

The Effects of Immigration on Urban Communities

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Abstract

This article examines the impact of immigrants on large U.S. cities. It is based primarily on a review of existing research. However, a valuable 1996 database is used to develop some new information. The research shows that immigrants have buoyed the populations of a number of major central cities since 1970, and in some cases generated population growth in once declining, distressed cities. However, among big cities, numbers of immigrants are growing most rapidly in places with healthy economies, such as Dallas, Fort Worth, and San Jose.

The evidence shows that immigrants have not reduced the job opportunities of U.S. natives and that immigrants have strengthened a number of sectors of big-city economies, including small business; international import-export; and finance, construction, and manufacturing. Overall fiscal impacts of immigration on States and local governments have been negative, but there is some evidence that fiscal impacts have been positive or neutral in cities experiencing loss of native-born population. The marginal costs of services to immigrants are lower in places with excess capacity in infrastructure and service systems.

Three recent trends in immigration to the United States have generated intense concern. First, immigration has surged, beginning with the 1965 amendments to U.S. immigration law. By some measures, nearly the same number of immigrants are arriving today as did during the early 20th century (Fix and Zimmerman, 1994). A total of approximately 10 million immigrants—legal and illegal—may enter the United States during the 1990s (Edmonston and Passel, 1994).¹ Second, illegal immigration has burgeoned, in part because the 1965 amendments severely restricted legal avenues of emigration from Mexico.² Third, the composition of immigration has changed in racial, ethnic, and economic terms. Compared with the 1950s and 1960s, immigrants today are more likely to be nonwhite, to lack basic English skills, and to come from developing nations (Borjas, 1994; Heer, 1996).

This article examines the impact of immigrants on large U.S. cities, including the effect on city populations, labor markets, economies, fiscal health, housing markets, and neighborhoods. Immigration to this country generally has had its greatest impact on urban centers. Although foreign-born persons settle throughout the United States and affect all types of communities, the great majority live in and influence metropolitan areas. In the late 1980s, for example, more than 90 percent of foreign-born persons inhabited metropolitan areas, compared with less than 80 percent of the native population (Bean et al., 1994; Bureau of the Census, 1993). Immigrants in metropolitan areas tend to settle within central cities. A very large proportion of the Nation's total foreign-born population resides in a few major so-called *gateway* cities, such as Los Angeles, Miami, and New York.

Evidence presented in this article is based on a review of existing literature. Many scholars have investigated immigration to the United States from different points of view. The literature crosses a variety of disciplines, including economics, sociology, geography, and political science. A valuable 1996 database assembled by the Rutgers University Center for Urban Policy Research has been used to develop some new information.

For our purposes, an immigrant is defined as a foreign-born person living in the United States.³ This includes documented and undocumented people, refugees and asylum seekers, as well as others. Some definitions, especially those of the U.S. Immigration and Naturalization Service, exclude undocumented persons from official immigration records.

Characteristics of Recent Immigrants

Although the U.S. foreign-born population still includes substantial numbers of older people who entered the country early in this century, almost 44 percent of the immigrant population in 1990 had entered since 1980. Newcomers represented the lowest percentage of Italian immigrants (6.4 percent), while the greatest surge came from Guatemala (68.3 percent). (See exhibit 1.)

Immigrants include many highly skilled and educated people, as well as large numbers of poorly educated, low-skilled persons. These low-skilled people are typically from Mexico, Guatemala, El Salvador, and other Central American countries. However, emigrants from other nations make up 70 percent of the overall immigrant stream and, on average, have attained a higher educational level than people born in the United States. This educational disparity held true even among undocumented emigrants from countries outside Latin America and Mexico. These undocumented foreign-born individuals had attended school an average of 13.7 years (Tienda and Singer, 1995).

George J. Borjas (1994) reports that while mean educational attainment is rising for male immigrants, it is climbing faster among native-born males. Examining data from the 1970 census, he shows that 45 percent of all foreign-born adults (including those from Latin America and Mexico) who entered the United States between 1965 and 1969 had less than a high school education, compared with 40 percent of U.S. natives. By 1980, the rates of high school completion among both immigrants and natives had improved greatly. According to the 1980 census, only 36 percent of immigrants who entered the country between 1975 and 1979 lacked a high school degree, compared with 23 percent in 1980 for U.S. natives. High school completion among immigrants held constant over the next decade while continuing to surge among U.S. natives. Today, immigrants are much more likely than U.S. natives to lack a high school education.

Exhibit 1

Characteristics of U.S. Population by Place of Birth: 1990

Country of Birth	Median Age	Percent Entered 1980–89	Percent Without Basic English	Percent With High School Diploma or Beyond	Average Educational Attainment of Males (in years)	Percent in Poverty	Percent Receiving Welfare Assistance
United States	32.5	—	2.3	77.0	13.20	12.7	7.4
Foreign							
1980–89	28.0	—	59.9	59.4	N/A	26.2	N/A
Pre-1980	46.5	—	37.2	58.5	N/A	12.0	N/A
Europe							
Germany	52.8	11.2	13.1	75.9	13.88	7.7	4.1
Italy	58.9	6.4	42.0	39.3	10.90	8.0	5.4
Poland	57.1	30.0	46.8	58.1	12.77	9.7	5.7
United Kingdom	49.7	24.1	1.1	81.3	14.60	6.6	3.7
U.S.S.R.	54.6	39.4	52.1	64.0	14.23	25.0	16.3
Asia							
China	44.8	53.5	72.1	60.6	12.82	15.7	10.4
India	36.4	55.7	27.1	87.2	15.94	21.6	3.4
Japan	37.8	52.7	56.2	86.4	15.18	12.8	2.3
South Korea	34.9	56.1	62.0	80.1	14.25	15.6	8.1
Philippines	38.8	49.0	31.8	82.5	14.05	5.9	9.8
Vietnam	30.3	61.8	68.2	58.9	12.26	25.5	25.8
Americas							
Canada	52.9	16.6	5.0	72.6	13.79	7.8	4.8
Cuba	49.0	25.5	60.1	54.1	11.74	14.7	16.0
Dominican Republic	33.6	53.1	68.7	41.7	10.28	30.0	27.9
El Salvador	29.1	75.2	72.4	32.7	8.61	24.9	7.3
Guatemala	29.8	68.3	70.7	37.5	9.23	19.6	8.7
Mexico	29.9	49.9	70.7	24.3	7.61	29.7	11.3

