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Proposition 187

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Abstract

Is it fair that the federal government mandates states to provide services to illegal imrnigrants--at the expense of state taxpayers...?

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Proposition 187

by Anne Peterson

Although the United States has long been considered as a melting pot of people of seeking liberty, equality, and opportunity, a debate has emerged in California concerning the opportunity and entitlements available to a growing sector of their population: illegal immigrants. Immigrants to California comprise a myriad of foreign countries as evidenced by the leading migration of Asians and Pacific Islanders who have legally immigrated to the U.S. since 1990. California is, however, battling a tide of illegal immigrants primarily from Mexico who are trying to carve a niche in a nation that enjoys greater economic and political stability than their homeland.

This influx of illegal immigrants into the U.S. however, is met with the anger and frustration of California taxpayers who feel that it is not fair for them to shoulder the huge bills racked up by the use of a host of public services by illegal immigrants, as evidenced by the recent November 8th election. In response to the growing economic and social problems in California, Proposition 187, a bill designed to effectively end illegal immigrants' access to all government entitlements passed by a 59% majority of white, black and Asian voters (Yoshihashi 1994, p. A7). Such a decisive act inevitably sparked a message from the President of Mexico, Carlos Salinas, who "lashed out at California for its approval of Proposition 187, saying that 'the voice of intolerance has returned'" (Yoshihashi 1994, p. A7). Amidst the political uproar that has centered around Proposition 187, a fundamental economic question is posed to not only California, but to states that also have large numbers of illegal immigrants- Florida, Texas, New York, and Illinois. Do illegal immigrants bring economic benefits or hardships to their host state? Currently, Californians face a budget deficit and higher unemployment than the national average. Governor Pete Wilson blames the immigrants for the state's large budget deficit, which he believes stems from the growing number of illegal immigrants who receive benefits from taxpayers money but do not offset the cost through the taxes collected from the illegal immigrants.

Is it fair that the federal government mandates states to provide services to illegal immigrants--at the expense of state taxpayers--when the costs of these mandates in California amount to almost $3 billion a year, or almost 10% of our entire state general-fund budget (Wilson 1994, p. A18)?

The services which Wilson is describing are access to emergency medical care, education at any state public school, as well as the necessity to provide detention facilities for the illegal immigrants who must be incarcerated. California is left to contend with a budget deficit due with 1.5 million illegal immigrants who will spend "...an estimated $4.3 billion through public services...and will pay only $780 million in state taxes..." (Rose 1994, p. C15). Yet Opponents of Proposition 187 argue that "...Mr. Wilson's bookkeeping grossly inflates costs and understates taxes paid by illegal residents" (Rose 1994, p. C15).

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Although it is difficult to know just how much illegal immigrants cost the Californian taxpayer, one of the primary services which they are definitely utilizing is public education. The cost of educating California's illegal immigrants for this school year is estimated at $2 billion (Rose 1994, p. C15). Advocates of Proposition 187 argue that "...California is being forced to cut back on the quality of public education for its legal residents. Since 1980 the state's public education system has fallen from the top 10 to the bottom 10" (Hersehensohn, p. A20). On the other hand, such students can be perceived as an investment in human capital (Mankiw 1992, p. 105) by the U.S. taxpayers rather than an increase in consumption by $2 billion. Human capital "raises our ability to produce goods and services" (Mankiw 1992, p.105). If, however, hundreds of thousands of kids were kicked out of school because of Proposition 187, critics argue that a vast potential for human capital would be wasted and California's crime rate would surge to unimaginable heights (Yoshihashi 1994, p. A5).

One factor that is certain to affect illegal immigrants is the clash between technology and the restructuring of California's economy. Current employment projections are calling for high skilled labor. Historically, " able-bodied immigrants have added needed brawn and handwork for everything from steel mills to garment shops" (Rose 1994, p. A1). The type of benefits that illegal immigrants used to provide, however, are diminishing.

