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A New Paradigm for Immigrant Policy: Immigrant Capital. A Case Study of People of Mexican Origin in Minnesota

Bruce P. Corrie

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A NEW PARADIGM FOR IMMIGRANT POLICY: IMMIGRANT CAPITAL

A Case Study of People of Mexican Origin in Minnesota

Bruce P. Corrie, PhD[†]

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[†] Dean, College of Business and Organizational Leadership, Concordia University-St. Paul; corrie@csp.edu.

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I. INTRODUCTION

Immigrant Policy—policies focusing on immigrants—has been vigorously debated in this country. Most of the debate focuses on legal status (citizenship) or fiscal status (fiscal costs to society). This paper presents a new perspective on immigrants—Immigrant Capital—which portrays immigrants as assets to the communities in which they live. A case study of the immigrant capital of people of Mexican origin in Minnesota illustrates this new perspective.

Immigrant capital refers to the various avenues through which immigrants add wealth to society. The following are the major dimensions of immigrant capital:

1. Immigrant Consumer Capital—Immigrants purchase goods and services in the communities in which they live. In small and large communities immigrant buying power can be an important engine for economic growth. Further, immigrants could be an important and untapped niche market for certain products and services, such as calling cards, air tickets, food products, etc.

2. Immigrant Productive Capital—Immigrants serve as an important supply of labor to the local workforce. If they complement the native workforce, immigrants serve an additional benefit to the society. If they fill an important labor niche, such as health care workers, they play a critical role in that economy.¹

For the most part, immigrant workers complement native workers. For example, in skill levels, immigrants are found at the very high skill levels and the very low skill levels, while native

1. See Giovanni Peri, Assoc. Professor, Dep't of Econ., Univ. of Cal. Davis, Immigration and the Economy: Facts and Policies 15 (Oct. 2007), available at http://www.econ.ucdavis.edu/faculty/gperi/reports/book_project_2007.pdf.

workers are found at the high school to college skill levels.² Consequently, immigrants do work in areas that actually improve the productivity and income of natives. For example, native supervisory workers benefit from immigrant workers' productivity.³ Recent studies point to the fact that the most recent waves of Latinos helped improve the economic conditions of earlier waves of Latinos.⁴ Other studies document the less visible way immigrants are assets to their communities.⁵ For example, a recent study illustrates that low-skilled immigrants positively impact the lives of professional women by increasing the amount of time they could devote to their careers by as much as thirty-three minutes per week.⁶

Further, immigrants tend to work harder and longer because they come with a strong motivation to succeed in their new country of residence. When immigrant children enter the local school systems, they play a positive role as many school districts face declining enrollments and hence smaller revenue streams. Immigrant children could have a net benefit to that district after the costs to educate them are adjusted to the revenue stream that comes with every new child in the school district.

3. Immigrant Entrepreneurial Capital—Many immigrants start businesses in their attempt to achieve the American Dream. When they open businesses in the inner city, they revitalize declining neighborhoods. When immigrants open high tech businesses, they help move the country's economic base to a higher level. Many studies show the roles that immigrant businesses play locally and nationally.⁷

2. See *id.* at 19.

3. See *id.* at 20–23.

4. See Adriana Kugler & Mutlu Yuksel, *Do Recent Latino Immigrants Compete for Jobs with Native Hispanics and Earlier Latino Immigrants?*, 11–14 (Apr. 23, 2008), http://www.uh.edu/~adkugler/Kugler&Yuksel_Latinos1.pdf.

5. See, e.g., Patricia Cortes & Jose Tessada, *Cheap Maids and Nannies: How Low-Skilled Immigration is Changing the Labor Supply of High-Skilled American Women* (Aug. 8, 2007) (unpublished manuscript), *available at* <http://faculty.chicagogsb.edu/patricia.cortes/documents/time.pdf>.

6. *Id.* at 2.

7. A recent study shows that immigrants made up 25.3 percent of high tech companies during the period 1995–2005. Vivek Wadhwa, et al., *America's New Immigrant Entrepreneurs* (Duke Sci., Tech. & Innovation, Paper No. 23, 2007), *available at* http://www.competeamerica.org/resource/bibliography/immigrant_entrepreneurs.pdf. Immigrants also made up 25 percent of companies that were venture-backed over the past fifteen years. STUART ANDERSON & MICHAELA PLATZER,

4. Immigrant Fiscal Capital—Immigrants pay taxes, including sales taxes and property taxes to federal, state and other local entities. The National Research Council (NRC) study of Immigrants was conducted in 1997 by a panel of experts who looked at the issues of immigration in a very thorough and comprehensive manner.⁸ The study's comprehensive analysis illustrated that across all levels of skill and over time, immigrants are a net benefit to America.⁹ There is yet to be published a study as comprehensive as the 1997 NRC study to challenge this finding.¹⁰

5. Immigrant Global Capital—Immigrants bring with them their

NAT'L VENTURE CAPITAL ASS'N, AMERICAN MADE: IMPACT OF IMMIGRANT ENTREPRENEURS AND PROFESSIONALS ON U.S. COMPETITIVENESS 6 (2007), available at http://www.nvca.org/pdf/AmericanMade_study.pdf. Foreign graduate students have also had a major impact on innovation in the United States. See Gnanaraj Chellaraj, et al. *The Contribution of Skilled Immigration and International Graduate Students to U.S. Innovation* (World Bank Policy Research, Working Paper No. 3588, May 2005) available at <http://go.worldbank.org/WDR CJ2RB00> (follow the "Text" hyperlink). For example, the foreign born population comprised 11.1 percent of the population in 2004 but 16.6 percent of the scientists and engineers in the United States. Rob Paral & Benjamin Johnson, *Maintaining A Competitive Edge: The Role of Foreign-Born and U.S. Immigration Policies in Science and Engineering*, IMMIGRATION POLICY IN FOCUS, Aug. 2004, at 1, available at <http://web1.usabal.com/news/2004/04Aug18.pdf>.

8. JAMES A. SMITH & BARRY EDMONSTON, THE NEW AMERICANS: ECONOMIC, DEMOGRAPHIC, AND FISCAL EFFECTS OF IMMIGRATION (1997), available at http://www.nap.edu/openbook.php?record_id=5779&page=R1.