N/A: Not Available

Sources: Borjas (1994) and Heer (1996)

At the same time, immigrants are somewhat more likely than U.S. natives to have a college diploma. For example, almost one-third (32 percent) of immigrants who entered the United States between 1985 and 1990 were college graduates, as compared with 27 percent of U.S. natives during the same period. College graduation rates among immigrants were also higher in earlier periods (Borjas, 1994).

Census data compiled by Borjas (1994) show a growing gap between the annual earnings of recently arrived male immigrants and the earnings of native-born men. In 1970, the overall mean earnings differential between working-age U.S. natives and immigrants who had entered the country within the prior 5 years was 16 percent. By 1980, this gap had widened to 28 percent. By 1990, it had reached 32 percent. Most of the decline in relative earnings appears to have resulted from changes in the race and ethnicity of immigrants rather than their educational levels or skills. The National Research Council has concluded:

[T]he relative decline in the economic status of both male and female immigrants can be attributed essentially to a single factor—the changing national-origin mix of the immigrant flow. If that mix had not changed in the past few decades, we would not have seen much change in the relative wage of immigrants. [Smith and Edmonston, 1997]

This study found that because recent immigrants start out far worse in economic terms than did earlier immigrants, they take much longer to catch up—if they ever catch up. However, no strong evidence exists that their earnings increase at a slower rate than those of earlier immigrants (Smith and Edmonston, 1997; Sorensen and Enchautegui, 1994; Lee and Edmonston, 1994).

Urban and Regional Locations of Immigrants

The populations of central cities have the largest percentage of foreign-born persons—16 percent in 1990, up from 12 percent in 1980 (exhibit 2). Immigrant populations are also growing very rapidly in suburban areas. In 1990, foreign-born persons made up almost as great a proportion of suburban populations as they had of central-city populations 10 years earlier.

Exhibit 2

Foreign-Born as a Percentage of the Population, by Community Type:
1980 and 1990

Year/Location	United States	Metropolitan Area	Central City	Suburb
1980	6.22	9.61	12.18	8.23
1990	7.95	12.68	15.95	11.08

Source: Rutgers University Center for Urban Policy Research database, 1996

Foreign-born populations of 58 large central cities (those with populations exceeding 250,000 in 1990) increased by 2 million people during the 1980s—from 5.1 million (or 13 percent of city populations) in 1980 to 7.1 million (17 percent of city populations) in 1990 (exhibit 3). Immigration accounted for approximately 95 percent of large-city population growth during the 1980s. Aggregate numbers of immigrants increased even more rapidly in the suburbs of these large cities—from 6.3 million in 1980 to 10 million in 1990.

Exhibit 3

Populations of 58 Large Central Cities and Their Metropolitan Areas: 1980 and 1990 (in millions of persons)

	1980		1990	
	Foreign Born	Total	Foreign Born	Total
Central Cities	5.135 13%	40.911	7.105 17%	43.058
Suburbs	6.328 9%	73.793	10.004 12%	85.924
Metropolitan Areas	11.463 10%	114.704	17.109 13%	128.983

Note: Large central cities are cities with populations of 250,000 or more in 1990.
Source: Rutgers University Center for Urban Policy Research database, 1996

Immigrants are highly concentrated in a relatively small group of gateway central cities. Exhibit 4 describes the sizes of foreign-born populations in 58 large central cities. Almost two-thirds (30) of these cities had small foreign-born populations, under 7.5 percent, in 1990. By contrast, four cities had very large immigrant populations (30 percent or more): Miami (60 percent); Santa Ana, California (51 percent); Los Angeles (38 percent); and San Francisco (34 percent). In 1980, only Miami and Santa Ana fit this category. The number of large cities with large foreign-born populations (between 15 percent and 29.9 percent) doubled, from 6 in 1980 to 12 in 1990. These cities included New York (28 percent), San Jose (26 percent), San Diego (21 percent), Boston (20 percent), Newark (19 percent), Houston (18 percent), and Chicago (17 percent).

Exhibit 4

Percentage of Foreign-Born Populations in 58 Large Central Cities: 1980 and 1990 (by number of cities)

Percentage	Under 3	3 to 7.4	7.5 to 14.9	15 to 29.9	30 or More
1980	15	22	13	6	2
1990	10	20	12	12	4

Note: Large central cities are cities with populations of 250,000 or more in 1990.
Source: Rutgers University Center for Urban Policy Research database, 1996

A total of 5.8 million immigrants lived in the 16 cities with large or very large foreign-born populations in 1990. These people comprised more than 80 percent of the overall foreign-born populations of the 58 large central cities combined.

National urban policy for the past 20 years has been concerned with the economic and fiscal health of so-called *distressed* cities. In the 1970s, these cities began to suffer from a combination of rapid population loss, sharp economic decline, fiscal stress, and high poverty rates and unemployment (James, 1995; 1990). Many of the principal gateway cities for immigrants are among the Nation's most distressed, including Boston, Chicago, Newark, and New York (James, 1995; 1990).