The problem stems from the buildup of low skilled labor that is provided by the large number of illegal immigrants residing in California while the state's economy is geared toward more technologically skilled goods and services. It is estimated that barely one in five adult illegal immigrants has completed high school, compared to 75% of the rest of California's work force (Rose 1994, p. C15). There are ramification for this disparity between the skills of the labor force and the technological growth of the economy. One of the theories that explains how labor and capital affect output is the Solow Growth Model, (Mankiw, 78). If certain labor markets in California are saturated because of large numbers of illegal immigrants, the capital stock per worker shrinks, as well as income. Moreover, as shown in Figure 1, the production function can be expressed as

$$Y = F(K, L \times E).$$

E is the efficiency of labor (Mankiw 1992, p. 99). The efficiency of labor reflects society's knowledge about production methods. "As the available technology improves, the efficiency of labor rises. The efficiency of labor may also reflect the health, education, and skills of the labor force"(Mankiw 1992, p. 99) Consequently, as California's markets are becoming more labor efficient, there are "proportionately fewer low paid jobs for the poorly educated" (Rose 1994, p. A1).

Hence, the illegal immigrants face a prevalence of sectoral shifts that will increase the rate of job separation and frictional employment (Mankiw 1992, p. 136). There is strong hope, however, that the North American Free Trade Agreement will eventually provide "...job opportunities and economic growth in Mexico" and will create greater incentive for Mexicans to live and

work in their native country.

Not everyone views the economic impact of illegal immigrants in California as a state wide problem. Critics of Proposition 187 believe the economic impact of illegal immigrants upon California is a much more localized phenomena, affecting the labor market only in certain urban areas that host a large number of illegal immigrants. Not only do these illegals reside in large numbers, but they are often willing to work for much less than the average legal worker, and consequently tend to depress wages in that particular area.

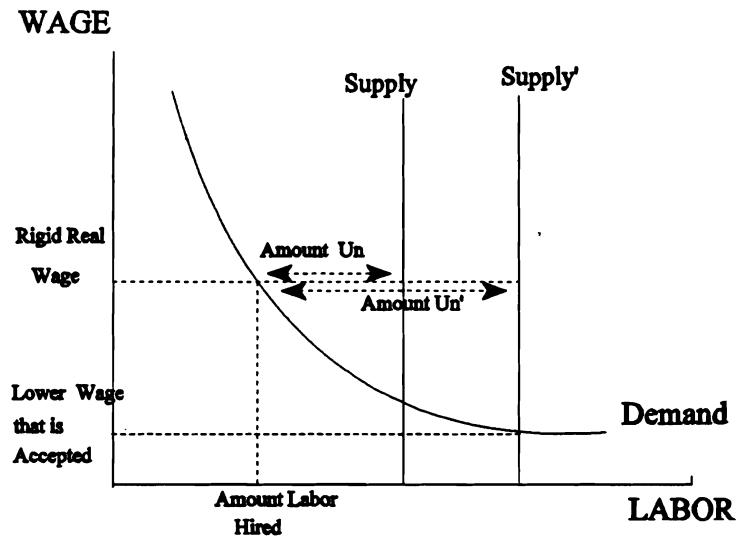

Figure 1

Under the theory of wage-rigidity, the real wage is sometimes stuck above the market-clearing level, as shown by Figure 1 (Mankiw 1992, p. 126). If undocumented residents were competing to be in a certain sector of the work force, the supply of labor of that sector would shift to the right. The disparity between the demand for labor and the supply of labor would increase as well as the number of unemployed workers. If an illegal immigrant was willing to work for below minimum wage, a decidedly illegal practice, the employer could pocket the difference. Although part of the illegal immigrants' wages are put back into California's economy through consumption, they are not enough to raise the aggregate demand curve enough to completely offset the increase in unemployment of certain urban areas and job sectors.

Despite the public's anti- immigration sentiment, and the passage of Proposition 187, it is evident that California faces many constitutional and political challenges as they try to solve their economic problems. As California's economy becomes more technologically advanced, illegal immigrants will be left with a lack of jobs that offer substantive wages. As Mexicans continue to search for a better standard of living, California will probably have to explore alternative ways in which illegal immigrants can acquire skills to fit into the state's labor force more effectively or else deal with a large segment of population that do not have the fundamental tools needed to provide for themselves.

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