

Immigration and the Economy

While Americans have disputed immigration policy since the founding of the country, passions tend to be highest during periods when the numbers rise, says Theresa Cardinal Brown, director of immigration and cross-border policy for the Bipartisan Policy Center in Washington. With the foreign-born population in the United States reaching 43.4 million in 2017 (compared with 25.3 million in 1997) now is one of those periods, says Brown.

The debate often generates more heat than light, she adds, sometimes obscuring the benefits that immigrants bring to the U.S. economy, including agriculture and other industries. In a recent BPC report, “Immigration Trends and the Immigration Debate,” Brown and co-author Jeff Mason suggest that the U.S. discussion on immigration has failed to keep pace with significant changes in recent years. For example, despite the relentless focus on Mexico, Asia is now the largest source of legal immigrants to the United States. As for illegal immigration, heated arguments for or against a border wall seem at odds with the fact that border crossings have dropped and that most undocumented immigrants these days are those who remain in the country after their visas expire.

An expert who has helped guide policy for organizations ranging from the Department of Homeland Security to the U.S. Chamber of Commerce, Brown spoke with OUTLOOK about what immigrants add to the economy, and what she sees as the need for a concerted policy based on U.S. labor needs rather than politics.

OUTLOOK: Where does the U.S. immigrant population stand today in comparison to historical averages?

Theresa Cardinal Brown: More than 13 percent of people in this country today are foreign-born. That’s not the highest it has ever been, but it is close. The late 1800s and early 1900s saw huge waves of immigrants, reaching a high point of nearly 15 percent of the population in 1890.

The current spike is due largely to increases in unauthorized immigration that started in the 1980s and ramped up in the 1990s. Additionally, many unauthorized immigrants gained amnesty under the 1986 Immigration Reform and Control Act, became U.S. citizens in the 1990s, and then sponsored their family members for green cards. However, unauthorized immigration to the U.S. has largely plateaued and even declined in the last

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This Month's Expert



Since 2014, Theresa Cardinal Brown has served as the director of immigration and cross-border policy for the Bipartisan Policy

Center, a Washington D.C. think tank. As leader of the Center's Immigration Task Force, Brown draws on a wealth of experience with the Department of Homeland Security and other government agencies. During the 2000s, she served as director of the Immigration Legislation Task Force in the DHS Office of Policy, and from 2006-2011 served as the DHS's director of Canadian Affairs and then an attaché at the U.S Embassy in Ottawa. Previously, Brown served as policy advisor for U.S. Customs and Border Protection.

Brown served as the director of immigration policy for the U.S. Chamber of Commerce from 2001-2005. She is also president and founder of Cardinal North Strategies LLC, a consulting firm. Brown is a Phi Beta Kappa graduate of the University of Delaware, with a degree in international relations and economics.

five years. And it should be noted that we're by no means at the top of the list of developed countries when it comes to immigration. Nearly 20 percent of Canada's population is foreign born and in Australia the percentage is even higher.

OUTLOOK: Americans have long prided themselves on being in many ways a nation of immigrants. To what extent is that still the case?

Brown: While it's true that many of us take considerable pride in coming from immigrant stock, as a country we've always been ambivalent about actual immigrants. Looking back in history, we can see, "No Irish need apply," and that Italians were looked down on, and that Jewish immigrants were turned away. Asian and Chinese immigrants were banned from the United States for decades. We tend to look with reverence on immigrants of the past and with concern on immigrants of the present, whoever they may be.

OUTLOOK: What impact does immigration, both legal and undocumented, have on the U.S. economy?

Brown: Immigration, like anything else that increases available labor in the workforce, helps grow the economy. Immigrants are workers, but they're also consumers. They contribute to the overall gross domestic product by demanding goods and services and paying for them, as well as by providing labor, legally or not.