Franklin J. James (1990; 1995) has developed a typology of large central cities, providing indicators of distress. An index of city economic health—termed *resident need*—is one dimension of the typology.⁴ A high level of resident need indicates a low level of economic health in a community. The rate of population change in the city during the previous decade is the second dimension. In James' typology, cities are grouped by those with growing populations (up 10 percent or more during the previous decade), declining populations (down 10 percent or more), and stable populations. His typology examines 55 large central cities.⁵ Exhibit 5 shows numbers and changes during the 1980s in the foreign-born populations of these 55 cities for groups of cities with varying patterns of distress at the start of the decade.

From this information, two patterns become clear. First, in both 1980 and 1990, immigrants were greatly concentrated in cities that had been highly distressed in 1980, as indicated by the combination of high resident need and population loss. In 1980, one-half of all foreign-born residents in the large cities lived in highly distressed cities. In 1990, 43 percent inhabited these same cities. Second, immigrant populations grew most rapidly in less distressed places. Between 1980 and 1990, the foreign-born population of the 20 cities with low resident need, and thus strong economies, grew by 73 percent. The growth rate of immigrants in high-resident-need cities was only 17 percent. Almost three-fourths (73 percent) of growth in foreign-born populations of the original 55 big cities occurred in the cities with low or moderate resident need.

This evidence shows that immigrants are dispersing among cities and are moving rapidly into areas with the healthiest economies. During the 1980s, foreign-born populations declined in several distressed industrial cities, such as Baltimore, Buffalo, Cleveland, Detroit, and Philadelphia. Together, these cities lost more than 200,000 foreign-born residents, suggesting that the weak economies of other cities offered few job opportunities for immigrants. Indeed, only 3 of the 13 distressed cities had rapidly growing immigrant populations: New York increased by more than 400,000; Chicago and Boston each grew by approximately 30,000. These cities are major office, service, and financial centers for the Nation and world. New York and Boston experienced major economic recovery during the 1980s based on finance, business service, and other office industries (James, 1995). Resident need remained high in these cities in 1990, but their powerful postindustrial sectors created opportunities for many.

Every city with low resident need and thus a healthy economy at the start of the 1980s experienced growth during the decade in its foreign-born population. This held true even in inland cities, such as Nashville, Oklahoma City, Denver, and Wichita. Low-need cities in the border States of Texas and California all experienced very rapid growth in their immigrant communities. For example, numbers of foreign-born persons more than doubled in Dallas (up 71,000), San Jose (up 116,000), and Fort Worth (up 22,000).

Exhibit 5

Foreign-Born Populations of 55 Large U.S. Cities by Resident Need: 1980 and 1990

Type of City, 1980	Number of Cities	1980 (population in millions)	1990 (population in millions)	Percentage Increase (from 1980 to 1990)
High Resident Need				
Declining Population	13	2.533	2.954	17
Stable Population	5	0.262	0.320	22
Growing Population	1	0.091	0.120	32
Total, All High Need Cities	19	2.886	3.385	17
Moderate Resident Need				
Declining Population	4	0.107	0.118	10
Stable Population	9	1.151	1.828	59
Growing Population	3	0.222	0.363	64
Total, All Moderate Need Cities	16	1.480	2.309	56
Low Resident Need				
Declining Population	2	0.031	0.042	35
Stable Population	10	0.233	0.365	57
Growing Population	8	0.410	0.757	85
Total, All Low Need Cities	20	0.674	1.164	73
Total	55	5.040	6.858	36

Note: Resident need is an index measuring the economic health of a city in 1980 relative to the United States as a whole (James, 1995). Population change in a city is measured between 1970 and 1980. Declining cities lost 10 percent or more of their populations. Growing cities gained 10 percent or more. Cities with populations of 250,000 or more in 1980 are included.

Source: Rutgers University Center for Urban Policy Research database, 1996

While the effects of immigration on populations of cities and metropolitan areas are large and positive in many cases, some evidence indicates that an influx of immigrants may prompt some low-skilled, native-born residents to leave (Frey, 1995). If this is true, the net effect of immigration on city population would be smaller than their additional numbers would suggest.

The Effects of Immigration on Urban Labor Markets

Economic theory offers surprisingly little conclusive insight into the effects of immigration on the employment and earnings of U.S. natives (Friedberg and Hunt, 1995; Borjas, 1994). Even high levels of immigration are consistent with full employment in the United States, provided shifts in the price of labor—that is, wages, salaries, and fringe benefits—bring the labor market to equilibrium. The most important measures of the labor-market effects of immigration on natives are the effects on levels and distribution of earnings.

General Patterns

There is a growing consensus among economists that even sizable levels of immigration may have only a modest impact on the earnings of native workers. For example, Borjas (1995) has estimated that a 10-percent increase in the U.S. labor force due to immigration would *reduce* the labor market earnings of natives by just 3 percent, or slightly more than \$130 billion a year. He estimates that owners of capital would see *increases* in their income of about \$140 billion. The net benefits of immigration to U.S. natives would thus be small but positive, approximately 0.1 percent of aggregate output, or \$7 billion a year. On the basis of a similar analysis, a recent study for the National Research Council estimates that immigration might increase gross domestic product by \$14 billion (Smith and Edmonston, 1997). A third study assesses the net national benefit from immigration at \$9.1 billion (Borjas et al., 1997).

As a result of disparities in education levels among foreign-born people, significant concentrations of immigrants are found in occupations requiring both relatively high and low levels of education. Among occupations that require high academic levels, teaching is a field in which immigrants work more than one-fifth of the total hours for several subject areas, especially foreign languages. They also are represented in many healthcare professions, including research and patient care (Smith and Edmonston, 1997). Immigrants account for even larger proportions of workers in many fields requiring minimal formal education, doing about one-half of the work hours in such occupations such as tailors, dressmakers, housekeepers, waiters, and taxi drivers.