9. *Id.*

10. The following quote from the NRC Study is relevant in this connection: The weight of the empirical evidence suggests that the impact of immigration on the wages of competing native-born workers is small—possibly reducing them by only 1 or 2 percent. Why does this effect seem so small? One reason is that it is easy to exaggerate the importance of immigration. Although immigration touches some hot button issues, the American economy is extremely large and complex, running at \$7.6 trillion a year. This economy is the end result of ten of thousands of factors, many of which are far more critical than the country's immigration policy. Such factors include the rate at which the country saves and invests and the human capital of its own workers. It is simply not plausible that immigration, even across a decade, by increasing the supply of workers by 4 percent could seriously impact such an economy. However, although it is easy to exaggerate the aggregate effects of immigration, they should not be minimized. As measured by changes in wages, the economic benefits of immigration run as much as \$10 billion a year. In addition, the economic benefits of immigration that operate only through lower prices, without displacing or disadvantaging competitive domestic labor, add to the positive effects of immigration.

Id. at 220.

global networks of relationships that help connect the communities in which they live to those global communities. This is reflected in trade and other economic links between countries.

6. Immigrant Cultural Capital—Immigrants add to the cultural diversity of the communities in which they live through the different perspectives they bring to decisions and through their cultural contributions such as food, art, theatre, music, etc. This is increasingly documented, by people like Richard Florida, who illustrate the positive benefits diversity brings to organizations and communities.¹¹

7. Immigrant Civic Capital—Immigrants add to the civic capital of communities in which they live, whether it is being part of local organizations and non-profits or being part of the political process in our democracy.

Immigrant Capital can be a dynamic force in the communities in which immigrants live. To illustrate the multidimensional contributions of immigrants to their communities, I will present data on people of Mexican origin in Minnesota.¹² I focus on this community because recent official pronouncements as well as voices in Minnesota have painted a negative cloud over this community and suggested that it is a net cost to society.¹³

11. Cf. Gianmarco I.P. Ottaviano & Giovanni Peri, *The Economic Value of Cultural Diversity: Evidence from U.S. Cities*, 6 J. ECON. GEOGRAPHY 9, 13 (2006) (identifying social science researchers who have connected diversity with prosperous urban areas).

12. See BRUCE CORRIE, *ETHNIC CAPITAL AND MINNESOTA'S FUTURE: PEOPLE OF MEXICAN ORIGIN IN MINNESOTA* (2008), available at <http://www.ethnictrends.info/pdfs/Ethnic%20Capital%20MexicanMN.pdf>.

13. OFFICE OF STRATEGIC PLANNING & RESULTS MGMT., MINN. DEP'T OF ADMIN., *THE IMPACT OF ILLEGAL IMMIGRATION ON MINNESOTA: COST AND POPULATION TRENDS* (2005), available at http://www.mnforsustain.org/immig_mn_state_illegals_cost_study.htm.

II. CASE STUDY OF PEOPLE OF MEXICAN ORIGIN IN MINNESOTA

In the sections below, the various contributions of people of Mexican origin to Minnesota are documented.

A. *Mexican Consumer Capital*

The buying power of people of Mexican origin in Minnesota is an estimated \$944 million—greater than the GDP of over twenty countries in the world.¹⁴

Remittances—Recent estimates put remittances by workers to Mexico to be around \$400 per month on average.¹⁵ Workers are charged around four percent fees, in turn generating around \$7 million in fees to institutions involved in the money transfer business.¹⁶ Some view remittances to Mexico as a leakage from Minnesota's economy. Remittances, however, play a long term role in stabilizing the Mexican economy and, perhaps, lessen the flow of people across the border searching for a better life. For example, more money is transferred to Mexico via remittances than official international development aid to Mexico, or around 2.5 percent of the Mexican GDP.¹⁷ Remittances also play a role in the political transformation of Mexico in recent times as they provide an independent source of income and movement away from political patronage to achieve economic goals. Approximately 27 percent of remittance money is used to start micro enterprises in Mexico.¹⁸

14. The University of Georgia's Selig Center estimates this buying power to be \$1.7 billion in 2005. Beata D. Kochut & Jeffrey M. Humphreys, *Going North: Mexican Immigrants in Georgia, Alabama, Mississippi and Tennessee*, Selig Center for Economic Growth, Terry College of Business Univ. of Georgia, 74 (2004) available at <http://www.selig.uga.edu/forecast/Going%20North.pdf>. The difference in estimates represents a difference in methodology. This study uses a conservative approach in measuring buying power as disposable income—income after taxes. Taxes are estimated to be 20 percent of total income.

15. Manuel Orozco, *The Remittance Marketplace: Prices, Policy and Financial Institutions*, Pew Hispanic Center 2 (2004), <http://pewhispanic.org/files/reports/28.pdf>.

16. *Id.*

17. Gerardo Esquivel & Alejandra Huerta-Pineda, *Remittances and Poverty in Mexico: A Propensity Score Matching Approach*, 5, http://www.dallasfed.org/news/research/2005/05us-mexico_esquivel.pdf.

18. Robert Coronado, *Workers' Remittances to Mexico*, BUSINESS FRONTIER, ISSUE 1, 2004, available at <http://www.dallasfed.org/research/busfront/bus0401.html>.

Table 1: Consumer Expenditures		
	MSP Area (%)	Latino (National) (%)
TOTAL EXPENDITURES	\$58,900	\$43,053
FOOD	11.6	14.3
HOUSING	32.8	35.8
APPAREL	4.2	5.3
TRANSPORTATION	14.5	19.2
HEALTH CARE	5.3	3.9
ENTERTAINMENT	6.2	3.6
CASH CONTRIBUTIONS	3.9	3.1
INSURANCE/PENSIONS	13.9	9.5

Source: BLS, Consumer Expenditure Survey 2004–5, Latino, CES 2006¹⁹

The Consumer Expenditure Surveys released nationally by the Bureau of Labor Statistics reveal that Latinos have unique expenditure patterns that will increase demand in certain sectors more than others.

Table 1 presents this data for the Minneapolis-St. Paul area for the population at large and Latino expenditures in the same category at the national level.

A greater share of Latino expenditures go towards food and housing. Within these categories one can find further differences. For example, Latinos spend more than the general population on meat products and apparel.