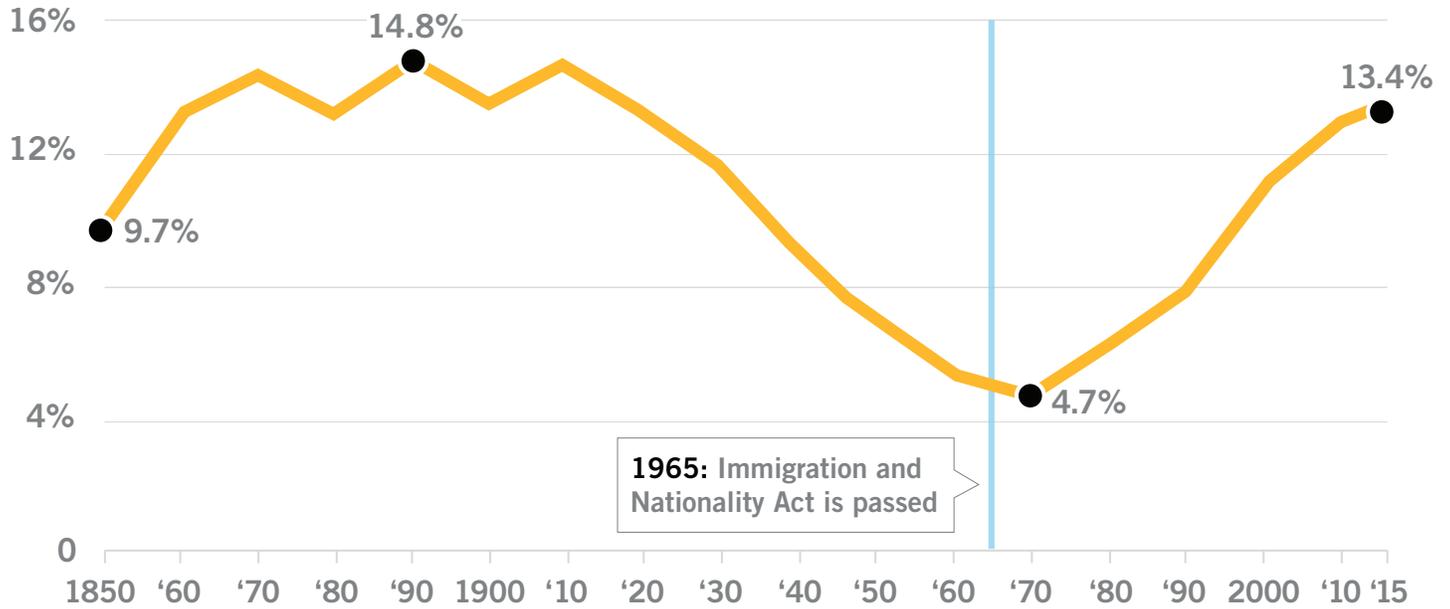
Certain types of immigrants—scientists, engineers and entrepreneurs—are very much job creators, and immigrants as a whole are far more likely to create their own companies than Americans are, and to hire more people. They help generate economic value.

Immigrants can also be a positive for the federal budget. Most immigrants receive far less in benefits than they pay into our systems. In fact, Social Security and Medicare trustees have reported that having so many immigrants contributing to those systems who will never be able to get benefits has helped extend the solvency of those programs by many years.

OUTLOOK: You're talking about legal immigrants?

Brown: Undocumented immigrants, too. They do pay taxes, using individual tax ID numbers that the IRS gives to people who can't get Social Security numbers. Many undocumented immigrants file tax returns every year, in part because they hope that one day, when they're legalized, the fact that they paid taxes will help them.

PERCENTAGE OF U.S. POPULATION THAT IS FOREIGN-BORN



Source: U.S. Census Bureau, "Historical Census Statistics on the Foreign-Born Population of the United States: 1850-2000" and Pew Research Center tabulations of 2010 and 2015 American Community Survey (IPUMS).

OUTLOOK: Do you see the world's borders as becoming more porous, or less?

Brown: In this age of international criminality and terrorism, most countries are securing their borders more tightly than ever. We require applications, screening and vetting to be sure we know who's getting in, and where they travel. That has been a very significant effort, and I think it has made most borders a lot less porous.

But when people are in desperate situations—refugees and asylum seekers, from Syria and other places, or Central Americans going north to the U.S.-Mexico border—they will do whatever they need to do to find a better way of living. In those cases, efforts at the borders are a deterrent, but they are not likely to stop the flow completely.