There is legitimate concern that immigrants may increase the relative supply of low-skilled workers, reducing the earnings and opportunities of low-skilled or disadvantaged native workers. The National Research Council estimates that immigration during the 1980s may have reduced the earnings of low-skilled natives by about 1.2 percent (Smith and Edmonston, 1997).

No credible study finds evidence that immigrants displace natives from jobs or reduce earnings of the average worker. Michael Fix and Jeffrey S. Passel (1994) conclude that “immigration has no discernible effect on overall wages.” However, they concede that a small amount of displacement could take place in local labor markets attracting immigrant labor. After a thorough review of the literature, Rachel M. Friedberg and Jennifer Hunt (1995) report, “There is no evidence of economically significant reductions in native employment.”

Immigration Impacts on Labor Markets in Gateway Cities

Perhaps the most convincing evidence on labor market impact of immigration comes from case studies of communities in which surges of foreign-born persons have been the result of political events in their home countries (Card, 1990; Hunt, 1992; Carrington and de Lima, 1994). The literature provides little evidence of adverse labor-market impact on natives. David Card (1990) investigated the impact on the Miami labor market of the Mariel boatlift, which brought 125,000 Cubans to south Florida in the early 1980s. He found that this influx had no effect on wages or unemployment of U.S. natives. The average level of education and work skills of Cubans arriving in the boatlift was very low compared with earlier Cuban immigrants and other Miami residents. During this period, large numbers of people also entered Miami from Haiti (Loveless et al., 1996). Within a very brief time, the Cuban Marielitos and the Haitians boosted the Miami labor force by 7 percent.

Borjas (1994) reported, "The trend in the wage and unemployment rates of Miami's workers between 1980 and 1985 was similar to that experienced by workers in such cities as Los Angeles, Houston, and Atlanta, cities which did not experience the Mariel flow." Miami's success in absorbing such a sudden influx may have been due in part to unique factors. A large Cuban immigrant population facilitated the employment absorption of the Marielitos. Language skills were not a problem, because Spanish is almost as common as English in the city's commercial dealings.

No other major U.S. city has experienced a similar influx of immigrants. However, data on the impact of immigration on the labor markets of other large cities are consistent. The Los Angeles labor market, for example, experienced the arrival of more than a million foreign-born people between 1970 and 1983. Many came from Mexico. Unlike Miami, a foreign crisis did not precipitate this movement. The Mexicans' decisions, presumably, reflected the attraction of economic opportunities in Los Angeles. The immigrants appear to have been quickly absorbed into the labor market (Muller and Espenshade, 1985). Overall unemployment in Los Angeles was below the national average in the early 1980s (U.S. Council of Economic Advisers, 1986). Thomas Muller and Thomas J. Espenshade found that African-American men and women made more rapid occupational progress in Los Angeles during the 1970s than elsewhere in the Nation where immigration was more limited. They conclude that the "presence of Mexican immigrants may have facilitated upward job mobility among blacks, especially in public service employment." At the same time, their findings suggest some adverse effects on earnings among some low-skilled natives. In Los Angeles, Mexican immigrants depressed wages in low-wage industries such as apparel manufacturing and restaurant, hotel, and personal services, in which they were concentrated. During the 1980s, wage growth in most other industries or occupations in Los Angeles exceeded national averages.

Case studies on New York City help explain why the impact of immigrants on labor markets for native workers may be small. In New York, immigrants and natives work in different segments of labor markets that are highly insulated from one another by sector and occupation. The restaurant industry, for example, is a major employer of immigrants (Bailey, 1987). In 1980, immigrants made up 25 percent of the city's population and 54 percent of its restaurant workers. Immigrants owned 60 percent of the restaurants in New York. Restaurants are attractive to immigrant entrepreneurs, especially because a small restaurant can be started with little capital and with the labor of unpaid family members.

Due to their access to low-cost labor, restaurants owned by immigrants can match fast-food prices while offering a much more extensive menu. In 1980, almost one in five working U.S. teenagers was employed in the fast-food restaurant business. This may appear to create the possibility for stiff competition between U.S. natives and immigrants in restaurant jobs (Bailey, 1987). Yet in fact, the extent of such competition is small. One limiting factor is that few immigrant workers are found in the fast-food sector. More fundamentally, cross-city analysis by Thomas R. Bailey shows that fast-food and immigrant restaurants are not interchangeable in the minds of diners and thus do not compete directly.

Roger Waldinger (1986) examines the roles of immigrants in New York's apparel manufacturing. Over the past 50 years, New York has lost much of its apparel and textile industry. However, the city still retains primarily the nonstandardized segment of the fashion business, which relies on access to New York's marketing and styling centers. Also advantageous is the city's access to a low-cost immigrant labor force, which can produce small runs of garments on short notice.

The New York apparel industry has adapted to the presence of large numbers of immigrants through the development of the so-called *contracting system*. This system separates the apparel manufacturing process into two segments: Design and marketing are done by manufacturers, while production—cutting and sewing—are performed by the contractors' immigrant workers (Waldinger, 1986; Bailey, 1987). Contractors are responsible for assembling a workforce, finding their own space, and providing basic equipment, such as sewing machines or steam presses. Because contracting does not require extensive startup capital, it is accessible to immigrants in the same way as the restaurant business. The contracting system has been instrumental in keeping the apparel industry in New York, and thus it is likely to have preserved or increased job opportunities for U.S. natives in better paying jobs in apparel manufacturing, marketing, and design (Waldinger, 1986).