This statistic means that the Latino community, through its purchases, increases the demand for goods and services in the communities they are part of. A buying power of \$6 million in the small Minnesota town of Glencoe or \$1 million in Long Prairie could mean a lot for local businesses. Table A in the Appendix shows Mexican-American buying power in a number of counties in Minnesota.

1. Policy Simulation: What if Mexican-American consumption goes down by \$500 million in Minnesota?

The Economic Modeling Specialist, Inc., (EMSI) model is an input-output model that allows us to explore “what if?” scenarios.²⁰

19. See Bureau of Labor Statistics, U.S. Dep’t of Labor, Consumer Expenditure Survey (2004–6), <http://www.bls.gov/cex/csxshare.htm>.

20. This is a standard model economists use to determine economic impacts. It has its limitations as it just provides a snapshot of the economy and does not

Though it has its limitations it provides an important planning and educational tool to allow us to see the economy-wide impacts of certain policies.

Mexican-American consumer power in Minnesota is \$944 million.²¹ This is a small but significant presence in the economy. For example, suppose sales go down in the Minnesota economy by \$500 million because the community stops spending as much. If we use the EMSI model and allocate the drop in sales to various sectors of the economy such as grocery and department stores the model predicts that there will be a potential job loss of over 5000 and further earnings loss in the state of over \$173 million. From this policy simulation, we can see that the Mexican-American consumer power in the Minnesota economy is a significant driver of the economy.

How much does Minnesota value 5000 jobs? If we take the Legislative Auditor's estimate of the average cost per job, generated by the JOBZ program as an estimate of the state's value of a job, as a midpoint value of \$15,000 per job created, this results in an impact of \$75 million.²²

take into account dynamic factors that change the economy. It is, however, a useful planning and educational tool to talk about policy implications.

The input-output model in this report is created using the national Input-Output matrix provided by the Federal Bureau of Economic Analysis. This model combines with the national Total Gross Output, the regional Total Gross Output, the land area of the subject region, regional DIRT data and regional in/out commuter patterns in order to calculate regional requirements, imports and exports. After using matrix algebra to calculate the regional multiplier, the resulting matrix is multiplied by the sales vector and converted back to jobs or earnings. Specifically, this data comes from the U.S. Department of Commerce, Bureau of Economic Analysis, Industry Economic Accounts: Benchmark & Annual Input-Output (I-O) Accounts. In order to capture a complete picture of industry employment, EMSI basically combines covered employment data from Quarterly Census of Employment and Wages (QCEW) produced by the Department of Labor with total employment data in Regional Economic Information System (REIS) published by the Bureau of Economic Analysis (BEA), augmented with County Business Patterns (CBP) and Nonemployer Statistics (NES) published by the U.S. Census Bureau. Projections are based on the latest available EMSI industry data combined with past trends in each industry and the industry growth rates in national projections (Bureau of Labor Statistics) and states' own projections, where available. This model uses state data from the Minnesota Department of Employment and Economic Development, www.bea.gov/industry/io_benchmark.htm; www.bea.gov/industry/index.htm; www.economicmodeling.com/.

21. See *infra* Table 6, No. 9.

22. The Legislative Auditor came up with the estimates of the cost per job after factoring many variables such as the actual jobs created and overstating of

B. Mexican Entrepreneurial Capital

There is a vibrant entrepreneurial energy in the Mexican-American community. One can see this in the growth of Latino businesses in Saint Paul's District Del Sol or very dramatically on Lake Street in Minneapolis.

This growth represents the transformation of boarded-up or crime-infested areas to communities of entrepreneurial activity catering to both the ethnic economy as well as mainstream customers. Some of this activity is moving upstream towards manufacturing, services, and the high tech industry.

	Firms	Sales in Millions	Firms with Employees	Sales in Millions	Employees	Annual Payroll in Millions
2002	1908	277	446	229	3123	57
1997	1163	213	155	NA	NA	NA
Growth Rate %	64		189			

Source: Survey of Business Owners, 1997,²³ 2002²⁴

Table 2 reports data from the Survey of Business Owners that comes out every five years.²⁵ During the last five-year period of the survey, Mexican-American firms grew 64 percent and, more importantly, firms with employees grew 189 percent.²⁶ Total sales of these firms were \$277 million and they employed 3123 people with an annual payroll of \$57 million.²⁷ Mexican-American firms are just 0.42 percent of all firms in Minnesota.²⁸

the program's benefits. OFFICE OF THE LEGISLATIVE AUDITOR, STATE OF MINN., JOBZ PROGRAM: EVALUATION REPORT 95 (2008) *available at* <http://www.auditor.leg.state.mn.us/ped/pedrep/jobz.pdf> [hereinafter JOBZ PROGRAM].

23. For 1997 data see U.S. Dep't of Commerce, U.S. Census Bureau, Survey of Business Owners, <http://www.census.gov/epcd/mwb97/us/us.html>.

24. For 2002 data see U.S. Dep't of Commerce, U.S. Census Bureau, Survey of Business Owners, <http://www.census.gov/csd/sbo/minority2002.htm>.

25. *Id.*

26. *Id.*

27. *Id.*

28. *Id.*

1. Policy Simulation: What if Mexican-American firms increase sales by \$30 million?

In the EMSI Model, sales were increased by \$30 million and distributed into the following sectors: construction, professional services, restaurants, and communication. The model predicts that this will create an additional 700 jobs and result in an earnings increase in the state of over \$21 million.

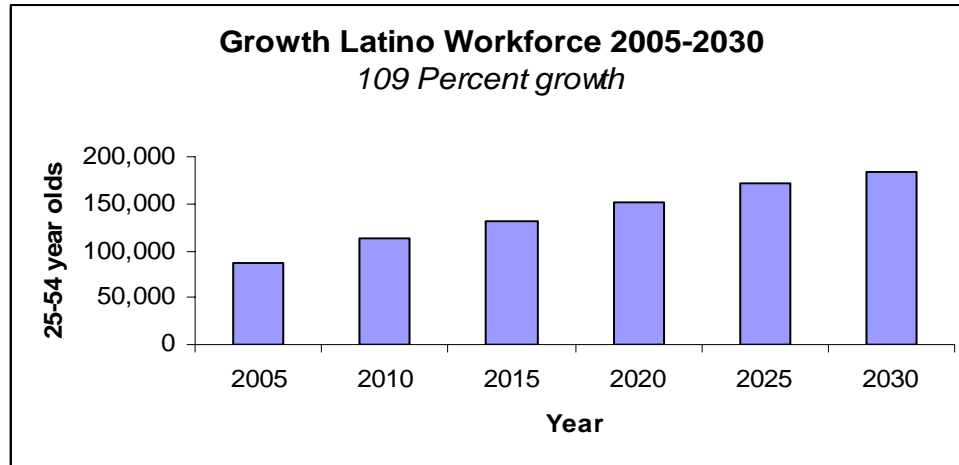
2. What is the value of creating 3123 jobs in Minnesota?