That's one of the defining issues of immigration around the world right now—the dichotomy between countries that are trying to make their borders more secure and these movements of people who are desperate to get in by any means necessary.



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OUTLOOK: To what extent do immigrants displace U.S. workers?

Brown: There's not wide-scale economic evidence of immigrants stealing jobs of U.S. workers. Most immigrants complement the U.S. workforce. They either have less education than the average U.S. worker, or more education, so they either take jobs at the lower end of a skill set that Americans no longer want or jobs at the higher end that Americans may not be qualified to do.

It's pretty clear that immigrants have little or no impact on overall U.S. wages in the long run. There may be short-term impacts in certain locations when immigrants come in, but those tend to average out over time as the economy adjusts.

OUTLOOK: How many immigrants does the United States need each year to sustain its economy?

Brown: That's a very interesting question that has never been figured out, because our legal immigration system has set the number at a static rate since 1990. We accept an average of about 1 million legal immigrants—that means new green card holders—into the country each year. That number isn't based on an evaluation of economic need, nor any study of how many immigrants the economy might be able to accommodate.

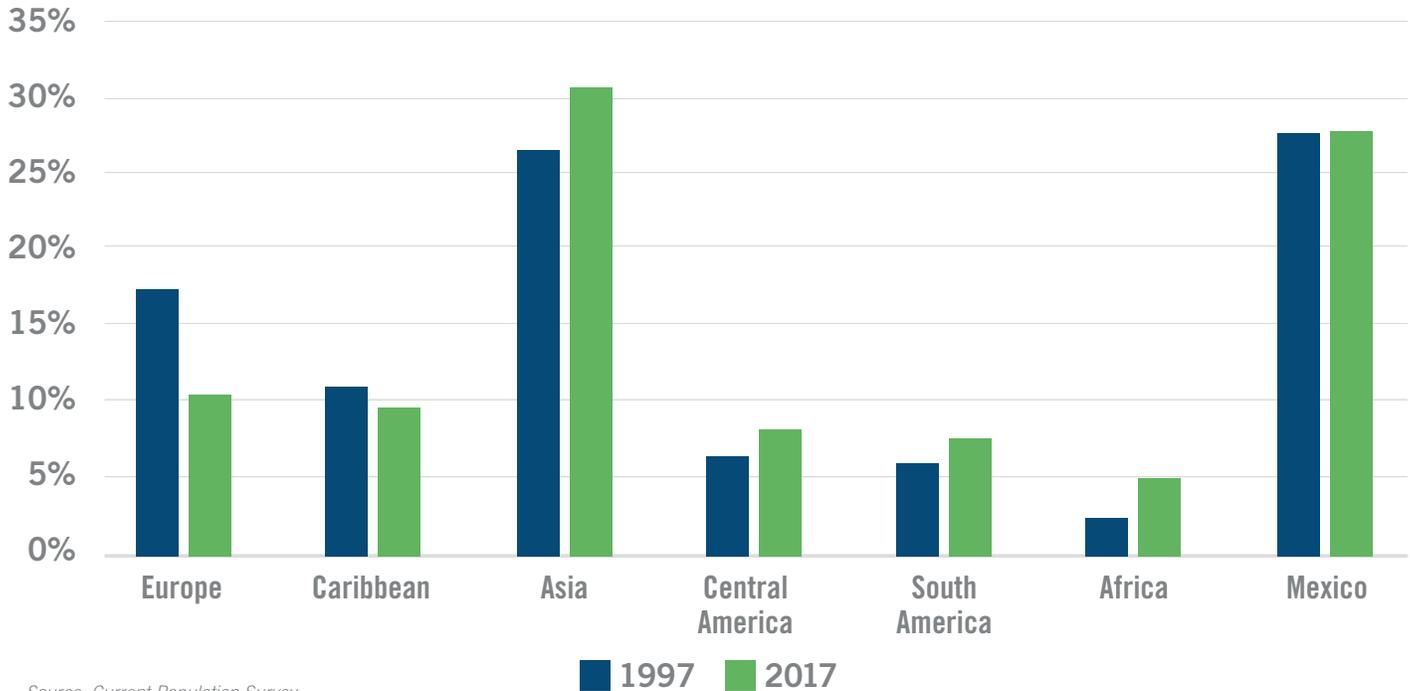
In terms of how many immigrants we might need each year, most economists agree the number should be based on an ongoing evaluation of our future needs. The system could adjust according to workforce projections—for example, that our native-born workforce is getting older and shrinking. Or we might have a number linked to U.S. employment rates. When we are close to full employment, and there are still jobs available, maybe we would allow more immigrants to help fill those jobs. When the economy's retracting and more Americans are out of work, we could allow fewer. There are many ways to adjust that number, but probably the worst way is what we have now, which bears no relation to the economy.

