indeed, we do a lot of loose thinking about the supposed harm caused us by the illegal alien. The simple assumption that more than a

John Parke Young is former chief of the State Department's Division of International Finance. He lives in Pasadena.

nominal inflow of Mexican immigrants is bad for the United States is largely unfounded. Do those illegal aliens take jobs which would otherwise be filled by U.S. nationals? In an immediate sense, there are occasions when that is the case, but it is far from the whole story.

Much of the work Mexican aliens perform is of an arduous kind shunned by American workers. Even so, the Mexican prefers it to the low wages and poverty back home. He is better off here, or he would not stay.

Moreover, as economists recognize, it is a fallacy to assume that there are just so many jobs to be filled—a fixed amount of work to be performed. If this were true, our population growth would have created intolerable unemployment. Actually, each person in this country—whether here legally or not—has not only two hands to work, but also a mouth to feed and a whole body to shelter. In other words, he not only adds to the work force but, also to the amount of work that must be performed to meet the national demands his very presence creates.

Another charge against Mexican aliens is that they burden our welfare rolls and social services. Again, this is not the case. A recent Labor Department study concluded that illegal aliens are actually paying more in taxes than they receive in social benefits. Whereas 73% paid federal income taxes, only 0.5% had been on welfare. In general, these aliens are a hard-working, law-abiding segment of our population who more than pay their way.

Yet, even though this country was built by immigrants from many countries, we cannot permit the uncontrolled entry of all foreigners who wish to come here. Mexico, however, is a special case. In fact, a major increase in the Mexican immigration quota is desirable for

several reasons. Apart from their contribution to our economy and to the enrichment of our society, Mexicans are going to keep arriving in any event, and so it would be better as well as more economical if we regularized their entry by granting them a quota much larger than the present 20,000 a year, which is insignificant for a country like the United States.

But the main concern for the United States in its relations with Mexico is not the illegal alien. Rather, it stems from the uncertain economic and social conditions prevailing within Mexico, which threaten its stability and our security.

When the Western European countries, devastated by war, were faced with social and political instability and threats to democratic institutions, the United States went to the rescue with billions of dollars in Marshall Plan aid. Similarly, Greece and Turkey were kept in the Western orbit by U.S. assistance of several billions, just as Korea was saved from a Communist takeover by U.S. arms and funds. Israel continues to receive billions, too. We also poured men and money into Vietnam—a decision now generally regarded as a tragic mistake. So, ample precedent exists for major U.S. assistance to friendly countries in trouble.

Mexico clearly qualifies for sizable aid. While large sums are necessary, the problems cannot be solved overnight. The procedures we adopt to help improve economic and social conditions in Mexico would have to differ enormously from those used in restoring Europe after World War II. The challenge posed by Mexico is the economic and social development of a largely underdeveloped country—one of vast resources and great potential wealth. (Incidentally, of course, improving conditions within Mexico would reduce the incentive for Mexicans to leave.)

Administering a major aid program along Marshall Plan lines should be a joint and cooperative undertaking, with special reliance placed on Mexican experts. The United States should not attempt to call all the signals; indeed, the undertaking should be essentially Mexican, but we should help to the extent that our help can be useful.

Having seen at first hand how our AID missions have operated in a number of countries—the heavy administrative overhead, the waste the overstaffing, the frequent incompetence—I must emphasize our need to avoid these mistakes in helping Mexico. What is called for is a new aid approach, perhaps through a joint U.S.-Mexican Commission, with developed countries invited to assist.

The installation of President Lopez Portillo, soon to be followed by the inauguration of President Carter, affords the perfect opportunity for us to take action. It would be a tragedy for both countries if we failed to do so.