The Legislative Auditor, in a recent report assessing a current economic development program, estimated that the cost per job created ranged between \$11,000 and \$30,000.²⁹ So if we value these jobs created by Mexican-American firms (without any government program targeting them) at the midpoint, say \$15,000 per job, we get an estimated \$46 million value to the State of Minnesota.

C. Productive Capital

To understand the importance of the Mexican-American workforce in Minnesota one has to look at the demographic projections of the State Demographer. Figure 1 shows that by 2030 Latino (and Mexican-American) workers will be the fastest growing segments of the prime workforce in Minnesota.

29. JOBZ PROGRAM, *supra* note 22, at 95.

Figure 1

Source: Population projections, Minnesota State Demographer³⁰

Table 3 presents the distribution of Mexican-American workers by occupation while Table 8 provides this distribution by industry. The distribution of Mexican-American workers by industry or occupation is quite distinct from other workers in Minnesota, as the immigration literature points out.

	Total	"Mexican Origin"
Management, professional, and related occupations	36.50%	13.60%
Service occupations	15.40%	29.10%
Sales and office occupations	25.40%	14.60%
Farming, fishing, and forestry occupations	0.70%	2.80%
Construction, extraction, maintenance, and repair occupations	8.50%	9.00%
Production, transportation, and material moving occupations	13.50%	31.00%

Source: American Community Survey 2006³¹

30. Minnesota Dep't of Administration, Office of Geographic and Demographic Analysis, State Demographic Center, <http://www.demography.state.mn.us/resource.html?Id=10960>.

31. American Community Survey, U.S. Census, <http://factfinder.census.gov/>

These distinctions will become clear through examination of detailed occupational or industrial categories. For example, while 24.5 percent of Mexican-American workers are in the manufacturing sector, most of them work in the food industry. By occupation, the major sectors are production and services and by industry the major sectors are manufacturing and the accommodation industry.

Table 4: Mexican-American Workers by Industry, 2006		
	Total	"Mexican Origin"
Agriculture, forestry, fishing and hunting, and mining	2.40%	3.20%
Construction	6.70%	8.40%
Manufacturing	14.60%	24.50%
Wholesale trade	3.60%	4.20%
Retail trade	11.30%	7.80%
Transportation and warehousing, and utilities	4.50%	1.50%
Information	2.30%	1.00%
Finance and insurance, and real estate and rental and leasing	7.60%	5.00%
Professional, scientific, and management, and administrative and waste management services	9.30%	10.20%
Educational services, and health care and social assistance	22.50%	9.40%
Arts, entertainment, and recreation, and accommodation and food services	7.80%	18.10%
Other services (except public administration)	4.20%	4.80%
Public administration	3.20%	1.80%

Source: American Community Survey 2006³²

servlet/DatasetMainPageServlet (last visited Dec. 13, 2008) (follow "2006 American Community Survey" hyperlink; follow "selected population profiles" hyperlink; choose "Minnesota" under "state" and choose "Mexican" under "Hispanic or Latino" tab) [hereinafter AMERICAN COMMUNITY SURVEY 2006].

32. *Id.*

Table 5: Industries With Major Mexican-American Presence			
Name of Industry	Total Workers	Mexican Origin Workers	Percent Mexican
Miscellaneous petroleum and coal products	385	198	51.4%
Fruit and vegetable preserving and specialty foods	5,914	2,270	38.4%
Animal slaughtering and processing	15,005	4,037	26.9%
Apparels, fabrics, and notions	1,259	333	26.4%
Specialty food stores	5,830	1,240	21.3%
Services to buildings and dwellings	18,397	3,759	20.4%
Industrial and miscellaneous chemicals	3,828	772	20.2%
Not specified trade	1,495	250	16.7%
Bakeries, except retail	3,919	597	15.2%
Paperboard containers and boxes	4,589	649	14.1%
Coating, engraving, heat treating and allied activities	2,108	291	13.8%
Metal forgings and stampings	3,645	476	13.1%
Aluminum production and processing	939	118	12.6%
Used merchandise stores	5,198	593	11.4%
Restaurants and other food services	169,965	11,396	6.7%
Construction	240,732	6,498	2.7%

Source: American Community Survey, 2006³³

Table 5 shows the major industries with a significant Mexican-American presence, and includes some key manufacturing industries such as animal slaughtering and processing.

33. *Id.*

1. *Policy Simulation: What is the possible impact of Mexican-American workers on the Minnesota economy?*

The EMSI model³⁴ provides a picture of the possible impact of the Mexican-American workers on the Minnesota economy. The way we apply the model is to assume that 80,000 jobs (about the number of Mexican-American workers in Minnesota) are lost in the economy. We will allocate these job losses to the various industry areas where the workers are found and then simulate the impacts.

2. *Methodology*

The IPUMS³⁵ data from the 2006 American Community Survey provides the data for Mexican-American workers by industry. The allocation of workers to industry is made using the industry distribution from the IPUMS data as well as corroborating the information with the data on occupational distribution of Mexican-Americans in the IPUMS data and the DEED³⁶ dataset on worker distribution in Minnesota.

The EMSI model³⁷ predicts that job loss will cause an additional 176,000 job losses and drop earnings in the state by over \$6 billion. There will also be a loss in sales with a multiplier of 1.96, meaning that \$1.00 in sales lost results in an additional \$0.96 of sales loss in the region. There will be further impacts on other industries such as full service restaurants, grocery stores, supermarkets, and janitorial services.

This figure is a reasonable estimate of the economic impact of Mexican-American workers on the Minnesota economy. There are limitations with this estimate, namely the model gives us a snapshot of the impact and not the dynamic processes that occur. Further it assumes job losses and not the loss of workers.³⁸

34. See Appendix: Policy Simulation 3.

35. Integrated Public Use Microdata Series (IPUMS) provides census microdata for social and economic research. IPUMS International, <https://international.ipums.org/international/> (last visited November 1, 2008).