The Impacts of Immigration on Urban Economies

In addition to their direct roles in low-wage industries, such as apparel manufacturing and restaurants, immigrant service workers play supporting roles in maintaining business services and office industries in large cities. They also create jobs in the entrepreneurial or small business sectors of cities. Some evidence suggests that, in addition, immigrants stimulate import and export activities, and maintain international financial relationships with their home nations.

Effects on Economic Activity in Cities

A useful starting point is to compare the composition of employment in cities with large and small immigrant populations. As among any population group, immigrants affect city economies by increasing the supply of various types of workers and by increasing the demand for a variety of goods and services. The question is what economic effect occurs as the result of greater numbers of immigrants, as compared with growth among U.S. natives.

Exhibit 6 shows correlations between concentration ratios of various economic sectors or industries in a city and the percentage of a city's foreign-born population. The concentration ratio refers to the ratio of employment within an industry to the city's total population. Many factors, in addition to the size of its immigrant population, influence the structure of employment in a city. In addition, correlations offer no insight into causality. Jobs in an industry could attract immigrants to a city, just as the movement of immigrants to a city could stimulate the creation of new jobs.

Exhibit 6

Relationships Between Industry Concentration Ratios and the Percentage of a City's Foreign-Born Population: 1990

Industry	Correlation Coefficient	Mean Concentration Ratios for Cities With Foreign-Born Populations That Were:		
		Low (less than 7.5%)	Above Average (7.5% to 14.9%)	High (15% or more)
Agriculture	-0.46 **	0.0038	0.0063	0.0065
Healthcare	-0.45 **	0.0467	0.0386	0.0386
Communications	-0.41 **	0.0129	0.0130	0.0107
Business Services	0.31 **	0.0257	0.0285	0.0288
Construction	0.31 **	0.0217	0.0287	0.0259
Education	-0.29 **	0.0376	0.0395	0.0350
Nondurable Mfg.	0.23 *	0.0259	0.0199	0.0276
Personal Services	0.20 *	0.0163	0.0259	0.0205
Durable Mfg.	0.19 *	0.0377	0.0343	0.0447
Public Sector	-0.17	0.0241	0.0339	0.0206
Entertainment	0.10	0.0066	0.0115	0.0077
Mining	-0.10	0.0018	0.0015	0.0014
Retail Trade	-0.08	0.0787	0.0820	0.0749
Wholesale Trade	0.03	0.0206	0.0196	0.0202
Other Services	-0.03	0.0353	0.0421	0.0360
Transportation	-0.02	0.0229	0.0204	0.0236
Finance and Real Estate	0.01	0.0355	0.0381	0.0369

Note: A concentration ratio is the ratio of employment in an industry to overall population

*Statistically significant at the 0.10 level.

**Statistically significant at the 0.05 level.

Source: Rutgers University Center for Urban Policy Research database for 55 large cities with 1980 populations of 250,000 or more

Nevertheless, when immigrants boost employment in a sector more than native-born workers, concentration ratios should be positively correlated with the percentage of a city's foreign-born population. Concentration ratios should be inversely related to the foreign-born population if natives spur employment in the sector more than do immigrants. These correlation ratios are based on 1990 employment data for the 55 cities with populations of 250,000 or more in 1980.

Industries that are positively correlated with concentrations of immigrant workers include business services, construction, nondurable and durable manufacturing, and personal services. Construction offers many low-paying, blue-collar positions, particularly in nonunionized sectors, such as home improvement activities. The business-service industry employs both very high- and low-skilled people, and lower skilled immigrants provide support activities for more advanced services and corporate headquarters (Sassen-Koob, 1984).

Several other industries are inversely correlated with concentrations of more immigrants. These include healthcare, education, communications, and agriculture. Healthcare is especially interesting because it demonstrates the double-edged nature of an industry for immigrants. The field employs many low-skilled workers, who provide personal care to patients and perform kitchen work as well as janitorial services. However, healthcare is also expensive and often requires health insurance to be affordable. Immigrants stimulate the industry on the supply side, yet are less likely to use these services as much as natives do.

Immigrant Entrepreneurship

Ethnic entrepreneurship is one of the most visible economic contributions by immigrants to cities. Roger Waldinger, Howard Aldrich, Robin Ward, and others (1990) argue that entrepreneurial activity among immigrants reflects differences between immigrants and U.S. natives in economic opportunity structures and personal characteristics. The basics of their model can be illustrated among Korean immigrants. Koreans have a much higher rate of self-employment than do other immigrant groups. It has been estimated that as many as one-third of all Korean families own a small business (Lee, 1997). Barriers to opportunity in the mainstream economy influence this preference for business ownership. In addition, many Koreans have considerable difficulty with English, and racial and cultural differences may generate discrimination against them (Lee, 1997; Lessinger, 1997).

Several characteristics of Korean immigrants enhance their ability to own and operate successful businesses. These include high skill and education levels; the ability to mobilize several types of resources, including capital; close ties to home country producers of goods; strong kinship and cultural networks; and inexpensive labor sources (Chin et al., 1996; Gold, 1994; Yoon, 1995; and Aldrich and Waldinger, 1990).

Successful immigrant entrepreneurs generally identify market niches in which they can operate profitably. One common niche is retail outlets in minority communities. Minority neighborhoods are often underserved, and existing businesses can be acquired from earlier entrepreneurs who wish to retire or move (Yoon, 1995). Immigrant-owned businesses also cluster in economic sectors. For example, In-Jin Yoon (1995) found that Koreans in Chicago owned 66 percent of all laundry businesses. Some ethnic business owners focus on meeting the needs of their own ethnic communities, such as the demand for Chinese herbal medication.