OUTLOOK: How heavily do agriculture and other rural industries depend on immigrant labor, and where is that dependence most pronounced?

Brown: Those industries are among the most dependent on immigrant labor. Historically, farmers would have lots of children, and that's where the farm labor workforce came from in communities in which farms were passed down from generation to generation. But during the second half of the 20th century, and especially now in the 21st, those families are having fewer kids—and fewer and fewer of those kids want to stay in farming.

Today, even with considerable automation, it still takes a lot of labor to run a farm, and some crops require more labor than others. There are year-round labor needs in dairy and livestock, for example, and seasonal needs in produce and other sorts of agriculture, such as forestry and flower growing.

PERCENTAGE OF FOREIGN-BORN POPULATION BY REGION OF ORIGIN, 1997 AND 2017



Source: Current Population Survey

OUTLOOK: How do immigrants fill that need for agricultural labor?

Brown: U.S. agriculture has always been supplemented by a migrant labor force. For much of our history, Mexican migrants would flow freely over the U.S.-Mexico border, work for a while in the United States and then go back to Mexico when the season was done.

After World War II, the country created the Bracero Program for temporary workers, which legally brought a lot of agricultural workers in. But when there started to be concerns that those migrant workers were taking jobs that Americans back from the war might need, there was a crackdown. The Bracero Program was ended in the 1960s.

However, by then a lot of American farmers had become dependent on a migrant workforce and had trained those workers, while a lot of people coming back from the war didn't want to go back into the fields. Circular migration continued, albeit illegally. Then, after crackdowns at the border, starting in the mid-1990s and especially after 9/11, it became harder and harder for migrants to come and go. Many just settled in the United States and eventually brought their families. That's the root of a lot of the current unauthorized immigration to the United States from Mexico. The American Farm Bureau Federation estimates that 50 to 70 percent of laborers on U.S. farms are unauthorized.



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OUTLOOK: What are the means for workers to come here legally to work in agriculture and other industries? Are the H-2A and H-2B visas sufficient?

Brown: The H-2A program for temporary agricultural workers is underutilized, primarily because of its bureaucratic hurdles for farmers, who may not get workers in a timely manner, particularly if they're hiring for the harvest. And it's strictly for seasonal labor.

The H-2B program is also for seasonal or temporary work, but not in agriculture. Some industries can't use either of those programs to hire workers legally. Neither program allows you to sponsor an immigrant permanently, for example—a worker you want to keep and promote.

Most immigration reform proposals that could help with agricultural needs would legalize the current undocumented agricultural workforce and then provide a reformed temporary visa program to reignite some of the circularity of seasonal migration.

OUTLOOK: Where do we stand with regard to attracting skilled labor to the United States? Is our visa system working as it should?

Brown: About two-thirds of our visas each year are issued to family members. One-third are issued to people based on a workforce skill. That is the exact opposite of most developed countries in the world, in terms of the annual percentage of people let in. A lot of businesses would like to see us increase the availability of visas for those who are coming in with skills, coming to work, as a percentage of our overall immigration.

OUTLOOK: How would you rate President Trump's record on immigration a little over a year into his term, compared with his positions as a candidate?

Brown: Some of his campaign promises haven't gone as planned. He hasn't gotten the money to build the wall on the border with Mexico, and the travel ban has had a hard time in the courts. But he has decreased substantially the number of refugees we take in. He has implemented increased enforcement inside the country, with many more arrests than under the previous administration, although deportations are taking a little longer.