36. See MN Dep't of Employment and Econ. Dev., <http://www.deed.state.mn.us/lmi/tools/qcew.htm> (last visited Dec. 1, 2008).

37. See *supra* note 20 and accompanying text.

38. Job loss assumes the worker is still around for other opportunities. Worker loss, such as deportation, means the worker is no longer in the economy resulting in a loss of human capital.

3. *What is the value to the state for the loss of 256,000 jobs?*

The Legislative Auditor, in a recent report assessing a current economic development program, estimated that the cost for each job created ranged between \$11,000 and \$30,000, based on assumptions made.³⁹ Valuing these jobs at the midpoint of \$15,000 per job, they provide an estimated \$3.8 billion in value to the State of Minnesota.

D. *Global Capital*

According to the Minnesota Department of Trade and Economic Development, in 2000 more than 400 Minnesota companies did business with Mexico, and about 20 companies had a presence in Mexico.⁴⁰

In 2006, Mexico was Minnesota's ninth-largest export market.⁴¹ Exports grew by nine percent based on an increased demand for computers and electronics, machinery, and metal products.⁴² In 2006 trade between Mexico and Minnesota was close to two billion dollars.⁴³ Table C in the Appendix provides details about the various sectors of Minnesota's economy involved in trade with Mexico. There is, however, much potential to expand trade with Mexico, as Minnesota accounts for a very small portion of U.S.-Mexico trade.⁴⁴ The Mexican-American community in Minnesota can be an important network to improve our trade possibilities with Mexico.

1. *Policy Simulation: What if agricultural exports to Mexico increased by \$50 million?*

The EMSI model predicts that there will be a further gain of

39. JOBZ PROGRAM, *supra* note 22, at 19.

40. MINNESOTA DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT, MINNESOTA MEXICO VENTURES (2000), *available at* <http://www.exportminnesota.com/missions/Mexico/2000/mex-bro.pdf> [hereinafter MINNESOTA DEPT. TRADE].

41. MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT, ANNUAL REPORT STATISTICS: DATA ON MANUFACTURING INDUSTRIES FOR 2006 3, Table 1 (2007), *available at* <http://www.exportminnesota.com/PDFs/06an-stat.pdf> [hereinafter DATA ON MANUFACTURING INDUSTRIES].

42. *Id.* at 6.

43. Research and Innovative Technology Administration, Bureau of Transportation Statistics, North American Transborder Freight Data, http://www.bts.gov/programs/international/transborder/TBDR_QA.html (last visited Dec. 1, 2008).

44. *See* MINNESOTA DEPT. TRADE, *supra* note 40.

over 1500 jobs and a gain of over \$28 million in earnings in Minnesota.

2. *What is the value of 1500 jobs created to the State of Minnesota?*

The Legislative Auditor, in a recent report assessing a current economic development program, estimated that the cost per job created ranged from \$11,000 to \$30,000 based on assumptions made.⁴⁵ So, if we value these jobs at the midpoint, \$15,000 per job, we get an estimated \$22 million in value to the State of Minnesota.

E. *Fiscal Capital*

Table 6 provides estimates of tax payments by Mexican-Americans in Minnesota. Mexican-Americans paid an estimated \$141 million in state and local taxes and an estimated \$142 million in federal taxes.⁴⁶ Overall, Mexican-Americans pay around one percent of all state and local taxes collected by the State of Minnesota.⁴⁷ Tax liability is estimated using a simple method of computing average tax rates. Average federal tax rates were estimated using effective federal tax rates estimated by the Congressional Budget Office based on income levels.⁴⁸ Minnesota provides effective state and local tax rates by income level in the 2007 Minnesota Tax Incidence Study.⁴⁹ Mexican-American effective tax rates were estimated using the distribution of Mexican-American household levels by income group from Census 2000 data.⁵⁰ From the percentage distribution of population in each income range the corresponding effective federal and state tax rate was estimated using national and local sources. For the overall

45. JOBZ PROGRAM, *supra* note 22, at 19.

46. *See infra* Table 6, Nos. 6–7.

47. The one percent figure comes from calculating the percentage of \$16.2 billion of taxes paid by Minnesota residents that was paid by Mexican-Americans in Minnesota (who paid an estimated \$141 million in state taxes). The calculation is 0.0087, which is about one percent when rounded up. Minnesota residents paid \$16.2 billion of \$19.3 billion that Minnesota collected in taxes in 2004. MINNESOTA DEPARTMENT OF REVENUE, 2007 TAX INCIDENCE SURVEY 2 (Mar. 2007), http://www.taxes.state.mn.us/legal_policy/other_supporting_content/07_incidence_report_links.pdf [hereinafter 2007 TAX INCIDENCE SURVEY].

48. *See* CONGRESSIONAL BUDGET OFFICE, HISTORICAL EFFECTIVE FEDERAL TAX RATES: 1979–2005 1 (Dec. 2007), <http://www.cbo.gov/ftpdocs/88xx/doc8885/12-11-HistoricalTaxRates.pdf> [hereinafter HISTORICAL EFFECTIVE FEDERAL TAX RATES].

49. 2007 TAX INCIDENCE SURVEY, *supra* note 47, at 45.

50. AMERICAN COMMUNITY SURVEY 2006, *supra* note 31.

population in the country according to the Congressional Budget Office, the effective Federal tax rate was 20.5 percent in 2005.⁵¹ For Minnesota as a whole, the state tax incidence study estimated an effective tax rate of 11.6 percent with taxes being slightly regressive overall.⁵² For the estimates in this report, we use a Federal effective tax rate of 11.6 percent (weighted average of effective tax rates at different income levels) and a Minnesota effective tax rate of 11.5 percent (weighted average of effective tax rates at different income levels), derived from household income distribution of the Mexican-American community in Minnesota as recorded in Census 2000.⁵³