Immigration and International Trade

Immigrant-owned businesses can be far more than mom-and-pop stores, which have no impact on the economic base of a community. Immigrants strengthen U.S. international finance and trade relationships with their home countries or regions. These are often nations with which the United States has had little commerce and in which cultural values and business practices differ greatly from those in the United States.

Vancouver, Canada, for example, has emerged as a leader in North America's commerce with China and the Pacific Rim. This situation has come about in part because of the emergence of a Chinese community in Vancouver that can draw on capital from Hong Kong to finance trade with and investment in China. Asian immigrants in San Francisco and Los Angeles play similar although apparently smaller roles in forging economic links between the United States and China, as well as other Asian countries. In recent years, immigrants to New York City have facilitated the development of foreign banks and other institutions, enhancing the power of that city to play a leading role in global trade (Muller, 1997). Such international links are not new. In the nineteenth century, early Chinese immigrants to California generated trade in rice, silk, opium, dried seafood, handcrafts, and other products. In New York City in the 1970s, the import-export business was the second largest trade in Chinatown (Chin, Yoon, and Smith, 1996).

David Gould (1994) finds that over time immigrants gradually increase the amount of products that they export to their home countries. An increase in trade occurs almost immediately, however, since immigrants spur imports of goods from home that they miss. Those arriving early have the largest impact; the effect is diminished by the time late-arriving immigrants join an already large community. Gould's statistical analysis shows that the effects of immigrants on trade are greatest for countries that have had little trade with the United States in the past. For example, Gould suggests that an additional immigrant from Singapore has the largest potential to generate new trade: \$29,359 a year in imports and \$47,708 in exports. Immigrants from most developed nations have a very small effect.

The impact of immigrants on trade has probably become much more important in recent decades, as many third-world nations have developed substantial manufacturing sectors and global markets have emerged (Chin, Yoon, and Smith, 1996). Once again, the experience of Korean immigrants is instructive. Yoon's research in Chicago (1991) found that 80 percent of Korean-owned businesses relied entirely on suppliers in Korea. One of the earliest product lines for Korean entrepreneurs was wigs. Wigs became popular in the United States in the 1960s (Chin, Yoon, and Smith, 1996). Manufacturers in Korea and Hong Kong developed attractive wigs using synthetic hair. Because the United States was the largest market, some Korean producers opened branch offices in large U.S. cities. Korean immigrants soon joined the wig business by opening small stores. These shops provided outlets for Korean industry often with financing provided by the Korean Exchange Bank, which opened a branch in Los Angeles in 1967. Korean retailers also worked out favorable arrangements and credit from the manufacturers and importers. "From these immigrant wig importers, South Korean wig manufacturers could obtain information on new styles and market trends."

In Miami another example illustrates the economic potential of immigrants to reshape a city's economy. Immigrants from Cuba and other parts of Latin America have helped Miami to become a financial and trade center for the Western Hemisphere. It is one of the largest ports of entry in the United States, and its banks and businesses link the United States to Latin America, as well as to the rest of the world. Tourism from Latin America has become a major business in Miami. Today, Miami is home to more than 330 multinational companies, 29 binational chambers of commerce, 49 foreign consulates, and 20 foreign trade offices. It has become the third-largest international banking center in the United States (Kanter, 1995).

Miami was a comparatively provincial city when the first wave of Cubans arrived during the 1960s. The initial Cuban refugees tended to be the island's professional and commercial elite, with the capital, knowledge, and skills to start businesses. This influx was optimal for the development of a strong entrepreneurial sector based on the Cuban community. More than 1.2 million Cubans left the island between 1962 and 1968, providing extensive networks throughout the world (Kanter, 1995). Lower skilled Cuban immigrants who arrived later swelled the Miami market for Latin American products and services and provided a low-cost labor force for Cuban-owned businesses.

The emergence of Miami as an international finance and trade center was a developmental process. Early Cuban entrepreneurs opened small import-export businesses focusing on trade with Latin America. Manufacturers in the city used trade networks to begin exporting their products directly without intermediaries. Improvements to port and airport infrastructure led to further development (Kanter, 1995).

The Fiscal Impacts of Immigration

The fiscal repercussions of immigration vary widely. They differ among groups of immigrants, depending on their resources and needs. The fiscal impact on governments also varies, depending on their service responsibilities, policies regarding immigrants' eligibility for services, and tax and revenue structures. There is general consensus that immigrants pay more in taxes to the Federal Government than they receive in services (Fix and Passel, 1994; Smith and Edmonston, 1997).⁶ By contrast, States and many localities generally experience fiscal setbacks as a result of immigration (Smith and Edmonston, 1997). These costs can be quite high. A National Research Council study estimates that to cover the costs of services to immigrant households in California, the average native-born household in the State paid a State and local tax bill of \$1,178 in 1994. Costs of State services to immigrant households in California were estimated to exceed State revenues that immigrants paid by \$2,632 per immigrant household. This same study estimates that the average native household in New Jersey paid an extra \$232 to fund immigrant services (Smith and Edmonston, 1997).⁷

Fiscal Impact on Large Cities

Theory suggests that the fiscal impact of immigration on declining cities is likely to be more positive than on stable or growing ones. Many government programs are collectively consumed, or offer economies of scale, so that marginal costs are low. A collectively consumed good is a good that, once provided, can serve additional users at a zero marginal cost and from which additional users cannot be excluded. In large cities with declining populations, marginal costs of city services for new residents may be particularly low because infrastructure, transportation, and other service systems often have excess capacity. Research during the 1970s showed that population and job decline in large distressed cities exacerbated fiscal stress, because public services in these cities were basically fixed costs that required payment from a diminishing tax base (Peterson, 1976). A growing or stable population base produced by immigration may alleviate fiscal stress in such cities. Unfortunately, the estimates of the fiscal impact on large cities are too few to allow reliable generalizations.