OUTLOOK: What would be the impact of President Trump's proposed deep cuts to legal immigration and tough stance on illegal immigration?

Brown: So far, his proposed cuts to legal immigration have been related to family sponsorship. That could affect families in agriculture, where someone may be here legally or is a citizen and wants to sponsor family members, so they can come to work on the farm.



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The crackdowns on undocumented or illegal immigration could be more far-ranging. With increasing security at the border and fewer Mexicans interested in making the trek north, there's a reduced supply of undocumented labor in agriculture. That's one reason why more employers are starting to use the H-2A program, as difficult as that is.

OUTLOOK: How do our current battles over immigration compare with those of previous eras? Are we at a uniquely contentious moment?

Brown: Our most restrictive laws on immigration were passed in 1924, at a time when Americans were extremely concerned about where immigrants were coming from. That was at the height of the eugenics movement, and there was a belief that certain people were genetically superior and more inclined to succeed than others.

Then, during the height of the civil rights movement, we passed the Immigration Act of 1965. It did away with those country-of-origin quotas from 1924, in hopes that we would accept people from anywhere in the world, but that was very contentious because people were afraid it would change how America looked. One reason we have so much family immigration stems from that fight. People argued that by prioritizing family unification over employer-based immigration, we would bring in more people related to those already here—so it wouldn't change how the United States looked at all. But it didn't actually play out that way. In the decades that followed, we saw a significant increase in Hispanic immigration, and now there has been a shift toward Asian and South Asian immigration and immigration from Africa. The sources of immigrants change but I think our fights over immigration will always be there.

OUTLOOK: Do you see any long-term solutions, or are we destined to forever be a nation of immigrants fighting over immigration?

Brown: We have had our current immigration system 30 or so years, and it hasn't been upgraded or adapted. People may disagree about how to fix it, but no one likes how it's working now, and at some point, we'll reach a breaking point and have some changes.

At the Bipartisan Policy Center, where I work, our mission statement is to bring together committed partisans to develop practical and pragmatic solutions for our nation's biggest problems. I'm always surprised when we pull people together, at the amount of agreement that actually exists. When you get people in the right environment to talk through issues and set aside political rhetoric, people are closer together on those things than you think they are. ■

Interest Rates and Economic Indicators

The interest rate and economic data on this page were updated as of 3/31/18. They are intended to provide rate or cost indications only and are for notional amounts in excess of \$5 million except for forward fixed rates.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP) measures the change in total output of the U.S. economy. The Consumer Price Index (CPI) is a measure of consumer inflation. The federal funds rate is the rate charged by banks to one another on overnight funds. The target federal funds rate is set by the Federal Reserve as one of the tools of monetary policy. The interest rate on the 10-year U.S. Treasury Note is considered a reflection of the market's view of longer-term macroeconomic performance; the 2-year projection provides a view of more near-term economic performance.

ECONOMIC AND INTEREST RATE PROJECTIONS

Forecasts courtesy of Bloomberg and Blue Chip Economic Indicators

				US Treasury Securities	
2018	GDP	CPI	Funds	2-year	10-year
Q2	3.10%	1.80%	1.79%	2.39%	2.95%
Q3	2.90%	2.20%	1.89%	2.53%	3.05%
Q4	2.80%	2.10%	2.08%	2.66%	3.14%
2019	GDP	CPI	Funds	2-year	10-year
Q1	2.50%	2.20%	2.18%	2.80%	2.91%
Q2	2.40%	2.10%	2.30%	3.23%	3.33%

PROJECTIONS OF FUTURE INTEREST RATES

The table below reflects current market expectations about interest rates at given points in the future. Implied forward rates are the most commonly used measure of the outlook for interest rates. The forward rates listed are derived from the current interest rate curve using a mathematical formula to project future interest rate levels.