Table 6: Tax Estimates		
1	Average Household Income "Mexican" (2006) ⁵⁴	35,278
2	Federal Effective Tax Rate (2005) ⁵⁵	11.60%
3	State and Local Effective Tax Rate (2004) ⁵⁶	11.50%
4	Number of "Mexican" Households ⁵⁷	34,803
5	Total Household Income "Mexican" (Row 1* Row 4)	\$1,227,780,234
6	Federal Taxes (Row 5 * Row 2)	\$142,422,507
7	Minnesota State and Local Taxes (Row 5* Row 3)	\$141,194,727
8	Personal Taxes (Row 6 + Row 7)	\$283,617,234
9	Income after Taxes (Row 5 - Row 8)	\$944,163,000
10	Personal Taxes Non Citizens	\$24-55 million ⁵⁸

1. Policy Simulation: What are estimated tax payments of Mexican-Americans at the County or City Level?

In the appendix (Table B), we break down estimates of Mexican-Americans by major Minnesota counties. This shows that even in very small counties, Mexican-Americans pay their share of the state and local taxes. For example, people of Mexican origin pay an estimated \$42 million in Hennepin County and around \$2

51. HISTORICAL EFFECTIVE FEDERAL TAX RATES, *supra* note 48, at 1.

52. 2007 TAX INCIDENCE SURVEY, *supra* note 47, at 45.

53. AMERICAN COMMUNITY SURVEY 2006, *supra* note 31.

54. *Id.*

55. 2007 TAX INCIDENCE SURVEY, *supra* note 47, at 45.

56. *Id.*

57. AMERICAN COMMUNITY SURVEY 2006, *supra* note 31.

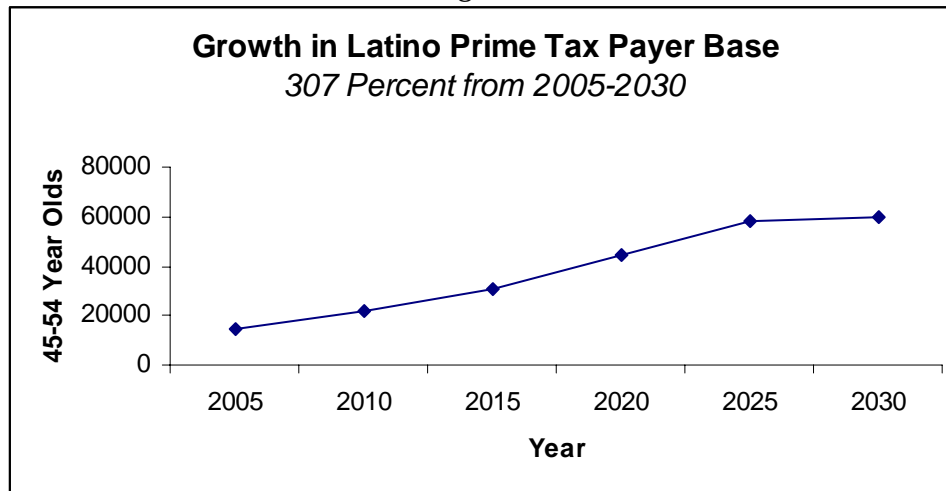
58. The lower range assumes only thirty-three percent pay state and local taxes. The higher range assumes 75 percent pay state and local taxes.

million in Kandiyohi County.

2. Policy Issues

Too often the role of Mexican-Americans as tax payers is ignored. Mexican-American citizens paid an estimated \$284 million in personal taxes and non-citizens paid an estimated \$24 to \$55 million in taxes.⁵⁹ These estimates of taxes are simple and serve to illustrate the fact that non-citizens do pay taxes. Figure 2 shows that the Latino population will be a significant part of the prime tax base in Minnesota in 2030 and will grow over 300 percent during that time. How much they will contribute in taxes in the future will depend upon investments in their education today.

Figure 2



Source: Population projections, Minnesota State Demographer⁶⁰

There is a lot of debate on the net cost of immigrants, namely, their contributions as taxpayers and their use of government services.⁶¹ The most extensive study of costs and benefits of both low-skilled and high-skilled immigrants was begun by the National

59. See *infra* Table 6.

60. MN Dep't of Admin., Off. of Geographic & Demographic Analysis, State Demographic Ctr., <http://www.demography.state.mn.us/resource.html?Id=10960> (last visited Dec. 13, 2008).

61. See SMITH & EDMONSTON, *supra* note 8, at 254–255.

Research Council (NRC) in 1995.⁶² Their study reported that immigrants without a high school degree had a net cost to society over the long term (immigrant plus descendents) of \$13,000 (1996 dollars).⁶³ Those with a high school degree, however, had a positive contribution of \$51,000.⁶⁴ Those immigrants with educational levels greater than high school had a net positive contribution of \$198,000.⁶⁵ This includes both the immigrants and their descendents; therefore in the long run additional education improved the life of the immigrant as well as the lives of their children.⁶⁶ The NRC study included children because, although they have initial costs, such as educational expenses, they grow up to become earning adults who pay taxes.⁶⁷ Most studies that report net costs of immigrants usually focus on low-skilled immigrants and do not include the high-skilled immigrants as was done in the National Research Council Study.⁶⁸

Table 7: Net Fiscal Impacts "Mexican" Non-Citizens Immigrant plus Descendents				
	1996 NRC Cost Estimates	2007 Costs	"Mexican" Non-Citizens	Long Term Fiscal Impact
less HS	-13000	(\$17,179)	31753	(\$545,497,171)
HS	51000	\$67,396	14816	\$998,540,025
> HS	198000	\$261,655	4701	\$1,230,041,565

The Minnesota study on the impact of undocumented workers in Minnesota estimated the net cost of these workers to be between \$176 and \$188 million annually.⁶⁹ Non-citizens of Mexican origin

62. *Id.* at 1.

63. *Id.* at 350.

64. *Id.*

65. *Id.*

66. *Id.*

67. *Id.*

68. *See id.* at 333–34.

69. OFFICE OF STRATEGIC PLANNING & RESULTS MGMT., MINN. DEP'T OF ADMIN., THE IMPACT OF ILLEGAL IMMIGRATION ON MINNESOTA: COSTS AND POPULATION TRENDS

paid an estimated \$24 to \$55 million in state and local taxes.⁷⁰ This figure does not include an estimate of their economic contribution to the economy in terms of consumer demand, entrepreneurs, and workers.