During the 1980s Los Angeles was a growing city with moderate levels of resident need (James, 1995). By 1985, immigrants had produced a significant negative fiscal impact on counties, cities, and school districts in the Los Angeles metropolitan area, as well as on the State government (Muller and Espenshade, 1985).⁸ Few immigrants used welfare,

because many were undocumented and ineligible, but their large families imposed high costs on schools. All in all, the costs of immigrant services to local governments were similar to those for U.S. natives. However, due to immigrants' below-average incomes, revenues that they generated were considerably lower for them than for other households. The average immigrant household cost local governments \$1,638 in services and generated only \$1,172 in revenues.

During the 1980s Miami had a stable population and high levels of resident need (James, 1995). Population growth due to immigration compensated for loss of the city's native-born population. Stephen C. Loveless and his colleagues examined the fiscal effects of immigration on Miami; their 1996 study found that service costs imposed by immigrants on the city exceeded revenues that they paid by approximately 25 percent, or almost \$300 per immigrant per year.

In the 1980s New York City also experienced high resident need and a stable population. However, during the previous decade, its population had dropped rapidly, and it had been classified as a declining city with high resident need (James, 1995). Immigration has proved a net fiscal plus to New York. During its period of rapid decline, the city experienced severe fiscal stress, coming close to bankruptcy (Peterson, 1976). Although many factors contributed to this situation, a fundamental cause was the lower tax base produced by rapid population and job loss, combined with inflexible costs for municipal services and infrastructure. Population growth produced by immigration during the 1980s allowed these fixed costs to be spread across a larger tax base. For example, Louis Winnick (1990) argues that immigrants increased ridership and revenues of the New York City subway system, helping to stem a rapid drop in service. Winnick also maintains that immigrant children may have increased the quality of New York City's public schools by enhancing discipline, order, and an interest in learning.

A 1980 fiscal impact study for New York City found little evidence that immigrants posed an overall fiscal deficit (Bogen, 1987). Unfortunately, this study examined only a narrow range of services and taxes. On the revenue side, the study focused on city income and sales taxes. Intergovernmental revenues and regressive taxes, like the property tax, were omitted. On the spending side, the study examined immigrants' impact on public schools, higher education, and health and welfare or public assistance spending. It did not examine some of the city's most important and expensive services, such as police and infrastructure costs. Because the study excluded regressive taxes, which bear down hardest on the poor, and because it did not consider infrastructure services with the greatest economies of scale, it probably overstates the fiscal costs of immigration.⁹

Immigrants were found to contribute nearly a proportionate share of city sales and income taxes. Foreign-born households represented 28 percent of the total; they contributed 24 percent of the city's income taxes and 27 percent of its sales taxes (Bogen, 1987). The study found that immigrants imposed costs largely in proportion to their representation in the city's population. For example, immigrant children, including those born in this country to immigrant parents, cost the city about 27 percent of total public education expenditures. Immigrants used only about one-half of their proportionate share of public assistance. However, they were somewhat more likely than natives to take advantage of city-financed hospital services for the uninsured (30 percent of spending), while participating in the Medicaid program at about an average rate. City planning analysts found that 33.2 percent of students in publicly funded colleges were foreign born.¹⁰

Housing and Neighborhood Impact

Research continues to document persistently high levels of segregation for major racial and ethnic groups in urban neighborhoods, with blacks more highly segregated than other ethnic groups (Alba et al., 1995; Heer, 1996; Frey and Farley, 1996). However, two of the studies document the emergence of many multiethnic neighborhoods, resulting from an influx of new Hispanic and Asian immigrants.

In the New York region, Richard Alba and his colleagues (1995) found that between 1970 and 1990 immigrants had created greater diversity within neighborhoods. In 1990, about 50 percent of all neighborhoods in the region in 1990 contained significant numbers of three groups (whites, Hispanics, and Asians), or even four groups (whites, Hispanics, Asians, and blacks). Three-fourths of the population lived in neighborhoods containing significant numbers of three or more groups. In 1970, only 10 percent of the region's neighborhoods had such diversity.¹¹

Frey and Farley (1996) examined neighborhood segregation trends from 1980 to 1990 in 37 multiethnic metropolitan areas—defined as areas where two or more of three minority groups make up a greater share of the metropolitan population than represented in the national population. They found that multiethnic neighborhoods were emerging in these 37 areas, lowering the isolation of blacks as well as Latinos and Asians.

It appears that immigrants are having potent effects on housing markets in large cities. Among the 58 large central cities with 1990 populations of at least 250,000, the rate of housing overcrowding—more than one person per room—was higher in cities with large immigrant populations. In cities with low foreign-born populations in 1990 (that is, under 7.5 percent of city population), only 3.7 percent of housing units were overcrowded. In cities with above-average foreign-born population (that is, 7.5 percent to 14.9 percent), fully 6.9 percent of housing units were overcrowded. Remarkably, 14.9 percent of units were overcrowded in cities where immigrants made up 15 percent or more of the population (authors' analysis of Rutgers University Center for Urban Policy Research database).