IMPLIED FORWARD SWAP RATES

Years Forward	3-month LIBOR	1-year Swap	3-year Swap	5-year Swap	7-year Swap	10-year Swap
Today	2.34%	2.42%	2.66%	2.71%	2.73%	2.79%
0.25	2.36%	2.49%	2.69%	2.73%	2.75%	2.77%
0.50	2.44%	2.59%	2.73%	2.75%	2.77%	2.81%
0.75	2.51%	2.67%	2.76%	2.77%	2.79%	2.82%
1.00	2.63%	2.74%	2.77%	2.79%	2.80%	2.84%
1.50	2.78%	2.80%	2.79%	2.80%	2.81%	2.85%
2.00	2.76%	2.83%	2.80%	2.80%	2.82%	2.86%
2.50	2.74%	2.79%	2.79%	2.80%	2.83%	2.87%
3.00	2.72%	2.75%	2.79%	2.81%	2.83%	2.87%
4.00	2.74%	2.77%	2.81%	2.83%	2.87%	2.90%
5.00	2.77%	2.80%	2.82%	2.86%	2.89%	2.91%

HEDGING THE COST OF FUTURE LOANS

A forward fixed rate is a fixed loan rate on a specified balance that can be drawn on or before a predetermined future date. The table below lists the additional cost incurred today to fix a loan at a future date.

FORWARD FIXED RATES

Cost of Forward Funds

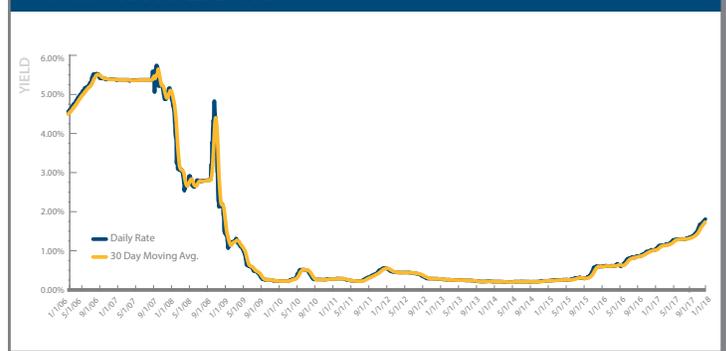
Forward Period (Days)	Average Life of Loan			
	2-yr	3-yr	5-yr	10-yr
30	5	5	5	5
90	6	7	6	5
180	11	12	10	9
365	25	22	21	17

Costs are stated in basis points per year.

SHORT-TERM INTEREST RATES

This graph depicts the recent history of the cost to fund floating rate loans. Three-month LIBOR is the most commonly used index for short-term financing.

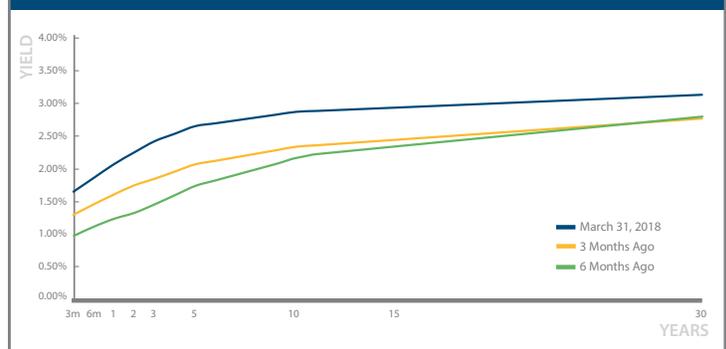
3-MONTH LIBOR



RELATION OF INTEREST RATE TO MATURITY

The yield curve is the relation between the cost of borrowing and the time to maturity of debt for a given borrower in a given currency. Typically, interest rates on long-term securities are higher than rates on short-term securities. Long-term securities generally require a risk premium for inflation uncertainty, for liquidity, and for potential default risk.

TREASURY YIELD CURVE



COBANK UPDATE

Former CoBank Chairman Everett Dobrinski Reflects on 20 Years of Board Service



Everett Dobrinski

Everett Dobrinski has served on CoBank's board of directors for more than 20 years, including 10 years as board chair. Dobrinski stepped down from being chair on December 31, 2017, as part of a planned succession in board leadership, but will remain on the board as an elected director through the expiration of his current term at the end of 2019. Over the past ten years, the bank experienced growth of almost 150 percent in total assets, from \$52 billion in January 2008 to almost \$129 billion in December 2017, and patronage distributions of more than \$4.2 billion.