The EMSI model, for example, illustrates that if there would be a loss of 40,000 jobs performed by Mexican origin non-citizens the impact would be a further loss of over 50,000 Minnesota jobs resulting in a loss in earnings of over a billion dollars.⁷¹

If we take the Legislative Auditor's midpoint estimate of the cost per job created in the JOBZ program as an approximation of the state's value for a job we find that the loss of 90,000 jobs would have a \$1.2 billion impact.⁷²

Thus, while there might be a net deficit in terms of taxes regarding the immigrants' overall contribution to the economy, immigrants may still well have a positive impact.

If we take the number of non-citizens of Mexican origin as reported in the 2006 American Community Survey IPUMs⁷³ dataset (Table 7) to calculate possible long term net fiscal impacts, we see that for non-citizens with less than a high school degree, the long-term cost is \$545 million. For higher educational groups, however, there is a net positive contribution of over \$2 billion in the long run.⁷⁴ The table further underscores the importance of investing in education today to get long term benefits in the future.

5 (2005), available at http://www.mnforsustain.org/immig_mn_state_illegals_cost_study.htm [hereinafter IMPACT OF ILLEGAL IMMIGRATION].

70. See *infra* Table 6.

71. A study done by James Kielkopf in 2000 found very similar impacts. See JAMES J. KIELKOPF, *THE ECONOMIC IMPACT OF UNDOCUMENTED WORKERS IN MINNESOTA* 15 (2000). He had a high estimate of 48,268 undocumented workers. *Id.* The Pew Hispanic Center has a range of 50,000 to 100,000. *Id.* Kielkopf used a similar model to the EMSI model.

72. JOBZ PROGRAM, *supra* note 22.

73. Steven Ruggles Matthew Sobek, Trent Alexander, Catherine A. Fitch, Ronald Goeken, Patricia Kelly Hall, Miriam King, & Chad Ronnander, *Integrated Public Use Microdata Series: Version 4.0.*, Minneapolis, MN: Minnesota Population Center, 2008, <http://usa.ipums.org/usa/> (last visited Dec. 13, 2008).

74. See Robert E. Rector, Senior Research Fellow, Welfare & Family Issues at the Heritage Found., Testimony before the Subcomm. on Immigration of the Comm. on the Judiciary of the U.S. House of Representatives: The Fiscal Cost of Low-Skill Immigrants to State and Local Taxpayers (May 17, 2007), available at <http://www.heritage.org/Research/Immigration/tst052107a.cfm>. Rector estimates the costs of low-skilled immigrants to the country to be \$19, 958 per household annually. *Id.* at 1. Since he does not estimate the same for high-skilled immigrants like the NRC study, however, we have a one-sided analysis.

F. *Cultural Capital*

People of Mexican origin add much to the cultural capital of Minnesota. These are some of the established Mexican contributions which make Minnesota a global state:

- Mexican restaurants and grocery stores;
- Mexican foreign study programs;
- Improving Minnesotans' comprehension of a global language—Spanish;
- Mexican dance, art and music;
- Mexican/Latino media, including one of the oldest ethnic newspapers—La Prensa de Minnesota;⁷⁵
- The annual Cinco de Mayo celebrations that draw thousands of people to the events in Saint Paul and Minneapolis.

1. *Policy Simulation: What is the impact of an increase of \$30 million into the hospitality/tourism industry as a result of cultural tourism in Minnesota?*

The EMSI model predicts that there will be a further gain of over 800 jobs with a gain of over \$23 million in earnings in Minnesota.⁷⁶

2. *Policy Issues*

A recent report of the Department of Commerce documents the importance of cultural and heritage tourism in the United States.⁷⁷ The report points to recent data that 81 percent of the 146 million adults who took a trip 50 or miles or more from home can be considered cultural and heritage tourists.⁷⁸ They tend to spend more than other travelers and travel longer.⁷⁹

Recent studies also document the case of the positive impact of cultural diversity on economic assets of workers in cities in the

75. PERIODICO LA PRENSA DE MINNESOTA, <http://www.laprensademn.com> (last visited Dec. 1, 2008).

76. The EMSI Model employed here uses a standard methodology to assess the impact an increase of \$30 million would have on the Minnesota economy. Precise methodology on file with author; *see generally* Economic Modeling Systems, Inc., <http://www.economicmodeling.com/data/> (last visited Dec. 13, 2008).

77. *See* U.S. DEP'T OF COMMERCE & PRESIDENT'S COMM. ON ARTS & HUMANITIES, POSITION PAPER ON CULTURAL & HERITAGE TOURISM (2005), http://www.nasaa-arts.org/artworks/cultural_heritage_tourism_paper.pdf.

78. *Id.* at 3.

79. *Id.*

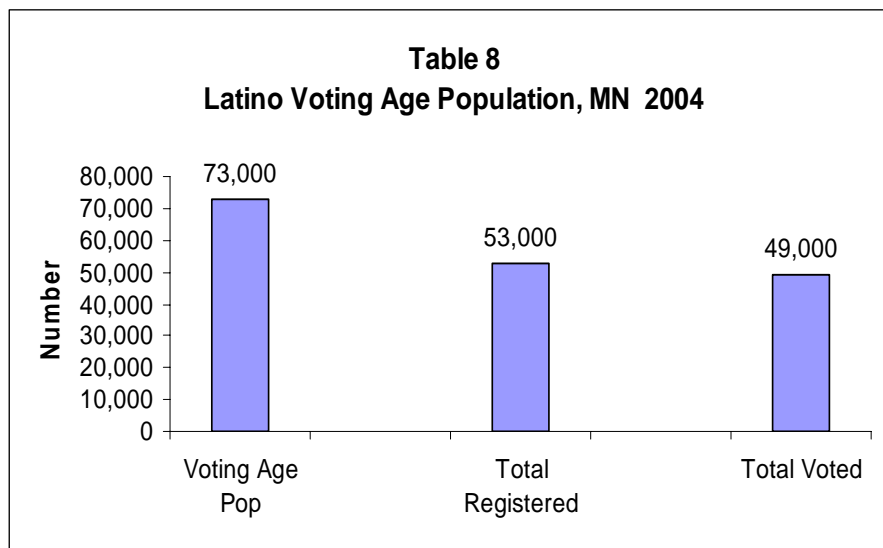
United States.⁸⁰

Minnesota has not done enough to develop its ethnic cultural capital, and so there is a lot of potential for rapid growth in this area.