Similarly, the rate of homeownership was lower in cities with large foreign-born populations. Among cities with low immigrant populations, more than one-half of households (52.7 percent) were homeowners. Only 41.3 percent were homeowners in cities with high foreign-born populations. These patterns may not signify causal relationships. Cities with the largest immigrant populations—for example, Chicago, Los Angeles, and New York—are also among the largest cities in the Nation and have relatively high housing costs with large stocks of multifamily, rental housing. However, the relationships between immigration, overcrowding, and homeownership persist even among cities of different sizes. Multiple regression analyses, which control for city population size, show that a one percentage point increase in foreign-born population corresponds to a 0.5 percentage point increase in overcrowded housing units, and a 0.35 percentage point decline in the rate of homeownership.¹²

Conclusions

Generalizations are dangerous because both immigrants and cities are extremely diverse and because immigrants affect many facets of city life. However, we can conclude that immigration offers significant benefits to the Nation's large central cities. In major gateway cities, immigrants appear to have reversed the population loss experienced by distressed cities during the 1970s. In recent years, immigrants have spread themselves more widely throughout the United States, gravitating to cities with healthy economies. While

it is possible that immigrants accelerated the loss of U.S. natives from gateway cities, as Frey (1995) suggested, it seems likely that such secondary migrations will become less important as immigrants become more dispersed.

There is no convincing evidence to suggest that immigration hurts U.S. natives by reducing job opportunities; rather, immigrants create jobs. By providing low-cost labor, they stimulate manufacturing, construction, and other industries. Indirectly, they provide support services for office industries. They also foster entrepreneurial activity through small-business ownership and development, including businesses involved in international trade and finance with their home countries. While much more research is needed on this issue, we believe that Miami, San Francisco, Los Angeles, and other major gateway cities have benefited from the expansion of international trade and finance activities by immigrants.

State and local governments suffer fiscal losses as a result of immigration. However, fiscal effects may be positive for some distressed cities in which populations have been stabilized by immigration. The National Research Council estimates that the net fiscal benefits of immigration to the Federal Government exceed the fiscal costs to States and localities. If true, this leaves little doubt that immigration produces net benefits—economic and fiscal—for U.S. natives (Smith and Edmonston, 1997). In our view, the most important fiscal issue is the lack of congruence between power over immigration policy and responsibility for paying the costs of services to immigrants. Recent Federal legislation limiting immigrant eligibility for federally financed benefits will exacerbate this problem.

It bears repeating that immigrants today are much more likely to be nonwhite than was true during the last great immigration of the early 20th century. However, an encouraging trend among recent immigrants is their increasing dispersal in integrated, multiethnic communities. More research is needed to determine the effect of immigrants on housing markets, but there are some preliminary warning signs. This effect may simply indicate the restrictions imposed by low incomes among immigrants, or it may signal more basic problems.

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Notes

1. People legalized under the Immigration Reform and Control Act of 1986 (IRCA) are counted as having immigrated in the year they achieved legal status rather than the year they entered the United States.
2. The 1965 amendments expanded immigration possibilities for residents of third-world nations outside the Americas and, for the first time, imposed quotas on legal emigration from Mexico as well as other nations in the Americas. In addition, the amendments ended the Bracero program, which offered temporary agricultural work to Mexican workers (Edmonston and Passel, 1994).
3. The term *foreign born* is used interchangeably with *immigrant* throughout this article.
4. *Resident need* is an index combining the poverty rates, unemployment rates, and changes in the per capita income of a community. These variables are normalized based on the national data, so that they measure conditions in cities relative to the Nation (James, 1990; 1995).
5. Measures of resident need are not available for the three additional cities with 1990 populations of 250,000 or more: Fresno and Santa Ana, California; and Las Vegas, Nevada.
6. Huddle (1993) estimates that immigrants impose a net fiscal burden on the Federal Government. However, he does not include the Social Security system in these calculations. Immigrants pay much more into this system at present than they receive in benefits; this may change in future decades as immigrants reach retirement age. Huddle also includes an estimated annual cost to the Federal Government of \$11.9 billion for service costs associated with the job displacement of U.S. natives. As indicated, no evidence exists to support this estimate of displacement costs.
7. These estimates overstate the true fiscal costs of immigrants, because increased revenues from taxes on businesses are not included appropriately and because the analysis assumes that all State and local services are private goods without significant collectively consumed components (Smith and Edmonston, 1997). This assumption leads the study to overstate the marginal costs of services to immigrants.
8. Appropriately, Muller and Espenshade allocate property taxes on commercial, office, and industrial structures, along with other categories of business taxes, to households, on the basis of reasonable assumptions (Muller and Espenshade, 1985).
9. Together, city income and sales taxes comprised 30 percent of New York City's tax revenues in 1980; spending on the selected social services made up 37 percent of the city's tax levies (Bogen, 1987). New York City is unusual for its reliance on a progressive local income tax. Because immigrants have lower average household incomes than do native households, reliance on this progressive tax exacerbates any negative fiscal effect.
10. Some national evidence suggests that immigrants' use of public assistance has risen over the past 20 years and now exceeds utilization by native households (Borjas, 1994). However, this analysis includes both elderly immigrants who entered the United States before 1950 and recently arriving younger people. It also includes public assistance to refugees. A recent analysis shows that after taking into account

personal and household characteristics, such as age and refugee status, immigrants are 2 to 3 percent less likely to receive public assistance than are natives (Borjas and Hilton, 1996).

11. This study counted a racial or ethnic group as 100 persons in the same census tract. Increases in neighborhood diversity occurred despite the fact that indexes of dissimilarity remained generally stable for major racial and ethnic groups. The increases in diversity resulted from the greater size of minority group populations, rather than from fundamental changes in residential patterns (Alba et al., 1995).
12. Both relationships are statistically significant at the 1-percent level or higher. It is unknown whether higher immigrant populations affect crowding and homeownership among the native-born populations of cities. Immigrants make up a large proportion of households buying entry-level homes, suggesting that immigrants are moving into homeownership at a rapid pace (Joint Center for Housing Studies, 1997).

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