Outlook asked Dobrinski to reflect on his board experience at CoBank, including the financial crisis of 2008 and its aftermath, CoBank's merger with U.S. AgBank in 2012, how the bank has evolved, and the challenges and opportunities facing rural industries and the Farm Credit System.

Q: You've served on the CoBank board for many years. What accomplishments are you most proud of that occurred during your tenure?

Dobrinski: The merger with U.S. AgBank was a very important milestone in the history of all of Farm Credit. It got us into a position where we were able to meet the needs of all of customers and member-owners. There was a tremendous amount of work that went into that merger. One of the most important things is we were able to merge our cultures so seamlessly. That was possible because we knew we were all serving the same mission. That is the great thing about Farm Credit and our customers; we are united to serve one purpose.

Q: That merger significantly increased the size of the bank and its portfolio. Six years later, what is your assessment of how things are going now?

Dobrinski: We're finding that there are segments in rural America and rural communities that are being served that probably wouldn't have been able to be served had each bank stayed alone. What we found is the cooperation between the affiliated associations and CoBank just became so great that we were able to leverage each other even more so, providing a greater value of service to our customers.

About CoBank

CoBank is a \$129 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving more than 70,000 farmers, ranchers and other rural borrowers in 23 states around the country.

CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture, rural infrastructure and rural communities. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit the bank's web site at www.cobank.com.

Q: You were appointed chair in January 2008, just before the Great Recession and financial crisis. Talk about that experience and CoBank's performance during that difficult period.

Dobrinski: Not only was that the time of the financial crisis, but it was also a time where commodity prices were shooting up. The strength of the Farm Credit System showed through because we were always able to access the capital markets that we rely on to fund loans to customers. So I think that speaks well of the Government-Sponsored Enterprise status of the System and the importance it holds.

A lot of people, even in rural communities, don't understand what actually went on during that period with commodity prices – grain prices just soared. It was a perfect storm – credit conditions were tightening just as farmer-owned cooperatives and other grain elevators were seeing their need for credit increase massively in order to meet margin calls. In my estimation, the whole grain trade industry in the United States couldn't have survived without the financial support of CoBank and Farm Credit. And I just can't say enough about CoBank's associates who were so engaged during this time, really focused on our mission and who got the job done.

Q: Talk about other significant changes you've seen over the years.

Dobrinski: CoBank's size has grown – I don't know how many times it's doubled since I joined the bank. The important thing is we've got a mission and we've never wavered from that mission. Our mission is to serve rural communities and the industries that serve those communities. We take that part of it very, very seriously.

Q: Talk about the importance of alignment between the board and executive leadership at CoBank.

Dobrinski: The alignment between our board and executive leadership has always been very, very good. I think that's important and the only way that works is if you have transparency and we've been so fortunate that we've had great leaders at CoBank and they've been very transparent.

Q: Kevin Riel succeeded you as board chair as of January this year. How has it been working with him?

Dobrinski: I've worked with and known Kevin for years, and know that the bank and it's customer-owners are in very good hands. Kevin's a farmer and he's a former chair of Northwest Farm Credit Services. He understands the business and our customers very well.

Q: As a farmer, you see first-hand the role that Farm Credit and the CoBank cooperative have. How important do you think these roles will be for rural America going forward?

Dobrinski: Farm Credit is going to be 100 percent necessary. It's something that cannot go away, we can't afford for it to go away. I do not think we can compete without it. And when I say Farm Credit, I'm talking about Farm Credit Associations throughout the United States and I'm talking about CoBank. We just could not do business without them. As far as cooperatives go, I can't do business as a farmer without them. We rely on the marketing and supply cooperatives. We rely on rural electric and rural communications cooperatives. That's who we are. How could you expect a farmer from North Dakota to be able to compete in the global economy if I was to do that all on my own?

Q: Anything else you'd like to add about your experience serving on CoBank's board?

Dobrinski: It's been a tremendous experience. It's just amazing how much you get back from serving at a place like CoBank – it's such a prestigious company. I'm so proud of our associates, who work every day to support our customers. ■