G. Political Capital

The U.S. Census Current Population Survey (2004) provides evidence of Latino participation in the elections of 2004.⁸¹ In Minnesota, 49 percent were registered to vote and 45 percent voted in 2004.⁸² There were 73,000 Latinos of voting age out of which 49,000 voted in 2004.⁸³

Mexican-Americans are approximately three percent of the population of Minnesota although they make up five and six percent of the population in Congressional Districts 4 and 5, respectively.⁸⁴



80. See GIANMARCO I.P. OTTAVIANO & GIOVANNI PERI, THE EFFECT OF IMMIGRATION ON U.S. WAGES AND RENTS: A GENERAL EQUILIBRIUM APPROACH (2007), http://www.econ.ucl.ac.uk/cream/pages/CDP/CDP_13_07.pdf.

81. See U.S. Census Bureau Voting & Registration in the Election of November 2004, <http://www.census.gov/population/socdemo/voting/cps2004/tab04a.xls>.

82. *Id.*

83. *Id.*

84. See U.S. Census Bureau Fast Facts for Congress at <http://fastfacts.census.gov/home/cws/main.html> (enter "Minnesota" under "state" to see state demographic data; select a congressional district under "district" to see data for only that district) [hereinafter U.S. CENSUS FAST FACTS].

III. CONCLUSION

This case study on people of Mexican origin illustrates the concept of Immigrant Capital and the many ways immigrants build up their communities. Similar profiles can be done about other immigrant communities. For example, African Immigrant Capital in the United States has an estimated buying power of \$45 billion.⁸⁵ The election of Barack Obama to the presidency illustrates the dynamic power of immigrant capital. President Obama's father was an immigrant from Kenya. Kenyans are a small fraction of African immigrants who are in turn a small fraction of the total number of immigrants to the United States. Any doubts about the contributions of immigrant capital can end with this significant event in American history.

It is time to go beyond the narrow debate on immigration policy in the United States to a more comprehensive portrait of Immigrant Capital in America.

85. Bruce P. Corrie, Address at 4th Annual Midwest Multicultural Marketing Conference (Mar. 13, 2008), <http://www.ethnictrends.info/pdfs/AfricanImmigrantCapital.pdf>.

APPENDIX

Table A: Mexican-American Buying Power – Counties (MN)

Hennepin County	\$288 million
Ramsey County	\$187 million
Dakota County	\$78 million
Washington County	\$37 million
Anoka County	\$32 million
Rice County	\$20 million
Olmsted County	\$20 million
Nobles County	\$18 million
Scott County	\$17 million
Freeborn County	\$15 million
Mower County	\$14 million
Kandiyohi County	\$14 million
Watonwan County	\$11 million
Carver County	\$11 million
Stearns County	\$9 million
Clay County	\$9 million
McLeod County	\$8 million
St. Louis County	\$8 million
Steele County	\$7 million
Wright County	\$6 million
Otter Tail County	\$6 million
Sherburne County	\$6 million
Blue Earth County	\$5 million
Polk County	\$5 million
Le Sueur County	\$5 million

*Source: Census 2000, ACS 2006, and author calculations⁸⁶

86. See generally Minnesota QuickFacts from the US Census Bureau, http://quickfacts.census.gov/qfd/maps/minnesota_map.html (last visited Dec. 14, 2008) (basing calculations off reported buying power by county).

Table B: Taxes Paid By People of Mexican Origin, Minnesota

County	Federal Taxes (11.5%)	State & Local Taxes (11.6%)
Hennepin County	\$41,928,514	\$42,293,110
Ramsey County	\$27,214,984	\$27,451,636
Dakota County	\$11,429,551	\$11,528,939
Washington County	\$5,356,896	\$5,403,477
Anoka County	\$4,609,068	\$4,649,147
Rice County	\$2,942,990	\$2,968,582
Olmsted County	\$2,867,992	\$2,892,931
Nobles County	\$2,603,318	\$2,625,956
Scott County	\$2,460,251	\$2,481,645
Freeborn County	\$2,212,989	\$2,232,232
Mower County	\$2,106,994	\$2,125,316
Kandiyohi County	\$1,986,370	\$2,003,642

Source: Census 2002, ACS 2006, Congressional Budget Office⁸⁷

87. See generally AMERICAN COMMUNITY SURVEY 2006, *supra* note 31; U.S. CENSUS FAST FACTS, *supra* note 84 (calculating the figures in Table B based on demographic and economic data).

Table C: Minnesota Mexico Trade 2006, Major Industries

INDUSTRY	TOTAL VALUE (\$)
Nuclear reactors; boilers; machinery and mechanical appliances; parts thereof	504,605,537
Electrical machinery and equipment and parts thereof; Sound recorders and reproducers	443,947,614
Optical; photographic; cinematographic; measuring; checking; precision; medical instruments	340,188,447
Residues and waste from the food industries; Prepared animal feed	68,671,537
Articles of iron or steel	67,094,254
Special classification provisions	49,991,347
Paper and paperboard; Articles of paper pulp; of paper or of paperboard	40,937,541
Vehicles; other than railway or tramway rolling stock; and parts and accessories thereof	36,367,586
Plastics and articles thereof	34,721,229
Animal or vegetable fats and oils and their cleavage products; Prepared edible fats; Animal waxes	31,601,887
Articles of apparel and clothing accessories; not knitted or crocheted	31,491,896
Sugars and sugar confectionery	29,776,861
Aluminum and articles thereof	25,415,945
Cereals	19,786,940
Miscellaneous edible preparations	18,206,070
Products of animal origin; not elsewhere specified or included	17,789,801
Preparations of vegetables; fruit; nuts; or other parts of plants	17,347,790
Oil seeds and oleaginous fruits; Miscellaneous grains; Seeds and fruit; Industrial plants	13,119,675
Meat and edible meat offal	12,332,977
Preparations of cereals; flour; starch or milk; Bakers' wares	10,800,724
Pulp of wood or of other fibrous cellulosic material; Waste and scrap of paper or paperboard	10,209,151
TOTAL TRADE	\$1,949,415,112.00

Source: Bureau of Transportation Statistics⁸⁸

88. See generally Bureau of Transportation Statistics, *Minnesota Transportation Profile*, http://www.bts.gov/publications/state_transportation_statistics/minnesota/ (last visited Dec. 14, 2008).